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Testimony

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H.R. 3132--
Federal Pay Reform Act of 1987

Statement of
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Before the
Subcommittee on Compensation and Employee
Benefits
Committee on Post Office and Civil Service
House of Representatives



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to present our views on H.R. 3132, the Federal Pay Reform Act of 1987. The bill would establish a Federal Compensation Board and a Commission on Federal Pay Management, authorize demonstration projects for alternative pay and personnel systems, modify the pay-setting process, expand agencies authority to set special rates and pay new allowances, and require agencies to pay travel and transportation expenses for certain retiring federal employees.

As you know, we have issued many reports over the years and have studies underway on various federal pay and personnel system issues. My comments will be directed primarily to the aspects of the bill to which our past and current work is pertinent.

Section 102 of the bill would establish a 13-member Federal Compensation Board that would design, implement, and oversee from five to ten demonstration projects. The projects would be evaluated by the proposed Commission on Federal Pay Management, consisting of three members who are experts in the field of personnel management. We agree that central control would be necessary for orderly conduct and evaluation of the projects, but normally such functions would be expected to be the responsibility of the Office of Personnel Management. It is not apparent why two new organizations are needed.

The Board would be required to design and implement all of the demonstration projects within 12 months of enactment of the bill. Based on the experiences of ongoing demonstration projects for alternative pay systems, we believe this may be too short a time. Each of these projects took more than 12 months to be designed and implemented. Therefore, we believe that more time should be allowed in order for the Board to get organized and develop sound plans for the new demonstration projects. A preferable alternative might be for Congress to set a target date for implementation of the projects, such as 18 to 24 months after enactment, and require the Board to periodically report its progress.

We are concerned about Section 201 of the bill which would freeze the methodology used to determine the differences between federal and private sector pay. Specifically, the section provides that the methodology used by the Bureau of Labor Statistics and the pay agent (The Secretary of Labor and Directors of the Office of Personnel Management (OPM) and Office of Management and Budget) to compare the rates of pay in the federal government and the private sector shall be the same as the methodology used in fiscal year 1985. Over the years many refinements have been made to the methodology, and, in fact, we recommended many of them. We concluded in a report in May of this year that recent changes to the survey methodology made the survey more accurate, and we believe that changes that will

improve the survey should continue to be made. The 1986 and 1987 surveys, for example, involved a significant expansion to new firms and occupations to make the survey broader and more representative of federal and private sector jobs than it was in 1985.

We endorse section 202 on alternative pay plans which provides that the annual adjustment in General Schedule pay will be no less than the change in the Bureau of Labor Statistics Employment Cost Index. The index is a principal federal economic indicator that measures changes in compensation levels for all occupations in the non-farm economy. We believe it is a reliable measure of average pay changes in the private sector, and recommended in a 1981 report that the index be used as a periodic alternative to the pay surveys, in order to lessen survey frequency. The Employment Cost Index and the General Schedule pay survey have had similar overall findings over the past several years. However, pay changes in the private sector have generally been ignored in determining federal pay adjustments. In every year since 1977, Presidents have proposed, and Congress has agreed to, smaller salary adjustments than required to maintain comparability with the private sector. As a result, the overall comparability gap as determined by the pay agent has grown to 23.7 percent. The President proposed an adjustment of 2 percent effective this January. The change proposed by H.R. 3132 would at least ensure that the gap grows no wider.

We have long supported the comparability principle as a sound basis for adjusting federal pay rates. However, since the comparability principle has not been followed over the last 10 years and the wide pay gap has developed, it is understandable that alternative pay and personnel systems like those proposed in H.R. 3132 would be considered. The bill calls for the testing of from five to ten alternative personnel systems covering 15,000 to 25,000 employees each. The choices of alternative systems include: basing annual pay adjustments on comparisons of federal pay and benefits with the private sector; setting federal pay based on private sector pay in a geographic area; and using collective bargaining as the pay adjustment mechanism. At least two others would be designed to be similar to the personnel demonstration project now being conducted by two Navy laboratories in San Diego and China Lake, California. One of the latter would cover only scientific and technical positions in NASA and laboratories in the Departments of Defense and Energy.

We endorse further testing of alternative personnel systems. For example, the concept of cost neutrality as proposed in H.R. 3132 has never been tested; therefore, it is important to determine whether such an approach is feasible. Moreover, we believe it is appropriate to evaluate how well various alternative approaches will work in order to determine which, if any, are superior to the current system and should be adopted on a broader scale.

Section 301 of the bill would modify the government's special rate program and give agency heads authority to set rates of pay higher than those in the General Schedule to remedy recruiting and retention problems caused by low pay or other factors such as remoteness of the work location or undesirable working conditions. Our work has shown that OPM, which administers the program, has often not authorized special rates in a timely manner or to the extent it should have to help solve recruiting and retention problems. However, recently OPM has approved special rates for more occupations and the number receiving such pay has increased to 110,000, about triple the level of last year. Under the bill, OPM has 30 days in which to prevent the rates from going into effect if it can demonstrate in writing that the proposed rates would not rectify the agency's recruiting and retention problems. We believe that giving more authority to agency heads will permit more timely action on staffing problems.

While we support the intent of this section of the bill, we believe it would allow special rates under more circumstances than are necessary. This is because the bill allows an agency to use special rates if it believes recruitment or retention is likely to be a significant problem. We believe that to prevent the potential for abusing special rates, they should only be authorized when a problem has been demonstrated, not simply when one is expected. The bill provides that a probable recruiting

and retention problem can be shown if federal pay rates are generally less than rates outside the government for similar positions. Because the pay agent's analysis shows this to be the case for the vast majority of all federal positions in the survey, this condition could be used to justify special rates for most federal jobs regardless of actual recruiting and retention experience.

That concludes my prepared statement, Mr. Chairman. I would be happy to answer any questions you may have.