



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF  
THE HONORABLE JOHN BERRY  
DIRECTOR  
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND LABOR  
POLICY  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES

on

ARE FEDERAL WORKERS UNDERPAID?

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MARCH 9, 2011

Chairman Ross, Ranking Member Lynch, and Members of the Subcommittee:

Thank you for the opportunity to testify before you today about the Federal workforce and Federal employee pay. As you know, recently there has been attention in Congress and in the media about the compensation of Federal employees and how it compares to the compensation of the private sector. Many of the comparisons being made are misleading and mask important differences that may undermine the efforts of dedicated hardworking men and women who serve their country.

President Obama said it best last week: "I don't think it does... any good when public employees are denigrated or vilified or their rights are infringed upon. We need to attract the best and the brightest to public service. These times demand it."

As this Administration's chief people officer, my goal is simple: hire the best. We strive to get the American workers we need for the American people we serve – and protect. That's why reforming our hiring process and hiring more veterans have been two of my first and highest priorities.

Over the past two years, we have been able to move from a complicated essay based application process to accepting resumes and cover letters. We have reduced job announcements to a reasonable length and put them in plain language. We are contacting employees at four points in the process and we are working on reducing the time to hire. And last year, when government

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agencies hired fewer people overall, through the veterans hiring initiative, we hired 2,000 more veterans than in the previous year.<sup>1</sup>

We have been fortunate throughout our history to have talented and hardworking individuals willing to forgo more lucrative careers and step forward for public service. It is the mission of the Office of Personnel Management (OPM) to recruit, retain and honor that world-class workforce to serve the American people. In order to do this, we must provide pay and benefits on par with other large companies for whom we compete for talent. We cannot and should not be the employer of last resort.

Federal employees hold lives in their hands and oversee large sums of taxpayer money. We need talented and innovative people at the Department of Defense supporting our war fighters. We need great doctors, nurses, and scientists at our Veterans Hospitals and the National Institutes of Health doing life saving work. We need creative and tough men and women at the Departments of Justice and Homeland Security to protect us from another terrorist attack. These are highly-skilled jobs and the people who fill them cost money.

Despite the complex challenges we face, the Federal civilian workforce is virtually as small today as it has been in the modern era. In 1953, there was one Federal worker for every 78 residents. In 2009, it was one for every 147. We have also dramatically shifted to a much higher-skilled workforce. Forty years ago, approximately one-third of the Federal workforce was blue collar, now it's approximately one-tenth.<sup>2</sup> Back then, most white collar employees were clerks; today the white collar workforce is highly specialized, and needs skills, experience, and judgment in order to serve and support a knowledge-based economy.

Federal Pay and Benefits

PAY

President Obama has frozen annual pay adjustments for two years. Before that, the adjustments moved in virtual lock step with the private sector labor market, regardless of who controlled Congress or the White House.<sup>3</sup> However, such comparisons are complicated by the fact that Federal and private sector workers do very different types of work. Raw comparisons of average pay between Federal and private sector employees mask important differences in the skill levels, complexity of work, scope of responsibility, size of organization, location, experience level, and

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<sup>1</sup> From OPM Enterprise Human Resources Integration – Statistical Data Mart (EHRI-SDM).

<sup>2</sup> From OPM Central Personnel Data File (CPDF).

<sup>3</sup> See President's FY 2011 Budget, Analytical Perspectives, Chart 10-2, p. 100.

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special requirements, as well as exposure to personal danger. For example, data from the Current Population Survey (CPS) shows that half of Federal workers work in the nine highest-paying occupations groups such as judges, engineers, scientists, and nuclear plant inspectors. In comparison, less than a third of private sector workers worked in those same nine highest-paying groups. In contrast, a fifth of private sector workers work in the four lowest-paying occupation groups (excluding law enforcement, which does not have a good private sector counterpart), as cooks, janitors, service workers, and manufacturing workers. Fewer than one in thirteen Federal workers work in those four lowest-paying groups.

Even comparisons that purport to compare employees in the same occupations are misleading. For example, some claim that Federal attorneys make more than private sector attorneys.<sup>4</sup> In fact, while more than half of General Attorneys in the Federal Government earn less than \$90,000 in their first year of service, the median first year salary for comparable attorneys in the private sector is \$145,000.<sup>5</sup> The methodology is weak since jobs that have the same titles and some similar duties are not necessarily comparable. For example, one-third of Federally employed cooks work for the Department of Justice in prisons, where they also supervise inmates in a clearly dangerous environment.<sup>6</sup> We must pay more to fill these critical jobs with qualified individuals.

As noted in the President's Pay Agent Report and discussed in other venues, there is a need to consider reforms of the white-collar Federal pay system. We have serious concerns about a process that requires a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups. In addition, we believe the underlying model and methodology for estimating pay gaps should be reexamined to ensure that Federal sector and non-Federal sector pay comparisons are as accurate as possible.

For every level of every job in every geographic area, we must make the best comparisons we can to determine a competitive wage to offer to get the people we need.

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<sup>4</sup> Sherk, James. "Inflated Federal Pay: How Americans are Overtaxed to Overpay the Civil Service." (July 7, 2010)

<sup>5</sup> For private sector median salaries, see "Some Associate Salaries Retreat from Their High But Remain Far Ahead of Salaries for Public Service Attorneys". NALP, [http://www.nalp.org/assoc\\_pi\\_sal2010](http://www.nalp.org/assoc_pi_sal2010), (September 9, 2010). Data on Federal civilian General Attorney salary is from OPM's FedScope Database.

<sup>6</sup> From OPM Central Personnel Data File (CPDF).

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**BENEFITS**

To compete for the talent we need, the Federal government, like most large employers, also provides an array of benefits for employees and their families. To do that, we must offer incentives competitive with those offered in the private sector. These benefits are not free to employees. Employees share in the cost of the benefits, in many cases paying 100 percent of the cost.

In the Federal Employees Health Benefits Program (FEHBP), enrollees share 30 percent of the premium costs.<sup>7</sup> For optional dental and vision benefits, they pay 100 percent.<sup>8</sup> For the Federal Employees Group Life Insurance Program (FEGLI), employees pay 66 percent of the basic premium, and the full cost of any additional coverage. For the Federal Long Term Care Insurance Program, (FLTCIP) enrollees pay the entire premium cost. For these 100% employee paid programs, we only negotiate a group rate.

Our current retirement benefits are competitive. The struggles States and local governments are going through with pensions right now, we reformed 25 years ago. Since 1983, all new employees have enrolled in the Federal Employees Retirement System (FERS). FERS uses the three-legged stool model: a Basic Benefit Plan, Social Security, and the Thrift Savings Plan (TSP). The basic benefit is a “defined benefit”, which is fully paid for as envisioned by the bipartisan Federal pension reform President Reagan signed into law in 1986.<sup>9</sup> Social Security is the same as for every other American. And the final leg is the Thrift Savings Plan (TSP), a defined contribution plan in which employees may contribute and receive a limited match from the Government. They have investment choices, much like private sector 401(k) plans.

**Hire the Best, Respect the Workforce, Expect the Best, and Honor Service**

Bottom Line: This Administration is committed to providing the superior service the American people expect and deserve. Managers and employees who aren’t doing that should be held accountable, and ultimately fired if they do not improve. There should be no place in the Federal government for non-performers to hide.

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<sup>7</sup> For most employees, the Government contribution equals the lesser of: a) 72 percent of the overall weighted average; or b) 75 percent of the total premium for the plan an employee selects. The amount the employee pays is the balance ([http://www.opm.gov/insure/new\\_employ/index.asp?AnswerID=3](http://www.opm.gov/insure/new_employ/index.asp?AnswerID=3)). In applying this formula to all plan premiums, the result is a 70% average employer contribution, 30% employee contribution.

<sup>8</sup> This refers to FEDVIP, the Federal Employees Dental and Vision Insurance Program (<http://www.opm.gov/insure/archive/07/guides/fedvip.asp>).

<sup>9</sup> Most employees covered by FERS make contributions equal to 0.8 percent of basic pay. And in order to qualify for retirement benefits, an employee must meet minimum age and service requirements. The amount of the employee’s annuity depends on the highest average annual pay during any three consecutive years (“High-3”) and length of service.

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Our pay system is not perfect. I have said before that the system is six decades old and could use a reexamination. As for comparability, it is not perfect either. We are required by law to reduce the comparisons of all the Federal and non-Federal occupations and geographic regions down to one number. This does not reflect the complexity of the world we live in.

But even if the system is not perfect, we must reject misleading uses of data that perpetuate the myth that Federal employees are as a whole overcompensated. As a whole, the wages that the Federal Government pays its employees are fair and the benefits it offers are competitive. Any reforms we undertake must meet the following principles that the existing GS system does well: transparency, equal pay for equal work, no political influence, ability to recruit and retain a well-qualified workforce.

This is how it must be if we are to recruit and retain the best workers to carry out our critical life-saving and life enhancing missions. Falling behind is unacceptable.

I have had the privilege of working with career civil servants for over a quarter century. They are good, hard working people. The vast majority of them are doing good work for the American people—whether it is as a rocket scientist, VA nurse, park ranger, cancer researcher, prison guard, or any other position. Remember – 85 percent of Federal employees work outside Washington. They live and work in your communities, in every State, every Congressional district, serving their neighbors and making their fellow Americans safer and freer.

The great majority who work hard and provide good service to the American people should be recognized and applauded. The most recent employee survey showed that 97 percent of respondents answered positively to the statement “when needed I am willing to put in the extra effort to get a job done.” I challenge you to find another organization with that level of commitment to its mission. It is time for 30-plus years of denigration to end. In this time when so many families are struggling to make ends meet, we should acknowledge that Federal employees are making sacrifices too, not only by accepting a freeze in their pay, but also by standing committed to public service and our nation.

Again, I thank you for the opportunity to be here, and I’ll be happy to answer any questions that you may have.