



Written Testimony of John K. Naland
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*Committee on Oversight and Government Reform
The Subcommittee on Federal Workforce, Postal Service and the District of Columbia
Chairman Danny K. Davis (D-IL)*

Hearing on:
"In Search of Equity: An Examination of Locality Pay."

June 26, 2008

Mr. Chairman, thank you for accepting this brief written statement as part of the record for this hearing. The American Foreign Service Association (AFSA) appreciates the support you and your colleagues provide the Foreign Service. Early this year, I had the opportunity to orally testify before Chairman John Tierney's Subcommittee on National Security and Foreign Affairs in reference to effective diplomacy and the future of U.S. Embassies.

Mr. Chairman, as you know, 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 20.89% and increases annually. Those serving abroad do not receive this adjustment, so they effectively take a 20.89% pay cut when they transfer 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 is undermining diplomatic readiness and morale. Foreign Service members now take a pay cut to serve at 20 percent differential posts such as Damascus, Tripoli, Sarajevo, Chisinau, Libreville, Cotonou, La Paz, and Ulaanbaatar. All tolled, Foreign Service members now take a pay cut to serve at 183 of 268 overseas posts (68 percent). At this rate, within three years, another 42 posts - those at the 25 percent hardship level without an additional danger pay supplement -- will be passed unless this overseas pay disparity is corrected by Congress. The Senior Foreign Service no longer suffers from this inequity due to the 2004 implementation of pay-for-performance for senior executives government-wide.

Some say the Foreign Service already gets hardship pay and housing allowances so there is no need to fix this pay disparity. That position does not hold up to detailed scrutiny. Congress enacted the hardship and danger pay differentials long before locality pay ever existed in order to acknowledge the difficulties and dangers that Foreign Service members experience at our most difficult and dangerous posts. The pay disparity that has

widened over the past 13 years because of locality pay subverts that congressional intent. Today, when a Foreign Service member serves at a 20 percent hardship post, that individual actually receives only a 1.4 percent increase instead of the intended 20 percent. Going to a 15 percent hardship post means that the member of the Foreign Service actually suffers a 3.6 percent cut in pay. Housing has been provided at overseas posts since 1926 because of the huge variations in local housing standards and values and to offset the dislocations that come with family transfers occurring every couple of years.

The U.S. Foreign Service must have all the tools it needs to implement our diplomatic and national security priorities around the globe. One vital tool that this Congress can provide the men and women of the Foreign Service and their families is to remove this financial disincentive to overseas service. Unfortunately, a legislative solution remains allusive although we appreciate the sensitivity of many of your colleagues to this issue. Disappointment and frustration in the ranks are deepening. While I do not doubt the fact that the House and this Congress are deeply grateful for the work and sacrifices of Foreign Service, I ask for that genuine support to be channeled into securing practical personnel policy initiatives such as brokering a solution to modernizing the pay system for the Foreign Service and putting to rest the pay disparity problem.

What AFSA seeks, and the Secretary of State fully supports, is a legislative correction of what is now a 14-year old unintended inequity in the worldwide Foreign Service pay schedule which widens every year. Ending this pay disparity would help 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 unintentionally penalizing them for that service by reducing their pay by 20.89% when they transfer abroad. If we don't act now, the pay gap will only widen. We are hopeful the 110th Congress will be the session which solves this problem.

Thank you for considering this written testimony. AFSA looks forward to serving as resource as you try to understand this significant problem.