



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

**STATEMENT OF
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U.S. OFFICE OF PERSONNEL MANAGEMENT**

before the

**SUBCOMMITTEE ON REGULATORY AFFAIRS AND FEDERAL MANAGEMENT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

on

“Improving Pay Flexibilities in the Federal Workforce”

October 22, 2015

Chairman Lankford, Ranking Member Heitkamp, and members of the Subcommittee, thank you for the opportunity to discuss the role of Federal pay policies in recruiting and retaining an effective Federal workforce. I appreciate the opportunity to have this discussion.

As part of our core function, the U.S. Office of Personnel Management (OPM) provides a key role in regulating, overseeing, and administering the authorities on compensation policies, including pay flexibilities available to help agencies recruit and retain their most valuable resource — their employees. Ultimately, the decision to use discretionary pay flexibilities rests with the individual agency, which must provide a justification for using the flexibility. The decisions must be fair and equitable to ensure the Federal government remains a model employer in the 21st century.

As with any compensation system, there are special challenges. It is important to remember that each agency’s mission and needs are different, and Congress has established many complex arrangements to accommodate agency needs. During

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this time of tighter agency budgets and sequestration, Federal agencies are being very careful in how they allocate their human and capital resources. Reductions in budgets have meant reductions in employee investment, including limiting pay adjustments for Federal workers. An example of this is the 3-year freeze on annual pay adjustments Federal employees experienced in 2011 through 2013.

In light of the current climate, it is extremely important for agencies to strategically use pay flexibilities (e.g., recruitment, relocation and retention incentives, special rates, student loan repayments) to attract desirable applicants and support the retention of good employees. In addition, it is just as important for agencies to consider non-pay flexibilities that we refer to as workplace flexibilities. These flexibilities include alternative work schedules, telework, and discretionary leave benefits. Generally, these flexibilities do not have a direct budget impact, but are just as valuable to agency employees to help balance their work and family needs.

I know the topic of Federal employee compensation has had personal implications for some residents of your state, Senator Heitkamp. I was pleased to have the opportunity to join you in North Dakota last year to hear directly from your constituents about the challenges they are facing as the result of rapidly increasing living costs in the Bakken, North Dakota region due to the dramatic increase in oil and gas production. The issues surrounding Federal employee compensation in the Bakken area are a prime example of how agencies can strategically use pay flexibilities to assist agencies with a critical problem. While compensation under the General Schedule gives the appearance of being inflexible, it is important for agencies to recognize the full suite of options available outside of the traditional confines of the base General Schedule and locality pay.

Agencies have autonomy to determine the appropriate and cost effective use of pay flexibilities at their disposal under title 5 of the United States Code. These flexibilities include short-and long-term tools that can be used to attract and keep a Federal workforce in place. OPM provides guidance to agencies on the various flexibilities available and encourages agency headquarters human resources staff to reach out to OPM for advice when determining which of the many pay, leave and other workplace flexibilities may be best suited to resolve an agency's recruitment or retention problems.

To provide insight to the Subcommittee, I would like to mention a few of the pay flexibilities the Federal government has to offer agencies to help with recruitment and retention problems. First, I'd like to mention our 3Rs program. The 3Rs stand

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for “recruitment, retention, and relocation” incentives. Recruitment and relocation incentives may be used to address immediate, short-term needs in recruiting employees or if an agency determines a position is likely to be difficult to fill absent an incentive. Retention incentives can be used to help retain individual or groups of employees likely to leave Federal service. These incentives are largely within the discretion of individual agencies, and in most instances, do not require OPM clearance in order to be granted.

Agencies can also choose to participate in the Federal student loan repayment program, under which agencies can repay Federally-insured student loans for candidates or current employees of the agency. Agencies may pay a lifetime maximum of up to \$60,000 for any one employee in exchange for a minimum 3-year service agreement.

Other alternatives include superior qualification appointments that allow an agency to set pay for a newly hired General Schedule employee at a rate above the normal step 1 starting rate—if the new employee has superior qualifications or would address a special need of the agency. An agency may also elect to use the maximum payable rate rule to set pay for a current General Schedule employee at a rate above the rate that would be established using normal rules (up to step 10), based on a higher rate of pay the employee previously received in another Federal job.

There are also specific pay flexibilities that may be used to address long-term staffing difficulties where OPM plays a more active role because of the need to ensure that agencies operate on a level playing field. This can be accomplished with special rates when agencies identify a business need to offer higher rates of basic pay for a group or category of General Schedule positions in one or more geographic areas. Special rates may be appropriate when there is a need to address significant hardships in recruiting or retaining a well-qualified workforce. Agencies must first decide there is a need for special rates and examine whether their budgets will allow them to afford higher rates of pay. OPM encourages agencies to reach out to my staff for advice while analyzing their potential need to request special rates. After completing their internal evaluation, agency headquarters should continue to work with my staff to document their need for special rates and submit their request for OPM’s review. Before deciding whether to approve an agency’s request, OPM coordinates with other agencies that employ people in similar occupations or in the same geographic area to ensure that

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increasing pay for one group of employees will not create competition among agencies with similarly situated workforces.

Agencies can also seek to offer critical position pay. At an agency's request, OPM may, in consultation with the Office of Management and Budget, grant authority to fix the rate of basic pay for one or more positions at a higher rate than would otherwise be payable for the position. The position under consideration must require an extremely high level of expertise in a scientific, technical, professional, or administrative field that is critical to the successful accomplishment of an important agency mission. Up to 800 positions may be covered Government-wide.

In addition to the various pay flexibilities, the President has directed OPM to build on our record of leadership through the increased awareness and availability of workplace flexibilities and work-life programs to help agencies with recruitment and retention problems.

On June 23, 2014, the President issued a memorandum entitled: "Enhancing Workplace Flexibilities and Work-Life Programs" that directed OPM to provide better education and training on these programs. The memorandum makes employees aware that they have a right to request work schedule flexibilities, including telework, part-time employment, or job sharing, and directs that agency heads ensure that workplace flexibilities are available to employees, to the maximum extent practicable, in accordance with the laws and regulations governing these programs and consistent with mission needs. The policy promotes a culture in which managers and employees understand the workplace flexibilities and work-life programs available to them and how these measures can improve agency productivity and employee engagement.

On January 15, 2015, the President issued another memorandum entitled "Modernizing Federal Leave Policies for Childbirth, Adoption and Foster Care to Recruit and Retain Talent and Improve Productivity." In his January 20, 2015, State of the Union address, the President mentioned this memorandum and his belief that all employers, including the Federal Government, should support parents to ensure that they can contribute fully in the workplace while also meeting the needs of their families. As part of his effort to ensure all employees have paid time off available for childbirth, adoption and foster care, the President has directed all Federal agencies, to the extent permitted by law, to ensure discretionary benefits are used to the maximum extent practicable, including advancement of sick or annual leave, donated annual leave under the voluntary

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leave transfer and leave bank programs, and leave without pay. Further, to the extent permitted by law, the President has directed all Federal agencies to (1) offer 240 hours of advanced sick leave, at the request of an employee and in appropriate circumstances, in connection with the birth or adoption of a child or for other sick leave eligible uses, and (2) offer the maximum amount of advanced annual leave, at the request of an employee, for foster care placement in their home or bonding with a healthy newborn or newly adopted child.

As a result of these two memoranda, OPM issued two handbooks in the past year to emphasize the importance of workplace flexibilities. These two handbooks — (1) the Handbook on Leave and Workplace Flexibilities for Childbirth, Adoption and Foster Care and (2) the Handbook on Workplace Flexibilities and Work-Life Programs for Elder Care — that will allow agencies to be in a better position to assist and educate employees in using these workplace flexibilities.

In summary, OPM stands ready to assist agency headquarters with the various pay and workplace flexibilities available to help ensure the recruitment and retention of the strongest employees this country has to offer. Thank you for the opportunity to testify today, and I look forward to answering any questions you may have.