



Federal workers earn 78 percent more than private sector workers

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October 28, 2015

Earlier this month, Chris Edwards, director of tax policy studies at the Cato Institute and editor of DownsizingGovernment.org, a project of the Cato Institute, issued a report titled “Reducing the costs of Federal Worker Pay and Benefits.”

Before joining Cato, Edwards was a senior economist on the congressional Joint Economic Committee, a manager with PricewaterhouseCoopers, and an economist with the Tax Foundation. Edwards has testified to Congress on fiscal issues many times, and his articles on tax and budget policies have appeared in the Washington Post, the Wall Street Journal, and other major newspapers. He is the author of “Downsizing the Federal Government” and coauthor of “Global Tax Revolution.”

The Downsizing website states, “Scholars at Cato believe that cutting the federal budget would enhance personal freedom, increase prosperity, and leave a positive fiscal legacy to the next generation.”

Edwards points out the federal government’s civilian workforce in hundreds of agencies across the country, imposes a substantial burden on America’s taxpayers.

In 2015, wages and benefits for executive branch civilian workers will cost over \$260 billion.

His report states, since the 1990s, federal workers have received faster compensation growth than private sector employees and, in 2014, federal workers earned 78 percent more, on average, than those in the private sector.

Federal workers also earned 43 percent more, on average than state and local government workers.

Edwards states, “The federal government has become an elite island of secure and high-paid employment, separated from the ocean of average Americans competing in the economy.”

Although recent budget deficits hindered growth in federal wages with a partial wage freeze from 2011 to 2013, saving billions of dollars, wages began rising again in 2014.

According to the U.S. Bureau of Economic Analysis (BEA), in 2014 the average federal civilian employee earned \$84,153, while the average private sector worker earned \$56,350.

However, when benefits such as health care and pensions are included, the federal employee's compensation advantage over the private sector is even larger, averaging \$119,934, 78 percent more than the average private sector average compensation of \$67,246.

Edwards explains the rise in federal compensation stems from legislated increases in general pay, increases in locality pay, expansions in benefits, and growth in the number of high paid positions as bureaucracies become more top-heavy.

He said compensation growth is also fueled by routine adjustments, which moves federal workers into higher salary brackets regardless of performance and redefining federal jobs upward into higher pay categories.

Because federal workers are also a powerful special-interest group as well as effective lobbyists, politics also plays a role, whereas federal unions actively oppose legislators who support restraint in the area of worker pay.

Edwards counters the argument that the federal government has a high-end workforce deserving of higher pay by stating, "[Y]ou can flip through the federal budget and find mundane bureaus where workers are paid highly for normal bureaucratic jobs.

For example, he said the average compensation in the Department of Commerce's Economic Development Administration, which hands out business subsidies, is about \$140,000, while the average compensation in the Department of Agriculture's Office of Chief Economist is about \$174,000

Edwards states, "So it is not just rocket scientists that earn high wages and benefits, it is also federal workers in regular white-collar jobs.

Since the federal workforce has always had a heavy contingent of skilled professionals, such as lawyers, Edwards said there doesn't seem to be an explanation as to why federal compensation has grown faster than private-sector compensation in recent decades.

In 1990 average federal compensation was 39 percent higher than average private compensation. By 2000, the federal pay advantage was 50 percent and by 2014 jumped to 78 percent.

Working for the federal government was once viewed as privilege for citizens to serve the public in a federal agency for modest pay.

However, as Edwards' report indicates, that line of thinking is long gone as the federal compensation advantage continued to increase.

Despite the BEA analysis reflecting the wage advantage and escalation of federal compensation over the years, labor unions continue to complain federal workers are underpaid.

As far as benefits go, in 2014, the BEA data reflects average annual benefits of \$35,781 enjoyed by federal workers, compared to average benefits of \$10,896 in the private sector.

Another benefit of federal employment is extremely high job security.

Federal workers are almost never fired and are supported by strong civil service protections, with about one-third represented by unions.

According to the Bureau of Labor Statistics (BLS), the rate of layoffs and discharges in the federal workforce is only one-quarter of the rate in the private sector.

Edwards quoted from an investigation by Government Executive, which noted, "There is near-universal recognition that agencies have a problem getting rid of subpar employees," whereas just 0.5 percent of federal civilian workers get fired each year for any reason, including poor performance and misconduct.

That is one-sixth of the rate of firing in the private sector.

For senior executive service in the federal government, the firing rate is just 0.1 percent, compared to corporate CEOs being fired at 20 times that rate.

The BLS shows the rate at which federal employees quit their jobs is one-quarter the quit rate in the private sector.

In conclusion, Edwards says federal pay should be reasonable but the "government should not be one of the highest paid industries in the nation."

He said the recent partial wage freeze was a successful effort but Congress needs to overhaul the overly generous federal benefits package to reduce costs and, for example, end defined-benefit pension plans, as most private-sector employers have done.

Edwards also suggested privatizing federal jobs where possible and allow compensation to be set in the marketplace.

He also recommended policymakers pursue reforms to federal pay packages that better align wages and benefits with private-sector practices.