

Congress lowers the ceiling on contractor pay. It could affect more workers by lifting the floor.

By Lydia DePillis, Updated: December 16, 2013

This week, the Senate is expected to vote on a budget that will likely -- [at long last](#) -- [lower the amount](#) that a federal contractor's salary can bill the federal government. That will be the first decrease since the Government Accountability Office [started tracking the pay cap](#), in 1998:

The draft budget lowers the cap from \$952,308 to \$487,000, back to where it was in 1998, adjusted for inflation (it had been indexed to the median salary of executives at 3,000 large companies, which has [risen precipitously](#)). The administration actually wanted the cap lowered to \$400,000, since that's what the highest-paid employee of the federal government makes.

That's a nice, symbolic attempt to cut the contracting community down to size. But the change will affect only a few hundred people, and amount to a rounding error on the federal budget (the GAO estimated that a \$400,000 cap would knock \$180 million off compensation costs). It's not a serious cost containment measure. Rather, it's a statement about how much a person ought to make from government work.

Of course, if the White House really wanted to make a statement about the value of work, it could do so much more substantively by boosting the floor of what it requires contractors to pay their burgeoning workforce. Right now, the federal government indirectly employs [some 2 million people](#) who make less than \$24,000 per year, or under \$12 an hour. The administration could, by executive order, require that all of them be paid at least that -- and develop a contract evaluation system that would either incentivize paying for the increase by decreasing salaries at the top, or increase the dollar value of awards if necessary to assure jobs aren't lost in the process. The federal government already does that, to some extent, by requiring a [different wage scale](#) for federal construction projects [and service contracts](#)* that makes those jobs much better paid -- and hasn't prevented builders from competing hard for those contracts.

Instead, the White House has [declined to discuss](#) the idea, while pushing Congress to adopt its proposal for a \$10.10 minimum wage nationwide. That may happen, since the American public is [more and more](#) in favor of it. Before requiring the rest of U.S. business to do it, though, the federal government could lead by example.

** Edited to reflect the fact that the federal government sets wage rates for service contracts as well as construction projects.*

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