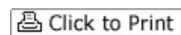


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Obama seeks cap on federal pay raises

By Richard Wolf, USA TODAY

WASHINGTON — President [Obama](#) urged Congress Monday to limit cost-of-living pay raises to 2% for 1.3 million federal employees in 2010, extending an income squeeze that has hit private workers and threatens Social Security recipients and even 401(k) investors.

Obama's proposal, outlined without fanfare in a letter to congressional leaders, would leave federal workers with their lowest COLA in two decades. Presidents [Bill Clinton](#) and [George W. Bush](#) proposed lesser increases three times. Congress, which must approve the plan, has not granted less than 2% since 1988.

The president's action comes when consumer prices have fallen 2.1% in the 12 months ending in July, because of a massive drop in energy prices. The recession has taken an even tougher toll on private-sector wages, which rose only 1.5% for the year ended in June — the lowest increase since the government started keeping track in 1980. Private-sector workers also have been subject to widespread layoffs and furloughs.

"With unemployment at 9.5% in June, to cite just one economic indicator, few would disagree that our country is facing serious economic conditions," Obama said. "The growth in federal requirements is straining the federal budget."

Obama's effort to reduce wage increases would save about \$20 billion next year, the White House said. Under an automatic formula, workers are set to get a 2.4% increase, and those in some areas could get nearly 19% to keep pace with private-sector employees.

The move would put federal workers between two other groups: military forces and retirees. The military cost-of-living increase for 2010 is projected at 2.9%. Social Security recipients aren't likely to see any increase next year or in 2011 — the first time that's happened since 1975.

Whether the rise on income extends to 401(k) contributions remains unclear: the [Internal Revenue Service](#) will set maximum contribution levels, which are tied to inflation, next month.

Federal union officials weren't surprised by the president's action, which must be made by Aug. 31 each year under a 1990 law.

John Gage, president of the American Federation of Government Employees, the largest federal workers' union, said it "will continue to work toward full parity with the military" through Congress.

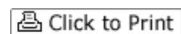
Some analysts said federal workers continue to fare much better than their counterparts in the private sector.

"I would question why federal workers should be getting any increase," said Chris Edwards of the conservative [Cato Institute](#), who has written studies comparing federal and private compensation. "It sounds like he's being frugal, but really it's not very frugal ... I'd like to see wages frozen for a year or two."

Contributing: *Kathy Kiely and Mimi Hall*

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