

GAO Highlights

Highlights of [GAO-25-107788](#), a report to the Committee on Armed Services, House of Representatives

Why GAO Did This Study

FEPCA created annual locality-based pay adjustments for GS employees to reduce reported pay gaps between federal and nonfederal employees in each locality area to no more than 5 percent.

However, the goal to reduce the pay gap has not been met since 1994—the first year of FEPCA's implementation. This is due to actions taken by the President, Congress, or both since that time. Over time, the Pay Agent and the council have raised budgetary and methodological concerns with how the pay gap is calculated.

House Report 118-529, accompanying the National Defense Authorization Act for Fiscal Year 2025, includes a provision for GAO to review locality pay determinations and potential alternatives for the locality pay formula under Title 5, which refers to the pay comparability system established by FEPCA.

This report describes (1) the number of federal civilian employees who received locality pay, by agency and pay plan, in fiscal years 2019 through 2023; and (2) the methodology used to calculate locality pay, alternative methods identified by federal agencies and advisory councils, and costs of the alternative methods.

GAO analyzed data from OPM on federal employees. GAO also reviewed relevant federal laws, council memorandums, Pay Agent reports, and OPM and BLS documents; and conducted a literature search to identify alternatives. GAO also interviewed OPM and BLS officials, OMB staff, and council members.

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FEDERAL WORKFORCE

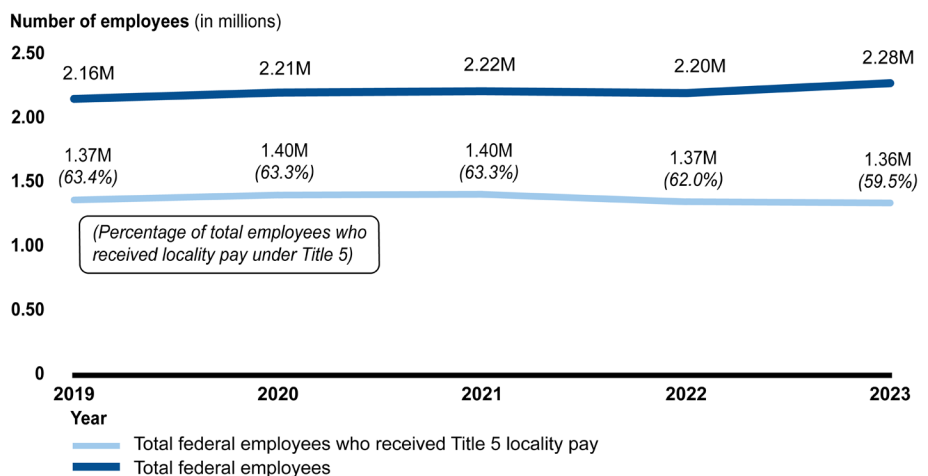
Current and Potential Alternatives for Locality Pay Methodology

What GAO Found

The Federal Employees Pay Comparability Act of 1990 (FEPCA) authorized locality pay for General Schedule (GS) employees to address agencies' challenges with recruitment and retention of skilled employees in areas where nonfederal wages exceeded federal wages. Under FEPCA, the President's Pay Agent and Federal Salary Council recommend locality pay adjustments to help reduce pay gaps. The Pay Agent is comprised of the Secretary of Labor and the Directors of the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). The council is an advisory group—appointed by the President—comprised of three experts in pay and labor relations and six representatives of employee organizations.

Of the 2.3 million federal civilian employees in the data analyzed for fiscal year 2023, approximately 1.4 million, or 60 percent, received locality pay. These employees consisted primarily of GS employees, along with certain non-GS employees, such as administrative law judges, authorized by the President to receive locality pay under Title 5.

Number of Federal Civilian Employees and Those Who Received Locality Pay Under Title 5, Fiscal Years 2019–2023



Source: GAO analysis of Office of Personnel Management Enterprise Human Resources Integration data. | GAO-25-107788

The council and Pay Agent use data collected by the Bureau of Labor Statistics (BLS) and OPM to determine the gap between federal and nonfederal pay. Since 2019, the council and Pay Agent have considered, but not agreed upon, ways to enhance the credibility of the methodology used to calculate locality pay. For example:

- using indicators—such as attrition data—to verify pay gap calculations,
- including nonsalary benefits when comparing federal to nonfederal pay, and
- calculating separate rates by major occupational group.

All proposed alternatives would have additional costs, but these costs are largely unknown, according to the council and BLS officials.