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Federal method of measuring pay gap is flawed

By STEPHEN LOSEY - Nov. 2, 2012

The federal government's claim that its employees are underpaid by an astounding 34.6 percent is likely flawed and can't be trusted, a leading pay expert said last week.

"This whole thing has really lost credibility," Howard Risher, the managing consultant for the studies that led to the 1990 Federal Employees Pay Comparability Act, said in an interview with Federal Times. "There are so many technical questions. Who knows how accurate this is?"

It's not just an academic question, Risher said. Federal pay in recent years has become an increasingly divisive political issue. Several studies — mostly from conservative and libertarian organizations, but also from the nonpartisan Congressional Budget Office — have concluded federal employees are overcompensated when compared with the private sector.

Some Republican politicians, including presidential nominee Mitt Romney, have pointed to those studies as evidence that the federal pay system must be significantly overhauled and that compensation needs to be reduced.

But federal unions and other defenders of the current pay system say the government's pay gap conclusions are evidence that federal employees are vastly underpaid — and falling further behind.

The Federal Salary Council — a panel of federal union officials and pay experts that studies how federal and nonfederal pay compares, and that advises the president on how big a raise to give federal employees — on Oct. 19 said that the pay gap between federal employees and their counterparts in the private sector shot up 8.3 percentage points this year, from 26.3 percent in 2011. It is the widest pay gap since the Federal Employees Pay Comparability Act was enacted in 1990.

Unions said one chief reason for the jump in the pay gap is the freeze on federal pay scales, which is now in its second year and will go at least through March. They argue the widening gap is a sign that the freeze should be lifted.

However, the council's official report attributed the swing to a major change in its methodology. President Obama's budget effectively canceled the National Compensation Survey — one of two survey models used by the Bureau of Labor Statistics to estimate the pay gap — and forced it to rely on only a model using Occupational Employment Statistics data.

Risher said the pay freeze likely had some effect but said the bulk of the pay gap increase was probably due to the methodology change. The old National Compensation Survey model compared jobs based on their levels of complexity and knowledge required. But the Occupational Employment Statistics model does not measure such work levels.

That is a critical difference, Risher said, and worsened the government's already-troubled pay gap methodology.

“You can't just lump all nurses together and say, ‘This is the average,’” Risher said.

Risher said the federal pay system needs to be significantly overhauled because lower-graded federal employees are probably overpaid when compared with the private sector, but higher-skilled employees such as scientists, engineers and attorneys are likely underpaid. But the government's adherence to a flawed method of analyzing federal pay — one apparently getting even less reliable — makes it even less likely that the debate will be settled soon.

“It just perpetuates this argument — that's going to get increasingly contentious — over an issue that could be put to bed if we had better data,” Risher said. “This ritual only gives the critics of government another reason to shoot their arrows. The only way to solve this problem is to replace the General Schedule.”

Chris Edwards of the libertarian Cato Institute, who has published several studies concluding federal employees are overpaid, agreed.

“It sows a heck of a lot of confusion ... which is why we need an outside auditor to come in and examine the salary council's method,” Edwards said.