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# THE VANGUARD

## A Win on Overseas Comparability Pay

### A Short History of the Overseas Locality Pay (OLP) Issue

By now, most of you have heard the great news that a fix to the overseas pay gap has been approved for FY09. On June 24th, President Barack Obama signed into law a supplemental appropriations bill that will start the process of closing the overseas pay disparity. This process will happen in 1/3 increments, with the first third of the locality pay gap closed before October 1, 2009.

In the beginning, locality pay was relatively small but over time, it began to approach 25% of base pay. Over a period of many years, most non-Senior FSOs were obligated to work under an unfair compensation system in which they basically donated their labor to the U.S. government.

The matter of OLP is a complicated one, which partly explains the reason it took so long to get the legislation passed. For some in Congress, fixing the problem amounted to nothing more than an unjustified salary raise for Foreign Service personnel they believed were already receiving overly generous benefits overseas. For us and our families, the absence of OLP amounted more accurately to a significant financial hardship.

Apart from the negative morale issues such fiscal penury brought it also became a disincentive for recruitment in the Agency. It is a testament to the loyalty and love FSOs have for their work that they endured for so long under such conditions. AFSA, along with supportive State and USAID partners, as well as other organizations interested in our work, was in the forefront of the fight to educate Congress to solve this problem.

In the following pages, I will try to summarize the OLP issue and give you an understanding of what it all means. Some of these materials, which I have updated, were previously published in AFSA net messages.

### The Issue

Locality pay is a pay adjustment intended to raise federal salaries to the level of salaries paid in the private sector for comparable work. It is **NOT** a cost-of living adjustment. Locality pay for Foreign Service personnel serving in Washington, DC is currently 23.1% and increases annually. Those serving abroad have not received this adjustment, so they effectively took a 23.1% pay cut when they transferred overseas. As a condition of employment, Foreign Service personnel must serve abroad and, on average, employees spend two-thirds of their careers on overseas assignments. This ever-growing financial disincentive to serve abroad has undermined diplomatic readiness and morale. *(continued on page 2)*

### Make Sure to Update Your Address!

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# Overseas Comparability Pay (cont'd)

## **1) Why would Congress pass legislation that provides a pay raise for the Foreign Service when they already receive extra benefits when serving abroad?**

This is not a pay raise. It is a correction of a 15-year-old unintended inequity in the worldwide Foreign Service pay schedule that was growing every year. The U.S. Foreign Service operates in extremely challenging spots and under extremely dangerous circumstances. Ending this pay disparity helps validate the significant efforts and sacrifices made by the men and women of the Foreign Service and their families who serve our country abroad, instead of punishing them for that service by reducing their pay by 23.1% when they transfer abroad.

## **2) But doesn't the Foreign Service already get hardship pay and housing allowances?**

Congress enacted both the hardship and danger pay differentials long before locality pay ever existed in order to acknowledge the difficulties and dangers that FS personnel experience at our most difficult and dangerous posts. The pay disparity that has developed over a decade because of locality pay debases that congressional intent. When an individual serves at a 25 percent hardship post, that individual now actually receives only a 1.9% increase in salary instead of the intended 25%. Going to a 15% hardship post means that the member of the Foreign Service actually suffers an 8.1% cut in pay. Housing has always been provided at overseas posts because of the huge variations in local housing standards and values and to offset the dislocations that come with major family transfers occurring every couple of years. This legislation restores what Congress intended when it first created the hardship differential and the danger allowance.

## **3) Why don't Foreign Service officers just spend more time in Washington, DC so they can receive the highest rate of pay?**

The U.S. Foreign Service does not have that sort of flexibility or choice. Almost 70% of the positions are overseas. Regulations limit to six years the amount of time a member of the FS can stay in Washington at any one time without a special waiver. Promotions and the official career development plans require FS employees to serve at hardship posts and militate strongly toward service in danger pay and other unaccompanied posts, which now comprise almost a quarter of each year's assignments. Moreover, the State Department and USAID leadership has stated that many of the most difficult and dangerous posts are those of highest foreign policy priority and the FS has responded to this call for service. But upon departing for these posts, their salaries are cut by 23.1% and their danger and hardship enhancements are consequently reduced by the same percentage. It is also noteworthy that other agencies' personnel, including the CIA, and Senior Foreign Service Officers are paid overseas at Washington, D.C. rates.

## **4) How will the OLP be funded?**

Funds to begin phasing in an end to the pay disparity were part of the FY09 omnibus appropriations that passed in early 2009. However, the authorizing language to allow State to use those funds was only recently passed in the FY09 Supplemental Appropriations bill. The pending FY10 budget requests for international affairs spending include monies to eliminate the pay disparity. It is critical that an authorization for FY10 and out years accompany the FY10 appropriation to continue funding/authorization streams beyond FY09.

## **5) How This Affects the Average FSO and Family**

John Doe, a Foreign Service officer, and Mary, his wife, a primary school teacher, are assigned to Washington, DC. John was recently informed that he will be assigned to Senegal in West Africa as a program officer. In DC, John earns a base salary of \$52,221 (FS-4 rank) and a 23.10% DC locality payment (worth \$12,063) for a total of \$64,284. Mary earns \$48,000 as a teacher. Their total family income is \$112,284. When the Doe family arrives in Dakar they will no longer receive locality pay (\$12,063) but will receive a 20 percent hardship differential (\$10,444). *(continued on page 3)*

## Overseas Comparability Pay (cont'd)

While John will take a small pay cut to serve overseas, Mary will most likely not be able to find employment in Senegal so she will lose her entire salary (\$48,000). Thus, despite John's hardship differential, the Doe family's total income will drop from \$112,284 to \$62,665. That is a drop of \$49,619 or nearly 45 percent from what they were earning in the Washington, DC area.

In addition, while in Senegal, the Doe family will likely face significant out-of-pocket costs such as needing to fly back to the United States for a family member's wedding, a sister's life threatening illness, a beloved relative's funeral, or for other important occasions not covered by government-funded emergency visitation travel. Finally, in the event that John is killed in Senegal, Mary would receive 23.10% less in death benefits than would the family of a TDY visitor from Washington. This is because Foreign Service death benefits are calculated on base pay, excluding allowances and differentials, and John's salary is 23.10% less than it would be back in the States.

### A Brief Historical Summary on OLP

1. Beginning in 2000, AFSA and State Department personnel began to examine how to address the growing gap between overseas pay and Washington pay and redress the workforce management problems it was creating. They began to discuss "virtual locality pay" as a partial solution and sought interagency approval to establish this mechanism (which would not actually pay the Washington DC locality pay rate to overseas employees but would calculate the annuities of those employees retiring following overseas service as if they had been receiving locality pay).
  2. In February 2001, *The Washington Post* reported that the CIA had started paying its overseas employees an incentive pay, the amount of which is linked to the Washington, DC locality pay rate. That led to both AFSA and some colleagues working inside State Department management asking why the Secretary of State (and the heads of the other foreign affairs agencies) did not also have the legal authority to close this growing gap between the compensation of domestic and overseas employees by actually paying the Washington DC locality pay rate overseas. (Because the State Department and USAID do not have the same management freedoms as the CIA, the only way to change the fact that overseas employees were not included in the locality pay system was through legislation.)
  3. AFSA appealed to State management to support legislation to pay the Washington, DC locality pay rate to all Foreign Service employees serving abroad. We also invited our members worldwide to add their voices. The result was an avalanche of messages -- front channel, AFSA channel, and e-mails -- to State management. Then Director General Marc Grossman boldly sought Administration support for a proposal that would establish "virtual locality pay" immediately and phase in over three years a permanent solution that would pay all employees overseas the same pay rates as they would receive in Washington.
  4. AFSA backed, and through its conversations with key Hill staff, secured substantial Congressional support, for "virtual locality pay." However, because of policy concerns, the President's Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) rejected the Department's initial proposal for "virtual locality pay" as well as the longer-term proposal for full comparability pay. The Department, however, continued to push OPM to develop a solution.
  5. Eventually, after high-level involvement by the Secretary Powell's management team, the Administration endorsed a "supplemental retirement bonus" mechanism that would go a long way towards making retiring employees whole by way of a lump-sum payment. Prospects looked good for either the "supplemental retirement bonus" or "virtual locality pay" to be adopted during the next few months as the Congress finished work on the State Department's Authorization Bill for 2002-2003.
  6. Full overseas comparability pay was a bigger and more expensive issue. While OMB rejected the proposal initially, then Deputy Secretary Richard Armitage's intervention persuaded OMB to agree to allow State Department officials and OPM to continue working and to develop another proposal to submit to OMB.
- (continued on page 4)*

# Overseas Comparability Pay (cont'd)

Slowed by the press of events following 9/11 and the FY2003 budget process, OPM finalized and submitted a plan to OMB to pay Foreign Service employees overseas at the Washington, DC pay level, including locality pay (then 11.48% of basic pay). This proposal carried then-Secretary Colin Powell's strong endorsement.

7. AFSA started briefing key congressional staffers. Testimony was submitted to the Commerce, State, and Justice subcommittee of the House Appropriations Committee.

8. In March 2002, Congress finally agreed to adopt virtual locality pay to change the way that retirement annuities are calculated to remove the disincentive to retiring from an overseas post. However, true overseas locality pay was not approved.

9. After Secretary Powell left the State Department, AFSA spent a lot of its effort to educate and convince the new Secretary of State Condoleezza Rice on the need to spend some of her abundant personal political capital, weighing in early and often directly with the key senators and representatives in both parties on the issue. The goal was to convince both those members concerned with foreign affairs issues and those holding the line on the budget need to understand clearly that eliminating the overseas pay disparity is truly a top State Department and Bush administration priority. The Bush Administration and Republicans in general began to agree on the need to end the pay disparity but insisted that a pay-for-performance component be tied to it as it was for Senior Foreign Service Officers. Democrats on the other hand were not in favor of that and very little movement towards OLP resulted for many years.

10. Another perceived problem was the price tag of providing OCP to the nearly 70 percent of the FS stationed overseas. Congressional rules require "scoring" the cost by projecting it out five years. There was an element of sticker shock that proved decisive, despite our arguments that the funds were built into the administration's budget request and did not require new appropriations.

11. Part of AFSA's strategy was to have State, USAID and other affected agencies send personal appeals to members of Congress from high ranking officials such as former USAID Administrator Henrietta Fore.

12. While the elections of November 2008 most likely facilitated the ultimate passage of the OLP when control of both houses and the Presidency shifted to the Democrats, AFSA had already garnered significant support through its lobbying of both Democrats and Republicans in Congress. It also helped that the OLP was included in the FY09 War Supplemental bill to the President.

## The Status of OCP Now

It is now official. On June 24th, President Barack Obama signed into law a supplemental appropriations bill that will start the process of closing the overseas pay disparity, beginning in this fiscal year.

The Department of State and USAID should now move quickly to close the first roughly one-third piece of that 23.1% pay gap in the current fiscal year. This should translate into a base salary increase in the vicinity of 7.7 % for the first tranche but the exact procedures and timing have not been announced. A USAID General Notice should be coming out soon.

Ideally, this adjustment will be followed by similar measures in FY2010 and FY2011 to address the second and third tranches of the pay disparity. AFSA will work hard to make sure that happens.

## Post Script

AFSA has many allies to thank for getting us to the brink of an important victory on this top priority goal: -- In the House of Representatives, we recognize the leadership of House Foreign Affairs Committee Chairman Howard Berman (D-CA) and committee Ranking Republican Rep. Ileana Ros-Lehtinen (R-FL). We recognize HFAC members Rep. Don Payne (D-NJ), Rep. Barbara Lee (D-CA), Rep. Gary Ackerman (D-NY), and Rep. Gregory Meeks (D-NY). And a special thanks to Rep. Chris Smith (R-NJ) who has been a long time advocate for a solution. We appreciate the support of Chairwoman Nita Lowey (D-NY) of the House Appropriations Subcommittee on State, Foreign Operations, and Related Programs and subcommittee Ranking Republican Rep. Kay Granger (R-TX). *(continued on page 5)*

## Overseas Comparability Pay (cont'd)

Also, Rep. Mark Kirk (R-IL), Rep. Chris Van Hollen (D-MD), Rep. Frank Wolf (R-VA), Rep. Henry Waxman (D-CA), and House Majority Leader Rep. Steny Hoyer (D-MD) all made important contributions at critical junctures.

-- In the Senate, special thanks go to Senate Appropriations Subcommittee on State, Foreign Operations, and Related Programs Chairman Patrick Leahy (D-VT) and the Ranking Republican Sen. Judd Gregg (R-NH). We are also grateful for the work of Senate Foreign Relations Chairman John Kerry (D-MA) and committee Ranking Republican Sen. Richard Lugar (R-IN). Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia Chairman Daniel Akaka (D-HI) and subcommittee Ranking Republican Sen. George Voinovich (R-OH) deserve great credit for their ongoing support. In addition, we appreciate the support of Sen. Sheldon Whitehouse (D-RI), Sen. Richard Durbin (D-IL) and Senate Majority Leader Harry Reid (D-NV) for their support at key moments.

-- In the Executive Branch, Secretary of State Hillary Rodham Clinton led the final successful push to secure legislation to close the overseas pay gap. During her tenure and also that of her predecessor, State's senior management team worked behind the scenes to advance these efforts.

-- Last but not least, we thank those AFSA members (active duty and retired) who stepped up to the plate at various times in recent years to write to, or meet with, lawmakers to raise the pay gap issue. We thank the many members who provided vital support to AFSA's lobbying efforts and via their financial contributions to AFSA's Legislative Action Fund. We thank those in the news media, the Government Accountability Office, and the Congressional Research Service who took the time to understand this issue and provide independent validation of the seriousness of the pay gap problem. Former AFSA President Tony Holmes did much to advance the cause and also shares in the credit. We give special thanks to AFSA Legislative Director Ian Houston (recently named to the post of AFSA Executive Director) whose persistence and persuasive abilities were vital to our success on Capitol Hill.

This victory is the culmination of a protracted, eight-year lobbying effort by AFSA and supportive senior officials at State and USAID. You all made a difference.



*Ian Houston, Rep. Chris Van Hollen, Former AFSA President Tony Holmes*



*Ian Houston, Francisco Zamora, John Naland, Rep. Ileana Ros-Lehtinen, Dennis Hays*



*AFSA State VP Steve Kashkett testifies before the House Foreign Affairs Committee*



*Francisco Zamora, Ian Houston, Tex Harris, Sen. Richard Lugar, Tom Boyatt, Bill DePree*



*AFSA President John Naland and Rep. Mark Kirk*



*Ian Houston, Herman Cohen, Tom Boyatt, Rep. Howard Berman, John Naland, Francisco Zamora*

## AFSA Welcomes DLI-6 to the USAID Family

A new class of 39 Junior Officers has joined the Agency as members of the sixth DLI class. This picture was taken at the late June ceremony where they received their country assignments. AFSA welcomes them into the Foreign Service, and now looks forward to the next batch of talented officers coming in through DLI-7, whose orientation begins later this summer.



*Agency Counselor Lisa Chiles joins the new class for the flag ceremony. In alphabetical order, the members of the class are as follows: Lyla Andrews Bashan, Robert Beadle, Andrew Boegel, Marc Bonnenfant, Albert Edward Carrera, Susan Cheung, Brian Fink, Meredith Fox, Conrado Garcia, Mary Graham, Daniel Harter, Shawntel Hines, David Horton, Debbie Jackson, Michael Jackson, Christine Janes, Matt Johnston, Mark Kelly, Jude Leitten, Taly Lind, Clare Masson, Laura McKechnie, Victoria Mitchell, Albert Moesle, John Pasch, Kristin Ray, Aaron Ruble, Christopher Saenger, Janine Scott, Nathaniel Scott, Nadeem Shah, Tyce Shideler, JoAnn Sparacino, Daniel Swift, Yasmeen Thomason, Michael Trueblood, Paul Vaca, James Whitaker, and Ayana Wilkes.*

## Another USAID Student Wins AFSA Scholarship

We regret that in the May edition of *The Vanguard*, we neglected to mention that not just one, but two USAID kids received AFSA scholarships. In May, we threw the spotlight on Kirsten Salpini. This month, we are happy to add to that roster Michael Crawford, son of USAID Foreign Service Officer Paul Crawford. Michael was awarded an Academic Merit Honorable Mention Scholarship. Michael will be attending the University of Mary Washington this fall. For further information on AFSA's scholarship program, please visit [www.afsa.org/scholar](http://www.afsa.org/scholar) or contact Scholarship Administrator Lori Dec at [dec@afsa.org](mailto:dec@afsa.org). Applications for the 2010/2011 academic year will be available on the AFSA web site on November 6. We encourage all FSO parents of college-bound children to consider applying for these scholarships.

# Domestic Partner Benefits

AFSA applauds the historic decision by Secretary of State Hillary Rodham Clinton to extend recognition and benefits to domestic partners of Foreign Service employees assigned overseas.

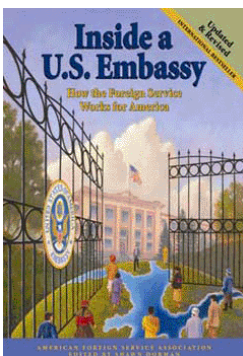
AFSA has long struggled to obtain this important change in policy because the status quo had negatively impacted on our members serving in foreign locations to a greater extent than most federal employees. We have worked hand in hand with GLIFAA on this issue, and extend our congratulations to them for an advocacy job well done.

Hundreds of Foreign Service employees have domestic partners who accompany them to difficult and dangerous overseas posts, and who share the risks and hardships of these assignments, often making considerable personal sacrifices to do so. Until now, Foreign Service members had no choice but to assume the often extremely high cost of travel, shipping of household effects, and medical expenses for their domestic partners, who had no legal status in the eyes of the U.S. government. Unlike other family members, they were denied the right to participate in foreign language and security training for these assignments, excluded from emergency evacuation planning, and given no special consideration for employment opportunities at overseas missions.

The benefits being extended at this time are:

- Diplomatic passports,
- Inclusion on employee travel orders to and from posts abroad,
- Shipment of household effects,
- Inclusion in family size calculations for the purpose of making housing allocations,
- Family member preference for employment at posts abroad,
- Use of medical facilities at posts abroad,
- Medical evacuation from posts abroad,
- Emergency travel for partners to visit gravely ill or injured employees and relatives,
- Inclusion as family members for emergency evacuation from posts abroad,
- Subsistence payments related to emergency evacuation from posts abroad,
- Inclusion in calculations of payments of overseas allowances (e.g., payment for quarters, cost of living, and other allowances),
- Representation expenses, and
- Training at the Foreign Service Institute.

We are gratified to see that Secretary Clinton's decision will end these injustices. AFSA looks forward to working with the Secretary and her management team to iron out the details of this new policy and to ensure its equitable implementation across all the foreign affairs agencies. AFSA will be meeting with USAID management to discuss the implementation of these policies and hopes that agency-wide guidance will be issued shortly. (Please see the full State Department press release at <http://www.state.gov/secretary/rm/2009a/06/125083.htm>.)



## Inside a U.S. Embassy

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