



## **HOW MUCH DOES IT COST TO HIRE ONE NEW FEDERAL EMPLOYEE? \$4.7 MILLION TO \$13.9 MILLION OVER A CAREER**

722 12<sup>th</sup> Street N.W.

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Fourth Floor

Washington, D.C.

20005

T:(202)785-0266

F:(202)785-0261

[www.atr.org](http://www.atr.org)

When politicians claim that they will save money by “in-sourcing” federal functions from contractors, or will respond to some new need by expanding the federal workforce, that has a cost to taxpayers. How much is that cost?

In order to determine the cost of hiring a new federal bureaucrat, ATR has calculated the “all-in” cost of hiring a new employee. We include salary as well as benefits, pension contributions, and payroll taxes. We assume a 40-year federal career. The numbers presented are both nominal and inflation-adjusted. A COLA is assumed which is equal to the average level in the Washington, DC area for the past five years.

Here are the results for a low-cost, medium-cost, and high-cost employee:

	GS-7 (Low-Cost)	GS-11 (Mid-Cost)	GS-15 (High-Cost)
Nominal	\$4.73 million	\$7 million	\$13.86 million
Inflation-Adjusted	\$2.73 million	\$4.04 million	\$8 million

- The federal general pay schedule for the Washington, DC area is used
- There are separate estimates for low-cost (GS-7), intermediate-cost (GS-11) and high-cost (GS-15) employees. This was recommended as appropriate levels by former administration officials to give a sense of scope
- The employee is assigned a “Step 5” in the GS table for a 40-year career. As employees move up the GS-scale, their steps bounce up and down.
- The five-year moving average for this locality’s COLA is 3.55%, so that is assumed to be the COLA rate going forward
- In order to account for benefits, pension contributions, and payroll taxes, the GS dollar levels are increased by 33 percent, which was standard budgeting practice in the Department of Labor in the Bush Administration
- The dollar value is expressed in nominal terms and after-inflation (2.5%)

For more information, contact ATR Tax Policy Director Ryan Ellis at [rellis@atr.org](mailto:rellis@atr.org)