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Review Of The Implementation Of The Coordinated Federal Wage System In Selected Wage Survey Areas

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UNITED STATES
GENERAL ACCOUNTING OFFICE

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DEC. 10, 1971



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

CIVIL DIVISION

B-164515

Dear Mr. Hampton:

This is our report on the review of the implementation of the Coordinated Federal Wage System in the wage survey areas of Denver, Colorado; Little Rock, Arkansas; Philadelphia, Pennsylvania; and Seattle-Everett-Tacoma, Washington.

This report contains recommendations for your consideration which are subject to the provisions of section 236 of the Legislative Reorganization Act of 1970. We shall appreciate receiving copies of the statements you furnish to the specified committees in accordance with these provisions.

Copies of this report are being sent to the Chairmen of the House and Senate Committees on Appropriations, Government Operations, and Post Office and Civil Service. Copies are being sent also to the Director, Office of Management and Budget; the Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; the Administrator of Veterans Affairs; the Administrator of General Services; and the Director of the Mint, Department of the Treasury.

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We shall appreciate receiving your comments on the matters discussed in this report.

Sincerely yours,

A. T. Samuelson

Director, Civil Division

The Honorable Robert E. Hampton, Chairman
United States Civil Service Commission

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REPORT ON REVIEW OF THE IMPLEMENTATION OF
THE COORDINATED FEDERAL WAGE SYSTEM

In November 1965 the President requested the heads of executive departments and agencies, under the leadership of the Chairman of the Civil Service Commission, to develop a common Federal wage system. The purpose of such a system was to eliminate wage rate differences among agencies for the same trade and labor jobs in the same local wage areas and to bring about equitable coordination of wage practices.

After 2 years of intensive study and consultation with Federal agencies and union representatives, the Civil Service Commission developed the Coordinated Federal Wage System. The System, approved by the President in December 1967, was designed to cover, beginning in July 1968, Government wage employees in trade, craft, and laboring occupations. It was to provide for

"*** common policies, systems, practices, and job-grading standards for uniform application by all executive agencies in fixing pay for wage employees as nearly as is consistent with the public interest in accordance with prevailing rates."

The Coordinated Federal Wage System was to be placed into effect on an area-by-area basis as full-scale wage surveys were made over a 2-year period. When fully implemented this System was to replace the separate wage board systems previously maintained by the individual departments and agencies of the Government and was to ensure that (1) hourly wage employees of all Federal agencies in the same local wage area received equal pay for substantially equal work and (2) pay distinctions were maintained in keeping with work distinctions.

During fiscal year 1971 we reviewed the implementation of the Coordinated Federal Wage System in four wage areas for which the Department of Defense was designated as lead agency having the responsibility for making wage surveys and issuing wage schedules. (See appendix.) Our objectives were to determine (1) whether the System was implemented on

a timely and effective basis and (2) the extent to which the System had brought about coordination of wage practices in local wage areas. Our findings are discussed below.

WAGE SURVEYS

In each wage area extensive preliminary work by participating agencies was required before a full-scale wage survey was made. This included:

- A local installation of the lead agency, designated as the host installation for wage survey activities, obtained and furnished data to the lead agency on the total number of wage employees in the area and on the number of wage employees under exclusive union representation.
- A local wage survey committee consisting of three members, all Federal employees, was formed.
- The lead agency's wage-fixing authority provided guidance to the local committee and to officials of other Federal installations on policy matters, survey plans, and data-collection procedures.
- The local committee held hearings to permit interested parties to present recommendations concerning the proposed survey.
- Data collectors were selected and were provided with training by the local committee.
- After receiving from the lead agency a list of establishments to be included in the survey, the local committee formally requested the selected establishments to participate.
- The lead agency's wage-fixing authority formally ordered the survey to be made.

Pertinent statistics relating to the full-scale surveys made in the four wage areas which we reviewed are summarized as follows:

	<u>Denver</u>	<u>Little Rock</u>	<u>Phila- delphia</u>	<u>Seattle</u>
Establishments that furnished data	78	55	252	98
Jobs on which data were to be collected	25	23	34	33
Jobs on which data were collected	25	22	34	33
Two-person data collection teams	15	7	30	11
Workdays used in collecting data	24	8	17	13

After the wage data had been collected they were reviewed at the host installation by representatives of the lead agency's wage-fixing authority. The local survey reports then were prepared and forwarded to the lead agency.

In our opinion, improvements are needed in three aspects of the data-collection procedures under the Coordinated Federal Wage System.

1. The same kinds of jobs are designated to be surveyed in all local wage areas. As a result, in many instances wage data were obtained on private industry jobs for which there are no comparable Government wage jobs in the area being surveyed.

In the Denver area survey, only 43 percent of the private industry jobs surveyed were comparable to Government jobs existing in that geographical area. We believe that more meaningful wage survey data could be obtained if lead agencies, having the assistance of local installations, were permitted to select for survey only those private industry jobs which most nearly matched the jobs of large numbers of Government wage employees in the area.

2. The collection of data in wage surveys presupposes that persons performing this task be (a) well versed in the occupational content of a wide range of wage occupations, (b) well acquainted with Federal wage administration practices, and (c) able to collect wage data objectively and open mindedly.

Under the present procedures employees of Federal agencies in each wage survey area are used to collect the data. These employees, selected from the local installations, perform the data-collection task once a year with only limited training. In our opinion, the limited exposure of these employees to the wage survey process does not provide them with the expertise necessary to effectively accomplish the surveys.

We believe that data collection could be accomplished more effectively, with greater objectivity, with less inconvenience to the private establishments, and at less cost to the Government if the wage surveys were made by the experienced professional data collectors of the Bureau of Labor Statistics of the Department of Labor.

3. The geographical boundaries of the System's designated wage areas have been greatly expanded beyond those prescribed under prior agency wage-fixing systems which were limited to reasonable commuting distances.

As a result of this expansion, employees who worked at Federal installations in rural locations within the wage area received greater wage increases upon their conversion to the Coordinated Federal Wage System than employees who worked at installations in metropolitan locations within the same wage area. This occurred because wage data used in establishing wage rates under the Coordinated Federal Wage System were obtained mainly from private industries located in metropolitan areas where wage rates and living costs were higher than in the rural locations of the wage area.

For example, Coatesville, Pennsylvania, is located in a rural area about 40 miles from Philadelphia. Under the previous agency system, wage rates for employees at the Veterans Administration Hospital were established on the basis of data obtained in surveys made at private firms located in a 25-mile radius of Coatesville. The hospital employees were paid from 18 to 44 cents an hour less than comparable Federal employees working in the Philadelphia area who were paid on the basis of metropolitan Philadelphia wage survey rates.

Because Coatesville is now included in the Philadelphia wage area, the hospital employees received far greater wage increases than did employees in the Philadelphia metropolitan area when the Coordinated Federal Wage System was implemented and the Philadelphia wage rates were applied throughout the wage area.

In our opinion, more equitable wage rates could be established, with the least disruption to the economy of the private sector, if separate wage areas were established for metropolitan and rural communities.

IMPLEMENTATION OF THE SYSTEM

Application of wage schedules

From data contained in the local wage survey committee's reports, wage schedules for nonsupervisory, leader, and supervisory wage employees were developed and issued by the lead agency's wage-fixing authority. Copies were furnished to all agencies having employees in the respective wage areas. On the same date, or within a few days of the date of issuance of the lead agency schedules, the appropriate agency headquarters reissued these schedules as agency schedules.

All wage schedules for the Federal installations within a wage area prescribed the same effective date except the schedules for the Veterans Administration Hospital in Little Rock where, because of a difference in the starting date of the pay period, a later date was prescribed.

In the four wage areas reviewed, employees of all Federal installations were covered by the new pay schedules. In some instances delays in implementation occurred because of delays in issuance of the schedules by the lead agency or because of late receipt of the schedules by the local installation as shown below.

Denver--within 11 pay periods of the effective date.

Little Rock--the effective date.

Philadelphia--within four to seven pay periods of the effective date.

Seattle--the effective date or within four pay periods of the effective date.

Conversion to new system

The mechanical conversion of employees, the process of converting previous agency grading and pay structures to the grading and pay structure of the Coordinated Federal Wage System, was made in accordance with the conversion tables prescribed by the Civil Service Commission. This action was

accomplished in each wage area on the date that the first wage schedule under the System was placed into effect.

Payments of retroactive pay made to wage employees upon their conversion to the System were correct except for some of those made by the Philadelphia Naval Shipyard. Erroneous payments at this installation, initially found and questioned by the Navy Area Audit Service, were caused by failure to properly consider reduced night-shift differentials applicable under the System when computing the employees' retroactive pay entitlement. About 1,400 employees at the shipyard had been overpaid approximately \$52,000 as the result of the administrative error. The indebtedness of the employees is being waived by the Department of the Navy under the provisions of the United States Code (5 U.S.C. 5584).

Application of job-grading standards

Under the Coordinated Federal Wage System, the job-grading system includes (1) a grouping of occupations, (2) a grade framework, (3) job standards to provide criteria for determining relative worth of jobs in terms of grades, and (4) a job-grading method to ensure consistency in application of job standards.

The Civil Service Commission is responsible for establishing and defining individual occupations and for developing and publishing job-grading standards which provide the criteria for assigning grades to jobs. The Commission prescribed 39 key-ranking jobs for the 15-grade nonsupervisory structure of the System, which were to control the alignment of the grade levels in all nonsupervisory job-grading standards. Job grading is accomplished by agencies by considering such things as skill and knowledge, responsibility, physical effort, and working conditions.

The initial application of the job-grading system is the process by which the new job-grading system, including all available Commission job-grading standards, is applied to jobs which have been mechanically converted. This application was to bring the jobs into proper alignment with the grading framework of the new system. The process was to be

accomplished in each wage area within 1 year from the mechanical-conversion date in the wage area.

We found that this process had not been completed within the 1-year period in the wage areas examined. Causes of the delays included (1) Civil Service Commission standards for many jobs not being available, (2) departmental instructions prohibiting the application of standards for most-nearly-related occupations¹ to jobs for which Commission standards had not been received, and (3) installation decisions withholding the application of standards for non-supervisory jobs until standards for leader and supervisory jobs also were made available.

Some of our findings on this matter are presented below to illustrate the problems which installations faced in implementing this phase of the conversion under the System.

--Lowry Air Force Base, Colorado, used existing Air Force job-grading standards and job descriptions for 26 of the 39 key-ranking jobs at the base in determining the appropriate grades for its employees. This process was used since appropriate Commission standards had not been received.

--Pine Bluff Arsenal, Arkansas, had received 34 Commission job-grading standards and had applied 16 of the 17 standards which were applicable to arsenal jobs within the required 1-year period. The District Corps of Engineers at Little Rock had received 36 Commission standards and had applied seven of the nine which were applicable to Corps jobs within the 1-year period. In compliance with the Department of the Army instructions, neither the arsenal nor the Corps had applied Commission standards for most-nearly-related occupations to jobs for which precise standards had not been received.

¹Denotes occupations which are most nearly related to other occupations by reason of nature of duties, work requirements, responsibilities, etc.

--At the Veterans Administration Hospitals in Denver and Little Rock, Commission job-grading standards were not applied until about 1 year after the date of their receipt. This permitted some employees, especially those who occupied housekeeping-aid jobs for which Commission job standards for janitors would apply under the System, to receive benefits greater than they would have received had the standards been promptly applied following their receipt.

Hospital officials told us that the standards had not been applied because they (1) had 1 year in which to apply them, (2) were waiting for the standards for leader and supervisory jobs, and (3) wanted to apply all standards at the time the next yearly wage-change survey schedule would become effective in order to lessen the hardship on employees who would suffer reductions in grade upon the application of the new standards.

--Because of the unique nature of the jobs at United States Mints, most of the 39 key-ranking jobs prescribed by the Commission were not relevant to jobs at the mints at Denver or Philadelphia. To determine the grades for their jobs, these mints found it necessary to consider both the key-ranking job descriptions as well as other available Commission standards.

--At the General Services Administration Regional Office in the Denver wage area, it was necessary to use key-ranking job descriptions and standards for most-nearly-related occupations in determining the grades of employees. This method was necessary since only a small portion of Commission standards received were applicable to jobs existing at the offices.

CONCLUSION

Conversion to the Coordinated Federal Wage System by the installations that we reviewed in four wage areas was made on a timely basis even though some delays occurred in each geographical area in the issuance and application of

uniform wage schedules. Uniformity in wage rates has been achieved for jobs identified as being the same.

More meaningful wage surveys could be made and data-collection requirements could be met more effectively with less inconvenience to the private establishments involved and at less cost to the Government, in our opinion, if the surveys were made by the professional data collectors of the Bureau of Labor Statistics of the Department of Labor. A bill pending before the Ninety-Second Congress (S. 1636) would establish a Federal wage system under which wage rates would be determined on the basis of surveys conducted by the Bureau of Labor Statistics. We noted that the Bureau was required to make the survey of private industry salaries used in connection with the Federal Pay Comparability Act of 1970 for General Schedule employees of the Federal Government.

We have doubts that the wage rates established under the System are "*** consistent with the public interest in accordance with prevailing rates." Uniform wage rates for Government employees performing the same work had at least one adverse effect on rural communities brought into the greatly expanded geographical wage areas. It has resulted in an inflation of the wage structure of the rural communities where wage rates and living costs generally are less than those of metropolitan areas and has imposed a hardship upon private employers in their competition with the Government for workers.

We believe that consideration should be given to instituting wage survey and wage-fixing methods which will require equal consideration of private industry wage rates and of area living costs in both metropolitan and outlying rural areas. This could best be accomplished by establishing separate wage areas for metropolitan and rural areas, similar to those used under prior agency wage systems.

In lieu of requiring the same kinds of jobs to be surveyed in all local wage areas, we believe that a determination should be made as to what Federal jobs exist in large numbers in the area and as to whether jobs designated to be surveyed in private industry should be only those which most nearly match those Federal jobs. This determination could be accomplished by lead agencies, assisted by local installations, in the initial phase of the planning for the survey. It would permit obtaining only that data which would be of particular value in the specific wage area.

Delays by the Commission in issuing job-grading standards, and delayed and varied application by local installations of standards that are available, have frustrated achievement of uniform job classifications among agencies necessary to ensure pay equity. We believe that this can be corrected if the Commission takes action to issue all job-grading standards and prescribes a uniform effective date for their application on a Government-wide basis.

RECOMMENDATIONS

To ensure a more equitable and effective Coordinated Federal Wage System, we recommend that the Chairman of the Civil Service Commission take action to (1) revise the Commission's prescribed procedures for conducting wage surveys and establishing wage schedules and (2) strengthen the procedures relating to the issuance and application of job-grading standards by:

- Requiring wage data to be collected by the professional data collectors of the Bureau of Labor Statistics rather than by employees of Government installations located in the wage areas.

- Requiring collection of wage data from private establishments only on jobs for which there are comparable Government jobs in the area.
- Prescribing a wage survey method which will ensure that equal consideration is given to wage rates in private industry in both metropolitan and outlying rural areas and to living costs in both areas.
- Requiring all nonissued job-grading standards to be issued promptly.
- Prescribing uniform effective dates for application of Commission job standards throughout the Federal Government.

REVIEW OF IMPLEMENTATION OF

THE COORDINATED FEDERAL WAGE SYSTEM

WAGE SURVEY AREAS AND FIELD ACTIVITIES VISITED

<u>Wage survey area</u>	<u>Field activity</u>
Denver, Colorado	Lowry Air Force Base, Denver, Colorado (note a)
	General Services Administration, Re- gion 8, Denver, Colorado
	United States Mint, Denver, Colorado
	Veterans Administration Hospital, Den- ver, Colorado
Little Rock, Ar- kansas	Pine Bluff Arsenal, Pine Bluff, Arkan- sas (note a)
	District Corps of Engineers (Civil Functions), Little Rock, Arkansas
	Veterans Administration Hospital, Little Rock, Arkansas
Philadelphia, Penn- sylvania	Philadelphia Naval Shipyard, Philadel- phia, Pennsylvania (note a)
	United States Mint, Philadelphia, Pennsylvania
	Veterans Administration Hospital, Coatesville, Pennsylvania
Seattle-Everett- Tacoma, Washing- ton	Puget Sound Naval Shipyard, Bremerton, Washington (note a)
	General Services Administration, Re- gion 10, Auburn, Washington

APPENDIX I

Wage survey area

Field activity

Seattle-Everett-
Tacoma, Washing-
ton (continued)

Veterans Administration Hospital,
Seattle, Washington

^a Designated host installation for the Department of Defense which was assigned lead agency responsibilities.