

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 2022, NARFE supports an average federal pay increase of at least 2.7 percent via a 2.2 percent across-the-board increase, and at least a 0.5 percent average increase to locality pay rates. NARFE also supports providing an additional 0.5 percent increase in locality pay, as would be provided by the FAIR Act, H.R. 392 and S. 561.

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 2.2 percent increase in pay in January 2022 prior to any amount being provided for locality pay rate increases.² This percentage is 0.5 percent less than the 2.7 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 2.7 percent is based on past increases, this is also consistent with recent projections based on survey data that private-sector pay will increase by 2.9 percent on average in 2021.³

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. Therefore, absent congressional action, the president retains the authority to determine whether to provide the baseline raise (and recommended locality pay increases), less, or nothing. President Biden’s FY22 budget request will provide the first indication of his intentions.

But Congress should not simply pass the buck to the administration. It is important to show a unified commitment to the federal workforce, and to reestablish the precedent of appropriating market rate increases in federal pay rates.

¹ For FY21, the relevant change in the ECI is from the 3rd quarter of 2019 to the 3rd quarter of 2020, 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 www.worldatwork.org/docs/research-and-surveys/sbs/SBS2020-21_TopLevelData.pdf

Historical Congressional Action

In the decades prior to 2010, Congress routinely authorized specific pay rate adjustments through the appropriations process, typically at parity with military pay increases. Even in 2010, Congress passed a two-year federal pay freeze through the appropriations process, which was extended a third year, leaving federal employees without a raise in calendar years 2011 through 2013. Congress only began to abrogate its authority to appropriate (or not) a pay rate adjustment beginning in fiscal year 2014, when appropriations were silent on federal pay adjustments through 2018. Thankfully, Congress reassumed that authority for calendar years 2019 and 2020, appropriating a 1.9 percent and 3.1 percent average pay increase, respectively. Unfortunately, the FY21 omnibus was silent on federal pay rates. Instead, President Trump's proposed 1.0 percent pay rate increase, which fell well below the 3.0 percent increase to military pay, went into effect.

Federal vs. Private-Sector Pay Comparisons

The Federal Salary Council (FSC), an advisory board to the executive branch, found that, as of October 2020, private-sector workers are paid 23.11 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.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

⁴ FY21 White House Budget, Analytical Perspectives, "Strengthening the Federal Workforce," p. 54, available at: https://www.whitehouse.gov/wp-content/uploads/2020/02/ap_5_strengthening_fy21.pdf.

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 through the appropriations process is the best way to maintain competitive pay.