



NATIONAL FEDERATION OF FEDERAL EMPLOYEES

Affiliated with the International Association of Machinists and Aerospace Workers



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Public and Private Pay Gap Continues to Widen

Last week, the Congressional Budget Office (CBO) released a report on the pay gap between federal employees and private sector workers. The CBO reports that federal employees with a professional or doctorate degree received fewer benefits and earned 24% less wages on average than private sector workers with similar levels of education.

While the pay gap between public and private sector workers varies depending on the job and level of education, the pay discrepancy has only increased over the past few years. The CBO finds that the difference in earnings between federal workers with a master's degree and private workers with a master's has increased between 2011-2015, as compared to 2005-2010.

The CBO suggests several reasons for this trend: across-the-board salary increases for federal employees were cut completely from 2011 to 2013, while private sector salaries increased by 10% over the same time period. Additionally, the federal government's decrease in hiring has allowed average hourly wages across the federal workforce to appear higher, since recently-hired workers typically have lower salaries.

In sum, the CBO reports that across all education levels, wages were 17% higher for federal workers than for private sector workers during 2011-2015. Whereas public workers with an educational attainment of an undergraduate degree or less receive higher wages on average than private workers, and this difference has increased from 2011-2015 compared to 2005-2010, those with higher levels of educational attainment received significantly less than their private sector counterparts. The CBO reports that federal workers continue to receive higher benefits than the private sector, most noticeably through defined benefit pensions.

Critics of the CBO report argue that its findings misrepresent the discrepancy between public and private sector pay. Pointing to inconsistencies between CBO findings and those of other governmental reports, they argue that its findings are inaccurately based on calculations that do not take into account key differences in characteristics between public and private sector workers. Problems with the CBO report's findings are highlighted below:

1. The CBO only compares federal and private workers at similar levels of educational attainment. In fact, pay rates for public sector employees are based on job duties, not age, race, gender, or education.
2. Private sector statistics come from self-reports—such that their accuracy is questionable.
3. The federal government invests funds for defined benefit pensions solely in Treasury bonds. As their rates of return are lower than those of private equities, this means that higher public spending does not automatically create more retirement benefits for federal employees.
4. CBO statistics contradict what has been found by the Bureau of Labor Statistics (BLS). The BLS calculates that federal employees earn notably less than private sector workers performing the same jobs. In fact, in 2014 the Federal Salary Council found that federal employees earn **35%** less.

“The widening pay discrepancy between federal employees and private sector workers is both an insult to the critical services that federal employees provide to the country daily, and it is harmful to the mission success of our federal government,” said NFFE National President Randy Erwin. “If the federal government is to recruit and retain a qualified and committed workforce, it must take a hard look at the worsening gap in salaries and benefits between the public and private sectors to stay competitive.”