



Highlights of [GAO-06-708](#), a report to the Chairman, Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, House of Representatives

Why GAO Did This Study

Critical to the success of the federal government's transformation are its people—human capital. Yet, the government has not transformed, in many cases, how it classifies, compensates, develops, and motivates its employees to achieve maximum results within available resources and existing authorities. GAO has reported that the federal government as a whole may face challenges in offering competitive compensation to its senior leaders who have reached a statutory pay cap.

As requested, GAO (1) provided trend data for basic pay rates of selected federal executive and judicial pay plans from 1970 to 2006, (2) identified elements of total compensation for the selected pay plans in 2006, and (3) identified principles for any possible restructuring of these pay plans. We selected 1970 as a baseline because salary increases went into effect in 1969 for executive-level positions as recommended by the Commission on Executive, Legislative, and Judicial Salaries. The pay plans cover the following—career Senior Executive Service (SES), administrative law judges (ALJ), senior-level (SL), Executive Schedule (EX), scientific or professional (ST), and members of Boards of Contract Appeals (BCA), as well as federal justices and judges—the Chief Justice, associate justices, circuit judges, district judges, and judges of the U.S. Court of International Trade.

www.gao.gov/cgi-bin/getrpt?GAO-06-708.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lisa Shames at (202) 512-6806 or shamesl@gao.gov.

HUMAN CAPITAL

Trends in Executive and Judicial Pay

What GAO Found

The basic pay rates for all of the selected federal pay plans increased in nominal dollars from 1970 to 2006. However, when adjusted for inflation to 2006 dollars using the Gross Domestic Product price deflator, the pay rates for those under the EX pay plan and the federal justices and judges decreased and the pay rates for the SES, SL/ST, and ALJ positions increased. For example, in 1970, cabinet secretaries were paid \$250,204 (in 2006 dollars) compared to \$183,500 in 2006. Their pay actually declined in value by about 27 percent during this period. In 1970, ALJs were paid \$148,058 (in 2006 dollars) compared to \$152,000 in 2006. Their pay increased in value by 3 percent during this period. In comparison, when adjusted for inflation to 2006 dollars using the Consumer Price Index, the pay rates for all of the selected pay plans decreased. For example, pay actually declined in value for cabinet secretaries and ALJs by 41 percent and 17 percent, respectively.

The elements of total compensation vary among the selected pay plans. For example, SES and SL/ST positions may receive cash awards/bonuses, while, at present, selected EX positions, ALJs, BCA positions, and federal justices and judges do not due to the nature of the positions. All of the positions within the selected pay plans may receive noncash or deferred benefits, such as health and life insurance, retirement, and access to child care facilities. However, there are differences in retirement, such as larger benefits, for federal justices and judges compared to other executive-level positions.

Regarding any possible restructuring of these pay plans, certain principles should be considered to attract and retain the executive leadership necessary to address 21st century challenges. The pay plans should be

- sensitive to hiring and retention trends;
- reflective of responsibilities, knowledge and skills, and contributions;
- transparent;
- market-sensitive;
- flexible to economic change;
- sustainable; and
- competitive.

Going forward, there are several illustrative issues that deserve further reconsideration—maintaining a reasonable relationship in total compensation across executive-level positions; recognizing equity issues in the basic pay rates within the same position, such as inspectors general; considering performance-based bonuses with appropriate safeguards for positions that do not receive them including selected EX positions, ALJs, BCA positions, and federal justices and judges; and recognizing anomalies between comparable pay plans, such as SES and SL/ST, in terms of basic pay caps, as well as aggregate pay (basic pay plus cash awards/bonuses).