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PRESENTATION TO THE SUBCOMMITTEE ON REGULATORY AFFAIRS AND
FEDERAL MANAGEMENT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

SUBJECT: IMPROVING PAY FLEXIBILITIES IN THE FEDERAL
WORKFORCE

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UNITED STATES SENATE

**WRITTEN TESTIMONY ON IMPROVING PAY FLEXIBILITIES IN THE FEDERAL
WORKFORCE**

**SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS, SUBCOMMITTEE ON REGULATORY AFFAIRS AND FEDERAL
MANAGEMENT**

The purpose of this document is to provide the background and processes followed to develop Special Salary Rates for Air Force civilian employees assigned to Minot Air Force Base, North Dakota. It is crucial at the outset to note the importance of Minot AFB and how pay for AF civilian employees is of vital necessity to sustain a stable civilian workforce for the installation to efficiently execute its mission. Minot AFB is home to the 5th Bomb Wing (Guardians of the Upper Realm), which serves as the installation's host wing, and has two squadrons of B-52H Stratofortress bombers assigned to its mission set providing global strike and nuclear deterrence capabilities. In addition to the 5 BW, the 91st Missile Wing (Rough Riders) is one of three intercontinental ballistic missile wings in the DoD and an integral partner on the Minot complex. With both of these dynamic and strategic organizations physically located at Minot AFB, it is vital to realize it supports two components of our country's nuclear triad – a mission and responsibility that are never taken lightly.

BACKGROUND

In approximately 2006, northwest North Dakota began to experience swift economic activity based on the discovery of the Parshall Oil Field in the Bakken Region. As the energy sector began to grow and prosper, it began to have a direct impact on the cost of living, housing availability and affordability, and drove employment challenges for Federal agencies in that part

of North Dakota. Additionally, a tighter than normal labor market evolved – and continues to evolve – with historic lows of between 2-3% unemployment which is currently around half the nationwide unemployment rate. As drilling increased with oil and gas companies reaping significant profits, they were able to provide lucrative incentives and higher pay and benefits packages to fill their required staffing needs and placed stresses on the ability of Federal agencies to recruit and retain Federal employees in the local area.

The quick acceleration of living costs and how to manage it not only for Federal workers but for our Active Duty members in the Air Force was evident when the Defense Management Travel Office increased the military basic housing allowance by an average of 76%. Additionally, in fiscal year 2013, the General Services Administration increased the maximum lodging rate for Ward County (which includes Minot, North Dakota) to an average of \$109/day (a 42% increase) and increased the M&IE per diem rate to \$56/day (a 22% increase) as a result of increased hotel and subsistence expenses in the area.

Another contributing factor affecting Federal employees was managing the sudden rise in the cost of living without an authorized annual pay adjustments for Federal employees between 2011 and 2013. As the cost of goods and services rose, the financial ability of an employee to keep pace with the increase in local living costs was severely challenged and required drastic adjustments to their personal budgets in order to manage the rise in day-to-day family expenses. In addition, all Federal agencies were faced with the impact of sequestration and reduced appropriated funds. Some of the consequences included hiring slow-downs and/or freezes in order to stay within resulting limitations.

As a result, many employees began to consider other employment opportunities in the private sector bolstered by the energy sector's expansion and impact, both directly and indirectly, on the Bakken Region. In some cases, some of the blue-collar workforce could earn as much as \$80,000 annually driving a truck, for example, while others were drawn to earnings of \$20 an hour in the fast food industry. There were also instances of Minot AFB losing entry-level interns turning down \$25,000 incentives to go work in the private sector.

Recruitment to fill key civilian vacancies at Minot AFB has presented challenges to the senior leadership on the installation. At the beginning of Fiscal Year 2013, there were 20 civilian vacancies and by 31 May 2014 there were 24 vacancies in key leadership positions. While that may not seem like a large number, it indicates that no progress was being made to recruit and retain civilian employees as the turnover rate adversely impacted the ability to maintain a stable civilian workforce. According to an analysis provided by the servicing Civilian Personnel Section in the summer of 2014, efforts were made to fill 16 vacancies and 21 offers were made resulting in six accepting an offer – a less than 30% acceptance rate. At the same time, 12 new vacancies occurred from resignations or deferred retirement of civilian employees with over 50% citing pay as the reason. The revolving door syndrome presented a significant challenge to Minot AFB.

PROCESS

It quickly became apparent to Minot AFB's senior military and civilian leaders, along with those from the local communities and the state's elected officials, that a concerted effort was needed to

stem the tide of turnover and low acceptance rates of civilian employment at Minot. In late 2012 and throughout 2013, base officials, in coordination with Minot AFB's major command, the Air Force Global Strike Command (AFGSC), submitted correspondence to the Air Staff requesting a new, distinct locality pay area to include all of the Bakken Region. Another proposal asked to be a part of the Minneapolis, MN locality pay area and removal from the Rest of USA locality rates. The Federal Employees Pay Comparability Act of 1990 established, among other things, separate locality pay areas which take into consideration the gap between pay for non-federal employees and Federal employee pay at various geographical locations.

While it is a useful and impactful tool in major metropolitan areas for white collar occupations, locality pay is not necessarily designed to deal with the occasional economic boom as was the case in the Bakken Region and, more specifically, Ward County. Employees at Minot AFB who are covered by the Federal Wage System do not receive General Schedule locality pay but instead have pay set based on prevailing wage levels in the North Dakota wage area. Eventually it was determined by all interested parties – Minot AFB, AFGSC, Air Staff, DoD's Defense Civilian Personnel Advisory Service, and the U.S. Office of Personnel Management – to pursue and obtain approval to establish Special Salary Rates to help lessen pay disparities and enhance recruitment and retention efforts for certain civilian positions that were and have been more severely impacted by the oil and gas bonanza.

A comprehensive analysis was launched in the summer of 2014 which included a deep-dive to determine those specific positions integral to supporting the vital mission portfolio found at Minot AFB. A collaborative effort continued to be fostered between the base and major

command, along with our office, DoD and the experts at the Office of Personnel Management (OPM). This relationship was pivotal to ensure the right data were being developed and a business case presented to adequately depict the concern facing the sustainability of the civilian workforce at Minot AFB.

The first two Special Salary Rates (SSR) packages, recommending increases of 25% for targeted positions in the Federal Wage System and General Schedule pay plans, were formally submitted to our colleagues at the Defense Civilian Personnel Advisory Service (DCPAS) in late September 2014. Seventeen Trades and Crafts positions were identified to be critical to Minot's unique mission and included such occupations as Electronics Mechanic, Electronic Industrial Controls Mechanic, High Voltage Electrician, Powered Support Systems Mechanic, Engineering Equipment Operator, Sheet Metal Mechanic (Aircraft), Heavy Mobile Equipment Mechanic, to name just a few. Additionally, fifteen General Schedule (GS) occupations were designated to receive the recommended 25% increase. Those positions, primarily Scientists and Engineers, included Safety and Occupational Health Management, Environmental Protection Specialist, Biological Scientist, Engineering Technician, Civil, Environmental, Mechanical, and Electrical Engineers. Final approval was received for the GS positions on 28 April 2015. The special rates for the Federal Wage System (FWS) positions were approved on 18 March 2015. Each became effective at the next pay period shortly after the approval dates.

In late October 2014, the third of three Special Salary Rates request packages was forwarded to DCPAS and, subsequently, to OPM. It covered the Non-Appropriated Fund civilian employees and included positions such as Cooks, Food Service Workers, Custodial Workers, and

Maintenance Workers. The package recommended a 35% increase in hourly rates for the itemized list of specific occupational series. Since 2012, the area witnessed 12 major brand hotels and 15 national food establishments coming to the area with all offering signing bonuses, expedited hiring times, and higher wages. In order to provide these essential services on the Minot complex, it was necessary to have permission to establish these higher-than-usual hourly rates. The package also took into consideration increases being made for comparable trades and crafts for Army Air Force Exchange System (AAFES) employees. The request was formally approved and established in early December 2014.

It should be noted that to augment the recruitment and retention of civilians at Minot AFB and stem the exodus of civilians in those above-mentioned occupations to the private sector, approximately \$600,000 in incentives (Recruitment, Retention, and Relocation) were spent in Fiscal Year 2014 and have been renewed for Fiscal Year 2015.

One of the benefits of requesting the SSRs is the inclusion of the same occupations for other Federal agencies in the same geographical location. Not only did AF and DoD organizations like the National Guard Bureau, Army National Guard units, and Army Corps of Engineers receive the same SSR authorities, but so did non-DoD agencies in the same impacted geographical region including the Agricultural Research Service, Bureau of Reclamation, National Park Service, and the Fish and Wildlife Service.

It should also be noted that as a result of implementation of the SSRs, Minot AFB has 86% of the 5th Bomb Wing's and 91st Missile Wings' civilian positions filled – an increase of 2-3% since

the SSRs were approved. A tenant organization which has a large number of Powered Support System Mechanics has realized a 21% increase in filling positions since the SSRs have been used. At the end of FY 15, the 5th Bomb Wing had a total of 108 civilian vacancies; the 91st Missile Wing had 11, and the tenant organizations had 6.

Another major command had a similar challenge for which the use of recruitment and retention incentives proved to be very successful. The 13th Space Warning Squadron, geographically located on Clear Air Force Station (AFS), Alaska, is one of three installations comprising the Ballistic Missile Early Warning System. It is also considered to be a remote assignment and location. A decision was made about two years ago to transition from its decades-old coal-generated heat and power generator to a commercial power grid to provide the essential commodities that are the epitome of mission criticality. The power plant was staffed solely by civilian employees. Once the decision was made to make the transition, it was essential to keep and maintain a full crew of operators to keep the plant running until the new electrical source was fully functional. As expected, some employees began to pursue other means of employment and began to leave as opportunities availed themselves. Along with the appropriate entities to include HQ Air Force Command's functional experts, the 21st Space Wing and the Clear AFS commander, the decision was made to announce and fill vacant Power Plant Operator positions with a 25% recruitment incentive and to approve a 25% retention incentive for each employee that remained. The strategy included paying the incentives each payday instead of a lump sum up front. The result provided a well-staffed and experienced cadre of experts to continue operating this crucial facility and has poised the installation for a successful conversion.

LESSONS LEARNED

Because of the circumstances experienced by Minot AFB, it was natural to initially pursue a separate locality pay designation to offset the lure of jobs in the private sector and stem the tide of civilian employees exiting. However and as noted by the OPM, a locality pay area is not necessarily the first solution to pursue in these types of situations. Some of the flexibilities and tools already provided to Federal agencies include the use of the 3Rs (Retention, Relocation, Recruitment), Superior Qualifications and Special Needs Pay Setting, Student Loan Repayment Program, and Special Salary Rates (SSRs).

It also became apparent that OPM was cognizant of how the impact of establishing a SSR for those targeted positions affected other Federal agencies. The partnership between AF, DoD, and OPM was productive and proved to be very effective to ensure the proper data and rationale were articulated and explained during the process.

The competition with non-governmental entities is keen. Private sector recruitment and compensation practices are effective in targeting populations of new college graduates and experienced professionals in an array of specialties. As the Federal government attempts to keep pace with private industry, current pay flexibilities provide a degree of latitude.

In the final analysis, the Air Force civilian workforce is a committed group of individuals who are strongly motivated to support and assist our uniformed members to collectively fulfill the mission of the best Air, Space, and Cyber Space Force on the Earth.