

## Pay Flexibilities

I've had it! I keep losing my best nurses to private hospitals. To make things even worse, I can't recruit because I don't have the salaries that I need to get people to leave other hospitals to come to work at our medical complex. Unless I can find some relief, I fear that we may be unable to provide the level of medical care that we have promised our patients. There must be something that I can do!

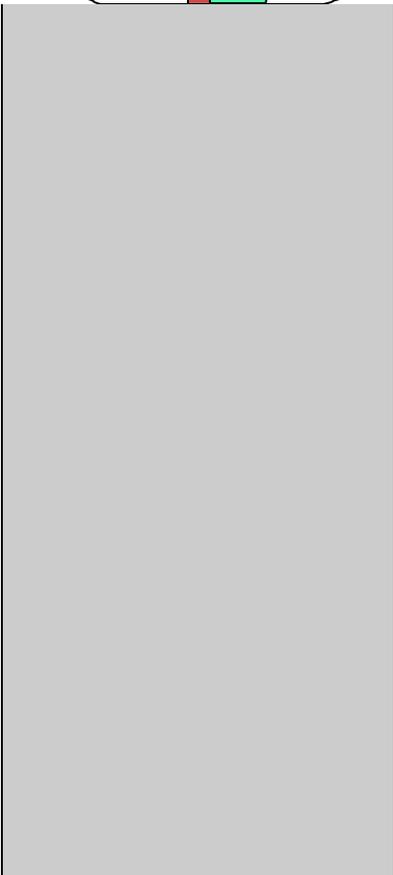
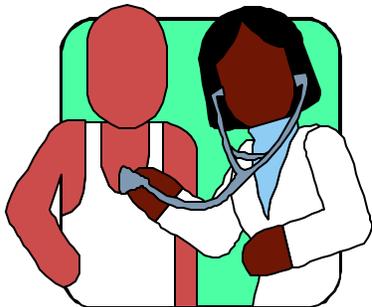
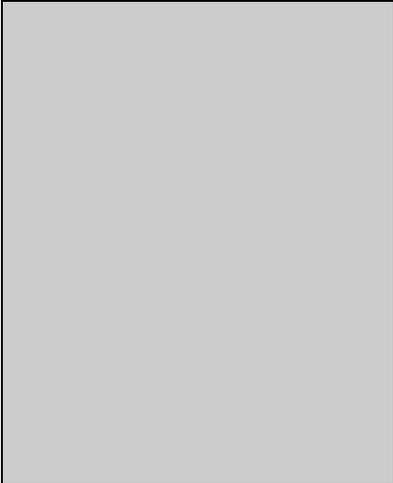


Yes, there are a number of pay flexibilities that are available to federal managers, unfortunately some of them are not very well known. They include:

- ❑ Special Salary Rates
- ❑ Superior Qualification Appointments
- ❑ Recruitment Bonuses
- ❑ Relocation Bonuses
- ❑ Retention Allowances
- ❑ Physicians' Comparability Allowances

The first flexibility that you ought to consider is a **special salary rate**. Special salary rates are managed by the United States Office of Personnel Management (OPM) and are NOT administered locally by federal managers. Where pay differences are so great between

Special Salary Rates



the federal and private sectors, OPM may increase the salary rates for grades and locations to alleviate existing or likely recruitment and retention problems. Examples of locally based special salary rates include clerical and secretarial support, office automation, respiratory therapists and nurses. Other occupational shortages are so prevalent that worldwide special salary rates have been approved, e.g., engineers and physicians. To attract and retain health care professionals flexibility has also been granted to the Department of Defense under Title 38 of the United States Code.

So, the first place that you may find relief is in special salary rates from OPM. Begin by having your Human Resources Office (HRO) contact the regional office of OPM to see if there are any plans underway to grant special salary rates for the occupations, series or specialties that you are having problems in recruiting or retaining. Moreover, with your HRO you should check with other federal agencies and professional associations to determine how widespread the pay differences actually are. **Note that the current Special Salary rate tables are listed on the OPM web site -**

[www.opm.gov/oca/payrates/index.htm](http://www.opm.gov/oca/payrates/index.htm).

## Superior Qualifications

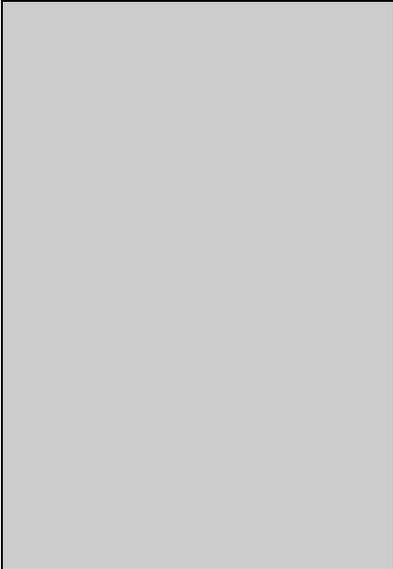
Another flexibility that OPM has granted federal agencies is the authority to use superior qualification appointments to set advance in-hire (i.e., above step 1) for all grade levels. This flexibility is granted for new hires or for those returning to federal service after a break in service of at least 90 calendar days. **This flexibility cannot be used to induce a person to stay with the federal agency or to move from one federal agency to another.**

Granting a rate above step 1 for candidates with superior qualifications or for special needs of organizations for the candidate's services is a **JOINT** decision of management and the human resources (HR) staff. In determining whether an employee should receive a superior qualifications appointment and, if so, at what level the employee's pay should be set, management must consider the possibility of authorizing a recruitment bonus (which is discussed in detail below). Initially, **management** must determine (a) whether the candidate does in fact possess superior qualifications based on previous work experience and/or education and (b) whether the payment of a salary above Step 1 is in the best interest of the government. The HR staff must then decide (c) whether

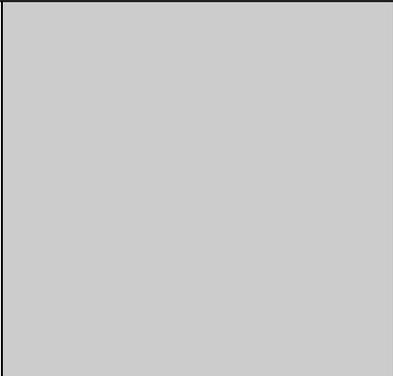
Sequence of Events  
and  
Documentation

there are sufficient candidates available for the position to avoid the additional expense to the government and (d) whether the documentation justifies the higher rate recommended by management.

- Upon selection, the successful candidate for the vacant position is **officially offered a position at the Step 1 salary by the HR staff.** The candidate then turns down the offer, specifying the salary is insufficient.
  
- Management and the HR staff discuss whether it is appropriate to offer **this** candidate an advanced rate based on the current availability of qualified candidates and **this** candidate's superior qualifications or special needs. If the answer is yes, then jointly they should discuss what step would be appropriate. Factors to consider include the candidate's salary history and current income; added costs that the candidate would incur by taking the job; job offers received by other employers; and the prevailing rate of pay for the occupation at large. At this point the supervisor should begin writing a justification the superior qualifications or special needs of the organization.



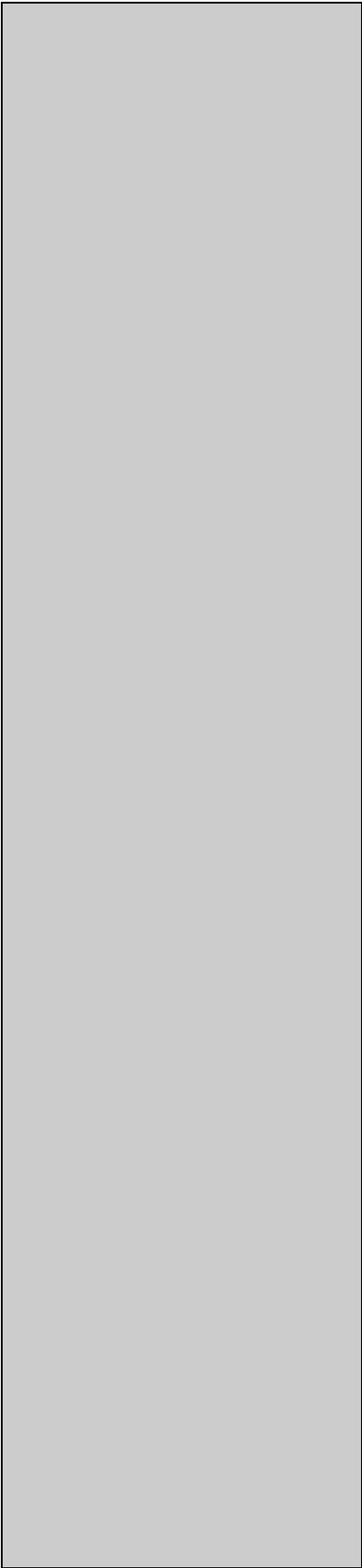
Example



- ❑ **Management and the HR staff obtain documentation from the candidate to support the higher salary. The HR staff is the final authority on whether the documentation is sufficient for setting advanced in-hire rates of pay.**
- ❑ **HR staff then makes the new official salary offer to the candidate.**

**Example 1: Tracey Wills is a Women's medicine nurse with ten years of experience in a metropolitan teaching hospital. She has earned a Master's degree in public health. Tracey applies for a GS-11 in her specialty and is selected for the position. When she is offered a GS-11 Step 1 salary, Tracey turns the position down stating that she is earning about \$7000 more than that salary in her current position. She is unable to take such a cut in pay. Nursing service has considered the use of recruitment bonuses to attract candidates.**

**Management realizes that Tracey would face a cut in pay and has already authorized for the HR staff to consider an advanced in-hire rate based on Tracey's superior qualifications compared to the other candidates. The HR staff then requests from Tracey, her**



past three or four pay forms that document pay, benefits, hours of work, etc., in order to compare not just salary but her total compensation package. Based on Tracey's education, experience, salary expectations, how much salary management is willing to pay, and the documentation provided, the HR staff determines what salary is supportable and makes the offer.

What is required in management's justification of superior qualifications?

- If it is based on superior **educational achievement**, a discussion of the program studied, grades and honors achieved, and the value that the candidate brings to the position is appropriate.
- If it is based on superior or unique **work experience or needs**, a discussion of the experience (preferably in terms of the knowledge, skills, and abilities contained on the job or vacancy announcement) is appropriate.
- Lastly, the supervisor **must** document your reason for using this pay flexibility instead of or in addition to a recruitment bonus.

**The 3 R's  
Recruitment, Relocation  
and Retention**

At times, referred to by HR professionals as the 3 R's, three other flexibilities relating to pay are available to induce people to accept your position or remain working for you: Recruitment bonuses, relocation bonuses and retention allowances. "Bonuses" refer to one-time payments, while "allowances" are paid in increments at the same time as the employee's regular paycheck, usually, bi-weekly.

- To provide an **incentive to come to work for the government**, we may pay a lump-sum recruitment bonus of up to 25% of the employee's annual rate of basic pay (excluding locality pay). These bonuses apply only to employees "newly appointed" to a hard-to-fill position (and/or critical to the organization mission) that lasts for a minimum of at least two years.
- To provide **incentive for current federal employees** to relocate to a different commuting area where their particular skills are in great demand, relocation bonuses are available. These one-time payments may be granted up to 25% of the person's annual rate of basic pay (excluding locality pay).
- To provide an **incentive for current federal employees** to

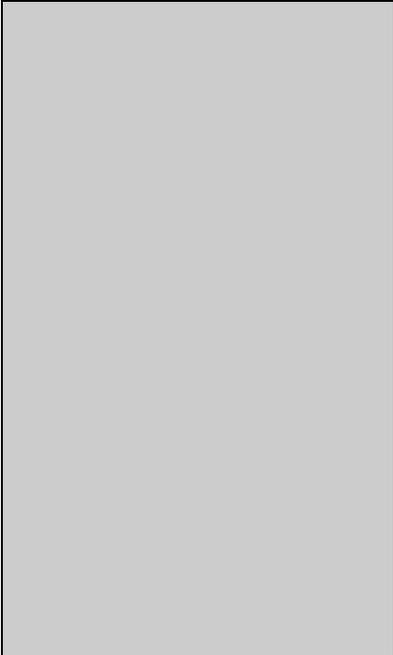


remain employed with the federal government, retention allowances are available. Again, these may be granted up to 25% of the person's annual rate of basic pay (excluding locality pay). These are paid on a bi-weekly basis during the period for which the allowance is authorized.

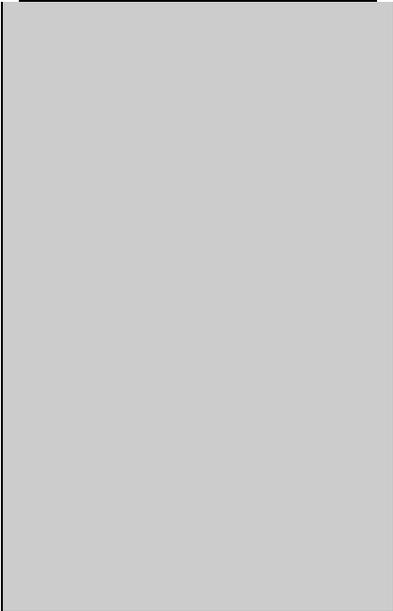
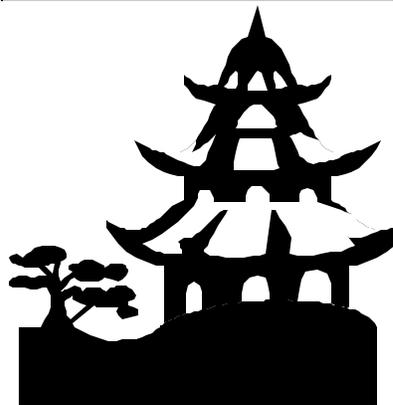
Charts 1 through 3 summarize what is involved in using the 3 R's. They are found following the question and answer section.

**Examples**

**Example 2: Tracey Wills (from example 1) has a brother who is a Nutritionist who is leaving the Public Health Service after ten years of service. He currently lives in South Dakota and plans to relocate, but is not sure where. Tracey told him that she had accepted a position at your medical center and he said he might be interested in a job there too. You have been unsuccessful in filling your senior nutritionist position for six months. He applies, you select him and want to make sure that he does not chose any of the other four job offers that he has received. A recruitment bonus may be the inducement he needs to say, "Yes."**



**Example 3: Jae Chung is a GS-11 Systems Accountant who lives in the West Sound area of Washington. He is exceptionally creative and his Headquarters would like him to move to a similar position on the East Coast. Jae realizes that there is a good possibility that she will be promoted within six months of her relocation. But she is still not willing to make the move. A relocation bonus may be the inducement she needs to say, “Yes.”**



**Example 4: Charlie Dunn has just reached eligibility for optional retirement. Charlie is seriously considering taking his retirement and MAYBE going to work for a private firm or doing some overseas travel. *But he has no firm plans, yet.* Charlie has expertise that you really can't replace now, but you do have someone completing an executive development assignment in about six months who would be perfect. If you could keep Charlie for another year, it would allow his replacement time to complete the turnover and learn some of what Charlie alone knows. A retention allowance may be the inducement Charlie needs to remain for an additional year.**

**Physicians Comparability Allowances**

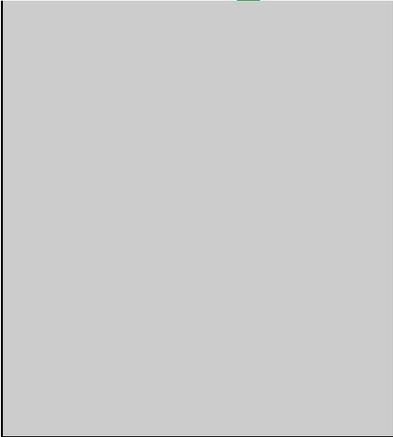
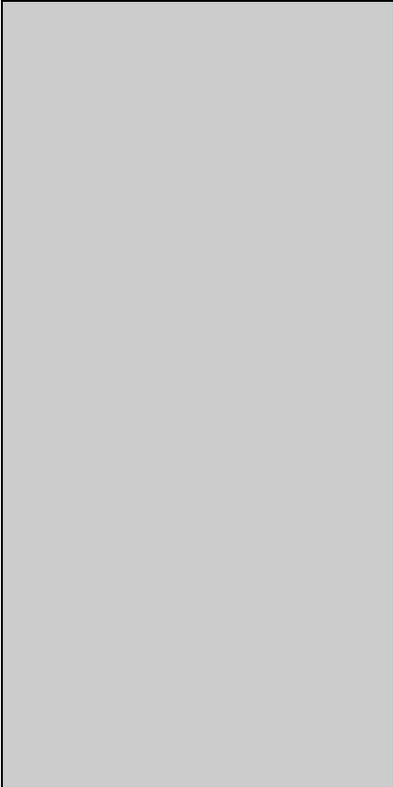
The final flexibility applies to physicians and dentists ONLY. Under the DoD's **Physicians Comparability Allowance (PCA)** Program for FY 2000 the maximum allowance has been raised to \$30,000 per year based on medical and dental specialty, work assignment, board certification and years of service with the federal government. Chart 4 summarizes the provisions and requirements for PCA.

**Some Cases to Consider**

*Case 1: Chandra Drew has been trying to fill four Operations Research and Statistician positions for the past five months. Today, three of her senior specialists have come to her and expressed their frustration about not having their vacancies filled. In fact, they knew of three other people who were planning to attend a local job fair where a private consortium was filling jobs. Their solution was to upgrade the classification of the jobs because with the higher grade people would apply.*

**Comment:** There is no evidence that the positions are improperly graded, so the solution is NOT to upgrade the jobs.

**Chandra should consider using recruitment bonuses and/or superior qualifications to interest those who are outside federal**



**service and possibly relocation bonuses for those within federal service who are willing to relocate. Chandra's claimant or HRO may have some suggestions of where there may be some possible sources of candidates who might relocate.**

**With respect to those employees who are considering leaving for private industry, a retention allowance may be appropriate.**

***Case 2: Jon Montes has several employees who have just completed their master's degree in information technology. During that process they also received certification as licensed software engineers for the line of software used at their activity. Jon learns at a professional meeting of IT managers that private sector firms reward those with similar qualifications with a pay raise of \$5,000 to \$6,500. What can Jon do?***

**Comment: Assuming that the work that these individuals are assigned to do does not change substantially, then promotions are not appropriate at this time. Since there is no indication that any of those involved plan to leave federal service, retention allowances don't seem to apply either. Possibly, some form of incentive award may be appropriate if their performance**

**on the job warrants it. It is also worth remembering that the government may have provided tuition assistance to these employees that helped them obtain their degrees.**

***Case 3: The family advocacy office has begun an A-76 study on its functions. Most of the employees are concerned that the study could result in them losing their jobs. Most of the licensed social workers have begun to look for other positions.***

**Comment: Since you can't provide advocacy services without professional social workers, something needs to be done. First, information is needed to determine how serious they are about leaving and where are they looking. Assuming that it can be shown that they are likely to leave federal service, then retention allowances are appropriate. Remember, though, that not everyone needs to be offered one and they need not be offered the same percentage of salary. A case by case determination needs to be made.**

***Question 1: Who makes the final decision on whether to authorize any of the 3R's, line management or the HRO or HRSC?***

**Questions and  
Answers**

**Questions and  
Answers (con't)**

**Answer: Line management. However, where there is serious disagreement, the HRO or HRSC director personally should be consulted.**

***Question 2: Who pays for the pay flexibilities? Is there a separate line item in the budget or separate sources of funding to cover them?***

**Answer: NO. These are all increases to salary and are covered in your salary line. If they are required, they should be discussed with your comptroller to insure that funding is available to support such efforts.**

***Question 3: My head of contracting has accepted a position with another federal agency. She doesn't want to leave, but she believes that there may be a chance for a promotion in a couple of years. Can I give her a retention allowance to keep her?***

**Answer: No, she has to be leaving or seeking employment outside the federal government. There have been discussions about changing this restriction, but nothing official has been done yet.**

***Question 4: I have been trying to fill a position for six months. Now I have found someone who does the same job at a naval activity 400***

**Questions and  
Answers (con't)**

***miles away. When we discussed her relocation, she said that a \$6,000 relocation bonus should cover all her costs. Can I give her a relocation bonus to get her here?***

**Answer: Be careful. You may be talking about two different things. She may be estimating that she expects her moving and related expenses to be about \$6,000. Those costs would be covered normally under Permanent Change of Station (PCS) entitlements. If you give her a relocation bonus, she would receive the relocation bonus AND still be entitled to the PCS entitlement as well.**

***Question 5: Our competitive market for my specialty is so tight that we have offered superior qualification and associated steps to the last five people I hired. Can I just set their salary when I bring them in for their interview? I know what it will take better than the personnel office.***

**Answer: No, let the negotiations be done by a personnel specialist. You should certainly discuss your willingness to offer advanced salary rates with your personnel specialist as early in the process as possible, giving them an idea of how far you are willing to go with a particular candidate. But pay information is**

**Questions and  
Answers (con't)**

**often difficult to read and interpret unless you do it all the time. E.g., does the salary reflect night differential, overtime, etc.? What benefits are included? What is the employer's portion of the retirement program?**

**Since your problem seems to be common to all positions in your discipline or specialty, you might want to discuss with your HRO the possibility of seeking a special salary rate for those positions.**

**Check with your servicing personnel specialist to obtain the necessary forms and agreements. This will also provide you with the opportunity to discuss strategies.**

***Question 6: Special salary rates would seem to be just the thing to solve my problem. How quickly can I get them?***

**Answer: Approval for and the establishment of special salary rates take considerable time and coordination. While you are pursuing them, we urge you to use the other pay flexibilities that are available and do not require lengthy outside approval and study.**

**Documentation**

**Note: We have not included copies of the agreements that are used for the various bonuses and allowances in this guide. They may be obtained from your Human Resources Advisor. He or she will also provide assistance in obtaining the required approvals.**

**Chart 1**  
**RECRUITMENT BONUSES**

<p><b>Description</b></p>	<p>A Department of the Navy (DON) command or activity may pay a lump-sum recruitment bonus of <b>up to 25 percent</b> of the annual rate of basic pay to an employee newly appointed to a hard-to-fill position and/or occupation critical to the organization's mission.</p>
<p><b>Covered Positions</b></p>	<p>Recruitment bonuses may be paid to eligible individuals who are appointed to a General Schedule (GS) position or to another type of position for which the Office of Personnel Management (OPM) has approved such payments. By regulation, OPM has approved coverage of certain positions, including senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except agency heads). OPM approves other categories upon written request through the chain of command to the Department of Defense (DoD).</p>
<p><b>Qualifying Appointments</b></p>	<p>Recruitment bonuses may be paid to an employee who is "newly appointed" to a <b>position that will continue to exist for a minimum of at least two years</b>. Newly appointed refers to (1) the first appointment as an employee of the Federal government, (2) an appointment following a break in service of at least one year, or (3) a permanent appointment received within one year after termination of employment in a Cooperative Work-Study Program, employment under a Stay-in-School Program, employment as a law clerk trainee or employment while a student during school vacations under a short term temporary appointing authority.</p>
<p><b>Service Agreement</b></p>	<p>Before receiving a recruitment bonus, the employee must sign a written agreement to complete a specified period of employment with DOD. The minimum allowed service period is 12 months.</p>

<b>Approval Level</b>	An official at an organizational level higher than the individual making the initial bonus offer must approve a recruitment bonus.
<b>Payment</b>	A recruitment bonus must be calculated as a percentage of the employee's starting annual rate of basic pay (excluding locality pay) at the time of appointment, not to exceed 25 percent. The bonus is paid in a lump sum. A recruitment bonus is not considered part of an employee's rate of basic pay for any purpose.

**Chart 2**  
**RELOCATION BONUSES**

<p><b>Description</b></p>	<p>A Department of the Navy (DON) command or activity may pay a lump-sum relocation bonus of <b>up to 25 percent</b> of the annual rate of basic pay to a current employee who must relocate to a different commuting area to accept a hard-to-fill position and/or occupation critical to the organization's mission.</p>
<p><b>Covered Positions</b></p>	<p>Relocation bonuses may be paid to eligible individuals who are appointed to a General Schedule (GS) position or to another type of position for which the Office of Personnel Management (OPM) has approved such payments. By regulation, OPM has approved coverage of certain positions, including senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except agency heads). OPM approves other categories upon written request through the chain of command to Department of Defense (DoD).</p>
<p><b>Employee Coverage</b></p>	<p>Only current employees serving in covered positions may receive a relocation bonus. <b>Newly appointed employees are not eligible.</b> (See Recruitment Bonuses fact sheet.) A relocation bonus may be paid to a current eligible employee who establishes a new residence as a result of accepting a position <b>in a different commuting area</b>. Eligible employee means an employee who is serving under an appointment (1) without time limitation or for a minimum period of at least two years or (2) without time limitation and whose duty station is changed temporarily to a different commuting area. The relocation must be without a break in service.</p>
<p><b>Service Agreement</b></p>	<p>Before receiving a relocation bonus, the employee must sign a written agreement to complete a specified period of employment with DOD. The minimum allowed service period is 12 months.</p>

<b>Approval Level</b>	An official at an organizational level higher than the individual making the initial bonus offer must approve a relocation bonus.
<b>Payment</b>	A relocation bonus must be calculated as a percentage of the employee's annual rate of basic pay (excluding locality pay) for the employee's new position, not to exceed 25 percent. (Note: A DON command or activity may pay a relocation bonus of up to the greater of \$15,000 or 25 percent of basic pay to a law enforcement officer as defined in 5 U.S.C. 5541(3).) The bonus is paid in a lump sum. A relocation bonus is not considered part of an employee's rate of basic pay for any purpose. <b>The DON command or activity may not pay the relocation bonus until the employee establishes a residence in the new commuting area.</b>
<b>Repayment</b>	If an employee fails to complete the agreed-upon service period, her or she is obligated to a pro-rate repayment of the relocation bonus to the losing DON command or activity. Exception: No repayment is required if the employee is involuntarily separated (for reasons other than misconduct or delinquency) or if the employee is involuntarily relocated to a different commuting area.
<b>References</b>	5 U.S.C. 5753; 5 CFR part 575, subpart B; Department of Defense Implementation Plan for Recruitment and Relocation Bonus and Retention Allowances dated 20 November 1992

**Chart 3**  
**RETENTION ALLOWANCES**

<p><b>Description</b></p>	<p>A Department of the Navy (DON) command or activity may pay a retention allowance of <b>up to 25 percent</b> of the annual rate of basic pay to an employee if the unusually high or unique qualifications of the employee or a special need for the employee's services makes it essential to retain the employee, and the DON command or activity determines that the employee would be likely to leave the Federal service without the allowance.</p>
<p><b>Covered Positions</b></p>	<p>Retention allowances may be paid to eligible individuals who are appointed to a General Schedule (GS) position or to another type of position for which the Office of Personnel Management (OPM) has approved such payments. By regulation, OPM has approved coverage of certain positions, including senior-level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except agency heads). OPM approves other categories upon written request through the chain of command to Department of Defense (DoD).</p>
<p><b>Employee Coverage</b></p>	<p>Only current eligible employees serving in covered positions may receive a retention allowance. Eligible employee means an employee who is serving under an appointment without time limitation or for a minimum period of at least two years.</p>
<p><b>Criteria for Approving Allowance</b></p>	<p>Before paying a retention allowance, the DON command or activity <b>must determine</b> that (1) the unusually high or unique qualifications of the employee or a special need for the employee's services makes it essential to retain the employee and (2) that, absent a retention allowance, the employee would be <b>likely to leave the Federal service</b>. The DON command or activity must document the basis for this determination in writing. It must address the extent to which the employee's departure would affect the organization's ability to carry out an activity or perform a mission essential function. It should also address (1) the results of recent efforts to attract and retain employees with similar qualifications or (2) availability in the labor-market of candidates for employment with the qualifications necessary to perform the full range of duties of the position with a minimum of</p>

	training or disruption.
<b>Approval Level</b>	An official at an organizational level higher than the individual making the initial allowance offer must approve a retention allowance.
<b>Payment</b>	A retention allowance must be calculated as a percentage of the employee's annual rate of basic pay (excluding locality pay) for the employee's current position, not to exceed 25 percent. It is paid at the same time as the employee's regular paycheck. A retention allowance is not considered part of an employee's rate of basic pay for any purpose. If applicable, a DON command or activity can not begin paying a retention allowance during the service period established by the employee's recruitment or relocation bonus service agreement
<b>Annual Review</b>	The DON command or activity must review each retention allowance authorization at least annually to determine whether payment is still warranted.
<b>Reduction or Termination of a Retention Allowance</b>	A DON command or activity may continue payment of a retention allowance as long as the conditions giving rise to the original determination to pay the allowance still exist. The DON command or activity may reduce or terminate an allowance if, for example, a lesser amount would be sufficient to retain the employee, the organization no longer needs the employee's services, or for budget considerations.
<b>References</b>	5 U.S.C. 5753; 5 CFR part 575, subpart C; Department of Defense Implementation Plan for Recruitment and Relocation Bonus and Retention Allowances dated 20 November 1992

**Chart 4**  
**THE PHYSICIANS COMPARABILITY ALLOWANCE**

<p><b>Description</b></p>	<p>A Department of the Navy (DON) command or activity may pay the physicians comparability allowance of up to a maximum of \$30,000 per year for a specified period of service. These allowances are paid only in the case of categories of physicians for which the Department of Defense is experiencing a significant recruitment and retention problem, and are fixed at the minimum amounts necessary to deal with such problems.</p>
<p><b>Covered Positions</b></p>	<p>A “physician” is defined for this allowance as a doctor of medicine, osteopathy or dentistry. Consideration for this allowance, a physician must be employed under the General Schedule, Senior Executive Service, in a position established under 5 USC 5371 or similar authority. In addition, an individual is considered employed as a physician only if serving in a position the duties and responsibilities of which <b>could not be satisfactorily performed</b> by an incumbent without those qualifications.</p>
<p><b>Employee Coverage</b></p>	<p>Only current eligible employees serving in covered positions may receive a physicians comparability allowance. There are numerous exceptions, e.g., interns and residents, those working less than half-time or on an intermittent basis, those fulfilling employment obligations incurred as a result of participation in a Federally subsidized scholarship program. <b>The allowance will NOT normally be authorized for recently resigned members of the uniformed service, except as may be approved by the Secretary of the Navy.</b> For additional exceptions, see your human resources advisor.</p>
<p><b>Criteria for Approving Allowance</b></p>	<p>Positions covered are broken down into categories and sub-categories ranging from Category 1 for positions primarily involved in the providing of medical service to patients through Category IVB for positions in which the physician is involved in the administration of medical and health programs including medical research. A combination of categories, board certification and years of service determine maximum amount payable.</p> <p>The amount of the allowance to be authorized will be the MINIMUM</p>

	<p>amount necessary to deal with the recruitment and retention problem and may not exceed:</p> <ul style="list-style-type: none"><li>□ \$14,000 per year if the employee has served as a Government physician for 24 months or fewer; or</li><li>□ \$30,000 per year if the employee has served as a Government physician for more than 24 months.</li></ul>
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<p><b>Approval Level</b></p>	<p>Activity heads under the Bureau of Medicine and Surgery have the authority to approve the physicians comparability allowance.</p>
<p><b>Payment</b></p>	<p>The physicians comparability allowance is paid at the same time as the employee's regular paycheck. It is not considered part of an employee's rate of basic pay for computing maximum salary limitations, retirement entitlement, insurance entitlement, or other benefits related to basic pay. Payment will be effective on the beginning of the first pay period that starts on or after the date of the agreement.</p>
<p><b>Period of Agreement</b></p>	<p>Agreements may be for a period of either <b>one or two</b> years. If a physician is serving under an agreement and becomes covered under a newly announced comparability category or under a new implementation plan, the agreement may be terminated and a new agreement established. Also if a physician obtains acceptable board certification, the agreement may be terminated and a new agreement established.</p>
<p><b>Reduction or Termination of the Physicians Comparability Allowance</b></p>	<p>If employment is terminated <b>voluntarily</b> by the employee due to separation, transfer outside of DoD, or misconduct, the employee will be required to refund (a) the total amount received under the agreement if he or she has completed less than one year of the agreement or (b) the amount of the allowance earned during the 26 weeks prior to termination if he or she has completed more than one year under the agreement. Exceptions may be granted when failure to complete the agreement is necessitated by circumstances beyond the control of the employee.</p>
<p><b>References</b></p>	<p>5 U.S.C. 5948; Department of Defense Plan for Use of the Physicians Comparability Allowance (2000).</p>