

Tighter rules for bonuses, raises

By **STEPHEN LOSEY** | Last Updated: June 19, 2011

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The Obama administration is attempting to tighten the reins on federal pay raises and bonuses. Office of Personnel Management Director John Berry issued a memo June 8 reminding agencies not to grant within grade step increases and accompanying raises to employees who are rated lower than fully successful. And two days later, Berry and Office of Management and Budget Deputy Director Jeffrey Zients issued another memo imposing strict limits on performance bonuses beginning in October. Experts say the nearly back-to-back memos aren't just a sign of extremely tight budgets. Political pressure — mainly from House Republicans — is mounting to cut what critics call an excessively generous federal pay system, and experts say the administration may be trying to avert more drastic measures imposed by Congress. "The closer we get to next November, the more of this we're going to see," said former acting OPM Director Michael Hager. "The administration is feeling pressure, and the criticism will be unbelievable. They want to be able to say, 'We've taken a hard line, and have significantly modified the program already.'" The June 8 step increase memo reminded agency heads that those raises — which range from 2.6 percent to 3.3 percent — should be awarded only to employees who are rated "fully successful" or higher. Employees rated "minimally successful" or "unacceptable" are not eligible for increases and should not receive them, OPM said. Federal Times reported in March that just 737 out of more than 1.2 million GS employees — or one in every 1,698 — were denied a regularly scheduled step increase and accompanying raise in 2009 because of poor performance. Critics say the 0.06 percent denial rate shows step increases are awarded to employees with little consideration for their job performance. The June 10 bonus memo said that in fiscal 2012, agencies must limit total spending on performance awards for Senior Executive Service members and other senior-level employees to no more than 5 percent of their aggregate salaries. Limits on bonuses for lower-ranking employees are even tighter: 1 percent of their combined salaries. OPM and OMB said the trimming should begin this year. The American Federation of Government Employees protested, arguing that step increases are not automatically awarded. "We cannot understand why the administration feels compelled to feed into the narrative of those who continually malign and mischaracterize the federal pay system," AFGE Legislative Director Beth Moten said in a statement. The National Treasury Employees Union called the limits on bonuses disappointing and misguided. "Limiting the funds available for awards sends the wrong message," NTEU President Colleen Kelley said in a statement. "Namely, that federal employees — who already are working under a two-year pay freeze, and facing attacks on their retirement and health benefits — are expected to share a disproportionate load in addressing the nation's economic and fiscal issues." Kelley also objected that unions were not consulted during the drafting of the memo.

Carol Bonosaro, president of the Senior Executives Association, said the bonus limits are a second blow for SES members, who already had their performance-based

raises canceled as part of a two-year pay freeze. The limits will significantly cut SES bonuses. In 2009, about 6,600 career SES members received bonuses averaging \$14,802, and those bonuses made up almost 9 percent of the SES payroll. Even at the Transportation Department — the only agency that kept its average bonus under \$10,000 — SES bonuses made up almost 6 percent of payroll. Berry and Zients are concerned that some employees view performance awards as an entitlement and part of their

Federal Times Video

OPM Director John Berry issued a memo reminding agencies not to grant within-grade step increases and accompanying raises to employees who are rated lower than fully successful. (Staff)

Reluctance to change

Some experts doubt OPM's reminder on step increases will do much to change the government's reluctance to withhold step increases from poor performers, and they fear the notice could even lead to inflated ratings.

Chris Edwards, director of tax policy studies at the libertarian Cato Institute, said some managers could just hand out fully successful ratings to undeserving employees to avoid having to withhold step increases.

"There could be more pressure [on managers] not to ruffle feathers in the office," Edwards said. "If you give someone a low rating, they'll realize they'd be denying an employee something real and tangible."

Former OPM executive Henry Romero said Berry's memo won't be enough if agencies don't try to change a pervasive reluctance among government managers to hold poor performers accountable. "Managers don't like the task of dealing with poor performers, and they'll look the other way because they find it uncomfortable or distasteful," Romero said. "That's been the case for years." The problem doesn't stem from a lack of effective training, Romero said — there are plenty of those programs. It's cultural, he said. Too often, managers who try to hold poor performers accountable don't get support from higherups when punished employees inevitably protest.

"They want you to make it go away, and you're labeled a poor supervisor if your employees are complaining," Romero said. "If you're writing someone up, it's viewed as, 'Why can't you control your organization?' versus being viewed as a hero for trying to get rid of a serial slacker. If [a focus on performance accountability] is not coming from the top, managers might say, 'Why should I stick my neck out?' "