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United States General Accounting Office

GAO Statement

November 3, 1986

Federal Executive Pay

Statement for the Record

For the Commission on Executive, Legislative, and Judicial Salaries

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This statement contains the views of the General Accounting Office about the need to adjust the salaries of top government officials.

Salary increases initiated by the first Quadrennial Commission went into effect in 1969. Since that time, salary levels have been seriously eroded by inflation. The Executive Level II salary rate, which is linked to congressional pay, was $42,500 in 1969. In terms of 1969 purchasing power, an equivalent salary in 1986 would be over $128,000, about $53,000 more than the current Level II rate ($75,100 with a 3 percent increase effective January 1987). If the Level II rate had received the same increases granted to General Schedule pay over the same period, it would be nearly $109,000. The attached figures graphically compare the trend of executive level salaries with inflation and General Schedule pay since 1969.

Last year the Commission pointed out an inadequacy in existing salary levels and a pattern of frustration that had developed from the reluctance of Congress to adjust its own pay rates. Because other federal officials' pay is by custom linked to the pay of Members of Congress, their salaries are affected as well. Rather than make specific salary recommendations last year, the Commission proposed that the mechanism for adjusting salaries be modified to alleviate the basic difficulty of Congress to determine its own compensation. The Commission's proposals were enacted. Now, the salary recommendations, as made by the President to Congress, will be implemented automatically unless specifically rejected by Congress in 30 days.

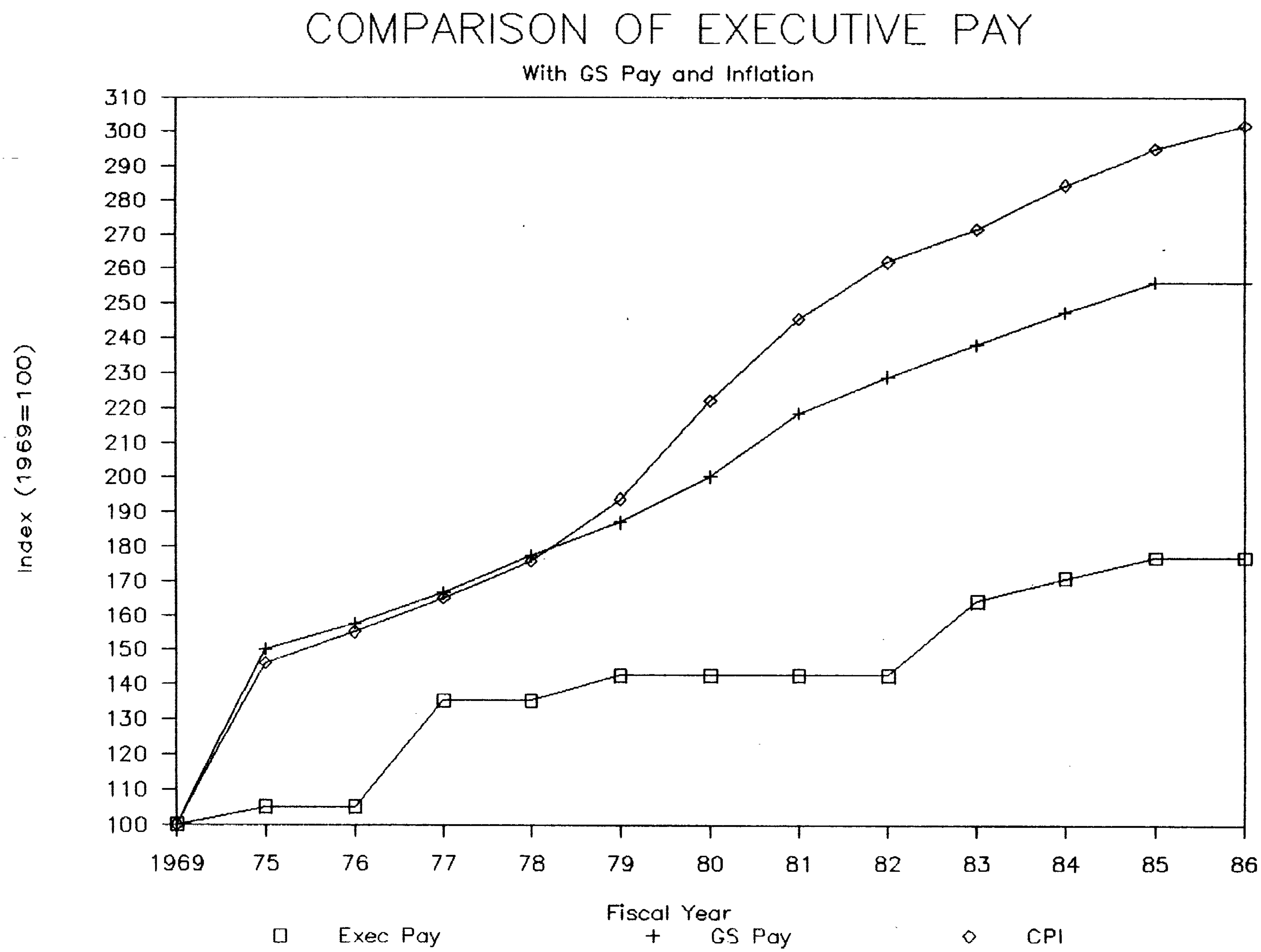
We agree with the Commission's observation of last year that by any reasonable standard of comparison the salaries of key officials -- judges, executives, and Members of Congress--are too low. If we want the best people in government, we must pay adequate salaries. While federal executive pay has lost ground to inflation, executive salaries in the private sector have gained significantly, more than doubling the gap in constant dollars between their pay and Executive Level II salaries since 1969.

The new federal employee retirement system which goes into effect next year provides far greater portability of benefits between the government and nongovernment sectors than does the existing civil service retirement system. This means that a decision by present or future federal employees to leave government service involves a smaller sacrifice in future retirement security. This is likely to increase turnover in the civil service since people can more easily take advantage of opportunities to move in and out of federal employment at any stage in their working careers. It also will mean that federal pay will have to be more competitive with private sector salaries or the government will be even more likely to lose its most marketable employees, particularly proven executives, to the private sector.

More than ever, the attractiveness of federal service is in question. One apparent cause of the problem is the level of federal compensation. Other concerns are declining morale and the image of public service. Although it is open to debate as to whether compensation is the chief problem, it is an issue that typifies the difficulty of attracting and retaining the best people into government service. In our survey of career executives who left the Senior Executive Service in fiscal year 1985, 40 percent said that frustration with proposed and actual compensation changes was of great or very great importance in their decision to leave. According to a survey by the Merit Systems Protection Board, 90 percent of the Senior Executive Service members who resigned from 1980 to 1983 did so to take higher paying positions elsewhere.

While there is a real need to increase salaries, we should also recognize that some aspects of the problem are not as severe as they were a few years ago. For example, executive schedule employees have received the same percentage increases provided to other employees since 1984. The severe salary compression which prevailed before 1982, when nearly everyone in the Senior Executive Service and many in lower-graded positions were paid the same salary, has been ameliorated.

Despite the reasons for granting pay increases to top officials, a major concern that the Commission should address is how to achieve more competitive executive salaries in the face of constraints on salaries overall during the past several years. The data developed in the government's survey of professional, administrative, technical, and clerical salaries suggest that the last time the General Schedule workforce received salaries comparable to those paid in the private sector was in 1977. All subsequent pay adjustments have been reduced, delayed, or withheld, and, as a result, according to this measure the General Schedule pay lags the private sector by almost 24 percent. We recognize that questions have been raised about the accuracy of pay comparisons based on the PATC survey, but another recent pay comparison study by Hay Huggins also concludes that general schedule salaries lag, if by a somewhat lesser amount. Last year, no pay raise was granted, and this year a 3-percent increase has been approved, but delayed from October to January. Given the current deficit situation, it seems unlikely that the General Schedule pay problem will get any significant relief in the foreseeable future. Under these circumstances, it would be very difficult to address the issue of executive salary comparability without addressing the issue of pay adequacy for the rest of the federal workforce.



COMPARISON OF EXECUTIVE PAY
With GS Pay and Inflation
Index (1969=100)
310
300
290
280
270
260
250
240
230
220
210
200
190
180
170
160
150
140
130
120
110
100
1969
75
76
77
78
79
80
81
82
83
84
85
86
Fiscal Year
Exec Pay
GS Pay
CPI

EXECUTIVE LEVEL II SALARIES SINCE 1969

Adjusted by CPI and Actual