Improving Performance: A Review of Pay-for-Performance Systems in the Federal Government

7/22/2008

Senate Subcommittee on Government Management, the Federal Workforce, and the District of Columbia

---

Chairman Akaka, Ranking Member Voinovich, and members of the Subcommittee, I appreciate the opportunity to appear again before this distinguished subcommittee to discuss the important subject of federal pay systems. As you know, the National Treasury Employees Union represents more than 150,000 federal employees in over 30 different agencies and departments throughout the government.

Today the subcommittee will hear today from a number of witnesses representing the Administration, managers and senior level personnel, and distinguished analysts and experts. I am here to present the viewpoint of the tens of thousands of dedicated public servants who are currently on the ground working in government. These federal employees are the potential recipients of the various pay-for-performance systems being advocated by this administration. They are the ones who help administer our government systems; defend our homeland; process and administer our programs such as social security; support our states and cities; and help regulate and inspect everything from our food supply and our imports to our financial institutions. These federal employees want what every other employee wants, a system that offers fair compensation for a fair day of quality work.

The shortcomings of the Administration's so-called pay for performance systems are as distinct today as they were when I testified before this subcommittee in 2005. Unfortunately, despite the growing evidence that these systems lack credibility, the Administration continues its attempts to dismantle the current General Schedule (GS) system and replace it with various performance management systems. The President's FY 2009 budget submission to Congress reaffirmed its commitment to pay-for-performance alternative systems to "replace the current General Schedule pay system with a modern classification, pay, and performance management system that is both results-driven and market-b
(p. 1097 FY 2009 Budget Appendix)

Back in 2005, I questioned the lack of success stories to justify putting pay-for-performance systems in place government-wide under the administration's proposal, formerly called the "Working for America Act." The idea was that an alternative pay system would motivate the workforce to increase productivity and better accomplish the mission of critical agencies while attracting new talented people to government. Sadly, three years later, we still lack success stories, but instead we see a litany of failed experiments, widespread employee dissatisfaction, inequitable distribution of resources, abuse in rating systems, and rampant employee confusion over expectations. Pay experiments at DHS, especially at the Transportation Security Administration (TSA), IRS, DOD, FDIC, and SEC, to name just a few, have fallen short of accomplishing those goals. Where are the anticipated success stories?

NTEU has always taken the position that in order for a pay system to be credible and effective it must either be set in statute like the GS system so that everyone knows what the rules are and what the consequences of actions are, or there must be collective bargaining so that the employees through their union can have a role in the design of the pay system and can take action to remedy any unfairness.

General Schedule (GS Pay System)

Before I discuss NTEU's involvement with various pay-for-performance systems, I would like to address the current GS system. There is quite a bit of confusion among critics about it, and criticisms are usually vague and exaggerated. However, some suggest it needs to be replaced with a market based system, like one of these pay-for-performance experiments. Let me be clear. The GS system is market-based. It has the goal of achieving comparability with the private sector through 32 different locality pay areas. And employees receive raises based on merit, which is synonymous with performance and achieving results. As the distinguished professor and witness today, Dr. Charles Fay has pointed out in the past, the Bureau of Labor Statistics uses "impeccable methodology" to gather and evaluate statistically valid data for the GS system. (May 22, 2007, House testimony).

The General Schedule is a structured system. It has rules, standards and evaluations which must be written. It has both merit and market components—with grade and career ladder promotions subject to merit standards. There is limited ability for favoritism, discrimination or other non-merit determinations to come into play.

But there is also flexibility. Non-performers can be denied merit pay increases and outstanding performers can be given many rewards, including quality step increases, annual leave, retention (and recruitment) bonuses that are available. Yet we see a pattern of managers' inability to follow the rules and work within the GS system. If managers currently have trouble with the GS system, it does not make sense to go to a more subjective system. That will not solve anything. My testimony will point to several failed cases of alternative pay systems demonstrating their overall lack of success.

No Success Stories

I am a big believer in setting meaningful goals and then figuring out how best to reach those goals. I have participated in numerous Congressional hearings and Hill and Agency meetings on pay-for-performance and I have to say the goals are very often glossed with statements like, “we want flexibility,” or, “it needs to be more modern.” It seems to me that a pay system should have a couple of major goals: 1) Does it help recruit and retain the best people for the jobs? And, 2) Does it help motivate employees to better achieve the agency mission? And this is the area where I believe both the pay-for-performance systems that are in place and those that have been proposed through the administration’s proposals have the most problems.

I don’t know of a single so-called pay-for-performance system that is getting good reviews from the employees who are working under it.

OPM Report: Alternative Personnel Systems

Early in the year, OPM released its report entitled Alternative Personnel Systems in the Federal Government: A Status Report on Demonstration Projects and Other Performance-based pay Systems (December 2007). While OPM proudly touted this report as evidence of success, a close reading shows a patchwork of pay systems across government that cannot collectively, or individually, be characterized as successful. If anything, the report demonstrates how inconsistent, arbitrary and problematic the differing pay systems are throughout the government.

While the report lists a hodgepodge of systems at various stages of their development, and includes a number of surveys, it lacks hard data on the parameters of the surveys and the numbers of people who participated in them. Simply stating percentage of employee satisfaction or non-satisfaction, without the necessary information on the numbers of people polled, and the exact questions asked, makes the conclusions questionable. NTEU has extensive front line experience with alternative pay systems at many of the agencies in the OPM report and that experience is characterized by a slew of grievances, arbitrations, litigation, high attrition rates and rock-bottom employee morale.

I want to emphasize that nothing in this OPM report, or any other government study I have found, indicates that the General Schedule system should be modified along pay-for-performance lines. Until we see actual success stories, NTEU will continue to oppose the expansion of alternative pay experiments. The GS system is not based on longevity but on the successful performance of employees. This is a performance-based system that works.

And for those who argue that raises are automatic within the GS system and say the only thing that counts is being there, I take issue. An employee’s supervisor must certify that the employee is performing the job up to standard. If not, the employee’s step increase can be withheld and disciplinary action can follow. If there’s a problem here, it’s that the supervisor is not doing his or her job. Can we expect them to do a better job with a much greater task, the kind of task that is involved in each and every one of the pay-for-performance systems presently in the government? It took a very long time to build a non-partisan, professional civil service that is envied around the world. There has been no evidence so far that it needs to be changed.

DHS and TSA

Pervasive problems at the Department of Homeland Security (DHS) continue to exist despite the many worthwhile congressional actions and the work of dedicated frontline employees. Today I'll not focus on department-wide issues except to point out that despite being ranked at the bottom of the Partnership for Public Service's annual survey of "Best Government Places to Work", DHS is insistent on moving forward with an alternative personnel and pay system. Thankfully, the agency has not been provided the funding to do so.

I would like to focus on the alternative pay system for Transportation Security Officers (TSOs)—the airport screeners—at the Transportation Security Administration (TSA). This pay-for-performance system is called the Performance Accountability and Standards System (PASS) and is a complicated system that relies heavily on bonuses rather than increases in base pay. It is an example of the "worst of all worlds" kind of system– not a statutorily set system like the GS one, and no collective bargaining over pay, nor over anything. And has this pay-for-performance system aided in recruitment and retention or motivation? It absolutely has not. It is a major contributor to the fact that TSA has the highest turnover rate in the federal government. Has it motivated employees to better achieve the agency mission? Certainly not. Employees at TSA are struggling to make ends meet with an average annual salary of $30,000, uncertain work conditions and no knowledge as to whether they will receive a pay raise, or even what the expectations are to get one, under the current system. While they do a remarkable job with insufficient training, it is hard for them to focus on the larger mission goals.

PASS is in disarray. Problems with PASS are so numerous, it's hard to list them all – employees are constantly tested, but if they fail, they're not told what they did wrong. The training is minimal. A majority of screeners have not been provided with the information they need to get a pay raise. In the last cycle, the pay raises were adjusted so that more people would get some amount of a raise. Unfortunately, since there's only so much money to go around, many of the top performers from last year find that their rating is the same, but the pay raise is smaller.

In its December report, OPM hails this system as a "key element in the long-term professional development" of the screeners. Nothing could be further from the truth. Supervisors need to keep a small booklet of ratings on each employee. Some forms don't get filled out, some get lost. Retraining is difficult, because there are no materials, and no time to review the materials if there are any. It's a system easily abused.

To add insult to injury, TSA just decided to award a $1.2 billion contract to Lockheed Martin to perform its human resource activities. While airport screeners in charge of vital security needs are receiving an average $30,000 a year in salary, a contractor will receive $1.2 billion to administer systems, including the much maligned and inept PASS system. And I don't need to remind this committee of all wasted federal money resulting from contractor horror stories like those at IRS, DOD, VA and OPM that we regularly read about.

Scarcely a month goes by without a TSA debacle. In April, DHS released a survey showing that 93 percent of TSA employees believe their work is important, but only 21 percent believe promotions are based on merit. Fewer than one in four – 23.6 percent believe their pay raises depend on how well they perform their duties. Fewer than a quarter believed their leaders generated high levels of motivation and commitment in the workforce. In May, the DHS Inspector General released a report (OIG-08-62) that found TSA has not provided sufficient tools and guidance in the structures, authorities, and oversight responsibilities of their initiatives to improve declining morale problems, and that it faced challenges in communicating the details to the workface.

With roughly 8,000 of the approximately 40,000 member TSA workforce leaving their jobs each year, TSA is incurring astronomical and unnecessary costs of training, recruiting and hiring, and lost productivity. This critical workforce is in flux and I see no advantage to experimenting further with their pay. The PASS system is not fair, credible or transparent. It is not achieving the success to justify it, and it is a major contributing factor to the agency's double-digit attrition.

The TSA PASS system should be eliminated and TSA screeners should be put under the General Schedule pay system. They also should be afforded collective bargaining rights without delay to enable employees some leverage to address rampant and unfair workplace injustices. NTEU supports H.R. 3212, legislation introduced in the House by Rep. Nita Lowey, to provide collective bargaining rights to TSA screeners, and hopefully before long these well-deserving employees will be afforded these rights.

NTEU and Alternative Pay Systems

While NTEU stands ready to contribute to measures leading to a more effective and efficient federal government, my concern is that the Administration has moved forward on pay alternatives without first demonstrating that a problem exists. It has not brought forth the kind of comprehensive impartial data-based research explaining why it finds the GS system I described as inadequate. Nor has it required agencies to use the many authorities and flexibilities already available to them to offer alternative pay and benefits which I will also address in this testimony.

I would like to comment specifically about several alternative pay systems that NTEU has been involved with or has knowledge of, including the Federal Deposit Insurance Corporation (FDIC) system, the Securities and Exchange Commission (SEC), and the IRS' paybanding system that currently covers only managers.

Let me point out that alternative pay and personnel systems have a very small, if not negligible, impact on recruiting, retaining and maximizing the performance of federal employees. To quote Robert Behn, author and lecturer at Harvard University's John F. Kennedy School of Government, "Systems don't improve performance; leaders do." In his book, The Human Equation: Building Profits by Putting People First, Jeffrey Pfeffer, of Harvard Business School says, "Although variable pay systems that attempt to differentially reward individuals are clearly currently on the increase, such systems are frequently fraught with problems. Incentives that reward groups of employees or even the entire organization…are customarily preferable." (p.203)

I believe leadership that solicits, values and acts on the ideas of frontline employees in efforts to achieve agency missions is missing in many agencies today. Providing that kind of leadership would do more to improve the quality of applicants and performance of employees than alternative personnel systems and so-called pay-for-performance projects as proposed by this Administration. Let me bring to the subcommittee's attention the following examples of alternative compensation systems that have all encountered problems.

FDIC

As I mentioned, NTEU strongly believes that in the absence of a statutorily defined pay system, like the GS system, pay should be subject to collective bargaining, as it is in the private sector. NTEU's ability to bargain at the Federal Deposit Insurance Corporation (FDIC) had the benefit of bringing employee concerns about the flawed pay system to the forefront.

Earlier this year, NTEU and the FDIC agreed to suspend the FDIC's pay for performance system covering employees for the 2007 performance cycle. The system had generated a great deal of resentment among FDIC employees and did little to actually motivate people or foster teamwork. Recognizing the low level of morale at this important federal financial regulatory agency, which was highlighted in an extensive survey of all FDIC employees by the respected, independent organization (the Hay Group), FDIC Chair Sheila Bair, held a series of discussions with NTEU and, to her credit, agreed to the suspension. Parties will now review options for a more transparent, credible and fair pay system going forward.

Based on a comprehensive survey of all employees (which itself was prompted by disappointing results under the OPM Human Capital Survey) a report from the Hay Group (FDIC 2007 Employee Engagement Initiative, Dec 21, 2007) found only 12 percent of FDIC employees said they found the pay-for-performance system to be a fair program for rewarding employees' performance and contributions. Fewer than one in three said they believed the pay-for-performance group assignments—which were key to determining pay—were an accurate reflection of performance and contributions.

This was not a surprise to NTEU. NTEU has been at odds with FDIC's system to determine performance-based pay for some time. Several years ago, the FDIC divorced its pay system from its performance management system, and established a separate set of "corporate contribution" factors to determine employee annual pay increases. Although multi-level performance scores had recently been reintroduced as a factor in pay determinations, pay increases were still based primarily on the "corporate contribution" criteria, which are highly subjective, and not grade or job-specific. Furthermore, although pay increases are purportedly based on merit, the FDIC used a forced distribution system in determining employee pay increases: employees in each organizational component needed to be "ranked," and the top level pay increases were limited to the top 25% of employees.

This system of forced rankings and pay distributions had demoralized and angered FDIC employees. Our members report that the system was divisive and discouraged teamwork. It was discouraging employees from taking risks, and sending the message that three quarters of them could never be considered to be top performers, regardless of how well they perform. The forced ranking system, under which employees from different work units with different supervisors were ranked against one another, smacks of a “star chamber” approach to pay-for¬performance.

With the heavy reliance on vague and subjective “corporate contribution” factors, employees did not clearly understand what they must do to be evaluated at the highest level. And the forced ranking system prevented them from ever knowing how this might translate into a pay increase, so that the pay system does little to actually motivate performance. The system, therefore, lacked transparency and credibility, and has caused employees to question its fairness. Hundreds of individual grievances have been filed alleging unfair pay determinations, as well as mass grievances alleging discriminatory impact based on age and race.

As noted in the Hay report, there is a need for a fundamental change in the FDIC culture, to support employee creativity, innovation, and the exercise of professional judgment, so the FDIC can fully utilize the talents, ideas, and expertise of its employees. NTEU is now working with Chairman Bair and the FDIC on identifying and implementing changes to the FDIC culture to foster effective leadership, implement transparent communications and promote employee empowerment and teamwork. We are also working together with the FDIC to create a more credible, transparent and fair pay-for-performance system. We recently reached agreement on some interim changes for the 2008 performance year, in which pay distinctions will once again be tied to scores on employee performance ratings; a new component of the interim system will tie a portion of pay increases for all employees to achievement of agency-wide “stretch objectives.” NTEU and the FDIC are also working with the Hay Group to establish a system with more significant improvements to both the performance management and associated linkage to pay, for implementation sometime next year.

SEC

In addition to meeting the success test for recruiting, retention, and motivating employees, NTEU believes any alternative pay system must be fair, credible and transparent. And employees must know what their work expectations are, and what they need to do to improve. Over the years, the Securities and Exchange Commission (SEC) has failed to meet these basic requirements with its merit pay system, but NTEU and the SEC are now working to try to address these problems.

Congress authorized SEC to establish a pay system outside of the General Schedule and NTEU has negotiated with the Commission over this since 2002. Its pay-for-performance system was not based on a forced ranking system like FDIC’s but rather on a forced distribution system with merit step increases designed to fit within an identified budget. Over time, the pay-for-performance budget shrank, and became too low to provide meaning recognition for high performance. Furthermore, the agency used vague, subjective and generic criteria unrelated to positions to make determinations about raises. The SEC also broke the GS-10 step pay scale into 31 steps with each step being worth a smaller percentage of salary. As you can imagine this was all very confusing to employees.

But much more troubling was a pattern of discrimination in pay at the agency under this system. NTEU took the agency to task and filed grievances against the distribution of merit pay increases each year under this “pay-for-performance” system, charging that they discriminated against groups of employees protected under federal anti-discrimination statutes. In September, 2007, we won the first important legal battle when an arbitrator ruled for the union that SEC’s implementation of its 2003 pay-for-performance system was illegal. This faulty system was found to be discriminatory against African American employees above Grade 8 and employees aged 40 and older.

The arbitrator found that African-American employees above grade 8 and older employees received significantly fewer pay increases than would be expected given their representation in the pool of eligible employees. He ruled that since the SEC’s subjective system for awarding pay increases was not valid or even reasonable, the pay-for-performance program violated Title VII of the Civil Rights Act as well as the Age Discrimination in Employment Act.

Among the multiple issues with the SEC system is that it used a set of vague and subjective ‘agency success factors’ to determine whether and how much of a merit increase an employee would receive. The generic factors were not linked to employees’ job duties and applied to every position within the SEC, from administrative staff to IT staff and to attorneys, accountants and other professionals.

They were based on undefined general criteria such as whether employees “focus on achieving results while adapting to changing priorities” or “present information accurately” or “gather and evaluate information to develop effective solutions” or “collaborate with others.” Managers were required to make judgments about pay increases on these criteria, yet the agency gave them little or no training on how to do so. This resulted in subjective and arbitrary determinations about who met the criteria and who received the merit increases.

It is no surprise, therefore, that the SEC’s implementation of this program was a failure. NTEU warned the SEC that employees would not know how to satisfy these vague standards, that arbitrary treatment would occur, and that grievances would undoubtedly follow. The September ruling was the result of the first of five pending grievances NTEU has filed challenging the use of the system for each subsequent year, including the 2007 performance period. Those grievances also allege that the system violates federal law, the NTEU compensation agreement and the NTEU-SEC collective bargaining agreement. We are now moving forward with our 2004 grievance and the parties are currently exploring the possibility of settling all these cases. But the possibility of further litigation, and escalating damage payments, looms large.

Meanwhile, while these grievances are pending, NTEU is working with the SEC to try to develop a more effective pay-for-performance system. The SEC, to its credit, has finally come to recognize that a credible and transparent performance management system is a necessary foundation for a fair pay-for-performance system. The agency’s efforts to date have focused on developing the new system for its executives and managers, so little has been done thus far on developing new performance standards for bargaining unit employees. Fortunately, the SEC has agreed to cease use of the old, flawed merit pay system while the new system is being designed.

IRS

The Internal Revenue Service (IRS) has a pay banding performance based compensation system. While bargaining unit employees represented by NTEU are not covered by this alternative system, managers participate in it. I do not want to speak for the managers but I think it is safe to say they have not embraced the system.

In their June 18, 2007, public comments on OPM's proposed regulations to revise the criteria for IRS broadbanding systems (Federal Register April 17, 2007) the Federal Managers Association highlighted several problems with their pay banding system. The theme that ran through their comments is the notion that under the administration's pay banding proposed regulations, pay is not necessarily dependent upon the performance rating. And isn't that the alleged purpose of these alternative pay systems? I'd like to quote from the managers' June 18th comments on the Administration's broadbanding proposals:

Any reform of the current system must eliminate the current service-wide performance ratings caps. For the IRS personnel system to be truly pay-for¬-performance, there cannot be arbitrary caps on the number of higher ratings. Managers must receive the ratings their performance dictates and they should not be harmed by a capricious ceiling. For any personnel system to be fair and effective, evaluative ratings and performance awards must be based on merit, not forced quotas." (June 18, 2007 public comments (emphasis added))

The Managers' comments also spoke to how the current award pools fail to adequately reward managers for performance and for the compensation risk they believe they face.

After these comments came out, on July 3, 2007, the Treasury Inspector General for Tax Administration (TIGTA) released a report (2007-10-106) titled, "The Internal Revenue Pay-for-Performance System May Not Support Initiatives to Recruit, Retain, and Motivate Future Leaders." The TIGTA report found a number of serious deficiencies in the pay for performance system at the IRS. Most alarming to me, Mr. Chairman was the sentence on page 1 of the report under "Impact on the Taxpayer" and I quote:

"In addition, the new System was not adequately communicated to the managers before it was implemented, causing opposition and decreasing morale. As a result, the IRS risks reducing its ability to provide quality service to taxpayers because the Internal Revenue Pay-for-Performance System potentially hinders the IRS' ability to recruit, retain, and motivate highly skilled leaders." (Emphasis added)

I believe we cannot ignore the bottom line mission of the agency in these pay experiments. If these alternative pay systems are jeopardizing the achievement of an agency's core mission—in this case to provide quality service to taxpayers—how can we justify more experiments with these systems that have questionable successes?

In its report, TIGTA found: 1) the system discouraged both managers and non-managers from applying for managerial positions; 2) performance based pay increases were not necessarily commensurate with a manager's performance; and 3) the Human Capital Office (HCO) did not adequately communicate with affected managers, which increased opposition and decreased morale. I need not remind you, Mr. Chairman, that the point of this pay experiment was to attract quality talent to offset an expected dearth of government managers when nearly 90 percent of high level government managers will become eligible to retire in the near future. These dismal findings hardly confirm the predictions of success.

Finally, shortly after the TIGTA report was issued the Federal Managers Association (FMA) revealed its own misgivings about the direction of the system in its newsletter to FMA members. Most revealing was its internal survey which showed that 92 percent of respondents answered "no" when asked if the current performance management system accurately identifies the truly 'outstanding' managers. (FMA newsletter 2007-11, July 10, 2007) Further, FMA agreed with TIGTA that communication with employees needs to be more "open and timely" with respect to pay before changes to pay and benefits can be made.

We understand at one point the IRS planned to hire a contractor to assess this program. I cannot imagine where the logic of this lies and I urge the subcommittee to look into hiring so-called outside experts by using taxpayers' money to assess a failing pay system.

Despite dismal results of these systems, they continue to be showcased as models for moving the whole federal government to pay-for-performance systems. There is a dearth of information to indicate that alternative pay systems have had any significant impact on recruitment, retention or performance. A GAO report on "Human Capital, Implementing Pay for Performance at Selected Personnel Demonstration Projects" from January 2004 (GAO-04-291) included virtually no evidence that the systems improved any of those measures. In fact, the Civilian Acquisition Personnel Demonstration Project, reviewed in that report, had as one of its main purposes, to "attract, motivate, and retain a high-quality acquisition workforce." Yet, attrition rates increased across the board under the pilot.

I would also note that GAO, began a pay-for-performance system for its own employees two years ago, and last year, for the first time, the employees voted for representation by a union.

Alternatives to Pay-for-Performance

Mr. Chairman, we are all aware that a surge in federal retirements could occur in the next several years. The Council for Excellence in Government & Gallup Organization has reported that 60 percent of the federal government's General Schedule employees and 90 percent of the Senior Executive Service will be eligible to retire in the next ten years.

While no one knows for sure whether all of those eligible to retire will actually do so at the rates predicted, I do know that the federal government had better be prepared to compete for the best and brightest of the young new workers. Just as importantly, however, it must be prepared to use its many existing authorities and flexibilities to retain the hundreds of thousands of talented public servants who have the knowledge and expertise to continue contributing to the federal workforce. The failure to pay competitive salaries, the constant focus on downsizing and outsourcing and the bashing of federal bureaucrats have put the federal government at a disadvantage when it comes not only to hiring the best new college graduates, but also to retaining its current employees.

Unfortunately, many federal agencies have been lax in utilizing their existing authorities and administrative personnel rules to retain the thousands of dedicated public servants who are currently working in our federal agencies. I contend that we should not plunge forward with untested pay experiments until we require OPM and the agencies to use existing flexibilities and provide them with the resources to do so.

During the debate over the Bush Administration's ill-conceived proposal to change the GS pay system, I pointed out that there are a host of provisions on the books that allow the federal government to reward high performers, including recruitment and retention bonuses, quality step increases and paid time off awards. These options are often not used because agencies are not given the resources to fund them, or agencies find it cumbersome to ask OPM for authorization.

The Government Accountability Office (GAO) has undertaken a number of studies focusing on the importance of designing and using human capital flexibilities. In one report (GAO-03-02), the GAO found that the flexibilities that are most effective in managing the federal workforce include time off awards and flexible work schedules that allow employees to better balance the demands of career and family life. These flexibilities need to be used more broadly.

Unfortunately, OPM has not focused extensively on advertising existing authorities and flexibilities. Agencies can offer numerous awards as incentives to employees. These range from things like cash awards to individuals and groups; to quality step increases; to retention allowances; to foreign language awards; to travel incentives; to referral bonuses and others. Before Congress moves to pass new laws, it should require OPM to promote existing authorities, and aggressively require federal agencies to examine current avenues available to them to recruit and retain their federal employees.

These flexibilities are really alternatives to replacing a tested pay system with a patchwork of untested ones. The following are just a few flexibilities that are already on the books that can help recruit and retain quality employees.

Bonuses and awards. I was recently shocked to read that the government's bonuses now account for one-tenth of 1 percent, or $95.1 million of the $82.8 billion spent on salaries for core federal workers in 2007. (Fed Times June 23, 2008) That is a drop from the level of eight-tenths of 1 percent from the previous administration. The median award for about 106,000 employees out of the 1.2 million workforce was only $566. Even good managers and talented higher level workers received far less than their counterparts in the private sector. Bonuses are a simple way to reward performance, and they should be used in the federal sector as they are in the private work force.

And as I mentioned earlier, other awards can be provided to employees in difficult to fill positions. Agencies can pay a retention bonus to retain an employee they deem essential. They can also provide relocation assistance.

Telecommuting. Agencies can now offer telecommuting, also known as telework, or programs that allow employees to work at home or another approved location away from the regular office. The House just passed legislation (H.R. 4106) to expand the telework program and, thanks to you, Mr. Chairman, and other supporters on this Committee, the Senate bill (S. 1000) is awaiting floor action. NTEU fully supports legislation to require agencies to offer telework to all eligible employees. While agencies do have authority to offer telework now, many do not do so. With current skyrocketing gas prices, this is a "no brainer" to employee satisfaction.

Student Loan Repayments. This benefit could be critical to recruiting top notch qualified public servants. Under this existing authority, agencies may repay federally insured student loans as an incentive for attracting candidates. An agency may pay up to $10,000 per employee in any calendar year or a total of $60,000 per employee.

Conclusion

NTEU believes, first and foremost, that no hard evidence exists that the current pay system for federal employees needs to be replaced. Second, NTEU supports a moratorium on new pay-for-performance systems and a congressional review of those in place to see whether they are successful in accomplishing their goals. Those that are failing should be cancelled. Third, NTEU strongly believes that collective bargaining over pay must be provided to employees of agencies that administer alternative pay systems to provide employees a voice in pay determinations. And fourth, agencies must use existing flexibilities to attract and keep talented employees.

A federal performance management system must be fair, credible and transparent. It should involve employees in decision making and in soliciting and using the knowledge and creativity that they have. Combined with responsible leadership, that is the only way we will have a successful system that will keep our talented workers and advance the missions of our important federal agencies.