The Daily Dish

Not Your Average Labor Market

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The administration likes to tout the fact that wages are finally rising faster than inflation. But in the case of federal civilian employees, President Biden left nothing to chance, signing an executive order bestowing a 5.2 percent (on average) pay raise that will kick in next month. Due to a feature known as locality pay – meant to accommodate differences in regional labor markets – actual raises will be as much as 5.7 percent in Seattle-Tacoma, Washington and as little as 4.86 percent in The Woodlands, Texas.

Playing Santa Claus is a great gig if you can get it, but doesn't that pesky Constitution give control of the purse strings, including pay raises, to Congress?

Alas, in a movie that runs repeatedly, Congress makes sure that it weighs in on military pay increases (which will also be 5.2 percent) but has set things up so that it has the option of leaving no fingerprints on civilian pay. Instead, under the Federal Employees Pay Comparability Act (FEPCA), the president includes proposed raises in his budget (as President Biden did last year). At that point, one of two things can happen.

FEPCA has a formula for pay raises that would go into effect. But that formula is so rich that no president since FEPCA passed 30 years ago has allowed the formula to go into effect. Instead, the president can propose an alternative pay plan, which President Biden issued in August. Of course, if Congress disapproves of the alternative pay plan, it can pass legislation determining the final raises. Congress did not, so Biden finalized the alternative pay plan with his executive order. Had it been an election year – spoiler alert! – Congress would be much more likely to take the credit themselves.

This year there is an additional twist to the tale. The agencies are operating under a continuing resolution, which means there is no additional money to cover the 5.2-percent increase unless and until Congress passes appropriations law with more dollars for each agency as needed to cover the raises. If that does not happen or, more dramatically, if the automatic cuts imposed by the Fiscal Responsibility Act take effect, the agencies will have to honor the pay raises but do so within their current means. That probably means workforce reductions to make things add up.

This possibility pleases my soulless heart because it is exactly the position government puts businesses in, again and again, when they raise the minimum wage. Businesses have to pay more, but just raising the minimum does not provide any more revenue to pay the higher wages. What's good for the goose is good for the gander.

The administration has been touting the higher wages produced by hot labor markets. This is not your average labor market.