

Federal Legislation

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Federal Pay Freeze

The federal government should not impose an across-the-board employee pay freeze or cut, according to think tank analysts who believe civil servants on average receive compensation more generous than that of their private-sector counterparts. President Barack Obama has called for an overall two-year pay freeze for federal employees, but such measures "would unfairly penalize those federal employees who are not overpaid while still leaving others with premium wages," said James Sherk, senior policy analyst in labor economics at the Heritage Foundation, a conservative think tank in Washington.

Lawmakers at the highly anticipated House hearing on Wednesday, March 9, 2011, also questioned the purpose of an Obama pay freeze, but for different reasons. Rep. Jason Chaffetz, R-Utah, peppered Office of Personnel Management Director John Berry with questions and statistics on the net increase of federal employees from 2008 to 2010, bonuses and step increases for some civil servants, and whether the pay freeze as proposed actually would save any money. Berry defended the freeze as a cost-saving measure, and noted most of the awards for federal employees amounted to less than \$1,000 per worker.

Calling civil servants "good, hardworking people," Berry offered a vigorous defense of federal employees' pay and benefits. "Raw comparisons of average pay between federal and private sector employees mask important differences in the skill levels, complexity of work, scope of responsibility, size of organization, location, experience level, and special requirements, as well as exposure to personal danger."

The hearing continued a debate that came to the fore during the 2010 election season over whether federal employees are overpaid, or in the view of some, underpaid. According to OPM data, the average salary for federal employees was \$74,311 in 2010 compared with \$50,462 for the average private sector worker -- a statistic cited by Rep. Dennis Ross, R-Fla., chairman of the House Oversight and Government Reform Subcommittee on Federal Workforce, [U.S. Postal Service](#) and Labor Policy.

Rep. Elijah Cummings, D-Md., said during the hearing: "I am tired of these federal employees being beaten up. It pains me."

Colleen Kelley, president of the National Treasury Employees Union, [questioned the reliability](#) of research that concludes that federal employees are overpaid compared with private sector workers. "They are putting forth self-serving, self-created data, while we are referring to data from an independent, nonpartisan, credible source," Kelley said,

citing the Bureau of Labor Statistics, which the President's Pay Agent uses in its analysis. She also pointed out that federal employees contribute a greater share of their income to their health care plan than do most private sector workers.

"We are not keen on the across-the-board pay freeze or any pay cut," said Andrew Biggs, a resident scholar at AEI who also has [conducted an analysis](#) of public and private sector compensation and who also testified at Wednesday's hearing. Biggs argued that overall when looking at salaries, benefits and job security, federal workers' total package is worth 39 percent more, or nearly \$60 billion annually, than the total compensation for private sector workers. But it's federal employees at the lower and middle rungs of the career ladder who typically earn more than those in the private sector, while civil servants at the top of the pay scale receive a smaller pay premium, or earn even less, than their industry counterparts.

Sherk, whose research found that federal employees on average earn hourly wages 22 percent higher than those of their private sector counterparts, said the government should get rid of the General Schedule pay system and create a pay-for-performance model more closely tied to market forces.

At issue is the methodology used to support the arguments on both sides. Labor economists use a "human capital" comparison that takes into account how certain characteristics such as experience and education affect workers' pay. The government, in the form of the President's Pay Agent, compares comparable jobs in the public and private sectors. "They compare the real GS-13 to the alleged GS-13 in the private sector," said Jason Richwine, senior policy analyst of empirical studies at Heritage, during the conference call. Richwine worked with Biggs on the compensation analysis. The most recent estimate from the President's Pay Agent is that federal employees earn 24 percent less on average than those in the private sector.

The President's Pay Agent has expressed concern with its methodology, as did Office of Personnel Management Director [John Berry](#) in his written testimony on Wednesday before the committee. Berry said the approach should be re-examined to ensure the most accurate comparisons, pointing out that neither the methodology nor the government's pay structure is ideal. "We are required by law to reduce the comparisons of all the federal and nonfederal occupations and geographic regions down to one number. This does not reflect the complexity of the world we live in."