



**CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515**

**Rudolph G. Penner
Director**

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MEMORANDUM

FROM: Bob Hale *B. Hale*

SUBJECT: Military and Civilian Take-Home Pay for 1974 and 1985

Attached are estimates of take-home pay for persons at selected military and federal civilian pay grades. The tables compare take-home pay both in 1974 and 1985. The estimates were prepared at the request of the staff of the House Budget Committee.

If you have questions about the estimates, please contact Joel Slackman at 226-2918.

Attachment

MILITARY AND FEDERAL CIVILIAN TAKE-HOME PAY TABLES FOR 1974 AND 1985

The attached tables show how the take-home pays of military and federal civilians have changed between 1974 and 1985. In 1974, at commonly compared pay grades, military personnel often (but not always) took home more. Since then, their advantage over civilians has grown considerably. For example, a military O-6 (an Army Colonel) took home roughly \$23,350 a year in 1974, \$2,560 more than did a GS-15 at pay step 4. Expressed in 1985 dollars, the 1974 advantage becomes \$5,600. But, today, that O-6 actually takes home about \$11,750 more than the GS-15, a doubling of the military's advantage.

What accounts for the military's advantage? In the early 1980s the Congress gave military personnel large pay raises relative to those granted civilians. In 1981, military pay rose 11.7 percent; GS pay, only 9.1 percent. Moreover, other allowances grew that year, notably a tax-free allowance for housing, the Variable Housing Allowance (VHA). (Today an O-6 living in the Washington, D.C., area could receive about \$2,900 in VHA.) In 1982, military pay rose 14.3 percent for all officers, and from 10 to 17 percent for enlisted personnel; GS pay only rose 4.8 percent.

While the trends between 1974 and 1985 are of interest, the estimates of take-home pay are not necessarily representative of typical military or federal civilian personnel because they rest on numerous simplifying assumptions. Estimates of federal and state income tax assume a standard deduction for a family of four. Yet many taxpayers, particularly homeowners, claim deductions substantially exceeding the standard deduction. (One rule-of-thumb has deductions on federal tax returns making up about 23 percent of one's income.) Assuming larger deductions would give civilians a relative boost: in 1985 the take-home pay of a GS-15 at pay step 4 could increase by roughly \$3,400, that of an O-6 with more than 26 years of service by roughly \$2,700. On the other hand, the estimates also assume that all military personnel pay state income taxes, though many do not.

The tables do not include special pays or secondary incomes in their estimates of take-home pay, which also could affect comparisons between military and civilian pay in either direction. Though not all military personnel receive special pays, the tables may be understating disposable military income by excluding reenlistment bonuses, aviation career incentive (flight) pay, and sea pay. The tables may be overstating disposable military income to the extent that government compensation for employee expenses, especially for moving, fails to cover costs. And because military

families move frequently they may have difficulty generating secondary income. Finally, one's VHA could be considerably more or less than shown because it depends on geographic location (the tables assume residence in the Washington, D.C., metropolitan area). In 1985, an O-6 with 26 or more years of service living in San Francisco receives a VHA of \$4,814, but one living in Pensacola, Florida, receives \$766.

Nor is take-home pay the only measure of compensation. It does not include the value of fringe benefits, in particular retirement, which is more generous for the military. It tells nothing about the risks and rigors of the job, nor about the pay for similar jobs in the private sector. In view of these limitations, the best measure of compensation may be the ability to recruit and retain needed people.

COMPARISON OF MILITARY WITH FEDERAL CIVILIAN TAKE-HOME PAY
IN 1974 AND 1985

Pay Grades Compared	Military Advantage in 1974 (in \$ 1974)	Military Advantage in 1985 (in \$ 1985)	Military Advantage in 1985	Change in Military Advantage 1974 to 1985 (in \$ 1985)
O-10/26 with Level 1	(2,212)	(4,830)	8,017	12,847
O-8/26 with Level 2	2,367	5,168	11,890	6,722
O-7/26 with Level 5	2,720	5,940	10,793	4,853
O-6/26 with GS-15/4	2,564	5,598	11,753	6,155
O-6/22 with GS-15/1	2,738	5,979	11,962	5,983
O-5/20 with GS-14/4	1,042	2,276	8,966	6,690
O-4/16 with GS-12/4	2,886	6,301	12,326	6,025
O-3/6 with GS-11/4	1,531	3,342	9,765	6,422
O-1/ 2 with GS-9/4	(1,717)	(3,749)	2,971	6,720
E-7/14 with GS-9/4	(40)	(88)	6,853	6,941
E-6/8 with GS-7/4	248	542	6,550	6,007
E-5/6 with GS-7/4	(561)	(1,224)	4,598	5,822
E-4/4 with GS-5/4	351	766	5,409	4,643
E-1/1 with GS 1/1	1,575	3,439	7,059	3,620

MILITARY-CIVILIAN TAKE-HOME PAY GAP

(In 1985 dollars)

