REPORT BY THE

Comptroller General

OF THE UNITED STATES

Determining Federal Compensation: Changes Needed To Make The Processes More Equitable And Credible

The Federal pay processes designed to achieve comparability with the private sector have problems. Legislation has been introduced that, if properly implemented, will correct some of these problems. Some, however, will not be corrected. This report discusses these problems and focuses on the roles of the parties involved.

The credibility of the white-collar comparability process has become suspect because of frequent Presidential use of the alternative plan authority to reduce or delay annual comparability adjustments. The legislation would increase this authority and extend it to the blue-collar pay process.

GAO believes the systems' credibility could be improved by limiting the use of the alternative plan authority.

FPCD-80-17
NOVEMBER 13, 1979

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

B-167266

The Honorable Gladys ~~Noon~~ Spellman
Chair, Subcommittee on Compensation
and Employee Benefits
Committee on Post Office and Civil
Service
House of Representatives

HSE 02908

Dear Madam Chair:

This report, prepared in response to your request of June 13, 1978, discusses problems in Federal pay-setting processes for white-collar and blue-collar employees. The report also discusses the potential impact that the proposed Federal Employees Compensation Reform Bill of 1979 will have on these processes.

The credibility of the white-collar comparability process has suffered because of frequent Presidential use of alternative plans. As you know, the legislation would increase this authority and extend it to the blue-collar pay process. We agree that the President should have such authority to confront unusual situations, and we support extending the authority to the blue-collar pay process.

We are concerned, however, that prior use of this authority has threatened the viability of the comparability principle. Therefore, we have recommended that the Congress amend the law to limit the President's use of alternative plans to truly unusual situations. We discuss several options in chapter 4 which could accomplish this.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 3 days after the issue date. At that time we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE SUBCOMMITTEE ON
COMPENSATION AND EMPLOYEE BENEFITS
COMMITTEE ON POST OFFICE
AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

DETERMINING FEDERAL COMPENSATION: CHANGES NEEDED TO MAKE THE PROCESSES MORE EQUITABLE AND CREDIBLE

D I G E S T

Federal employees' pay is governed by the comparability principle--a concept designed to insure employees and the Nation's other taxpayers that pay is equitable and comparable with pay in the private sector. The processes designed to achieve this comparability need reform.

In prior reports GAO pointed out several problems with the comparability system. Legislation has been introduced to correct some of these problems. This report focuses on the roles of the parties involved in the comparability processes and discusses problems that the proposed legislation will not correct.

GAO agrees with the Congress' objectives in establishing the comparability principle and that this principle was to be reflected through annual pay adjustments. Annual pay adjustments have been realized since 1970, but comparability has not always been attained.

The law allows the President to propose an alternative plan if he believes that the comparability adjustment is not warranted because of "national emergency or economic conditions affecting the general welfare." Comparability can still be granted if either House of the Congress rejects the proposed alternative plan within 30 days.

Some of the principal parties involved in determining comparability for Federal white-collar employees have been concerned about

plan. It noted that, under these alternative plans, "the legislative intent has been frustrated, and, indeed, the comparability system is in danger of collapse." (See p. 14.)

FEWER DISAGREEMENTS IN THE COMPARABILITY PROCESS FOR BLUE-COLLAR EMPLOYEES

According to various agency and employee organization officials, the blue-collar pay process is easier to understand and has resulted in fewer disagreements. They attribute this to a more localized approach, the joint participation of labor and management at all levels, the lack of political pressure, and the fact that until 1978 the blue-collar system was not hampered by pay caps.

During the last few years, the administration has proposed several legislative changes to the blue-collar pay process and has included these proposals as part of the Federal Employees Compensation Reform Bill of 1979. One of the proposals would allow the President to cap blue-collar pay. These proposals have led to a dispute between agency and union officials over the role of the Federal Prevailing Rate Advisory Committee. (See p. 29.) DLG 03387

RECOMMENDATION

The proposed legislation would increase the President's authority to adjust the comparability amounts and make it more difficult for the Congress to override his decision.

GAO realizes that the President needs and should have alternative plan authority to confront unusual situations, and it supports extending this authority to the blue-collar pay process. GAO is concerned, however, that prior use of this authority has threatened the viability of the whole comparability principle.

extensive Presidential use of the alternative plan authority. They believe the system will remain suspect as long as it is not permitted to function as the Congress intended. GAO believes that these concerns are legitimate.

Presidents have proposed alternative plans for 6 of the 10 annual adjustments. In another year, the President unsuccessfully attempted to delay the adjustment without submitting an alternative plan. On three occasions, the Congress overturned the alternative plans.

The law also requires that comparability be based on levels of work. Three of the 10 adjustments have varied by grade levels, but 5 comparability determinations, which would have required different percentage increases by grade level, were adjusted to reflect uniform increases for all grades. This results in overpaying some grade levels and underpaying others. (See p. 7.)

EFFECT OF ALTERNATIVE PLANS ON THE WHITE-COLLAR PAY-SETTING PROCESS

By law, the President's Pay Agent recommends to the President the annual comparability adjustment. Other organizations advise the President and Pay Agent on Federal pay adjustments. These include the PL 0385 Federal Employees Pay Council and the DLG 3386 President's Advisory Committee on Federal pay. The President makes the final determination on the comparability adjustment.

Members of the Federal Employees Pay Council resigned in April 1978 after the President announced his plans to cap the October 1978 increase at 5.5 percent. They have not convened since then.

The Advisory Committee on Federal Pay has repeatedly decried efforts on the part of the President to resort to an alternative

GAO recommends that the Congress amend the law to further limit the President's use of alternative plans to insure they will be used in situations which are more indicative of "national emergency or economic conditions affecting the general welfare." (Chapter 4 discusses a number of options to accomplish this. One option would require approval of both Houses to implement an alternative plan.)

POSSIBLE ALTERNATIVES FOR CHANGING AND IMPROVING COMPARABILITY SYSTEMS

GAO believes that the proposed legislation could help to improve the overall credibility of the comparability systems. GAO proposes other possible alternatives for improving this process, however, which the Congress should consider.

One alternative would be to amend the law to require the Advisory Committee on Federal Pay to determine the annual white-collar comparability adjustment and submit its determination to the President. All the present parties would retain a role in the pay-setting process. However, the amendment would have to redefine the relative responsibilities of the President, Pay Agent, and Pay Council.

Another alternative is to establish an independent Federal compensation-setting authority. This authority could be responsible for setting and adjusting compensation under the comparability principle for most Federal compensation systems, including the General Schedule and the Federal Wage System as well as other systems linked to these systems (military, Foreign Service, and executive pay systems, including the Senior Executive Service). Congressional pay could be excluded. (See p. 37.)

PRINCIPAL PARTIES' COMMENTS

The Pay Agent believes that Presidential involvement in the pay-setting process has

been normal, not exceptional, and that alternative plans are an integral part of the comparability law, not a violation or departure from it. While GAO agrees the alternative plans are provided for in the law, it also believes that the Congress intended alternative plans to be a "safety-valve" to be used only in extraordinary circumstances where a full comparability increase would be inappropriate.

Two of the three members of the Advisory Committee agreed with the report recommendation; the third member disagreed with placing additional restrictions on the President. Former members of the Federal Employees Pay Council generally agreed with the recommendation to restrict the President's use of the alternative plan authority but disagreed with GAO's endorsement of other aspects of the proposed legislation. (See ch. 4.)

Contents

ABBREVIATIONS

GAO	General Accounting Office
FPRAC	Federal Prevailing Rate Advisory Committee
OPM	Office of Personnel Management

CHAPTER 1

INTRODUCTION

At the request of the Chair, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, we examined the roles of the principal parties involved in the pay processes for Federal employees and reviewed the potential impact of the proposed pay legislation--Federal Employees Compensation Reform Bill of 1979--on these processes.

The processes by which the Federal Government establishes and adjusts its employees' pay rates are often criticized. American taxpayers, the Congress, and Government officials are concerned about significant rising employee compensation costs. They want to know what can be done to reverse this trend, or at least, to slow it down. Federal employees on the other hand, are concerned that their compensation is not keeping pace with their counterparts in the non-Federal sector. They are concerned about Presidents' frequent efforts to cap comparability adjustments.

The Federal civilian work force has approximately 2.8 million people. About 1.4 million are categorized as white-collar personnel covered under the General Schedule (GS). In addition about 550,000 blue-collar and nonappropriated fund workers are covered under the Federal Wage System. The annual cost of salaries and benefits for civilian employees, excluding Postal Service, is approximately $54 billion. Both of these pay systems are designed to achieve comparability with the private sector.

COMPARABILITY CONCEPT

To effectively carry out its programs, the Government must obtain and retain capable people by achieving and maintaining equitable compensation levels. Federal pay is governed by the principle of comparability with private sector pay. We believe that comparability is a sound concept for setting pay in the Federal sector. President Kennedy, in a February 1962 message to the Congress on salary reform for Federal white-collar employees, stated the logic and purposes for the comparability principle:

> "Adoption of the principle of comparability will assure equity for the Federal employee with his equals throughout the national economy--enable the Government to compete fairly * * * for qualified personnel--and provide * * * a logical and factual standard for setting Federal salaries.

> Reflected in this single standard are such legitimate * * * pay considerations as cost of living, standard of living, and productivity, to the same extent that these factors are resolved into the going rate over bargaining tables and other salary determining processes * * * throughout the country."

The Federal Salary Reform Act of 1962 established the principle that Federal salary rates for white-collar employees under the General Schedule should be comparable with private enterprise rates for the same levels of work. This principle has been retained in subsequent legislation dealing with pay comparability.

The Federal pay systems and pay-setting processes should provide the framework in which employees at different skill levels, occupations, and geographic areas can be reasonably compensated; they must recognize that the labor market consists of distinctive groupings which have different pay treatments. Unless the Federal pay practices recognize the existence of the various labor markets, the Government will be paying more or less than the labor market rates for certain employees.

The principal parties involved in the white-collar and blue-collar pay processes must do their best to enhance the credibility of these processes. A high degree of confidence in the pay processes is essential to their effectiveness.

WHAT ARE THE PRINCIPAL PARTIES' ROLES IN THE WHITE-COLLAR PAY PROCESS?

The Federal Pay Comparability Act of 1970, in effect, transferred primary responsibility for adjusting pay scales for General Schedule employees from the Congress to the executive branch. The law established three principal groups to carry out the comparability process--the President's Pay Agent, the Federal Employee's Pay Council, and the Advisory Committee on Federal Pay.

Pay Agent

The Director, Office of Personnel Management (OPM); the Director, Office of Management and Budget; and the Secretary of Labor 1/ jointly serve as the President's Pay Agent for

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1/Executive Order 12004, July 29, 1977, added the Secretary of Labor to the Pay Agent.

setting and adjusting pay for Federal white-collar employees. The Bureau of Labor Statistics conducts a survey of professional, administrative, technical, and clerical salaries in the private sector, which it forwards to the Pay Agent for consideration. The Pay Agent determines the industries, locations, establishment size, and occupational coverage of the survey.

The Pay Agent must consult with the Federal Employees Pay Council on the criteria for comparability and the development of annual rate proposals. The Pay Agent is also required to establish the Federal Employees' Pay Council, arrange meetings with the Pay Council, and give thorough consideration to the views and recommendations of the Pay Council and non-Pay Council organizations.

The Pay Agent submits an annual report to the President comparing the rates of Federal pay under the General Schedule with the rates of pay for the same levels of work in the private sector as determined by the survey. Each report includes the Pay Agent's recommendations for adjusting pay to achieve comparability, as well as the views and recommendations of the Council and the non-Pay Council organizations.

Federal Employees Pay Council

The law requires the Pay Agent to establish a Federal Employees Pay Council consisting of five members who are not employees of the Federal Government and who do not receive pay for being members. The Pay Council is comprised of representatives of Federal employee organizations which represent substantial numbers of employees under the statutory pay systems. No more than three members of the Pay Council can be from a single employee organization, council, federation, alliance, association, or affiliation of employee organizations. The Pay Council attends meetings with the Pay Agent and gives views and recommendations on the pay process and annual comparability adjustments.

Advisory Committee on Federal Pay

The law also established an Advisory Committee on Federal Pay, composed of three members who are not employees of the Federal Government. The three members are appointed by the President, and one member is designated to serve as chairman. Each member serves for a term of 6 years and is nominated by the Director of the Federal Mediation and Conciliation Service. The Advisory Committee's purpose is to provide the President with independent third-party advice on the pay proposals, considering the recommendations of the President's Pay Agent and the Federal Employees Pay Council.

After considering the report of the Pay Agent encompassing the findings and recommendations of the Pay Council, and the Advisory Committee report, the President must either agree to the comparability pay adjustment recommendation to take effect in October or submit an alternative plan to the Congress which would go into effect unless a majority vote of either House disapproves it. If the alternative plan is disapproved, the President is required to make a comparability adjustment based on the reports of the Pay Agent and the Advisory Committee according to the statute's principle of comparability.

WHAT ARE THE PRINCIPAL PARTIES' ROLES IN THE BLUE-COLLAR PAY PROCESS?

The Congress established the Federal Wage System in 1972 (5 U.S.C. 5341 et. seq.) and enacted principles, policies, and processes into law which previously had been handled administratively. The law establishes the policy that pay rates for blue-collar employees be fixed and adjusted from time to time to be consistent with local prevailing rates. The law provides that pay rates be based on the following:

--There will be equal pay for substantially equal work for employees working under similar conditions within the same local wage area.

--There will be relative differences in pay within a local wage area when there are substantial or recognizable differences in duties, responsibilities, and qualification requirements among positions.

--The pay levels will be maintained in line with prevailing levels for comparable work within a local wage area.

--The pay levels will be maintained to attract and retain qualified employees.

Under the Federal Wage System, wage rates for blue-collar employees are established in 137 geographic areas, in the continental United States, Alaska, Hawaii, Guam, and Puerto Rico. Within each area, OPM has designated areas in which annual surveys are made of wage rates paid by private sector establishments for selected jobs common to both industry and Government.

Three organizations are primarily responsible for administering the Federal Wage System: (1) OPM, (2) the designated lead agencies, and (3) the local host installation. At the national level the joint labor-management Federal

Prevailing Rate Advisory Committee (FPRAC) advises OPM on policy issues. FPRAC is composed of five union members; five agency members (including OPM and the Department of Defense as permanent members); and a chairman appointed by the Director, OPM.

OPM, with the advice of FPRAC, prescribes the necessary policies, practices, and procedures. The designated lead agency, generally the agency having the largest number of Federal blue-collar employees in a particular area, conducts the surveys and establishes wage schedules for the blue-collar workers. The host installation (designated by the lead agency) provides administrative and clerical support during the local wage survey.

SCOPE OF REVIEW

We interviewed numerous officials and representatives of the President's Pay Agent, Federal Employee's Pay Council, the President's Advisory Committee on Federal Pay, and FPRAC. We also contacted various employee organizations not represented by the principal parties. We made our review at the Office of Management and Budget, OPM, the Department of Labor, the Advisory Committee on Federal Pay, FPRAC, and at various non-Pay Council organizations. We reviewed the history of each of the annual comparability adjustments. This included reviewing minutes of meetings, analyses of reports, and recommendations of the principal parties, and their effects on the annual adjustments. We also evaluated the effect the proposed Federal Compensation Reform Bill of 1979 would have on the roles of the principal parties and on the pay processes.

CHAPTER 2

PROBLEMS IN THE WHITE-COLLAR PAY PROCESS

The Federal comparability principle was established to assure pay comparability for Federal employees with their equals in the private sector, enable the Government to compete fairly for qualified personnel, and provide a reasonable standard for setting Federal pay. There have been, however, many problems with the process. Benefits, a large part of Federal and non-Federal compensation, are not considered in determining comparability with non-Federal sector compensation. State and local governments are excluded from the annual pay surveys although they are major employers in the non-Federal sector. Also, national white-collar salary schedules result in some Federal employees being paid more than their private sector counterparts in some areas of the country and less in other areas. These problems adversely affect the overall equity and credibility of the comparability processes.

We and other groups have made a number of studies of the Federal pay processes and have recommended many improvements. The executive branch responded to these recommendations and made several administrative changes to the white-collar pay process which have resulted in closer comparability with private sector pay rates. Other needed improvements in the pay processes require legislation which the administration has introduced. However, it will not address all of the problems.

One of the objectives of the Federal Pay Comparability Act of 1970 was to establish a system which would result in regular and systematic pay adjustments for Federal white-collar employees without congressional action. Under the act the Congress would not normally become involved in the pay process although specific provisions concerning congressional action exist for when the President proposes an alternative plan. The alternative plan provision was instituted as a safety measure to be used sparingly by the President only under unusual circumstances where a full comparability increase would be inappropriate.

The system has resulted in annual pay increases for Federal employees since 1970. However, Presidents have attempted to reduce or delay the comparability adjustment in 7 of the 10 years. Six alternative plans have been submitted, and in 1972 the President attempted to delay the increase under another law. While only three of the alternative plans have been implemented, these actions and other problems have resulted in disagreements, frustrations, and

in some cases even resignations by the principal parties in the pay process. The parties have agreed on only two pay recommendations, and the President submitted an alternative plan for one of those.

Also, although the law requires comparability be based on levels of work, only three adjustments have varied by grade level, but five graduated comparability determinations were adjusted to reflect uniform increases. This results in overpaying some grade levels and underpaying others.

We recognize that, because of the divergent interests of the principal parties involved, it may be difficult and perhaps even impractical to expect them to agree on all comparability adjustments. The proposed legislation, however, will not help in this regard. For example, it does not clarify the provision under which alternative plans may be proposed; rather it makes it more difficult for the Congress to override an alternative plan. Also, the legislation does not clarify the principal parties' roles, even though it will include pay adjustments for as many as 150 localities.

The President limited the 1979 pay adjustment to 7 percent. This may make it difficult for Federal employees to ever get back to "full" comparability. This cap could mean future double digit increases for some grade levels. For example, in 1979 GS-15 employees would have required a 15.43 percent increase to achieve comparability. It is doubtful that the Congress or the public would react favorably to such high pay increases for the Federal sector.

The administration has stated that, unless the proposed legislation is enacted (in its view, reducing future Federal pay increases by $3 billion annually), we risk losing the comparability concept, and the result could be a series of pay caps in the future. The administration's position is based on the assumption that when benefits are considered, the annual adjustment will be much less. Accurate data, however, is not now available on the value of non-Federal benefits or the extent to which adjustments would be less. In any event, even if the total compensation approach would lessen the amount now needed to achieve comparability, the legislation makes it easier for Presidents to implement alternative plans.

EFFECT OF PROPOSED LEGISLATION

The administration's proposed legislation (H.R. 4477 and S. 1340) will give the Congress the opportunity to resolve certain shortcomings in the comparability processes.

This should help restore needed credibility to the comparability principle and provide pay rates that are more comparable to the private sector. The major features of this legislation are to

--establish the principle of total compensation comparability, considering both pay and benefits rather than just pay in determining comparability;

--include State and local governments in determining comparability;

--establish most white-collar salaries on a locality basis; and

--provide for special occupational schedules for occupations where it is determined that the Government is severely handicapped in recruiting a well-qualified work force.

In a July 1978 report, "Federal Compensation Comparability: Need for Congressional Action" (FPCD-78-60), we reported on these issues. However, this 1979 report does not include an evaluation of the proposed system changes. Rather, it focuses on the roles of the parties involved in the comparability determination process and discusses problems in these processes that will not be corrected by the proposed legislation.

President's alternative plan authority increased

One of the objectives of the 1970 act was to permit periodic adjustments to Federal pay through administrative rather than congressional action. Normally, the Congress is to become involved only in unusual circumstances when the President believes that a full comparability adjustment is not warranted because of "national emergency or economic conditions affecting the general welfare"; he could then send the Congress an alternative plan proposing a different adjustment.

The President used his alternative plan authority to set a 5.5-percent cap on the comparability adjustment in October 1978 and has limited the October 1979 adjustment to 7 percent. The President's actions caused all members of the Federal Employees Pay Council to resign in April 1978.

Justification for the alternative plans have generally been for economic or fiscal reasons in periods of high

inflation or to set an example for the private sector in holding down pay. However, frequent use of the alternative plan raises some question as to what "national emergency or economic conditions affecting the general welfare" are significant enough for an alternative plan.

In a July 1978 report the Congressional Budget Office stated that:

> "It is virtually impossible to determine the impact of a federal pay cap as an example to the private sector. For example, the last pay cap--when the October 1975 adjustment was limited to 5 percent--was intended to persuade the private sector to minimize wage and price increases. Yet, in the six months following the October 1975 cap, major wage settlements in the private sector averaged (for the first year) 10.4 percent as compared with 9.4 percent in the preceding 6 months * * *."

The proposed legislation will increase the President's authority for providing alternatives to comparability pay adjustments. Under the current law either House of the Congress may reject an alternative plan within 30 days by a majority vote, after which the comparability adjustment goes into effect. To reflect the President's alternative plan under the proposed legislation, both Houses of the Congress will have to disapprove an alternative plan within 30 days. If the President disapproves the joint resolution, the only way the Congress can override his disapproval is by a two-thirds vote of each House. This could make it very difficult for the Congress to overturn a President's alternative plan.

Effects on principal parties' roles

The proposed legislation does not clarify the conditions under which Presidents may propose alternative plans, but it will increase the duties and responsibilities of the Pay Agent, the Federal Employees Pay Council, and the Advisory Committee on Federal Pay. The legislation will require the Pay Agent to consider the total compensation (pay and benefits of General Schedule employees) in as many as 150 localities and propose appropriate adjustments for each area rather than one overall pay adjustment as now required. The Federal Employees Pay Council and the Advisory Committee on Federal Pay will be able to give their views and recommendations on all aspects of the total compensation adjustments.

After receiving the views and recommendations of the three parties, the President will be able to adjust pay as

well as benefits--except retirement. The President can also use other sources of data to make the adjustments if he determines that appropriate survey data is not available from the Bureau of Labor Statistics.

As can be seen, the legislation would greatly increase the President's authority and the complexity of the process. Otherwise, it does not change the fundamental roles of the principal parties.

WHAT IMPACT HAVE THE PRINCIPAL PARTIES HAD ON COMPARABILITY ADJUSTMENTS?

The Pay Council has become more frustrated with each passing year regarding its role in setting pay. This was evident in April 1978 when all Council members resigned after the President announced his plans to cap Federal pay. At the completion of our review the members had not yet returned to the Pay Council. Three representatives also resigned in August 1976 in protest over changes to the pay survey methodology. The Council is convinced that the Presidential-imposed pay caps completely undermine the principle of comparability in the 1970 act.

The Advisory Committee has had some effect on the pay adjustments over the years, but Presidents have yet to adopt a formal Advisory Committee recommendation that is different from the Pay Agent's. Also, there is some disagreement on what the Advisory Committee's role should be. Attempts have been made to increase its responsibilities. For example, in a December 1975 report, the President's Panel on Federal Compensation recommended that the Advisory Committee, in addition to its statutory responsibility of making recommendations on the annual increase in white-collar pay, should

--meet regularly with the Pay Agent and Pay Council to discuss and resolve issues involved in the pay process,

--take responsibility for ongoing reviews of the pay process, and

--periodically report to the President on changes needed in Federal compensation policies and practices.

Executive Order 12004, dated July 20, 1977, expanded the role of the Advisory Committee as follows:

"The Advisory Committee shall advise the President of its own opinion on any unresolved issues referred to it by the Pay Agent or the

Pay Council. The Advisory Committee shall inform the Pay Agent and the Pay Council of its opinion on such issues as soon as practicable. Furthermore, the Advisory Committee shall attend, or be represented at, meetings between the Pay Agent and the Pay Council and shall moderate and direct the discussion."

In the latter part of 1977 the Pay Agent, Pay Council, and Advisory Committee mutually agreed on procedures they should follow. The details of this agreement were incorporated in a report entitled "Procedures For the President's Pay Agent, the Federal Pay Council, and the Advisory Committee on Federal Pay." The procedures agreement was thought to be a positive step forward in improving the relationships among the principal parties, especially the Pay Agent and Pay Council. Yet, improvements anticipated by the agreement were shortlived due to the President's announcement in April 1978 of his intentions to place a cap on Federal pay, and the resignations of the Pay Council members.

Unclarified roles of the major parties, the resignations of Pay Council members and the Presidents' frequent use of the alternative plan are more than just isolated events. They actually reflect the history of the comparability process.

CHRONOLOGY OF EVENTS

1971

The President signed the Federal Pay Comparability Act of 1970 on January 8, 1971. The first comparability increase under the act was authorized on the same date by Executive Order 11576. The 1970 act authorized the first two adjustments for January 1971 and January 1972, rather than for October 1 of each year, as provided for later adjustments.

On August 15, 1971, the President instituted a wage-price control program. On September 1, 1971, he sent an alternative plan to the Congress proposing the increase scheduled for January 1972 be delayed until July. Neither House overrode the President's alternative plan. However, in December the Congress amended the Economic Stabilization Act (Public Law 92-210) reestablishing the pay increase--5 percent across the board--to be given as due, in January 1972.

1972

On August 31, 1972, the President sent a message to the Congress advising that, as required by the Economic

Stabilization Act Amendments of 1971, he would recommend that increases necessary to achieve comparability be paid, starting January 1, 1973, rather than on October 1, 1972, so Federal employees would have only one pay increase during calendar year 1972. The President neither adjusted Federal pay scales in October 1972 nor submitted an alternative plan subject to disapproval by either House as required by the Federal Pay Comparability Act. This pay increase was effective in January 1973.

This deferment became the subject of a court case--National Treasury Employees Union vs. Richard M. Nixon (492 F. 2nd 587)--which ruled in 1974 that the delay to January 1973 was improper. The court ruled that the President had the duty to grant the Federal pay increase on October 1, 1972, because he had not submitted an alternative plan and, therefore, the plaintiffs were entitled to collect the pay increase due them since that time.

The delay in the pay increase and the court case were not the only controversies about the fiscal year 1973 adjustment. In an August report the Pay Council took exception to the 5.14-percent increase being applied to all grades of the General Schedule. The Advisory Committee, however, supported the increase and pointed out that "it was consistent with past practice, since it would be the fourth successive adjustment on a uniform, across-the-board-basis." The committee report stated that "it had an element of fairness in giving all workers the same percentage increases in a period of economic stabilization." Meetings between the Pay Agent and the Pay Council ended in August 1972 and resumed again in June 1973.

1973

When meetings resumed between the Pay Agent and Pay Council in June 1973, the parties had major disagreements. On August 31, 1973, the President sent an alternative plan to the Congress proposing to delay the October increase until after December 1, 1973. In its September 21, 1973, report, the Advisory Committee noted that the relationship between the Pay Agent and the Pay Council had seriously deteriorated and that much of this could be attributed to the Pay Agent's change in the reference point 1/ used to determine the pay adjustment.

1/This new method compared average pay in each General Schedule grade (reference point) with average salaries for private industry occupations corresponding to these grades. Before 1973 the Federal reference point was the fourth step of each grade.

The Advisory Committee report stated that, unfortunately, the comparability process had not worked well during the past year and that the Pay Council and other organizations expressed frustration, anger, and uncertainty about the future of pay comparability.

1973 Pay Adjustment Recommendations

Pay Agent--4.77 percent	Recommendation ranged from 4.6 percent in GS-1 to 5.3 percent in GS-18
Pay Council--6.97 percent	Recommended a uniform increase of 5.47 percent to be supplemented by a one-time $198 cost-of-living increment
Advisory Committee--5.47 percent	Recommended that an increase be granted effective on first pay period in December 1973

The President's alternative plan was disapproved, and the Pay Agent's comparability recommendation was implemented in October as scheduled.

1974

In August 1974 the President once again attempted to delay the October increase by proposing an alternative plan to defer the increase until January 1975. In his August 31 message to the Congress, the President said the deferral was necessary because "the Federal Government has a special obligation to take those actions which begin to stop inflation."

During 1974 the strained relationship between the Pay Agent and Pay Council continued. For example, in it's August 23, 1974, report the Pay Council stated that:

> "* * * the Council feels obliged to state this year that its relations with the Agent have further deteriorated. The issue no longer is

one of 'estrangement'. The issue, for the Council, is the vitality and basic integrity of the Federal pay comparability process."

The Pay Agent's report to the President also expressed concern. It stated:

"The Council's statement of views and recommendations expresses the Council's concern over the state of its relations with us. We too are deeply concerned over the lack of any sort of mutual understanding between the Council and us on such important issues. After four years of discussions with the Council, we have come to the conclusion that this lack of mutual understanding results from the two sides having fundamentally different views of the purpose of the Federal pay comparability system."

The Advisory Committee stated in its September 24 report that "The legislative intent has been frustrated and, indeed, the comparability system is in danger of collapse." The report also stated that employee organizations, in citing the failure to carry out the legislative intent, pointed to:

--Four successive efforts by the President to delay the increase beyond the normal date established under the law.

--The fact that prior to 1974 the Advisory Committee had not met with the President.

--The continued deterioration of the relationship between the Pay Agent and the Pay Council.

The Advisory Committee report added:

"The four consecutive efforts to invoke an alternate plan attempted to enlarge executive power under the statute, which states that an alternative plan can be invoked only 'because of national emergency or economic conditions affecting the general welfare * * *.' While the Advisory Committee is aware of the economic considerations, the statute calls for Federal employee pay to be comparable with similar occupations in the private sector. It is imperative that an alternative plan be invoked only under extraordinary circumstances as an exception rather than the rule."

1974 Pay Adjustment Recommendations

Pay Agent--5.52 percent	Based its recommendation on the second year of a 3-year transition to the use of the new reference point
Pay Council--7.3 percent	Wanted this amount supplemented at a later date in recognition of economic controls being lifted and recommended 8.4 percent
Advisory Committee--7.22 percent	Recommended an additional 1.7 percent be added to the Pay Agent's 5.5 percent to make up for salary changes in the private sector since the comparability survey was completed

The Senate overturned the President's alternative plan. The President adopted the Pay Agent's recommendation.

1975

The Advisory Committee stated in its August 1975 report that it was pleased that relations between the Pay Agent and the Pay Council had apparently improved during the past year. The report stated:

> "* * * At the time of last year's report this Committee was deeply concerned at the continued deterioration of the relationship. Special credit should go to the President's Agent for initiating steps to improve this relationship. * * *
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> "Aside from the areas of conflict on technical issues, the most significant aspect affecting the relationship between the Agent and the Federal employee organizations stems from the fact that each year since the enactment of the comparability statute the President has not followed the normal procedures envisioned by that statute. Either he has attempted to delay the Federal pay increase on the grounds of his economic stabilization authority or has proposed an alternative plan. As a result, each comparability adjustment has gone into effect

only because these departures from normal procedures have been set aside by Congress or the courts." [Underscoring supplied.]

The Pay Agent staff recommended a graduated pay increase ranging from 8.1 percent in the GS-1 rate, to 9.9 percent in the GS-18 rate. The Pay Council argued against this rate and recommended a uniform pay increase of 8.66 percent which the Pay Agent agreed to and recommended to the President.

Among other things, the Advisory Committee reiterated its concern about alternative plans. It stated:

"* * * constant resort to emergency procedures makes the whole process envisioned by the statute meaningless and the BLS [Bureau of Labor Statistics] survey of private industry pay a futile exercise."

Nevertheless, on September 3, 1975, the President submitted an alternative plan to the Congress recommending a pay cap of 5 percent across the board.

1975 Pay Adjustment Recommendations

Pay Agent--8.66 percent	The Pay Agent's staff recommendation would have provided for graduated increases; the Pay Agent agreed with the Pay Council to apply the 8.66 percent on a uniform basis
Pay Council--8.66 percent	This was to be applied on a uniform basis; the Pay Council objected to the pattern of graduated increases proposed by the Pay Agent and convinced the Pay Agent the best course of action was a uniform application
Advisory Committee--8.66 percent	Endorsed the increase percentage only because it didn't wish to recommend reversal or modification of an agreement between the Pay Council and Pay Agent

The President's alternative plan for a 5-percent increase on a uniform basis was implemented.

1976

On January 8, 1976, the Pay Council filed suit in the U.S. District Court seeking a ruling that a February 1975 agreement with the Pay Agent was legally permissable. The agreement provided for the Advisory Committee to act in an arbitration capacity between the Pay Agent and Pay Council on unresolvable issues. On March 16 the suit was dismissed. During this time and for some time in the past, the Pay Council had been upset about the Pay Agent's changes in survey methodology. 1/

In August 1976, three of the five Pay Council members resigned because of "unilaterally imposed statistical techniques" which, according to the Pay Council, allowed the Pay Agent to reduce the comparability pay increase to 5 percent.

The September Advisory Committee report stated:

> "During the past year the Advisory Committee was given additional responsibilities. However, the Agent's proposal regarding this year's pay increase has dealt a serious blow to the prospects for one of these new functions--namely, improving relations between the Government and Federal employee organizations. Even more serious, the proposal has jeopardized the entire process of Federal white-collar pay setting and led the AFL-CIO [American Federation of Labor-Congress of Industrial Organizations] members of the Federal Employees Pay Council to resign."

Although the Advisory Committee disagreed with the Pay Agent's incorporating all of the methodology changes at one time, it endorsed the Pay Agent's position of applying the increase on a graduated basis. The Advisory Committee's report stated:

> "This past failure to provide increases varying by grade has been inequitable to workers in some grades and has impaired the government's ability

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1/The Pay Agent made changes in the type of payline, curve-fitting techniques, and weighting methods. We recommended these changes.

to attract and retain the most competent employees in critical positions. It also leads to public criticism of Federal pay in the lower pay grades in which Federal scales often exceed those in private industry. This past practice aggravates the geographic inequities that result from payment of white-collar employees on a national scale and is a major factor in the widespread misconception that Federal pay is generally too high."

Certainly, the year's deliberations could not be considered "normal" with a law suit and certain Pay Council members resigning. However, it was the first time under the comparability act that the President implemented an adjustment without attempting a revision.

1976 Pay Adjustment Recommendations

Pay Agent--5.17 percent	This pay increase was the result of applying the new weighting and payline techniques
Pay Council--8.20 percent	Three Pay Council members resigned because of disagreements with the Pay Agent over comparability changes
Advisory Committee--6.20 percent	Supported the revised methods for measuring comparability that the Pay Agent had used, but suggested phasing in the changes over the next 2 years

The President accepted the Pay Agent's recommendation which ranged from 4.2 to 11.83 percent. Actual increases ranged only to 8.98 percent, however, because of the ceiling imposed on executive pay rates.

1977

The Pay Council began to meet again with the Pay Agent on June 15--10 months after the three Pay Council members resigned.

The September 6 Advisory Committee report summarizes some of the year's activities:

"During much of the past year there were no AFL-CIO members on the Federal Employees Pay Council and there were no meetings between the Pay Council and the President's Agent. With the return of the AFL-CIO to the Council, meetings resumed on June 15, with several changes in membership. The Pay Agent principals were all new because of the change in Administration. With election of new officials by the American Federation of Government Employees and the National Federation of Federal Employees, three of the five members of the Pay council served for the first time.

"Our Committee has been heartened by the improvement in relations. The improvement appears to result from several developments: (1) A pledge in the Pay Agent's letter of May 24 that alternative plans would be adopted only because of national emergency or economic conditions affecting the general welfare, requiring Presidential initiatives affecting the general economy. (2) Agreement to add the Secretary of Labor as third member of the Pay Agent. (3) Greatly increased attendance and participation in meetings by principals from both sides. This signifies the importance that each side attaches to the process and facilitates decision making. The principal initiative to improve the climate of labor management relations came from the Pay Agent, with the new Director of the Office of Management and Budget, the new Chairman of the Civil Service Commission, and the new Secretary of Labor taking major steps to bring a new spirit and light and air into the discussions."

* * * * *

"At the urging of the Pay Council, the Agent agreed that this year each grade should receive the same percentage increase. Based on the expanded survey scope, this would be 7.05 percent. This is the average derived from payline computational procedures adopted in 1976; strict adherence to those procedures would result in increases varying from 6.26 percent in Grade GS-7 to about 9.8 percent in Grade GS-15. "The Agent states that its agreement to a uniform percentage increase is 'on a one time basis, pending a review of aspects of the comparability methodology during the coming year.' * * *

"Even though the Agent and the Pay Council are agreed on this issue, representatives of Federal professional organizations have been unanimous in their criticism of the uniform percentage increase. They charge that is not in accord with legislative intent and contend that the uniform percentage increase takes $80 million away from workers in the upper GS-grades and redistributes it to workers in Grades 2 to 11."

1977 Pay Adjustment Recommendations

Pay Agent--7.05 percent	Agreed to proposed across-the-board increase
Pay Council--7.05 percent	Was concerned that strict application of the established methodology would produce an inequitable distribution for pay increases; recommended 7.05 percent, plus an additional 1.35 percent for time lag compensation, plus 0.41 percent for Pay Agent expanding survey scope
Advisory Committee--7.05 percent	Reluctantly endorsed the uniform increase of 7.05 percent agreed to by the Pay Agent and Pay Council

A uniform, across-the-broad increase of 7.05 percent was implemented.

1978

In January 1978 the President announced a national policy of voluntary wage and price guidelines. In April he announced his intent to limit the October pay increase to about 5.5 percent. Less than 48 hours later all Pay Council members resigned. In August the Advisory Committee report stated in part:

"This year, for the first time, the President's Pay Agent and the Federal Employees Pay Council worked out formal procedures to conduct their deliberations in a more effective manner. Under these procedures, unresolved issues were to be referred to the Advisory Committee. These procedures were working reasonably well until the

members of the Pay Council withdrew in protest against the President's April announcement that he intended to put a cap on Federal pay."

* * * * *

"Our Committee accepted last year's decision for a uniform percentage increase with great reluctance, and only because such an increase had been agreed to by the Pay Agent and the Pay Council on a one-time basis. We said in 1977: 'We would look askance at any suggestion that it be a 'two-time thing.' Uniform percentage increases represent a departure from true comparability envisaged by the statute. They are inequitable to workers in some grades and impair the government's ability to attract and retain the most competent employees in critical positions.' We continue to adhere to that view. Indeed, another uniform percentage increase would compound the gap in comparability and further erode the comparability principle."

The Advisory Committee also included the following in its report:

"The Federal Employees Pay Council was established pursuant to the statute to involve Federal unions in the pay fixing process. The Carter Administration achieved positive results in 1977 by a series of effective measures to increase the participation of the Pay Council and to raise the level of confidence. Unfortunately, the President's announced intention to cap Federal pay in 1978 erased many of these gains.

"The Advisory Committee is most concerned over the deterioration of labor relations. Although the Federal unions have been modest and patient, the pressure for more militant action seems to be increasing. The repetition of unilateral action by the Executive Branch leaves the union leadership and the Pay Council without any useful role. This situation will become worse before it becomes better unless forceful steps are taken to undo the damage.

"A number of critical issues were left unresolved at the time of the union withdrawals. We believe it is premature for us to comment on

any of those issues at this time. We urge the President to turn this situation around. Positive steps should be taken as soon as possible to restore the Pay Council, resume discussions, provide for genuine give and take negotiations, and restore a reasonable measure of confidence in the pay fixing process."

Because of the resignations, the Pay Council did not have a recommendation for the 1978 pay increase. The Pay Agent recommended an 8.4-percent average increase. Recognizing the problems the pay cap could cause, the Advisory Committee recommended a "modified comparability" option--an increase of 5.5 percent for each grade, delayed until December 17, with an immediate add-on to make up half of the gap between 5.5 and full comparability. The President, however, disregarded the Advisory Committee's suggestion and submitted an alternative plan providing for a 5.5-percent increase to be implemented in October for all employees.

1978 Pay Adjustment Recommendations

Pay Agent--8.4 percent.	Proposed increase on a graduated basis, ranging from 6.14 percent in GS-2 to 13.27 percent in GS-15
Advisory Committee--8.4 percent	Endorsed the Pay Agent's 8.4-percent recommendation but also suggested a "modified comparability" option of 5.5 percent for each grade, delayed until December 17, with an add-on to make up half of the gap between 5.5 percent and full comparability

The pay cap of 5.5 percent was implemented.

1979

The Pay Council members remained firm in their determination not to rejoin the Council. However, the Pay Agent still sought their views and recommendations in formulating this year's comparability recommendation. The Pay Agent invited the Pay Council to a July 13 meeting of all Federal employee organizations. One former Council member attended,

and the others sent representatives. The former Council members submitted their views and recommendations to the Pay Agent.

The Advisory Committee endorsed the Pay Agent's comparability increase averaging 10.4 percent. In addition, the committee was aware of the President's alternative plan proposal and indicated that equity for Federal employees should be consistent with the voluntary wage guidelines applicable to the private sector. It recommended that the alternative plan increase should average 7 percent and be distributed among the grades to reduce the gap behind private sector pay in a manner consistent with the comparability act.

1979 Pay Adjustment Recommendations

Pay Agent--10.4 percent	Recommended a graduated increase of 8.8 percent to 15.43 percent averaging 10.41 percent (average increase in GS payroll because of compression by statutory ceiling would be 10.38 percent)
Pay Council--10.3 percent	Resigned members recommended an across-the-board increase reflecting full equality with private sector increases over last year as shown by the 1979 Bureau of Labor Statistics
Advisory Committee--10.4 percent	Endorsed Pay Agent's full comparability increase varying from 8.8 percent to 15.4 percent; but in the event of an alternative plan, it suggested a 7-percent increase distributed among pay grades

The President's alternative plan for a 7-percent increase on a uniform basis was implemented, with grades 1 and 2 receiving slightly more.

PARTIES' DIVERGENT VIEWS CONCERNING THEIR ROLES AND THE PAY PROCESS

We met with members of the Pay Agent, Pay Council, and Advisory Committee and with representatives from employee organizations not on the Pay Council, to get their views concerning their roles and the effectiveness of the pay process. The parties' views on whether the process is working effectively were quite different.

Pay Agent representatives

According to representatives of the Pay Agent, it has the responsibility to administer the Federal Pay Comparability Act of 1970 in a fair manner. They believe that the pay process is working well and that the Pay Agent thoroughly considers the Pay Council's views and recommendations. As an example they cited (1) discarding the Bureau of Labor Statistics' data for below-minimum wage earners, (2) increasing the size of finance firms included in the survey from 50 to 100 employees, (3) omitting secretary and computer operators from the 1974 comparability determination and the 1975 survey, (4) deferring weighting and pay curve changes, and (5) phasing in the dual payline over a 3-year period.

A Pay Agent representative stated, however, that if the Pay Agent disagrees with the Pay Council's views and recommandations, the Pay Agent has an obligation to the U.S. taxpayers to do what it believes is right. The Pay Agent perceives its role as one who consults, rather than negotiates, with Pay Council members.

Pay Agent representatives also stated that:

--The Pay Agent and Pay Council should resolve their differences harmoniously.

--The pay process is a good one and is working very effectively.

--The Pay Agent members are the decisionmakers of the pay process, and the Federal Pay Comparability Act of 1970 is written in such a way that the Pay Agent has the most power.

--The President makes the final decision regarding the amount of the October increase.

--The Pay Agent has little involvement in Presidential decisions to use the alternative plan authority.

Pay Council members

The Pay Council members believe that the Congress passed the Federal Pay Comparability Act of 1970 to create an automatic and fair system for adjusting salaries of Federal white-collar employees. According to them, their role is to represent Federal employees whose salaries are covered under the act and to insure that Federal salaries are truly comparable to the wages of private sector employees who perform similar work.

Pay Council officials said they consult, and should work in concert, with the Pay Agent to identify and resolve problems and issues involved in the pay process. They also believe that differences which they cannot resolve with the Pay Agent should be referred to the Advisory Committee. Pay Council members continue to believe that the Pay Agent does not thoroughly consider their views and recommendations. Council members also said the Pay Agent continually makes unilateral pay-setting methodology decisions which have not been previously resolved with the Pay Council. One member stated that, since he has been a part of the Pay Council, every change made by the Pay Agent in the white-collar pay survey methodology reduced the comparability increase.

Council members also stated that:

--The Pay Agent, and particularly the Office of Management and Budget, is primarily concerned with controlling Federal expenditures, and Federal employees' pay is a major cost item in the Federal budget.

--The Advisory Committee has not been effective because the President has consistently disregarded its recommendations.

--The Pay Agent and the Pay Council had established good relations in 1977 due to the mutual development of the procedures agreement and a May 1977 letter which the Pay Agent sent to the president of the AFL-CIO. The letter stated that the President would not use his alternative plan authority without consulting the Pay Council. According to Pay Council members, these good relations quickly deteriorated in early 1978 when the President announced his intention to cap Federal employees' pay increases at 5.5 percent without consulting the Pay Council.

--The language of the Pay Comparability Act is vague in that it (1) does not provide a means for resolving disputes between the Pay Agent and Pay Council, (2) allows the Pay Agent too much latitude to make changes in the pay-setting methodology, and (3) does not clearly specify the conditions under which the President can use the alternative plan authority.

--The pay process could become more credible if private sector pay experts, other than those on the Advisory Committee, would attend meetings between the Pay Agent and the Pay Council and give their viewpoints on the problems and issues discussed.

--An alternative plan should not be implemented unless the Congress specifically votes for its implementation.

--Although the pay caps have been imposed to fight inflation, they do not hold down wages in the private sector because Federal wages do not fuel inflation but simply follow movements in the private sector.

Advisory Committee members

According to some present and former Advisory Committee members we contacted, the Committee's role is to review the Pay Agent's annual report, seek out the views of representatives of the non-Pay Council employee organizations, serve as an advisor to the President on Federal employee pay matters in general, serve as a mediator on issues and problems which cannot be resolved between the Pay Agent and the Pay Council, and submit an annual report to the President on its findings and recommendations concerning pay comparability. One of the members said the process has worked reasonably well and that one of the biggest problems in the comparability process is the uniform increases. He also believed that the President needs the alternative plan authority because the President sometimes must consider matters other than comparability.

Advisory Committee members also said that:

--Presidents have used the alternative plan authority too frequently. "National emergency" has been used as a "loop-hole" by various Presidents since 1972. The language concerning national emergency should be tightened up such as by adding the words "affecting the Nation as a whole."

--Limiting the annual pay increases does not influence the private sector's negotiated increases between labor and management.

--If Presidents continue to frequently use the alternative plan authority in the future, union leaders representing Federal employees will be forced to seek other methods of obtaining salary increases for its members, such as collective bargaining.

--The Advisory Committee could serve the President more effectively if its members could meet with the President without the Pay Agent members being present.

--Participating in the pay process is like a charade, and the alternative plan authority has been abused and used to save money.

--The act should be changed so that non-Pay Council organizations' representatives could participate in the meetings between the Pay Agent and Pay Council.

--In the pay process all power is vested in the President and the Pay Agent.

--The Advisory Committee has been effective because it insures the credibility of the comparability system in the eyes of the private sector, although various Presidents have frequently not adopted its recommendations for comparability.

Representatives of employee organizations not on the Pay Council

Representatives of other employee organizations also offered some views:

--The Pay Agent does not seriously consider views and recommendations of the non-Pay Council representatives. During the course of an annual meeting it merely tells these representatives what action it is taking.

--The Pay Agent decides what the pay comparability adjustment will be before it even holds the annual meeting.

--The Pay Agent only consults with non-Pay Council representatives during the annual meeting.

--The Advisory Committee does consider non-Pay Council representatives' recommendations, but their views and recommendations should be considered earlier by the Pay Agent in the pay process.

--The Pay Agent is not following the comparability process when it recommends a uniform percentage of pay increases for all grades in the General Schedule rather than grade-by-grade comparability percentage increases.

--The act is not working effectively because Presidents have used the alternative plan authority too frequently. As a result, Federal employees' salaries are not comparable with those in the private sector.

--The act should be amended so that the alternative plan authority is taken away from the President.

--The comparability process is not being followed by both the Pay Agent and the President, and as a result Federal employees' confidence in the comparability process is being eroded.

--Employee organizations comprised of white-collar professionals should also be represented on the Pay Council.

In summary, the Pay Agent representatives believe that the system is working effectively as intended and thoroughly consider the views of the other parties. Although the Pay Agent has made some changes as a result of Pay Council recommendations, Pay Council representatives do not believe the system is working as intended or that the Pay Agent thoroughly considers their views and recommendations. The Advisory Committee members believe that the alternative plan authority has been used too frequently to the detriment of the comparability principle.

We recognize that, because of the divergent interests of the principal parties involved, it may be difficult and perhaps even impractical to expect them to agree on all comparability adjustments. However, frequent use of the alternative plan authority appears to have caused the parties to lose confidence in both the President and his Pay Agent. The Advisory Committee and the Pay Council are doubtful and concerned about the process as well as about the roles they play.

CHAPTER 3

FEWER DISAGREEMENTS AMONG PARTIES IN THE BLUE-COLLAR PAY PROCESS

The Federal Wage System, which governs the blue-collar pay process, was established in 1972 by Public Law 92-392. The statute enacted into law, with some modifications, the provisions of the Coordinated Federal Wage System--an administrative wage-setting process established in 1968.

Management and employee organization officials have had fewer disagreements under the Federal Wage System than under the white-collar system. Most problems in the blue-collar pay system result in overcompensating these employees. These problems include (1) a step-rate structure that is not consistent with industry practice, (2) use of wage rates from other areas in determining local wages, (3) payment of night shift differentials that differ from local industry practice, and (4) exclusion of State and local employees from the wage surveys. Management and employee representatives differ over proposed legislative changes to correct these inequities and, as a result, over the structure and responsibility of FPRAC.

THE BLUE-COLLAR PROCESS APPEARS TO WORK SMOOTHER THAN THE WHITE-COLLAR PROCESS

According to agency and employee organization officials, the blue-collar pay process has worked smoother than the white-collar pay process for several reasons. Unlike the white-collar pay process, labor and management officials participate more in the decisionmaking process of the Federal Wage System. Employee organizations are represented and have a voice in the system at all committee levels. Also, officials point out that, because the Federal blue-collar employees participate in the survey process, they better understand and place more confidence in the system than white-collar employees.

The blue-collar pay process has had less political intervention and pressure. It was not affected by pay caps until 1978 when the Congress instituted a 5.5-percent limit on fiscal year 1979 increases, and except for the Economic Stabilization Act in 1971, Federal blue-collar employees' pay increases were based on area wage surveys.

Management and union officials attribute the lack of major disagreements to the fact that the system has been allowed to function as intended without much political intervention. Proposed legislation would extend the President's alternative plan authority to the Federal Wage System, and unless this proposed authority is revised, it could cause problems in the blue-collar pay process.

DIFFERENCES IN INTERPRETING FPRAC'S ROLE

Legislation to reform certain provisions of the blue-collar pay process has caused management and union officials to differ over FPRAC's role and responsibilities. The legislation, included in the proposed Federal Employees Compensation Reform Bill of 1979, has been proposed several times in the past few years but has not been acted on. It would correct the major deficiencies of the blue-collar wage system by

- --establishing a step-rate structure consistent with industry practice (eliminates the five-step system with second step used as payline),
- --abolishing the provision for using wage rates from other areas, and
- --replacing the 7-1/2-percent and 10-percent night shift differentials now used with differentials based on local industry practice.

We previously reported on these issues and recommended corrective actions. 1/

The law requires FPRAC--formerly the National Wage Policy Committee--to

> "* * * study the prevailing rate system * * * and, from time to time, advise the Office of Personnel Management thereon * * * [and] make an annual report to the Office and the President for transmittal to Congress * * *."

The law appears to give FPRAC very broad and general responsibilities but does not specifically define the studies to be made.

1/"Federal Compensation Comparability: Need For Congressional Action," FPCD-78-60, July 21, 1978.

Employee organizations' views on FPRAC's responsibilities

The union representatives on FPRAC feel that it has been effective in implementing the Federal Wage System but believe changes are needed in its present structure and responsibilities. They expressed their concerns on several issues. They contend that FPRAC is not impartial but is a management-oriented committee. Binding arbitration should be implemented for unresolved issues rather than letting the chairman's vote decide them.

According to them, FPRAC should

--consider any matter being proposed which could affect the Federal Wage System;

--be set up as an independent entity, distinct and separate from OPM or any other Federal agency;

--have a chairman appointed by the President and confirmed by the Senate;

--have sufficient staff to gather credible data and independently study problems and issues facing the Federal Wage System; and

--study systemwide issues, including an overview of the blue-collar comparability system.

The union representatives feel that FPRAC was established to study any proposed changes to the Federal Wage System and voiced concern that the current proposed blue-collar legislation was not presented to FPRAC for comment. They recognize that FPRAC does not have any legislative authority to propose changes to the law but feel that it could make enlightened recommendations concerning the proposed changes. They also believe that, even though FPRAC should be studying the pay system, it does not have the staff to do so. They stated that meaningful discussions are difficult when each side relies on separate and differing information. Most of their desired changes call for legislative action and are outside the present framework of the law. They would like FPRAC's role changed from an advisory group to a policy committee.

Management views on FPRAC's responsibilities

While management and union representatives concur that FPRAC has been effective in implementing the Federal Wage System, their positions differ substantially on several issues. Management is satisfied with the present structure

of FPRAC and feels that FPRAC has fully met its responsibilities and has given the employee organizations a voice that they would otherwise not have had.

Management does not believe that FPRAC should be strengthened, and it opposed some of the employee organizations' suggested changes. Management believes that FPRAC

--was established as, and can function effectively only as, an advisory committee;

--should continue to report to the Director of OPM who has responsibility for implementing the Federal Wage System;

--does not need additional staff for conducting studies, and if the chairman had such a staff he would be biased in discussions of and decisions based on the studies; and

--is studying the issues it was mandated to study.

One management official said that FPRAC could not possibly operate as an entity recommending legislative changes because management and union representatives would disagree and may never reach a consensus. Management contends that the Director of OPM is the policymaker for the Federal Wage System, and FPRAC is to advise him. Management feels that if the employee organizations want legislative changes in the Federal Wage System, they should propose such changes to the Congress.

Management representatives feel that FPRAC is currently studying major policy issues and has been essential to developing and implementing the Federal Wage System. They point out that FPRAC reviewed every wage system procedure and policy incorporated into the Federal Personnel Manual and has also been instrumental in consolidating many special schedules into the system. Management representatives anticipate that FPRAC's future work will deal with major issues, such as survey coverage, area definitions, and occupational representatives. They feel that FPRAC is working well, has met its legislative mandate, and should not be changed.

CHAPTER 4

OBSERVATIONS, RECOMMENDATION, AND PRINCIPAL PARTIES' COMMENTS

OBSERVATIONS

One of the objectives of the Federal Pay Comparability Act of 1970 was to provide periodic adjustments to Federal pay through administrative rather than congressional action. Normally, the Congress is to become involved only if the President believes that a full comparability adjustment is not warranted because of "national emergency or economic conditions affecting the general welfare," whereupon the President can send the Congress an alternative plan. Although the system has resulted in annual pay increases, the President has used the alternative plan authority for 6 of the 10 adjustments under the act.

Also, even though the act requires that comparability be based on levels of work, only 3 of the 10 adjustments have varied by grade level. Five graduated comparability determinations have been adjusted to reflect uniform increases. This results in overpaying and underpaying certain grade levels and affects the overall equity and credibility of the pay process.

Because of the 1978 and 1979 pay caps, Federal white-collar workers have lost ground to their private sector counterparts, particularly at the higher levels--a comparability adjustment in 1979 would have required an increase of 15.43 percent for GS-15 employees. Without even waiting for the recommendations and advice of his pay groups, the President announced his intention to cap the October 1979 increase at 5.5 percent. He later changed this to 7 percent although comparability would have required increases averaging 10.4 percent. This will further increase the amount needed to bring Federal white-collar workers, particularly the higher grade levels, back to full comparability. The proposed legislation, if administration estimates are correct on the potential savings, could significantly lessen the amounts needed to achieve comparability.

Disagreement exists over the roles of the parties involved in the white-collar pay process. The Federal Employees Pay Council and the Advisory Committee on Federal Pay believe their recommendations have little influence on either the Pay Agent or the President and that the comparability system has been threatened by the Presidents'

frequent use of his alternative plan authority. Pay Agent representatives, however, believe that the system is working effectively and that they thoroughly consider the views and recommendations of the other parties.

While the parties involved in the blue-collar pay process have experienced fewer disagreements, major controversy does exist over FPRAC's responsibilities. Labor representatives believe that FPRAC should be reviewing major policy issues affecting the Federal Wage System, such as the proposed legislative changes. Management representatives, on the other hand, feel that FPRAC does study major policy issues but should not review legislative proposals.

The administration's proposed legislation is aimed at improving the comparability system and correcting many of its shortcomings. We support the thrust of the bill which, if properly implemented, will correct some of these problems by

--comparing benefits as well as pay with private sector compensation,

--including State and local governments in the annual surveys,

--establishing white-collar salary schedules that are more in line with locality pay practices, and

--revising the Federal blue-collar wage law to better attain comparability.

The proposed legislation, however, does not clarify the conditions under which an alternative plan may be proposed and makes it more difficult for the Congress to overturn a plan. We realize that the President needs and should have alternative plan authority to confront unusual situations, and we support extending this authority to the blue-collar pay process. We believe, however, the process would be more credible if the President used the alternative plan authority only in those instances where specific information demonstrates that a national emergency or economic conditions affecting the general welfare exist and that use of the alternative plan is part of an overall policy of fiscal restraint.

RECOMMENDATION

We recommend that the Congress amend the law to further limit the President's use of alternative plans to insure that they will be used in situations which are more indicative of national emergencies or economic conditions affecting the general welfare.

This recommendation can be accomplished in a number of ways. We are providing the following options to the Congress in order of preference:

1. Require a majority vote of both Houses of Congress in order for the President to implement an alternative plan.

2. Require the President to demonstrate how the plan contributes to remedying the national emergency or severe economic conditions and to insure that Federal employees are treated consistently with private sector employees.

3. Specify in the law what constitutes a "national emergency or economic conditions affecting the general welfare" in justifying alternative plans.

We recognize that it would be very difficult to adequately specify in the law what "national emergency or economic conditions affecting the general welfare" would be significant enough to justify an alternative plan. We also recognize there may be occasions when an alternative plan is justified and needed when there are no private sector wage restrictions. We prefer the first option because it offers the best forum for debate and because it would require the Congress to consider the appropriateness of each alternative plan.

Possible alternatives for changing and improving comparability systems

The problems in the white-collar pay process have created a credibility problem with both taxpayers and Federal employees. Employee organizations believe the Federal Employees Pay Council and Advisory Committee have had little effect on annual pay adjustments. This has increased employees' distrust of management--both the President and his Pay Agent. Taxpayers, on the other hand, are concerned that Federal employees are setting Federal pay.

Implementing the proposed legislation (the alternative plan authority, total compensation comparability, and

inclusion of State and local governments in the pay surveys) would increase the complexity of the blue-collar pay process and could result in some of the problems the white-collar process is experiencing.

The system's credibility must be improved. Limiting the use of the alternative plan authority and changing the comparability system would be a big step in achieving this. Other possible alternatives, however, could improve the comparability systems, and the Congress may want to consider them along with the proposed legislation. These alternatives have been offered before and have certain advantages and disadvantages.

One alternative, which could be used in conjunction with the recommended restrictions on the alternative plan authority, would be to amend the law to require that the Advisory Committee on Federal Pay determine the annual white-collar comparability adjustment and submit its determination to the President. All the present parties would retain a role in the pay-setting process. However, the amendment would have to redefine the relative responsibilities of the President, Pay Agent, and Pay Council. While this could raise some questions regarding authority and responsibilities, especially between the Pay Agent and the Advisory Committee, increased use of independent private sector compensation experts to determine the comparability adjustment should go a long way in improving credibility for both taxpayers and Federal employees. The Committee's role could also be expanded to include policy matters for the Federal Wage System if problems develop.

The pay processes, however, have other problems. For example, as of October 1979 the top two steps of GS-15, the top seven steps of GS-16, all GS-17s and 18s, as well as Executive Level V and equivalent positions receive the same salary ($50,112.50). Despite statutes which allow for annual and quadrennial adjustments, Federal executive salary increases have been limited and/or denied.

Another alternative the Congress could consider is the establishment of an independent Federal compensation-setting authority responsible for setting and adjusting Federal compensation under the comparability principle. This alternative would address both the use of the alternative plan and the executive pay problem. The authority could be responsible for most Federal compensation systems, including the General Schedule and the Federal Wage System as well as other systems linked to these systems (military

Foreign Service and executive pay systems, including the Senior Executive Service). Congressional pay could be excluded. The authority would be a policymaking body responsible for

--determining the scope of wage and salary surveys,

--monitoring and making changes to the pay processes, and

--determining the annual adjustments needed in these processes.

This approach would require establishing a new Federal agency and could require reorganizing and transferring pay policy functions from a number of agencies.

PRINCIPAL PARTIES' COMMENTS

We discussed the report with the President's Pay Agent, the President's Advisory Committee on Federal Pay, former members of the Federal Employees Pay Council, and the Chairman of FPRAC and included their comments in the report where appropriate.

The Pay Agent disagreed with our conclusion that the Presidents' frequent use of the alternative plan authority has resulted in a lack of credibility in the comparability process and therefore did not believe the recommendation to limit the President's use of the alternative plan to truly unusual situations was necessary. The Agent believes that the President's use of this authority is a symptom, rather than a cause, of the credibility problem and points to other shortcomings as the reason the comparability processes produce results that are not credible and equitable.

We agree that the shortcomings cited by the Agent contribute to the credibility problem of the comparability processes but believe that the Presidents' use of the alternative plan authority has also been a serious cause of the lack of credibility in this process--especially for Federal employees. We believe that the Congress' intention was that alternative plans were to be a "safety valve" to be used only in extraordinary circumstances and that restrictions on the President's alternative plan authority are needed to assure more effective operation of the comparability principle.

The Agent disagreed with our first option to implement the recommendation--require a majority vote of both Houses of Congress in order for the President to implement an alternative plan--because it believes the proposal in the reform

legislation, a joint resolution with opportunity for Presidential veto, is the appropriate method for congressional action on proposed alternative plans. Under current law either House of Congress may reject an alternative plan within 30 days by a majority vote. We believe that the alternative plan authority should only be used in situations which are indicative of national emergencies or economic conditions affecting the general welfare and that requiring both Houses of Congress to disapprove an alternative plan would make it too difficult for a congressional override.

The Agent disagreed with our second option for implementing the recommendation--require the President to demonstrate how the alternative plan will remedy the national emergency or economic conditions that occasioned it and to insure that Federal employees are treated consistently with private sector employees. The Agent believes the first part of the option is unnecessary. (The President's message to the Congress already states why an alternative plan is required.) It believes the second part is inappropriate because, in times when there are no private sector wage restrictions, the Federal Government would need flexibility in dealing with emergency and adverse economic conditions and may have to propose pay scales for Federal employees that provide a smaller increase than the maximum allowable under wage guidelines.

We recognize that the Presidents' messages to the Congress transmitting alternative plans have stated why the plan was being proposed. However, the messages have not stated how the alternative plan was going to remedy the national emergency or economic condition that occasioned it or even what impact the alternative plan would have. We agree that circumstances could warrant an alternative plan when there are no private sector wage restrictions but believe this should occur only in rare instances and could be accommodated through other means, such as enacting legislation.

The Agency disagreed with our third option--specify in the law what constitutes a "national emergency or economic conditions affecting the general welfare"--because it would be too difficult to specify and also would be unwise to limit the Government's flexibility to respond to unusual situations. The Agent believes the present statutory criteria adequately protects against unjustified use of the alternative plan authority through the opportunity for congressional review, debate, and disapproval.

We agree with the Agent that it may be difficult to specify what circumstances would justify an alternative plan. However, we do not believe it would be impossible to specify

these circumstances. For instance, some guidelines could be constructed around such criteria as a certain rate of inflation, high unemployment, or an unfavorable gross national product or balance of trade. We also recognize that the dynamic nature of our present economy could produce a unique but rare set of circumstances which would not be covered by any guidelines. However, such instances could be handled through the legislative process.

The President's Agent also disagreed with our proposed alternatives for changing and improving the comparability systems. In regard to the first alternative we proposed--to make the Advisory Committee's determination on Federal pay the official comparability adjustment--the Agent raised several arguments:

--It is impossible by statute to give one recommendation greater weight than another.

--The report greatly misjudges and understates the problems that would arise over delineating responsibilities between the Agent and the Advisory Committee.

--Assigning a decisionmaking instead of an advisory role to the Committee would restrict its operations and deprive the President of a valuable source of informed but independent advice.

Under this alternative the Advisory Committee would be responsible for determining the annual comparability adjustment and submitting its determination to the President.

We agree that concerns could arise over delineating responsibilities, but this could be resolved. It would require the Committee to have some control over the survey design as well as methological changes that the Agent or other groups believe are warranted. However, it would not be necessary for the Committee to supervise or control the system's day-to-day operations. Also, this should not deprive the President of independent advice, nor restrict the Advisory Committee's operations. Rather, it should give the President more viewpoints and expand the Committee's operations.

The Agent disagrees with our second alternative--to establish an independent Federal compensation-setting authority--because it believes it is not a workable solution and that comparability is not a unique figure susceptible to discovery through scientific analysis. The Agent also stated

that the comparability standard is inseparable from the idea of efficient and effective management of the Federal personnel system generally.

We disagree with the Agent's arguments and believe this is a workable solution. Also, if comparability is not a unique figure susceptible to discovery through scientific analysis, we believe that this should be the objective. We agree that the comparability principle is inseparable from efficient and effective management, but taking the decision-making responsibilities of comparability determination away from the President and his Agent will not adversely affect the management efficiencies of the Federal personnel system.

The Pay Agent also pointed out that the system has worked well and Federal employees are only 3 percent behind comparability. While we agree that Federal pay rates, on the average, are only 3 percent behind comparability, this has resulted in an 11-percent cumulative loss of pay for Federal employees since 1970. Also, certain grade levels are much further away from comparability. (GS-15s would have required a 15.43-percent increase in October 1979.)

Two of the three members of the Advisory Committee agreed with the report recommendation; the third member disagreed because he believed it would be too restrictive on the President. Former members of the Federal Employees Pay Council generally agreed with the recommendation to restrict the President's use of the alternative plan authority but disagreed with our endorsement of other aspects of the proposed legislation. The FPRAC chairman did not disagree with the information in the blue-collar chapter.

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

June 13, 1978

Honorable Elmer B. Staats
Comptroller General
General Accounting Office
Washington, D. C. 20548

Dear Mr. Staats:

During the past few years, this Subcommittee has been concerned with the pay-setting processes and other various problems involving the groups in both the white and blue collar pay systems. We are concerned that the group set up to study the Federal Wage System, the Federal Prevailing Rate Advisory Committee, has not addressed major revisions proposed for this system. We are also concerned over the partial or total lack of participation in the white collar pay-setting process of the Federal Employees Pay Council for 2 out of the last 3 years. In addition, proposed legislation is being prepared by the Administration which may impact on the roles of the different groups involved in the white collar pay-setting process. This legislation could result in replacing the General Schedule with two or more major pay schedules with differing pay-setting mechanisms.

In view of these problems and the possible effects of proposed legislation, we would like for the General Accounting Office to: (1) evaluate the roles of the groups involved in the blue collar pay-setting process to determine if improvements can be made to increase the effectiveness of these groups; and, (2) evaluate the effectiveness of the groups involved in the white collar pay-setting process based on both the current pay-setting process and the proposed changes to the General Schedule being developed by the Administration.

Thank you for your assistance.

Sincerely,

Gladys Noon Spellman
Chair, Subcommittee on Compensation and Employee Benefits

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NOV 9 1979

Honorable Elmer B. Staats
Comptroller General of the
United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Thank you for the opportunity to comment on the draft of a proposed GAO report, "Determining Federal Compensation: Changes Needed to Make the Process More Credible and Equitable." As the President's designated Agent in the annual comparability process, we are personally involved in the processes with which this draft report deals. The Agent is required by law to oversee a survey of private sector pay rates conducted by the Bureau of Labor Statistics, consult with representatives of employee organizations, and recommend to the President an adjustment in Federal workers' pay rates that will achieve the goal of comparability with private sector rates.

Because the proposed report comes at a key moment in the debate over the Administration's proposal for reforming the Federal compensation system, we believe it is important that the public record present a clear picture of the problems with the current pay-setting process. A comparability system that disregards the benefit element of compensation, that ignores the levels of pay provided by State and local governments to their employees, and that pays the same rates in all areas of the country, will not produce results that can generally be regarded as credible and equitable. We are pleased that the proposed report recognizes these shortcomings in the comparability system and supports the Administration's proposal for corrective action.

The overall conclusion of the proposed report is that the credibility of the pay comparability system has been adversely affected in recent years. We agree with this conclusion. We believe, however, that Presidential decisions to propose alternative pay plans, and the resulting strains on the relationships among the parties to the process, are symptoms, not causes, of this credibility problem.

Because the report deals primarily with symptoms rather than causes of problems, we believe its recommendations and suggestions for possible action are unnecessary or unworkable.

The report recommends that Congress amend the comparability law to limit the President's use of the alternative plan to truly unusual situations, and proposes three possible ways to accomplish this:

1. Require a majority vote of both Houses of Congress in order for the President to implement an alternative plan.

   We believe the proposal in the reform legislation--a joint resolution of disapproval, with opportunity for the President to veto and for the Congress to override that veto--is the appropriate method for Congressional action on proposed alternative plans. This method provides adequate assurances that alternative plans will be implemented only when justified.

2. Require the President to demonstrate how the alternative plan contributes to remedying the national emergency or economic conditions that occasion it, and require that restraints on Federal pay be consistent with those imposed on the private sector.

   The first part of this proposal is unnecessary: the President's messages to the Congress transmitting alternative plans have without exception stated why, in light of statutory criteria, the plan was being proposed.

   We believe the second part of this proposal--tying the alternative plan directly to private sector wage restrictions--is inappropriate. In the first place, there may be occasions when there are no private sector wage restrictions. Second, it must be remembered that a wage guideline is usually stated as a maximum allowable increase, not as a minimum entitlement. The Federal Government should have the same flexibility as any other employer, when dealing with emergency and adverse economic conditions, to propose alternative pay scales for Federal employees that provide smaller increases than the maximum allowable under wage guidelines. (In point of fact, alternative plans that have been proposed when there have been wage guidelines for the private sector have been consistent with those guidelines.)

3. Specify in law what circumstances constitute a "national emergency or economic conditions affecting the general welfare" for the purpose of an alternative plan.

   We believe it would be difficult, if not impossible, to define adequately in law those circumstances which would justify an alternative plan. The report also recognizes this difficulty. Furthermore, we believe it would be unwise to limit the flexibility of the Government, as an employer, to respond to unusual conditions. The existing

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statutory criteria--"national emergency or economic conditions affecting the general welfare"--along with the opportunity for Congressional review, debate, and disapproval, provide adequate protection against unjustified use of the alternative plan authority.

The report also presents two options for restructuring the decision-making processes of the comparability system. One option would have the Advisory Committee on Federal Pay, rather than the Agent, "determine and recommend" the annual white-collar pay adjustment. Under current law, the President's Agent, notwithstanding popular belief, does not determine what comparability is. Neither does the Advisory Committee on Federal Pay. Both these entities make recommendations to the President, who alone is responsible by law for determining what comparability is. It is impossible by statute to give one "recommendation" greater weight than another "recommendation." Furthermore, the report greatly misjudges and understates the problems that would arise over the delineation of responsibilities between the Agent and the Advisory Committee if the Advisory Committee recommendations were made binding on the President. For example, no organization can make a credible determination of what comparability is without supervision of the survey on which such a determination is based--supervision that under this option would continue to be exercised by the Agent.

In addition, the Advisory Committee now plays a much broader role than simply recommending to the President a pay adjustment to achieve comparability. The Advisory Committee meets with the Agent and the Pay Council and attempts to mediate differences. The Committee also advises the President on matters other than the determination of comparability--for example, the effect of various proposals on Federal labor-management relations or possible modifications to alternative plans. Assigning a decision-making instead of an advisory role to the Committee would severely restrict its operations, and would deprive the President of a valuable source of informed but independent advice.

A second option would establish an independent Federal compensation-setting authority which would be responsible for most Federal compensation systems--General Schedule, Federal Wage System, Foreign Service, Department of Medicine and Surgery, Senior Executive Service, executive, and military. This is not a workable solution to the problems of the comparability system. Comparability is not a unique figure susceptible to discovery through scientific analysis. Rather, it is a standard that is inseparable from the idea of efficient and effective management of the Federal personnel system generally. Meeting that standard is best achieved by placing the key decision-making responsibilities--specifying the scope of the pay survey on which comparability determinations will be based, analysis of survey results, and final establishment of pay rates--in the hands of those who are involved in and responsible for personnel management in the executive branch--the President and his designated Agent.

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We believe the record of the last ten years is a good one--one of which all parties to the comparability process can be justly proud. The disagreements among those parties that your report cites as evidence that the system has been malfunctioning are in fact perfectly normal aspects of labor-management relations in a large and complicated enterprise. Overall, at the end of nearly ten years of Presidential pay-setting, Federal pay rates are only a little more than three percent short of full comparability with the private sector. This small difference is a result of the President's effort to fight inflation. Success in that fight will help, not hurt, Federal employees.

The General Accounting Office has supported in the past, and, we believe, supports now, improvements in the comparability system. Confidence in the comparability principle, and in its administrative processes, can best be restored by enactment of the Administration's proposed Federal Employees Compensation Reform Act of 1979.

Again, we appreciate this opportunity to comment on the draft report, and we look forward to the debate on the proposed compensation reform legislation over the next few months. If you would like to discuss the subject further, we will be happy to meet with you.

Sincerely,

Ray Marshall
Secretary of Labor

James T. McIntyre
Director
Office of Management and Budget

Alan K. Campbell
Director
Office of Personnel Management

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