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STATEMENT OF CHAIRMAN DANNY K. DAVIS AT THE SUBCOMMITTEE ON FEDERAL WORKFORCE AND POSTAL SERVICE, AND THE DISTRICT OF COLUMBIA HEARING ON

“ROBBING MARY TO PAY PETER AND PAUL: THE ADMINISTRATION’S PAY FOR PERFORMANCE SYSTEM.”

February 12, 2008

Good afternoon, Ranking Member Marchant and subcommittee members, and all of you present in the audience today. Welcome to the subcommittee’s first hearing of the 2nd session of the 110th Congress.

Today’s hearing continues the subcommittee’s examination of the implementation of pay-for-performance systems at various federal agencies. Last March, the subcommittee held a hearing on federal personnel reforms, followed by a hearing in May on the personnel and pay reforms implemented at the Government Accountability Office (GAO).

Today we turn our attention to the pay-for-performance systems at the Securities and Exchange Commission (SEC) and the Internal Revenue Service (IRS). We will also take a look at the pay-for-performance system that the Office of the Director of National Intelligence would like to impose on the intelligence community. The implementation of these systems must be evaluated with the same intensity that the Bush Administration, and other pay-for-performance proponents, advocated that these systems be implemented.

The title of the hearing, “Robbing Mary to Pay Peter and Paul”: The Administration’s Pay for Performance System,” reflects our intent to personalize the impact these systems have on federal employees. Our workforce is made up of individuals sharing a commitment to public service, with personal goals and needs. They

should not be viewed or treated as bureaucrats who can be driven to better performance by the prospect of monetary rewards.

The title also helps explain how the administration's pay-for-performance system really works. Under that system, "Mary", who is a good employee and meeting established performance expectations, may not receive a cost of living increase (COLA) needed to offset inflation because her increase is needed to reward "Peter" and "Paul", who were subjectively judged to be slightly better performers. That is the aspect of pay-for-performance that is so infrequently discussed; that in the absence of a significant increase in funds, performance-based increases are often funded by denying or reducing other employees' COLAs and bonuses. Also, if Mary is an African American, the likelihood of her being adversely impacted by the subjective application of the performance standards is increased.

Next year, after his agency has conducted a market-based study, Peter will be classified as "overpaid." Though Peter, with 30 years of service, has been a good performer, he will receive a small bonus but no COLA. Bonuses are not counted towards base pay, which will affect Peter's high three, and consequently, his retirement benefit. After a year or two, Peter, Paul, and Mary are demoralized and their teamwork has suffered. They are uncertain about their pay, have little faith in the system, and are looking for jobs in agencies that do not have a pay-for-performance system.

Peter, Paul and Mary are representative of real federal employees whose pay and retirement are being similarly affected as we speak. If these systems are not fair and equitable, transparent and credible, and do not have the buy in of federal employees, I **do not** believe they have place in the federal government.

Federal agencies cannot deny knowing that credibility, employee buy-in, and equity were key components to the successful implementation of these systems. These issues were raised upfront by this subcommittee and others, yet, agencies are failing in all these areas. Furthermore, these systems do not appear to retain employees or increase their performance – as the Administration advertised.

Today's witnesses are here to help us evaluate these systems, and, where needed, to recommend corrective measures.

Thank you.