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BY THE COMPTROLLER GENERAL  
 Report To The Chair, Subcommittee  
 On Compensation And Employee Benefits,  
 Committee On Post Office And Civil Service  
 House Of Representatives  
 OF THE UNITED STATES

**Federal Pay-Setting Surveys  
 Could Be Performed More Efficiently**

The Government spends a great deal of time and money surveying the private sector for wage and salary information to set Federal blue- and white-collar pay. Some of these surveys duplicate other wage surveys and inconvenience and burden the private sector. Combining the Federal Wage System locality wage surveys with the Bureau of Labor Statistics' area wage surveys and conducting the white-collar comparability survey less than annually would reduce the burden on the private sector and make the most of Government resources.



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

B-203154

The Honorable Mary Rose Oakar  
Chair, Subcommittee on Compensation  
and Employee Benefits  
Committee on Post Office and  
Civil Service  
House of Representatives

Dear Madam Chair:

This report is in response to the Subcommittee's request of May 27, 1980, to review certain aspects of Federal wage and salary surveys and to identify more efficient alternatives. The report makes three recommendations to the Congress which would eliminate duplication of wage survey effort, reduce private sector respondent burden, and maximize the use of Government resources.

We are sending copies of this report to the Secretaries of Defense and Labor; Acting Administrators of the National Aeronautics and Space Administration and Veterans Affairs; and Directors, Office of Management and Budget and Office of Personnel Management. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution until 7 days from the date of this report. At that time, we will send copies to interested parties and to others upon request.

Sincerely yours,

A handwritten signature in black ink that reads "Milton J. Aroslan".

Acting Comptroller General  
of the United States



D I G E S T

The Federal Government spends a great deal of time and money surveying the non-Federal sector for wage and salary information. Some of this effort is repetitious and unnecessary. Of the many surveys done each year, GAO identified three that could be combined with other surveys, could be done less frequently, or could be replaced with other satisfactory information:

- The Federal Wage System Appropriated Fund Survey.
- The Federal Wage System Nonappropriated Fund Survey.
- The Bureau of Labor Statistics (BLS) Professional, Administrative, Technical and Clerical Survey.

The Government uses these three major surveys to set Federal wages and salaries for blue-collar and white-collar employees. (See app. II.)

To set local wages for 455,000 blue-collar appropriated fund employees, the Government surveys wages in 135 areas of the country annually. This survey is done by the Department of Defense, Veterans Administration, and National Aeronautics and Space Administration and in many respects is identical to BLS area wage surveys. Not only does this survey overlap BLS surveys but these agencies must often take employees away from their regular jobs to do them. In 1978 and 1979, over 45,000 staff-days were lost because of this. (See pp. 4, 5, and 7 to 10.)

Defense's survey to set wages for blue-collar employees who work in nonappropriated fund activities is also similar to BLS surveys. Occupational and industry coverage is somewhat different, but the overall similarity to BLS surveys warrants consolidation or the use of indices to set pay rates. (See pp. 5 and 6.)

BLS' annual survey to set Federal white-collar pay costs \$2.3 million a year. It is used to determine comparability--that is, to compare the current salaries of private sector jobs with salaries of comparable Federal jobs. The survey is largely an unproductive effort since Presidents have seldom used its results and have instead recommended reducing or delaying comparability increases for budgetary or economic reasons in 8 of the last 11 years. The Congress has generally gone along with the President's recommendations. In view of this, GAO believes the white-collar survey can be done less often. (See pp. 15 to 17.)

BLS is developing an Employment Cost Index which appears to be an accurate quarterly indicator of changes in non-Federal pay and benefits. The index could be used to adjust Federal white-collar pay in years between full-scale salary surveys. The index covers a broader spectrum of the private work force and is more timely than the current surveys. Therefore, the time between the end of the surveys and the effective date of the new rates could be reduced. (See pp. 17 to 19.)

#### RECOMMENDATIONS TO THE CONGRESS

In view of the duplication between blue-collar wage surveys, the need to reduce the burden on survey respondents, and the need to maximize the use of Government resources, GAO recommends that the Congress

- amend the Prevailing Rate Systems Act of 1972 making the BLS responsible for conducting the blue-collar appropriated fund surveys as part of its area wage survey program;
- direct the Office of Personnel Management, in coordination with the Department of Defense, to study the feasibility of (1) having BLS do the nonappropriated fund wage surveys or (2) linking or indexing nonappropriated fund wages to the appropriated fund pay system; and
- amend the Federal Pay Comparability Act of 1970 to eliminate the requirement to conduct the

comparability survey each year and to provide for interim year pay adjustments by using BLS' Employment Cost Index.

#### AGENCY COMMENTS

The Office of Management and Budget and National Aeronautics and Space Administration generally concur with GAO's recommendations. The Department of Defense, the Veterans Administration, and the Office of Personnel Management agree with the intent of the recommendations to eliminate duplication and to reduce the burden on the private sector. But they are concerned that consolidating the surveys under BLS would deny them access to wage information on individual companies. GAO believes that, as long as these agencies set the specifications for doing wage surveys, they do not need wage information on individual companies. The white-collar pay adjustments are made without this information.

The Office of Personnel Management does not support our recommendation to do the white-collar survey less than annually, with interim-year pay adjustments based on a statistical indicator (Employment Cost Index). One of the reasons it gave was that the annual survey is needed to make varying adjustments by grade level. However, over the last 11 years pay adjustments have varied by grade level only three times, even though the annual surveys usually showed variations in comparability by grade level. Also, in 4 of the last 6 years, Presidents have used an alternative plan to provide less than full pay comparability.

Defense stated that the appropriateness of an economic indicator for adjusting military pay raises would have to be established before it would support a triennial white-collar comparability survey. GAO believes that the Employment Cost Index, with its broader occupational coverage that includes both white- and blue-collar jobs, would be more reflective of overall private sector wage changes than the annual current white-collar survey.





# C o n t e n t s

		<u>Page</u>
DIGEST		i
CHAPTER		
1	INTRODUCTION	1
	Surveys for Federal pay-setting	1
	Other surveys	1
	Objective, scope, and methodology	2
2	AREA WAGE SURVEYS AND FWS SURVEYS SHOULD BE CONSOLIDATED	4
	FWS appropriated fund survey	4
	FWS nonappropriated fund surveys	5
	AWS program	6
	Duplication between AWS and FWS appropriated fund survey areas	7
	Duplication of industrial coverage	7
	Duplication of occupational coverage	9
	Consolidating data collection could reduce the burden on establishments	10
	Conclusions	13
	Recommendations to the Congress	13
	Agency comments	14
3	IS AN ANNUAL FULL-SCALE WHITE-COLLAR COMPARABILITY SURVEY NECESSARY?	15
	White-collar pay comparability process	15
	The annual PATCO comparability survey results are not being used	15
	Annual survey is not needed	16
	Potential alternative to the annual comparability survey	17
	Conclusions	19
	Recommendation to the Congress	19
	Agency comments	19
APPENDIX		
I	Letter dated May 27, 1980, from the Chair, Subcommittee on Compensation and Employee Benefits	22
II	Wage and Salary Surveys Conducted By or For the Federal Government	23
III	Letter dated May 15, 1981, from the Office of Management and Budget	26

## APPENDIX

Page

IV	Letter dated May 15, 1981, from the Department of Labor	27
V	Letter dated April 30, 1981, from the National Aeronautics and Space Administration	30
VI	Letter dated April 28, 1981, from the Office of the Administrator of Veterans Affairs	32
VII	Letter dated May 5, 1981, from the Department of Defense	37
VIII	Letter dated May 15, 1981, from the Office of Personnel Management	43

ABBREVIATIONS

AWS	Area Wage Survey
BLS	Bureau of Labor Statistics
DOD	Department of Defense
ECI	Employment Cost Index
FWS	Federal Wage System
GAO	General Accounting Office
NASA	National Aeronautics and Space Administration
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PATC	Professional, Administrative, Technical and Clerical
VA	Veterans Administration

## CHAPTER 1

### INTRODUCTION

At the request of the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, we reviewed Federal wage and salary surveys to (1) determine whether they duplicated other Government wage surveys and (2) identify more efficient alternatives for getting information. The Subcommittee was concerned that numerous Federal surveys may not be necessary and that they had so alienated private sector companies that many companies were refusing to participate. (See app. I.) Three major surveys are used for setting Federal pay: (1) the Federal Wage System (FWS) Appropriated Fund Survey, (2) the FWS Nonappropriated Fund Survey, and (3) the Bureau of Labor Statistics' (BLS) Professional, Administrative, Technical and Clerical (PATC) survey. Eleven other surveys are used for a variety of purposes. (See app. II.)

### SURVEYS FOR FEDERAL PAY-SETTING

Under the FWS, two surveys are used to set local wages for Federal blue-collar employees--one for appropriated fund employees and the other for employees paid from nonappropriated fund activities. <sup>1/</sup> The Department of Defense (DOD), the Veterans Administration (VA), and National Aeronautics and Space Administration (NASA), conduct these surveys. The Department of Labor, through BLS, conducts the third major pay-setting survey--the PATC survey. It is done nationally to compare the rates of pay of the General Schedule white-collar pay system with the rates of pay for like occupations in the private sector. This information is provided to the President for his use in determining pay adjustments.

### OTHER SURVEYS

BLS conducts 6 of the remaining 11 surveys in its role as the Government's primary labor statistics agent. BLS collects wage data on a wide variety of nonfarm occupations through its area wage surveys, Service Contract Act surveys, industry and union wage surveys, municipal government wage surveys, and Employment Cost Index. The information BLS publishes is used

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<sup>1/</sup>These are activities, such as post exchanges, that support morale, welfare, and recreational activities for military and other Government personnel; they are largely self-supporting. Both appropriated fund and nonappropriated fund employees include blue-collar workers in skilled and unskilled trade, craft, and laboring jobs.

for various purposes, including wage and salary administration in public and private employment, union contract negotiations, occupational counseling, and general economic analysis.

The five other wage and salary surveys are conducted by other Federal agencies. These surveys are performed for specific agency needs and generally cover limited occupations, industries, and areas.

#### OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of this review were to identify the number of wage and salary surveys conducted by the Federal Government, determine the duplication involved, and identify alternative methods for getting information. The review covered the period August 10, 1980, to January 10, 1981.

To determine the number of wage and salary surveys conducted by or for the Federal Government and the extent of duplication involved, we reviewed the Office of Management and Budget's (OMB's) paperwork document files. <sup>1</sup>/ We interviewed officials in the Office of Personnel Management (OPM), OMB, BLS, DOD, VA, and NASA to discuss survey coverage, potential overlap of information, and coordination of surveys. We determined from these discussions and from our preliminary evaluation of survey characteristics that the problem of duplication existed mainly between the FWS appropriated fund surveys conducted by DOD, VA, and NASA; DOD's non-appropriated fund survey, and the area wage surveys conducted by BLS. We agreed with the Subcommittee that we would focus our work on these particular surveys and explore the possibility of consolidating them.

For these surveys, we analyzed and compared the occupational coverage and survey scopes (i.e., industries, establishment sizes, and areas covered). OPM and BLS classification specialists assisted us in this analysis. BLS assisted us in comparing the duplication of survey coverage. We also contacted several companies that participated in Federal wage surveys to get their views.

As agreed with the Subcommittee, we also evaluated the need for conducting the white-collar comparability survey each year and the appropriateness of the BLS Employment Cost Index (ECI) as an alternative for adjusting Federal white-collar pay. We discussed this issue with OPM, OMB, and BLS officials and analyzed several reports that addressed white-collar pay comparability.

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<sup>1</sup>/OMB maintains the paperwork document file to meet its responsibilities under the Paperwork Reduction Act of 1980. Its responsibility includes approving all Federal information collection documents to reduce duplication and minimize the burden on respondents.

We compared the PATC geographic, occupational, and industrial coverage to the ECI scope and analyzed the results of both surveys over the past 4 years.

## CHAPTER 2

### AREA WAGE SURVEYS AND FWS

#### SURVEYS SHOULD BE CONSOLIDATED

The FWS appropriated fund surveys conducted by DOD, VA, and NASA to adjust the pay rates of blue-collar workers substantially overlap BLS area wage surveys (AWS) in about 60 geographic areas. They both cover the same industries and collect data on 20 of the same blue-collar occupations. These surveys cost at least \$7 million to perform. Consolidating them under BLS would result in more efficient use of Government resources and would reduce the inconvenience and burden on private sector employers.

DOD's nonappropriated fund surveys and the FWS's appropriated fund surveys have some similarities. They cover some of the same occupations and industries within the same local wage areas and use the same job grading system.

#### FWS APPROPRIATED FUND SURVEY

The Congress established the FWS in 1972 (5 U.S.C. 5341 et. seq.) so that Federal blue-collar wages could be adjusted each year to keep them comparable with local prevailing rates. Private industry wages are surveyed annually in 135 geographic areas. This survey is used to set local wages for about 455,000 Federal blue-collar employees who earn about \$7.2 billion annually.

OPM prescribes the policies and procedures for conducting the surveys. BLS, in accordance with these policies, prepares lists of private employers to be surveyed, and, generally, the agency having the most blue-collar workers in the area (known as "the lead agency") conducts the surveys and establishes the area's wage schedule. Since DOD has most of the Government's blue-collar employees, it conducts 112 of the 135 surveys. VA conducts 22 surveys and NASA conducts 1.

DOD's Wage Fixing Authority is responsible for the Department's FWS surveys. The Wage Fixing Authority has 32 professional data collectors to help local areas collect data and a technical staff to analyze survey results. The professional data collectors receive intensive classroom training as well as on-the-job training. VA and NASA supervise the surveys from their personnel departments. They have technical staffs but do not use professional data collectors.

The agencies conduct wage surveys at different times in each of the 135 areas over a 2-year period, as required by law. In 1 year, two-member teams visit private establishments (referred to as full-scale surveys), and in the following year, the teams use telephone surveys (also referred to as wage change surveys) to

update wage rates for those occupations and establishments included in the previous full-scale survey. The Administration proposes to change the 2-year cycle to 3 years under the Federal Pay Comparability Reform Act of 1981 (S. 838 and H.R. 3140).

All data collectors are Federal employees. Each data collection team consists of one labor representative and one agency representative. The agency representative may be an employee in the local area selected to represent management or a full-time, professional data collector from DOD's Wage Fixing Authority. Labor and local agency data collectors are taken from their regular Federal jobs for about 2-1/2 weeks. During this period, they receive 2 or 3 days of classroom training and spend their remaining time collecting data. For example, DOD's 1979 full-scale FWS survey in Philadelphia used 20 teams over a 3-week period. The teams included 20 labor members, 8 locally selected agency representatives, and 12 professional data collectors.

In fiscal years 1979 and 1980, about 3,270 labor and agency employees were taken from their regular jobs for approximately 44,525 days for full-scale surveys. This cost the agencies over \$2 million and does not include the time and money spent on wage change surveys during the 2-year period.

After the data is collected, agency wage specialists analyze the results and compute new wage rates. Agency wage committees, consisting of labor and agency management members, review the data and recommend final wage schedules.

#### FWS NONAPPROPRIATED FUND SURVEYS

DOD also conducts a survey in 142 areas to set wages for about 170,000 full- and part-time, blue-collar employees who work for nonappropriated fund activities. DOD estimates that these surveys cost about \$1 million annually, but it does not have an accounting system for tracking these costs. This survey has some similarities to the appropriated fund survey. Both surveys include the wholesale trade industries and 10 of the same occupations. Furthermore, the 142 nonappropriated fund survey areas generally fall within the 135 appropriated fund survey areas.

DOD's Wage Fixing Authority administers both appropriated and nonappropriated wage systems in the same manner. For example, two-member teams, one of which must be a labor member, collect data for nonappropriated fund surveys. Moreover, DOD follows the same procedures for reviewing, analyzing, and publishing wage data for both types of surveys.

Besides similarities in the way the surveys are administered, nonappropriated and appropriated fund blue-collar employees have the same type of pay schedules. For example, the nonappropriated pay schedules have the same number of wage grades (15) and within-grade steps (5) as appropriated fund pay schedules.

#### AWS PROGRAM

The AWS program, which costs about \$2.6 million, covers 70 standard metropolitan statistical areas throughout the country. As a supplement to its AWS program, BLS conducts 240 limited wage surveys in selected areas to provide wage data for administering the Federal Service Contract Act of 1965, as amended (41 U.S.C. 351, et seq.). These limited surveys are used to determine the minimum wages for employees performing Government contract services. The program consists of 115 cross-industry-type surveys and about 125 specific industry surveys.

The BLS basic AWS program provides locality data showing

- averages and distributions of straight-time earnings for selected clerical, professional, technical, and skilled maintenance; material movement; and custodial jobs;
- wage trends for five occupational groups; and
- scheduled workweeks, shift differentials, and the prevalence of supplementary benefits, such as annual paid holidays and vacations and health insurance and pension plans.

This information is used for administering wages and salaries in public and private employment; negotiating union contracts; and analyzing wage differentials among occupations, industries, and areas.

BLS field representatives visit each survey area once every 3 years. During the intervals, they collect information on employment and occupational earnings by a combination of personal visits, mail questionnaires, and telephone interviews with establishments that participated in the previous survey.

BLS field representatives have extensive experience in data collection. They are full-time collectors and spend most of their time conducting wage and salary surveys. Most field representatives have over 3 years' experience and visit hundreds of establishments each year.

Before new field representatives are permitted to collect AWS data on their own, they receive about a month of training. This includes classroom training and a programmed self-teaching course on job-matching techniques and collection procedures. After classroom training, new field representatives spend several



weeks observing and being observed by experienced data collectors during job-matching visits to private establishments. In addition to on-the-job training, all field representatives attend annual training seminars, usually lasting 1 week. BLS maintains the quality of data through a program of revisits to randomly check the work of field representatives and through a series of professional reviews before survey results are published.

#### DUPLICATION BETWEEN AWS AND FWS APPROPRIATED FUND SURVEY AREAS

In 32 of 135 FWS appropriated fund areas, FWS and AWS have identical geographic boundaries, while an additional 29 areas overlap. The remaining 74 areas overlap to some extent with BLS Service Contract Act surveys. This overlap occurs because Federal Government installations are major contractors for outside services and also employ blue-collar workers who are covered by local FWS surveys.

Because of area overlap, BLS officials told us that they schedule their AWS and Service Contract Act surveys to avoid coinciding with FWS surveys whenever feasible. BLS officials said that they recognize the burden on survey respondents and had established a committee to develop an employer history file for monitoring this problem. This file, they said, is not yet operational.

#### DUPLICATION OF INDUSTRIAL COVERAGE

AWS and FWS appropriated fund surveys both cover establishments in the manufacturing, transportation, communications, and wholesale trades industries. AWS covers additional industrial activities--retail trade; selected services; and finance, insurance, and real estate--which are not included in FWS surveys. The FWS lead agency, on the other hand, may add industries (for example, mining, forestry, or hospitals) not included in the AWS coverage when these industries employ large numbers of workers comparable to the Federal Government's local work force. Both AWS and FWS surveys cover establishments which employ 50 or more persons. But in 13 large standard metropolitan statistical areas, BLS does not contact manufacturing, transportation, utilities, and retail trade establishments which employ fewer than 100 workers.

BLS officials told us that, if various universe sources (lists of establishments from which survey respondents are drawn) relate to the same reference date, and the scope--industry, establishment size, and geographical coverage--of the surveys coincides, universes will overlap. Accordingly, this would make it probable for an establishment to be selected for both surveys. At our request, BLS compared establishment universe listings between AWS and FWS in five areas with identical geographical

boundaries and tabulated the results. The following table shows the percent of establishment overlap in these universe listings.

AWS and FWS Universe Overlap (Percent of Establishments)

	<u>50-99</u> <u>employees</u> <u>(note a)</u>	<u>100-249</u> <u>employees</u>	<u>250-499</u> <u>employees</u>	<u>500-999</u> <u>employees</u>	<u>1,000-2,499</u> <u>employees</u>	<u>2,500 &amp; more</u> <u>employees</u>	<u>Total</u>
------(percent)-----							
<b>Atlanta:</b>							
Overlap	40	48	44	52	50	69	44
AWS only	59	51	53	44	39	31	55
FWS only	1	1	3	4	11	-	1
<b>Chicago:</b>							
Overlap	20	53	60	55	53	50	41
AWS only	34	46	39	36	26	41	39
FWS only	46	1	1	9	21	9	20
<b>Denver:</b>							
Overlap	36	39	41	32	34	36	37
AWS only	64	60	53	60	34	14	61
FWS only	1	1	6	8	32	-	2
<b>Philadelphia:</b>							
Overlap	18	53	54	44	43	61	38
AWS only	30	46	42	36	35	30	38
FWS only	52	1	4	20	22	9	24
<b>San Diego:</b>							
Overlap	28	34	32	36	32	73	31
AWS only	72	64	60	51	56	27	67
FWS only	-	2	8	13	12	-	2

a/Number of employees in the establishment.

Note: Percentages computed by GAO on the basis of BLS tabulations.

In Atlanta, for example, 69 percent of the universe establishments with 2,500 employees or more overlapped between AWS and FWS. Therefore, it is highly probable that establishments in this group were being selected for both surveys. The table also shows that AWS covers the remaining 31 percent of Atlanta's establishments in this size class, while FWS has no exclusive coverage. The percent of establishments that are exclusive to FWS in Atlanta's overall universe and elsewhere is small because FWS may cover only a few industries in certain areas (for example, hospitals) which are not included in the AWS scope. On the other hand, the percent of establishments exclusive to AWS is large due to its broader industrial scope.

When the survey samples are drawn from the AWS and FWS universe listings, BLS officials said the probability is high that both surveys will contact many of the same establishments employing 2,500 or more employees. They also said that, for establishments in the smallest size category, the probability of an establishment being selected in both surveys is lower.

Currently, AWS and FWS overlap in only those industries covered by both surveys. However, during an CPM conference in 1980, VA presented alternatives to the existing FWS industrial coverage to make it more representative of the blue-collar work force. The alternatives included adding some retail trade and service industries which AWS already covers.

#### DUPLICATION OF OCCUPATIONAL COVERAGE

Twenty-two occupations must be surveyed for FWS appropriated fund activities. ELS surveys 20 of them in its AWS:

Janitor (light) (note a)	Machine tool operator II (note a)
Janitor (note a)	Machine tool operator I (note a)
Material handler	Carpenter
Packer	Electrician
Helper (trades)	Automotive mechanic
Warehouseman	Sheet metal mechanic
Forklift Operator	Pipefitter
Material handling equipment operator	Machinist
Truckdriver (medium)	Electronics mechanic
Truckdriver (heavy)	Toolmaker

a/Occupational descriptions for these jobs are combined under AWS.

The two required FWS occupations which are not surveyed under AWS are maintenance laborer and welder.

Twenty-nine other FWS occupations are surveyed on an optional basis when (1) employment in these occupations is substantial, both in the local Federal installations and local private establishments and (2) wage data for the optional jobs are considered essential to the wage-fixing process for the area.

We asked OPM and ELS classification specialists to compare the extent of similarities and differences between the AWS and FWS occupational descriptions. In OPM's analysis, 8 occupations were identical in work descriptions, while the other 12 were generally comparable, with only slight differences. BLS' analysis was essentially the same as OPM's. Both analyses showed that, unlike AWS, most FWS job descriptions are very specific.

A 1979 General Research Corporation report 1/ to DOD said that this specificity makes it difficult for survey teams to find comparable matches in many establishments. Establishments may have the occupations, but the job duties do not fit the more narrow definitions of the FWS occupations. As a result, the report said that usable private sector wage data is lost to the comparability process.

AWS job descriptions are designed to classify, into appropriate occupations, workers employed under a variety of payroll titles and different work arrangements from establishment to establishment and area to area. Being reflective of the private sector work force, the BLS descriptions may at times be more general than those of the FWS, more specific, or the same.

CONSOLIDATING DATA COLLECTION COULD  
REDUCE THE BURDEN ON ESTABLISHMENTS

FWS surveys require respondents to devote an average of 4 hours to supply wage information. The AWS averages 3 hours a participant. On the basis of total sample sizes, all full-scale appropriated fund surveys require about 64,000 hours of respondents' time, while all full-scale AWS surveys require about 35,000 hours. In the 32 areas where geographic boundaries are identical, FWS requires about 21,300 hours and AWS about 16,500 hours. The following table shows the burden for the five areas we examined for industrial overlap. (See pp. 7 to 9.)

<u>Survey area</u>	<u>Hours required by AWS</u>	<u>Hours required by FWS</u>	<u>Total</u>
Atlanta	570	768	1,338
Chicago	1,215	1,724	2,939
Denver	690	440	1,130
Philadelphia	930	1,620	2,550
San Diego	337	576	913

As the table indicates, the total required time for these five areas ranges from 913 hours to 2,939 hours. Some individual establishments in these areas would be subject to the combined times of both surveys because of industrial overlap. Where this occurs, they devote an average of 7 hours responding to both types

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1/"Study to Improve the Administrative Procedures of the Federal Wage System," General Research Corporation, Management Systems Division, August 1979; report prepared for DOD under contract.

of surveys. If a firm also participates in the nonappropriated fund survey, average time would increase to about 11 hours.

Because of limited resources and the burden of other Federal paperwork, some companies are selective and participate in only those surveys which are useful to them. During this review, one large corporation told us:

"Generally speaking, we feel that the Wage and Salary surveys conducted by the ELS have been beneficial to both government and industry. Our experience, over the years, with the BLS has been one of mutual cooperativeness and benefit. Their reports do not appear to have duplication of information. We follow the policy that such information should be collected through the BLS and therefore have followed the practice of not participating in similar surveys by other organizations such as the Department of Defense, Veterans Administration, Air Force, etc."

Besides the time problem, some companies are reluctant to participate in surveys which involve union data collectors. In 1979, we issued a report to the Congress on improvements needed in FWS ("Wages For Federal Blue-Collar Employees Are Being Determined According to the Law, But Improvements Are Needed," FPCD-80-12, Oct. 28, 1979). We discussed some of DOD's problems in getting private companies to participate in the FWS survey. One company did not want to participate in the survey because of union involvement in the gathering and reviewing of wage data. We also found other instances where FWS data collectors were experiencing the same problem. For example, one large company said:

"It was a new and different experience to us to provide confidential wage data to the President of the bargaining unit which \* \* \* will be the group most affected by the survey results.

"Such a cavalier attitude of asking businesses to provide an external bargaining unit officer with a company's specific wage data is unheard of in private sector surveys."

#### Factors to consider when consolidating the surveys

At the time FWS was being formulated, the Civil Service Commission (now OPM) submitted the Job Evaluation and Pay Review

Task Force report 1/ to the Congress stating that BLS should be the sole data collector for wages and salaries. When the Congress decided in 1972 that labor and agency management representatives would be required to collect data under the system, BLS opted not to participate because

- it felt that having three Federal Government employees visit an establishment to collect data would be criticized as a waste of Government resources,
- different interpretations by DOD management and labor representatives might hinder BLS data collectors in determining job matches, and
- its image of impartiality and its ability to insure confidentiality of wage data could be impaired by the presence of other Government employees.

BLS still maintains this position, and if it were responsible for collecting this data, it would exclude labor and agency management participation. Management and employee organizations would, however, still have the opportunity to analyze the data collected by BLS in aggregate form--which would not identify individual establishment data--and recommend wage schedule adjustments.

Other factors should be considered if the two wage surveys are consolidated. These include (1) the operational problems of transferring FWS data collection to BLS and (2) funding BLS efforts. Although BLS did not cost out the resource buildup required to convert FWS to AWS, it said the effort would not be as difficult as the planned expansion of the AWS program to accommodate the Federal employee compensation reform proposal 2/ on locality pay for white-collar employees. Under this proposal, BLS officials said they would need to add 80 new areas, several white-collar occupational categories (including professional and technical jobs), and 56 field representatives to the existing program. They also said that it would take 3 years to fully

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1/"Report of the Job Evaluation and Pay Review Task Force to the U.S. Civil Service Commission," issued January 12, 1972, which was provided to the Subcommittee on Employee Benefits of the House Committee on Post Office and Civil Service. The report was issued to satisfy Public Law 91-216 known as the Job Evaluation Policy Act of 1970.

2/Under the proposed Federal Employees Compensation Reform Act of 1979 (H.R. 4477 and S. 1340) General Schedule employee pay would be set on a locality basis. The current administration proposed a similar bill in March 1981--Federal Pay Comparability Reform Act of 1981 (S. 838 and H.R. 3140).

implement after 1 year of testing and developmental work. The developmental work would primarily be surveying professional and technical jobs at the local level, additional industries, and State and local governments.

If BLS assumes data collection for FWS, the Congress would have to decide how to fund BLS costs to do the surveys. The Congress could appropriate monies directly to BLS as it now does for PATC, or it could require DOD, NASA, and VA to reimburse BLS from their appropriations.

### CONCLUSIONS

There is a considerable amount of overlap between the AWS and FWS appropriated fund surveys in the industries contacted, the occupations surveyed, and the local areas where the surveys are conducted. This duplication results in Government inefficiency and also inconveniences and burdens the private sector firms participating in these surveys. This could be corrected if the locality FWS appropriated fund and AWS surveys were consolidated.

Because of BLS' recognized expertise, it could, with additional resources, be responsible for conducting both FWS and AWS surveys. Consolidating these surveys under BLS would (1) reduce total Government cost, (2) eliminate the duplication, (3) lessen the burden on private sector employers, and (4) prevent local union and agency representatives from being pulled from their jobs.

Even though nonappropriated fund surveys are different from AWS and appropriated fund surveys, the Congress should still consider having BLS do the nonappropriated fund surveys or linking or indexing the nonappropriated fund pay system to the FWS appropriated fund pay system. This would eliminate the need to do 142 separate annual nonappropriated fund surveys and would further reduce the burden on the private sector. The Government already uses a linkage system for establishing pay rates for the Foreign Service schedules and VA's Department of Medicine and Surgery schedules. In addition, the salaries of nonappropriated fund white-collar managers are linked directly to the appropriated fund General Schedule. Thus, no separate salary survey is required for these employees:

### RECOMMENDATIONS TO THE CONGRESS

In view of the duplication between FWS and AWS surveys, the need to reduce the burden on survey respondents and the need to maximize the use of Government resources, we recommend that the Congress:

- Amend the Prevailing Rate Systems Act of 1972 (5 U.S.C. 5341 et seq.) making BLS responsible for conducting FWS appropriated fund surveys as part of its AWS program.

--Direct OPM, in coordination with DOD, to study the feasibility of having BLS do the nonappropriated fund surveys or linking or indexing nonappropriated fund wages to the FWS appropriated fund pay system.

#### AGENCY COMMENTS

OMB and NASA generally agreed with our recommendations. The Department of Labor deferred comments on the relative benefits and costs of the recommendations to the affected agencies. DOD, VA, and OPM agreed that duplication existed between FWS and AWS wage surveys. But they were concerned that consolidating the surveys under BLS and using aggregate data would deny them access to wage information on individual establishments participating in the survey. Also, OPM and VA do not agree with our recommendation for linking or indexing nonappropriated fund wages to the FWS appropriated fund pay system because of the differences in industry, establishment, and job coverage between the two systems.

We disagree with DOD's, VA's, and OPM's contention that they cannot set blue-collar pay unless they have access to wage data from individual establishments. The use of aggregate data--without identifying individual establishment--is used in the white-collar pay process. Also, the private sector frequently uses BLS aggregate data for wage negotiations and pay determinations. In regard to OPM's and VA's concern about linking or indexing nonappropriated fund pay to the FWS appropriated fund pay system, we recognize the differences between the two systems. However, we do not believe these differences preclude the establishment of an acceptable linkage or index system. Also, the Government already uses a linkage system for establishing pay rates for the Foreign Service and the Department of Medicine and Surgery, and we believe a similar system could be constructed for nonappropriated fund employees. Another option to be considered is having BLS conduct the nonappropriated fund survey. (We address additional agency comments in appendixes VI and VII.)



### CHAPTER 3

#### IS AN ANNUAL FULL-SCALE WHITE-COLLAR

#### COMPARABILITY SURVEY NECESSARY?

The Congress established the comparability system so that Federal white-collar pay would be comparable with private enterprise pay for the same levels of work. While the Federal Pay Comparability Act of 1970 (5 U.S.C. 5305) requires that Federal pay be adjusted on the basis of annual BLS surveys, several study groups have recommended that such surveys be conducted less frequently. Also, continuous departures from the recommended annual comparability adjustments that are based on the survey's findings support the argument for less frequent surveys.

Conducting a full-scale white-collar comparability survey every third year with interim adjustments based on a statistical indicator would reduce the cost of Government surveys. It would also lessen the burden on private sector employers who supply pay and benefit data to BLS.

#### WHITE-COLLAR PAY COMPARABILITY PROCESS

The Federal Government employs about 1.4 million white-collar employees with an annual payroll of about \$38.2 billion. Under the Federal white-collar pay-setting process, BLS conducts the Nation-wide PATC survey at an estimated annual cost of \$2.3 million. BLS collects the survey data from January to May of each year and sends the results to the President's Pay Agent by July 1. The survey carries an average payroll reference month of March.

The Pay Agent, consisting of the Directors of OMB and OPM and the Secretary of Labor, translates PATC survey results into recommendations to the President for adjusting Federal pay. The Pay Agent also sets the criteria for the survey, such as industries, establishment size, and occupations to be surveyed.

On the basis of Pay Agent criteria, BLS currently collects salary data for 102 work-level categories covering 23 occupations. BLS field representatives visit about 3,500 private establishments in 7 industry divisions. The minimum size of establishments surveyed varies from 50 to 250 employees, depending on the industry.

#### THE ANNUAL PATC COMPARABILITY SURVEY RESULTS ARE NOT BEING USED

The Congress established the comparability principle to assure that Federal employees' pay was comparable with their counterparts in the private sector. The objective of the system was to provide Federal employees with regular and systematic pay

adjustments based on BLS' annual PATC survey. In 8 of the last 11 years, however, Presidents have attempted to reduce or delay comparability adjustments, and the Congress has accepted these alternative plans on six occasions. In 4 of the last 6 years, Federal employees have not received full comparability increases. These imposed pay caps have saved the Government at least \$7 billion in payroll costs.

Another departure from the comparability principle is the practice of granting equal across-the-board percentage increases to Federal employees. The law requires that comparability be based on levels of work, but only three adjustments in the past 11 years have varied by grade. This has resulted in some Federal employees being underpaid and others overpaid in comparison with their private sector counterparts. For example, the private sector pay raises for work equivalent to the upper grades in the General Schedule have for some time been higher than what Federal employees at those grades have received. On the basis of results from the PATC survey, the GS-15 grade level required a rate increase of 20.91 percent in fiscal year 1981 to achieve comparability with the private sector--more than twice the 9.1 percent granted across the board.

#### ANNUAL SURVEY IS NOT NEEDED

Two studies of the pay comparability system have questioned the need to conduct an annual full-scale comparability survey. A December 1975 report by the President's Panel on Federal Compensation (Rockefeller report) recommended that

"\* \* \* consideration be given to conducting major Federal pay surveys less frequently than once a year (for example, every three years), with interim scheduled adjustments based on an appropriate statistical indicator."

Although the report did not identify a statistical indicator, it stated that this approach could reduce annual survey costs, produce more timely results (presumably if a quarterly indicator were used), lessen the burden on the private sector employers who provide salary information, and create better understanding and acceptance of pay comparability by private citizens and Federal employees.

In a June 1979 report, <sup>1/</sup> the Advisory Committee on Federal Pay recommended that if across-the-board pay increases for different grade levels continue then:

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<sup>1/</sup>"Eight Years of Federal White-Collar Pay Comparability," by the Advisory Committee on Federal Pay, June 29, 1979.

"\* \* \* the system \* \* \* be amended to require full scale BLS surveys only every second or third year and to provide for interim adjustments by use of a BLS index of the average change in white-collar pay."

The President's 1979 Federal Employees Compensation Reform legislation (H.R. 4477 and S. 1340) would have eliminated any reference to annual surveys. According to the former Director of OPM, the proposed legislation would permit less frequent surveys which he said "will reduce the cost of surveys to the Government and lessen the burden on non-Federal employers who supply pay and benefit data." The proposed Federal Pay Comparability Reform Act of 1981 calls for an annual PATC survey.

#### POTENTIAL ALTERNATIVE TO THE ANNUAL COMPARABILITY SURVEY

One potential means to update a periodic white-collar comparability pay survey is the Employment Cost Index (ECI). ECI is a quarterly measure of the change in the rate of private sector employee compensation and has two major components: (1) wage and salary rates and (2) employee benefit costs. Measures of wage change have been published since December 1975 and measures of total compensation change since March 1980. Changes in benefit costs are not published separately.

BLS publishes ECI results quarterly and provides a table showing the percentage wage and salary changes for workers by broad occupational categories (white-collar and blue-collar), industry (manufacturing and nonmanufacturing), regions (north-east, south, north central, and west), bargaining status (union and nonunion), and area (metropolitan and other). The ECI white-collar occupational categories are (1) professional and technical workers, (2) managers and administrators, (3) sales workers, and (4) clerical workers.

OMB recently designated the ECI as a "Principal Federal Economic Indicator" although it is still in the developmental stages. (The reliability of statistical design must still be determined.) Under the current ECI design, BLS surveys about 2,000 establishments representing 62 industry groups, and 10,000 occupations representing 417 occupational categories. ECI covers about 73 million workers in the private nonfarm economy. The universe will be expanded to cover 12 million State and local government employees in 1981.

While ECI has a much broader scope than PATC, a comparison of the March results of the two surveys for the past several years does not show major differences in measuring the rate of change in white-collar salaries in the private sector.

WHITE-COLLAR  
(percentages)

<u>Year</u>	<u>ECI</u>	<u>PATC</u>
1976 to 1977	6.2	6.9
1977 to 1978	7.1	7.9
1978 to 1979	7.3	7.8
1979 to 1980	<u>9.2</u>	<u>9.1</u>
Total cumulative increase	33.27	35.66

Overall, ECI was about 2 percent lower than PATC over the 4-year period. This may be due to ECI's broader coverage, including more industries, more occupational categories, and smaller establishments.

The limited scope of the present comparability process, as well as the time required to complete the procedures, have led to several criticisms:

- Benefits are not considered in determining comparability even though they are a large part of Federal and private sector compensation.
- State and local governments are excluded from the annual PATC survey although they are major employees in the non-Federal sector.
- The industrial scope and the number of occupations surveyed in the private sector is too limited.
- The 6-month timelag between the October pay raise and the March survey results is too long.

ECI, which could be used only as an update for the comparability adjustments, could address these criticisms. It covers a broader spectrum of the private sector work force and soon will include State and local governments; it measures both wages and benefit cost changes nationally; and it could cut the 6-month timelag of the comparability process to 3 months by using the results for the second quarter (March-June) which are published during the last week in August.

We asked BLS officials what factors would have to be resolved before ECI could be considered as a statistical tool for adjusting Federal pay. They stated:

"The reliability of wage/compensation change in the ECI would have to be examined to determine whether the measures were acceptable to Federal

pay policymakers. (The PATC survey for example, is conducted with prescribed reliability bounds.) The ECI change measures are now being analyzed to determine sampling error and variances. This work will eventually produce measures of reliability, and may dictate modification of sample designs and/or sample size.

"The ECI coverage (industries, occupations, and establishment employment size) differs substantially from coverage in the PATC \* \* \* surveys. If these differences were unacceptable to Federal pay policymakers, the ECI would have to be redesigned to produce estimates compatible with PATC \* \* \* survey coverage, while continuing to \* \* \* [serve] its principal purpose."

In summary, BLS states that the reliability of ECI's design must be determined and that the pay policymakers must decide if its broader scope is acceptable for adjusting General Schedule pay.

#### CONCLUSIONS

Major study groups have recommended doing less frequent surveys, and the pay reform legislation proposed in 1979 would have eliminated the requirement for an annual survey. In addition, frequent departures from the results of the survey support the argument for less frequent surveys. This would also reduce Government costs and the burden on the private sector in supplying survey information.

We believe it is not necessary to do a full-scale comparability survey annually. ECI appears to be a viable update measure for the Pay Agent to use for its recommendation to the President for adjusting Federal pay. If the Pay Agent used ECI to recommend Federal pay adjustments to the President, the comparability process could still operate as the law intended, except that the actual comparability survey would be done less frequently--every 3 years.

#### RECOMMENDATION TO THE CONGRESS

We recommend that the Congress amend the Federal Pay Comparability Act of 1970 (5 U.S.C. 5305) to eliminate the requirement to conduct the comparability survey each year and to provide for interim-year pay adjustments by using BLS' Employment Cost Index.

#### AGENCY COMMENTS

The Department of Labor, OMB, and VA agreed to the merits of less than annual white-collar pay survey and the potential

for using ECI survey results in the pay determination process. Also, OMB and Labor believed that the Administration's proposed Federal Pay Comparability Act of 1981 should be approved by the Congress before other changes to the pay-setting process are considered. OPM, on the other hand, had several concerns with less than annual surveys. It stated that the proposed Pay Reform Act of 1981 was changed to intentionally require annual surveys on the basis that they are more accurate and therefore cost effective. It said that the annual PATC survey is one of the best bargains going when compared to the effect an error in an "estimator" could have on payroll costs. It also said that doing the survey less than annually could affect the quality of the data collectors skills. Furthermore, OPM stated that comparability adjustments are likely to vary by grade level and if corrections were made only every third year, these corrections would be so great as to be unacceptable. Finally, OPM stated that, although it was sensitive to the burden on survey respondents, many companies use PATC results either directly or indirectly in their internal pay-setting processes since this survey is the only Nation-wide pay information available on white-collar occupations.

We agree that the PATC survey is more accurate for determining pay comparability for specific skill levels in the General Schedule. However, we question its cost effectiveness when the results have only been used twice in the last 6 years for making Federal white-collar pay determinations. Also, indications are that it may not be used again this October. With respect to data collectors' skills, these individuals would still be involved in collecting wage and salary data for other surveys and would therefore be using their job-matching skills on a regular basis. We have long advocated comparability by grade level and do not believe that corrections would be unacceptable if made every third year. (Increases by grade level have not been provided since October 1976.) While the PATC survey does provide Nation-wide information on certain occupations, it was intended solely to provide information on jobs that are comparable with Federal occupations, and thus does not cover many private sector occupations. It would still be available to private sector companies every 3 years. Finally, we believe the changes we are recommending will complement the proposed Pay Reform legislation and believe that the Congress should consider our recommendations with the proposed legislation.

DOD stated that, before it could support a triennial white-collar comparability survey, it would need assurance that the interim-year adjustments would be appropriate for military pay raises. Since 1967, military pay raises have been indirectly linked to Federal white-collar pay raises even though there is no clear linkage between military and white-collar jobs.

The PATC survey was established to measure Federal pay comparability with similar jobs in the private sector. It was not designed to provide data on overall private sector salaries since it only covers jobs that are similar to Federal white-collar occupations. ECI, with broader occupational coverage that includes both white- and blue-collar jobs would be more reflective of overall private sector wage changes than the PATC survey. (We addressed additional comments in appendixes VI and VII.)

## NINETY-SIXTH CONGRESS

GLADYS NOON SPELLMAN, MD., CHAIR

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MARY ROSE OAKAR, OHIO

TOM CORCORAN, ILL.  
DANIEL B. CRANE, ILL.

## U.S. House of Representatives

COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS  
B-345(D) RAYBURN HOUSE OFFICE BUILDING  
Washington, D.C. 20515

May 27, 1980

Honorable Elmer B. Staats  
Comptroller General  
General Accounting Office  
441 G Street, N. W.  
Washington, D. C. 20548

Dear Mr. Comptroller General,

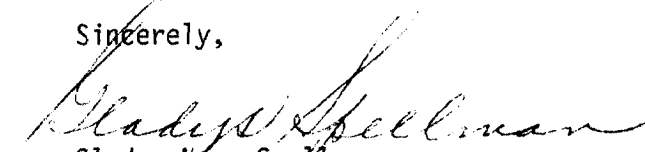
It has come to this Subcommittee's attention that the Federal Government is conducting a multitude of annual surveys of private sector companies, in order to determine proper cost-of-living adjustments and pay setting adjustments for federal employees. This has alienated private sector companies, to an extent where many refuse to cooperate. As a result, many questions have been raised in the Congress as well as by the private sector, on the validity, cost, and need for all of these surveys.

In this connection I would like for GAO to:

- identify the number of salary and wage surveys conducted by, or for, the Federal Government in determining federal wages and COLA adjustments;
- determine the duplication involved in these surveys; and
- if appropriate, identify some alternative methods for conducting these surveys, consolidating, indexing, etc., and provide this Subcommittee with some options to consider for changing these surveys.

We would appreciate your assistance on this matter. If you have any questions, please contact Mr. Ronald McCluskey of the Subcommittee Staff.

Sincerely,

  
Gladys Noon Spellman  
Chair, Subcommittee on Compensation and Employee Benefits



Wage and Salary Surveys ConductedBy or For the Federal GovernmentSurveys Conducted by the Bureau of Labor Statistics

1. Area Wage Surveys--conducted annually in 70 standard metropolitan statistical areas to measure wages and salaries of certain white- and blue-collar occupations common to a variety of industries in those areas. The surveys are used for public and private wage and salary administration, union contract negotiations, and occupational counseling.
2. Employment Cost Index--conducted quarterly to measure the percentage change in nonfarm wages and benefits on a national and regional basis. The survey is used for private and public policy review, general economic analysis, and collective bargaining.
3. Industry Wage Surveys--conducted in 3- to 5-year cycles to measure wages and salaries for representative occupations in specific industries. The surveys are used for wage and salary administration, union contract negotiations, and analysis of national regional and area wage differences.
4. Municipal Government Wage Surveys--conducted annually in selected cities to measure wage and salary rates for blue- and white-collar occupations. The surveys are used for wage and salary administration, union contract negotiations, and analysis of wage differences. Program is to be discontinued during fiscal year 1981.
5. Professional, Administrative, Technical and Clerical Survey--conducted annually on a national basis to measure salary rates for selected white-collar occupations. The survey is used for comparability purposes in the Federal pay process, as well as general economics analysis and wage and salary administration by private and public employers.
6. Service Contract Act Surveys--conducted annually in over 100 selected areas and measures wage and salary rates for most of the same occupations and industrial coverage as the Area Wage Survey Program. This survey series also includes 125 industry specific surveys conducted on a locality basis. The surveys are used to make wage determinations under the Federal Service Contract Act.

7. Union Wage and Benefit Surveys--conducted on an annual or biennial cycle at various time intervals (depending on the industry) to measure union wage and benefit rates in construction, local transit, local trucking, printing, and grocery stores. The surveys are used for union contract negotiations and analysis of union wage trends. Program is to be discontinued during fiscal year 1981.

#### Surveys Conducted by other Agencies

8. Federal Wage System Appropriated Fund Surveys--conducted annually in 135 areas by DOD, VA, and NASA in order to measure the prevailing private sector wage rates for selected blue-collar occupations. The surveys are used to determine comparable wage rates for Federal blue-collar employees.
9. Federal Wage System Nonappropriated Fund Surveys--conducted annually by DOD in 142 areas to measure the prevailing private sector wage rates for selected blue-collar occupations. The surveys are used to determine comparable wage rates for employees who work in Federal nonappropriated fund activities.
10. Davis Bacon Act Surveys--conducted by the Departments of Labor and Housing and Urban Development whenever Federal construction projects are awarded to measure the local prevailing rate of blue-collar construction occupations. The surveys are used to determine wages for construction workers under Federal contract.
11. Classification Salary and Wage Survey for Technical Positions--conducted by HUD in a similar manner to Davis-Bacon Act Surveys to measure the local prevailing rate of technical construction occupations. The surveys are used to determine wages for technical workers involved in Federal subsidized housing construction.
12. Postal Wage and Benefit Survey--conducted by the Postal Service prior to contract negotiations to measure blue-collar wage and benefit rates in private sector industries which do work comparable to the Postal Service. The survey is used in Postal contract negotiations.
13. Tennessee Valley Authority Wage Survey--conducted by the TVA prior to contract negotiations to measure prevailing wage rates in regional private sector industries which do work comparable to TVA. The survey is used in TVA contract negotiations.

14. Batelle Industries Survey--conducted annually by Batelle under contract to the Department of Energy. The survey is used to measure wage and benefit data for scientists and engineers engaged in research and development.



## EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 15, 1981

Mr. William J. Anderson  
Director, General Government  
Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

We sincerely appreciate the opportunity to review and comment on your draft proposed report on Federal pay-setting surveys.

This is an excellent report. It is factually correct and, we believe, draws the proper conclusions from the facts set forth. We do, however, have two comments that we would appreciate your taking into consideration in the preparation of the final report.

With respect to your recommendation to eliminate an annual Federal white-collar pay survey, we would want to point out that the Administration's proposed Federal Employee Pay Reform Act is now before the Congress. We believe that Congressional approval of that proposal is needed before any other changes to the current pay-setting process are contemplated. Naturally, the cost and benefits of the various alternatives will have to be carefully evaluated before final judgements are made.

Your recommendation to eliminate the duplication between the FWS and AWS surveys by requiring the Bureau of Labor Statistics be responsible for conducting these studies is desirable and appropriate. We see no reason why a like recommendation could not be made for the nonappropriated fund surveys. In making these recommendations, you should point out that the specific needs of the user agencies would have to be met by the BLS studies and reports. Of course, the feasibility of such changes will depend on the availability of resources.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James C. Miller III".

James C. Miller III  
Administrator for Information  
and Regulatory Affairs

**U. S. Department of Labor**

Commissioner for  
Bureau of Labor Statistics  
Washington, D.C. 20212



**MAY 15 1981**

Mr. Gregory J. Ahart  
Director  
Human Resources Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Ahart:

This is in reply to your letter to the Secretary of Labor requesting comments on the draft GAO report entitled, "Federal Pay-Setting Surveys Could be Performed In A More Efficient Manner." The Department's response is enclosed.

We appreciate the opportunity to comment on this report.

Sincerely yours,

A handwritten signature in cursive script that reads "Janet L. Norwood".

JANET L. NORWOOD  
Commissioner

Enclosure

U. S. Department of Labor's Response to  
the Draft General Accounting Office Report  
Entitled--

"Federal Pay-Setting Surveys Could Be Performed  
In A More Efficient Manner."

Recommendation: "In view of the duplication between FWS and AWS surveys, we recommend that the Congress amend the Prevailing Rate Systems Act of 1972 (5 U.S.C. 5341 et seg.) to require that BLS be responsible for conducting FWS appropriated fund surveys as part of its AWS program. Furthermore, the Congress should direct OPM, in coordination with DOD, to study the feasibility of having BLS do the NAF surveys or to linking or indexing NAF wages to the FWS appropriated fund pay system."

Response: The Department of Labor (DOL) defers to the other affected Federal agencies (DOD, NASA, VA) on the relative benefits and costs of the recommendations affecting their pay setting activities. If DOL were given responsibility for conducting FWS and NAF surveys, the Department believes that the Prevailing Rate Systems Act would need to be changed by dropping the requirement that agency and employee representatives participate in data collection. This statutory requirement conflicts with the BLS policies of confidentiality of data and of objectivity and impartiality. In addition, DOL would require an increase in both dollar and personnel resources to carry out these surveys.

BLS would carry out FWS and NAF surveys as an independent statistical agent--fulfilling essentially the same role that the Bureau now has in the Federal white-collar pay comparability process. Under this process, BLS designs the national survey of Professional, Administrative, Technical, and Clerical Pay (PATC survey) according to specifications of the President's Pay Agent (the Directors of OMB and OPM and the Secretary of Labor). Once the Agent accepts the survey design, BLS independently carries out the following activities: (1) developing and refining the survey universe (lists of establishments from which the survey sample is selected); (2) selecting the survey sample; (3) collecting, reviewing, and analyzing the data to insure its quality; and (4) delivering survey results in aggregate form to the President's Pay Agent.

Aggregate data--average salaries by occupational work level as well as employee distributions by salaries contributing to the averages--have been used effectively over the past two decades in developing recommendations to the President on Federal white-collar salary adjustments. The process has been carried out annually with neither the Pay Agent (management) nor the Federal Employees Pay Council (employee representatives) having access to data that could identify individual establishments cooperating in the survey.

The need to identify individual establishments (or their data) in FWS surveys was addressed by the 1975 President's Panel on Federal Compensation (the Rockefeller Panel). At that time, DOD top management--William K. Brehm, Assistant Secretary of Defense for Manpower and Reserve Affairs--took the position that access to identifiable establishment data was not necessary for DOD agencies as long as it was also denied to employee representatives. In 1975, BLS agreed to consult with parties involved in FWS and NAF pay decisions (OPM as well as agency and employee representatives) regarding the design of the wage surveys and their results.

Mr. Brehm's position is consistent with the widespread and important use of BLS aggregate data in collective bargaining with neither labor nor management having access to individual establishment data. BLS aggregate data are accepted as objective and reliable at the bargaining table. With the data uncontested, the parties are free to move on to substantive bargaining issues.

Resources would be required to increase the number of areas currently included in the AWS program from 70 to about 150; to include additional blue-collar jobs in the surveys; and to maintain time schedules required by the FWS and NAF. BLS estimates that it would take 3 years to phase in data collection for FWS and NAF surveys, with about a third of the FWS and NAF areas added to the AWS program each year. The 3-year period would begin at the time BLS received the required resources. It should be noted that such a resource build-up in the AWS program would reduce the cost of expanding the program to accommodate the current Federal pay reform proposal (especially local pay comparability for Federal white-collar employees) because essentially the same 150 areas are involved.

Recommendation: " ... that the Congress amend the Federal Pay Comparability Act of 1970 (5 U.S.C. 53) to eliminate the requirement to conduct an annual comparability survey and to provide for interim year pay adjustments by use of the BLS' Employment Cost Index."

Response: The Department of Labor recognizes the potential of the Employment Cost Index (ECI) as an update mechanism for occupational pay level surveys, such as the PATC survey. However, the Department believes that changes of this nature should be deferred pending enactment of the Administration's Federal pay reform proposal.



National Aeronautics and  
Space Administration

Washington, D.C.  
20546

APR 30 1981

Reply to Attn of L

Mr. W. H. Sheley  
Director  
Mission Analysis and Systems  
Acquisition Division  
U.S. General Accounting Office  
Washington, DC 20548

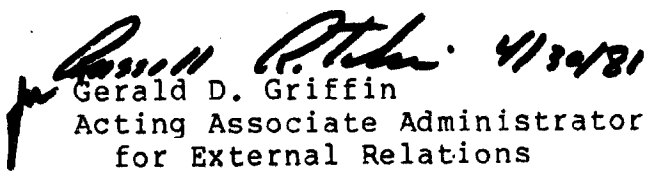
Dear Mr. Sheley:

Thank you for the opportunity to review the GAO draft report entitled, "Federal Pay-Setting Surveys Could Be Performed In A More Efficient Manner" (Code 963150).

We agree in general with the report conclusions. However, the enclosure to this letter provides a more detailed discussion of our views on specific issues.

Should you need additional information, please feel free to contact us.

Sincerely,

 *Gerald D. Griffin 4/30/81*  
Gerald D. Griffin  
Acting Associate Administrator  
for External Relations

Enclosure



NASA COMMENTS ON GAO DRAFT REPORT ENTITLED "FEDERAL PAY-SETTING SURVEYS COULD BE PERFORMED IN A MORE EFFICIENT MANNER," CODE 963150

NASA agrees with the two general conclusions presented in the draft report on Federal Pay Setting Surveys. However, we would like to comment on the first conclusion regarding the wage and salary data survey process.

See GAO  
note be-  
low

On page 20 of the report, we note that employee organizations would still have the opportunity to analyze the data collected by BLS in aggregate form, and make recommendations on wage schedule adjustments. We strongly recommend that agency management officials also participate in the analysis and adjustment process for blue-collar schedules. Our experience with the Cleveland Wage Survey indicates that this joint participation enhances both the product and the process with a positive transfer value to other labor-management relations.



E. C. Kilgore  
Associate Administrator for  
Management Operations

GAO note: We clarified the report to emphasize that agency management officials as well as employee organizations would see BLS aggregate wage data.

Office of the  
Administrator  
of Veterans Affairs

Washington, D.C. 20420



**APRIL 28 1981**

Mr. Gregory J. Ahart  
Director, Human Resources Division  
U.S. General Accounting Office  
Washington, DC 20548



Dear Mr. Ahart:

Your April 3, 1981 draft report, "Federal Pay-Setting Surveys Could be Performed in a More Efficient Manner," has been carefully reviewed and our comments on the recommendations addressed to the Congress follow.

**RECOMMENDATION**

--In view of the duplication between FWS and AWS surveys, GAO recommends that the Congress amend the Prevailing Rate Systems Act of 1972 (5 United States Code, 5341 et seq.) to require that BLS be responsible for conducting FWS appropriated fund surveys as part of its AWS program. Furthermore, the Congress should direct OPM, in coordination with DoD, to study the feasibility of having BLS do the NAF surveys or to linking or indexing NAF wages to the FWS appropriated fund pay system.

The first part of this recommendation has merit. This measure would obviously eliminate the duplication of effort existing between Federal Wage System (FWS) surveys and the Area Wage Survey (AWS) program conducted by the Bureau of Labor Statistics (BLS). Also, it would most likely improve the private employer participation rate in the survey process as well as reduce the burden of multiple surveys on these employers.

While these features present a reasonably good argument for consolidating the two systems, it does not appear to be convincing from a cost effective standpoint. We note, for example, that the implied cost for conducting full scale FWS surveys over a two-year period is approximately \$4.5 million. On an annual basis, this cost would be about \$2.25 million for the 67 to 68 full scale surveys. We estimate it would cost \$560,000 for the 67 to 68 wage change surveys, which require only one-fourth of the time of a full scale survey. Thus, the average cost of an FWS survey is about \$20,800. The AWS surveys conducted by BLS in 70 areas cost about \$2.6 million, or approximately \$37,000 for an average survey. We cannot see a cost advantage in replacing \$20,800 surveys with \$37,000 surveys. Also, as a point of interest, the average cost of the 22 surveys conducted by the Veterans Administration (VA) in Fiscal Year 1980 was estimated to be \$12,500 each.

(GAO comment: VA, DOD, and NASA do not have an accounting system for tracking FWS costs. The \$4.5 million is a conservative estimate prepared from their estimated costs. VA's and DOD's estimates do not include indirect personnel costs (retirement, insurance, FICA, etc.); complete operating overhead costs (general and administrative support costs at the 135 Federal installations); and direct and indirect personnel costs of the 135 local wage committees. Also, OPM's personnel and overhead costs associated with the FWS program is not included. We estimate that about \$1.9 million could be added to the \$4.5 million reported. The total AWS program cost of \$2.6 million includes total personnel and overhead costs.

VA provided a lower cost estimate for conducting full-scale local wage surveys than DOD and NASA. NASA estimated a cost of \$118,000 to do its one local wage survey; DOD estimated an average cost of \$32,000 for each of its 112 areas; and VA estimated an average cost of \$15,800 for its 22 areas. If we included all costs associated with the FWS program, we estimate that the average full-scale wage survey would cost about \$47,000.

Besides reducing the costs of Government surveys, consolidating the surveys would eliminate the need to pull personnel off their regular jobs where shortages already occur and which interferes with the normal operations of the Federal installations required to provide data collectors. In addition, it would eliminate the unnecessary burden (time and dollars) placed on the private sector.)

2.

Mr. Gregory J. Ahart

The report states that FWS surveys are estimated to take four hours of each establishment's time. From our own experience, this is an over-estimation since only the largest companies would require that much time and then only for full scale surveys. We believe two hours is a much more realistic and reasonable estimate.

(GAO comment: The 4-hour estimate is the average amount of time needed to visit one company which OPM reported to OMB under the Federal Reports Act. Depending on the size of the establishment being surveyed and the difficulty of occupational matching, the survey time could be more or less than 4 hours.)

An important point to be considered is that consolidation of the two systems could create problems which would be difficult to overcome or resolve. For example, eliminating labor representatives from the data collection process would lead to extremely strong opposition from Federal labor organizations to a change in the legislative requirement provided by current law (5 United States Code, 5343(c)(2)). The provision for labor representation has existed, either administratively or legislatively, for almost 13 years and has been a successful labor-management function in the blue-collar pay determination process.

Another area of concern to the VA is that this proposed change could substantially increase our budget outlays. The VA would be required to reimburse the BLS for the increased costs incurred by them in expanding their program unless the Congress authorized funding for this purpose.

(GAO comment: Economies of scale should result if the wage surveys are consolidated. This is especially true if the Federal Pay Reform Act of 1981 is passed requiring BLS to conduct local-ity comparability pay surveys for Federal White-collar employees and to collect private sector benefit data on both white- and blue-collar employees. Although labor would be eliminated from the data collection process, it would still participate with management in all other phases of the FWS system. While it would increase VA's outlays to reimburse BLS for doing the survey, the overall costs to the Government would be reduced.)

There are a number of fundamental questions which would need to be addressed if the VA, the Department of Defense, and the National Aeronautics and Space Administration are to continue their pay-fixing responsibilities under a modified wage system. These include assuring that the system would continue to have sufficient flexibility to permit timely changes by the pay-fixing agencies on survey job coverage, industry coverage, survey area definitions, survey timing, and timing on wage adjustments themselves. Equally important, if not more so, would be the need for these agencies to have access to detailed BLS survey information, rather than having it provided in aggregate form as suggested in the report. Technical judgments, such as job comparability, accuracy of wage rate information, and propriety of establishments included in surveys, made without the availability of detailed survey data required in the pay determination process would be seriously inhibited.

(GAO comment: Based on the recommendations of employing agencies, OPM has the responsibility for defining the boundaries of wage and survey areas, prescribing the required industries to be surveyed, and prescribing the required job coverage for surveys. BLS would conduct local wage surveys in accordance with OPM and agency specifications.

After a survey is completed, BLS would supply aggregate data to both management and Federal employee unions. This process is currently used for the Federal white-collar salary survey, i.e., neither the Pay Agent (management) nor the Federal Employees Pay Council (employee representatives) have access to data that could identify individual establishments cooperating in the survey.)

We agree that consolidating the two survey systems presents a reasonable approach to reducing Federal activity in this area, but we believe more investigative work needs to be undertaken to determine the cost effectiveness of such a change. It is entirely possible that expansion of the survey program in BLS to accommodate the FWS surveys could cost considerably more than current expenditures required to accomplish these programs.

We strongly oppose the second part of this recommendation concerning the concept of linking or indexing nonappropriated fund (NAF) wages to the FWS appropriated fund pay system. Industry, establishment, and job coverage of the FWS/NAF wage system surveys are vastly different from industry, establishment, and job coverage in the FWS (appropriated fund) system, and are more appropriate as bases for establishing pay rates for NAF employees.

(GAO comment: The potential for linking FWS nonappropriated fund employees' pay rates to the FWS appropriated fund pay system should be studied by OPM. However, the Government already uses a linkage system for establishing pay rates for the military, Foreign Service schedules, and Department of Medicine and Survey schedules and should be able to develop a system for linking nonappropriated pay rates.)

#### RECOMMENDATION

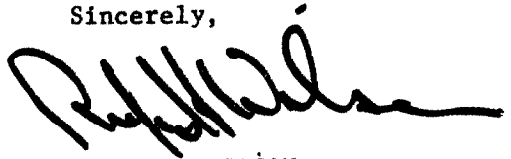
--GAO recommends that the Congress amend the Federal Pay Comparability Act of 1970 (5 United States Code, 53) to eliminate the requirement to conduct an annual comparability survey and to provide for interim year pay adjustments by use of the BLS' Employment Cost Index of the average change in white-collar pay.

The cost reduction that would be realized by the implementation of this recommendation is very desirable, especially at a time when available resources are being reduced. However, we believe that consideration should be given to the use of interim surveys in off years as followed under the AWS program rather than using the Employment Cost Index (ECI). On the surface, the ECI appears to be a worthy alternative but the report indicates that the reliability of its statistical design has not been determined. Until such time as the reliability of the data is established, we oppose this recommendation.

(GAO comment: As stated in the report, we agree that the reliability of the ECI data must be established before it is used to adjust Federal white-collar pay. BLS is currently working on establishing the statistical reliability of the ECI design. According to BLS officials, it would be very difficult to use interim surveys (update procedures) similar to AWS or FWS because the PATC job matching process is much more complex than AWS or FWS.)

Thank you for the opportunity to comment on this report.

Sincerely,



RUFUS H. WILSON  
Acting Administrator



MANPOWER  
RESERVE AFFAIRS  
AND LOGISTICS

## ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

5 MAY 1981

Mr. Clifford I. Gould, Director  
Federal Personnel & Compensation  
Division  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Gould:

This is in response to your request of March 27, 1981, for the comments of the Department of Defense on the draft of your proposed report to the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, on "Federal Pay-Setting Surveys Could Be Performed in a More Efficient Manner" (GAO Code 963150) (OSD Case #5679).

Overall, the report reflects fairly the survey operations of the Department of Defense (DoD) as well as, to the best of our knowledge, those of the Bureau of Labor Statistics (BLS). In a few instances some changes in wording would improve the report's precision and would reflect more accurately the full flavor of the DoD blue collar survey effort. These suggested wording changes are included in Attachment 1.

A determination of the year-to-year change in non-Federal pay is required for computing the annual military pay raise. Since 1967, military pay raises have been based indirectly upon an annual survey of non-Federal pay. Before the Department of Defense could support a triennial survey of non-Federal pay, it would be necessary to ensure that an adequate economic index, appropriate for application to the military, would be available to use the interim military pay raises. There are, in addition, five major areas of concern which must be addressed in detail and resolved before consideration is given to adopting the recommendation that BLS be the data collection agency. Each area is discussed in detail in the paragraphs which follow:

1. Differences in Purposes of Survey

a. The report does not properly reflect the essential differences between the purposes for which BLS and Federal Wage System (FWS) surveys are used. Unless recognition is given to these differences, it is easy to conclude erroneously that BLS survey data in aggregated form would meet a lead agency's requirements for wage setting purposes.

b. BLS gathers statistics on pay and benefits for occupations individually within the cross industry setting of its area wage surveys or the specific industry setting of

Service Contract Act wage determinations. Lead agency surveys are primarily related to the structure of the FWS and the purposes stated in PL 92-392. These are, in brief, that jobs of equal skill and responsibility will be paid the same in a given area and that more skilled and responsible jobs will be compensated more than jobs that are less demanding. Because of the purpose of its surveys, data collection by BLS for each occupation is an end in itself whereas because of the purpose of FWS surveys, data collection is only one phase of a very exacting wage setting process.

c. Since the FWS surveys are used to set pay each survey must have its own set of custom tailored specifications so that the characteristics of both the FWS labor force and the non-Federal labor force in the wage area are properly recognized in the wage setting process. As a result, a basic set of occupations and industries are prescribed for coverage in all areas but these must be supplemented by additional industries and occupations in order to properly represent Federal and industrial employment patterns and wage setting needs. For example, the hospital industry and food service jobs are added when a significant proportion of Federal and non-Federal hospital employment is found in the area. In other areas, an industry, for example the mining industry, must be added to reflect the fact that the industry is the most significant employer in the area. In such cases, the industry's omission would preclude proper measurement of non-Federal pay practices in the pay setting process. In view of these basic pay setting requirements, the lead agency must be able to prescribe for each survey the area definition, the industrial coverage, and the occupational coverage. The report makes no provision for BLS to conduct the surveys under such individualized specifications, without which data collected simply will not meet lead agency needs. Therefore, it is urged that the report be revised to recognize that if BLS is to be the data collection agent, then they must insure that the data collected in each case meets the specifications prescribed by the lead agency.

(GAO comment: If the Congress agrees to consolidate the surveys and make BLS responsible for data collection, we agree that BLS would have to meet the needs of the users' agencies as prescribed by OPM. BLS currently follows this procedure for conducting the PATC survey whereby the President's Pay Agent defines the specifications of the survey.)

## 2. Form of Data to be Furnished to Lead Agencies

The report recommends that data be furnished to lead agencies by BLS in an aggregated form which would not disclose the identification of individual establishment data. Lead agencies require more detailed information in carrying out their pay setting responsibilities. They must:



- Insure that the data are directly related to the Federal Wage System structure.
- Analyze the data in sufficient detail to observe the influences other than levels of skill which are driving the payline in a given area.
- Understand the industrial characteristics of each local area and the effects of births and deaths in that area of specific establishments on the survey results.

Aggregated data such as that represented by a weighted average by survey occupation would not permit the comprehensive analysis necessary for evaluating which establishment rates may be driven by factors other than skill and responsibility. Nor would data in this form permit evaluation of the nature of these factors and whether rates driven by such factors may be used in computing a payline which is to be representative of the central tendency of locality practices. For example, averages may include rates at less than the Fair Labor Standards Act minimum, legitimately paid by the employer concerned, but unacceptable by regulation in the FWS pay setting process. Similarly, rates above the central tendency and inconsistent with the pattern of rates for other occupations within the establishment from which the data were collected, may be attributed to environmental factors other than those extant within the Federal workplace or compensated differently in the Federal Wage System and consequently must be excluded from payline computations.

Once individual data items are scrutinized and the data base purged of those data that are qualitatively evaluated as improper for consideration in wage fixing, a quantitative analysis of the data follows. A regression line of central tendency is plotted through the remaining data and statistical measures of variance employed to identify the outlier data or that which is beyond the central tendency of the body of data collected to such degree that statistically it may be concluded that these data are essentially different from what the survey set out to measure, viz., local prevailing rates for levels of skill.

Following the quantitative analysis, the lead agency must develop a series of regression lines which reflect the patterns of prevailing rates and from these lines select the one which most accurately portrays both the existing level of rates and any changes in the characteristics of the area which have occurred since the last measurement. Only the disaggregated data will permit selection of a payline which recognizes these factors.

It is not possible to make such analysis without benefit of unaggregated data. With so much at stake in the wage setting processes, evidenced by the budgeted (FWS) payroll referred to in the report and the fact that it costs DoD \$7 million annually to increase wages by only one cent hourly, it seems most unwise to expect heads of agencies to approve large expenditures of funds for wage increases on the basis of information which is inadequate insofar as permitting complete analysis is concerned.

The Department of Defense has every confidence in the ability of BLS, given time to implement properly, to collect wage data. However, the Department is equally confident that it cannot effectively and adequately carry out its wage fixing responsibilities without benefit of the detailed information required to make proper decisions.

Division of responsibility for the wage survey process in a manner which would require the agencies whose employees and budgets are most affected by the survey results to make reliable and valid decisions without benefit of the analysis needed to make the decisions clearly is not in the best interest of the Federal government.

Accordingly, this Department considers the recommendations for BLS to provide data to lead agencies in aggregated form which would not disclose the identity of establishments is unacceptable and we urge that it be changed to require BLS to furnish lead agencies with complete, unaggregated data, identified with its establishment source.

(GAO comment: BLS would conduct the wage surveys in accordance with the specifications established by OPM and user agencies. In this connection, wage rates that are less than the minimum wage, above the central tendency, or inconsistent with other occupations within an establishment could be excluded by BLS if these requirements were included in the survey specifications provided by OPM and the lead agencies. Under this arrangement, BLS would develop and refine survey universes; select the survey sample; collect, review, and analyze the data to insure quality; and deliver survey results to the local wage committees in aggregate form. OPM, user agencies, and labor could then make pay determinations based on aggregate data in the same manner as is done for white-collar pay. In the private sector, both management and labor use BLS aggregate data as an objective and reliable source for determining pay.)

### 3. Survey Key Jobs

The report concludes that the difference in job descriptions between BLS and FWS is primarily the specificity of FWS descriptions. The FWS survey job descriptions were designed to be specific to insure that (1) mixed jobs were not included unless the job description defines in detail the mix of duties allowable; and (2) only a single level of work in the occupation is matched to the job. These concepts represent a very important part of the foundation of the FWS. The DoD would not oppose less specificity in the survey key job descriptions provided this does not distort the basic concepts of the FWS by introducing unwanted mixed jobs or data which are not a true reflection of a Federal Wage System level of skill within a particular occupation.

(GAO comment: BLS would collect wage data in accordance with the specifications prescribed by OPM and the user agencies.)

#### 4. Labor Relations

One of the primary reasons PL 92-392 was passed was the pressure of labor organizations to include in law the participation in the wage setting function which was granted to labor organizations administratively under the predecessor Coordinated Federal Wage System. Such participation had been granted by the largest Federal employer of FWS employees, although not in identical form, since shortly after World War II. As finally included in law (5 U.S.C. 5343(c)(2)), the system now provides "for participation at all levels by representatives of organizations accorded recognition as the representatives of prevailing rate employees in every phase of providing an equitable system for fixing and adjusting the rates of pay for prevailing rate employees, including the planning of the surveys, the drafting of specifications, the selection of data collectors, the collection and analysis of the data, and the submission of recommendations to the head of the lead agency for wage schedules and rates..." (underscoring added). The proposal to have BLS as the survey agent will eliminate any labor participation in the data collection process and possibly any participation at the local level, thereby changing a long-established past practice insofar as labor participation is concerned. This change will precipitate a raft of union and employee complaints and undoubtedly increase pressure for negotiated rates of pay. Because of this, the report should give some indication of the labor relation problems which can be anticipated due to a change in labor participation including recognition of the problems associated with revising this legal requirement.

(GAO comment: The only change we foresee in the process is that labor and agency management will not be involved in the actual data collection at private sector establishments. Employee organization representatives would still participate in all other phases for adjusting pay for prevailing rate employees. This would not preclude labor participation at the local level since it would be involved in defining the survey specifications and reviewing the aggregate data.)

#### 5. Nonappropriated Fund Surveys

The report deals only with pay setting for the approximately 88,000 nonappropriated fund (NAF) employees covered by PL 92-392. Another 75,000 prevailing rate employees are not covered by PL 92-392. They work in clerical, administrative, fiscal, sales and patron service positions. Complete and full responsibility for all pay setting for these employees rests with the DoD. The NAF wage surveys conducted by DoD include not only the blue collar surveys required by PL 92-392, but the Administrative Support and Patron Service surveys as well.

There is no objection to OPM, in coordination with DoD, studying the feasibility of linking or indexing NAF blue collar wages to FWS appropriated fund wages. It is our view, however, that (1) developing a workable index would be extremely difficult because of the variables involved (e.g., different recruitment areas, different industrial counterparts and differing work force composition); and (2) indexing NAF blue collar wages to FWS appropriated fund wages will create a new problem, specifically, the need to create a new pay setting mechanism for the approximately 75,000 white collar nonappropriated fund employees whose wages are now established through the annual NAF wage surveys.

Sincerely,



Robert A. Stone  
Acting Assistant Secretary of Defense  
(Manpower, Reserve Affairs and Logistics)

Attachment (See GAO note.)

GAO note: This attachment has been deleted from the final report.



United States  
**Office of  
Personnel Management**

Washington, D.C. 20415

May 15, 1981

In Reply Refer To

Your Reference:

Mr. Clifford I. Gould, Director  
Federal Personnel & Compensation Division  
General Accounting Office  
441 G Street, N.W.  
Washington, D.C. 20548

Dear Mr. Gould:

We appreciate the opportunity to comment on the draft General Accounting Office (GAO) report entitled "Federal Pay-Setting Surveys Could be Performed in a More Efficient Manner".

Although we do not support all the proposed recommendations, we generally agree that they have a potential for reduced Federal survey costs and lessened reporting burdens on the private sector. As indicated in your report, the suggested changes could not be implemented without new legislation. Additionally, the results of implementing the recommendations would not allow for the continuation of labor participation in the Federal Wage System (FWS) data collection process. Our detailed response to each of your recommendations follows.

The report recommends that the Bureau of Labor Statistics (BLS) rather than lead agencies (Department of Defense, Veterans Administration and National Aeronautics and Space Administration), conduct FWS wage surveys. We understand that BLS would provide wage survey data only in aggregate form, such as the average wage for each surveyed job, with company identification kept confidential. We are not opposed to having BLS perform FWS data collection if the surveys are based on specifications provided by the lead agencies, but would prefer to have access to the full survey results. We believe this access necessary to analyze survey data with the same degree of precision as is currently employed. Current FWS surveys gather data on individual wage rates, step structures and rate ranges, cost of living allowances, bonuses, company identification, standard industrial classifications, company job titles and job descriptions. Information is also obtained on company-wide hours of work and overtime provisions, collective bargaining agreements, scheduled wage increases, company employment and incentive pay plans. We are also concerned with survey costs. The proposed Federal Pay Comparability Act of 1981 would permit full scale surveys every three years rather than at least every two years as required by current law.

Another change recommended in the FWS is linking or indexing nonappropriated fund (NAF) wages to the appropriated fund system. We do not agree with this recommendation. There is a basic difference in the pay adjustment philosophy between the appropriated fund and NAF systems, e.g., the differences in the industrial, occupational and geographic coverage of NAF system. The similarities of the systems are so few that there is no practical basis for comparison. In addition, the NAF system will be exempt from some of the wage system provisions of the proposed Federal Pay Comparability Act of 1981 which would further complicate attempts at comparison with the appropriated fund surveys.

The report also calls for conducting Professional, Administrative, Technical and Clerical (PATC) surveys at three year intervals with annual indexing to the BLS Employment Cost Index between surveys. As the report states, the previous administration proposed legislation which would have eliminated the requirement for annual surveys. However, the Federal Pay Comparability Reform Act of 1981 proposed by the current administration intentionally calls for annual PATC surveys on the basis that annual surveys are more accurate and therefore are actually cost effective.

Although we are sensitive to the burden placed on respondents in collecting large amounts of salary information on an annual basis, we understand that many companies either directly or indirectly use PATC results in their internal pay-setting process. Since the PATC survey is the only nationwide pay information available for a large cross section of white collar occupations, many firms cooperate with BLS because they, too, are interested in the annual results.

The PATC survey is one of the more demanding of BLS's data collection efforts, requiring a level of precision that is far more specific than other surveys. We are therefore concerned to some extent about the effect of a periodic survey on the quality of job matching and the degree to which trained data collectors can retain specific skills that are not used on a regular basis.

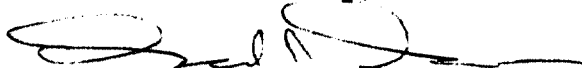
The report states that several study groups have recommended less frequent PATC surveys, citing the major advantage as cost savings. It is our view that the annual PATC survey is one of the best bargains going. The cost is very low when compared to an error in an estimator (such as the BLS Employment Cost Index). If the estimator is over by one-tenth of one percent, the overpayment in payroll cost would be almost \$60 million.

Another important consideration which affects payroll expenditures is the issue of across-the-board increases versus graduated increases which vary by grade on a percentage basis. The use of a statistical indicator in interim years constrains us to across-the-board increases. Comparability findings on the other hand indicate that across-the-board increases are not generally appropriate because private pay does not increase by equal percentages for all jobs at all grades.

The Office of Management and Budget advises that, from the standpoint of the Administration's program, there is no objection to the submission of this report.

My staff has also provided your office with additional technical and editorial comments which they indicated would be taken into consideration in the final report.

Sincerely,



Donald J. Devine  
Director

(963150)







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