

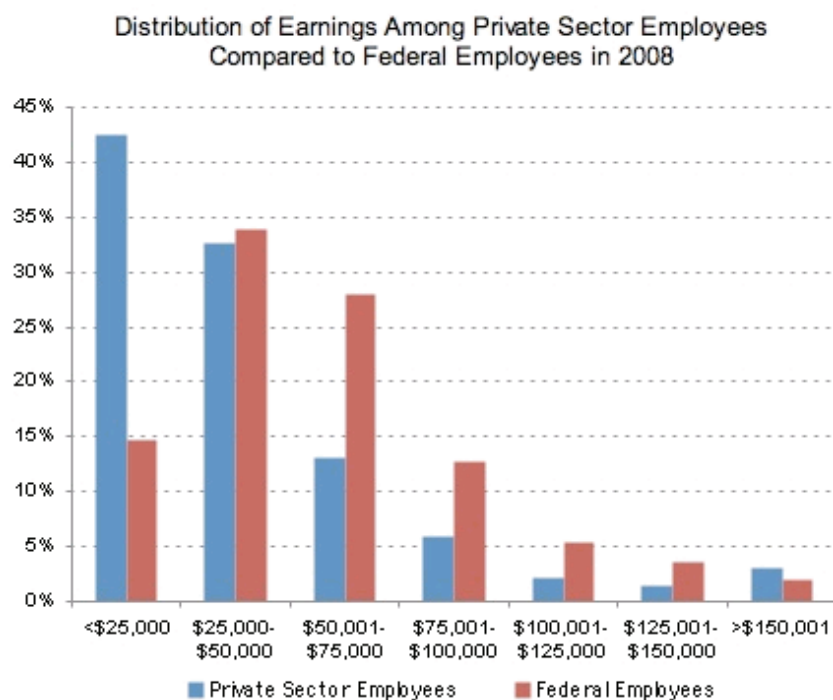
- [Energy & Environment](#)



October 13, 2009, 7:11 am

## Are Federal Workers Overpaid?

By [Nancy Folbre](#)



Author's calculations from the 2009 March

Current Population Survey.



*[Nancy Folbre](#) is an economics professor at the University of Massachusetts, Amherst.*

It's bad enough that the average federal worker is paid more than the average private-sector worker, especially taking into account the value of benefits like health insurance and pensions. But what's really shocking is that the gulf between the total compensation (wages plus benefits) enjoyed by federal workers and private-sector workers has increased since 1990.

So argues [Chris Edwards](#), the tax director at the Cato Institute, a libertarian research organization.

Similar arguments were featured in a full-page ad sponsored by [The Free Enterprise Nation](#) in The Wall Street Journal on Sept. 22.

They were dramatized by Ilana Mercer in World Net Daily in a feature entitled “[Life in the Oink Sector](#)” and echoed by the conservative columnist [Jeff Jacoby](#) in The Boston Globe.

None of the sources provided any details about the characteristics of federal workers or their jobs. But such details (easily extracted from the regular [Current Population Survey](#)) explain why federal workers are paid more and why their average compensation has risen higher. They also show that federal employment creates proportionately far more middle-class jobs than the private sector.

In 2008, only 14 percent of federal workers were on part-time schedules, compared to 26 percent in the private sector. Federal workers were far older on average: 55 percent were between the ages of 45 and 64, compared to 36 percent of private-sector workers. Furthermore, 45 percent of federal workers held a college degree or higher educational credential, compared to 29 percent of private-sector workers.

Federal workers are more likely to receive employer-paid health benefits than private sector workers — 77 percent compared to 56 percent. This is one reason our highest-paid federal employee, the president of the United States, is fighting for universal health insurance coverage.

Federal workers are also more likely than private sector workers to garner pension benefits (81 percent compared to 53 percent). Keep in mind, however, that for [some federal employees](#), pension benefits come in lieu of Social Security payments.

Both health insurance and pension benefits are more expensive for older than for younger workers, and health insurance costs, in particular, have escalated rapidly since 1990. Also, age and educational attainment differences have widened considerably since 1991, when 20 percent of private sector and 31 percent of federal workers had a college degree or higher.

The biggest difference between private and federal employment, illustrated in the graph above, lies in the proportion of jobs paying less than \$25,000 a year. In 2008 more than 43 percent of private-sector workers earned less than \$25,000 a year. Most federal employees fell squarely in the middle earnings brackets, making \$25,000 to \$75,000 a year.

A larger share of federal than private-sector workers earned \$75,000 to \$150,000 a year. Beyond that level, private employees were overrepresented. The percentage earning more than \$250,000 in 2008 (not shown in the graph above) was twice as high as the percentage of federal employees (1 percent compared to 0.5 percent).

In order to protect the confidentiality of its respondents, the Current Population Survey assigns all extremely high levels of earnings the same value or “topcode.” As a result, it’s impossible to accurately compare all private sector and federal workers in the long right-hand tail of the earnings distribution

But not all earnings are confidential. We, know, for instance, that the president of the United States [earned \\$400,000](#) in 2008. He also enjoyed a \$50,000 annual expense account and rent-free accommodations for himself and his family at the White House.

By comparison, the compensation of the chief executive officers of the 500 biggest companies of the United States in 2008 came out to an average of [\\$11.4 million](#) each.

Consistent with the overall picture described above, statistical analysis of the impact of individual education and experience on earnings in the United States by the Harvard economist [George Borjas](#) showed that federal employees are paid considerably less than comparable private workers at the top end.

As the conservative columnist [Ross Douthat](#) points out, earnings inequality is generally lower in public-sector

employment, and countries with a larger public sector therefore experience less overall income inequality.

Some inking can definitely be heard out there in the labor market, but anyone willing to follow the numbers can tell that the biggest piggies are not those employed by the federal government.

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— *PhD student*

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“ Why should we care? Economics as a science is on par with alchemy.”

— *H Canu*

*Nobel Betting*

“ Perhaps I will win. I am planning to make some big discoveries in a couple years.”

— *aubrey*

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“ After today's Peace Prize announcement, I would guess Bugs Bunny.”

— *jessica*

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“ Fixed exchange rates are not helping in these cases.”

— *Wonks Anonymous*

*European Unemployment*

“ Current corporate dogma represents a new feudalism and we serfs must cut our way out while we can.”

— *R Matthew Songer*

*Big Is Bad Again*

“ There are not three branches of the American government, there are four: the executive, the legislative, the judicial and the corporate. ”

— *John C*

*Big Is Bad Again*

“ I thought we weren't going to raise taxes on the middle class?”




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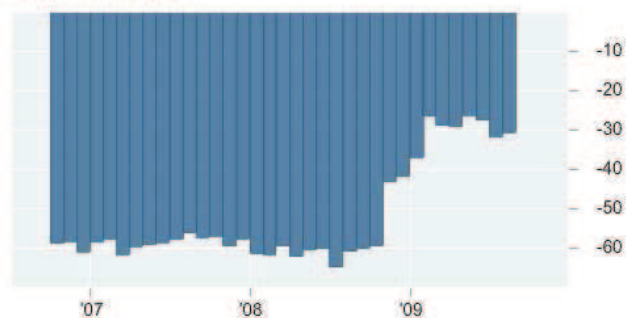
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Updated Fri., Oct. 9

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In billions of dollars  
Seasonally adjusted

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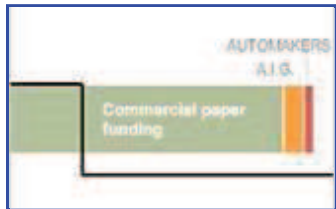


Both exports and imports have fallen; the balance typically shrinks during recessions

Source: Bloomberg

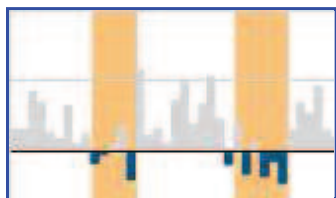
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- [DAILY ECONOMIST](#) 238
- [HEALTH CARE](#) 134
- [UNEMPLOYMENT](#) 97
- [TAXES](#) 77
- [HEALTH INSURANCE](#) 74
- [HOUSING](#) 69
- [UWE E. REINHARDT](#) 65
- [STIMULUS](#) 63
- [BAILOUT](#) 61
- [EMPLOYMENT](#) 61
- [EDWARD L. GLAESER](#) 59
- [CREDIT CRISIS](#) 59
- [RECESSION](#) 56
- [CASEY B. MULLIGAN](#) 46
- [U.S. HEALTH CARE COSTS](#) 44
  
- [INTERNATIONAL ECONOMICS](#) 42
- [STOCKS](#) 41
- [FEDERAL RESERVE](#) 40
- [JOBS REPORT](#) 39
- [PUBLIC POLICY](#) 36
- [NANCY FOLBRE](#) 35
- [HIGHER EDUCATION](#) 35
- [GROSS DOMESTIC PRODUCT](#) 34
- [DATA DECODING](#) 34
- [FINANCIAL CRISIS](#) 34
- [BARACK OBAMA](#) 34
- [SIMON JOHNSON](#) 33
- [MAP](#) 32
- [READER RESPONSE](#) 32
- [HEALTH](#) 32

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