



Highlights of [GAO-06-1116T](#), a testimony before the Chairman, Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, U.S. House of Representatives

Why GAO Did This Study

People are critical to the success of the federal government’s overall transformation effort. Yet the government has not transformed, in many cases for decades, how it classifies, compensates, develops, and motivates its employees to achieve maximum results with available resources and existing authorities. This is especially the case with the federal government’s top leadership and federal justices and judges.

Leading organizations understand that they must often change their culture to successfully transform themselves, and that such a change starts with top leadership. Most importantly, senior leaders who are drivers of continuous improvement are needed to stimulate and support efforts to facilitate change and achieve related transformation efforts for the federal government.

At the Chairman’s request, we recently reported on executive and judicial pay—*Human Capital: Trends in Executive and Judicial Pay* (GAO-06-708). This testimony highlights information from that report.

www.gao.gov/cgi-bin/getrpt?GAO-06-1116T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lisa Shames at (202) 512-6806 or shamesl@gao.gov.

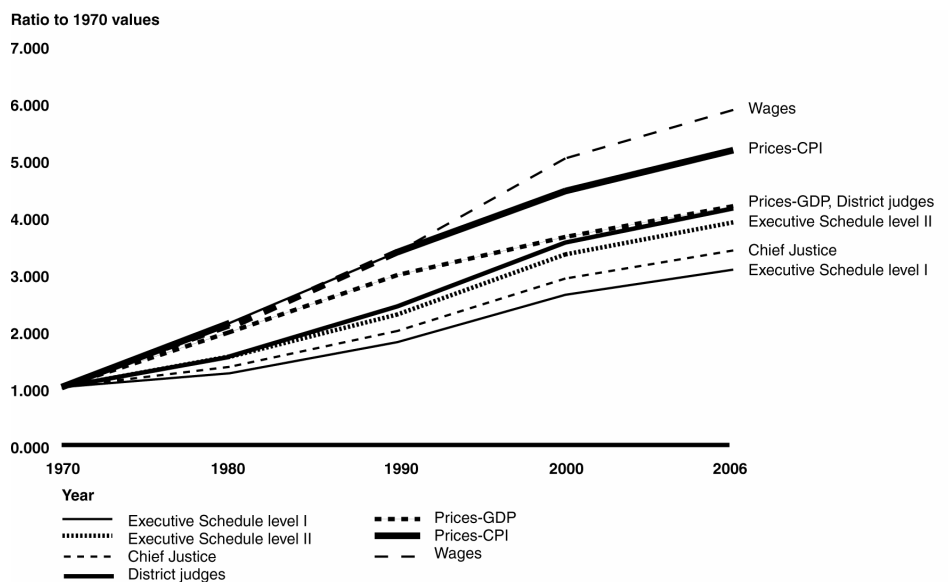
HUMAN CAPITAL

Trends in Executive and Judicial Pay Suggest a Reexamination of the Total Compensation Package

What GAO Found

The pay rates for selected executive-level positions have not kept pace with the growth of wages from 1970 to 2006, as measured by the National Income and Product Accounts wage index for private industries. As shown below, for example, wages grew at nearly double the rate of basic pay for Executive Schedule level I positions, such as cabinet secretaries, and the Chief Justice.

Cumulative Growth of Selected Executive-Level Pay Rates Compared to Prices and Wages



Source: GAO-06-708.

To remain competitive in the market, organizations, including the federal government, may need to be flexible in the balance between cash and benefits that comprise the total compensation offered to employees. Total compensation includes elements such as cash—basic pay, locality pay, cash awards/bonuses; noncash benefits—annual and sick leave, health insurance; and deferred benefits—retirement (i.e., pension and health), life insurance. Any restructuring of executive and judicial pay should consider basic pay received as one part of the total compensation package.

While the types of experiences, responsibilities, required knowledge and skills, type of appointment, and length of service vary both within and across executive-level positions, moving forward, a commission may be an option for reexamining executive and judicial pay and compensation to ensure that the federal government’s total compensation is both reasonable and competitive in order for the government to obtain and retain the top talent it needs to address current and emerging 21st century challenges in a responsible and sustainable manner.