



American Foreign Service Association

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WORSENING PAY DISPARITY UNDERMINES FOREIGN SERVICE EFFECTIVENESS

THE PROBLEM

The Federal Pay Comparability Act of 1990 denies payment of Washington-level salaries to Foreign Service personnel working overseas. As a result, overseas salaries of Foreign Service personnel, many in difficult and dangerous locations, are now 16% lower than those of their Washington-based colleagues. The intelligence community working overseas gets Washington-level pay while the Foreign Service does not. Today, even those Foreign Service employees at posts with a 15% hardship allowance designed to compensate them for harsh conditions make less than those in Washington. According to a June 2002 GAO report, the pay disparity will continue to cause problems staffing overseas hardship posts. The GAO report also noted that by 2010, even those serving in 20% hardship differential posts will fall behind. While the intelligence agencies have corrected this problem for their employees, it has not been corrected for most Foreign Service personnel working overseas.

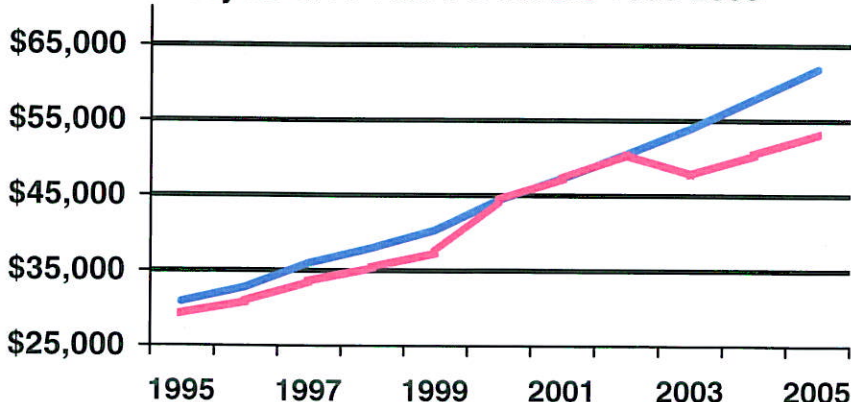
Service abroad in often difficult and dangerous posts should be encouraged, not penalized.

BACKGROUND: Locality Pay is a pay adjustment intended to raise federal salaries to the level of salaries paid in the private sector for comparable work. It is not a cost-of-living adjustment. Locality Pay for Foreign Service personnel serving in Washington, D.C. is currently 15.98% more than base pay, but those serving abroad do not receive this adjustment.

As a condition of employment, Foreign Service personnel must serve abroad, and on average, employees spend two-thirds of their careers on overseas assignments. This obligatory overseas service today imposes a collective \$110 million annual salary loss on the men and women of the Foreign Service.

This ever-growing financial disincentive to serve abroad is undermining diplomatic readiness and morale. While Foreign Service employees go abroad for many reasons beyond money, this growing inequity and financial disadvantage have affected and will continue to affect our ability to staff overseas posts, especially the most difficult and dangerous ones.

Lost Salary for a 10 Year FS Career 1995-2005



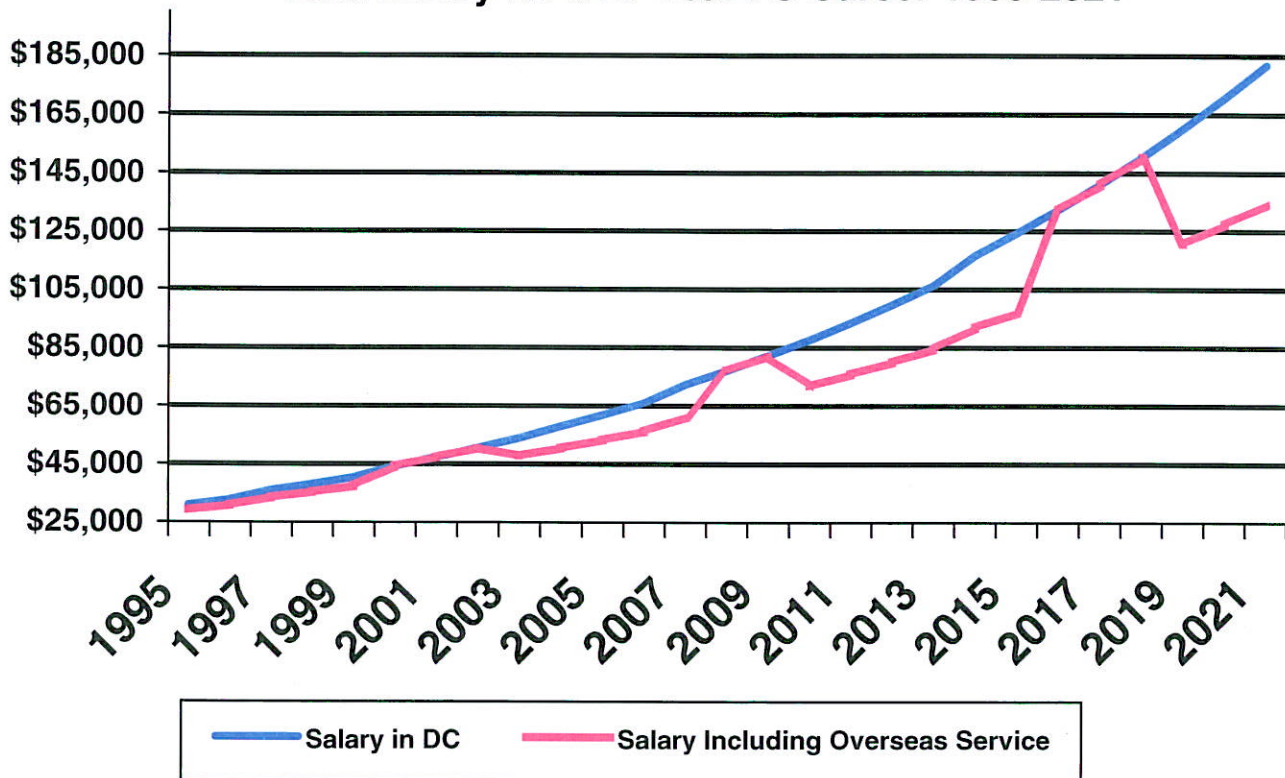
An entry-level employee serving abroad takes roughly an \$8,000 cut in pay annually, while the pay of a mid-level employee is cut as much as \$16,000. The chart to the left demonstrates the salary this employee has received since entering the service in 1995. During this 10-year period this employee has lost \$34,991 in wages and \$8,108 in TSP contributions and compounded returns while serving overseas.

— Salary in DC — Salary Including Overseas Service

Some overseas assignments offer differentials to compensate for danger and hardship. Twenty years ago, 35 U.S. overseas posts were classified as "greater hardship" at the maximum 25% rate. Today, the figure is 75 posts in 62 different countries. This reflects the increasingly dangerous and harsh conditions in many parts of the world. The disparity between Washington D.C. salaries and overseas salaries has caused these differentials to lose their effect in this ever increasing list of dangerous countries.

The financial penalty for overseas service causes a Foreign Service employee entering in 1995 to lose, over the course of a typical 27-year career, **\$444,162** in combined pay and retirement savings. As you can see from the chart below, the disparity between Washington-based pay and overseas pay increases sharply as the locality pay adjustment increases over time.

Lost Salary for a 27 Year FS Career 1995-2021



AFSA REQUESTS that Foreign Service employees receive the same pay regardless of whether they serve abroad or in Washington, D.C. This parity existed prior to the enactment of the Pay Comparability Act of 1990 and it should be re-established. We should recognize service abroad, often in difficult and dangerous posts with equal pay, and not penalize our public servants for their overseas service.