

HUMAN RESOURCES INITIATIVE

Resource Summary

(\$ in thousands)

Appropriations	FY 2012 Actual	FY 2013 CR ⁽¹⁾	FY 2014 Request	Increase/Decrease From FY2012
American Positions	0	0	0	0
Funds	0	0	91,891	91,891

(1) The FY 2013 CR is based on the annualized continuing resolution calculation for FY 2013 (P.L. 112-175).

Program Description

The Department’s FY 2014 Request includes the annualization of FY 2013 staffing requirements and the implementation of the final phase of Overseas Comparability Pay (OCP). In the aftermath of the Benghazi terrorist attack, the Department is ramping up efforts in FY 2013 to increase and strengthen its management and security staffing profile at High Threat Posts (HTP). This will result in FY 2014 annualized costs. OCP Phase 3 will ensure that the Department remains competitive in the global marketplace and serve as one of many important tools to keep attrition low in the Foreign Service.

Justification of Request

Annualization of FY 2013: \$10,529,000

As a result of the Accountability Review Board’s (ARB) January 2013 report on Benghazi and the Interagency Security Advisory Teams (ISAT) work at High Threat Posts (HTP), the Department is implementing recommendations that will require annualized staffing costs in FY 2014. The requirements include additional key policy, program, and security personnel at HTP with relevant hard language capabilities. With increased and more complex diplomatic activities in the Middle East, ARB recommended that the Department “enhance its ongoing efforts to significantly upgrade its language capacity, especially Arabic, among American employees.”

Overseas Comparability Pay (Phase 3): \$81,362,000

Overseas Comparability Pay (OCP) is critical for the Department’s Foreign Service competitiveness in the workplace. The Department’s intention is to fully restore the basic pay equity between Washington, D.C. and overseas assignments for entry and mid-level Foreign Service employees that existed prior to the government-wide implementation of locality pay. The FY 2014 Request supports funding for OCP Phase III, which would raise comparability to the full D.C. rate, including the increase to American Salaries for Foreign Service personnel posted overseas, along with the Department’s corresponding increases in salary-based benefit contributions and post allowances.

The Federal Employees Pay Comparability Act of 1990 (FEPCA) established locality pay as a basic salary component for most civilian Federal employees in the United States. It is not a cost of living allowance. Varying rates of locality pay reflect the varying cost of labor in different localities and metropolitan areas throughout the United States. The locality pay provision in the FEPCA (5 U.S.C. 5304), however, excludes positions outside the United States.

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On June 24, 2009, President Obama signed the Supplemental Appropriation Act, 2009 (P.L. 111-32) that authorized the Secretary of State to begin implementing OCP adjustments under Section 1113. Members of the Foreign Service are eligible for locality-based comparability payments (stated as a percentage) up to the amount of the locality-based comparability percentage payable to such a member under section 5304 of Title 5, U.S.C. if such a member's official duty station were in the District of Columbia. This section also gave the Secretary administrative flexibility in determining the phase-in schedule, although subsequent provisions of law have limited implementation to just the first two phases.

Before the introduction of OCP in August 2009, an entry-level or mid-level Foreign Service employee transferring overseas experienced a significant cut in basic pay as a result of the exclusion of Foreign Service (Overseas) positions from locality pay. Up until August 2009, the reduction was a loss of locality pay in the amount of 23.10 percent of base salary. Since August 2009, the gap has been closed between applicable rates of basic pay in Washington, D.C. and abroad by nearly 70 percent. Today, entry and mid-level Foreign Service employees serving in Washington, like most other federal employees working in Washington, earn their base salary plus 24.22 percent locality pay. Their counterparts overseas currently earn base salary plus 16.52 percent comparability pay due to the implementation of OCP Phases I and II. The Department has worked to close this remaining gap. The third and final phase that had been scheduled to be implemented in August 2011 would have increased comparability pay to the full Washington, DC locality pay rate.

The Department expects that attrition rates will rise, particularly at the critical mid-level positions, if overseas OCP Phase III is not implemented. In June 2012, the Department administered the *Retention and Succession Planning Survey*, in which approximately two-thirds of mid-level officers stated they would seriously consider leaving the Foreign Service if OCP is eliminated. Such a large percentage would have a substantial and direct negative impact on diplomatic readiness and delay the Department's efforts to close the mid-level staffing gap. It will negatively impact the Department's ability to attract and retain desirable candidates.

The pay disparity has long-lasting effects on an employee's compensation and benefits which compound over the course of an employee's career. For example, the Department's mandated contributions to employee Federal Thrift Savings Plans (TSP) are based on an employee's basic pay inclusive of locality pay. Because Foreign Service employees spend large portions of their careers representing, promoting, and defending their country's interests abroad, these employees receive smaller employer contributions than their Foreign Service colleagues who remain in Washington, D.C.

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	Positions					Funds (\$ in thousands)		
	American				Pos	Bureau	American	Funds
	CS	FS Dom	Overseas	FSN	Total	Managed	Salaries	Total
FY 2012 Actual	0	0	0	0	0	0	0	0
FY 2013 Estimate	0	0	0	0	0	0	0	0
FY 2014 Current Services	0	0	0	0	0	0	0	0
FY 2014 Program Changes								
Annualization of FY 2013	0	0	0	0	0	10,529	0	10,529
Overseas Comparability Pay - Phase 3	0	0	0	0	0	29,189	52,173	81,362
Total Program Changes	0	0	0	0	0	39,718	52,173	91,891
FY 2014 Request	0	0	0	0	0	39,718	52,173	91,891

Funds by Object Class

(\$ in thousands)

Human Resources Initiative (HRI)	FY 2012 Actual	FY 2013 CR	FY 2014 Request	Increase/Decrease From FY2012
1100 Personnel Compensation	0	0	44,947	44,947
1200 Personnel Benefits	0	0	41,146	41,146
2500 Other Services	0	0	5,798	5,798
Total	0	0	91,891	91,891

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