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Amid Deficit Fears, Obama Freezes Pay

By PETER BAKER and JACKIE CALMES

WASHINGTON — **President Obama** on Monday announced a two-year pay freeze for civilian federal workers as he sought to address concerns over high annual deficits and appealed to Republicans to find a common approach to restoring the nation's economic and fiscal health.

“The hard truth is that getting this deficit under control is going to require some broad sacrifice, and that sacrifice must be shared by employees of the federal government,” Mr. Obama told reporters. He called federal workers “patriots who love their country” but added, “I’m asking civil servants to do what they’ve always done” for the nation.

The pay freeze amounted to an opening bid as the president and Republican Congressional leaders begin jousting in earnest over tax and spending policy. It also illustrated how Mr. Obama can use his office on occasion to get ahead of newly elected Republicans; they had been talking about making such a move when they assume control of the House and additional Senate seats in January.

But while the move represents a gesture toward public anger over the anemic economic recovery and rising national debt, the \$5 billion to be saved over two years will barely dent a deficit that has exceeded \$1 trillion for the past two years. And even those savings would be swamped by the multitrillion-dollar costs of the bigger issue dividing Mr. Obama and the Republicans — what parts of

the [Bush-era tax cuts](#) to extend beyond their Dec. 31 expiration, and for how long.

That issue and others will be on the agenda on Tuesday when Mr. Obama will host the House and Senate leaders of each party at the White House for the first time since the midterm elections.

Tuesday will also be the last day for emergency federal assistance for about two million Americans who have been unemployed for long periods, and on Friday a temporary measure providing money for government operations will run out. The two parties are at odds over both matters, with many Republicans opposed to additional unemployment aid and demanding more cuts from domestic spending for the fiscal year that began in October.

Mr. Obama nonetheless expressed optimism that the meeting would be a productive fresh beginning.

“We can’t afford to fall back onto the same old ideologies or the same stale sound bites,” he said.

As Mr. Obama made his comments at the announcement of the pay freeze, the [bipartisan commission](#) he established in February to propose ways to reduce the growth of the national debt entered a final two days of negotiations over combinations of spending cuts and revenue increases. In a sign of the struggle to find a compromise that could attract Democratic and Republican votes, the commission chairmen — [Alan K. Simpson](#), a former Senate Republican leader, and [Erskine B. Bowles](#), a chief of staff to President [Bill Clinton](#) — decided to meet privately with members one at a time on Monday and Tuesday instead of convening all 18 members.

The Republicans on the panel are generally opposed to raising taxes and the Democrats to big changes in [Medicare](#), [Medicaid](#) and [Social Security](#).

Mr. Bowles and Mr. Simpson revised their draft debt-reduction package over the Thanksgiving holiday break to reflect members’ criticisms. Their goal is to reduce projected deficits by nearly \$4 trillion over the coming decade. That is roughly the same amount that would be added to the national debt by extending the Bush-era tax rates — a juxtaposition that underscores the contradictory impulses of elected officials as constituents demand smaller deficits and low taxes.

In advance of Tuesday's bipartisan White House meeting, Mr. Obama and Democratic Senate leaders conferred by phone to try to coordinate strategy.

Speaker [Nancy Pelosi](#) planned to have the House vote on the approach that she, Mr. Obama and the Senate Democratic leader, [Harry Reid](#), prefer, which would extend the 2001 and 2003 tax cuts for income up to \$250,000 a year for couples and \$200,000 for individuals. But faced with defections from Democrats in swing districts and states, they are considering fallback plans, including one that would keep the Bush-era rates in place for income up to \$1 million.

Senator [Charles E. Schumer](#), a Democratic Senate leader from New York, is the main proponent of that plan, which he is labeling the "millionaires' tax." He has picked up adherents among Democrats facing re-election challenges in 2012, including Senators [Joe Manchin III](#) of West Virginia and [Claire McCaskill](#) of Missouri.

The lame-duck session of Congress could end up passing a temporary extension that kicks the matter, like other issues, into the next Congress, which convenes in January. On Monday, the House approved a Senate measure that blocks until Jan. 1 a scheduled 23 percent cut in doctors' reimbursements from Medicare — once again buying time to resolve the costly issue.

The pay freeze Mr. Obama announced wiped out plans for a 1.4 percent across-the-board raise in 2011 for 2.1 million federal civilian employees, including those working at the Defense Department, and it would mean no raise in 2012. The freeze would not affect the nation's uniformed military personnel, and civilian workers who are promoted would still receive the higher pay that comes with the higher grade or position.

The move would save \$2 billion in the 2011 fiscal year that ends Sept. 30 and \$5 billion by the end of two fiscal years. Over 10 years, it would save \$60 billion, according to [Jeffrey Zients](#), deputy director of the [Office of Management and Budget](#) and the government's chief performance officer.

While Congress has final word on federal pay, the president's freeze seemed certain, given the political environment; if anything, lawmakers may go further by cutting pay. Republicans noted that some of them had called for a pay freeze for months. "We are pleased that President Obama appears ready to join our efforts," said Representative [Eric Cantor](#) of Virginia, the incoming Republican majority leader.

With Republicans vowing to make deep budget cuts, Mr. Obama must decide how far he is willing to go and where he will draw a line. He pointed out that he has already called for a three-year freeze on domestic discretionary spending, found \$20 billion in savings from eliminating or scaling back unnecessary programs, identified \$150 billion in improper payments.

The federal work force is an obvious first target, if one fraught with political risk for a president who relies on union support. Opponents of big government have been trying to build a political case that federal employees are being overpaid. In a report in June, Chris Edwards of the [Cato Institute](#), a libertarian research organization in Washington, found that federal civilian workers had an average annual wage of \$81,258 in 2009, compared with \$50,464 for the nation's private-sector workers. Average federal salaries rose 58 percent from 2000 to 2009, compared with 30 percent in the private sector.

Union leaders, though, cited other data showing that federal workers were paid 24 percent less than their private sector counterparts, and they accused Mr. Obama of playing politics. "Sticking it to a V.A. nurse and a Social Security worker is not the way to go," John Gage, president of the American Federation of Government Employees, said in an interview.

David M. Herszenhorn contributed reporting.



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