

Federal Pay Discrimination

AGGREGATE EFFECTS IN PUERTO RICO

1. In Puerto Rico today, there are approximately 26,000 families directly affected by federal pay discrimination, including the families of 14,000 current employees, 9,500 retired employees, and 2,500 surviving spouses. Consider salaries to current employees. The amount by which federal salaries in Puerto Rico during 2019 will lag behind federal salaries in the contiguous United States is approximately \$100 million, as a result of lower pay raises in non-foreign areas nearly every year beginning in 1994. The cumulative amount of salary underpayments in Puerto Rico will reach approximately \$1.6 billion on December 31, 2019 (or \$2.0 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 Puerto Rico economy, depressing Commonwealth tax revenues and adversely affecting all Puerto Rico 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 Puerto Rico and other non-foreign areas, compared with the standard of living afforded by federal salaries in the contiguous United States. The equal pay gap will continue to widen unless Congress acts.

2. A great many retired employees and surviving spouses are suffering extreme discrimination in the amounts of their annuities, as compared with annuities paid in the contiguous United States. Aggregate effects of discrimination in annuities are harder to quantify than aggregate effects of discrimination in salaries, at least on the basis of information presently available. It is clear that, in every non-foreign area, among all living persons affected by federal pay discrimination, including current employees, 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 nation.) The annuities of later retirees are also affected by federal pay discrimination, but to a lesser extent. Annual underpayments to pre-2010 retirees are of course declining, in the aggregate, as they pass away, unlike annual aggregate underpayments to later retirees and surviving spouses, a group which is continually being replenished. During FY2017, federal annuity payments in Puerto Rico totaled approximately \$270 million. It can be assumed that perhaps one-half of that amount, or \$135 million, is attributable to pre-2010 retirement by employees who worked their high-3 years in Puerto Rico. In the absence of discrimination, this subtotal (and each individual annuity it comprises) would be much larger. Cumulatively, disregarding underpayments before 1990, annuity underpayments in Puerto Rico will reach approximately \$2 billion on December 31, 2019, without interest.