

Fifty years of BLS surveys on Federal employees' pay

The process of adjusting compensation for General Schedule (GS) Federal employees has changed considerably over the past 50 years; the change significantly affected the BLS occupational wage survey programs

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In the winter of 1959–60, the Bureau of Labor Statistics (BLS) conducted its first survey specifically designed to compare salaries of white-collar workers in private industry with the salaries established in the 15 Federal General Schedule (GS) grade levels that covered a large majority of Federal white-collar workers. The National Survey of Professional, Administrative, Technical, and Clerical Pay (generally referred to as the PAT or PATC survey) was the result of a 1957 request “to design a survey that would provide information on salaries in private enterprises that could be compared with salaries in the Federal Civil Service.”¹ The request came from the Bureau of the Budget and the Civil Service Commission (now, respectively, the Office of Management and Budget and the Office of Personnel Management). Ultimately, the PAT became the model for future surveys designed for setting Federal GS pay levels.

Over the years, the Federal pay-setting process has been a topic of considerable debate, partly because of the large numbers involved—approximately 1.18 million GS employees received a 2009 pay increase, and the annual cost for the 1 percent of payroll that the President allocated for locality pay was estimated at \$756 million—and partly because of concerns over

survey procedures and pay-setting methodologies. A brief overview of the Federal workers' pay-setting process follows.

A look back: 1883–1962

The path leading to the first PAT survey begins with the (Pendleton) Civil Service Act of 1883,² which failed in its goal to establish a merit system for Federal employment. Instead, individual departments controlled the pay process, and salaries and duties were not correlated.³ The Classification Act of 1923⁴ corrected the correlation omission by specifying that positions must be classified and graded according to duties and responsibilities; the Act also established a central classifying agency—the Personnel Classification Board—serving all departments.

The Classification Act of 1949⁵ superseded the 1923 Act in order to “bring position-classification closer to the needs of Government... and to clarify...and coordinate the distribution of authority between the (Civil Service) Commission and the various departments.”⁶ The 1949 Act used work-level descriptions to extend a centralized job evaluation system to all white-collar positions, with the goal of ensuring that each job be compensated according to its relative place in a single hierarchy of positions. The Act also aimed at making a job evaluation system the centerpiece of Federal compensation. Merging several separate

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“schedules” of pay rates into one “General Schedule,”⁷ the Act provided no timetable for adjusting GS pay rates, and changes were made sporadically by Congress. In the 13 years from 1949 to 1962, the average time between GS pay adjustments was about 31 months and ranged from 22 months to 44 months. The Federal Salary Reform Act of 1962 established procedures for conducting annual surveys of private industry for use in determining Federal pay adjustments. After the 1962 legislation was enacted, GS workers’ pay was adjusted annually, except in 1963 and 1983, when no adjustment was made; in 1972, when there were two pay adjustments; and in 1986, when President Ronald Reagan issued an alternative plan that froze Federal pay until January 1987, when a 3-percent increase became effective. The 1962 Act also shifted the focus on Federal GS compensation to pay reform, especially in regard to private industry and Federal pay comparability. The main focus of the 1883, 1923, and 1949 Acts was on classifying positions according to duties and responsibilities, along with applying the same standards across all Federal agencies.

Federal Salary Reform Act of 1962

The Salary Reform Act of 1962⁸ specified the BLS as the agency authorized to conduct annual surveys of private industry to collect salary rates that could be used to set the salaries of Federal GS workers doing the same level of work and having comparable duties and responsibilities. Thanks to the 1957 request to conduct a white-collar survey and the 1960 completion of the first PAT survey, the BLS was well placed to respond to the 1962 congressional mandate. The survey covered professional, administrative, technical, and clerical occupations that were linked to the 15 GS occupational grades used by the Salary Survey Liaison Committee (composed of staff from the Civil Service Commission and the Bureau of the Budget) to make the private-Federal comparisons and prepare the required report for the President.

The occupational descriptions used in the survey were jointly developed by the Civil Service Commission (now the Office of Personnel Management, or OPM) and the BLS, with the Commission being responsible for ensuring that each level would incorporate the work characteristics necessary to determine a specific GS grade. The BLS was responsible for making sure that the descriptions were recognizable in a private-enterprise setting. The scope of the survey under the 1962 Act, in terms of industrial coverage and geography, was the responsibility of the Commission and the Bureau of the Budget, with the BLS providing advice.

The 1959–60 PAT survey was limited to selected private-

industry establishments in a sample of 60 Standard Metropolitan Statistical Areas (SMSAs) selected to represent the 188 SMSAs identified at that time. The scope of the survey excluded establishments in Alaska and Hawaii because of the Federal practice of paying added cost-of-living allowances to employees in those two States. (The Non-Foreign Area Retirement Equity Assurance Act of 2009 was introduced in Congress to extend the current locality pay program to those States. The legislation sometimes is cited as the Non-Foreign Area Retirement Equity Assurance (AREA) Act of 2009.) Also, coverage of the transportation industry was limited to local and suburban passenger railroads, deep-sea waters, and air transportation, and the services industry was limited to engineering and architectural services and research, development, and testing laboratories. Establishments with fewer than 100 employees were excluded from the 1959–60 survey; for the 1961 through 1965 surveys, the minimum establishment size was 250 workers.

The scope of the survey also had to reflect Government pay policy, as determined by the Civil Service Commission and the Bureau of the Budget. At that time, pay policy called for national estimates, but no regional or local findings. From the beginning, the BLS role was to select a sample of establishments; collect, review, and tabulate salary data; and transmit published data to the appropriate authority (currently, OPM) for its use to compare Federal and private pay.⁹

After the 1962 comparisons were made and a report with recommendations sent to the President, the President sent the report to Congress recommending eventual full private-Federal comparability. The 1962 Act provided two new salary schedules. The first raised the annual salaries of all Classification Act (GS) employees an average of 5.6 percent, effective October 1962; the second, effective January 1964, raised salaries of GS grades 1 through 15 an average of 4.1 percent. Section 5332 of the Act, as amended, defined the GS as “a schedule of annual rates of basic pay, consisting of 15 grades, designated ‘GS-1’ through ‘GS-15.’”

Although the 1962 Act brought about improvements in the Federal pay-setting process, each pay adjustment still required an act of Congress, along with the usual accompanying political debate and delays. The passage of the Federal Pay Comparability Act of 1970¹⁰ established procedures for adjusting GS pay by executive action, eliminating the yearly need for special legislation.

Federal Pay Comparability Act of 1970

As with earlier Federal pay legislation, the Federal Pay Comparability Act of 1970 provided for an agent—known

as the President's Pay Agent—that had the responsibility for interpreting the comparability law and providing the President with recommendations on pay adjustments. Initially, the Agent comprised the directors of what are now the Office of Personnel Management and the Office of Management and Budget. A 1977 Presidential Executive order added the Secretary of Labor, forming a three-party Agent.

Under the 1970 Act, the Agent was empowered to create a five-member Federal Employees Pay Council and was required to meet with the Council, whose membership consisted of union officials. The Agent must “give thorough consideration to the views and recommendations of the Council” in three essential areas:

- The coverage of annual surveys conducted by the BLS,
- The process used to compare Federal and private pay for the same work levels, and
- The pay adjustment required to achieve comparability.

The 1970 Act also specified that the Council's views on Federal pay adjustments be included in the Agent's report to the President. Ultimately, the final recommendation on these pay issues rested with the Agent. In addition to creating the Council, the Act established the Advisory Committee on Federal Pay, consisting of three private-sector pay experts. After reviewing the Agent's and the Council's recommendations, the Committee made its own recommendations to the President and included any other information that it believed appropriate.

Definitions

The 1962 and 1970 Acts included references to paying Federal GS workers salaries comparable to the salaries of private-industry employees doing the same level of work. The Federal Employees Pay Comparability Act of 1990 (FEPCA), discussed later, has a similar reference, but expanded the comparison to non-Federal employees, thereby including State and local governments. The President's Pay Agent had the task of interpreting “comparable” salaries of employees doing the “same level of work.” Regarding the comparability requirement, George Stelluto noted that

Private enterprise pay rates, even within narrowly defined work levels, vary substantially among the many types of establishments in which the work is performed. Entry-level professional engineers (recent college graduates), for example, had private-sec-

tor salaries ranging from about \$975 to more than \$1,600 a month in March 1977—a salary spread of more than 65 percent.¹¹

Stelluto followed up with a question:

How then does the Federal Government make its salaries “comparable” to the widely dispersed rates paid by private enterprise?

The Agent determined that under the 1962 Act “private industry” would denote all classes of private-enterprise establishments with sufficient numbers of workers in the occupations surveyed to influence the survey estimates materially. Because it was thought that establishments with few employees typically would pay lower wages than larger establishments, using the rates of small establishments for Federal pay comparison purposes became an issue. The 1959–60 PAT survey excluded establishments with fewer than 100 employees. From 1961 through 1965, establishments with fewer than 250 employees were excluded from the survey. In 1966, the minimum size was lowered in some industries and ranged from 50 employees in finance, insurance, and real estate to 250 in manufacturing and retail trade.

To address the requirement of the 1962 and 1970 Acts to develop data that would reflect the “same level of work” in comparisons of Federal and private-industry pay, the PAT surveys produced data by level for occupations designated by the Agent. In the March 1977 survey, for example, 19 white-collar occupations comprising 81 work levels were studied. Work levels are an established hierarchy of the difficulties and scope of the primary duties and responsibilities of individual jobs related to either a grade or salary level. The PAT survey levels ranged from one, for messengers, to eight, for professional engineers and chemists. The occupations studied produced data for the 15 GS Federal grades, except GS-10. The list of occupations and descriptions used for Federal pay-setting purposes was kept up to date from the passage of the 1962 legislation through the mid-1990s. The boxes on pages 39 and 40 respectively provide a brief explanation of the current process that is followed in obtaining occupational levels and an example of definitions of grades GS-7 and GS-12 of a multilevel occupation.

The National Compensation Survey (NCS) uses a “generic leveling” technique to match occupations by level. Initially, a 10-factor leveling system was used to determine the level of selected occupations; the 10-factor system is being phased out by the 4-factor system shown in the box on page 39. A major difference between the two systems is that the 4-factor sys-

Determining work levels

During the final step before data on wage rates and hours worked are collected, each sampled job is evaluated to determine the work level of its duties and responsibilities. This process is known as *point factor leveling*, because it categorizes certain aspects of a job into specific levels of work with assigned point values. Points for each factor are then totaled to determine the overall work level for the job.

In point factor leveling, an occupation is matched to a level within each of four factors:

- Knowledge
- Job controls and complexity
- Contacts (nature and purpose)

- Physical environment

Each factor consists of several levels, with associated descriptions and assigned points. The description within each factor best matching the job is chosen. Points for the four factors are recorded and totaled. The point total determines the overall work level of the occupation. The knowledge and job controls and complexity factors are given more weight than the contacts and physical environment factors.

A full discussion of the leveling process appears on the Internet at <http://www.bls.gov/ncs/ocs/sp/ncbr0004.pdf> (visited Sept. 8, 2009).

tem slots each selected occupation into 1 of 24 knowledge guides. In an article on the use of the NCS in predicting wage rates, Brooks Pierce noted that

These [generic] data elements are “generic” in the sense that they do not rely on identifying the occupation in question. This facilitates the collection of these data for random samples of jobs that cover the broad range of occupations in the economy. It also gives some basis for comparing or classifying occupations that are distinct but that may have similar duties and responsibilities.¹²

Differences in definition for each level of a multilevel job reflect the complexity of the job. In the box on page 40, the GS-7 accountant performs “under general supervision, work of considerable difficulty and responsibility,” while the GS-12 accountant performs, “under general administrative supervision, [work] with wide latitude for the exercise of independent judgment.” Further, the GS-7 does “work of considerable difficulty and responsibility,” whereas the GS-12 does “work of a very high order of difficulty and responsibility.” And so on.

Developing issues

In the middle and late 1980s, Federal agencies had considerable difficulty recruiting and retaining high-caliber

employees to carry out the Government’s increasingly complex mission. To ease the problem, the Office of Personnel Management extended the application of special pay rates to certain groups of workers in selected localities. In spite of these efforts, the Federal Government’s recruitment and retention problems persisted. In hearings before a congressional subcommittee, Constance B. Newman, former Director of the Office of Personnel Management, stated, “Every agency in the Government is having some type of problem with the pay system. Continued fragmentation of the Government-wide pay system will only frustrate and delay the needed solution...we must have a pay system that is more flexible and responsive to the labor market.”¹³ Congress and the White House agreed that sweeping changes were needed; FEPCA was the vehicle used to make those changes.

FEPCA (1990)

In November 1990, President George H. W. Bush signed into law the Federal Employees Pay Comparability Act (FEPCA) of 1990,¹⁴ marking a major milestone in legislation related to the compensation of Federal white-collar workers. Current Federal pay adjustments are made under this Act, three features of which stand out:

- The creation of a locality-based pay system to replace the single general schedule that largely disregarded locality pay differences found in the private sector,

Determining work levels: an example

The 15 GS grade levels are codified under section 5104 of Title 5. Following are definitions for two levels of a multilevel occupation (for example, accountants) and how the duties and responsibilities of those levels differ:

(7) Grade GS-7 includes those classes of positions the duties of which are—

(A) to perform, under general supervision, work of considerable difficulty and responsibility along special technical or supervisory lines in office, business, or fiscal administration, or comparable subordinate technical work in a professional, scientific, or technical field, requiring in either case—

(i) considerable specialized or supervisory training and experience;

(ii) comprehensive working knowledge of a special and complex subject matter; procedure, or practice, or of the principles of the profession, art, or science involved; and

(iii) to a considerable extent the exercise of independent judgment;

(B) under immediate or general supervision, to perform somewhat difficult work requiring—

(i) professional, scientific, or technical training; and

(ii) to a limited extent, the exercise of independent technical judgment; or

(C) to perform other work of equal importance, difficulty, and responsibility, and requiring comparable qualifications.

(12) Grade GS-12 includes those classes of positions the duties of which are—

(A) to perform, under general administrative supervision, with wide latitude for the exercise of independent judgment, work of a very high order of difficulty and responsibility along special technical, supervisory, or administrative lines in office, business, or fiscal administration, requiring—

(i) extended specialized, supervisory, or administrative training and experience which has demonstrated leadership and attainments of a high order in specialized or administrative work; and

(ii) intimate grasp of a specialized and complex subject matter or of the profession, art, or science involved;

(B) under general administrative supervision, and with wide latitude for the exercise of independent judgment, to perform professional, scientific, or technical work of marked difficulty and responsibility requiring extended professional, scientific, or technical training and experience which has demonstrated leadership and attainments of a high order in professional, scientific, or technical research, practice, or administration; or

(C) to perform other work of equal importance, difficulty, and responsibility, and requiring comparable qualifications.

(From “U.S. Code Collection, §5104. Basis for grading positions” (Ithaca, NY, Cornell University Law School, no date), on the Internet at www.law.cornell.edu/uscode/search/display.html?terms=grade&url=/uscode/html/uscode05/usc_sec_05_00005104----000-.html (visited Sept. 8, 2009).)

- A timetable for reducing gaps that may exist between the pay of Federal and non-Federal employees doing comparable work in the same locality, and
- Specifying “non-Federal” workers rather than “pri-

vate industry” for pay comparability purposes. This feature essentially adds State and local government workers to private-industry workers as the industry scope against which Federal Government workers are to be compared in respect of pay.

Once again, the legislation named the BLS as the agency in charge of conducting surveys for use in determining locality pay levels. To accommodate the requirements of the Act, the traditional occupational pay surveys of the BLS were changed considerably, with resources formerly dedicated to three specific survey programs (the PAT, Area Wage Survey, and Industry Wage Survey) now being used to carry out an improved and expanded locality pay program. The new program, which evolved over the years into the NCS, permitted the presentation of occupational and industrial detail that was either unavailable in the past or available only at the national level. The NCS provided the following improvements, on a locality basis, to the numerous private- and public-sector users of BLS data:

- Improvement in coverage of State and local government establishments,
- Expansion of private-industry coverage to all nonagricultural establishments (except private households) with 50 or more employees (now 1 or more),
- Expansion of professional and technical jobs,
- Expansion, in the mid-1990s, to cover all jobs, using a probability-selection-of-occupations technique, rather than the collection of a limited number of jobs on a predetermined list,
- Publication of measures of sampling error and response rates, and
- Improvement of the analytic potential of the statistical database.

The Act retained the three-party President's Pay Agent function, making it responsible for interpreting FEPCA, selecting and defining the pay localities, determining the occupational and industrial scope of the area surveys, designating the minimum size of the establishments to be surveyed, establishing appropriate pay lines based on BLS data, and preparing and submitting annual reports to the President.

A Federal Salary Council, consisting of nine members appointed by the President, also was established by FEPCA to provide views and recommendations on a variety of related topics to the Pay Agent, including the establishment or modification of pay localities, the coverage of annual surveys conducted by the BLS, the process of comparing Federal and non-Federal pay, and the level of comparability payments needed to eliminate or reduce pay disparities. Three of the Council members are chosen on the basis of their impartiality and knowledge in the field of labor rela-

tions and pay policy, and the remaining six members are from employee organizations that represent substantial numbers of Federal GS workers.

Under FEPCA, the Pay Agent is required to "give thorough consideration to the views and recommendations of the [Federal Salary] Council and...individual...members...." The Pay Agent also is required to "give thorough consideration to the views and recommendations of employee organizations not represented on the Council...." The Pay Agent's report to the President must include the views or recommendations of these groups or individuals.

FEPCA: plan and performance

The 1990 legislation established a plan for annual adjustments to Federal employees' pay through the early part of the 21st century. Beginning January 1994, annual salary adjustments for most GS employees would consist of two parts. The first part would equal the national percent increase for wage and salary workers in private industry as indicated by the BLS Employment Cost Index (ECI), minus one-half percentage point. (The ECI is a quarterly measure of change in total compensation costs for civilian workers, with separate estimates for the cost of wages and salaries and the cost of benefits.)¹⁵ The second part, based on BLS special area occupational pay surveys, may not "be less than one-fifth of the amount needed to reduce the pay disparity of the locality involved to 5 percent."¹⁶

The second of these two increases would close the pay gap (to within 5 percent) by making additional adjustments from 1995 through 2002. That is, a three-tenths adjustment to the pay gap was to be made in 1995, two-fifths in 1996, and so on, until the gap would be no greater than 5 percent in 2002. Workers in localities that are already within the 5-percent band would get the national ECI increase (minus one-half percentage point), but not the locality adjustment.

Under FEPCA, the President has the authority to fix an alternative level of comparability payments in situations where there is a "national emergency or serious economic conditions affecting the general welfare." The first pay adjustment under FEPCA was effective in January 1994. Alternative plans were submitted for pay increases effective in 1995–98, 2001, 2003–05, 2007, and 2008; no alternative plans were submitted for pay increases effective in 1994, 1999, 2000, 2002, 2006, or 2009.

From 1994 to 2009, Congress either added to the President's proposed adjustment or equaled the higher rate recommended for the military. The pay gap was scheduled to be eliminated (to within 5 percent) in 2002. Table 1

Table 1. Locality pay disparities, 1993 and 2008, and percentage-point changes in disparities between 1993 and 2008

[In percent]

Locality pay area	Disparity		Percentage-point change in disparity between 1993 and 2008
	1993 (locality pay not included)	2008 (locality pay included)	
Atlanta	25.29	26.35	1.06
Boston	33.73	27.74	-5.99
Buffalo.....	-	22.39	...
Chicago	33.05	22.52	-10.53
Cincinnati.....	27.18	12.90	-14.28
Cleveland.....	22.54	20.23	-2.31
Columbus	-	20.65	...
Dallas.....	27.11	25.53	-1.58
Dayton	24.79	15.05	-9.74
Denver	28.85	18.80	-10.05
Detroit.....	30.43	19.74	-10.69
Hartford.....	-	25.05	...
Houston.....	39.22	16.52	-22.70
Huntsville.....	26.50	21.99	-4.51
Indianapolis	24.30	18.47	-5.83
Los Angeles.....	34.85	22.64	-12.21
Miami	-	21.74	...
Milwaukee	-	18.33	...
Minneapolis	-	21.87	...
New York	35.29	25.75	-9.54
Philadelphia.....	31.04	20.40	-10.64
Phoenix.....	-	25.27	...
Pittsburgh.....	-	20.13	...
Portland, OR.....	-	23.23	...
Raleigh.....	-	12.79	...
Richmond	-	15.97	...
Sacramento.....	24.35	24.18	-.17
San Diego	25.38	26.05	.67
San Francisco.....	37.44	25.98	-11.46
Seattle	25.60	26.45	.85
Washington, DC	27.23	36.85	9.62
Rest of United States	21.20	14.28	-6.92
Average	25.78	23.25	-2.53

NOTE: Dash indicates that the area was not used for locality pay purposes in 1993 or that there was no survey that year.

SOURCE: Table 4 of the 2008 Pay Agent's Report to the President on Lo-

cality Pay for 2010 and enclosure in the Appendices to the Annual Report of the President's Pay Agent, 1993.

shows the estimated pay disparity in 1993 and 2008; it also indicates that, in terms of performance, the disparity was not reduced as planned.

The pay disparity narrowed for 17 of the 21 areas for which comparisons could be made, most notably the 22.70-percentage-point shrinkage in Houston (from 39.22 percent to 16.52 percent) and the 14.28-percentage-point shrinkage in Cincinnati (from 27.18 percent to 12.90 percent.) The disparity for Washington, DC, widened by 9.62 percentage points over the period, from 27.23 percent to 36.85 percent. The disparity widened slightly in Atlanta, from 25.29 percent in 1993 to 26.35 percent in 2008. The gap also widened slightly for San Diego and Seattle. The

wide gap in pay disparity among localities reflects, in part, both the pay levels in the areas when the first comparisons were estimated and subsequent changes in local economies and survey methods.

Issues

Before the first FEPCA pay adjustments were effective, two issues emerged that proved to be persistent: occupational coverage and the appropriateness of the methodology used to set Federal white-collar workers' salaries. Under its PAT survey, the BLS collected data for a predetermined list of occupations that was developed jointly

with OPM. As noted earlier, published survey results were sent to OPM for setting Federal GS pay. This arrangement continued during the 1991–96 period, when the program was designated the Occupational Compensation Survey (OCS). Because of budgetary constraints and the issue of respondent burden, the BLS once again was compelled to merge three surveys: the occupational wage (locality) survey, the ECI survey, and the Employee Benefits Survey. At that time, the new NCS dropped the use of a predetermined occupational list, the method preferred by the Pay Agent. In its place, to select occupations, the BLS employed the probability-selection-of-occupations technique mentioned earlier.

In addition to dealing with the issue of occupational coverage, the Agent had other concerns that were spelled out in a five-point action plan in 1999. The first four points, already incorporated into the NCS, produced the following improvements:

1. A linkage between Federal and non-Federal jobs, accomplished by developing a crosswalk between General Schedule occupations and the Standard Occupational Classification (SOC) system to permit weighting data by Federal employment.
2. The development of methods to identify and exclude survey jobs that would be graded above GS-15 in the Federal Government.
3. The development of an econometric model based on survey data to estimate salaries for jobs not found in the probability samples.
4. The development and implementation of better methods for grading supervisory jobs selected by probability sampling.¹⁷

The last point, which will be completed in surveys delivered to the Pay Agent in 2011, involves a four-factor job-grading system with families of jobs to be used as guides to improve grade leveling under the NCS. The BLS continues to phase in this improvement. In the meantime, updated OCS data were used by OPM for several years while the improvements were being implemented. All of the improvements are described in the 2002 Pay Agent's report to the President.¹⁸

In its 2007 report, the Pay Agent included the following paragraph:

The new survey process was not immediately accepted for use in the locality pay program. In fact, the Federal Salary Council recommended that the

original NCS methods not be used to set Federal pay. After reviewing test data and several years of production surveys, the Pay Agent agreed with the Federal Salary Council's conclusion that the NCS program, as originally configured, should not be used for the locality pay program. However, the Pay Agent did not ask BLS to reinstate the previous methodology. The Pay Agent concluded that the NCS program has several advantages over the previous salary survey program, the Occupational Compensation Survey (OCS) program. These include offering greater occupational coverage, being less costly, and being less burdensome on respondents.¹⁹

The other outstanding issue, the method for determining the pay-setting process, was the subject of the aforementioned April 2002 White Paper²⁰ published by OPM, which identified three factors that contribute to the "credibility gap" in setting Federal pay. Shortcomings were found in FEPCA's

- definition of comparability,
- methodology and precision, and
- summary statistic

Comparability. The White Paper contends that (1) FEPCA's definition of comparability is reflected in its statutory principle that "Federal pay rates be comparable with non-Federal pay rates for the same levels of work within the same local pay area" and (2) its two-dimensional concept—grade and locality—"bears little resemblance to the reality of labor markets." The document goes on to explain that "labor market shortages and excesses are described and analyzed in terms of occupations, skills, specialties, and locations, not grade level."²¹

A section titled "Labor Markets Are Not Supermarkets" contends that grade, being the major determinant of base pay, presumes that workers in the same GS grade are equal. For example, the Federal Government will pay GS-12 budget analysts, GS-12 attorneys, and GS-12 human resource specialists the same amount of money, unless agencies document the need to do otherwise. The narrative goes on to say, "Most employers do not make this presumption, because they recognize that employees in different occupations are not interchangeable. For example, a GS-13 attorney is not a satisfactory substitute for a GS-13 biologist."²²

Methodology. The second factor underlying FEPCA's credibility gap, according to the White Paper, is that its

methodology presumes an unrealistic level of precision and requires lengthy deliberation, both at the expense of relevance and strategic utility. Under FEPCA, general pay increases are based on changes in the Employment Cost Index (ECI). Locality payments, which are calculated to one one-hundredth of one percent, are based on surveys of salaries in each locality pay area. Because these surveys are extensive and statistically rigorous, significant time lags occur between data gathering and pay-setting and implementation. After adding the time that the Federal budget planning and appropriation processes must necessarily entail, the result is a tenuous relationship between pay adjustments and current market conditions.²³

Summary statistic. The third factor diminishing FEPCA's credibility is that

its statutory language requires the calculation of a single average pay gap in each locality pay area. Even though sophisticated methods of weighting are used to take into account the actual presence and distribution of Federal work, the result nonetheless disguises and ignores substantial differences in the degree to which

Federal and non-Federal salaries for particular occupations or grades differ. By its very nature an average [median] is describing a set of values half of which are higher and half are lower than the summary statistic. In this instance, the average the law requires us to use in describing a "pay gap" is no Golden Mean, but more of a Great Muddle that describes nothing very meaningfully and masks the relevant differences across occupational levels of work in each locality pay area, to the strategic detriment of the entire approach.²⁴

On December 2, 2008, the Pay Agent sent its latest annual report to the President. It included the following paragraph, which had a theme similar to that in other annual reports going back to at least 2003:

We continue to believe in the need for fundamental reforms of the white-collar Federal pay system. As we have previously reported, the Pay Agent has serious concerns about the utility of a process that requires a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups or the performance of in-

Pre-FEPCA				Post-FEPCA			
Year	Increase	Year	Increase	Year	GS increase	Locality pay adjustment	GS increase plus locality pay adjustment
1965.....	3.6	1980	9.1	19940	2.2	2.2
1966.....	2.9	1981	4.8	1995	2.0	.6	2.6
1967.....	4.5	1982	4.0	1996	2.0	.4	2.4
1968.....	4.9	1984	4.0	1997	2.3	.7	3.0
1969.....	9.1	1985	3.5	1998	2.3	.5	2.8
1970.....	6.0	1986	.0	1999	3.1	.5	3.6
1971.....	6.0	1987	3.0	2000	3.8	1.0	4.8
1972.....	5.5	1988	2.0	2001	2.7	1.0	3.7
1972.....	5.1	1989	4.1	2002	3.6	1.0	4.6
1973.....	4.8	1990	3.6	2003	3.1	1.0	4.1
1974.....	5.5	1991	4.1	2004	2.7	1.4	4.1
1975.....	5.0	1992	4.2	2005	2.5	1.0	3.5
1976.....	5.2	1993	3.7	2006	2.1	1.0	3.1
1977.....	7.0	-	-	2007	1.7	.5	2.2
1978.....	5.5	-	-	2008	2.5	1.0	3.5
1979.....	7.0	-	-	2009	2.9	1.0	3.9

dividual employees. In addition, we continue to have major methodological concerns about the underlying model for estimating pay gaps.²⁵

Although the Federal white-collar pay issue has been discussed for several decades, it shows no sign of being resolved to everyone's satisfaction. The estimated 2008 Federal GS payroll of \$75.8 billion provides sufficient reason to examine the pay-setting process closely to ensure that the Federal worker is equitably compensated and that the American taxpayer receives full value for the amounts expended. Table 2 shows year-to-year percent increases in Federal GS employee pay from 1965 to 2009.

Besides the Federal GS pay system, there are numerous other Federal pay systems, some of which are established

by individual laws and some by administrative determination. The box on this page presents some examples of major Federal pay systems established by law.

THE BUREAU OF LABOR STATISTICS CONTINUES to work with the Office of Personnel Management and others in the Federal pay community to carry out its commitment to produce accurate and timely data for policymakers and other users. The wage and salary information that the BLS collects is part of its broader measures of compensation that includes detailed information on employee nonwage benefits. The past 50 years have seen constant changes and improvements in BLS programs. If the past is any guide, the next 50 years will be just as challenging and rewarding, and, as in the past, the BLS will be ready for the task. □

Examples of pay systems established by law

Foreign Service pay plans and salary schedules for Officers (pay plan FO) and Personnel (FP) were established under the Foreign Service Act of 1980. Other Foreign Service pay plans linked to Federal pay schedules are Chiefs of Mission (FA), linked to the Executive Schedule, and Senior Foreign Service (FE), linked to the Senior Executive Service. (See shortly.) Under title 38, the Veterans Health Administration in the Department of Veterans Affairs provides unique pay plans for their physicians and dentists (VM), podiatrists and optometrists (VP), and nurses (VN).

The Executive Schedule (in 5 U.S.C. 5311–5318) was established by Congress to cover top officials in the executive branch. As mandated in subchapter II of chapter 53 of Title 5, United States Code, this schedule has five levels, each with a single rate. In 1989, the Ethics Reform Act linked Executive Schedule increases to increases in the Employment Cost Index (ECI).

The Senior Executive Service (SES) (in 5 U.S.C. 5382) covers most managerial, supervisory, and policy positions

in the executive branch that are classified above GS-15 and do not require Senate confirmation. SES pay is set by the President at the same time as the annual increases are authorized for the GS.

The National Security Personnel System (NSPS) (in 5 U.S.C. Chapter 99) is a U.S. Department of Defense system designed to create a civilian workforce that is focused on competency and based on performance, putting the right people in the right jobs at the right time. The NSPS accelerates the Department's efforts to create a Total Force (military, civilian, Reserve, National Guard, and contractors) that operates as one cohesive unit, with each individual performing work most suited to his or her personal skill set. The key components of the NSPS are a classification system, a compensation structure, and a performance management system.

SOURCE: "Federal Pay Systems" (Office of Personnel Management, no date), on the Internet at www.opm.gov/feddata/html/paystructure/2004/fedPay-Systems.asp (visited Sept. 8, 2009).

Notes

¹ See L. Earl Lewis, "Federal pay comparability procedures," *Monthly Labor Review*, February 1969, pp. 10–13.

² Ch.27, 22 Stat 403, Jan. 16, 1883.

³ *Wage Chronology: Federal Classification Act Employees, 1924–68* Bulletin No. 1604 (Bureau of Labor Statistics, 1968), p. 1.

⁴ Pub.L. No. 67–516, ch. 265, 42 Stat 1488, Mar. 4, 1923.

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⁵ Pub.L. No. 81-429, ch. 782, 63 Stat 954, Oct. 28, 1949.

⁶ *Wage Chronology*, p. 1.

⁷ *A Fresh Start for Federal Pay: The Case for Modernization*, White Paper (Office of Personnel Management, April 2002), p. 5, on the Internet at www.opm.gov/strategiccomp/whtpaper.pdf (visited Sept. 8, 2009). The Office of Personnel Management's position classification standards used in determining the occupational series may be viewed on the Internet at www.opm.gov/fedclass/html/gsseries.asp (visited Sept. 8, 2009).

⁸ Pub.L. No. 87-793, Part II, 76 Stat 832, 841, Oct. 11, 1962.

⁹ For a discussion about computing pay adjustments, see George L. Stelluto, "Federal pay comparability: facts to temper the debate," *Monthly Labor Review*, June 1979, pp. 18-28, especially pp. 22-23. Other materials for the current article were taken from Stelluto's and Lewis's articles without attribution.

¹⁰ Pub.L. No. 91-656, 84 Stat 1946, Jan. 8, 1971.

¹¹ Stelluto, "Federal pay comparability," p. 20.

¹² Brooks Pierce, "Using the National Compensation Survey to Predict Wage Rates," *Compensation and Working Conditions* (Bureau of Labor Statistics, winter 1999), pp. 8-16; quote from p. 9.

¹³ Statement presented at hearings before the House of Representatives Subcommittee on Compensation and Employee Benefits, Mar. 14, 1990.

¹⁴ Pub.L. No. 101-509, Section 529, 104 Stat 1389, 1427, Nov. 5, 1990.

¹⁵ See "Employment Cost Trends" (Bureau of Labor Statistics, no date), on the Internet at www.bls.gov/ect (visited Sept. 8, 2009).

¹⁶ Subchapter I, Section 5302, of FEPCA uses the following terminology in

defining pay disparity:

(6) the term "pay disparity," as used with respect to a locality, means the extent to which rates of pay payable under the General Schedule are generally lower than the rates paid for the same levels of work by non-Federal workers in the same locality; except as otherwise required in this subchapter, a pay disparity shall be expressed as a single percentage which, if uniformly applied to employees within the locality who are receiving rates of pay under the General Schedule, would cause the rates payable to such employees to become substantially equal (when considered in aggregate) to the rates paid to non-Federal workers for the same levels of work in the same locality.

¹⁷ See "President's Pay Agent," on the Internet at www.opm.gov/oca/payagent/index.asp (visited Sept. 8, 2009).

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *A Fresh Start for Federal Pay*, p. 14. (See note 7.)

²¹ *Ibid.*, p. 12.

²² *Ibid.*, p. 48.

²³ *Ibid.*, pp. 14-15.

²⁴ *Ibid.*, p. 15.

²⁵ See "Memorandum for the President" (Washington, DC, The President's Pay Agent, Dec. 2, 2008), on the Internet at www.opm.gov/oca/payagent/2008/2008PayAgentReport.pdf (visited Sept. 8, 2009).