BARNES & THORNBURG LLP

Overpaying Our Way Over The Edge Of The Fiscal Cliff

November 19, 2012 | | Labor Relations

While the debate about the fiscal cliff has been about what services to eliminate and how much to raise taxes, ignored almost entirely is the fact that the government grossly overpays for the services it buys.

According to the most recent data from the Bureau of Labor Statistics, the median salary for a federal government employee (including the Post Office) was $70,100 per year. For all private sector workers, that number was $43,980. That is, federal government employees are paid 59.4 percent more in salary than their private sector counterparts.

This differential does not include the higher costs of benefits to federal employees that one Congressional Budget Office study recently pegged as being 44.7 percent greater. That same CBO study which attempted to control for factors including educational attainment and regional variations concluded that the wage differential (excluding benefits) between federal employees and private sector workers was 14.7 percent.

Given that the federal government currently spends approximately $200 billion on its civilian employees, eliminating this wage gap would result in significant cost savings to the American taxpayer. Even without adjusting benefit costs (which itself could provide significant cost savings), simply

RELATED PRACTICE AREAS

Labor and Employment
Labor Relations

eliminating the wage disparity could provide $300 billion in deficit reduction over the next ten years – all without eliminating a single federal program.

Later this month, we will look at cost savings from eliminating so-called prevailing wage programs that amount to transfer payments to unionized construction workers.