



Highlights of [GAO-05-832SP](#)

## Why GAO Convened This Symposium

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. One of the questions being addressed as the federal government transforms is how to update its compensation system to be more market based and performance oriented.

To further the discussion of federal pay reform, GAO, the U.S. Office of Personnel Management, the U.S. Merit Systems Protection Board, the National Academy of Public Administration, and the Partnership for Public Service convened a symposium on March 9, 2005, to discuss organizations' experiences with market-based and more performance-oriented pay systems. Representatives from public, private, and nonprofit organizations made presentations on the successes and challenges they experienced in designing and managing their market-based and more performance-oriented pay systems. A cross section of human capital stakeholders was invited to further explore these successes and challenges and engage in open discussion. While participants were asked to review the overall substance and context of the draft summary, GAO did not seek consensus on the key themes and supporting examples.

[www.gao.gov/cgi-bin/getrpt?GAO-05-832SP](http://www.gao.gov/cgi-bin/getrpt?GAO-05-832SP).

To view the full product, including the scope and methodology, click on the link above. For more information, contact J. Christopher Mihm at (202) 512-6806 or [mihmj@gao.gov](mailto:mihmj@gao.gov).

## HUMAN CAPITAL

# Symposium on Designing and Managing Market-Based and More Performance-Oriented Pay Systems

## What Participants Said

While implementing market-based and more performance-oriented pay systems is both doable and desirable, organizations' experiences show that the shift to market-based and more performance-oriented pay must be part of a broader strategy of change management and performance improvement initiatives. GAO identified the following key themes that highlight the leadership and management strategies these organizations collectively considered in designing and managing market-based and more performance-oriented pay systems.

- 1. Focus on a set of values and objectives to guide the pay system.** Values represent an organization's beliefs and boundaries and objectives articulate the strategy to implement the system.
- 2. Examine the value of employees' total compensation to remain competitive in the market.** Organizations consider a mix of base pay plus other monetary incentives, benefits, and deferred compensation, such as retirement pay, as part of a competitive compensation system.
- 3. Build in safeguards to enhance the transparency and ensure the fairness of pay decisions.** Safeguards are the precondition to linking pay systems with employee knowledge, skills, and contributions to results.
- 4. Devolve decision making on pay to appropriate levels.** When devolving such decision making, overall core processes help ensure reasonable consistency in how the system is implemented.
- 5. Provide training on leadership, management, and interpersonal skills to facilitate effective communication.** Such skills as setting expectations, linking individual performance to organizational results, and giving and receiving feedback need renewed emphasis to make such systems succeed.
- 6. Build consensus to gain ownership and acceptance for pay reforms.** Employee and stakeholder involvement needs to be meaningful and not pro forma.
- 7. Monitor and refine the implementation of the pay system.** While changes are usually inevitable, listening to employee views and using metrics helps identify and correct problems over time.

These organizations found that the key challenge with implementing market-based and more performance-oriented pay is changing the culture. To begin to make this change, organizations need to build up their basic management capacity at every level of the organization. Transitioning to these pay systems is a huge undertaking and will require constant monitoring and refining in order to implement and sustain the reforms.