

## **THE FEDERAL SALARY COUNCIL**

**Minutes of August 15, 2002**

**MEETING NO. 02-1**

The Federal Salary Council (FSC) held its first meeting of 2002 on Thursday, August 15, 2002. Chairman Samuel Wallace called the meeting to order at 10:07 a.m. in the Pendleton Room (Room 5303) of the Office of Personnel Management (OPM).

### **New Members**

Prior to the meeting, OPM Director Kay Coles James administered the oath of office to five new members of the Council. The new members included three members who, by law, are chosen from among persons generally recognized for their impartiality, knowledge, and experience in the field of labor relations and pay policy. These three new members are Samuel Wallace, Chairman (Principal, Williams Wallace Management Consultants); Mary Rose, Vice Chair (Chair, Federal Prevailing Rate Advisory Committee); and Rudy Maestas (Acting Director, Labor and Industrial Division, New Mexico Department of Labor). The remaining two new Council members are members of employee organizations that represent substantial numbers of General Schedule (GS) employees: Thomas Bastas (President, Association of Civilian Technicians) and James Pasco (Executive Director, Fraternal Order of Police).

### **Present**

In addition to the new Council members listed above, the following continuing members also attended: Richard Brown (President, National Federation of Federal Employees), Bobby Harnage (President, American Federation of Government Employees, American Federation of Labor-Congress of Industrial Organizations (AFGE/AFL-CIO)); Colleen M. Kelley (President, National Treasury Employees Union); and Peter Tchirkow (AFGE/AFL-CIO). Donald Winstead was the designated Federal official.

In addition to OPM staff, 12 members of the public attended, including:

- Federal employees representing western Massachusetts and South Florida,
- Two representatives of the Bureau of Labor Statistics (BLS),
- Tom Moore, of the Federal Employees News Digest, and
- Congressional staff from the offices of Senator John Kerry (D-MA), Representative William Delahunt (D-MA), Representative Peter Deutsch (D-FL), and Representative John Olver (D-MA).

### **The following is a summary of the Council's discussions:**

The Council approved the minutes of its October 22, 2001, meeting. Chairman Wallace then turned the floor over to Mr. Winstead, who explained the role of BLS surveys in the locality pay program, which is summarized below.

## **The Role of BLS Salary Surveys**

Mr. Winstead informed the Council that the Government has used BLS surveys in the pay comparability process since the 1960s, and that the Federal Employees Pay Comparability Act of 1990 specified that locality pay must be based on appropriate surveys conducted by BLS. He said that, although the Treasury and General Government Appropriations Act for FY 2001 permitted the President's Pay Agent to use off-the-shelf commercial salary surveys through 2005, the Council recommended that the Pay Agent not use commercial salary surveys in the locality pay program, and the Pay Agent reported to Congress that commercial salary surveys were not suitable for setting pay for GS employees. Mr. Winstead stated that, between 1997 and 2001, the Council had aged salary data from the discontinued surveys conducted by BLS under the Occupational Compensation Survey Program (OCSP). He said that Pay Agent staff have been working with BLS to improve the National Compensation Survey (NCS) program, which replaced OCSP in 1996, but the surveys have not been approved by the Pay Agent for use in the locality pay program. Mr. Winstead then turned the floor over to William Wiatrowski and Thomas Clark of BLS, who provided a briefing on the NCS program, which is summarized below.

## **Briefing on the National Compensation Survey Program**

Mr. Wiatrowski said that BLS and OPM have been working together on five improvement projects for the NCS program:

- Revise grade-leveling techniques for matching Federal and non-Federal jobs,
- Revise grade-leveling techniques for supervisors,
- Develop an econometric model to fill in for missing salary survey data,
- Revise the crosswalk between GS and NCS job titles, and
- Exclude non-Federal workers who would be classified above the GS-15 level.

Mr. Clark discussed the model to fill in for missing data, and Mr. Wiatrowski discussed the other four improvements. A copy of the BLS briefing, a BLS paper on the model, and BLS instructions for identification of workers above GS-15 were provided to the Council. (See documents FSC-02-1-2, FSC-02-1-3, and FSC-02-1-4.)

Mr. Wiatrowski said that three of the five improvements—the econometric model, the GS/NCS crosswalk, and the exclusion of workers classified above GS-15—had been incorporated into data delivered to OPM in August 2002. He explained that the grade-leveling improvement would take 5 years to implement because BLS replaces only 20 percent of its NCS data each year. He said that revising grade leveling of supervisors would be implemented in 2003, and added that OPM and BLS were evaluating recent tests of this improvement and were considering further tests.

Chairman Wallace asked Mr. Clark if the purpose of the econometric model was to build a “national database of jobs important in the Federal workforce.” Mr. Clark explained that the model predicted likely average salaries for pay localities based on national observations of

non-Federal salaries and provided salary estimates that could fill in for missing observations of jobs important to the Federal workforce. (The “national database” is composed of all local data).

Chairman Wallace asked Mr. Clark to explain how the modeling procedure might benefit an area and asked if the purpose was to ensure availability of data for producing reasonable comparisons between Federal and non-Federal pay. Mr. Clark replied that Chairman Wallace was correctly describing the purpose of the model.

Chairman Wallace asked Mr. Clark to clarify the relevancy of using a model that contributed to standardization of data for locality pay areas, given that the assumption behind a locality pay program is that locality pay areas significantly differ from one another.

Mr. Clark explained that the model predicts what salaries would be *for a locality pay area* based on all the data collected in all the areas and could be used when data for important jobs were missing.

Chairman Wallace thanked Mr. Clark for the clarification and said he hoped that everyone understood the foregoing exchange. He said that, while fundamental to the assumptions behind a locality pay program is the idea that locality pay areas are significantly different, it is important to understand that a standard set of jobs should be used in all locality pay areas in order to achieve consistency across areas, which is what he meant when he asked about the “national database” in his earlier question. (The “national database” is composed of all local data).

Chairman Wallace asked Mr. Clark to explain why NCS used such a very small subset of 40,000 or so establishments out of a universe that might consist of 15 million establishments.

Mr. Clark explained that the sampling was stratified in such a way that data from sampled establishments adequately represented the entire universe of establishments in the non-Federal sector.

Mr. Maestas asked whether a company might be overrepresented in a sample, since BLS selects establishments rather than companies. Mr. Wiatrowski explained that the sampling methodology was intended to represent all *workers* rather than all companies, and that to do so might require a company being represented by multiple establishments in a sample.

Mr. Maestas asked for clarification on why the improvement in grade leveling would take 5 years and why the rate of sample replacement was only 20 percent per year. Mr. Wiatrowski said there were two reasons for this: BLS resources did not allow faster replacement, and BLS sought to minimize response burden as much as possible (replacement requires a time-consuming face-to-face interview). Mr. Maestas asked if different establishments were contacted during replacement than in the previous survey cycle, and Mr. Wiatrowski said it would be rare to contact the same establishment during replacement.

Chairman Wallace asked whether future NCS samples would reflect increases in small business jobs in the U.S. economy. Mr. Wiatrowski said the sampling scheme was designed to represent the non-Federal labor market and should therefore capture such trends. (OCSP surveys reflected

employment in establishments with 50 or more workers. Current NCS data provided to the President's Pay Agent has the same cut-off. BLS has expanded the NCS sample to include establishments with fewer than 50 workers; sufficient data on these smaller establishments is expected to be available in 2003. No decisions have been made about whether to use data from smaller establishments when such data become available.)

Chairman Wallace asked the Council if it had further questions for BLS, and the Council did not. Chairman Wallace said that Mr. Winstead's staff would now brief the Council on areas applying to be added to an existing locality pay area.

### **Areas Applying to Become Areas of Application**

Allan Hearne, OPM Team Leader for the locality pay program, briefed the Council on areas applying to be added to existing locality pay areas. Mr. Hearne said that 42 areas had contacted OPM seeking higher locality pay. Mr. Hearne said such contacts ranged from e-mail messages and telephone calls to full petitions. Mr. Hearne said the Council had four proposals in its documents today: one requesting that 21 townships in Hampden and Hampshire, MA, be added to the Hartford, CT, locality pay area; one requesting that Barnstable County, MA, be added to the Boston-Worcester-Lawrence, MA-NH-ME-CT-RI, locality pay area; one requesting that Larimer County, CO, be added to the Denver-Boulder-Greeley, CO, locality pay area; and one requesting that Monroe and Palm Beach Counties, FL, be added to the Miami-Fort Lauderdale, FL, locality pay area. (The petitioners consider Monroe an egregious situation that should be handled immediately, but believe Palm Beach will likely be added to Miami when the 2000 census data become available).

Chairman Wallace said he wanted to ensure that the Council had all four proposals and that the Council knew which areas had chosen to send representatives to the Council meeting. He asked that any such representatives in the audience identify themselves. Mr. Jeffrey Anliker of the U.S. Department of Agriculture and Mr. Bruce Sylvia of the Department of Veterans Affairs identified themselves as representatives and speakers for the proposal to add 21 townships in Hampden and Hampshire, MA, to the Hartford, CT, locality pay area. Mr. Mark Schlakman of the Joint Interagency Task Force, East, and Mr. Marcus Jardotte, staff member from the office of Representative Peter Deutch, identified themselves as speakers for the proposal to add Monroe and Palm Beach Counties to the Miami-Fort Lauderdale, FL, locality pay area. Chairman Wallace told the Council and the public that the Council had received a letter of support for the Monroe County proposal from Representative Deutch as well as from Senators Graham and Nelson, of Florida.

Chairman Wallace then turned the floor over to Mr. Anliker and Mr. Sylvia.

### **Federal Executive Association of Western Massachusetts**

Mr. Sylvia, Vice President of the Federal Executive Association of Western Massachusetts, thanked the Council on behalf of Federal agencies in the Connecticut River Valley (CRV) area of western Massachusetts for providing him with the opportunity to present his proposal. He said he wished to state for the record that exclusion of "Hampden County, at a minimum"

constituted an egregious error or oversight that occurred when the Hartford locality pay area was first established in 1998. He said he wanted not only to appeal to the Council to reconsider adding Hampden County or portions thereof, but that the Council also should consider adding all 21 of the townships listed in the proposal. Mr. Sylvia told the Council that the “more pertinent reasons for the redefinition” included these:

- In 1998, the Massachusetts legislature voted to abolish the county-based form of government;
- The 21 townships included those communities in the CRV with existing Federal entities; and
- The CRV is located along Interstate 91 with no more than 15-20 miles, north to south, separating the cities and towns contained within the proposal.

Mr. Sylvia asserted that “the CRV, in effect, is a unique subdivision or employment corridor within Massachusetts.”

Mr. Sylvia said that the CRV was adjacent to an existing locality pay area and met the criterion for population density. He added that the 21 townships have an economic link to the locality pay area as shown by the sharing of a rail system and the fact that “Bradley International Airport is also known as the Hartford/Springfield Airport.”

Mr. Sylvia conceded that the 21 townships would fail the GS employment criterion (2,000 GS employees), but said that, considering that the Federal workforce had been downsized by 25 percent since the GS employment criterion had been established, the Council ought to consider adjusting the criterion accordingly. He added that this would solve the problem for areas that once met the criteria, were added as areas of application, and have since fallen below the GS employment criterion (New London County, CT; Santa Barbara, CA; and Edwards Air Force Base, CA).

Mr. Sylvia said he was confident that the proposed area of application would exceed the commuting criterion, and he said the commuting data currently available for the Council’s consideration was “12 years old” and “unreliable.”

Mr. Sylvia discussed “ever increasing competition” for employees in the local labor market and said difficulties in attracting and retaining employees were compounded by the proximity of two locality pay areas offering higher pay rates. He told the Council that pay was a very important factor in recruiting and retaining employees.

Mr. Sylvia told the Council that existing flexibilities available to Federal managers do not adequately address the problems in his area.

Mr. Sylvia closed by saying that the increase in locality pay resulting from approval of his proposal would help with recruitment and retention problems and would send a message to Federal employees that they “deserve to be adequately compensated for their efforts.”

Chairman Wallace thanked Mr. Sylvia for his presentation and asked Mr. Anliker to begin his statement.

Mr. Anliker, Chair of the Federal Executive Association of Western Massachusetts, thanked the Council for the opportunity to state his case and said he wished to reinforce points made by Mr. Sylvia: that the CRV comprised one geographic, social, and economic corridor and that the Council should revisit its GS employment criterion. He said that the Council should evaluate each case on its own merits rather than recommending “approval of all proposals or none.” Mr. Anliker provided anecdotal evidence of recruiting and retention difficulties resulting from the CRV receiving the “Rest of U.S.” (RUS) locality payment rather than the Hartford, CT, locality payment. He closed by thanking the Council and inviting it to hold its next meeting in the CRV area in order to hear employees and managers express thanks to the Council for approving the proposal.

Mr. Anliker and Mr. Sylvia provided the Council with maps showing the CRV area and northeastern locality pay areas before and after Rhode Island and Bristol County, MA, were added to the Boston-Worcester-Lawrence, MA-NH-ME-CT-RI, locality pay area; population density in towns along interstate 91; and the 21 townships. Chairman Wallace asked if the 21 townships were highlighted in green, and Anliker said they were.

Chairman Wallace asked what allowed Mr. Anliker and Mr. Sylvia to plead this case on behalf of these 21 towns, and what local support the proposal had. Mr. Anliker said that the Federal Executive Association of Western Massachusetts represented Federal employees in the proposed area.

Chairman Wallace asked how the proposal differed from earlier iterations and why it had come back in modified form.

Mr. Sylvia said it was the same proposal except that the current one now asked that the 21 towns be treated as if they comprised one county.

Mr. Maestas asked if the 25 percent reduction in Federal employment cited by Mr. Sylvia was national or local. Mr. Sylvia said the figure was national.

Mr. Tchirkow asked how far the northernmost township was from the core of the Hartford metropolitan statistical area (MSA). Mr. Sylvia said it was 22 miles from the northernmost town to the Connecticut border, and perhaps another 20 miles to Hartford proper.

Mr. Brown asked what the difference in GS pay was between the RUS locality pay area and the locality payment for Hartford. Mr. Anliker and Mr. Sylvia said it was about 5 percent.

Chairman Wallace said he would consider all proposals in the afternoon Working Group. He added that he wished to clarify two points. First, he said the Council was “not under the constraints of the previous Council” and that previous Council decisions had little to do with future deliberations. Second, Chairman Wallace said he did not agree with the “all or nothing” approach and intended to consider potentially egregious situations on a case-by-case basis.

Chairman Wallace said the Council would consider each case and reach a decision at a future Council meeting, probably in September.

Chairman Wallace stressed that he intended to review in depth the cases of Laramie and Barnstable Counties, the two areas that had submitted proposals but did not send speakers to the Council meeting. Chairman Wallace said that the four areas would have the opportunity to submit additional data, but that any such supplemental material would be required very soon, possibly in 7-10 days. (However, at the end of the meeting, Chairman Wallace clarified that the Council's Working Group would contact areas for any additional data required for Council deliberations.)

Chairman Wallace then turned the floor over to speakers proposing that Monroe and Palm Beach Counties be added to the Miami-Fort Lauderdale locality pay area.

### **South Florida Federal Executive Board/Congressional Staff for Representative Deutsch**

Mr. Mark Schlakman of the Joint Interagency Task Force, East, and Mr. Marcus Jardotte, staff member of the office of Representative Peter Deutsch, presented their case for adding Monroe and Palm Beach Counties to the Miami-Fort Lauderdale, FL, locality pay area.

Mr. Schlakman said he served as Special Advisor to the Director of the Joint Interagency Task Force (JIATF), East, which provides support for Federal Law Enforcement and is composed primarily of representatives from the Department of Defense, the Department of Transportation (U. S. Coast Guard) and the Department of the Treasury (U. S. Customs Service), but also represents the the Drug Enforcement Administration, the Federal Bureau of Investigation, the Defense Intelligence Agency, the Naval Criminal Investigative Service, and the National Security Agency. Mr. Schlakman said that Monroe County meets the contiguity and commuting criteria, but that the county lacks the habitable land to meet the population density criterion. Mr. Schlakman said that the nature and configuration of Monroe County likely precluded the County ever meeting the GS employment criterion. Mr. Schlakman said that further delaying a favorable decision for Monroe County while the Council waits for new census and commuting data and considers new criteria and methods "rises to the level of egregiousness and does negatively bear upon national security." He then thanked the Council for hearing him and invited it to send staff to South Florida if it would help the Council deliberate on the matter.

Chairman Wallace turned the floor over to Mr. Jardotte. Mr. Jardotte said he was Chief of Staff for Representative Peter Deutsch. He said that Representative Deutsch has represented Monroe County for 11 years, considered the locality pay issue very important, and has been concerned about the MSA definition since its implementation.

Chairman Wallace again stressed that each proposed area of application should be judged on its own merits and that the Council would not be constrained by a "lockstep" or "all or nothing" approach.

Chairman Wallace asked how many GS employees were in Monroe and Palm Beach Counties. Mr. Schlakman said that he thought Monroe County was under 1000, and he could not speak for

Palm Beach. (Note: OPM's data show 438 GS employees in Monroe County and 1468 in Palm Beach County.) Chairman Wallace asked what percentage of employees live in the areas they worked in, and Mr. Schlakman said he thought "a lot of employees commute in." Mr. Jardotte said that commuting into Monroe County was increasing due to the rising cost of land in the county. He said the cost of land was increasingly driving employees into Miami-Dade to find affordable housing. However, Mr. Jardotte said that most Federal employees still "live where they work." Mr. Schlakman added that housing in Miami-Dade was still very expensive and that commuting into Monroe from Miami-Dade was difficult because of the long distances involved.

Mr. Brown said that he had been to the area before and knew that these problems were as Mr. Schlakman and Mr. Jardotte described.

Ms. Rose asked to what extent agencies in Monroe County had used existing pay flexibilities to address recruitment and retention problems. Mr. Schlakman said that such flexibilities had been used to their full extent but are inadequate.

Mr. Harnage asked whether there had been efforts to get a "special pay category from OPM." Mr. Schlakman said he thought Federal agencies in Monroe County had explored all available flexibilities but had been unable to find a solution and hoped to correct recruitment and retention problems by having Monroe County added to the Miami-Fort Lauderdale locality pay area.

Chairman Wallace asked what the difference would be in locality pay if Monroe and Palm Beach Counties were made an area of application. Mr. Schlakman said it would be about 5 percent. Mr. Winstead noted the difference would be approximately 3.5 percent.

Mr. Brown asked what the average pay rate was for a GS employee in Monroe County. Mr. Schlakman said he did not know, but that he knew he had difficulty filling a GS-12 position. (Note: OPM's data show the median GS grade is GS-9, and the average salary is \$43,792.)

Chairman Wallace said he understood that agencies with recruitment and retention difficulties in some cases have the option of "special starting rates." He asked whether recruitment and retention concerns were primarily for GS-12 and below, or whether such problems existed for higher grade levels. Mr. Schlakman said the problems existed for the full range of grades. He said he had used GS-12 as an example, but that "the problems are exacerbated as you move down the range."

Chairman Wallace said that the South Florida proposal tended to focus on geography. He said it would help the Council in its deliberations if it could receive data showing recruitment and retention difficulties. Mr. Schlakman said that the current proposal was a reiteration of previous ones and that earlier versions focused less on geography and more on recruitment and retention problems. Mr. Schlakman said he would take Chairman Wallace's comments back to his organization and that JIATF might wish to supplement its proposal. Chairman Wallace said he might also ask Council staff to provide previous proposals and supplemental data provided by Monroe and Palm Beach Counties.



The Council thanked the south Florida speakers for their presentation and adjourned for a short break at 11:58.

The Council reconvened at 12:08. Chairman Wallace said the next item on the agenda was establishment of a Council Working Group. He asked Mr. Winstead how many members served on a Council Working Group. Mr. Winstead said there were no hard and fast rules concerning the number of Working Group members and that the Council could use its own discretion in deciding whom to nominate. Chairman Wallace said he would like the Working Group to consist of five Council members.

The Chairman nominated Mr. Maestas to chair the Working Group and said he had not proposed that Ms. Rose chair the group because of her additional responsibilities on the Federal Prevailing Rate Advisory Committee. He nominated Ms. Rose as Co-Chair. He asked Mr. Bastas, Mr. Brown, and Mr. Tchirkow to serve on the Working Group. All nominated members accepted. Mr. Winstead said that Council staff would provide support to the Working Group. Ms. Kelley offered the service of Mr. Steve Keller, who had previously served on the Working Group. Chairman Wallace thanked Ms. Kelley for her offer and accepted it.

Chairman Wallace said that the Working Group's tasks would include evaluation of census and commuting pattern data, evaluation of the Council's area-of-application criteria, status of NCS improvements, and the status of broader pay reform efforts. Chairman Wallace also said that the Working Group might consider drafting a standard protocol for presentations by areas seeking to be made areas of application and suggested the Working Group might think of ways to advise agencies with regard to data needed for Council deliberations in such cases.

Mr. Tchirkow said that OPM staff had access to such data to the extent agencies had reported it to OPM. Mr. Winstead said that OPM would be pleased to provide such data.

Chairman Wallace thanked Mr. Winstead for his support and said that the next item on the agenda was a discussion of the Council's plans for the remainder of 2002.

### **Plans for Remainder of 2002**

Mr. Winstead said the Council's key responsibility would be to submit a recommendation to the President's Pay Agent regarding locality payments and locality pay area boundaries for 2004. He said that the Council would need to review options for calculating local pay disparities and that Council staff would calculate pay gaps with aged OCSA data, improved NCS data, and unimproved NCS data. Mr. Winstead said that 2000 census and commuting pattern data would not be available until mid-2003.

Mr. Winstead said the Working Group could meet as it finds convenient, keeping in mind that the President's Pay Agent must provide an annual report including recommended locality rates and locality pay area boundaries by November 30, that drafting the report would require recommendations in advance from the Council, and that it would be best to have the Council's recommendations by early October. If Council recommendations were to be made in early October, it would be best to have a Council meeting in September.

Chairman Wallace said that these requirements would probably necessitate a Council meeting in late September or early October. He asked the Council members to consult their calendars, and the Council agreed to a tentative meeting date of September 30, 2002. He asked the Working Group to prepare recommendations for 2004 by that date and to present its findings at the next Council meeting.

Mr. Tchirkow asked if the Council needed to decide on the four proposals for areas of application. Chairman Wallace said all four areas would be put on the next meeting's agenda and that each area would be appropriately notified and asked for any data required for Working Group and Council deliberations.

Having reached the end of the agenda, Chairman Wallace asked for any further Council comment. Receiving none, he asked for public comment. There was no public comment. The Council adjourned at 12:40 p.m.

Approved:     SIGNED    

Chairman, Federal Salary Council