

54001  
129767

UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY  
EXPECTED AT 10:00 a.m.  
April 30, 1986

STATEMENT OF  
ROSSLYN S. KLEEMAN, ASSOCIATE DIRECTOR  
GENERAL GOVERNMENT DIVISION  
BEFORE THE  
SUBCOMMITTEE ON CIVIL SERVICE,  
POST OFFICE, AND GENERAL SERVICES,  
SENATE COMMITTEE ON GOVERNMENTAL AFFAIRS  
ON  
FEDERAL PAY AND PERSONNEL SYSTEMS

129767



035086

Mr. Chairman and Members of the Committee:

I am pleased to be here today to present our views on S. 1327, a bill to amend the government's special pay rate program; S. 1727, the Federal Science and Technology Revitalization Act of 1985; and S. 2082, the Defense Acquisition Enterprise and Initiative Act of 1986. My comments will be directed at selected aspects of these bills with emphasis on pay and personnel systems.

Adequate compensation levels are critical to the government's ability to attract and retain competent employees. Nonetheless, fiscal year 1986 marked the eighth straight year that the President and the Congress adopted alternative pay rates for white-collar employees instead of the comparability adjustments indicated by the annual survey of private sector pay rates. As a result, according to the survey General Schedule salaries have dropped significantly behind those in the private sector for similar work. By March 1985, the difference averaged 19.15 percent. No pay increase was granted for fiscal year 1986, and the gap between federal and private sector has widened further.

In the past, we have suggested that the comparability principle be expanded to include benefits as well as salary. As we reported in September 1985, one comprehensive study showed federal white-collar employees' overall compensation lagged behind the private sector by 7.2 percent in 1984. The lag is now estimated to be 15.7 percent. Although federal retirement and annual leave benefits were found to be more valuable than in the private sector, this was more than offset by the lag in other federal benefits, such as health and disability benefits, and salary.

The federal white-collar special rate program has helped agencies be more competitive in certain occupations and labor markets. Under the program, pay rates above the General Schedule are authorized when the government has a significant problem recruiting and retaining well-qualified individuals and the staffing problem is caused by substantially higher private sector pay rates. Special pay rates can be authorized on a locality basis or on a nationwide basis to meet staffing needs. The use of special rates is increasing. We reported in March 1984 that the number of special rate positions rose from about 8,000 in fiscal year 1977 to almost 34,000. There are 37,000 now. The primary reasons for this increase are (1) General Schedule pay adjustments at less than the amount needed to achieve comparability with private sector salaries in certain occupations, (2) across-the-board instead of grade-by-grade pay adjustments, and (3) geographic and occupational variations in private sector pay which are not recognized under the General Schedule.

Notwithstanding its growth, the special rate program may not have been used to the extent it could or should have been. For example, we reported in 1985 that the Federal Aviation Administration (FAA) had severe police staffing problems at National and Dulles airports because its police officers were paid much less than other federal and nonfederal police officers. Although OPM had granted special rates to some of the police officers over the years, the amounts were too small to overcome the staffing problems. Earlier this month, OPM granted the FAA police officers a 22 percent pay increase. S. 1327 addresses this problem by permitting agency heads instead of OPM to authorize special rates to meet their staffing needs under regulations prescribed by OPM. OPM would have 45 days to disapprove the proposed rates or they would automatically become effective.

Other problems are inherent in the special rate program. First, the current law authorizing special rates does not allow the government to pay starting salaries above the 10th step of each grade of the General Schedule. As a result, agencies are at a recruiting disadvantage when entry level salaries are at the maximum rate but are still substantially below starting salaries in the private sector. Second, the current law does not allow OPM and agencies to use special rates to deal with factors other than pay disparities. For example, special rates cannot be authorized to correct staffing problems caused by undesirable working conditions and locations, or by differences in federal and private sector benefits.

We support the intent and purpose of S. 1327. The bill would permit the consideration of factors other than private sector pay disparity in the special rate determination process. These could include state and local government pay rates, overtime pay, health and retirement benefits, working conditions, and geographic location. The bill requires OPM to establish in regulation the criteria which would qualify agencies to establish special rates.

The intent of S. 1727 and S. 2082 is to enhance the management of scientific, technical, and acquisition personnel. Our major concern with these proposals is the selective treatment of employees and proliferation of alternative personnel management systems that could result if enacted.

The bills are in large part again result of the disparity between federal and private sector pay. In the face of a 20 percent pay disparity the legislation is intended to remedy pay and personnel problems in selected skill areas--scientists, engineers, and acquisition experts, but for the latter only those in the Department of Defense. The case for special treatment of these particular groups has been made with

anecdotal information. Similar problems have been documented for other occupations as well, as would be expected with a pay system that significantly underpays across the board.

Some proponents of the legislation maintain that the proposed systems can be implemented at no additional cost. We doubt that will be the case. For example, personnel costs at the Navy's demonstration laboratories at China Lake and San Diego, California reportedly are almost 6 percent higher than at counterpart laboratories not in the test. In part this is due to higher pay rates offered to new employees in order to be competitive with private industry. Entry level salaries at one of the laboratories increased by over 45 percent the year that the test started. The higher salaries may be the main reason for the popularity of the demonstration projects. Furthermore, I think it is unrealistic to expect that the government, at no increase in cost, will be able to recruit and retain "the very best and brightest" people when it is now paying employees only 80 percent of the going rate.

In addition, the creation of separate systems for certain occupations could create enormous administrative problems as varying standards and processes are applied for hiring, paying, training, and retaining these personnel. If alternative personnel systems are needed, we believe it would be preferable to establish them, not based on skills, but on an agency-by-agency basis, to eventually include all agencies, with central control exercised by the Office of Personnel Management. In this regard, we understand that the Administration is considering a proposal that would authorize an alternative personnel system for all white-collar occupations in each agency.

Without central control by OPM, we foresee a potential for inequitable pay and personnel practices. For example, S. 1727

authorizes the heads of agencies to set and annually adjust the compensation of the employees under alternative personnel management systems to be competitive with the private sector. This could create differences in the rates that individual federal agencies will pay their scientists and engineers for doing essentially the same work in the same locality. As a result, the government will find it competing with itself as well as with the private sector.

Differing treatment would be introduced with performance awards as well. For example, under S. 2082, performance awards would range from 5 to 20 percent of pay. Under the existing Performance Management and Recognition System, the maximum award in usual circumstances is 10 percent.

This concludes my prepared testimony, Mr. Chairman. We would be happy to answer any questions you may have.