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## Public/Private Pay & Benefits Gap Continues to Widen

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Last week, Chris Edwards at the Cato Institute released his [annual review of federal pay and benefits](#) relative to the private sector and finds that the gap is large and getting larger. Federal workers averaged \$119,982 in wages and benefits in 2008, over twice the private sector average of \$59,909. Edwards goes on to argue for a freeze in federal wages and some scaling-back of benefits, noting that the high-level of job security in government positions already represents a major benefit.

Critics like [Gregg Carlstrom at the \*Federal Times\*](#) have taken Edwards to task for his methods, writing that Edwards' comparison is not apples-to-apples since it compares a federal sector where two-thirds of employees are in professional/management positions to a private sector where nearly two-thirds of employees are in low-wage jobs.

In response, Edwards [defended his analysis here](#):

First, people accuse me of producing distorted data somehow. Actually, it's essentially just raw Bureau of Economic Analysis data, but the data is usually overlooked by the media because I don't think the BEA puts out a press release on it. Anyway, the average wage data is from [BEA Table 6.6D](#). The average compensation data is simply total compensation (Table 6.2D) divided by the number of workers (Table 6.5D).

Second, people argue that reporting overall averages for wages and compensation is somehow illegitimate. People email me comments like "my federal salary is only \$50,000, yet you claim that federal workers make \$79,000." All I can say to folks like this is that there must be a federal worker out there making \$108,000 who balances you off.

Third, people argue that a better analysis would be to compare similar jobs in the private and public sectors, rather than looking at overall averages. I agree that that would be very useful. Unfortunately, the BEA data is not broken down that way. At the same time, the BEA data provides the most comprehensive accounting for the value of employee benefits of any data source. Benefits are a very important part of federal compensation, and so that's why I look to the BEA data.

Fourth, many people argue that the federal government has an elite workforce with many highly educated people. Certainly, that's an important factor to consider. However, that is the reason why I focused on the pay trend over the last eight years. The federal worker compensation advantage rose from 66 percent in 2000 to 100 percent in 2008. Has the composition of the federal workforce really changed that much in just eight years to justify such a big relative gain? I doubt it.

Read the whole thing. Even if the available data don't support the "ideal" analytic approach, IMO Edwards is doing a huge service by hammering this issue. Not only does the federal fiscal crisis demand scrutiny of such a massive portion of the budget, but it also highlights a major—and undiscussed—problem with the Obama administration's push to arbitrarily bring contracted jobs back in-house (see discussion in Reason's [Annual Privatization Report 2009](#)), without any prior analysis of cost effectiveness.

Presumably, the administration believes that it can get a better price in-house for this contracted work, but with the public/private sector pay gap already so high and continuing to rise, it seems fair to argue that any potential cost savings might be quickly evaporated by rising pay and benefit costs. And yet again, taxpayers would pay more and get less, all in the interest of appeasing public employee unions.

- » [Reason Foundation's Annual Privatization Report 2009](#)
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