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Independent analysis of federal and private salary data needed

March 16, 2010 - 2:07pm

Chris Edwards, director of tax policy studies, Cato Institute

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By [Dorothy Ramienski](#)
Internet Editor
Federal News Radio

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The issues surrounding pay and benefits for federal employees continues to be a controversial one.

Federal News Radio [told you last week](#) that John Berry, director of the Office of Personnel Management, was incensed at an [editorial in the Washington Times](#) last week. That op-ed piece claimed that federal employees don't always work hard to earn their salaries.

Chris Edwards is director of tax policy studies at the Cato Institute and recently [wrote an article](#) about the issue of federal pay and benefits, and Berry's comments.

"USA Today, I think, did an interesting analysis a week ago, where they actually compared 216 different occupations in the private sector and public sector -- everything from janitor to chemist -- and they found that, in 83 percent of these positions, the federal worker made more in wages. If I was the head of the OPM, I would say -- 'gee, that's interesting results. We'll take a look at that information,' but, rather, he just responded in a very sort of aggressive way that I thought was rather strange."

The Times editorial was written after a [recent article from USA Today](#) compared the financial compensation of similar jobs in the public and private sectors.

That article [elicited a response](#) from the Bureau of Labor Statistics, which said USA Today compared two different sets of data.

Others, such as the Partnership for Public Service, [commented](#) on the USA Today analysis, calling it an 'apples to oranges' comparison because of the different nature of public sector and private sector work.

Edwards said he understands why people would say this, but said part of the problem lies with the methodology used to calculate the federal pay gap.

"The current federal pay gap, determined by the [Federal Salary Council](#), is supposed to be 26 percent -- federal worker wages, on average, are supposed to be 26 percent below the private sector. What is really curious about that is, I went back and I looked at, for example, the 2001 Federal Salary Council pay gap number. Back then, it was 22 percent. So, the pay gap has been basically unchanged for years."

He added that his examination of [Bureau of Economic Analysis](#) data shows that federal pay is actually rising much faster, on average, than private sector pay.

"So, this doesn't compute. I think that there's something suspicious going on with the pay gap numbers and I think the USA Today analysis indicates that, too. The federal pay gap calculation is very, very complicated. It's sort of a black box, and there's no published study on it."

To really get to the bottom of the issue, Edwards explained he thinks there needs to be independent compensation consultants involved. He does agree, though, that one must compare job to job.

"Obviously, we have to set federal salaries somehow and we need to look to private markets to do that because we want federal salaries to be competitive. But, we also don't want to pay more in the government sector for two reasons -- one is that there's a tax-bear cost, of course, but secondly, there's an argument that the private sector needs highly skilled workers, as well."

This does not mean, he reiterated, that the federal government doesn't need talented people. What he would like to see,



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he explained, is federal agencies like OPM and BLM take a look at the overall data regarding federal employee pay and benefits.

"You can look at overall trends here and there does seem to be -- looking at overall, broad data -- a trend in fast-rising federal worker pay and benefits. The USA Today article . . . showed a very big increase in just the last two years. It strikes me that federal officials . . . should be looking into this and trying to discover why these trends are doing what they're doing. I think we need an outside consultant to come in and really look job to job."

This is why he takes issue with the way the pay gap is calculated, he explained.

"They don't actually do a job to job comparison -- private chemist versus public chemist. What they do is, they take a private worker and then they stick him in to where they think a private chemist would be on the GS scale at a certain Step. . . . I think that that current gap methodology is suspicious because the gap seems to have been steady for the last decade or so, and yet, the overall data shows that this acceleration in the federal sector."

There are a variety of reasons that could contribute to this, he added. Private sector wages have stagnated during the recession, making federal jobs seem more lucrative. Also, the push for pay-for-performance at the Defense and Homeland Security Departments could have also been a factor.

"[It] actually caused a big acceleration at the top end in those departments. Pay-for-performance was essentially used as an excuse to give big pay raises to just about everyone -- at least, that's what it seems from the data that they published a month or so ago. So that could have been feeding into this, as well."

Overall, he reiterated that he believes the pay gap methodology is outdated and should be updated to give more accurate results.

Tags: [Pay & Benefits](#), [Cato Institute](#), [USA Today](#), [Bureau of Labor Statistics](#), [Chris Edwards](#), [OPM](#), [Bureau of Labor Management](#), [private sector](#), [wages](#), [John Berry](#), [Dorothy Ramienski](#)

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