No pay cuts for federal workers

By R.W. Hafer, Special to the Beacon

Posted 6 a.m. Fri. Sept. 11 - Even though there is some agreement that the worst of the recession is past, there will be lingering effects in many markets.

> Housing is likely to remain subdued for some time as inventories of new and existir homes keep prices in check.
> Labor markets also will continue to reel from the impact of the worst downturn in many decades.
> The unemployment rate, recently hitting 9.7 percent, will go higher before it retrea

But that isn't true for everyone. While academic institutions like mine may curtail any n hiring even in the face of burgeoning enrollments, the laying-off of faculty is not going happen. This insulation from market forces also seems to be true for federal governmer employees. While tenured professors may keep their jobs, they are not seeing real sala advance. Federal employees are. And this trend may have very negative effects on the economy.

Chris Edwards, director of Tax Policy Studies at the Cato Institute in Washington, D.C., spotted a trend in the behavior of federal civilian workers' wages that does not match t private sector counterparts. In a recent blog, Edwards shows, using data from the Bure of Economic Analysis, that federal civilian wages have increased 54 percent since 2000. This is significantly faster than the increases in private industry wages, which rose only percent.

And since percentage changes can mask meaningful comparisons, how do the levels of wages compare? By 2008, the average wage for civilian federal workers stood at $79,1 compared with $49,935 for those in the private sector.

As government sector employment increases with every new plan fomented by the Oba administration, don't plan on seeing those trends reverse any time soon. And in fairnes isn't just the big-government notions of this administration driving the gap: Under the Bush II administration, federal wages went from 133 percent to 159 percent of private wages.

But this wage gap has not always been on the increase. There are clear swings in the r of federal to private wages over the past 50 years. Beginning in the 1960s the ratio beg to increase (federal wages grow faster than private) sharply. This coincides with the advent of the New Society, the creation of Medicare and the general notion that bigger government is better.

The growth in federal wages relative to private slows during the 1970s and 1980s. By t late 1980s federal wages are about 25 percent higher than private. Since then, howeve federal wage growth has easily surpassed that of the private sector.

The growing discrepancy, Edwards suggests, boils down to politics. Members of Congre who have more federal employees in their districts are inclined to vote higher compensation packages for federal workers. Our representatives' collective desire not t clash with federal unions also explains the increase. If the budget deficit is going to gro why not let federal workers enjoy the spoils and curry favor at the ballot box?

Other than the fact that taxpayers are footing the bill for these higher wages for federa workers, is there any harm?

Two economists have provided an answer. Vincezo Quadrini at the University of Southe California and Antonella Trigari of Bocconi University recently published a study examin the effects of having public sector employment that is relatively secure and exhibits the existing wage gap. They concluded that these factors increase the volatility of employm in the private sector.

Stated another way, the existence of the public sector leads to greater private sector unemployment in downturns. Federal employees are shielded from the vagaries of the market, both in job security and possible wage loss.

As the debate over ever-expanding budget deficits and increased government involvem in the economy continues, keep an eye on who is getting more of the economic pie.

R.W. Hafer is the distinguished research professor and chair in the Department of Economics and Finance at Southern Illinois University Edwardsville and a research fellow at the Show-Me Institute. To reach him, contact Beacon features and commentary editor Donna Korando.

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