Federal Employee Pay

*NARFE urges members of Congress to support annual adjustments to federal employee pay rates based on average private-sector pay increases.* Federal pay should be adjusted annually to maintain the competitive pay required to recruit and retain a well-qualified and high-performing workforce. For calendar year 2021, NARFE supports a federal pay increase of at least 3.0 percent.

Federal Employees Pay Comparability Act of 1990

The Federal Employees Pay Comparability Act of 1990 (FEPCA) provides the framework for federal pay rate adjustments by directing federal pay rates to increase by the average increase in private-sector pay, as measured by the Employment Cost Index (ECI), minus 0.5 percent. As such, federal pay consistently trails behind changes in private-sector pay.

Pursuant to FEPCA, federal employees should receive a 2.5 percent increase in pay in January 2021, prior to any amount being provided for locality pay rate increases. This percentage is 0.5 percent less than the 3.0 percent increase in wages and salaries paid to workers in the private sector, as measured by the ECI. An average 0.5 percent increase to locality pay rates would allow federal pay rate adjustments to maintain parity with recent private-sector pay increases. Furthermore, while the ECI measurement of 3.0 percent is based on past increases, this is also consistent with recent projections by World at Work that private-sector pay will increase by 3.3 percent on average in 2020.

However, while FEPCA sets the baseline for federal pay rates, the president may propose an alternative pay increase for federal employees if he determines that “because of national emergency or serious economic conditions affecting the general welfare,” such a pay adjustment would be inappropriate. For FY19, the president’s budget proposed a pay freeze, which he officially ordered in December 2018. However, that freeze was overturned in the omnibus funding bill passed in February 2019, which provided civil servants with a 1.9 percent average pay rate increase. The president’s FY20 budget again called for a pay freeze, but Congress appropriated a 3.1 percent average pay raise, at parity with the increase in private-sector wages. For FY21, the President proposed a 1 percent pay raise, falling short of the 3.0 percent pay raise which would align with the private sector and the raise proposed for the military.

Historical Congressional Action

In the decades prior to 2010, Congress routinely authorized pay rate adjustments through the appropriations process. In 2010, Congress passed a two-year federal pay freeze via appropriations, which was extended a third year, leaving employees’ pay frozen from 2011–2013. Congress began to abrogate its authority to appropriate (or not) a pay-rate adjustment when appropriations was silent on federal pay in 2014 and the next four years. But Congress

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1 For FY21, the relevant change in the ECI is from the 3rd quarter of 2018 to the 3rd quarter of 2019, the most recent annual change in private-sector pay prior to the development of the president’s budget for the upcoming fiscal year.
2 Locality pay differs by geographic areas and is designed to close the gap between private-sector pay and federal pay in comparative labor markets.

For more information, please contact the advocacy department at advocacy@narfe.org.
resumed its authority in calendar year 2019 and appropriated a 1.9 percent average pay increase in the February omnibus bill. For 2020, Congress appropriated a 3.1 percent average pay increase – 2.6 percent across the board, and a 0.5 percent average increase to locality pay rates.

**Federal vs. Private-Sector Pay Comparisons**

The Federal Salary Council (FSC), an advisory board to the executive branch, found that, as of November 2019, private-sector workers are paid 26.71 percent more than federal workers engaged in substantially equal work. The FSC compares federal and private-sector pay for similar jobs based on Bureau of Labor Statistics survey data.

In an April 2017 report, the Congressional Budget Office (CBO) found that when benefits are weighed, America’s most educated and experienced federal workers earn about 18 percent less in total compensation than they would if they worked in the private sector. The report also found that federal workers with less experience and education earned slightly more than their counterparts in the private sector.

Variations in the aggregate findings between FSC and CBO are due to differing methodologies. FSC uses job-to-job comparison, whereas CBO uses a human capital model. Furthermore, while the CBO study controls for occupation, general education and years of work experience, it does not take into account level of job responsibility, specialized training and length of tenure with an employer, all of which employers weigh when determining pay. Federal jobs often involve high levels of responsibility and require specialized training or high-security clearances.

Both the FSC findings and CBO report account for the fact that the federal jobs tilt heavily toward higher paying occupations. In fact, 60 percent of the federal workforce consists of the highest paid occupations, such as lawyers, doctors, engineers and managers, compared to just 37 percent of the private sector. Yet groups like the Cato Institute continue to make erroneous claims such as, “Federal workers now receive 80 percent more compensation, on average, than do workers in the U.S. private sector.” Such false claims are then recycled by news outlets and on Capitol Hill, leading to the misperception that federal workers are overpaid, when, in fact, they are not. Not only does Cato fail to compare similar jobs, it relies on data for the total compensation of federal civilian employees – which include catch-up payments from the government to the Civil Service Retirement and Disability Fund (CSRDF) for previously accrued liabilities, and payments for benefits to those already retired. In so doing, it inflates federal pay numbers without an equivalent increase to private-sector pay.

**Federal Pay Modernization**

NARFE supports efforts to modernize the process for setting and adjusting federal pay rates to better reflect occupational and geographic labor markets, and to integrate merit-based pay increases into the system. The current system uses outdated methods to match federal and private-sector pay rates. However, absent modernization by Congress, adjusting pay rates in the appropriations process is the best way to maintain competitive pay.

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