



June 30, 2011

The Honorable Ileana Ros-Lehtinen  
Chairman  
Committee on Foreign Affairs  
House of Representatives

Subject: *Department of State Overseas Comparability Pay*

Dear Madam Chairman:

The Federal Employees Pay Comparability Act (FEPCA) of 1990 established locality pay to achieve pay comparability between federal and nonfederal jobs within the United States.<sup>1</sup> Because FEPCA established pay localities only for areas within the United States, federal employees permanently stationed overseas, including members of the Foreign Service, did not receive locality pay. As the Washington, D.C., locality rate grew to over 24 percent in 2010, the pay gap between federal employees who receive locality pay and those who do not widened considerably.

To close this gap, the fiscal year 2009 Supplemental Appropriations Act<sup>2</sup> granted the Department of State (State) temporary authority to provide locality pay at the Washington, D.C., rate, also known as Overseas Comparability Pay, to Foreign Service personnel posted overseas.<sup>3</sup> State is implementing this pay in three phases.<sup>4</sup> Currently, Foreign Service personnel serving overseas receive 16.52 percent comparability pay, approximately two-thirds of the Washington, D.C., locality rate. State had planned to implement the third and final phase of comparability pay, raising it to 24.22 percent, in August 2011. However, these plans have been delayed by the administration's freeze on federal salaries and the passage of the Department of Defense and Full Year Continuing Appropriations Act for fiscal year 2011, which prohibited State from using funds to implement the final phase.<sup>5</sup> In December 2010, the National Commission of Fiscal Responsibility and Reform identified comparability pay as a potential source of cost savings. Without a continuation of authority, State cannot continue to provide comparability pay with funds appropriated after fiscal year 2011.

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<sup>1</sup>Pub. L. No. 101-509. FEPCA provides for a two-part annual pay adjustment for federal workers: an across-the-board pay adjustment and a locality pay adjustment that varies by pay locality.

<sup>2</sup>Pub. L. No. 111-32. Previous legislation eliminated the salary gap for all members of the Senior Foreign Service regardless of where they are stationed, so our discussion focuses on non-Senior members of the Foreign Service.

<sup>3</sup>In this report, we use the term "comparability pay" to refer to additional pay received by members of the Foreign Service while posted overseas. This pay is based on the Washington, D.C., locality rate.

<sup>4</sup>State implemented the first phase in August 2009 and the second phase in August 2010.

<sup>5</sup>Pub. L. No. 112-10. See [briefing slide 4 in enclosure I](#) for a detailed timeline of legislation related to comparability pay.

State estimates that the cost of implementing all three phases of comparability pay for State would be \$302 million in fiscal year 2012. The Congressional Budget Office has estimated that implementing comparability pay for all foreign affairs agencies would cost about \$2 billion through fiscal year 2015.<sup>6</sup> [Briefing slides 5-7 in enclosure I](#) provide more detail on State's and the Congressional Budget Office's estimates, as well as the status of implementation of comparability pay.

In a previous report, we found that State faces challenges filling staffing gaps at hardship posts overseas and cited State officials' claims that the lack of comparability pay may be a deterrent to serving at overseas posts.<sup>7</sup> You asked us to review State's request for permanent authority to grant overseas comparability pay to certain members of the Foreign Service posted overseas to inform the fiscal year 2012 State Department authorization process. On May 27, 2011, we provided a briefing to your staff on our preliminary findings (see enc. I). We also agreed to provide the information presented in the briefing, updated with additional material, which describes (1) State's rationale for providing overseas comparability pay, (2) how the provision of overseas comparability pay affects Foreign Service personnel pay and benefits, and (3) how the pay and benefits of Foreign Service personnel posted overseas compare with those of other civilian agency staff overseas. This report summarizes the observations conveyed at the briefing and provides updated briefing slides in enclosure I.

To conduct this work, we reviewed relevant data and documents from State, the Congressional Research Service, the Congressional Budget Office, and the American Foreign Service Association, which represents members of the Foreign Service. We analyzed State's appropriations and requests for overseas comparability pay, including those reported in State's annual Congressional Budget Justification document. We interviewed State officials regarding State's rationale for providing comparability pay and the President's budget requests. We also obtained information about State's staffing cost model and allowances and differentials affected by comparability pay.

To identify the average impact of various rates of comparability pay on Foreign Service personnel pay, benefits, allowances, and differentials, we analyzed State personnel data and allowance and differential rates as of September 2010, applied various rates of comparability pay, and calculated the resulting impact. To assess the reliability of the personnel data, we interviewed State officials, reviewed State documents, and performed relevant data checks. We found the data to be sufficiently reliable for our purposes in this report. To identify other federal agencies' policies and practices regarding locality pay, we solicited written responses from four federal agencies that, along with State, employ 94 percent of all federal civilians stationed overseas, according to State data.<sup>8</sup> For more information on our scope and methodology, see [slide 20](#).

We conducted this performance audit from November 2010 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and

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<sup>6</sup>CBO, *Cost Estimate: S. 2971 Foreign Relations Authorization Act, Fiscal Years 2010 and 2011*, (Aug. 25, 2010). See [slide 5](#). Other foreign affairs agencies include the U.S. Agency for International Development, the Foreign Agricultural Service, the U.S. and Foreign Commercial Service, and the International Broadcasting Bureau.

<sup>7</sup>GAO, *Department of State: Additional Steps Needed to Address Continuing Staffing and Experience Gaps at Hardship Posts*, [GAO-09-874](#) (Washington, D.C.: Sept. 17, 2009).

<sup>8</sup>We solicited and received responses from the Departments of Defense, Homeland Security, and Justice and from the U.S. Agency for International Development. We separately requested, but did not receive, information from the Central Intelligence Agency on its policies.

perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Summary of Results

### *State's Rationale*

State has offered several reasons for requesting overseas comparability pay: to establish equity in pay and retirement benefits between Foreign Service personnel stationed in Washington, D.C., and those assigned overseas; to recruit competitively for top candidates; and to retain current Foreign Service personnel (see [slides 8-12](#)). However, our analysis found mixed evidentiary support for State's rationale.

- **Pay equity:** According to State, comparability pay would eliminate an inequity between Foreign Service personnel serving in Washington, D.C., and those in overseas assignments. State has argued that the lack of comparability pay results in a cut in basic pay when officers move from Washington, D.C., to an overseas post, creating a disincentive for overseas service. The Washington, D.C., locality rate increased from 4.23 percent in 1994, when locality pay was first implemented, to a cumulative 24.22 percent of base pay in 2011 (see [slide 9](#)). However, as discussed later in this correspondence, Foreign Service personnel assigned to overseas posts are eligible for allowances and differentials that they do not receive in Washington, D.C. While these allowances and differentials are not intended to compensate for the lack of comparability pay, we found that they nevertheless result in higher compensation, on average, for overseas staff.
- **Retirement equity:** State has noted that agency contributions to Foreign Service personnel retirement decrease when personnel move overseas from Washington, D.C. In general, retirement benefits for members of the Foreign Service comprise three components: Social Security, annuities, and the Thrift Savings Plan. Our analysis shows that without comparability pay, agency contributions to two of these components—Social Security and the Thrift Savings Plan—would be lower, because they are calculated as a percentage of base pay plus locality/comparability pay.<sup>9</sup> Thus, future retirement benefits for Foreign Service personnel are lower without comparability pay. See [slide 10](#) for more detail on comparability pay's impact on retirement contributions.
- **Recruitment:** According to State, the lack of comparability pay hinders its ability to compete for top candidates seeking overseas careers in the federal government. Specifically, according to State's Under Secretary for Management, State's primary competitor for candidates seeking overseas foreign affairs careers is the Central Intelligence Agency, which provides locality pay to its staff posted overseas. However, State has not provided any data or analysis to demonstrate that State's recruitment has been negatively affected by a lack of comparability pay.

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<sup>9</sup>The Fiscal Year 2003 Foreign Relations Authorization Act (Pub. L. No. 107-228) provides that basic pay, for the purposes of annuity computation, shall be what the Foreign Service member would have been paid if the member's official duty station had been Washington, D.C. This so-called Virtual Locality Pay changed the calculation of Foreign Service members' high-three average salary, regardless of where they are stationed.

- **Retention:** State’s 2009 business case for comparability pay estimated that providing comparability pay would save the department about \$47 million by preventing increased attrition among midlevel Foreign Service personnel. While the business case highlights important issues, such as the cost of attrition and the potential negative effects of midlevel staffing gaps, it has several limitations. For example, State’s business case assumed an attrition rate for mid-level officers that is significantly higher than historical rates.<sup>10</sup> In addition, its estimate of the cost to replace a midlevel officer includes items such as salary and post assignment travel that State would incur regardless of the officer’s tenure. [Slide 12](#) discusses State’s business case in more detail.

*Impact on Compensation and Benefits of Foreign Service Personnel Posted Overseas*

Providing comparability pay to Foreign Service personnel posted overseas increases three components of their total compensation: (1) basic pay; (2) allowances and differentials that are based on basic pay; and (3) benefits, such as retirement contributions, that are based on basic pay (see [slides 13-17](#)). Foreign Service personnel are eligible for a range of allowances and differentials while serving overseas, the total amount of which is based on basic pay—i.e., base pay plus any locality/comparability pay.<sup>11</sup> Our analysis includes the effect of four such allowances and differentials: danger pay, post (hardship) differential, post (cost-of-living) allowance, and service need differential.<sup>12</sup> [Slide 14](#) shows the average compensation and benefits of Foreign Service personnel posted overseas at three comparability rates (none, two-thirds, and full) compared with what these personnel would have received in Washington, D.C. According to our analysis of State personnel data from September 2010, with full comparability pay, Foreign Service personnel posted overseas would receive about an additional \$23,600 annually, on average. That amount includes an additional \$19,100 in comparability pay and approximately \$4,500 in increased hardship, cost-of-living, danger, and service-need-differential pay (see [slide 15](#)). We also found that even without comparability pay, the average total compensation of Foreign Service personnel posted overseas—including allowances and differentials—is higher than it would be in Washington, D.C.; however, benefits such as retirement contributions are lower when Foreign Service personnel are posted overseas than when they are stationed in Washington, D.C.

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<sup>10</sup>The business case uses an attrition rate based on a 2006 survey of Foreign Service personnel, in which 32 percent of respondents with 6 to 10 years of service indicated that they have “seriously considered employment elsewhere” because of the difference in pay received by employees who move from Washington, D.C., to an overseas post. For its business case, State assumed that half of this cohort, or 16 percent of personnel with 6 to 10 years of service, would leave the department. However, according to State data, State’s actual nonretirement separation rate was 0.9 percent for all Foreign Service personnel in fiscal year 2009.

<sup>11</sup>See [slides 13 and 22](#) for descriptions of these allowances and differentials and data on their distribution. Not all posts are eligible for these allowances and differentials, which are not part of basic pay and are not intended to compensate for the lack of comparability pay. For example, a post (hardship) differential may be granted on the basis of conditions of environment that differ substantially from conditions of environment in the continental United States and warrant additional pay as a recruitment and retention incentive. Staff working in hardship locations often encounter conditions that can include inadequate medical facilities, limited opportunities for spousal employment, poor schools, high levels of crime, and severe climate.

<sup>12</sup>In addition, Foreign Service personnel overseas are also eligible for housing and education allowances, and language incentive pay, among others. We did not include these allowances and incentives in our analysis.

## *Other Agencies' Policies and Practices*

Foreign Service personnel from all foreign affairs agencies currently receive comparability pay while serving overseas. Civilians from other agencies on permanent change of station overseas, excluding the Central Intelligence Agency, generally do not (see [slides 18-19](#)).<sup>13</sup> However, when civilian employees are posted overseas on temporary duty status (TDY), they generally receive the full locality pay of their home duty station. Of the agencies included in our review, the percentage of staff on overseas TDY status varies. For example, nearly 25 percent of Federal Bureau of Investigation employees stationed overseas were on TDY status in April/May 2011, compared with about 15 percent of Department of Homeland Security employees stationed overseas.

### **Concluding Observations**

Prior GAO work has highlighted human capital challenges at State, such as staffing gaps at hardship posts, which put U.S. diplomatic readiness at risk. As State prepares for an expanded diplomatic footprint in Iraq while continuing to reposition staff to emerging powers such as China, these challenges may become more pronounced. In this context, Congress authorized State in 2009 to provide comparability pay in order to close a widening pay gap between overseas and Washington, D.C.-based positions. While the challenges State faces remain, today's budget environment has caused Congress to take a fresh look for ways to economize. CBO has estimated that fully implementing comparability pay for State and other agencies would cost about \$2 billion through 2015, and the National Commission of Fiscal Responsibility and Reform identified this pay as a potential source of cost savings.

Our assessment shows that the case for continuing to provide comparability pay to Foreign Service personnel abroad has mixed evidentiary support. The gap in basic pay between federal employees who receive locality/comparability pay and those who do not has widened considerably, leading to lower retirement contributions in the long term. However, our analysis shows that even without comparability pay, compensation for Foreign Service personnel overseas is still higher, on average, than it would be in Washington, D.C., when allowances and differentials are considered. Furthermore, State has no evidence to support its claim that the department would be unable to compete for talent without comparability pay. Nevertheless, despite flaws in State's business case regarding retention, and the lack of evidence on the extent to which comparability pay decreases attrition, we acknowledge that any significant loss of Foreign Service personnel, especially at the midlevel, could be detrimental to diplomatic readiness.

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<sup>13</sup>In a prior report, we found that employees from a number of different agencies and pay systems work overseas in close proximity to one another. Each of these pay systems was authorized by a separate statute that outlines the compensation to which employees under that system are entitled, certain elements of which are set without regard to the location in which the employees are working. When these employees are assigned overseas and serve side by side, the differences in pay systems may become more apparent and may adversely affect morale. See GAO, *Human Capital: Actions Needed to Better Track and Provide Timely and Accurate Compensation and Medical Benefits to Deployed Federal Civilians*, [GAO-09-562](#) (Washington, D.C.: June 26, 2009).

As a result, in light of current budgetary constraints, it remains unclear whether State needs across-the-board comparability pay to recruit and retain a highly qualified cadre of Foreign Service personnel.

We are not making any recommendations in this report.

### **Agency Comments**

After reviewing a draft of this product, State officials said the department would not provide a formal response. However, State provided technical comments that have been incorporated as appropriate in this correspondence.

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We are sending copies of this report to the Secretary of State and appropriate congressional committees. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

Should you or your staff have questions regarding this report, please contact me at (202) 512-4268 or [fordj@gao.gov](mailto:fordj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in enclosure II.

Sincerely yours,

A handwritten signature in black ink that reads "Jess T. Ford". The signature is written in a cursive style with a large, looping initial "J".

Jess T. Ford  
Director, International Affairs and Trade

Enclosures (2)



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# Overseas Comparability Pay

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For more information, contact Jess Ford, Director, International Affairs and Trade, tel. no. 202-512-4268 Page 1

## Introduction

- In 1990, Congress established locality pay for federal employees:
  - Intended to achieve full pay parity between federal and nonfederal jobs within defined localities of the United States.
  - Areas outside the United States were not designated to receive locality pay.
- In 2009, Congress granted the State Department (State) temporary authority to provide up to the Washington, D.C.-based locality pay to Foreign Service (FS) personnel overseas, also known as Foreign Service Comparability Pay or Overseas Comparability Pay.
- In December 2010, The National Commission of Fiscal Responsibility and Reform identified comparability pay as a potential source of cost savings.
- Without a continuation of authority and/or appropriations, State cannot continue to provide comparability pay beyond fiscal year 2011.
- Previous GAO reports found that State faces challenges filling staffing gaps at hardship posts overseas and cited State officials' claims that the lack of comparability pay may be a deterrent to bidding on overseas posts.<sup>1</sup>

<sup>1</sup>See, for example, GAO, *Department of State: Additional Steps Needed to Address Continuing Staffing and Experience Gaps at Hardship Posts*, GAO-09-874 (Washington, D.C.: Sept. 17, 2009).



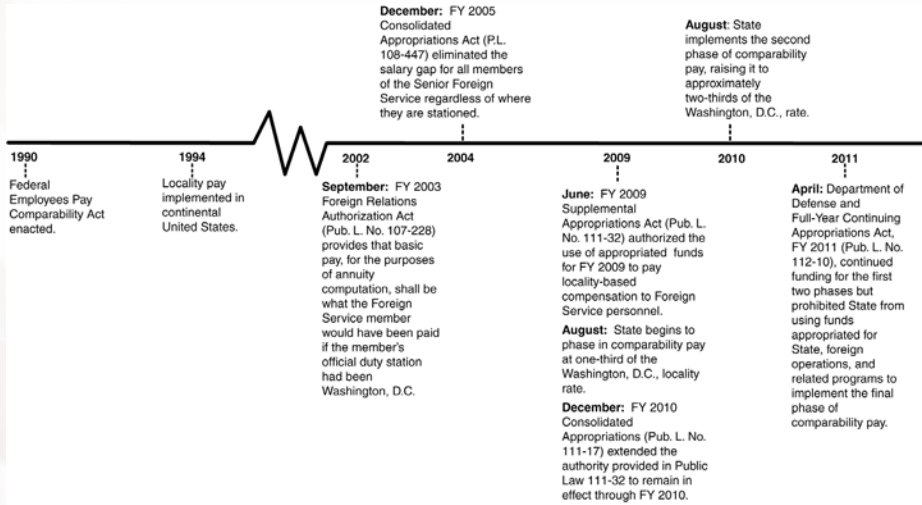
## Objectives

In order to inform the State Department authorization process for fiscal year 2012, GAO was asked to analyze State's request for permanent authority to grant overseas comparability pay to certain members of the Foreign Service overseas. Specifically, we examined the following questions:

1. What rationale has State offered for providing comparability pay to Foreign Service personnel overseas?
2. How does the provision of comparability pay affect overseas Foreign Service personnel pay and benefits?
3. How do the pay and benefits of Foreign Service personnel overseas compare with those of other civilian agency staff overseas?

# Background: Comparability Pay Timeline

## Timeline of Selected Legislation Related to Overseas Comparability Pay



Source: GAO.

## Background: Cost of Comparability Pay

- According to the Congressional Budget Office (CBO),<sup>2</sup> overseas comparability pay as proposed in S. 2971, the Foreign Relations Authorization Act for Fiscal Years 2010 and 2011, would cost
  - \$1.6 billion over fiscal years 2012-2015 for State and
  - \$356 million over fiscal years 2011-2015 for Foreign Service personnel at the U.S. Agency for International Development (USAID) and other agencies with Foreign Service personnel.

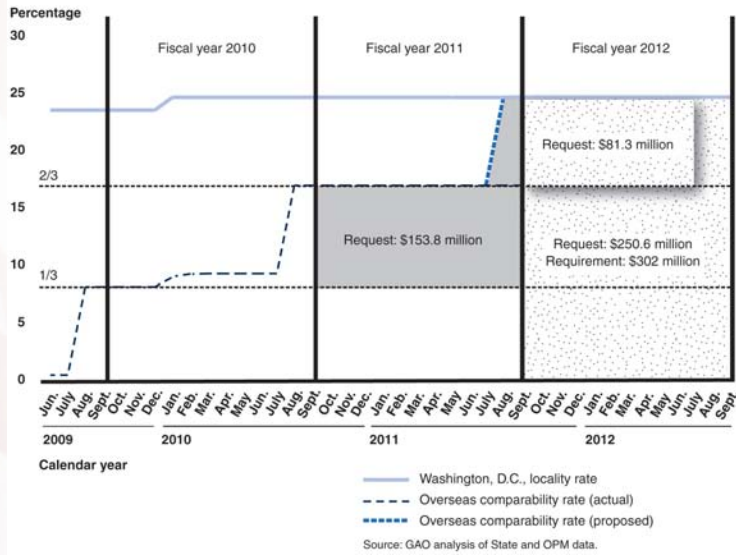
<sup>2</sup>CBO, *Cost Estimate: S. 2971 Foreign Relations Authorization Act, Fiscal Years 2010 and 2011*, (Washington, D.C.: Aug. 25, 2010).

## Background: Implementation Timeline

- State is phasing in comparability pay in three tranches:
  - In August 2009, State began to provide comparability pay at one-third the Washington, D.C., rate.
  - In August 2010, State increased comparability pay to approximately two-thirds the Washington, D.C., rate.
  - In April 2011, Congress prohibited State from using fiscal year 2011 funds for implementing the third phase of comparability pay.
- Recent budget requests have included specific line items for portions of comparability pay.
  - In the fiscal year 2011 budget, State requested \$153.8 million to fund the second and part of the third tranche of comparability pay.
  - The fiscal year 2012 request included a line item of \$81.3 million for a portion of the third tranche. In addition, State officials said that the overall requirement for comparability pay in fiscal year 2012 is \$302 million.

# Background: Implementation Timeline

**Timing and Budget Requests of Overseas Comparability Pay Phase-In**



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## State's Rationale

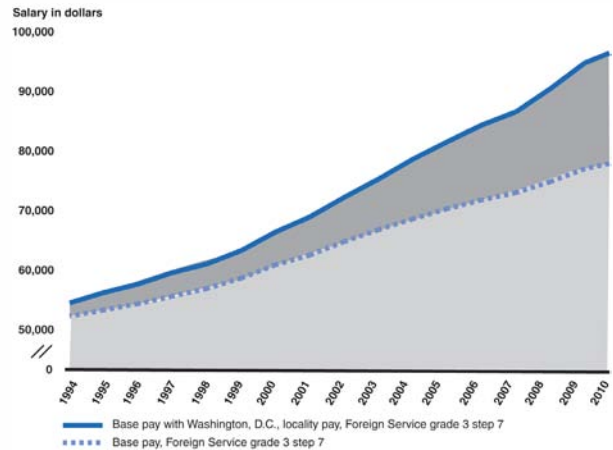
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- State has offered several reasons for requesting Overseas Comparability Pay:
  - 1) pay equity between Washington, D.C., and overseas assignments,
  - 2) retirement equity,
  - 3) recruitment, and
  - 4) retention.

## State's Rationale: Pay Equity

- According to State, the lack of overseas comparability pay has created an inequity between FS personnel serving overseas and those in Washington, D.C.
- From 1994 to 2010, the Washington, D.C., locality rate
  - increased from 4.23 percent to 24.22 percent
  - increased by an average of 11.7 percent per year, while Foreign Service salaries increased by 2.6 percent per year on average.

**Base Pay with and without Washington, D.C., Locality Pay, Foreign Service Grade 3 Step 7, 1994-2010.**



Source: GAO analysis of State and Office of Personnel Management data.

Note: Based on our analysis of State data, the average salary for overseas Foreign Service personnel in 2010 was about \$78,750, which is roughly equivalent to Foreign Service Grade 3 Step 7 or General Schedule Grade 13 Step 4

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## State's Rationale: Retirement Equity

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- State has also noted that agency contributions to Foreign Service personnel retirement decrease when officers move overseas from Washington, D.C.
- Under the Foreign Service Pension System (FSPS), employees have three benefits sources upon retirement:
  - FSPS annuities,
  - Social Security, and
  - Thrift Savings Plan (TSP).
- “Virtual Locality Pay” changed the calculation of the “high 3” salary based on the Washington, D.C., rate, regardless of where the FS personnel is stationed, for the purpose of calculating FSPS annuities.
- However, Social Security and TSP contributions continue to be based on basic pay (i.e., base pay plus locality/comparability pay).
- Without comparability pay, agency contributions to Foreign Service members’ Social Security and TSP are lower during overseas assignments.



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## State's Rationale: Recruitment

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- According to State, the lack of comparability pay hinders its ability to compete for employees seeking overseas careers in the federal government, including in the intelligence community.
- However, State has not provided any data or analyses to demonstrate that recruitment has been negatively affected by the lack of comparability pay.

## State's Rationale: Retention

- State's 2009 business case for comparability pay estimated that providing this pay to overseas FS personnel would save the department about \$47 million by preventing increased attrition.
- Business case raises important issues:
  - To the extent that comparability pay decreases attrition, State would avoid costs associated with replacing staff.
  - GAO has previously reported on the negative effects of the midlevel staffing gap, which may compromise diplomatic readiness. Attrition at the midlevel would exacerbate these gaps.
- Business case has several limitations
  - Some assumptions based on 2006 employee survey.
  - Assumes an attrition rate for midlevel officers that is significantly higher than historical rates.
  - Cost estimate includes items such as salary and post assignment travel that are not related to Foreign Service attrition.
  - Costs of comparability pay are recurring, while cost savings are one-time.

# Impact on Compensation: Allowances and Differentials Based on Basic Pay

Increases in basic pay (i.e., base pay plus comparability pay) due to the provision of comparability pay result in increases to the following allowances:<sup>3</sup>

**Description of Allowances and Differentials Based on Basic Pay**

Allowances and differentials	Description	Range
Danger pay	Additional compensation for employees serving at designated danger pay posts.	0-35 percent of basic pay
Post (hardship) differential	Compensation for employees for service at places where conditions differ substantially from those in the continental United States	0-35 percent of basic pay
Service need differential (SND)	Differential paid to an employee assigned to certain hardship posts when adverse conditions warrant additional pay as a recruitment and retention incentive to fill the employee's position at that post.	15 percent, but SND and danger pay combined cannot exceed 35 percent of basic pay
Post (cost-of-living) allowance	Allowance granted to an employee officially stationed at a post in a foreign area where the cost of living is substantially higher than in Washington, D.C. The post allowance is designed to permit employees to spend the same portion of their salaries for their standard living expenses as they would if they were residing in Washington, D.C.	Percentage of spendable income, which varies by salary level and family size
Language incentive pay <sup>4</sup>	An incentive for proficiency in designated hard and extremely hard languages.	0-15 percent of the base salary of an FS-01/step 1 member abroad

Source: State.

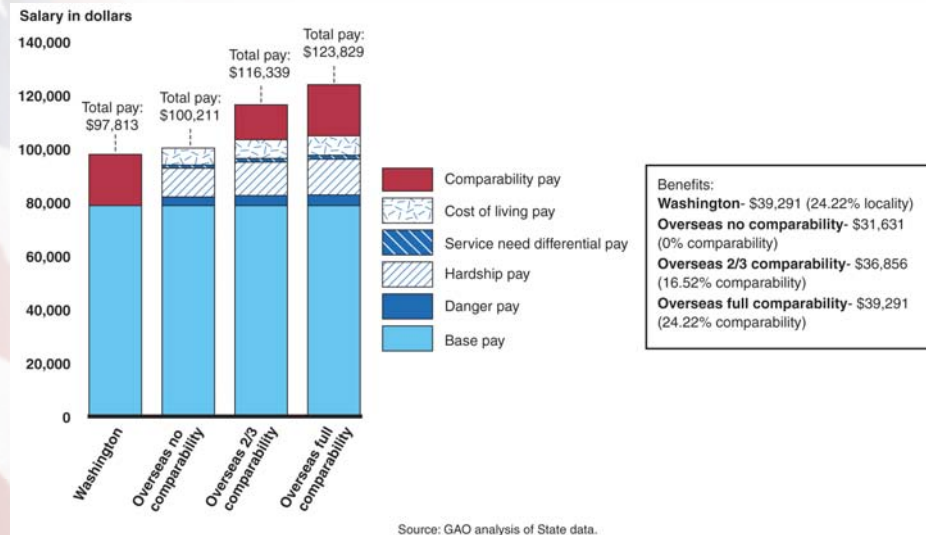
- In addition, Foreign Service personnel overseas are eligible to receive other allowances, such as housing and education allowances, that are not based on basic pay.

<sup>3</sup>Posts may be eligible for none, some, or all of these allowances and differentials. See appendix III for information on the percentage of FS personnel at posts with different danger and hardship rates.

<sup>4</sup>For our analysis, we excluded language incentive pay because it is based on an individual officer's skills rather than post conditions.

# Impact on Compensation: Average Effect on Foreign Service Personnel

Average Impact of No, Two-thirds, and Full Overseas Comparability Pay on Foreign Service Compensation Overseas



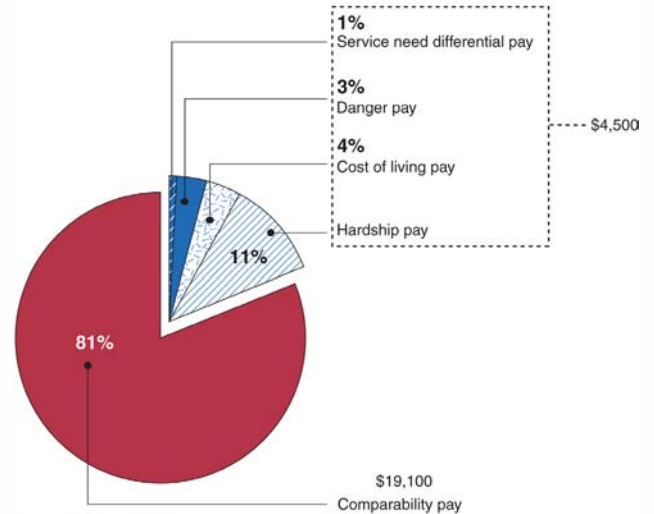
Source: GAO analysis of State data.

Note: Average salary and allowances of all overseas FS personnel as of September 30, 2010. Not all FS personnel are at danger, hardship, or SND posts. Benefits represent agency contributions to Old Age, Survivors, and Disability Insurance; Medicare; retirement contributions; Federal Employee Health Benefits; and Federal Employee General Life Insurance.

## Impact on Compensation: Drivers of Increase

- On average, FS personnel overseas would receive an additional \$23,600 with full comparability pay (compared with no comparability)<sup>5</sup>
- Most of this increase is due to an increase in comparability pay
- Increases in other allowances and differentials account for the remainder of the increase

Drivers of increase in Total Compensation with Full Comparability Pay

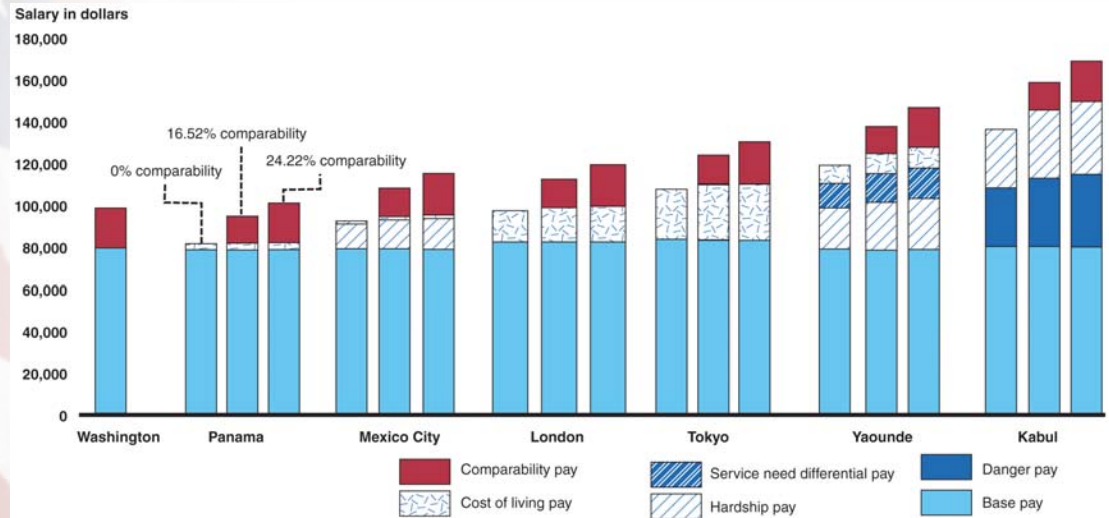


Source: GAO analysis of State data.

<sup>5</sup>Based on salary data of all overseas FS personnel and allowance and differential rates as of September 2010.

# Impact on Compensation: Selected Posts

**Average Impact of No, Two-thirds, and Full Overseas Comparability Pay on Foreign Service Compensation at Overseas Posts**

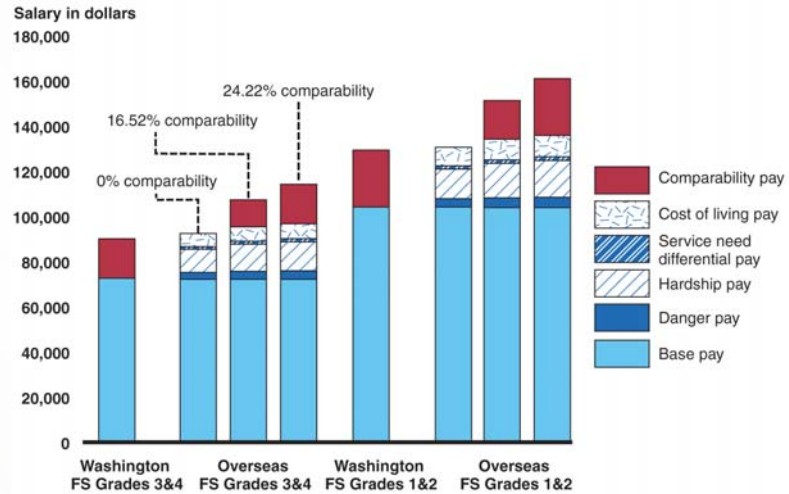


Source: GAO analysis of State data.

Note: Posts selected to represent a range of allowances and rates. Base salary is average of Foreign Service personnel at that post as of September 30, 2010. See app. II for allowance and differential rates for these posts.

# Impact on Compensation: Grade Level

Average Impact of No, Two-thirds, and Full Overseas Comparability Pay on Foreign Service Compensation Overseas at Selected Pay Grades



Source: GAO analysis of State data.

Note: Washington base salary is the average of overseas FS personnel base pay at each grade level.

## Other Agencies

- Currently, certain members of the Foreign Service from all foreign affairs agencies receive comparability pay when assigned overseas.<sup>6</sup>
- In general, staff from the non-foreign affairs agencies we surveyed, excluding the Central Intelligence Agency, do not receive comparability pay when assigned overseas on permanent change of station (PCS).
- However, employees on overseas assignments on temporary duty (TDY) status continue to receive the locality pay of their home duty station.
  - The percentage of staff on TDY status overseas varies by agency.
  - For example, nearly 25 percent of Federal Bureau of Investigation employees working overseas are on TDY status, compared with about 15 percent of overseas Department of Homeland Security (DHS) employees.

<sup>6</sup>In addition to the State Department, foreign affairs agencies include USAID, the Foreign Agricultural Service, the U.S. and Foreign Commercial Service, and employees of the International Broadcasting Bureau.



## Other Agencies

Summary of Selected Agencies' Policies Regarding Locality Pay for Employees Assigned Overseas

	Employees on TDY receive locality pay?	Employees on PCS receive locality pay?
USAID <sup>a</sup>	Yes	Yes
Department of Defense	Yes	No
DHS	Yes	No
Department of Justice	Yes	No

Source: GAO

<sup>a</sup>USAID staff overseas are members of the Foreign Service. When assigned overseas, these officers receive comparability pay.

## Appendix I: Scope and Methodology

- To identify State’s rationale for providing comparability pay, we reviewed State documents, interviewed relevant officials, and analyzed historical non-Senior Foreign Service salary data.
- To identify the effects of comparability pay on pay and benefits, we reviewed relevant documents on Foreign Service pay, benefits, and allowances, and analyzed State personnel data on FS personnel stationed overseas at the end of fiscal year 2010.
- To identify policies and practices of other federal agencies regarding comparability pay, we used State data to identify four agencies that, along with State, employ 94 percent of all federal employees working overseas—the Departments of Defense, Homeland Security, and Justice; and USAID. We then solicited written responses from these agencies.

Note: In 2004, a legislative change shifted the calculation of Senior Foreign Service salaries to a pay-for-performance system to mirror that which was implemented for the Senior Executive Service across federal agencies at the same time. At that time, all Senior Foreign Service employees assigned overseas were converted at the Washington, D.C., locality rate. Senior Foreign Service employees assigned domestically were converted at the locality rate in which they were assigned.

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## Appendix II: Allowance and Differential Rates for Selected Posts

Allowance and Differential Rates for Selected Posts, as of September 26, 2010

	Panama City, Panama	Mexico City, Mexico	London, United Kingdom	Tokyo, Japan	Yaounde, Cameroon	Kabul, Afghanistan
Danger pay	0%	0%	0%	0%	0%	35%
Post (hardship) differential	0%	15%	0%	0%	25%	35%
Service need differential	0%	0%	0%	0%	15%	0%
Post (cost-of-living) allowance	10%	5%	50%	80%	30%	0%

Source: State.

## Appendix III: Distribution of Danger and Hardship Posts

- Approximately 17 percent of overseas Foreign Service personnel are at posts with danger pay, and 73 percent are at posts with a post (hardship) differential of 5 percent or more.

Percentage of Non-Senior FS Personnel Serving in Danger and Hardship Posts, as of September 2010

	No differential/ allowance	5-10% differential/ allowance	15-20% differential/ allowance	25-35% differential/ allowance
Danger	83%	0%	9%	8%
Hardship	27%	18%	29%	26%

Source: GAO analysis of State data.

Note: Based on approximately 7,600 non-Senior Foreign Service Officers posted overseas as of September 2010.

## **Enclosure II: GAO Contact and Staff Acknowledgments**

### **GAO Contact**

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### **Staff Acknowledgments**

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