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Should federal workers be asked to take pay cut, too?

Tony Pugh | McClatchy Newspapers

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WASHINGTON — During Public Service Recognition Week earlier this month, hundreds of job seekers converged on the National Mall to learn about career opportunities in the federal government.

While economists don't expect the private-sector job market to reach its pre-recession hiring levels until 2015 or later, the federal government, America's largest employer, suffers no such recessionary hangover.

The full-time federal civilian work force — excluding postal service employees — is expected to top 2.1 million in fiscal year 2010, and more than 560,000 new workers will be hired in the next four years, said John Palguta, the vice president for policy at the Partnership for Public Service.

For a nation battered by layoffs, plant closings and double-digit unemployment, Uncle Sam's hiring largesse should be a source of hope and inspiration. However, 98 percent of working Americans aren't federal employees, and many are wondering aloud why federal civil servants haven't faced the wage freezes, layoffs, furloughs, pay cuts and hiring freezes that many in the general work force have endured.

Surely, the bulging federal deficit, diminished income tax revenue and massive war budget should warrant some sacrifice at the federal level.

Shouldn't it?

"To the extent that the American people are tightening their belt, Washington should tighten its belt too," said Brian Reidl, a research fellow in federal budget policy at the conservative Heritage Foundation. "It's important that federal employees aren't exempted from the sacrifices that other people are making."

That same logic prompted President Barack Obama, on his first full day in office, to freeze the pay of about 100 senior White House staffers who earn more than \$100,000 a year.

It was a nice symbolic gesture. However, Chris Edwards, the director of tax policy studies at the libertarian Cato Institute and the author of "Downsizing the Government," said the freeze should be extended to all federal civilian employees for the next several years, or at least until the economy recovers and private-sector

wages improve.

After all, average compensation for federal civilian workers increased nearly twice as much as it did for the private sector from 2000 to 2008, federal data show. In fact, the average annual compensation for federal civilian workers — \$119,982, including earnings and benefits — ranks seventh among 72 occupations, behind only high finance, energy and company management professions.

Then there are the benefits.

"Federal workers get a 401k-style plan, but they also get an old-fashioned defined-benefit pension plan with inflation protection," Edwards said. "They also get health care benefits when they retire above and beyond Medicare. You just don't see that kind of stuff in the private sector anymore, and I think the federal work force ought to reflect the private work force. It shouldn't be an elite island separated from the rest of us."

Palguta said some government compensation and staffing levels should be "readjusted," both up and down. "But the rational and logical thing to do is to go in with a scalpel, not with a sledgehammer," he said.

Paul C. Light, a professor of public service at New York University's Robert F. Wagner Graduate School of Public Service, agreed that a rigorous restructuring of the federal government is needed.

"But I think blunt instruments like pay cuts and hiring freezes have proven absolutely ineffective in the past," Light said.

That's because they can be circumvented through promotions and advances through the dense federal employee classification system. "So unless you simultaneously freeze movement of employees through the pay grades, you've done nothing more than create more layers of bureaucracy," Light said.

Thomas E. Mann, senior fellow for governance studies at The Brookings Institution, a center-left Washington research group, said freezing federal wages wouldn't save much money anyway, since most of the federal deficit stems from transfer payments to states, social programs, defense spending and payment on the national debt.

As for federal salary and work force cuts, Mann said that's a "lousy idea."

"The public has a notion that in the face of an economic downturn, everybody needs to cut back and the government budget should be run like a family's budget. But what seems viscerally fair and the right thing to do can make just dreadful policy sense," Mann said. "Cutting efforts of any kind when the economy is still shaky is really a dumb thing to do."

Others say that cancelling promised raises for government workers would be like imposing a tax on one narrow segment of the work force — one that had nothing to do with causing the economic crisis.

"How do you get from the bailout of Wall Street to cutting the pay of the janitor or food service worker in a VA hospital? We bailed out millionaires and to pay for it, we should cut the pay of civil servants?" said Jacqueline Simon, the public policy director for the American Federation of Government Employees, which represents more than 600,000 federal workers. "Whatever problems the federal budget is experiencing has literally nothing to do with the size or compensation of federal employees."

To keep the wheels of government churning, Uncle Sam requires a diverse work force. The mammoth federal civilian payroll includes brain surgeons, janitors, attorneys, accountants, police officers, lawyers, economists, food service workers, scientists, housekeepers, physical therapists, weapons analysts, linguists, pharmacists and scores of other positions.

While the mission of government changes with the times, the size has been fairly stable for decades. The federal payroll, at roughly 2.1 million civilian employees, is up from about 1.8 million during the Clinton administration's "reinvention of government." However, the federal work force is roughly the same size as it was during Gerald Ford's administration and about 100,000 less than it was when President Ronald Reagan left office, Palguta said.

The executive branch is projected to add about 274,000 full-time civilian workers from 2007 to 2011. About 80 percent of these new employees will work in support of war and counterterrorism efforts at the departments of Veterans Affairs, Homeland Security, Defense, Justice and State.

Despite these additions, the federal civilian work force has been shrinking relative to the general population. In 1953, there was one civil servant for every 78 residents. That ratio fell to one for every 110 residents in 1988 and one per 155 residents in 2008.

A big part of that decline stems from the loss of lower-paid and lower-skilled federal workers whose jobs have been farmed out on a contract basis — so they're not on the federal payroll, but they're still paid with U.S. tax dollars. These contract workers cost the government more than \$500 million a year, more than twice the amount in 2001. Last year, the Office of Management and Budget directed federal agencies to cut their contracting budgets by 7 percent to save \$40 billion a year.

As more lower-paying positions leave the federal payroll, they've been replaced by higher-paying positions that require better-educated and better-skilled workers. That's one reason why the average compensation for federal employees increased at nearly twice the rate of the private sector from 2000 to 2008, according to data from the Commerce Department.

Average earnings in the private sector, which includes minimum-wage workers, CEOs and everyone in between, increased 31 percent, from \$45,772 in 2000 to \$59,909 in 2008, federal data show. However, earnings for federal civilian workers rose about 54 percent in that period, from \$51,518 to \$79,197.

Federal workers also have seen more generous contributions and faster growth in the area of benefits. From 2000 to 2008, the average annual value of private sector benefits — mainly pension and health insurance contributions — have increased 43 percent from \$6,910 to \$9,881. However, benefits for federal civilian workers jumped 65 percent from an average of \$24,669 in 2000 to \$40,785 in 2008.

In March, Rep. Ann Kirkpatrick, an Arizona Democrat, introduced legislation to cut congressional salaries by 5 percent, from \$174,000 to \$165,300. If enacted, it would be the first pay cut for Congress since the Great Depression.

A similar measure for federal civilian employees would be difficult to do, especially for Democrats in an election year, but fiscally worth considering, said Pete Sepp, the executive vice president of the National Taxpayers Union.

"By expanding the scope beyond (members of) Congress, the savings at stake go from the millions into the billions," Sepp said. "In Washington, any talk of cutting salaries seems taboo, but outside the Beltway, where many people are making do with smaller paychecks or none at all, there might be a lot of receptive ears to the idea."

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