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Pay and Benefits Watch

Bonus Belt-Tightening

By Alex M. Parker aparker@govexec.com February 18, 2010

Agencies have been more generous handing out bonuses to attract and keep exceptional federal employees during the past few years. But don't count on this largess to continue. Recruitment, relocation and retention bonuses are coming under the magnifying glass as Uncle Sam searches for ways to cut spending and rein in the deficit.

In a [Feb. 3 memorandum](#), Office of Personnel Management Director John Berry said regulations that require stronger reviews of such bonuses and guidance to help agencies become more discerning in their use are on the way.

"Even with [an interagency working group's] recommendations for improvement [in administration and oversight], I remain concerned about the continued growth in 3Rs payments, given recent labor market conditions," Berry wrote in the memo. "It appears the problem for many agencies is that there is neither detailed knowledge nor adequate overview at the headquarters level of 3Rs use in the subordinate organizations and field."

Growth of 3Rs payments began in 2005, when the [2004 Federal Workforce Flexibility Act](#) took effect, broadening the ways agencies could use the incentives. Since then, use of the bonuses has increased steadily. The sum paid governmentwide more than doubled in two years, increasing from \$140 million in 2006 to \$284 million in 2008, according to OPM. The number of employees receiving bonuses also rose. In 2006, government agencies handed out 22,764 3Rs incentives; in 2008, that number climbed to 39,512.

Employee representatives said they were not opposed to giving the bonus system a harder

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look. But they added that during the review, OPM and policymakers should remember the critical role incentive payments play in making the government a destination for top talent.

Bonuses are "always prone to be targets when it comes to budget-cutting," said Carol A. Bonosaro, president of the Senior Executives Association.

Retention bonuses also can be crucial in ensuring agencies remain adequately staffed as more civil servants retire, Bonosaro noted. Agencies can use the incentives if they fear an employee will leave, either for another company or for retirement.

Bill Bransford, general counsel for SEA, said agencies rely on 3Rs payments to supplement salaries partly because many government employees find themselves hitting salary ceilings in the General Schedule and Senior Executive Service pay scale.

"They've probably been used more because of the low pay caps, which suppress federal pay," Bransford said. "It's a way to be able to pay people a lot more, particularly people who deserve it."

Recruitment, relocation and retention bonuses normally cannot equal more than 25 percent of an employee's annual salary. For more information about how they work and who qualifies, visit [OPM's question-and-answer page](#).