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Federal employees lag behind private sector workers in salaries by 32 percent on average, report says

By Eric Yoder
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Federal employee salaries on average lag behind those of similar private-sector workers by just under 32 percent, a pay advisory council has said, while also deciding to reassess how it annually reaches similar conclusions, which are at odds with the findings of other pay comparisons.

The Federal Salary Council on Tuesday reported that what is commonly called the “pay gap” is 31.86 percent, slightly below previous figures, in the 34-35 percent range. The report also again showed that federal employees are furthest behind in the San Francisco area, with the second-widest gap in the Washington-Baltimore area.

The council, consisting of unions representing federal employees and nongovernmental pay experts, oversees the pay system for most white-collar employees below the executive level, the General Schedule. Under a 1990 law, its findings are passed to a higher-level body of administration officials, who in turn make recommendations to the White House for specific raises for 44 city zones and a single figure for all areas outside those zones. While the process focuses on GS employees, the resulting localized raises commonly are extended to those under other pay systems.

The law envisioned virtually closing the pay gaps through those targeted raises, but that has not happened because of the potential cost, which the White House last year said would be $26 billion, and disagreements over how to compare salaries between the two sectors, including whether benefits should be taken into account.

Federal employee organizations consider the Salary Council figures as the authoritative numbers; some conservative and libertarian organizations cite their own reports showing an advantage for federal workers of about the same magnitude or more.

Last year the Congressional Budget Office concluded that federal employees overall earn 3 percent more on average but that there are large differences by educational level: from a 34 percent advantage for federal workers with a high school education or less to a 24 percent shortfall for those with a professional degree or doctorate.

Council members agreed to a review at the suggestion of the recently appointed chairman, Ronald Sanders, a longtime federal personnel official and consultant who is now a clinical professor of public administration at the University of South Florida. “If the goal [of the 1990 law] is to assure that the government can recruit and retain the best talent, what’s the best methodology to attain that goal?” he asked.

He said that should start with a better understanding of the current method, which uses several sets of Bureau of Labor Statistics data to compare nearly 100 occupations at various levels in 250 geographic areas.

“The math behind that is very, very complex,” Sanders said after the meeting, held at Office of Personnel Management headquarters. “While I’m sure it’s all consistent with data science principles, it's hard to know what that number reveals and what it masks. ... It's not clear to me that it truly represents what the pay gap is."

He noted testimony at the meeting from representatives of federal agencies in the Charleston, S.C., area who described serious difficulties in attracting and keeping employees despite paying various forms of incentives. However, according to the council's own method, the area does not merit having separate, higher salary rates than are paid there now as part of the catchall locality.

Witnesses from the Nashville and Southern California areas made similar arguments in person, as did written submissions coming from more than a dozen other areas.

Sanders said he hopes the council can finish its review in time for decisions to be effective in January. In addition to reporting on the local pay gaps, the council also can recommend creating new localities and redrawing boundary lines. Rules are being drafted to add at least four, and potentially six, new localities and to expand two existing zones starting next year.

The work could have little immediate effect, however, since President Trump has recommended that federal salary rates be frozen in 2019, while creating a $1 billion fund to reward top performers.

National Treasury Employees Union President Tony Reardon, a council member, said: "We can talk about the methodology, but the underlying concern is that there is a discussion of a pay freeze. A lot of these agencies are having trouble recruiting people, retaining people, and at the heart of it is salaries."

After a freeze during the Obama administration in 2011-2013, annual raises have ranged from 1 to 2.1 percent on average, with higher amounts paid in the city areas with the largest gaps.

J. David Cox Sr., American Federation of Government Employees president and also a council member, said that the requests to create and expand zones for higher pay show that “the effect of three years of a pay freeze and then very, very minimal raises is certainly showing up. Why would we freeze federal pay when every federal agency is screaming that we can’t hire and retain?”

The unions back a proposal by some congressional Democrats for a 3 percent boost. Following its pattern of recent years, Congress so far has been silent regarding a raise. Under the pay law, inaction amounts to action, since it allows the White House recommendation on pay to take effect automatically.

The proposal for a performance rewards fund, which would require congressional approval, also has not been considered.

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