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Highlights

Highlights of GAO-07-678, a report to congressional requesters

June 2007

FINANCIAL REGULATORS

Agencies Have Implemented Key Performance Management Practices, but Opportunities for Improvement Exist

Why GAO Did This Study

Congress granted financial regulators flexibility to establish their own compensation systems and required certain agencies to seek to maintain comparability with each other in pay and benefits to help the agencies overcome impediments to recruiting and retaining employees and avoid competing for the same employees. In response to a request, this report reviews (1) how the performance-based pay systems of 10 financial regulators are aligned with six key practices for effective performance management systems, (2) the actions these agencies have taken to assess and implement comparability in pay and benefits, and (3) the extent to which employees in selected occupations have moved between or left any of the agencies. GAO analyzed agency guidance and policies, agency data on performance ratings and pay increases, agency pay and benefits surveys, data from the Central Personnel Data File, and interviewed agency officials.

What GAO Recommends

GAO recommends that several regulators take steps to communicate the overall results of appraisal and pay increase decisions to all employees while protecting individual confidentiality. The regulators generally agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-678.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Orice Williams, 202-512-8678, williamso@gao.gov or Brenda Farrell, 202-512-5140, farrellb@gao.gov.

What GAO Found

The 10 federal financial regulatory agencies have generally implemented key practices for effective performance management but could improve implementation of certain practices as they continue to refine their systems. All of the financial regulators awarded some pay increases during the appraisal cycles we reviewed that were linked to employees' performance ratings, although two also provided across-the-board pay adjustments, even to employees who had not received acceptable performance ratings, weakening the linkage of pay to performance. Both agencies have indicated in the future annual pay adjustments will not be awarded to unsuccessful performers. The agencies have generally aligned individual performance expectations and organizational goals, connected performance expectations to crosscutting goals, used competencies to provide a fuller assessment of performance, and involved employees and stakeholders in the process. All of the agencies built safeguards into their performance management systems to enhance credibility and fairness. However, the extent to which the agencies communicated overall results of performance rating and pay increase decisions to all employees varied, and some could increase transparency by letting employees know where they stand relative to their peers in the organization, while protecting individual confidentiality.

Financial regulators have hired external compensation consultants to conduct pay and benefits comparability surveys, exchanged pay and benefits information, explored the feasibility of conducting a common survey, and adjusted pay and benefits to seek to maintain comparability with each other. Although financial regulators have adjusted pay and benefits partly based on the results of their comparability efforts, there is some variation in pay ranges and benefit packages among the agencies. According to agency officials, factors such as the year the agencies first became subject to comparability provisions, budget constraints, and the needs and preferences of workforces play a role in compensation decisions and contribute to this variation. Furthermore, agency officials emphasized that it was not their goal to have identical pay and benefits packages; rather, they considered pay and benefits as a total package when seeking to maintain comparability and when setting pay policies aimed at recruiting and retaining employees.

Between fiscal years 1990 and 2006, few employees moved among financial regulators and the movement among these agencies presented no discernible trend. Specifically, 86 percent (13,433) of the 15,627 employees that left during this period (i.e., moving or resigning but not retiring), resigned from federal employment. Annually, the percentage of employees who moved to another financial regulator ranged from a low of 1 percent in fiscal year 1997 (16 out of the 1,362 who moved or resigned) to a high of 8 percent in fiscal year 1991 (97 out of the 1,229 who moved or resigned). The total number of financial regulatory employees was 15,400 and 19,796 during those 2 years, respectively.