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UNITED STATES  
GENERAL ACCOUNTING OFFICE

# REPORT TO THE CONGRESS

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## Improving The Pay Determination Process For Federal Blue-Collar Employees

Civil Service Commission  
Department of Defense  
Veterans Administration

**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

FPCD-75-122

JUNE 3, 1975

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

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To the President of the Senate and the  
Speaker of the House of Representatives

This report discusses the ways in which the pay setting process for Federal blue-collar workers can be improved to insure closer pay comparability with the non-Federal sector. These improvements will require changes in certain legislative provisions and administrative policies and practices. The agencies involved agreed with most recommendations contained in the report, and the Civil Service Commission plans to draft legislative proposals to revise some statutory provisions.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Chairman, Civil Service Commission; the Secretary of Defense; the Administrator of Veterans Affairs; and the Director, Office of Management and Budget.

A handwritten signature in black ink, reading "Thomas B. Staebli".

Comptroller General  
of the United States

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ABBREVIATIONS

BLS	Bureau of Labor Statistics
CSC	Civil Service Commission
DOD	Department of Defense
FWS	Federal Wage System
GAO	General Accounting Office
VA	Veterans Administration

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COMPTROLLER GENERAL'S  
REPORT TO THE CONGRESS

IMPROVING THE PAY  
DETERMINATION PROCESS FOR  
FEDERAL BLUE-COLLAR EMPLOYEES  
Civil Service Commission  
Department of Defense  
Veterans Administration

D I G E S T

The law provides that pay rates for Federal blue-collar employees--about 475,000--be fixed and adjusted from time to time, by administrative action, in accordance with local prevailing rates.

Laws preventing attainment of comparability

However, Federal blue-collar wage rates often exceed local prevailing rates, putting the Government at a competitive advantage in the labor market. This situation arises because of the following legislative provisions.

--The Federal pay range at each non-supervisory grade is 16 percent with five equal steps. In contrast, most private sector employees are paid under single-rate pay schedules. When multiple-step schedules exist in the private sector, many have fewer steps than the Federal system. The second Federal step is equated to the prevailing private sector rate, but most Federal employees moved to the fifth step in May 1975--placing them 12 percent above market. (See p. 5.)

--Under certain conditions private sector wage rates used in setting Federal rates may be based on private rates of other localities. (See p. 7.)

--Federal night differentials are based on a percentage of employees' scheduled wage rates. This often results in a more generous differential than the prevailing private sector differential. (See p. 10.)

To insure that the legislative pay principle of comparability is attained, the Congress may wish to reconsider these legislative provisions.

More representative survey coverage needed

Annual surveys are made of private industry wages in 137 geographic areas. State and local governments are excluded by law and certain segments of the private sector by administrative action. (See p. 14.)

To insure that wage data is sufficiently representative of local prevailing wages, the Congress may wish to consider allowing State and local governments to be included in the survey process. (See p. 17.) Also, the Chairman of the Civil Service Commission should:

--Expand wage surveys to cover the broadest feasible universe of private sector establishments.

--Reassess periodically and adjust as necessary wage and survey area boundaries.

--Require appropriate agencies in areas having a specialized Government industry to determine whether sufficient applicable industry exists in the entire wage area before going outside of the area for wage data.

--Require that the predominant Federal jobs in each wage area which have comparable private industry jobs be surveyed in addition to the required jobs. (See p. 30.)

#### Improving data collection process

Teams of Federal employees, selected from the local area, match private sector jobs with descriptions of Federal jobs and collect private sector wage rates for the jobs. It is likely that many errors have been introduced into the wage data because of fundamental weaknesses in collection techniques.

To improve these, the Chairman of the Civil Service Commission should:

--Establish a permanent body of carefully selected and thoroughly trained full-time collectors to minimize errors. (See p. 32.)

--Establish additional quality controls on the data collection process. (See p. 39.)

The Civil Service Commission, Department of Defense, and Veterans Administration generally agreed with most of the recommendations.



## CHAPTER 1

### INTRODUCTION

The Federal Wage System (FWS) was established pursuant to legislation approved in 1972 (5 U.S.C. 5341 et seq.) which enacted into law the principles, policies, and processes which previously had been handled administratively. The law sets forth the policy that pay rates for blue-collar employees<sup>1</sup> be fixed and adjusted from time to time as nearly as is consistent with the public interest in accordance with prevailing rates. The law provides that pay rates be based on the principles that:

- There will be equal pay for substantially equal work within the same local wage area.
- There will be relative differences in pay within a local wage area when there are substantial or recognizable differences in duties, responsibilities, and qualification requirements among positions.
- The levels of pay will be maintained in line with prevailing levels for comparable work within a local wage area.
- The levels of pay will be maintained to attract and retain qualified employees.

Federal blue-collar employees generally include (1) workers in a recognized trade or craft, or other skilled mechanical craft, or in a manual labor occupation and (2) foremen or supervisors in positions having trade, craft, or labor experience and knowledge as their paramount requirements. In September 1974 there were about 475,000 such employees in the United States.

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<sup>1</sup>Not including employees of (1) Government controlled corporations, (2) the Tennessee Valley Authority, (3) the Alaska Railroad, (4) the Virgin Islands Corporation, (5) the Atomic Energy Commission, (6) the Central Intelligence Agency, (7) the Panama Canal Company, (8) the National Security Agency, or (9) the Bureau of Engraving and Printing.

## WAGE SETTING PROCESS

The Civil Service Commission (CSC) establishes wage rates in 137 geographic areas, called wage areas, in the continental United States, Alaska, and Hawaii. Within each wage area, CSC has designated survey areas in which annual surveys are made of wage rates paid by a sample of private sector establishments for selected jobs which are common to both industry and Government.

Federal wage rates for the wage area are developed to reflect the overall pattern and level of wage rates prevailing in the area and to maintain pay distinctions in keeping with work distinctions.

The organizations responsible for administering FWS include CSC, the designated lead agency--the agency having the largest number of Federal blue-collar employees in an area--and the host activity--an installation of the lead agency which usually has the largest number of Federal blue-collar employees in the wage area.

CSC prescribes, with the advice of the Federal Prevailing Rate Advisory Committee and other executive agencies and labor organizations, the policies, practices, and procedures for FWS.

The Federal Prevailing Rate Advisory Committee is responsible for studying FWS and other pertinent matters and for advising CSC. The Committee is required to make an annual report to CSC and the President. The report is to be transmitted to the Congress and is to include recommendations and other information considered appropriate. The Committee consists of 11 members:

- A chairman who cannot hold any other Federal office or position.
- One member from the Office of the Secretary of Defense.
- Two members from the military departments.
- One member from an agency other than the Department of Defense (DOD) and CSC.

--One employee of CSC.

--Five members from among the employee organizations under exclusive recognition representing the largest numbers of Federal blue-collar employees.

All members are designated by the Chairman, CSC, except the member from the Office of the Secretary of Defense who is designated by the Secretary.

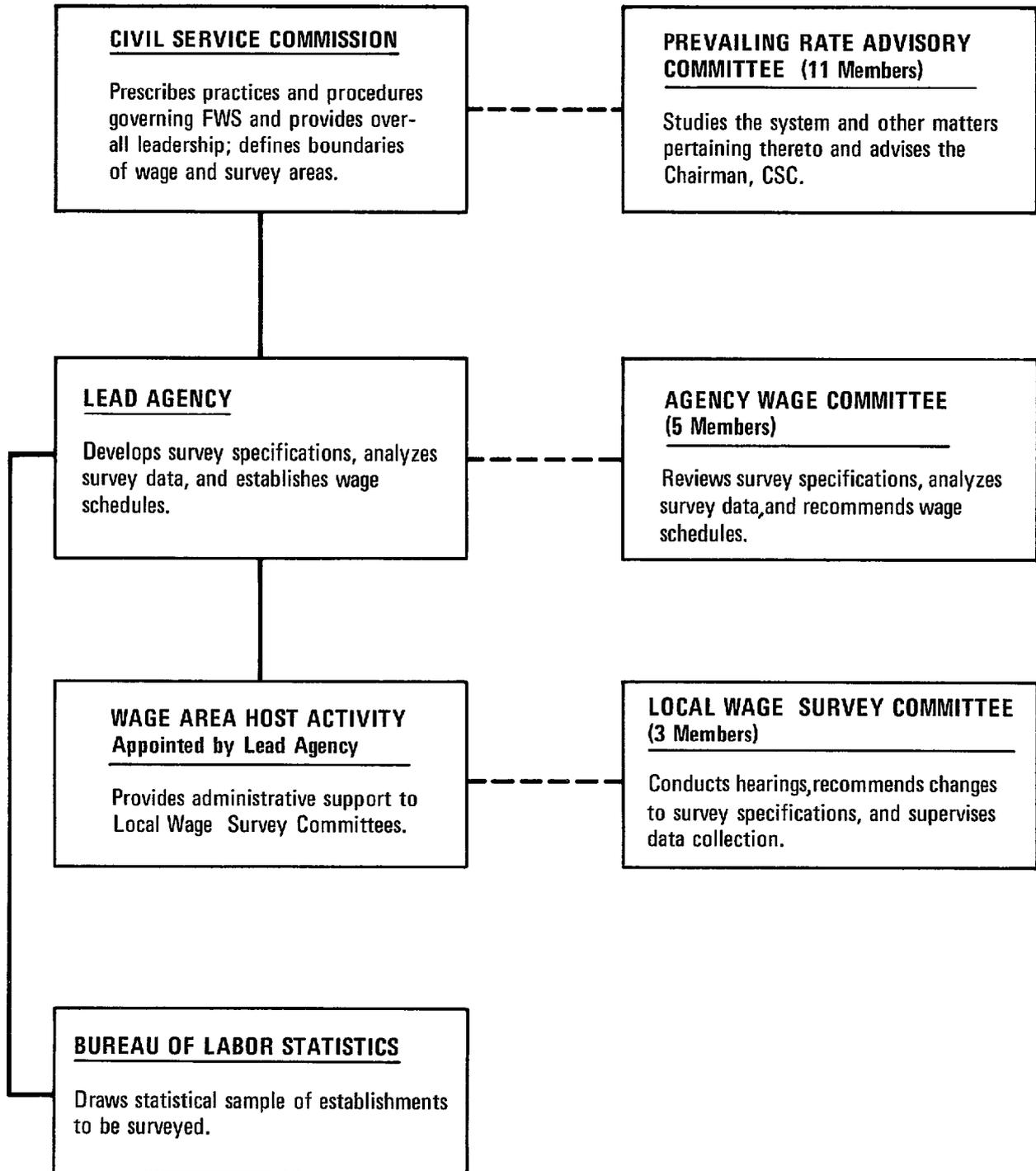
Each lead agency plans and schedules wage surveys, analyzes wage survey data, and establishes wage schedules for designated wage areas. A local host installation provides support facilities and clerical assistance for the local wage survey committee. All installations and activities in the area are responsible for cooperating with the lead agency in providing personnel to serve on the local wage survey committee and act as data collectors.

Separate agency wage committees are established for each lead agency. Each committee has five members--two designated by the lead agency, two by labor organizations, and a chairman by the lead agency. These committees consider and make recommendations to the lead agency on survey specifications, survey data, and wage schedules.

Local wage survey committees are established in most wage areas. These committees have three members--all Federal employees. Two members are designated by the lead agency in the wage area, and one of these members serves as chairman. The third member is recommended by a labor organization and designated by the member's employing agency. This committee is responsible for planning the survey, supervising the collection of survey data, and forwarding the wage data and a narrative report to the lead agency.

The following chart further summarizes the functional responsibilities of the concerned agencies and designated wage committees.

**CHART OF FUNCTIONAL  
RESPONSIBILITIES**



## CHAPTER 2

### LEGISLATIVE CONSTRAINTS TO ATTAINMENT OF COMPARABILITY

The legislative pay principle of comparability is not being attained because the application of certain other legislative provisions results in substantially higher pay rates for Federal blue-collar employees than the rates of their private sector counterparts in the same localities. These provisions:

- Establish a Federal pay range of 16 percent at each grade with five equal steps through which employees progress based on time. In contrast, studies have shown that most private sector employees are paid under single-rate pay schedules and that many private sector multiple-step schedules have fewer steps than the FWS. Moreover, the second Federal step is equated to the prevailing private sector rate, but most Federal employees, in May 1975, moved to the fifth step or 12 percent above the prevailing average private sector rate.
- Prescribe conditions under which private sector wage rates of other localities may be used in setting Federal rates.
- Establish uniform night differentials based on a percentage of the employees' scheduled wage rate. This practice does not necessarily reflect prevailing private sector practices and often results in a more generous differential.

### FEDERAL WITHIN-GRADE PAY RANGE AND RELATIONSHIP TO PREVAILING RATES

The 1972 FWS legislation broadened the pay range at each grade from 8 percent with three uniform steps to 16 percent with five uniform steps. The law provides that the average local prevailing private sector rate be equated to the second step and that the first, third, fourth, and fifth steps be set at 96, 104, 108, and 112 percent, respectively, of the second step. The law further provides that employees

advance from step 1 to step 2 after 6 months' creditable service; to step 3 after serving 18 months at step 2; and to steps 4 and 5 after serving 24 months in steps 3 and 4, respectively.

In May 1973, when the five-step system became effective, about 75 percent of the Federal blue-collar employees moved into step 4, which pays 8 percent more than the local prevailing rate. In May 1975 most of these employees moved into step 5, which pays 12 percent more than the local prevailing rate.

Private sector step rate practices differ from Federal practices. A July 1971 CSC study of the pay practices of 1,944 firms with 251,422 employees showed that 64 percent of the blue-collar employees were paid under a single-rate schedule. Of those employees being paid under a multiple-step rate schedule, the average number of steps was 3.88. The average for all firms was 1.87 steps with an average differential of 4 percent between steps. In 1973 we discussed pay range practices with officials of 172 establishments in 11 wage areas--77 (45 percent) had single-rate systems, 9 (5 percent) had systems with 2 steps, 61 (36 percent) had systems with more than 2 steps, and the remainder had flexible step schedules. About 60 percent of the employees from the establishments discussed were paid from schedules with three or fewer steps.

The Federal five-step wage schedule, with the second step designated as the prevailing private sector rate, results in pay for comparable work which can be substantially above the local prevailing rate. With a potential wage rate 12 percent over the average rate prevailing in the wage area, the Government appears to have a competitive advantage in the labor market.

We believe that the Federal rate structure should reflect private industry practice. In this regard, the FWS legislation provides that wage schedules of supervisors be based on single or multiple rates or steps according to prevailing industry practices. Moreover, we believe that private sector average pay rates should be equated with Federal average rates similar to the white-collar pay comparability process. That is, the average pay rate of the private

sector should be related to a point in the pay range which represents the average step of Federal employees rather than the predetermined step 2.

PREVAILING RATES OF OTHER LOCALITIES  
USED TO SET FEDERAL RATES

FWS legislation provides that under certain conditions Federal wages can be set from wage data obtained outside the particular wage area. The purpose of this provision (5 U.S.C. 5343(d)), commonly referred to as the Monroney Amendment, first enacted by Public Law 90-560 on October 12, 1968, was to provide a procedure whereby Federal blue-collar jobs requiring special skills which were not found in local private enterprise could be evaluated or equated with comparable private enterprise positions in other similar areas.

CSC regulations define such Federal positions as those which require work of a specialized nature and which are peculiar to a dominant specialized Government industry. If there is an insufficient number of comparable positions in private industry in the area, the law requires that pay rates be based on the rates paid for comparable positions in the nearest wage area which is most similar in the nature of its population, employment, manpower, and industry. However, wage data obtained from the nearest similar area may not be used to reduce the pay rates for any grade below that which would have been established without the use of the out-of-area survey data. Under this authority wages in about 29 of 137 wage areas, containing about one-third of the Federal blue-collar employees, have been based on other than local private sector rates.

Application of the Monroney Amendment often increases local rates. For example, the comparative pay rates for step 2 which would have been established based on the prevailing rates in the Macon, Georgia, wage area and the actual rates established based on the out-of-area rates from the Atlanta wage area follow.

<u>Grade</u>	<u>Step-2 rates based on</u>		<u>Difference</u>	
	<u>Local rates</u>	<u>Inclusion of out- of-area rates (note a)</u>	<u>Amount</u>	<u>Percent</u>
1	\$2.78	\$2.78	\$ -	-
3	3.25	3.41	.16	4.9
5	3.72	4.20	.48	12.9
9	4.65	5.66	1.01	21.7
10	4.89	5.97	1.08	22.1
13	5.59	6.89	1.30	23.3
14	5.82	7.20	1.38	23.7

<sup>a</sup> Wage schedule effective August 1974.

Rates established pursuant to the Monroney Amendment apply to all Federal blue-collar employees in grades 1 through 15 in the applicable areas and not just to employees in the positions of a specialized nature. For example, the principal Federal positions in the Macon wage area were in the aircraft industry, but the number of private sector aircraft-related jobs in the Macon area was insufficient. Therefore, wage data was obtained from the Atlanta area, the nearest wage area where the required number of aircraft-related jobs could be found, and was used to determine the pay rates for the aircraft-related Federal jobs as well as all other Federal blue-collar jobs in the Macon area. Thus, an electrician (grade 10) at the Veterans Administration Center in the Macon wage area received the same pay rate (even though he was not connected to the aircraft industry) as the electrician performing work in the specialized position.

We believe that the pay rates should be based on prevailing local rates. In this connection DOD officials, in opposing Monroney provisions during May 1971 FWS hearings before a subcommittee of the House Committee on Post Office and Civil Service, said:

"We wish to clarify our responses with regard to the Monroney amendment. We firmly believe that the amendment should be repealed. Our intention, in respect to the use of the term 'alternate procedure,' was to restate and reemphasize adherence to the principle of local prevailing rates. It is not necessary to find matches for every Federal occupation in a wage area in order to establish a pay schedule. Private firms follow reasonably consistent patterns in setting wage relationships among kinds and levels of work. Similar relationships are followed in the Federal service by grouping jobs doing the same level of work and aligning them in a uniform pattern. It is only necessary to obtain a reasonable sample of local industry rates in order to identify prevailing levels of pay and relate them to the Federal grade structure."

CSC, DOD, and Veterans Administration (VA) 1975 comments on this matter reaffirmed their adherence to the local prevailing rate concept. VA said that continued application of the Monroney Amendment perpetuated unjustifiable increases in its payroll costs and that the increased wage rates in some areas gave the agency an unfair recruiting advantage.

DOD said that Federal workers paid under Monroney Amendment rate schedules were paid more than their counterparts in local private industry. Consequently:

- The Government led industry by paying more for work of a comparable level of difficulty and competed unfairly with industry for the available labor supply-- a situation which pay comparability was intended to avoid.
- An inflationary spiral was created by subjecting private industry to pressures to increase pay rates; then with higher private industry rates, subsequent Federal wage surveys resulted in further increases in Federal rates.
- Major sections of base support and mission functions were contracted out because DOD was unable to compete with local contractors for many services.

DOD said that repeal of the Monroney Amendment would result in an estimated savings to DOD of approximately \$53 million annually. DOD also said that repeal would not create problems in recruitment and retention which could not be eliminated under other FWS provisions.

#### NIGHT SHIFT DIFFERENTIAL

The 1972 FWS legislation provides that Federal blue-collar employees be paid their scheduled wage plus (1) a 7.5-percent differential when the majority of nonovertime hours are worked between 3 p.m. and midnight and (2) a 10-percent differential when the majority of the work hours fall between 11 p.m. and 8 a.m. Before enactment of the 1972 legislation, night shift differentials were determined in accordance with prevailing industry practices in the local wage area.

A 1971-72 Bureau of Labor Statistics (BLS) study of manufacturing firms located in 53 selected metropolitan areas showed that about 17 percent of the plantworkers worked on a second shift and about 6 percent worked on a third shift. The uniform cents-per-hour method of compensating for shift differential was used almost 2 to 1 over the uniform percentage method. For the firms using a third shift, the ratio of uniform cents per hour over uniform percentage was almost 5 to 1.

We visited 116 establishments in 11 wage areas that had established 1 or more night shifts--36 establishments had 2 shifts (regular and night) and the remaining 80 establishments had 3 shifts (regular and 2 at night). Of these establishments, 105 paid a night differential. Eighty-eight (84 percent) paid the differential as a flat cents-per-hour amount; only 17 (16 percent) paid the differential as a percent of the schedule rate.

We also noted that the Federal shift differentials of 7.5 and 10 percent were substantially above rates prevailing in many wage areas. For example, the effect FWS legislation had on shift differential payments for selected grades in the southwestern Michigan wage area follows.

<u>Grade</u>	Hourly wage (note a)	<u>Second shift</u>			<u>Third shift</u>		
		<u>Local rate</u> (note a)	<u>7.5 percent</u>	<u>Difference</u>	<u>Local rate</u> (note a)	<u>10 percent</u>	<u>Difference</u>
1	\$3.17	\$0.12	\$0.24	\$0.12	\$0.18	\$0.31	\$0.13
2	3.31	.12	.25	.13	.18	.33	.15
5	3.89	.12	.29	.17	.18	.39	.21
7	4.29	.12	.32	.20	.18	.43	.25
10	4.88	.12	.37	.25	.18	.49	.31
13	5.49	.12	.41	.29	.18	.55	.37

<sup>a</sup> Wage rates and shift differentials shown in wage schedule effective April 30, 1972.

We believe that uniform shift differentials erode the concept of maintaining pay for Federal blue-collar workers in line with pay prevailing within a local wage area.

PRIVATE SECTOR COMMENTS ON  
FEDERAL BLUE-COLLAR PAY

Officials of 201 private establishments were asked if they thought that the wages paid to Federal blue-collar employees were comparable to, higher than, or lower than the rates that their establishments paid. Eighty-four expressed an opinion--30 (36 percent) stated that Federal pay was comparable, 42 (50 percent) stated that Federal pay was higher, and 12 (14 percent) stated that Federal pay was lower. Examples of comments follow.

--One official believed that pay of Federal blue-collar workers was more than in private industry because the rate range of Federal employees exceeded that of private industry.

--Another official said Government workers received pay higher than local wages and his plant could not keep workers because they went to the military base in the wage area. (This area qualifies under the Monroney Amendment.)

- One official was perturbed because the Government obtained wage data from his company and then established rates which the company could not meet.
- The wages of another official's firm were known to be above average and, as a result, the firm had an abundance of job applications.
- An official believed than his company, although not generally in direct competition with the Government, was indirectly affected in areas for which the company must "contract"--such as for janitors and painters. He believed that the Government had caused these trades, along with some others, to be overpaid.

### CONCLUSIONS

The legislative provisions which establish five-step rates and uniform percentage shift differentials and which permit using prevailing rate data of other localities to set Federal rates conflict with the legislative pay policy to maintain Federal rates of pay in line with the local prevailing rates for comparable work. These situations have resulted in Federal blue-collar pay rates exceeding local prevailing rates. It also causes increased Federal outlays for accompanying fringe benefits.

Such provisions also increase the possibility of adversely affecting the continued employment of certain Federal blue-collar employees. Office of Management and Budget Circular No. A-76 expresses the Government's general policy of relying upon the private enterprise system to supply the Government's needs. Conditions for performing a service in house are set forth in A-76. These conditions include one which allows a Government commercial service to be performed in house if a comparative cost analysis indicates that the Government can provide, or is providing, the service at a cost lower than it could be obtained from commercial sources.

Since personnel service costs are an important element of a comparative cost analysis, legislative provisions which result in Federal blue-collar pay being substantially above prevailing private sector rates will likely contribute to Federal agency decisions to contract for services.

For example, one of the military services studied its custodial services worldwide and found that in May 1972 the cost of direct labor by the appropriate Federal blue-collar employees greatly exceeded the cost of comparable local labor at 21 out of 22 installations sampled. In December 1972 the service directed all commands to contract custodial work except when installations prepared detailed cost comparisons showing in-house work to be more economical.

We believe that the comparability concept should be the governing pay policy in order to provide equity for the Federal employee with his private sector counterpart and to enable the Government to be a fair competitor in the labor market.

#### MATTERS FOR CONSIDERATION BY THE CONGRESS

We suggest that the Congress reconsider existing provisions pertaining to the five-step system, night differentials, and the setting of wage rates on the basis of rates paid in another wage area. Considerations should include the desirability of (1) establishing a policy that these matters be based on prevailing practices and (2) allowing such matters to be established administratively by CSC, using studies and advice of the Federal Prevailing Rate Advisory Committee.

#### AGENCY COMMENTS

In general CSC, DOD, and VA all strongly endorsed the need for the Congress to review the statutory provisions discussed in this chapter. CSC and DOD stated that they planned to draft a legislative proposal which would repeal the Monroney Amendment. CSC also plans to draft legislation to repeal the five-step and night differential provisions to bring the operation of the FWS closer to the prevailing rate concept.

## CHAPTER 3

### NEED TO BROADEN SURVEY COVERAGE

The law provides that the level of pay for Federal blue-collar employees be maintained in line with prevailing levels for comparable work within a local wage area. Wage data for selected jobs is obtained from a selection of private sector establishments in each survey area. This data is used as the basis for establishing Federal pay rates for the wage area.

To insure that the wage data is sufficiently representative of local prevailing wage levels for comparable work, there is a need to (1) obtain wage information from a more comprehensive universe of non-Federal establishments, (2) periodically reassess and adjust, when necessary, the geographic boundaries of wage and survey areas, (3) minimize instances of setting Federal wage rates from wage data obtained outside the particular wage area, and (4) expand survey job coverage to include occupations in which there is significant Federal employment in the wage area for which non-Federal job matches are available.

### SURVEY UNIVERSE EXCLUDES CONSIDERABLE NON-FEDERAL EMPLOYMENT

Establishing Federal blue-collar pay rates in line with prevailing local rates is not now insured because the sample of establishments to be surveyed is not selected from the broadest feasible universe of non-Federal establishments.

CSC regulations require that the following industries be included in all wage surveys.

- Manufacturing: All manufacturing classes (except printing, publishing, and allied industries and miscellaneous manufacturing industries).
- Transportation, communications, and public utilities: Railroads; local, suburban, and interurban transit except taxicabs; motor freight transportation and

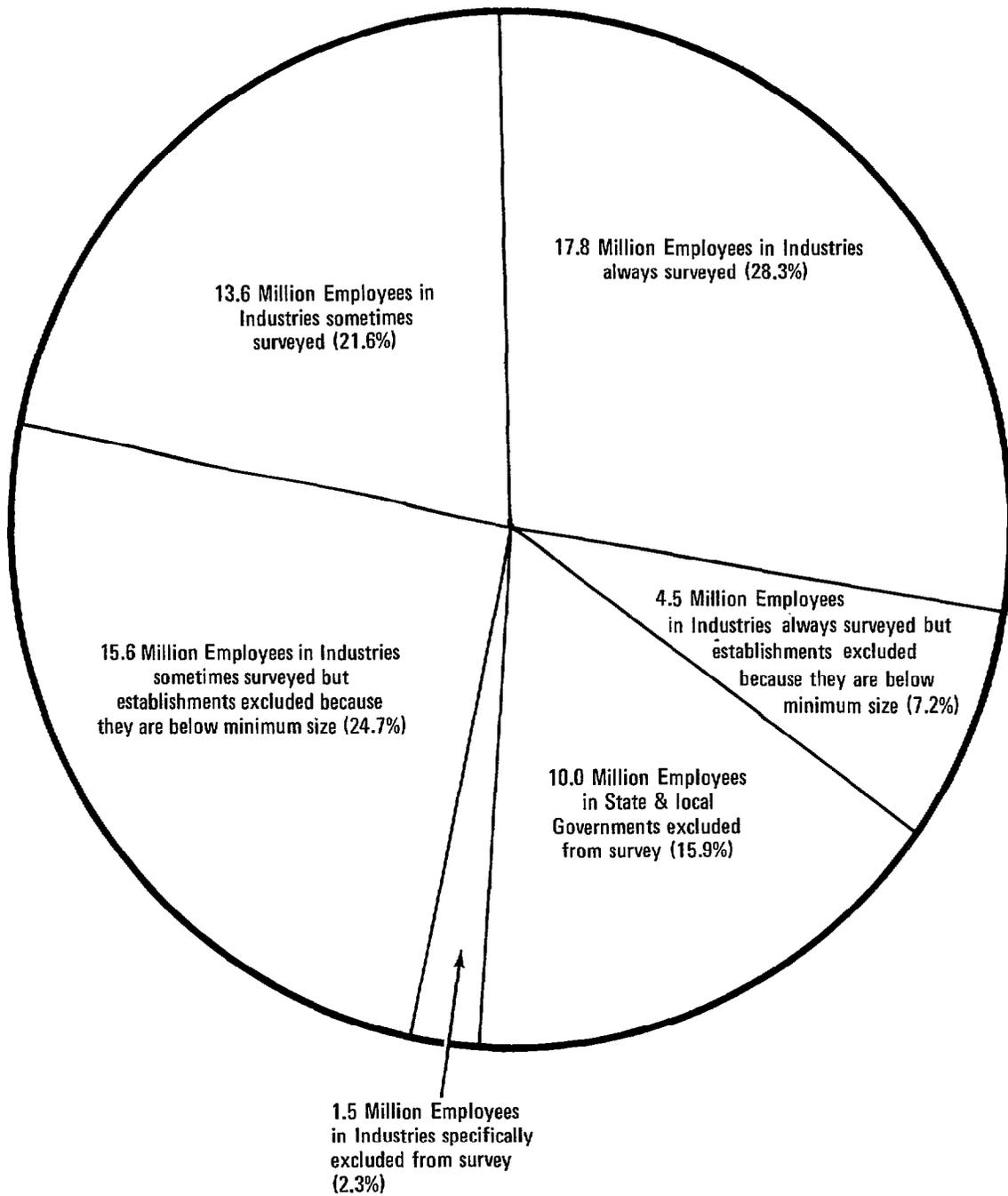
warehousing; air transportation; communication; electric, gas and sanitary services.

--Wholesale trade; All wholesale trade.

The regulations specify that other industry classes may be added when they account for significant proportions of local private employment of the kinds and levels found in local Federal employment. The establishments surveyed must have 50 or more employees. State and local governments are excluded from wage surveys by law.

When a survey area has a large number of establishments, BLS selects establishments in the survey through probability sampling techniques. The wage data for each sampled firm is weighted to provide representation for the stratified group in the survey area from which it is selected.

About 2.2 percent of all U.S. establishments are always included in the survey universe. These establishments employ about 18 million workers, or approximately 28 percent of the total universe of about 63 million non-Federal employees, as shown in the following chart.



**SOURCE:** County business patterns 1971-Department of Commerce;  
 Employment and earnings-Department of Labor

We reviewed survey coverage in 10 wage areas and found that FWS survey samples were drawn from universes which included less than 5 percent of each survey area's establishments. Data on percentage of employees in excluded establishments was not readily available for each survey area; however, in one area about 75 percent of the private sector work force was employed in establishments excluded from the FWS survey universe.

We believe that State and local governments and certain segments of the private sector should be included in the survey to provide a more representative cross section of the non-Federal sector. Such additions would provide greater assurance that survey results reflect pay rates prevailing in the non-Federal sector. Moreover, these additions would serve to strengthen the data base of wage information obtained.

#### State and local governments

Before enactment of the August 1972 FWS legislation, State and local governments could be surveyed when a wage area had limited private industry employment and when a high concentration of State and/or local government employment exerted a major influence on wage rates. The 1972 law provides that "wages surveyed be those paid by private employers in the wage area for similar work." Thus, State and local governments are now excluded from wage surveys.

There are about 10 million State and local government employees; many are performing work comparable to that performed by Federal blue-collar employees. Including State and local governments would strengthen the data base and proportionately influence survey results.

For example, in the Augusta, Maine, wage area, the number of job matches could have been increased if State and local governments had been surveyed, as shown in the following schedule.

<u>Grade</u>	<u>Job</u>	<u>Number of job matches made</u>	<u>Number of potential matches in selected State and local governments</u>	<u>Percent increase</u>
1	Janitor (light)	25	16	64
2	Janitor (heavy)	33	145	439
3	Laborer (heavy)	136	156	115
5	Helper (trades)	25	74	296
5	Warehouseman	18	16	89
6	Truck driver (medium)	26	13	50
7	Truck driver (heavy)	5	8	160
8	Carpenter	12	32	267
9	Painter	10	28	280
10	Electrician	58	11	19
10	Pipefitter	43	7	16
10	Automotive mechanic	19	16	84
10	Welder	32	1	3
10	Machinist	<u>132</u>	<u>1</u>	1
		<u>574</u>	<u>524</u>	91

In several other wage areas, State and local governments represented a substantial part of the non-Federal sector universe and offered many potential job matches.

The exclusion of State and local governments from wage surveys is counter to the principle of comparable wages based on local prevailing rates since a substantial segment of the non-Federal work force is not represented. This is particularly true for those wage areas which include State capitals and major metropolitan population centers.

#### Normally excluded industries

CSC regulations require that certain industries be included in all wage surveys. Lead agencies may add other industry classes (for example, petroleum, mining, forestry) to a survey when these industries account for significant proportions of local private employment of the kinds and levels found in local Federal employment. Most wage surveys have included only the required industries. In instances where other industry classes were added, the additions have usually been very limited.

The excluded industries, representing a substantial segment of the total employment in some wage areas, have some jobs comparable to the Federal work force. For example, about 75 percent of one survey area's employment was in normally excluded industries, as shown below.

<u>Industry</u>	<u>Percent of total employment</u>
Contract construction	10.9
Printing and publishing	1.0
Miscellaneous manufacturing	1.0
Retail trade	23.9
Finance, insurance, and real estate	7.4
Services	<u>30.3</u>
Total	<u>74.5</u>

In 6 of 7 firms in the first 3 industries listed above, we identified 131 potential job matches in 13 of the 24 jobs surveyed. In two of the jobs--carpenter and tool, die, and gage maker--an adequate number of additional job matches was identified which would have permitted those jobs to be included in the data used to establish Federal pay. These jobs were two of seven which could not be included in setting Federal pay in this area because the minimum required number of matches was not obtained. Also State and local governments could have provided additional potential job matches totaling about 450 and public and private hospitals (services) another 300.

The regular FWS survey in the area identified 1,279 job matches in 17 of the 24 jobs. A pay schedule which excludes nearly 900 potential matches may not be representative of wage rates prevailing in the area.

Exclusion of establishments with less than 50 employees

In several wage areas we found that by excluding establishments employing less than 50 employees more than 90 percent of all establishments in the survey area were not represented in the survey. On a national basis this category of establishments would account for about 32 percent of the total work force.

In wage areas with large statistical data bases, the exclusion of this segment of the private sector universe would not greatly affect the results of the wage survey. However, in wage areas where the data base is limited, the exclusion could markedly affect survey results.

Many establishments employ so few persons that even if surveyed the results would show few, if any, job matches. In 6 wage areas we reviewed selected establishments in industries normally included in the FWS survey but with 40 to 50 employees. We identified job matches in each area. For example, in the Albuquerque wage area we identified 60 potential job matches in 6 establishments employing 266 people. The occupations and potential number of matches follow.

<u>Grade</u>	<u>Job</u>	<u>Number of incumbents</u>
1	Janitor (light)	3
2	Laborer	3
3	Laborer (heavy)	4
5	Truck driver (light)	5
5	Forklift operator	2
5	Warehouseman	1
6	Truck driver (medium)	7
10	Sheet-metal worker	31
10	Automotive mechanic	2
10	Pipefitter	<u>2</u>
		<u>60</u>

Job matches in two of these jobs would have been of special importance. Additional matches in the truck driver (light) category would have been enough to include that particular job in the data used as the basis for setting wage rates and matches from the sheet-metal worker category would have almost tripled the number of job matches for that particular job by increasing the number of matches from 17 to 48.

We believe that criteria should be established which would allow establishments with less than 50 employees to be included in the survey universe--particularly in wage areas with data bases that are so limited that a large number of survey jobs have to be excluded because the minimum number of job matches cannot be obtained.

#### Agency comments

CSC, DOD, and VA agreed that the survey universe should be sufficiently broad in its coverage but expressed concern about the extent that the universe could or should be expanded.

The three agencies generally favored the option to include State and local governments in FWS surveys in areas where there is insufficient private employment to establish wage schedules or where a high concentration of State or local government employment exerts a major influence on the level of rates. CSC is planning to draft a legislative proposal to permit including State and local governments.

Regarding the industries excluded from mandatory survey coverage, CSC said that most were either surveyed separately to set Federal rates for an industry-oriented special schedule or did not have significant numbers of comparable trade, craft, and labor employees. DOD believed that, because of cost and staff availability factors, efforts should be directed toward reducing wage survey workloads rather than toward broadening the universe--except in those instances where the present restrictions have created serious inadequacies. DOD did not favor including construction, printing, retail trade, finance, or real estate establishments but did favor expanding, in certain instances, to include selected portions of the service industry and miscellaneous manufacturing groups.

Although it may not be appropriate to include certain industry classes in survey coverage, we believe that there is a need to attempt to identify additional industries which should be surveyed in all or selected wage areas. For instance, portions of the mining and service industry have already been added in several wage areas. Also we noted several wage areas in which most Federal blue-collar

employees worked in VA hospitals, yet private or public hospitals and related medical institutions were not included in survey coverage.

DOD and VA both agreed that in small wage areas with limited data bases the minimum size of establishments could be lowered from 50 employees to a level which would produce a greater yield of data upon which to establish wage rates.

REASSESSMENT OF WAGE AND SURVEY  
AREA BOUNDARIES NEEDED

When establishing wage and survey areas, officials have relied primarily on past experience and judgment rather than on periodic studies or other statistical assessments. Wage areas usually have not been changed unless the wage survey data became insufficient to meet the minimum requirements for preparing wage schedules. We believe that periodic re-assessment of wage and wage survey areas should be undertaken to identify boundaries with potential for adjustment to reflect major shifts in economic conditions and labor markets as well as changes in concentrations of Federal blue-collar employment.

Establishment of wage and wage survey areas

CSC defines a wage area as a geographic area which has a concentration of Federal blue-collar employees and private sector employees. A wage area consists of (a) the survey area--that geographic area in which the surveyed establishments are located--and (b) the area of application--that geographic area, including the survey area and additional areas, in which wage schedules are uniformly applied to Federal employees.

Generally, a wage area must contain (1) a sufficient number of Federal employees to make a survey worthwhile and the capability to conduct a survey--a minimum of 100 wage employees in 1 agency--and (2) sufficient private sector employment within the survey area--a minimum of 20 establishments having at least 50 employees each, or 10 establishments having at least 50 employees each with a combined total of 1,500 employees, and the total private employment

in the industries surveyed must be at least twice the Federal blue-collar employment in the survey area.

CSC regulations provide that adjacent wage areas meeting the separate-area criteria may be combined upon consideration of (1) geographical features of the area, (2) transportation facilities for employees, and (3) commuting patterns for industrial and Federal employees.

CSC officials said that for the most part the criteria for establishing wage and survey areas was based on judgments, past experience, and on existing Standard Metropolitan Statistical Areas. No special studies had been conducted before establishing the existing wage areas. They also said that the requirement for a minimum of 140 job matches provided a "very thin base" from which to establish a wage schedule and that wage areas operating close to the minimum requirement sometimes had failed to meet the criteria for separate wage areas and had to be combined with areas with larger data bases.

There has been no continuing effort to review the wage area boundaries to obtain the optimum number and size of wage areas which would yield the strongest data base without sacrificing the local rate concept. CSC officials said that studies had been planned but had not been made because of other priority work. Usually areas have been combined only when the data base became insufficient to establish a pay schedule.

#### Expansion of some survey areas needed

Many localities were not included within areas surveyed even though they had relatively large concentrations of Federal blue-collar employees and many private establishments from which wage data could be obtained. In some instances there were more Federal blue-collar employees in localities not surveyed than in the localities surveyed. Including such localities in survey areas would provide more representative data on which to establish Federal pay rates. Two areas which offer the potential for survey area expansion are shown on the following page.



In the Fresno, California, wage area, the survey area consisted of 3 counties with about 700 Federal blue-collar employees. Although contiguous Kern County had about 2,000 Federal blue-collar employees, it was not surveyed. Kern County also had about 180 private establishments employing 50 or more workers, including 4 establishments with 500 or more employees.

In the Meridian, Mississippi, wage area, the survey area--Lauderdale County and Choctaw County (Alabama)--had about 215 Federal blue-collar employees. However, Forrest County, which was about 90 miles away, was not surveyed even though it had about 250 Federal blue-collar employees and more than 50 private establishments with 50 or more employees, including 2 establishments with 500 or more employees. In addition, the number of job matches obtained in the Meridian wage area for 11 of the 26 jobs surveyed was not sufficient to establish a Federal wage schedule for the area--a minimum of 10 job matches must be obtained before a job can be included in the pay setting process.

Including the counties noted above could provide sufficient additional job matches to influence the wage rates paid Federal blue-collar employees in the Fresno and Meridian wage areas. Thus, the wage data obtained would be more representative of the total wage areas and would also strengthen the existing data bases--particularly in the Meridian area which has a limited data base.

#### Agency comments

CSC, DOD, and VA agreed that an ongoing program to reassess wage and survey area boundaries and adjust them when conditions warrant was desirable. CSC said that because of the relative newness of FWS, it had not undertaken an overall review of the makeup of all wage areas. CSC said that it would make a full-scale review, beginning in fiscal year 1976, of all wage area definitions--including a review of the basic criteria for establishing wage and survey areas.

SURVEY COVERAGE SHOULD BE EXPANDED  
IN CERTAIN WAGE AREAS TO MINIMIZE  
USE OF WAGE DATA OBTAINED FROM  
OUTSIDE THE AREAS

FWS legislation (5 U.S.C. 5343(d)--Monroney Amendment) provides that the agency making the wage survey determine whether a sufficient number of comparable positions exists in private industry located in the wage area to establish a wage schedule for the principal kinds of Federal positions in the wage area. CSC regulations define these positions as jobs which require work of a specialized nature and which are peculiar to the dominant specialized Government industry. If there is an insufficient number of comparable positions in private industry, the agency is required to obtain private sector pay rates for these type positions in the nearest wage area which is determined to be most similar in the nature of its population, employment, manpower, and industry. Such outside rates are used in setting pay rates in 29 of the 137 wage areas.

As required by CSC regulations, agencies decide whether sufficient numbers of comparable positions exist in private industry after searching for these positions as part of the regular survey process in survey areas only. They do not consider pertinent industries in the remaining portions of the wage areas or establishments with fewer than 50 employees.

Five wage areas that we visited qualified under Monroney Amendment provisions. In two of these areas the need for going to another wage area for wage data might have been eliminated under less restrictive CSC regulations. We identified a number of potential job matches in the specialized industries in the portions of the 2 wage areas which were not surveyed and/or in pertinent establishments with less than 50 employees.

The lead agency determined the survey area for the western Texas wage area had an insufficient number of aircraft positions comparable to positions in the dominant specialized Government industry. Therefore, survey data from the Dallas-Forth Worth wage area was used to establish the wage rates. Insufficient numbers of job matches occurred

in the special category of jobs which requires 20 job matches in a single job for grades 9 through 15. The data collectors matched 17 jobs of aircraft mechanic (grade 10) and 16 jobs of aircraft-structures assembler A (grade 9).

There is a large aircraft establishment in one of the counties not surveyed in the western Texas wage area. An official of this establishment indicated that at least 10 aircraft mechanics and 10 electronic equipment mechanics were employed there. Additional matches in these positions could have resulted in enough matches to avoid going outside the wage area for information.

Using wage data from outside the wage area results in setting wage rates that do not necessarily reflect local prevailing rates. Under present FWS legislative provisions this practice will continue. However, we believe that the number of instances in which this practice is necessary might be reduced if CSC regulations were revised to require that appropriate industries in the entire wage area (in lieu of limiting coverage to the survey area) including establishments with less than 50 employees be considered in determining if there is a sufficient number of comparable positions in private industry within the wage area.

#### Agency comments

CSC and DOD concurred with the need to survey areas of application before going outside the wage area; however, both agencies placed higher priority on the repeal of the Monroney Amendment. CSC added that if repeal efforts were unsuccessful it would study private industry patterns in the nonsurvey parts of wage areas to determine the feasibility of requiring the lead agency in an area having a dominant Federal industry to determine whether sufficient applicable industry and employment exists in the entire wage area before going outside the area.

#### NEED TO SURVEY JOBS MORE REPRESENTATIVE OF FEDERAL JOBS IN WAGE AREA

The Federal nonsupervisory blue-collar wage structure consists of 15 grade levels. About 1,400 blue-collar

occupations have been established within this structure. Job grading factors--skill and knowledge, responsibility, physical effort, and working conditions--are used to distinguish different levels of work. In each wage area there is a single schedule of pay rates covering nearly all blue-collar occupations.

In the private sector, however, occupations with equivalent Federal grade levels generally receive different rates of pay--often substantial. For example, the following table shows the pay relationships in the private sector for the grade 5 and 10 jobs surveyed in one wage area.

<u>Grade 5</u>		<u>Grade 10</u>	
<u>Job</u>	<u>Average hourly rate</u>	<u>Job</u>	<u>Average hourly rate</u>
Forklift operator	\$3.33	Automotive mechanic	\$4.22
Warehouseman	3.67	Electrician	4.35
Helper (trades)	3.95	Pipefitter	4.36
		Machinist	4.65
		Sheet-metal worker	4.69
		Welder	4.86

In each local wage survey, wage data is to be collected for a prescribed list of 23 jobs which cover a wide range of occupations common in skill and responsibility in both industry and Government. In addition, CSC lists 15 other jobs--11 optional and 4 provisional--which a lead agency may survey, without prior CSC approval, when

--there is significant employment locally in the occupation in both Federal and private sectors or

--wage data for the added job is considered essential to the wage fixing process for the area.

Provisional survey jobs usually represent occupations of relatively recent significance which account for increasing employment in both private and Federal sectors. A lead agency must obtain prior CSC approval to add a job other than the 23 required and 15 optional and provisional jobs.

Within the Federal blue-collar occupational framework, there are thousands of specific jobs. About 105 had a Federal population of over 1,000 employees. Sixteen of the 23 required survey jobs had more than 1,000 employees and only 5 of the 15 optional and provisional jobs had over 1,000 employees. Thus, there were about 85 jobs with Federal populations of over 1,000 employees which were normally not surveyed. In several wage areas visited, there were large numbers of Federal employees in jobs not surveyed and few employees in certain jobs surveyed.

We believe that CSC should require that wage surveys include the predominant Federal jobs in the local wage areas to help assure that the wage rates of the Federal work force reflect their private sector counterparts.

#### Agency comments

CSC said a study of the required survey job descriptions was recently completed. The study was initiated to improve the quality and quantity of wage data collected and to broaden the occupational coverage of FWS surveys. As a result, 22 new and revised job descriptions were adopted for use in all full-scale surveys beginning on or after July 1, 1974. CSC plans to conduct a similar study in fiscal year 1976.

CSC was also studying occupations accounting for substantial employment in both the Federal and private sectors which may be used as additional survey jobs to supplement the required survey jobs. CSC said these jobs will be added to individual surveys, when warranted, in order to achieve the occupational representation necessary to determine prevailing rates for comparable work within a defined wage area.

DOD did not object to the mandatory addition of jobs to wage surveys as long as they met the requirements of being essential to the wage fixing process and accounting for significant numbers of employees in local private establishments. DOD added that even within the flexibility now existing it had adopted a policy of permitting inclusion of additional survey jobs under specified criteria.

## CONCLUSIONS

Attainment of the legislative pay principle that the level of Federal pay rates be maintained in line with prevailing levels for comparable work within a local wage area is not assured because the wage data base

- excludes pay rates earned by many non-Federal employees because they work (1) in industries outside the prescribed scope of survey, (2) in establishments below a certain minimum size, or (3) outside the survey area but within the wage area;
- includes, in some instances, wage data from outside the wage area; and
- includes wage data for jobs not necessarily representative of the Federal jobs in the wage area.

We believe that wage survey data should be obtained from the broadest feasible universe in the wage areas and that the jobs surveyed should be representative of the Federal sector jobs in the wage areas.

Since each wage area is theoretically separate and distinct from other wage areas, the survey specifications should be addressed to the characteristics peculiar to each area.

## RECOMMENDATIONS

We recommend that the Chairman of CSC:

- Expand wage surveys to cover the broadest feasible universe of private sector establishments, including establishments with less than 50 employees in the small, less industrialized wage areas.
- Periodically reassess and adjust as necessary wage and survey area boundaries.
- Require lead agencies in areas having a specialized Government industry (qualifying under Monroney Amendment provisions) to determine whether sufficient

applicable industry exists in the entire wage area before going outside the area for wage data.

--Require that the predominant Federal jobs in each wage area which have comparable private industry jobs be surveyed in addition to the required jobs.

#### MATTER FOR CONSIDERATION BY THE CONGRESS

We suggest that the Congress consider amending existing legislation to allow State and local governments to be included in the wage survey process.

#### AGENCY COMMENTS

CSC, DOD, and VA generally agreed with the above recommendations and the suggestion to amend existing legislation. They expressed some concerns, although agreeing in principle, regarding the expansion of the universe of establishments surveyed. (See p. 21.) Their specific comments, including actions taken or planned on each recommendation, are summarized after each applicable section of this chapter.

## CHAPTER 4

### NEED TO IMPROVE DATA COLLECTION PROCESS

In each wage area private industry wage rates for selected blue-collar jobs are collected annually to be used as the basis for assessing and adjusting Federal blue-collar wages. Full-scale surveys, made every other year, involve personal visits to a statistically determined number of establishments in each area. Collection teams of Federal employees meet with establishment officials to match jobs in the establishments that are comparable to those specified in standard written descriptions and to collect wage rates of establishment employees in these jobs. In alternate years wage-change surveys are made, usually by telephone, to update the wage rates collected in the full-scale surveys.

It is essential that collectors match jobs correctly and obtain accurate wage data. Industry wage rates are collected only for a limited number of jobs and often result in small data bases. The smaller the data base, the more likely that collection errors will lead to inaccurate estimates of industry wages and cause distortions in Federal pay schedules.

Weaknesses exist in the collection process--the most serious being that the individuals matching jobs and collecting the data generally do not have sufficient qualifications, experience, or training to effectively perform this difficult and highly judgmental task. In addition, the method used to review the collected data is only partially effective in detecting errors, and a program to periodically field test the survey job descriptions is needed.

#### PERMANENT, FULL-TIME, TRAINED DATA COLLECTORS NEEDED

Our observations of the job matching and data collection process at about 200 establishments in 11 wage areas disclosed the strong likelihood that many errors are being introduced into the process and adversely affecting data quality.

Data collectors are selected from among Federal employees in the local wage areas. Few, if any, of the collectors have

had the opportunity to obtain substantive experience or training in performing wage surveys, and the process does not result in developing persons with skills and knowledge necessary to achieve optimum effectiveness in performing this crucial function.

### Qualifications

For full-scale surveys the collection teams consist of two members--a union and a management representative--selected by the local wage survey committee. CSC selection criteria require that collectors be

- well versed in the occupational content of a wide range of occupations,
- well acquainted with Federal wage administration practices,
- able to approach the collection of wage data objectively and openmindedly,
- able to maintain pleasant relationships in communicating with people, and
- sufficiently balanced and mature to talk intelligently to private industry management.

However, discussions with agency officials in the 11 wage areas visited disclosed that prospective collectors were rarely tested or interviewed. Instead, individuals were chosen because they had taken part in previous surveys or because committee members believed the individuals had the ability to collect the data. Although most of the 180 collectors we spoke to seemed interested in performing the survey, some believed they were not qualified and others were dissatisfied with being data collectors.

We agree that the criteria listed above should be considered when individuals are selected to be collectors, but the primary criterion for this position, as for any position, should be whether the person has the necessary knowledge and skill to perform the job.

## Experience

Experience is essentially a learning process that gives an employee the opportunity to develop his skills and gradually improve his job performance. Thus, over a period of time, a data collector should become progressively more adept at job matching and, as a result, obtain higher quality data. For example, field agents with BLS have extensive experience in data collection. The field agents are full-time collectors and spend most of their time conducting wage and salary surveys that require job matching. In addition, they are not permitted to collect data until they have been tested by senior collectors in actual job matching situations. Most field agents have over 3 years experience and visit hundreds of firms each year.

In contrast, collectors performing FWS surveys are far less experienced. They work as collectors on a temporary basis--usually for 2 weeks every other year--and rarely visit more than 20 firms in a given survey. Such a limited exposure to data collection cannot provide the necessary experience to develop skill and knowledge. Moreover, in the 11 wage areas we visited, 115 of the 203 collectors had never taken part in a wage survey, and, except for employees with a background in personnel management, the collectors' regular jobs were unrelated to data collection. Although employees in personnel management often have duties--such as job analysis--which would be helpful in job matching, only 24 of the 203 collectors had such a background.

## Training

Training can help improve data quality by developing the skills, knowledge, and abilities of the collectors. Although proper training can be beneficial to all collectors, it is a necessity for collectors with limited qualifications and wage survey experience. We found only minimal efforts being put into training.

The local wage survey committee in each area is responsible for training collectors. With the assistance of a wage specialist from the lead agency, the committees hold 1- or 2-day training sessions about a week before the start of collection. During the 11 training sessions we observed, collectors were given a brief explanation of the purpose of

the survey, the survey job descriptions, and procedures for filling out the collection forms.

In contrast, the training BLS gives to its field agents is more intensive. One of the surveys agents perform is the Area Wage Survey, which includes techniques and some jobs similar to those found in FWS surveys. Before field agents are permitted to take part in the Area Wage Survey, they undergo about a month of training, starting with a programmed self-teaching course on job matching techniques and collection procedures. After orientation sessions with supervisory personnel, the field agents spend several weeks observing, and being observed by, experienced senior collectors during job matching visits. In addition to on-the-job training, all field agents attend annual training seminars, usually lasting 1 week.

The need for more training for FWS surveys was expressed by host agency officials of 8 of 11 wage areas and by many data collectors. A training need was also evident from our observations of data collection at about 200 establishments. A day or two of classroom training is hardly enough time to prepare individuals to become qualified data collectors capable of consistently making valid job matches--especially when the persons involved are inexperienced and unskilled in collection.

#### Skill and knowledge

The effectiveness of data collection hinges on having skilled and knowledgeable collectors to perform the job matching. Collectors should be thoroughly familiar with the survey job descriptions and collection instructions and be able to apply them in job matching visits. Because jobs in industry often do not fit the survey descriptions precisely, it is necessary for the collectors to evaluate private sector jobs and decide whether they are close enough to description requirements to justify matching. When collectors do not have the necessary skill and knowledge to make these decisions, the accuracy of the data depends more on chance than on sound judgment.

Collectors are given written instructions to guide them in their job matching. The instructions emphasize that correct matching is the keystone of the survey and that

collectors are responsible for making matching decisions. In addition, collectors are cautioned that proper matching can occur only if they thoroughly understand the content of the survey descriptions and obtain factual information on the duties and responsibilities connected with industry jobs.

To review the collection process, we visited 11 wage areas and observed the job matching sessions at about 200 establishments. Our purpose was to find out how well the collectors followed job matching instructions and how much effort went into making the matching decisions.

We also returned to 3 wage areas and revisited 24 establishments--primarily ones in which there were indications of improper matching--to test the collectors' decisions. The revisits were accomplished through extensive discussions of surveyed jobs between establishment officials and GAO representatives experienced in job matching and (job analysis) techniques.

Many collectors demonstrated a rather low level of skill and knowledge during the job matching sessions. Matches were often made quickly, with little discussion of duties and responsibilities, and we noted numerous instances of improper job matching. In 63 percent of the matching sessions we observed, collectors made one or more of the following basic mistakes:

- Allowing the company official to make the matching decision.
- Matching on the basis of job title without discussing duties and responsibilities.
- Accepting matches made in the prior full-scale survey without a reexamination.
- Limiting discussion to only those jobs in which matches had been made in the prior survey.

Job matching in this manner increases the likelihood of incorrect data. Without sufficient skill and knowledge to job match effectively, collectors often placed their reliance elsewhere--on company officials, job titles, and

matches that had been sanctioned in the past--and misplaced reliance was often the cause of erroneous matching.

For example, at one firm collectors matched 665 laborers by referring only to the job title without discussing duties and responsibilities. Upon revisiting the firm, we learned that the 665 figure referred to the entire labor force--including truck drivers, mechanics, apprentices, and mold makers--and not to the job of laborer specified in the survey description. None of the establishment's employees should have been matched to the laborer definition.

Revisits to selected establishments in three wage areas disclosed numerous matching decisions which appeared to be incorrect. In one wage area we computed the effect the apparent errors in matching would have had on salary averages as determined from the agency's wage survey as follows.

<u>Grade and job</u>	<u>Hourly average computed from survey data</u>	<u>Hourly average considering apparent errors noted during GAO revisits (note a)</u>	<u>Difference</u>
1 Janitor (light)	\$2.90	\$2.94	\$ .04
2 Janitor	3.53	3.35	.18
2 Laborer	3.36	3.19	.17
3 Laborer (heavy)	3.52	3.59	.07
4 Packer	3.85	(b)	-
5 Helper (trades)	3.95	3.94	.01
5 Warehouseman	3.67	3.61	.06
5 Forklift operator	3.33	3.33	0
5 Power-truck operator	(b)	(b)	-
5 Truck driver (light)	(b)	(b)	-
6 Truck driver (medium)	3.23	3.08	.15
7 Truck driver (heavy)	(b)	3.25	-
9 Carpenter	4.25	(b)	-
9 Painter	4.20	(b)	-
10 Electrician	4.35	4.13	.22
10 Auto mechanic	4.22	4.18	.04
10 Diesel engine mechanic	(b)	(b)	-
10 Sheet-metal worker	4.69	4.70	.01
10 Pipefitter	4.36	4.36	0
10 Welder	4.86	4.84	.02
10 Machinist	4.65	4.63	.02
13 Tool, die, and gage maker	4.55	(b)	-
14 Patternmaker	(b)	(b)	-

<sup>a</sup>The eight establishments revisited produced about 75 percent of the survey job matches.

<sup>b</sup>Survey did not provide the minimum of 10 matches needed to be considered in wage setting process.

BEST DOCUMENT AVAILABLE

Comments by host agency officials  
on data collector qualifications

Host agency officials, including local wage survey committee members, of most of the 11 wage areas visited favored using permanent, full-time data collectors. Their comments included:

- A professional group should perform the survey. The survey is not conducted often enough for those involved to become proficient. As a result, data collection, the most important part of the survey, is performed by persons not fully qualified.
- Data collectors probably should be professionals. Pulling employees away from their regular jobs, giving them 1½ days of training, and then expecting them to gather valid data has never seemed right.
- The survey could be done more effectively, efficiently, and economically by persons who devote full time to data collection duties.
- Persons who perform surveys for a living could be more qualified and probably are more qualified than persons who perform the survey once every 2 years.
- Data collectors may have a limited knowledge of subjects outside their jobs and may not communicate effectively with establishment officials. Professional data collectors should conduct the survey. The agency could set up a wage gathering outfit with three or four offices around the country, staff it with position classifiers, and let this be their full-time job.

REVIEW METHOD ONLY PARTIALLY EFFECTIVE

In each survey, members of the local wage survey committee and lead agency wage specialists review the collection forms to identify and correct errors in the collected data. Although a desk review helps minimize the number of errors resulting from the variables surrounding the job matching technique, its effectiveness in correcting errors is limited.

Desk reviews have one inherent limitation--a reliance on written documentation to evaluate the collectors' matching decisions. For each industry job matched, collectors are instructed to provide a written description of the job's actual duties and responsibilities. During the desk reviews the industry description is compared to the corresponding survey description to evaluate the validity of the match. The effectiveness of these reviews rests on having written industry descriptions that are accurate. Although reviewers sometimes question whether all pertinent information is included, they assume that what has been written is factual. However, based on our observations of the matching sessions, we doubt the validity of this assumption. Often the collectors did not discuss duties and responsibilities with industry officials but later wrote detailed descriptions of industry jobs. This information was probably developed from industry job descriptions obtained in a prior year's survey or by paraphrasing survey job descriptions. Such techniques do not necessarily reflect current duties and responsibilities.

In addition, desk reviews are geared to checking only matches made; collectors are not required to provide written explanations of their decisions to not match industry jobs. Consequently, it is almost impossible for desk reviews to catch errors of omission--instances in which valid job matches were missed or ignored by collectors. This is indeed a flaw because survey results can be distorted as much from excluding good data as from including bad data.

Unlike the lead agencies BLS recognizes the limitations of desk reviews and has established revisit programs for its wage surveys to verify the collected data at its source. By revisiting selected firms, reviewers can independently test the collectors' matching decisions and are in a better position to find errors in the collected wage rates and employment figures. Another advantage of revisits is that collectors are likely to be more careful job matching if they know their decisions may be checked by reviewers returning to the firms.

SURVEY JOB DESCRIPTIONS  
SHOULD BE PERIODICALLY TESTED

CSC has prepared standard job descriptions for each of the 23 jobs that must be annually surveyed as well as for the 15 optional and provisional jobs that are surveyed in certain wage areas. The job descriptions are keyed to reflect work situations found in industry and also represent wage occupations and work levels in Federal service. The descriptions briefly list typical duties and responsibilities the collectors should check for when job matching and specific types of work that should not be matched.

Survey descriptions can never be written to insure that collectors will make uniform interpretations and correct job matching decisions. Nevertheless, the collectors' knowledge of the survey jobs is based primarily on information found in the written descriptions. Thus, when the descriptions are incomplete or out-of-date, collectors are apt to perform matching with a partial or incorrect understanding.

Until July 1974 the survey descriptions had remained unchanged since they were developed in 1968. In June 1972 a CSC work group proposed extensive revisions to the survey descriptions. Basing its analysis on information received from the lead agencies, the CSC group recommended reworking 21 of the 23 descriptions. However, staffing difficulties, caused by higher priority work, prevented CSC from finalizing and incorporating the revisions into the survey descriptions until July 1, 1974.

Despite the importance of having valid survey descriptions, CSC has not given a high priority to maintaining descriptions of blue-collar jobs. In contrast, CSC has an extensive and continuing program to maintain the job definitions used in the salary survey for assessing and adjusting salaries of Federal white-collar employees. Each year CSC and BLS representatives review selected job definitions in visits to industry firms. The definitions are discussed in detail with industry officials to determine if the terms in the definitions are current and meaningful and to see if proper matches are being made. Every definition in the

white-collar survey has been reviewed at least once in the last 8 years--some as many as three times.

But CSC has not developed a similar program to periodically field test the descriptions used in the Federal blue-collar wage surveys. Instead, CSC has relied on a process in which revisions to the descriptions are initiated by lead agencies, reviewed by CSC, and eventually approved by the Prevailing Rate Advisory Committee.

### CONCLUSIONS

Improvements are needed to correct fundamental weaknesses in the collection process and insure that Federal wage schedules accurately reflect prevailing rates in an area. Our observations disclosed the strong likelihood that many errors were being introduced in the data collection process because of fundamental weaknesses in collection techniques. Weaknesses in data collection were prevalent in all wage areas that we visited and were attributable to the inexperience of most of the data collectors.

Additional training of data collectors and improvements in their selection would likely improve the quality of wage information. However, the necessity of selecting data collectors from jobs unrelated to job matching and data collection for a period of approximately 2 weeks every 2 years, in our opinion, does not offer the best solution for minimizing data collection errors.

To minimize errors in job matching and data collection, a permanent group of carefully selected and thoroughly trained full-time collectors should be established. This is practical because nearly 140 blue-collar wage surveys are being performed annually; it is justified because this effort ultimately becomes the basis for the expenditure of about \$5 billion to Federal blue-collar employees.

Considerable improvements in data quality would likely result if at least one member of the data collection team was a thoroughly trained, full-time data collector--we believe this should be management's representative. Legislation provides also for the participation of labor organizations in all phases of fixing and adjusting blue-collar

pay rates including the collection of data. Utilization of full-time data collectors to represent management in the collection process might make it desirable for altering the manner of selecting the union representative on the data collection team. However, a decision on this matter should be based on the desires of the labor organizations.

Further assurances of obtaining quality data would result from

- incorporating a program for revisiting selected establishments in the review process that would allow reviewers to independently test and verify the collected data at its source and
- establishing a program to periodically field test the descriptions used in the wage surveys.

#### RECOMMENDATIONS

We recommend that the Chairman of CSC take action to

- develop a permanent body of carefully selected and thoroughly trained full-time collectors to represent management in the data collection process,
- explore with employee representatives ways of upgrading the skills of union representatives on data collection teams,
- establish a revisit program to supplement the present desk reviews, and
- establish a program for periodically field testing the survey job descriptions.

#### AGENCY COMMENTS

CSC generally agreed with the concept and purpose of the above recommendations on data collection and had begun discussions with the lead agencies to move ahead in these areas. New and revised job descriptions were adopted for use in surveys beginning in July 1974, and CSC plans to study the descriptions again in fiscal year 1976.

Of the recommendations for improving the quality of surveys, DOD believed that establishing a permanent force of carefully selected and thoroughly trained full-time management data collectors would contribute most toward achieving that objective. DOD also concurred with the other recommendations for improving data collection.

VA agreed that, notwithstanding efforts underway for improving data collection, the most reliable approach probably would be the use of full-time professional data collectors. VA added that consideration should be given to the administrative costs involved before adopting such an approach. DOD said some \$5 million annually was expended to conduct full-scale surveys--by teams of on-site Federal data collectors--and suggested that FWS legislation be amended to allow two consecutive wage change surveys--telephone updates--to be conducted. Although our review was not directed toward evaluating this issue, we believe it merits study by CSC and the Prevailing Rate Advisory Committee.

## CHAPTER 5

### SCOPE OF REVIEW

Our review included an examination of legislation, policies, procedures, documents, records, studies, and reports dealing with the pay determination process for Federal blue-collar employees.

We made our review during 1973 at the headquarters offices of CSC, DOD, and VA and at Federal installations and other public and private establishments in 18 wage areas, as shown in the following table.

<u>Wage area</u>	<u>Host installation</u>	<u>Review coverage</u>	
		<u>Wage survey scope</u>	<u>Data collection process</u>
Augusta, Maine	VA Center, Togus	x	x
Portland, Maine	Naval Air Station, Brunswick		a <sub>x</sub>
Portsmouth, N.H.	Portsmouth Naval Shipyard	x	
New Haven, Conn.	VA Hospital, West Haven	x	x
Buffalo, N.Y.	VA Hospital, Buffalo		a <sub>x</sub>
Atlanta, Ga.	Atlanta Army Depot	x	x
Macon, Ga.	Robbins Air Force Base	x	x
Albany, Ga.	Marine Corps Supply Center, Albany	x	
Dothan, Ala.	Fort Rucker	x	
Huntsville, Ala.	U.S. Army Missile Command	x	
Southwestern, Mich.	VA Hospital, Battle Creek		x
Lake Charles- Alexandria, La.	Fort Polk		x
Shreveport, La.	Barksdale Air Force Base	x	x
Waco, Texas	Fort Hood	x	x
Western, Texas	Webb Air Force Base	x	x
El Paso, Texas	Fort Bliss	x	x
Albuquerque, N.M.	Kirkland Air Force Base	x	x
Southern and western Colo.	Pueblo Army Depot	x	

<sup>a</sup>Review limited to observation of data collector training.



## UNITED STATES CIVIL SERVICE COMMISSION

IN REPLY PLEASE REFER TO

WASHINGTON, D.C. 20415

YOUR REFERENCE

Mr. Forrest R. Browne, Director  
Federal Personnel and Compensation  
Division  
United States General Accounting  
Office  
Washington, D. C. 20548

MAY 6 1973

Dear Mr. Browne:

Thank you for the opportunity to comment on the draft of your report, "Opportunities to Improve Pay Determination Process for Federal Blue-Collar Employees." We appreciate the professional manner in which the review was conducted and the report written. We find ourselves in general agreement with most of the recommendations made in the report. As you will see from our comments, we have already initiated projects to implement several of the recommendations.

The report recommends that the Congress review current statutory provisions pertaining to the five-step system, uniform night shift differentials, and setting local prevailing rates on the basis of rates paid in another area (the Monroney Amendment). We support this recommendation. These statutory provisions--particularly the Monroney Amendment--are serious departures from the stated intent of the Federal Wage System (FWS) that the pay of Federal blue-collar workers be based on local prevailing rates and practices. We plan to draft a legislative proposal in the near future which would repeal these provisions of the FWS in order to bring the operation of the FWS closer to the prevailing rate concept.

While we agree in principle with the intent of the recommendation that the survey universe be as broad as possible, we differ with the report's interpretation of the phrase "broadest feasible universe of private sector establishments." The present FWS survey coverage was developed from our belief that Federal wage rates should be based on the broadest feasible universe of non-Federal employment which is similar--in terms of occupations and employment conditions--to the Federal sector. Most of the industries excluded from mandatory coverage of regular surveys



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are either surveyed separately to set rates for an industry-oriented special schedule, or simply do not have significant numbers of comparable trade, craft, and labor employees. In its Area Wage Surveys, the Bureau of Labor Statistics (BLS) surveys a number of trade, craft, and labor jobs, many of which are similar to those surveyed under the FWS. Area Wage Surveys cover, in addition to the FWS industries, the retail trade; finance, insurance, and real estate; and service industries. Our analysis of the published summaries of the Area Wage Surveys indicate that 80 to 90 percent of most of the jobs surveyed by BLS are within the present FWS survey universe. Furthermore, the additional industries surveyed by BLS employ a disproportionate number of lower-skilled blue-collar workers. Establishments within the FWS universe tend to produce job matches from a broader range of skill levels, and hence provide a more realistic picture of inter-occupational pay relationships. The cost of surveying establishments in the retail trade; finance, insurance, and real estate; and service industries would be disproportionately high for the anticipated return in usable job matches. We have, however, consistently favored the flexibility to include State and local governments in FWS surveys where such data are needed. In the 93rd Congress we supported legislation which would have permitted the inclusion of State and local governments in surveys in areas where there is insufficient private industry to determine comparable wages, or where State and local government employment exerts a major influence on the level of wage rates. We plan to draft similar legislation for submission to the new Congress.

We agree that an on-going program to reassess wage and survey area boundaries and adjust them when conditions warrant is desirable. The FWS already provides criteria for reviewing wage area boundaries. Because of the relative newness of the program, we have not yet undertaken an overall review of the make-up of all wage areas. However, since the Coordinated Federal Wage System first went into operation in 1968, a substantial number of wage and survey areas have been revised on a case-by-case basis in consideration of changes in Federal and private employment. As we have already indicated to GAO staff during the course of the audit of the FWS, we plan to undertake a full-scale review of all wage area definitions--including the basic criteria for establishing wage and survey areas. This will be done beginning in fiscal year 1976.

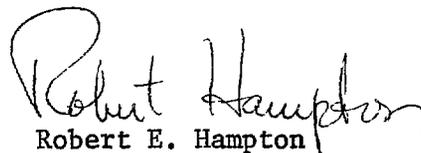
As noted above, we regard the Monroney Amendment--which requires the use of out-of-area data under certain circumstances--as a serious departure from the prevailing rate principle, and we expect to propose legislation for its repeal. Failing this, we would expect to study private industry patterns in the nonsurvey parts of wage areas to determine the feasibility of requiring the lead agency in an area having a dominant Federal industry to determine whether sufficient applicable industry and employment exists in the entire wage area before going outside the area.

The report recommends that the survey job descriptions be field-tested periodically, and that predominant occupations common to both the Federal and private sectors in a wage area be included as part of the required survey coverage in addition to the regularly surveyed jobs. The Commission recently completed a study of the required survey job descriptions. This study was initiated to improve the quality and quantity of wage data collected and to broaden the occupational coverage of FWS surveys. As a result, 22 new and revised survey job descriptions were adopted for use in all full-scale surveys beginning on or after July 1, 1974. We plan to conduct a similar study in fiscal year 1976. As an extension of this project, the CSC is studying occupations having significant employment in both the Federal and private sectors which may be used as additional survey jobs to supplement the required survey jobs. These jobs will be added to individual surveys when warranted in order to achieve the occupational representation necessary to determine prevailing rates for comparable work within a defined wage area. This project is scheduled for completion in fiscal year 1975.

We are in general agreement with the concept and purpose of the recommendation that the data collection process be improved by (1) the development of a group of permanent full-time data collectors to represent management, (2) upgrading the skills of labor representatives on data collection teams, and (3) a revisit program to check the accuracy of the job-matching by data collectors. There are, however, a number of questions to be resolved with respect to a permanent force of management data collectors: where the personnel slots will be (Civil Service Commission or lead agencies), how the funding problems associated with travel and per diem costs will be handled, etc. We have begun discussions with the lead agencies to move ahead in these areas.

Permit me to point out that any changes in the present policies and procedures of the Federal Wage System must be studied by the Federal Prevailing Rate Advisory Committee prior to being implemented by the Civil Service Commission. Public Law 92-392 established this joint labor-management Committee to study the prevailing rate system and from time-to-time advise the Commission thereon. The negotiation process in this Committee, while occasionally time-consuming, provides a fair hearing for both labor and management interests which is essential to the effective administration of the Federal Wage System.

Sincerely yours,

  
Robert E. Hampton  
Chairman



ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

MANPOWER AND  
RESERVE AFFAIRS

5 MAR 1975

Honorable Elmer B. Staats  
The Comptroller General of  
the United States  
Washington, D. C. 20548

Dear Mr. Staats:

I am transmitting as attachment 1 the comments of the Department of Defense on your Draft Report dated December 12, 1974, titled "Opportunities to Improve Pay Determination Process for Federal Blue Collar Employees." (OSD Case #3968)

This Department considers the draft report to be an excellent report. The recommendations proposed are, for the most part, desired reforms in which this Department concurs. Those to which exception is taken are recommendations which careful study has indicated either would add unwarranted costs to the Federal Wage System or would create unwarranted work load for those associated with the administration of the system.

Your consideration of this Department's views in developing your final report will be appreciated.

Sincerely,

*William K. Brehm*  
William K. Brehm

Attachment



DoD Comments on GAO Draft Report  
Dated December 12, 1974

"Opportunities to Improve Pay Determination  
Process for Federal Blue Collar Workers"

Part I

The draft report points to four legislative provisions which make it impossible to comply with the legislated pay principle that the level of pay for Federal blue collar employees will be maintained in line with prevailing rates. These are the requirements of PL 92-392 for:

- a. a five-step rate regular schedule;
- b. nationwide night shift differentials;
- c. out-of-area data useage; and
- d. inclusion of data only from private establishments.

The Department of Defense agrees that each of the four legislative requirements is, in fact, contrary to the principle of prevailing rates and must be removed, either totally or in part, in order to restore the prevailing rate concept. We suggest more specific parameters for the legislative proposals as follows:

- a. Current prevailing rate legislation should be amended to delete the requirement for a five-step regular schedule and to substitute for that requirement a provision that the Civil Service Commission will determine the number of step rates and the pay-line rate based on prevailing industry practices on a national basis;
- b. Current prevailing rate legislation should be amended to delete the requirement for uniform night shift differentials based on a percentage of the employees' scheduled wage rate and to substitute for that requirement a provision that night shift differentials will be determined on the basis of prevailing industry practices within a local wage area;
- c. Current prevailing rate legislation should be amended to repeal Section 5343 (d), often referred to as the Monroney Amendment. In this regard, the Department of Defense is initiating action

to develop legislation, already a part of the President's Legislative Program for the 94th Congress, to repeal this section of Title 5. Our most recent review of the effect of the Monroney Amendment reveals that lead agencies are required to go outside the wage area to obtain wage data in 32 of 137 appropriated fund wage areas. Over 150,000 Federal wage employees work in these areas. Of these, almost 90,000 actually receive rates in excess of the rates they would have received if Monroney had not applied. The schedule amount of this excess varies by grade and wage area in amounts ranging from \$0.01 hourly up to \$1.45 hourly.

"Monroney" rate schedules do not reflect locality prevailing rates. Rather, the workers paid from them are paid more than their counterparts in local private industry. Among the serious consequences of this deviation from local prevailing rate practice, and from the Congressional policy as stated in Subchapter IV of Title 5 are these:

- (1) Rather than following industrial rate practices in the areas in which the provision applies, the Federal Government leads industry by paying more for work of a comparable level of difficulty, and competes unfairly with them for the available labor supply. This is a situation which pay comparability was intended to avoid.

- (2) The deviation from the basic policy is inflationary. As a result of the unfair competitive position which Federal agencies are in as a result of paying rates higher than the level or rates prevailing in the wage area, private industry is subjected to pressures to increase their pay rates. With private industry granting these raises, subsequent Federal wage surveys necessitate a further increase in wage rates, followed predictably by another increase in the private sector, ad infinitum. Therefore, this provision of Title 5 serves to accelerate the double digit inflationary spiral and Federal agencies are compelled by law to contribute to it.

- (3) The Department of Defense is unable to compete with local contractors for many services. As a result, major sections of base support and mission functions are

contracted out. For example, custodial service contractors at a major activity in Texas are permitted to pay a flat rate of \$2.31 per hour for custodial workers. The comparable rate on the activity schedule which is impacted by data imported from outside the area is \$3.25 an hour.

Repeal of this section of Title 5 will serve to restore the prevailing rate concept by eliminating a legal requirement which has caused deviation from this concept. This change would result in an estimated savings to the Department of Defense of approximately \$53,000,000 annually. It will not create problems in recruitment and retention which cannot be eliminated under the Federal Wage System. The Civil Service Commission can authorize lead agencies to establish special rates or rate ranges for specialized occupations critical to mission accomplishment when serious recruitment problems are encountered and scheduled rates are inadequate. If, in the local area, there is an inadequate industrial base for establishing rates for specialized occupations, the lead agency, with the prior approval of the Civil Service Commission, may set pay for each specialized occupation in consideration of the average rates paid in the nearest labor market where a supply of needed skills exists and in which the Federal activity must compete with private establishments for the specialized skilled labor in order to satisfy essential operational requirements.

d. Current prevailing rate legislation should be amended to make possible the expansion of the data base for Federal Wage System wage surveys by permitting, but not requiring, inclusion of State and Local Government data in survey samples. Such inclusions should be limited to those areas where there is insufficient private employment in the area to establish a wage schedule or a high concentration of State or Local Government employment exerts a major influence on the level of rates in the area. The existing provisions of PL 92-392 which limit the data base for nonappropriated fund surveys to retail, wholesale, service, and recreational establishments should not be changed since Local and State Government rates have no validity in an assessment of locality practices for crafts and trades occupations associated with the retail, wholesale, service, and recreation operations.

Although not specifically contained in the report, PL 92-392 also should be amended to allow two consecutive wage change surveys to be conducted. Under the Law, consecutive full scale surveys are permissible. Some \$5,000,000, annually, are expended to conduct full scale surveys. Not only is the amendment viewed as a fiscal necessity at this time but it is also operationally practical to reduce the effects of sample change upon new wage schedules. This also would be consistent with BLS practices.

### Part II

The draft report lists eight recommendations for changing existing policies which seem inconsistent with the prevailing rate concept. Of the eight, the Department of Defense concurs in the following six:

a. The recommendation for a periodic and continuing reassessment and adjustment of wage and survey area boundaries.

b. The recommendation to survey areas of application before going outside the area under the Monroney Amendment. (In this respect, the Department's first position is to repeal the Monroney Amendment.)

c. The recommendation to improve the quality of data collection by establishing a permanent group of carefully selected and thoroughly trained management data collectors which would be supplemented, as necessary, by ad hoc management data collectors.

d. The recommendation to explore with labor representatives ways of upgrading the skills of labor representatives on data collection teams.

e. The recommendation to establish a program for revisiting selected establishments in the wage survey review process so as to allow reviewers to independently test and verify the collected wage survey data at its source.

f. The recommendation for a periodic and continuing program of field testing wage survey job descriptions.

Of the above six recommendations for improving the quality of surveys, the single recommendation which this Department believes would contribute the most toward that objective is that of establishing a permanent force of carefully selected and thoroughly trained full-time management data collectors. It is suggested, therefore, that even further emphasis be given in your final report to this recommendation.

Your report contains three recommendations on broadening the survey universe. Concerning these recommendations, the Department of Defense agrees that the universe should be sufficiently broad to provide an adequate measurement of the level and trend of wages paid by those establishments whose operations and conditions of employment are similar to those of the overall operations of the government entities whose employees are covered by the Federal Wage System.

In view of the excessive costs of the system, and the shortage of staff available for its administration, however, this Department believes efforts should be directed toward reducing wage survey work loads rather than toward broadening the universe except in those instances where the present restrictions have created serious inadequacies. With specific reference to the recommendations in the draft report on broadening the industry coverage, our position is:

a. The universe should not include construction companies. Their operations and conditions of employment--seasonality, lack of fringe benefits, duration of contract employment--are dissimilar to those of the Federal Government. This view is reinforced by the December 1974 report, titled "Economic Indicators," prepared for the Joint Economic Committee by the Council of Economic Advisers which shows that the average weekly hours worked in the construction industry, beginning with the year 1965, the first reported, are less than the hours worked in manufacturing industries. Weekly earnings in the construction industry fluctuate severely as a consequence of seasonal factors while hourly rates reflect a sharp steady rise to levels well beyond those paid in industries which provide more stable employment circumstances. These same relationships were evident

in earlier studies made by DoD components. Based on hours of work alone, conditions of employment differ between the construction industry and the Federal Government. Therefore, construction companies are not a valid source of data and their inclusion would add substantial unwarranted costs to the Federal Government payroll.

b. The universe for regular surveys should not include printing establishments. Printing establishments in the private sector are usually small specialized establishments. In the Federal sector, printing operations are performed primarily in support of the major mission of an activity. Therefore, the operation differs and the industry should not be included. There are, however, some Federal activities which have as a major function or primary mission the printing and duplication of maps, charts, publications and other related documents. Where there is evidence that recruitment or retention would be seriously handicapped if regular schedule rates were used in these areas, the Federal Wage System permits establishment of special schedules and such schedules have been established. This provision should, of course, be continued. Although final decision has not been made on how printing positions will be treated under the system, we feel that there is no justification for including printing establishments in regular survey samples.

c. The universe for regular surveys should not include retail trade, finance, insurance or real estate. These industries are not comparable to the overall industrial activities of the Military Departments. Additionally, these types of industries do not employ large numbers of workers in occupations comparable to those covered by the Federal Wage System. To include the industries would, therefore, not be sufficiently productive to warrant the additional cost involved in the survey effort nor would it, because of the limited job matches found, increase survey reliability to any perceivable extent.

d. The universe for regular surveys should be expanded to include permissive use of selected portions of the service industry and miscellaneous manufacturing groups if there are counterparts in the Federal sector. For example, the sample should include commercial laundries if a significant number of Federal Wage System workers are engaged in laundry operations.

Concerning the recommendation on broadening the universe by decreasing establishment size, and in keeping with our earlier statement that our goals must be directed toward minimizing work load, this Department proposes instead a flexible establishment employment minimum. In small areas where the data base is limited, this Department concurs with your proposed recommendation that the criteria allow inclusion of establishments with less than 50 employees in the survey universe. We believe that your report also should include a recommendation that the criteria provide for increasing the minimum employment of manufacturing establishments surveyed to at least 100 in major metropolitan areas in order to eliminate collecting voluminous data which has little or no affect on the final survey results.

Concerning the recommendation for broadening the universe by adding survey key jobs, this Department agrees that predominant Federal jobs in each area should be surveyed provided counterparts can be found in the private sector in the types of establishments surveyed. We believe, however, that a basic set of key jobs must be surveyed in all areas, in order to have a common denominator among areas for measuring the level and trend of wages. Within the flexibility now existing, the Department of Defense recently adopted a policy of permitting inclusion of additional survey jobs when:

The number of Federal Wage System employees classified to the job in the wage area represents at least 2% of the total appropriated fund Federal Wage System population in the area, except-- when there are less than 500 Federal Wage System employees in the area, a minimum of 10 must be classified to the additional proposed job; or-- when there are more than 5,000, a minimum of 100 must be classified to the additional proposed job.

Adoption of the recommendation in the draft report would make inclusion of the added jobs mandatory, rather than permissive as is now the case. The Department of Defense has no objection to such a requirement provided the Commission's two requirements of "essentiality to the wage fixing process" and "significant" in local private establishments also are met.



**VETERANS ADMINISTRATION**  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420  
FEBRUARY 18 1975

Mr. Frank M. Mikus  
Assistant Director,  
Manpower and Welfare Division  
U.S. General Accounting Office  
Room 268, VA Central Office Building  
Washington, D.C. 20420

Dear Mr. Mikus:

We have reviewed your draft report entitled "Opportunities to Improve Pay Determination Process for Federal Blue-Collar Employees."

We agree with the report that Congress should reconsider existing legislative provisions for blue-collar employees which establish five step rates, stipulate uniform percentage shift differentials and permit the use of prevailing rate data of outside localities to set Federal pay rates.

Application of 5 USC 5343(d) -- the Monroney Amendment -- produces pay rates in many areas which substantially exceed local prevailing rates, in apparent conflict with legislative policy to maintain Federal pay in line with local private industry pay (5 USC 5341). Continued application of the Monroney Amendment will perpetuate increases in our payroll costs which we do not believe are justified. Although none of our wage system positions fall within the purview of the Amendment, it does increase rates in a number of areas and accrues to the agency an unfair recruitment advantage.

In the Veterans Administration, it is estimated that 80 percent of our wage system employees are currently above step two. Most of these employees are in step four and will move to step five in May 1975, thereby placing them 12 percent higher than the prevailing rate level established by locality surveys.

We agree in principle that differential pay based on cents per hour more accurately reflect private industry practices than those established on a uniform percentage basis. Our experiences indicate, however, that in many areas where these differentials were determined by the survey method, it was often difficult to find an accurate measure due to the lack of sufficient information or varied practices in private industry establishments.

Chapter 3 of the report points out a need to broaden survey coverage. Industries now surveyed under the Federal Wage System (FWS) are limited to those which through experience have produced qualitative and quantitative wage data. While there may be a need to expand the industry base to include state and local governments, permitted optionally prior to PL 92-392, we have reservations concerning the inclusion of industry classes such as construction, retail trade and services.

Our reservations stem from prior experience under the CFS where, for example, surveys of the real estate industry produced little or no useful wage data. Retail trade firms often do not have clearly defined duties among their jobs, thereby substantially reducing the probability of a significant job match yield. Many such establishments, moreover, are not comparable to those now surveyed or Federal government activities in terms of employment conditions and fringe benefit provisions.

The exclusion of establishments with less than 50 employees, presently a requirement under FWS procedures, could be made an optional provision. In small areas with a limited data base, the minimum size could be lowered to a level which would produce a greater yield of data upon which to establish wage rates. In larger areas, where a survey becomes almost unmanageable at times because of the substantial number of establishments surveyed, the minimum size could be raised. We do not believe that this flexible criteria would sacrifice the principle of prevailing rates.

We have always recognized the need to reassess wage and survey area boundaries and have made changes based on these assessments. In one case, we changed from a four-county survey area to two counties because the survey yielded virtually the same wage results. Conversely, in another case, an expansion of a two-county survey area to four counties was deemed necessary to provide more representative pay rates for the Federal wage population in the wage area. In a third case, a study to determine the need to combine a wage area with an adjacent locality indicated that a change was not warranted. Thus, it was continued as a separate area for wage survey and pay fixing purposes.

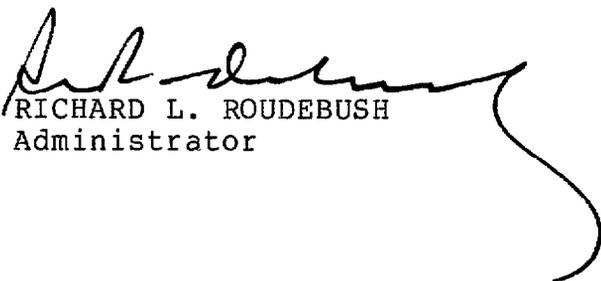
We agree that the predominant Federal jobs in each wage area which have comparable private industry jobs should be surveyed in addition to the required jobs. We have added survey jobs on a limited basis in the past where we have found significant employment in both the Federal and private sectors for certain jobs.

Through our experience with full scale surveys, we recognize the need for improvement in the data collection process. We have attempted with some success to improve the quality of surveys by providing more thorough training for data collectors. Greater emphasis is being placed on job matching techniques, including the need to intensify probing in the matching process for matches which may have been overlooked in previous surveys.

Additionally, it is believed that a guide, now being developed by Civil Service Commission, when used in combination with improved training sessions, will significantly enhance the quality of data collected in wage surveys. Notwithstanding these efforts, we agree that the most reliable approach probably would be the use of full-time professional data collectors. However, consideration should be given to the administrative costs involved before adopting such an approach.

Thank you for the opportunity to review this draft. If you have any questions concerning our comments my staff will be available.

Sincerely,



RICHARD L. ROUDEBUSH  
Administrator

PRINCIPAL OFFICIALS  
RESPONSIBLE FOR ADMINISTERING ACTIVITIES  
DISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>		
SECRETARY OF DEFENSE:		
Dr. James R. Schlesinger	July 1973	Present
Elliott L. Richardson	Jan. 1973	July 1973
Melvin R. Laird	Jan. 1969	Jan. 1973

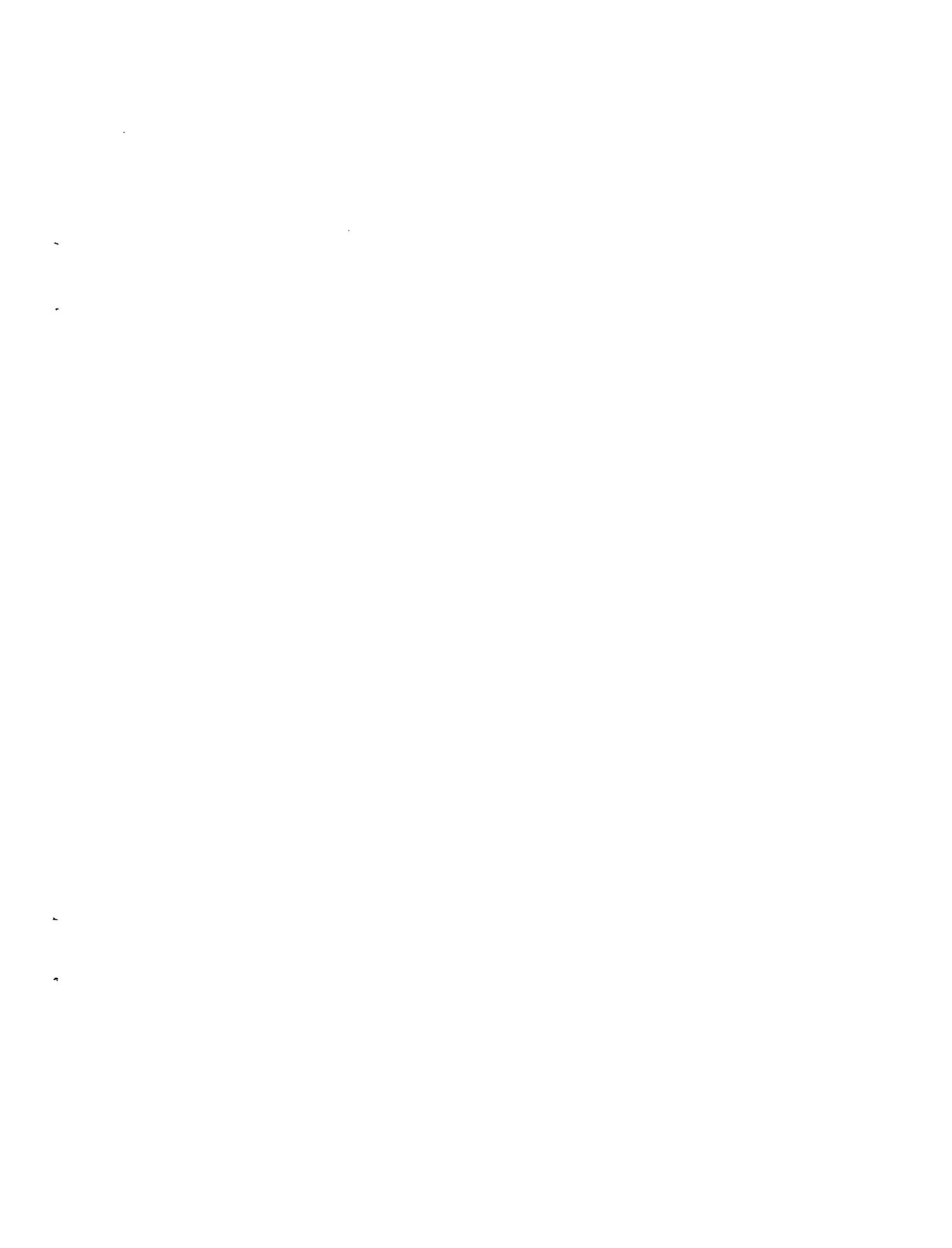
ASSISTANT SECRETARY OF DEFENSE (Manpower and Reserve Affairs):		
William K. Brehm	Sept. 1973	Present
Carl W. Clewlow (acting)	June 1973	Sept. 1973
Roger T. Kelly	Mar. 1969	May 1973

CIVIL SERVICE COMMISSION

CHAIRMAN:		
Robert E. Hampton	Jan. 1969	Present

VETERANS ADMINISTRATION

ADMINISTRATOR:		
Richard L. Roudebush	Oct. 1974	Present
Donald E. Johnson	June 1969	Sept. 1974





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