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Prepared for:

The House Subcommittee on the Federal Workforce, Postal Service and the District of Columbia and the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

Hearing Entitled
"GAO Personnel Reform: Does it Meet Expectations?"

May 22, 2007

Good morning, my name is Jane Weizmann.

I would like to thank Chairman Akaka, Chairman Davis, Senator Voinovich, Congressman Marchant and the members of the committee for the opportunity to share information on Watson Wyatt's 2004 work with GAO involving the design of market based salary ranges for Analysts, Specialists and Attorneys, as well as Watson Wyatt's credentials and experience performing such assignments.

Watson Wyatt's Credentials and Experience

I am a Senior Compensation Consultant and the Practice Leader for Watson Wyatt's Washington, DC area practice. With roots tracing back to 1878, Watson Wyatt Worldwide (Watson Wyatt) is a leading provider of global human capital and financial management consulting services. Today, Watson Wyatt has more than $1.2 billion in revenue and approximately 6,000 associates in 30 countries.

As part of Watson Wyatt's Human Capital Group, our compensation consulting services are sought by leading private sector and governmental entities around the world. Our Human Capital Group helps clients implement strategies that achieve competitive advantage by aligning their workforce with their mission and operational strategy. This includes helping clients develop and implement designs and strategies for attracting, hiring, retaining and motivating their employees.

The Human Capital Group utilizes our Watson Wyatt Data Services (WWDS) practice, to provide data, services and analyses regarding compensation and benefits around the world. WWDS maintains several of the world's largest databases covering employee pay and pay practices. Our published surveys are used by commercial, federal, public sector, educational and not-for-profit organizations and cover 3,800 different job titles, 131 industries and sectors and 24,000 zip codes. By order of magnitude, Watson Wyatt survey participants cover 17.7 million employees – or one of every six employees in the US workforce.

I joined Watson Wyatt in 1989. Before joining Watson Wyatt, I worked as a compensation consultant for another national consulting firm, a manager at the U.S. Department of Labor, and a compensation director for one of the largest employers in the City of Philadelphia.

Over the course of my career, I have led hundreds of compensation assignments. In 1999, I served as expert resource to the House Subcommittee on Government Management, Information and Technology on issues related to the salary of the President of the United States and provided testimony and background research. In 2003, I was retained as an expert consultant to provide research, recommendations and testimony to the President's Commission on Postal Service Reform on topics related to performance based compensation.

During the past few years, in addition to the GAO assignment, the Washington, DC consulting team has provided compensation consulting services to numerous federal

government agencies, state and municipal government entities as well as private sector organizations.

The 2004 Market Study of GAO Analyst, Specialist and Attorney Jobs

Why do the majority of today's large, national private and public sector organizations use market sensitive pay designs?.[1] The prevalence of market sensitive designs can be attributed to the abundance of credible pay and job vacancy information—which is available to employees through websites such as Salary.com, USA jobs and Monster, to name a few. In today's world, private and public sector employers are keenly aware that differences exist in pay based on job functions and are consequently adopting market-based pay designs to attract, hire, motivate and retain talented employees who match the organization's workforce needs.

With this as context, GAO sought consulting assistance to help it incorporate best practices and processes[2] as it moved to a market-sensitive pay design.

Specifically, On July 23, 2004 GAO contracted Watson Wyatt to:

- Recommend an approach based on published compensation data to align GAO's pay rates with pay rates that are competitive with comparator organizations
- Develop and recommend market sensitive base pay compensation ranges
- Develop a process to maintain competitiveness of the compensation ranges over time

Throughout the process, Watson Wyatt facilitated the involvement of GAO employees including job content and work deployment subject matter experts (e.g., Career Stream Focal Points and Employee Advisory Committee (EAC) members). The Watson Wyatt team also participated in numerous briefings to the Executive Committee, Executive Advisory Committee and employees.

Over a period of about five months, the consulting team worked with GAO Executives and the internal GAO groups referred to above on:

1. Setting design objectives and pay philosophy including defining the "competitive market place"
2. Assembling up-to-date job documentation and information about how work is organized and deployed

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[1] OPM estimates that more than half of the 1.8 million employees in the executive branch of federal government work in agencies that have implemented "market sensitive" designs.

[2] There are professional organizations such as WorldatWork who contribute to and codify the body of knowledge for compensation. WorldatWork is the world's leading not-for-profit professional association dedicated to knowledge leadership in total rewards, compensation, benefits, and work-life. WorldatWork focuses on human resources disciplines associated with attracting, motivating and retaining employees. Besides serving as the membership association of the professions, the WorldatWork family of organizations provides education, certification, publications, knowledge resources, surveys, conferences, research and networking.

3. Identifying credible compensation survey data from Watson Wyatt and other leading Human Resources consulting and survey firms
4. Matching jobs to at least two compensation survey sources
5. Validating job matches with GAO subject matter experts
6. Compiling and analyzing data from validated job matches to create pay ranges around the median of the marketplace
7. Creating pay bands that support career patterns, work organization and deployment

Following is a brief, chronological description of the key work steps, milestones and outcomes. In addition to facilitating an inclusive and collaborative design process with GAO, Watson Wyatt's work incorporated use of a robust database of credible market information and a sound, replicable design methodology based on best practices..

August 9-25, 2004. To set its pay philosophy, GAO identified the competitive marketplace as an equal blending of other government agencies, not for profit organizations, for profit organizations and general industry. This decision was based on insights from 34 GAO leaders (Career Stream Focal Points) and employees (members of the Employee Advisory Council) on job content, work organization, recruitment sources, and future organizational plans. Additionally, GAO assembled and considered available exit survey, turnover and job offer declination data.

September 1, 2004 – October 24, 2004. Based on up-to-date, GAO job descriptions[3] and input provided by the GAO leaders and employees referenced above, Watson Wyatt matched career stream benchmark jobs to position descriptions identified in credible market survey sources. Watson Wyatt presented initial survey matches to the referenced GAO leaders and employees and the Executive Committee for review and validation. Based on the feedback, additions and deletions were made to the matches and the market-matching database was finalized. At this point, the database of published market data included 18 survey sources, over 200 survey matches, submitted from more than a 1,000 comparator organizations, covering more than 19,000 employees performing comparable jobs.

Before closing the database for modeling design options, GAO's Executive Committee wanted to be sure they had accurately captured the government, law firm and public accounting marketplace. In particular, GAO sought to accurately capture pay changes that were being driven by the increased market demand for analyst and attorney skills. Because custom data collection was outside the scope of the contract between GAO and Watson Wyatt, GAO collected relevant pay information from specific competitors and provided the data to Watson Wyatt to use in conjunction with published survey sources.

October 18, 2004. Watson Wyatt met with the Executive Committee of GAO to finalize benchmark data and survey matches. The data presented covered 98% of the Analyst, Specialist and Attorney population. (2507 GAO employees in 34 career stream jobs were matched to market comparators employing more than 19,366 Washington, DC area

[3] GAO provided job descriptions for all 12 career series, totaling 36 descriptions.

employees in comparable jobs.)[4]

October 19 – October 28, 2004. As a next step, Watson Wyatt created two pay range design options for GAO's consideration. Each option was based on a "blended market" of equally weighted for profit, not for profit, general industry and government market median data. The options also included competitive pay ranges for each pay band – or level of work.

Multiple, market based ranges based on market median values were also created to fit inside each pay band in order to achieve GAO's objective of establishing reasonable and competitive pay ranges for jobs.[5] Specifically, prior to the study, GAO Band II Analysts were in a single pay range. However, based on feedback from the referenced GAO leadership and employee groups, and given the existence of relevant market data, two ranges were developed for Band II Analysts (one for Senior Analysts (Band IIA) and one for Lead Analysts (Band IIB). Because the lead level represented a new position, no employees were in the position at the time of the study. (It should be noted that as part of implementing the market based pay ranges in 2005, GAO determined which employees would be moved to the newly created Lead Analyst position based on their assessment of past performance and roles and responsibilities.)

October 29, 2004. Watson Wyatt presented the pay range options to the Executive Committee for consideration. The Executive Committee selected an option and instructed Watson Wyatt to finalize its work.

November 8, 2004. Watson Wyatt submitted its final report and impact analysis to the Executive Committee including recommended pay ranges for Analysts, Specialists and Attorneys calibrated for each of GAO's geographic locations. The ranges were based on 2004 market survey information and, following standard business practices, aged to January 1, 2005 using a four percent aging factor. Jobs were placed into each pay band based on each job's market median – putting the job in the pay range where the median was closest to the competitive rate for the pay range.

Conclusion

GAO's market sensitive designs are based on a robust, credible and validated database of market information and are supported by methodology that is replicable and transparent. Following best practices, the design options were developed through the inclusive, hands-on participation of GAO executives, managers and employees who identified the competitive marketplace, confirmed job duties and validated market data matches. Throughout the design process, employees were provided with updates, status briefings and design information. Watson Wyatt is privileged to have worked with GAO on this assignment.

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[4] Normatively, organizations are able to link between 50-70% of their population. GAO was able to link 98% of their population to comparator market data

[5] The only difference between the two options presented was the number of pay ranges in Band I.