



The Politics of Federal Pay Rates

by [Ralph Smith](#) | November 1, 2012  

There is little agreement on how much federal employees should be paid. If anything, the gap between those who think federal employees are overpaid and those who think the federal workforce is underpaid is growing wider.

A new document that will stoke the fires of discontent and heat up the political discourse is the latest volley in what is essentially a political dispute disguised as a battle between salary experts.

To add to the complexity of the debate, there is growing disparity in salary levels among the federal workforce. Federal employees who work in [agencies where unions negotiate wages](#) make more money than those in other agencies. Also, federal employees who work in agencies that are outside the restrictions or requirements of the general salary schedule [also make more money](#). We don't know if the higher salaries paid in these outlying agencies is more fair or just examples of taking advantage of a good deal that is largely invisible to the American public but, presumably, the federal employees making more money are happier with their pay rates and those that are in the remaining agencies grow more unhappy as a result. (You can search for an individual federal employee's salary at [FedsDataCenter.com](#))

The Federal Salary Council [recently reported](#) that federal employees are underpaid by about 35%. That conclusion appeals to many federal employees who, understandably, would like a higher salary. It also appeals to the unions that represent federal employees for a variety of reasons.

The recent report by the Salary Council will certainly serve to stoke the debate but will not resolve it, in part because the organization has little credibility. The Salary Council includes three experts in labor relations and pay policy and six representatives of labor unions and other employee organizations.

The view of those outside of government is essentially that the conclusions are political decisions in a different wrapping. As noted in a [recent article quoting salary expert](#) Howard Risher, “ ‘It is impossible to conceive of a change in circumstances that will restore credibility to the Pay Agent recommendations.’ Moreover, the latest report to

the president noted the pay agent has “serious concerns” about the process used to adjust salary ranges and the method used for estimating pay gaps.”

The U.S. Bureau of Economic Analysis [data show](#) that 2011, federal civilian workers had an average wage of \$84,671. By comparison, the average salary of the nation’s 102 million private-sector workers was \$53,463. And, when benefits such as health care and pensions are included, the federal compensation advantage over private sector workers gets bigger, according to the BEA data. In 2011, federal worker compensation averaged \$128,226, or about double the private-sector average of \$64,560. The CATO institute [states](#) ”It isn’t just rocket scientists that are earning high federal compensation, it is also workers in many run-of-the-mill bureaucratic jobs.”

The analysis by Cato does not, of course, resolve the dispute any more than the findings by the Federal Salary Council.

The Congressional Budget Office (CBO) stepped into the fray recently. [Its study](#) concluded:

- The wages of federal workers are 2 percent higher than similar private-sector workers, on average.
- The benefits of federal workers are 48 percent higher than similar private-sector workers, on average.
- The total compensation (wages plus benefits) of federal workers is 16 percent higher than similar private-sector workers, on average.

In effect, the federal compensation advantage varies by education level according to the CBO. People with low and middle levels of education generally do better in the government, while people with doctorates generally do better in the private sector.

A [new analysis](#) of federal pay reaches a different conclusion and attacks the CBO study. The [Federal-Postal Coalition](#) is made up of many federal unions.

The coalition makes an argument that federal employees are different than those in the private sector in the following ways:

- A higher percentage of federal employees (33 percent) work in professional occupations as compared to the private sector (18 percent). This translates to more formal training and experience, which partially accounts for the fact that the average age of federal employees is four years higher than the private sector (45 versus 41).
- Federal employees have higher levels of education, with 51 percent earning at least a bachelor’s degree, compared to 31 percent of the private sector workforce.
- The federal government has a higher proportion of “white-collar” jobs than the private sector with many lower skilled and lower paid federal jobs recently contracted out.

- The primary reason federal benefits average higher than the private sector is because some private employers provide little or no employee benefits.
- Comparing the federal “blue collar” workforce to private sector jobs has its own set of difficulties and there are significant differences. It is essential to understand that many jobs in the federal government are unique to the government. While federal “blue collar” jobs may be similar to the non-federal sector, they often have substantially greater skill requirements and levels of responsibility. For example, a federal employee working as an electrician in a military depot with electronic weaponry requires a much different skill set than a private sector electrician doing residential work.
- Most federal employment positions require US citizenship and personnel security clearances resulting from September 11, which would naturally increase federal employee compensation in comparison to the private sector.

The analysis also concludes that there is little interest among college students in working for the federal government as a career. It states:

“Recently, the National Association of Colleges and Employers (NACE) conducted an online survey of 35,000 college students and found only 2.3 percent of them plan to pursue careers in federal government.”

We do not know if the lack of interest is due to salaries paid by federal agencies or a perception of the government as an undesirable place to work but, presumably, a higher salary would still entice more people to apply for government jobs. [We do know](#) that in 2011, federal employees younger than 30 quit their jobs at a rate that was five times higher than their counterparts over the age of 30. Although 13 percent of 20-somethings left the civil service in 2011, many more are at risk of leaving: 31 percent report that they will consider leaving their organizations in the next year, according to the [Federal Employee Viewpoint Survey](#).

But, to put the quit rate in perspective, [as noted](#) by the Cato Institute in analyzing data provided by the federal government: “BLS data shows that a federal employee is more than 8 times less likely to quit than a private sector employee. We’ve argued that this indicates that federal employees recognize that the generous combination of wages, benefits and job security is hard to match in the private sector, so they stay put.”

We also know that, according to [an OPM survey](#), 62.5% of federal employees were satisfied with their pay and that the percentage dips to about 64% for those federal employees who are in their twenties. The same survey showed that about 71% of federal employees in their twenties were satisfied with their jobs—a slightly higher percentage than older federal employees. In analyzing the survey and the satisfaction of younger federal employees, one expert [concluded](#):

“Ultimately, what motivates millennial workers is not fundamentally different from what motivates those with more experience. Providing development opportunities and meaningful recognition have always been key tenets of management, and reinforcing

both does not need to cost the agency much, if anything. Amid the commotion of constraining budgets, it is nice to know that the public-sector manager has a fair amount of control over the retention of their workers.”

The Federal Postal coalition concludes that the argument about federal pay and benefits “will only serve to exacerbate the situation. ”

In the final analysis, the coalition analysis says that the Congressional Budget Office study “may worsen public perception of this issue as some may inappropriately use the conclusions drawn to justify continuing federal pay freezes and further reduce compensation, which would seriously detract from the efficiency of the federal workforce.” Or, in other words, the CBO should butt out of the issue because the “CBO study to compare federal benefits to the private sector is flawed and should be re-evaluated.”

In short, arguments on the appropriate level of federal pay are likely to continue and that new studies with conclusions contrary to the underlying beliefs of other participants are going to be attacked. The pay and benefits of federal employees are likely to be under close scrutiny for some time, particularly with a lingering recession or economic slowdown and high unemployment. The “perfect storm” for the federal workforce has not yet abated. (See [*A Perfect Storm for Federal Employee Pay and Benefits*](#))