

Federal Pay Discrimination

AGGREGATE EFFECTS IN HAWAII

1. In Hawaii today, there are approximately 47,400 families directly affected by federal pay discrimination, including the families of 22,400 current employees, 18,700 retired employees, and 6,300 surviving spouses. Consider salaries to current employees. In 2019, federal salaries in Hawaii will be underpaid, in comparison to salaries in the 48 contiguous states and the District of Columbia, by approximately \$350 million. This lag is the result of arbitrarily lower pay raises in “non-foreign areas” nearly every year beginning with 1994. The cumulative amount of salary underpayments in Hawaii since 1994 will reach approximately \$5.2 billion on December 31, 2019 (or \$6.5 billion with interest). It goes without saying that this discrimination causes great personal hardship in federal families and reduces the effectiveness of the civil service. Beyond that, these are amounts that have been withheld from the Hawaii economy, depressing state tax revenues and adversely affecting all Hawaii citizens. This trend began in 1994. Since then, the equal pay gap – *i.e.* the annual percentage by which salaries in the 48 contiguous states and Washington DC had increased by more than salaries in non-foreign areas – has steadily widened. The equal pay gap reached 19.45% for 2019. This gap represents uncompensated costs of living. It is a measure of the steady decline in the standard of living afforded by federal salaries in Hawaii and other non-foreign areas, compared with the standard of living afforded by federal salaries in the contiguous United States. To restore parity with salaries in the contiguous U.S., this trend must be halted and the gap must be closed. With Congressional support, this goal can be achieved by a negotiated settlement that restores pay equity and also improves the civil service.

2. A great many retired employees and surviving spouses in Hawaii are suffering extreme discrimination in the amounts of their annuities, as compared with their counterparts in the contiguous United States. Pre-2010 retirees and their surviving spouses are suffering the greatest discrimination of all. The amounts of their annuities are far lower than the amounts of annuities paid to their counterparts in the RUS locality pay area, where annuities and living costs are the lowest of anywhere in the contiguous U.S. (The annuities of later retirees are also affected by federal pay discrimination, but to a lesser extent.) During FY2017, federal annuity payments in Hawaii totaled approximately \$820 million. It can be assumed that perhaps one-half of that amount, or \$410 million, is attributable to pre-2010 retirement by employees who worked their high-3 years in Hawaii. In the absence of discrimination, this subtotal (and each individual annuity it comprises) would be nearly 40% larger. This means that the underpayment of annuities in Hawaii during 2019 will be approximately \$164 million. Annual underpayments to the pre-2010 retirement group are of course declining, in the aggregate, as they pass away. Going back in time, the subtotal – and the amount of underpayment – is larger each year. Cumulatively, disregarding underpayments before 1990, annuity underpayments in Hawaii will reach approximately \$4 billion on December 31, 2019, without interest. Some recompense must be made for this extreme discrimination against the oldest retirees.