HUMAN CAPITAL
Administration and Implementation of the General Schedule Locality Pay Program

What GAO Found
To help determine the locality-based pay adjustments for federal employees paid under the General Schedule (GS) pay system, the Federal Employees Pay Comparability Act of 1990 (FEPCA) created the President’s Pay Agent (Pay Agent) and Federal Salary Council (council) to annually recommend locality pay amounts to the President and modifications to locality pay areas (see figure below).

Annual Process for the General Schedule Locality Pay Program

The Federal Employees Pay Comparability Act of 1990 requires the use of nonfederal salary survey data from the Bureau of Labor Statistics (BLS) to measure pay disparities between federal and nonfederal workers for each locality.

The council submits annual recommendations to the Pay Agent on the modifications to locality pay areas, coverage of BLS salary surveys, the process of comparing federal to nonfederal pay, and pay rates for each locality.

The Pay Agent will tentatively accept or reject the council’s recommendations in its annual report to the President.

The President may implement the Pay Agent’s recommendations or provide alternative pay adjustments. The President sets locality pay percentages through an Executive Order, which takes effect on the first pay period of the calendar year.


*Designated by the President, the Pay Agent is comprised of the Secretary of Labor and the Directors of the Office of Management and Budget and OPM. The council is comprised of three experts in labor relations and pay policy and six representatives of employee organizations representing large numbers of General Schedule employees.

Since 1994, the council has recommended defining locality pay areas using the Office of Management and Budget’s (OMB) statistical area definitions, which provide nationally consistent delineations for a set of geographic areas. Based on the recommendations of the council, the Pay Agent has updated the locality areas, as needed, when OMB updates its statistical area definitions. Currently, the council uses definitions from OMB’s April 2018 update. OMB issued an update in March 2020. Some of the council members told GAO that the council plans to discuss these updates once the administration appoints new council members. Using the 2020 definitions could affect GS employees’ pay if locations within existing locality pay areas were moved to separate locality pay areas (higher or lower paying).

In its 2019 memorandum, the council identified five alternatives to the survey methodology for setting locality pay, including verifying Bureau of Labor Statistics (BLS) survey data with other human capital data—such as attrition data—and establishing a commission to periodically review federal civilian compensation. According to council members, these alternatives represent the most recent discussion by the council of different methodologies. This is also consistent with the results of GAO’s literature search.