



American Foreign Service Association

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Director Jacquelyn L. Williams-Bridgers
International Affairs and Trade
Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Director Williams-Bridgers:

As president of the American Foreign Service Association (AFSA), which represents more than 28,000 active and retired Foreign Service employees of the Department of State, United States Agency for International Development (USAID), Foreign Agricultural Service (FAS), Foreign Commercial Service (FCS), and International Broadcasting Bureau (IBB), I am writing to express our deep concern about the Government Accountability Office's report on Department of State Overseas Comparability Pay (GAO-11-772R). In particular, the GAO report incorrectly conflates pay allowances and differentials with basic pay and comparability pay, omits substantive discussion on the disadvantage to retirement equity that Foreign Service employees face, and understates the damage to recruitment and retention that ending existing overseas comparability pay would create.

The report perpetuates misunderstandings of the very different purposes behind allowances, differentials, and salaries, and treats the first two categories as if they were unique to the Foreign Service. In fact, all civilian employees, including the 2.75 million civil service employees who already receive locality pay, are eligible for these same differentials and allowances if they are assigned to a post or situation where they apply. It ignores the unique hardships and financial constraints on Foreign Service members resulting from diverse circumstances, such as serving in active war zones and the lack of employment opportunities for spouses.

One of the report's central conclusions is that the combined sum of basic pay, allowances, and differentials for Foreign Service personnel overseas is higher, on average, than pay received by personnel posted in Washington, DC, and that this obviates the need for overseas comparability pay. This is not the case, however, and the report itself states that "allowances and differentials are not intended to compensate for the lack of comparability pay." Differentials, allowances, and other post-specific adjustments should not be equated with basic pay or comparability pay. Basic pay is intended to standardize salaries for federal employees based on experience, skills, and responsibility; comparability pay is intended to reduce gaps between government salaries and private sector salaries for similar work; and post-specific allowances and differentials are intended to compensate employees for specific conditions at their place of assignment.

As with all federal employees, Foreign Service employees of a similar rank, experience, and responsibility should receive a similar base pay. They should also receive a locality adjustment based on where they are assigned, as well as post-specific allowances and differentials to compensate for dangerous or difficult conditions. The GAO seems to abandon the established, government-wide model of standardized pay for a “total compensation package” approach, which has never been endorsed by Congress or the executive branch. By conflating these different forms of compensation, the GAO has incorrectly concluded that post-specific differentials somehow equate to and can be substituted for base pay and locality pay.

We are also troubled by the limited attention the report gives to the detriment to retirement benefits that Foreign Service employees posted overseas would face. Because retirement benefits are calculated based only on base pay and comparability pay, and do not include allowances and differentials, Foreign Service employees posted overseas see significantly reduced retirement benefits compared to other federal employees located within the United States who receive locality pay. We are disappointed that the report fails to properly document and illustrate the disparity between retirement benefits for federal employees who receive comparability pay and those who do not. The method that GAO has used to conclude that overseas comparability pay may not be necessary to achieve pay parity and appropriate compensation for Foreign Service employees would unavoidably cause a significant disparity between the retirement benefits of employees who spend the majority of their careers overseas and those who spend the majority of their careers in Washington.

Ultimately, eliminating the Department of State’s ability to provide overseas comparability pay will have a negative impact on its ability to effectively recruit and retain the best candidates to promote U.S. global interests. Unfortunately, the GAO’s approach to assessing State’s recruitment and retention potential in light of comparability pay seems to be based on the assumption that comparability pay has not yet been implemented, when the reality is that Foreign Service employees have been receiving comparability pay since 2009. The report never discusses the impact of ending current overseas comparability pay, which would amount to a severe pay cut for Foreign Service personnel. At one point, the report states that the Department of State’s 2009 business case for comparability pay “assumed an attrition rate for mid-level officers that is significantly higher than historical rates.” Although the GAO implies this may not be a correct assumption, it would be reasonable to predict that imposing a 16 percent pay cut on Foreign Service employees now would lead to an increase in attrition over historical levels.

This is even more likely to be true for newer employees to the Foreign Service who were hired since overseas comparability pay was implemented in 2009 with a reasonable expectation that it was a settled part of their base pay, and have known no other pay scale. AFSA’s member surveys have shown that overseas comparability pay is a primary concern of Foreign Service personnel. While we share GAO’s desire to see better assessment and evaluation of the effectiveness of State’s incentives and benefits programs, it is clear that ending overseas

comparability pay would have a negative impact on the ability of the Foreign Service agencies to recruit and retain the best talent for U.S. diplomatic missions.

The capability of the Foreign Service and State Department to ensure diplomatic readiness, promote national interests abroad, and support ongoing national security operations overseas relies on having the best employees to represent the United States. Withdrawal of overseas comparability pay will damage the capability to recruit the talent and skills that can best support the Foreign Service and provide the incentive for Foreign Service professionals to commit to a career in the diplomatic services. I hope that the GAO will take AFSA's concerns regarding the Department of State overseas comparability pay into account.

In summary, the GAO report ignores the following issues:

1. Differentials, allowances, and other post-specific adjustments should not be equated with basic pay or comparability pay. They are post-specific payments based on factors such as danger, hardship and cost of living.
2. Lack of comparability pay negatively impacts the retirement benefits of foreign service personnel.
3. Loss of comparability pay would be a 16% cut in pay for all FS personnel overseas which would negatively impact retention and recruitment.

Sincerely,



Susan Johnson
President
American Foreign Service Association

CC: Patrick Kennedy, Under Secretary for Management
Nancy Powell, Director General of the Foreign Service and Director of Human Resources
Joseph Macmanus, Deputy Assistant Secretary for Legislative Affairs, Acting