UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

Monday, December 18, 2006
CPM 2006-21

MEMORANDUM FOR: Chief Human Capital Officers

FROM: Linda M. Springer, Director

Subject: Recruitment and Retention Flexibilities for Gulf Coast Employees

More than a year after Hurricane Katrina devastated communities in the Gulf Coast region, many Federal employees living and working in these areas continue to struggle with rebuilding their homes and neighborhoods. A number of sources, including the New Orleans Federal Executive Board, local agencies, and individual employees have expressed concerns about the personal hardships caused by sharp increases in the cost of living and difficult living and working conditions. Agencies remain concerned about their current and future ability to recruit and retain a high-quality workforce. This memorandum provides agencies with guidance on the major flexibilities available to increase total pay for employees, as appropriate, so the agencies may continue to operate with the human capital resources they need to accomplish their missions.

Higher Locality Rates and/or Special Rates for All Employees

Some agencies and organizations desire a simple, broad solution--i.e., an across-the-board pay increase for all employees in the area to offset the higher cost of living in the Gulf Coast area.

Some have recommended establishing a new locality pay area and higher locality rates in New Orleans. It is a common misunderstanding that locality pay is based on cost of living. The law--sections 5302 and 5304 of title 5, United States Code—-defines and authorizes locality pay based on the extent General Schedule (GS) pay rates are generally lower than non-Federal rates of pay for the same levels of work. Locality pay is not based on costs of living and cannot be fine tuned to respond to temporary, emergency situations. The requirements and procedures for establishing a new locality pay area are complex and prolonged. Increasing locality rates is not the appropriate way to address agencies' needs.

Some agencies have recommended establishing special rates for all employees in the affected Gulf Coast areas. Under 5 U.S.C. 5305, the Office of Personnel Management (OPM) may establish higher rates of basic pay--special rates--for a group or category of GS positions in one or more geographic areas to address existing or likely significant handicaps in recruiting or retaining well-qualified employees. OPM may establish special rates for a category of employee--i.e., by series, specialty, grade-level, and/or geographic area. Any requests for special rates must come to OPM through agency headquarters. When a special rate is established, covered employees continue to be entitled to the special rate unless and until they become entitled to a higher rate of basic pay (e.g., locality rate). We will continue to work with the agencies on the use of special rates to target specific staffing needs in certain occupations. However, special rates are not the appropriate vehicle for increasing pay for all employees, regardless of staffing needs.

We believe a more strategic approach is both necessary and appropriate.

Other Recruitment and Retention Tools

There are a number of human resources flexibilities agencies may use to address targeted, short-term recruitment and retention problems. These flexibilities include recruitment, relocation, and retention incentives; the superior qualifications and special needs pay-setting authority; and the student loan repayment program. In particular, we believe the recruitment, relocation, and retention incentive authorities under 5 U.S.C. 5753 and 5754 provide the most appropriate tools for addressing the challenges faced by agencies in the Gulf Coast region. These incentives provide a short-term fix and do not confer the same ongoing impact on agency salary outlays associated with other flexibilities. Information on these flexibilities is available at opm.gov/oca/pay/HTML/factindx.asp.

For example, an area of great concern is the number of current employees eligible to retire in the near future. Agencies anticipate a significant number of employees in the Gulf Coast area will choose to retire and/or move to another location rather than rebuild their homes. An agency may authorize a retention incentive if it determines the unusually high or unique qualifications of such an employee or a special need of the agency for the employee's services makes it essential to retain the employee and the employee would be likely to leave the Federal service in the absence of a retention incentive. Agencies may authorize a retention incentive for a narrowly defined group or category of current employees using similar criteria, but in this case, it must be determined there is a high risk a significant number of employees in the targeted group would be likely to leave the Federal service in the absence of the incentive. Additional information on retention incentives is available at http://www.opm.gov/oca/pay/html/RETALLFS.asp

We encourage agencies to evaluate the use of retention incentives as a tool for supporting their strategic human capital goals.

OPM's human capital officers are available to provide assistance as you craft the best approach to meet your human capital needs.