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Lessons learned from pay-for-performance

By Joe Davidson
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The Pentagon's abortive pay-for-performance system might be fading away, but the suspicions it generated will linger.

A major consequence of the Bush administration's failure to gain the trust of Defense Department employees in its now discredited [National Security Personnel System](#) (NSPS) is the difficulty the Obama administration will have trying to develop a program that rewards federal workers for more than longevity.

NSPS was the Bush administration's primary attempt to replace the familiar General Schedule. But NSPS employees didn't trust it and Congress killed it.

A Senate panel on Wednesday will hear about lessons learned from the NSPS experience as the Obama administration looks for new ways to manage the federal workforce.

One lesson: If the new way smells anything like NSPS, it will stink to federal workers.

"Any new system, whether at DOD or applied government-wide, cannot be viewed as NSPS 2.0 or NSPS-lite," Patricia Niehaus, president of the [Federal Managers Association](#), said in testimony prepared for the Senate Homeland Security and Governmental Affairs subcommittee on oversight of government management, the federal workforce and the District of Columbia. "Perception is reality, and if employees believe they are being fed another NSPS, the system will be doomed from the start."

Yet Niehaus is not adverse to using "pay" and "performance" in the same sentence, as her counterparts in federal employee unions are loath to do.

"A strong link between performance and pay provides employees with the confidence that their efforts will be appropriately recognized and rewarded," she said. "Where is the incentive in performing better than your colleague when little is done to differentiate additional efforts?"

One big problem with the NSPS version of pay for performance was how, and by whom, employees' performances were evaluated. Evaluations determined their pay. In his prepared text, John Gage, president of the [American Federation of Government Employees](#), cited an internal NSPS report, prepared by SRA International, a Fairfax consulting firm, that he said "showed inequities based on race, salary, position, and where in the DoD hierarchy one worked."

Employees in higher-level, higher-paid positions "got higher performance ratings and payouts than lower-level, lower-paid employees . . ." Gage said. "The report further found that, in general, being a

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racial minority had a negative effect on one's rating and payout, and being black had a more negative effect than membership in other racial groups."

Lesson one for the Obama administration: any employee performance management system it creates must be free of race and class discrimination.

Federal pay too high?

Federal employees should brace for another round, or perhaps a continuing wave, of hits on their pay.

The Cato Institute has released its latest in what has become a series of reports about "[Overpaid Federal Workers](#)," as the current installment is titled. It says:

"The federal workforce has become an elite island of secure and high-paid workers, separated from the ocean of average American workers competing in the global economy. It is time for some restraint. Federal wages should be frozen or cut, overly generous federal benefits should be overhauled, and the federal workforce downsized through program terminations and privatization. It is unfair to ask taxpayers to foot an ever-increasing bill for federal workers, especially when private-sector compensation has not kept pace."

Yet, as the article by Chris Edwards notes, the [Federal Salary Council](#) has determined that, on average, federal workers were paid 26.4 percent less than their private-sector counterparts in 2009. Edwards calls that information "non-transparent," "subject to a large amount of statistical modeling" and "suspicious."

President Obama's fiscal 2011 budget proposal, released in February, supported the pay of federal workers, based on age and educational levels. Twenty percent of federal employees have a graduate degree, while just 13 percent in the private sector do, according to data in the budget documents. More than half of federal employees have a college degree, compared with 35 percent in the private sector.

And, the older you get, the more likely it is that your income will rise, at least to a point. Forty-six percent of federal workers are 50 or older, compared with 31 percent of those in private sector. Also, when comparing the federal government and the private sector, it's worth remembering that Uncle Sam employs relatively few minimum-wage workers.

Niehaus said the Cato article will lead to "more fed-bashing."

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