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Pay and Benefits Watch

Pay Primer

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The rules governing federal employee compensation are complicated enough when they're reported accurately. Mischaracterizations in the general media only muddy the waters further in discussions over how civil servants' salaries are set and how they stack up against private sector pay. If the Obama administration wants to [start an informed debate](#) outside the Beltway over federal compensation, it must correct repeated factual errors.

Take coverage earlier this week of President Obama's [latest missive](#) on the 2010 pay raise, in which he invoked a national emergency and high unemployment rates to justify a lower-than-mandated 2 percent across-the-board pay hike for civilians.

The first sentence of a *USA Today* [story on the letter](#) to House Speaker Nancy Pelosi, D-Calif., described Obama's target as "cost-of-living pay raises," a characterization that was [repeated on one of the blogs](#) at *Government Executive's* sister publication, *The Atlantic*.

The problem: Federal employees' annual pay raises have nothing to do with cost of living. Rather, they are calculated through a formula based on the [Employment Cost Index](#), which measures the price tag of compensation for civilian workers in public and private industry on a quarterly basis. According to Title 5 of the United States Code, the body of law that governs federal employment and compensation, federal employee raises are [calculated](#) by taking the difference between the Employment Cost Index in two consecutive years and subtracting 0.5 percent.

The reason the Employment Cost Index is the basis for pay raise calculations is the annual boost is designed less to insulate federal employees from rising prices than to close the gap between federal and private sector salaries for workers in similar occupations. That intention is enshrined in the 1990 Federal Employees Pay Comparability Act, which established the locality pay system. In addition to the across-the-board raise, federal employees receive annual locality adjustments on the basis of labor costs in the areas where they live.



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The president does not have to stick to the formula in Title 5 when proposing an annual raise for civil servants; he is allowed to invoke a "national emergency or serious economic conditions affecting the general welfare" to suggest a lower figure. And Congress can override the president's request. In fact, this is what has happened in recent years.

But for the debate to stay on track, it's important that the basis for setting the raise is not forgotten while the process plays out.

In his early comments on the prospects of governmentwide pay reform, Office of Personnel Management Director John Berry cited CNN commentator Lou Dobbs as someone who reinforces the impression that federal workers make as much or more than their private sector counterparts. In a [May segment](#), Dobbs used the research of CATO Institute scholar Chris Edwards to argue that federal sector pay and benefits were outpacing private sector compensation in a recession.

But Edwards performed two sets of calculations, neither of which answers the question of whether federal workers in specific jobs are making more money than private sector employees holding those same jobs. The [first](#) compares the average overall compensation of all federal employees to the average compensation of all private sector workers, and the [second](#) compares federal employees as a group to private sector workers in broad industry categories such as securities and investments and computer systems design.

That's not to say it's easy to draw a more meaningful comparison. Edwards and other analysts are limited by the data collected. Shortly after the enactment of FEPCA, the Bureau of Labor Statistics stopped conducting the National Survey of Professional Administrative, Technical and Clerical Pay -- the measure that established in great detail private sector salaries by job title and region. Even some of the consultants who helped write FEPCA [say](#) absent such data, it's difficult to make real determinations about relative public and private sector pay.

In short, there are no easy answers to questions about federal pay, ranging from how it's calculated to its relative worth. That ambiguity might not fit well into a cable news segment, a sound bite from an administration official or a short news story. But figuring out how to explain these processes and this data will be important for administration officials who would like to reform the federal pay system.



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