

Federal Employee Pay

NARFE urges members of Congress to support annual adjustments to federal 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 2020, NARFE supports a federal pay increase of at least 3.1 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.¹ As such, federal pay consistently trails behind changes in private-sector pay.

Pursuant to FEPCA, federal employees should receive a 2.6 percent increase in pay in January 2020, prior to any amount being provided for locality pay rate increases.² This percentage is 0.5 percent less than the 3.1 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.

An average 3.1 percent federal pay increase is consistent with FEPCA and also falls in line with projected private-sector pay increases for 2019 – World at Work and Willis Towers Watson forecast average private-sector pay increases of 3.1 and 3.2 percent, respectively.³ The raise would also achieve parity with a proposal to issue members of the military a 3.1 percent increase 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

¹ For FY20, the relevant change in the ECI is from the 3rd quarter of 2017 to the 3rd quarter of 2018, 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.

³ See: World at Work Salary Budget Survey, July 28, 2018, available at:

[https://worldatwork.org/docs/research-and-](https://worldatwork.org/docs/research-and-surveys/sbs/SBS2018_19_TopLevelData_NonParticipants.pdf)

[surveys/sbs/SBS2018_19_TopLevelData_NonParticipants.pdf](https://worldatwork.org/docs/research-and-surveys/sbs/SBS2018_19_TopLevelData_NonParticipants.pdf); Willis Towers Watson Survey, August 14, 2018, available at: www.willistowerswatson.com/en-US/press/2018/08/us-employees-in-line-for-slightly-larger-pay-raises-in-2019.

provided civil servants with a 1.9 percent average pay rate increase. The president's FY20 budget again calls for a pay freeze, but the House of Representatives approved a 3.1 percent pay raise in its FY20 Financial Services and General Government bill.

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 resumed its authority in calendar year 2019 and appropriated a 1.9 percent average pay increase in the February omnibus bill. For 2020, the House advanced a spending bill providing a 3.1 percent average pay increase – 2.6 percent across the board, and a 0.5 percent average increase to locality pay rates.

Unlike the pay freeze authorized at the end of 2010, we are no longer in the middle of a recession and unemployment rates are at their lowest since 2000. The economy is strong, and labor markets are increasingly competitive. Freezing federal pay in 2020 will only exacerbate recruitment and retention challenges for the most in-demand federal occupations.

Federal vs. Private-Sector Pay Comparisons

The Federal Salary Council (FSC), an advisory board to the executive branch, found that, as of April 2018, private-sector workers are paid 31.86 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, 57.1 percent of the federal workforce consists of the highest paid occupations, such as lawyers, doctors, engineers and

managers, compared to just 36.2 percent of the private sector.⁴ 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.

⁴ FY19 White House Budget, Analytical Perspectives, “Strengthening the Federal Workforce,” p. 67, available at: www.whitehouse.gov/wp-content/uploads/2018/02/ap_7_strengthening-fy2019.pdf.