



# BLUE COLLAR PAY

**MARK ALLEN**

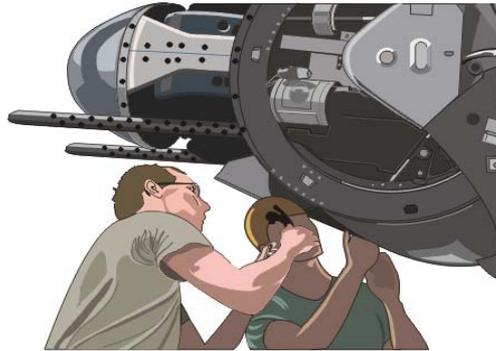
FEDERAL WAGE SYSTEM TEAM LEADER  
OFFICE OF PERSONNEL MANAGEMENT

**GARY MEADOWS**

CHIEF, WAGE AND SALARY DIVISION  
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# FEDERAL WAGE SYSTEM

Covers “blue collar” Federal positions in which trade, craft, and laboring experience and knowledge are paramount.



# **FEDERAL WAGE SYSTEM COVERAGE**

206,000 appropriated fund employees:

- Around 30 payplans, plus numerous special schedules
- Every State and 20 foreign countries
- 46 Departments and Agencies
- Majority Defense related

45,800 nonappropriated fund employees:

- Military's Morale, Welfare, and Recreation facilities
- Exchanges
- VA Canteen Service

# **BASIC POLICY – 5 U.S.C. 5341**

Rates of pay of prevailing rate employees shall be fixed and adjusted from time to time as nearly as is consistent with the public interest in accordance with prevailing rates and be based on the principles that:

- (1) There will be equal pay for substantially equal work for all prevailing rate employees who are working under similar conditions of employment in all agencies within the same local wage area;
- (2) There will be relative differences in pay within a local wage area when there are substantial or recognizable differences in duties, responsibilities, and qualifications requirements among positions;
- (3) The level of rates of pay will be maintained in line with prevailing levels for comparable work within a local wage area; and
- (4) The level of rates of pay will be maintained so as to attract and retain qualified prevailing rate employees.

# **PREVAILING RATE HISTORY**

**1862 – 1965**

## **Separate Agency Pay Systems**

- Prevailing rate principle originated in shipyards during Civil War.
- Laws allowed blue-collar pay setting by the head of each agency.
- No central coordination or control of Governmentwide policies.
- Multiple local wage surveys.
- Different pay rates for different agencies in the same city.
- Overlapping wage area boundaries.
- Interagency pay administration difficulties.
- Interagency competition for workers.
- Credibility problems.

# **PREVAILING RATE HISTORY**

**1965 – 1972**

## **Coordinated Federal Wage System**

- Established by Presidential directive.
- Civil Service Commission worked with agencies and unions.
- Labor-management National Wage Policy Committee established.
- Coordinate and replace separate agency pay systems.
- Common policies retained.
- Unusual policies accommodated when possible.
- Main employing agency in an area does all wage surveys.
- One wage schedule for all agencies in an area.

# **PREVAILING RATE HISTORY**

## **1972 – Present Federal Wage System**

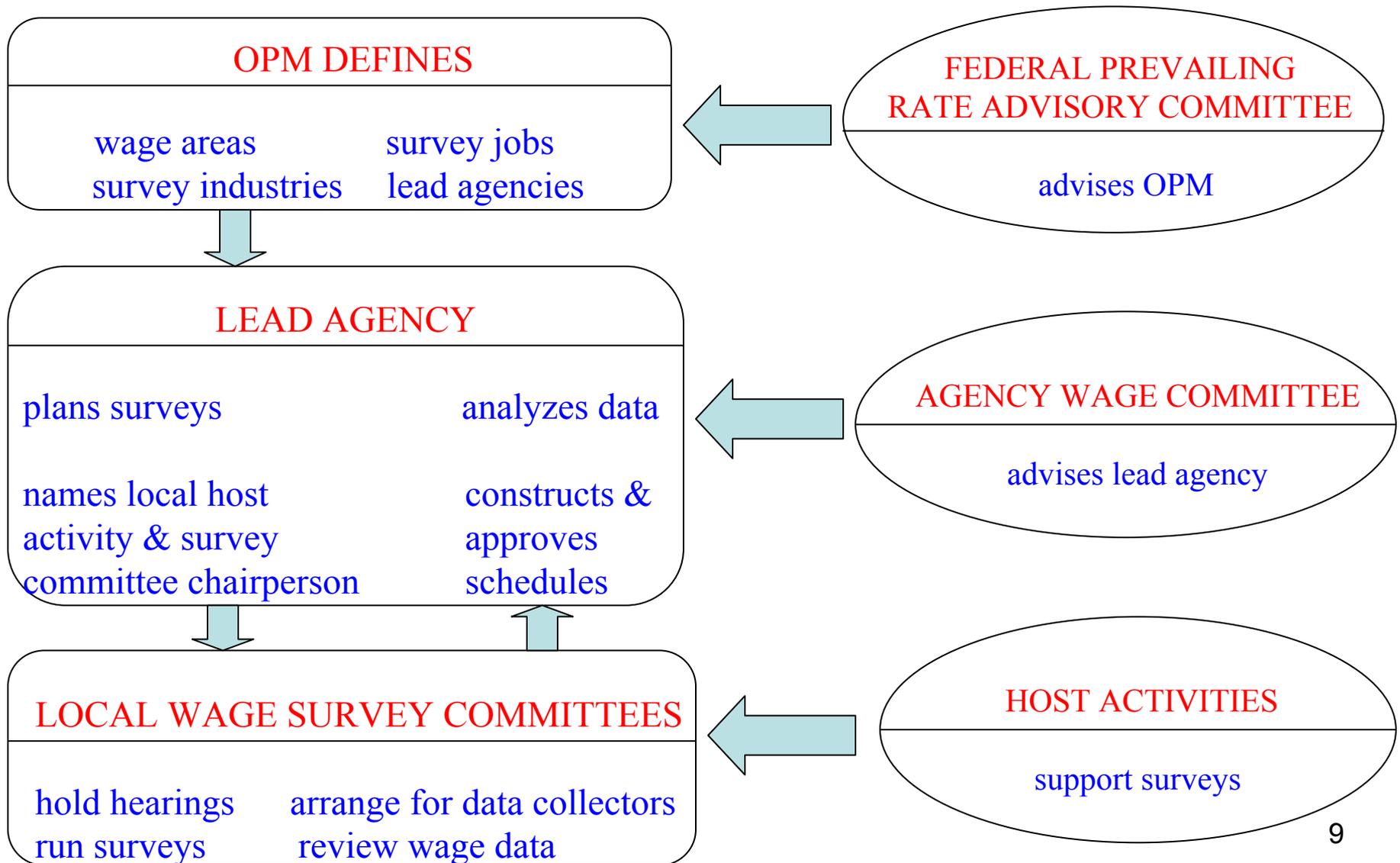
- Labor wanted gains under CFWS codified.
- Public Law 92-392, the Prevailing Rate Systems Act of 1972.
- Similar to policies under CFWS.
- Guaranteed labor involvement at all pay-setting levels.
- Established Federal Prevailing Rate Advisory Committee.
- Set uniform nationwide night shift differentials as basic pay.
- Added steps 4 and 5 to regular wage schedules.

# GENERAL INFORMATION

OPM coordinates and oversees Governmentwide policies with the advice of the Federal Prevailing Rate Advisory Committee (FPRAC).

DOD is the lead agency for conducting surveys and issuing wage schedules.

# WAGE SURVEY PROCESS



NOTE: All Committees are Labor-Management Committees

# FEDERAL PREVAILING RATE ADVISORY COMMITTEE

- Established under 5 U.S.C. 5347 to advise OPM on the administration of the Federal Wage System including:
  - definitions of local wage areas;
  - policies on pay administration; and
  - coverage of local wage surveys, including the occupations, establishment sizes, and industries to be surveyed, and how wage surveys are conducted.

# FEDERAL PREVAILING RATE ADVISORY COMMITTEE

- Current members
  - 5 management members
    - Department of Defense
    - Two Military Departments (rotated among Air Force, Army, and Navy)
    - Department of Veterans Affairs
    - OPM

# FEDERAL PREVAILING RATE ADVISORY COMMITTEE

- Current members
  - 5 labor members appointed by OPM Director from among labor organizations representing the largest proportion of FWS employees
    - Metal Trades Department/AFL-CIO
    - Two seats for American Federation of Government Employees
    - National Association of Government Employees
    - Association of Civilian Technicians (Ind.)

# OPM DEFINES WAGE AREAS

## Each Consists of:

### 1. SURVEY AREA

A geographic area consisting of one or more counties with major concentrations of Federal employment and private industrial establishments.

### 2. AREA OF APPLICATION

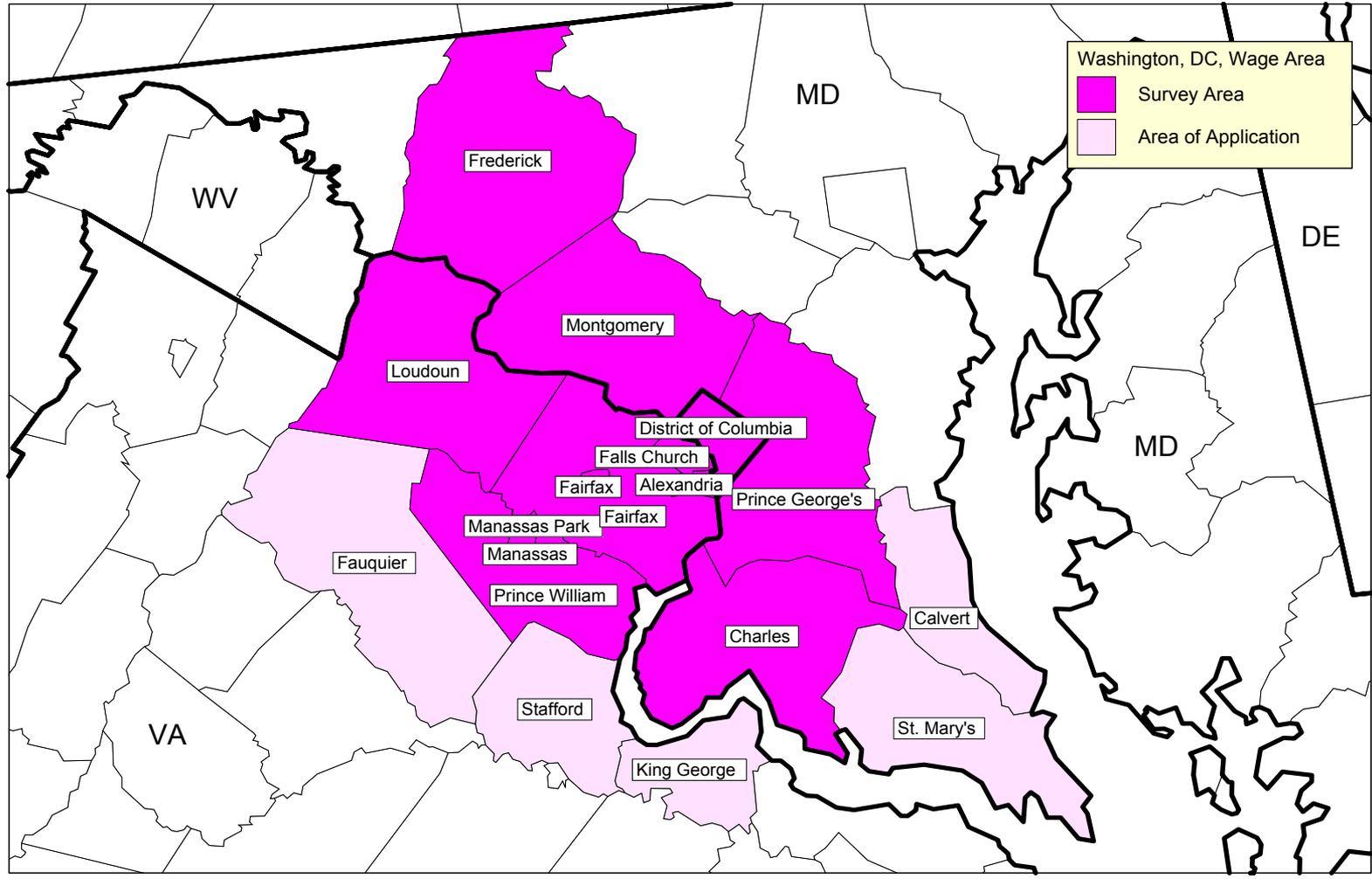
A geographic area consisting of one or more counties, including and surrounding a survey area, where a wage schedule applies.

WASHINGTON, DISTRICT OF COLUMBIA,  
FEDERAL WAGE SYSTEM WAGE AREA

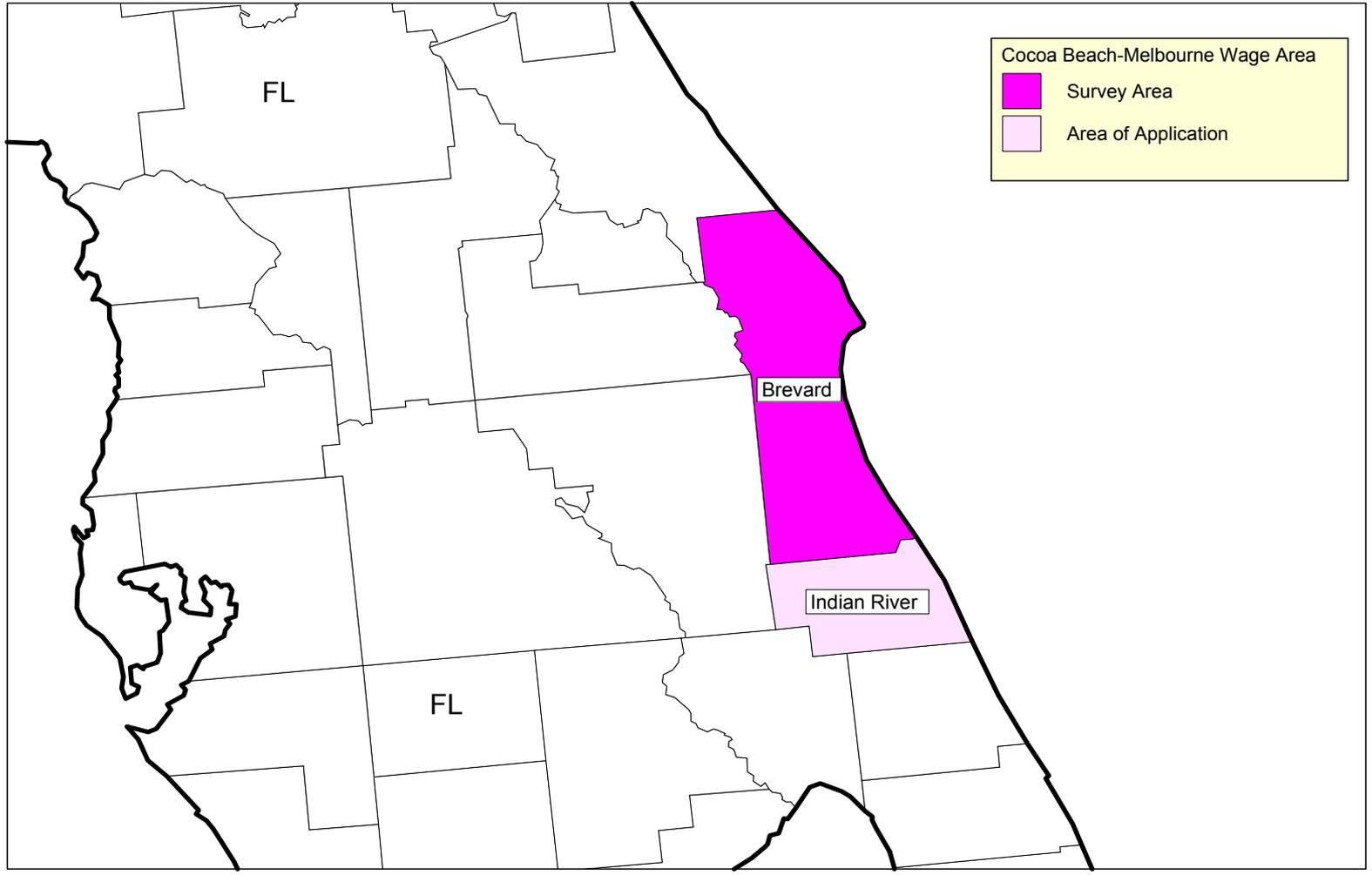
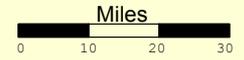


Washington, DC, Wage Area

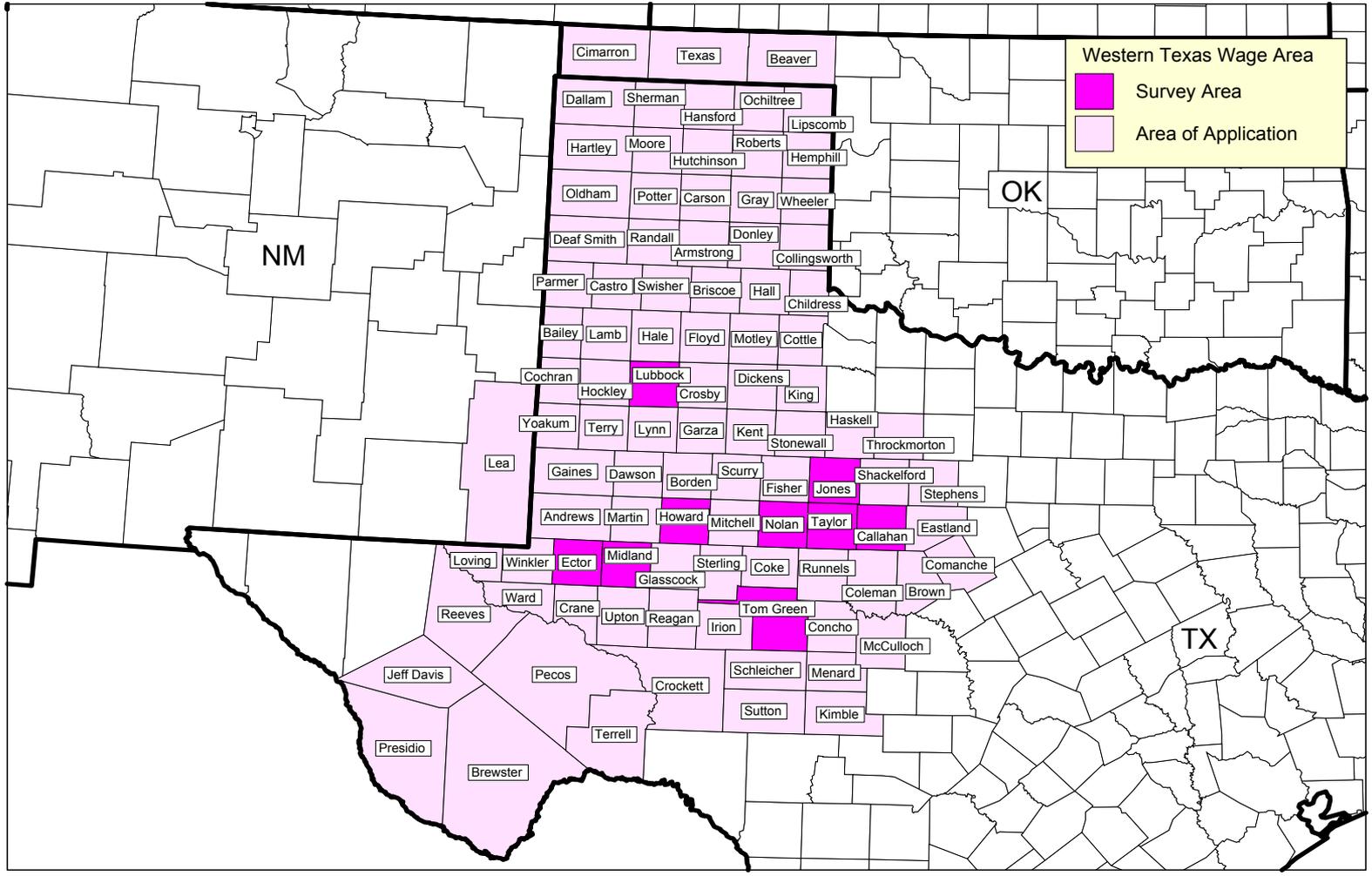
- Survey Area
- Area of Application



**COCOA BEACH-MELBOURNE, FLORIDA,  
FEDERAL WAGE SYSTEM WAGE AREA**



# WESTERN TEXAS FEDERAL WAGE SYSTEM WAGE AREA



# OPM DEFINES WAGE AREA CRITERIA

- (i) Distance, transportation facilities, and geographic features;
- (ii) Commuting patterns; and
- (iii) Similarities in overall population, employment, and the kinds and sizes of private industrial establishments.

Generally, the criteria are considered in the order listed. The regulatory criteria are based on labor-management agreements developed at FPRAC.

# WAGE AREA ADEQUACY REQUIREMENTS

- 100 or more FWS employees of an agency to establish a separate wage area.
- No established minimum FWS employment to trigger wage area abolishment.
- Lead agency must have capability to conduct local wage surveys in the area.

# WAGE AREA REVIEW PROCESS

- OPM defines wage area boundaries after receiving the advice of FPRAC.
- OPM initiates review at FPRAC every 10 years following receipt of decennial census data.
- Outside of the 10-year review process, any labor or management FPRAC member can introduce a subject for discussion.
- OPM has accepted and implemented every FPRAC recommendation on wage area boundaries.
- No legislative action has redefined a wage area boundary.

# JOB GRADING SYSTEM

- 5 U.S.C. 5346 provides OPM authority to:
  - Establish the basic occupational alignment and grade structure.
  - Establish and define occupations.
  - Establish job titles.
  - Publish job grading standards.
  - Assure consistency.

# JOB GRADING SYSTEM

- OPM must consult with agencies and employee organizations.
- FPRAC makes recommendations to OPM on the 39 key ranking jobs.
- OPM publishes key ranking jobs in appendix I of OPM Operating Manual Federal Wage System.
- Key ranking jobs serve as basis for job grading structure (for internal alignment) and survey job descriptions (for external alignment).

# REGULAR SCHEDULE STRUCTURE

<i>WAGE GRADE (WG) NONSUPERVISORY</i>	<i>WAGE LEADER (WL) NONSUPERVISORY WORK LEADER</i>	<i>WAGE SUPERVISOR (WS) SUPERVISORY</i>
<ul style="list-style-type: none"><li>• 15 grades</li><li>• 5 steps within each grade</li><li>• 4 percent between each step</li><li>• <b>Step 2 rates comparable with prevailing private sector rates</b></li></ul>	<ul style="list-style-type: none"><li>• 15 grades</li><li>• 5 steps within each grade</li><li>• 4 percent between each step</li><li>• 10 percent differential above corresponding WG rate</li></ul>	<ul style="list-style-type: none"><li>• 18 grades (positions are not classified at WS-19)</li><li>• WS-19, step 2, rate equal to GS-14, step 3, rate</li><li>• 5 steps within each grade</li><li>• 4 percent between each step</li><li>• 30 percent differential above corresponding WG rate is typical</li></ul>



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Civilian Personnel  
Management Service  
(CPMS)

# References



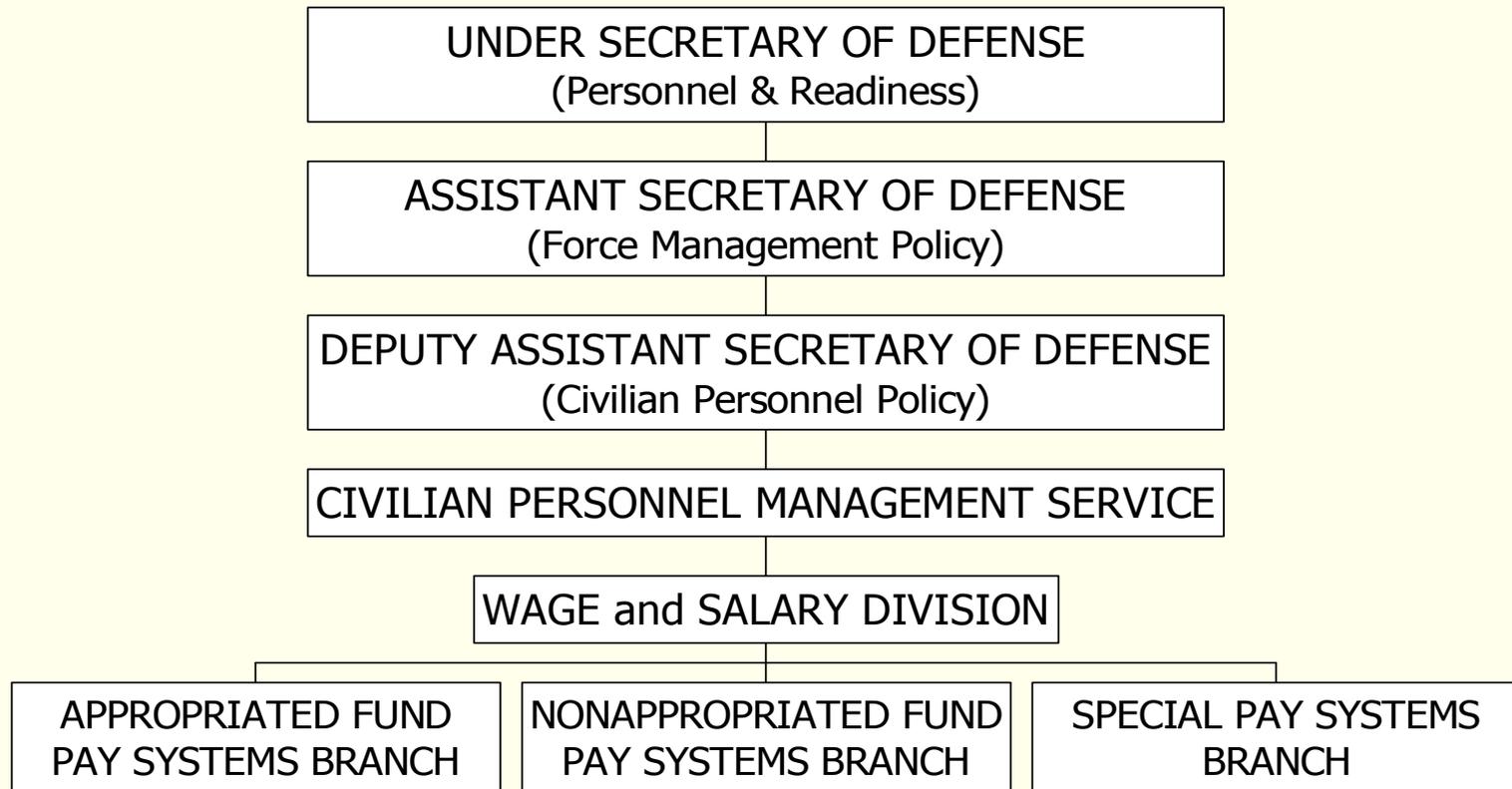
- Public Law 92-392
- Title 5, Code of Federal Regulations, Part 532
- OPM Operating Manual, Federal Wage System
- OPM Operating Manual, Federal Wage System-Nonappropriated Fund
- Public Law 107-67, Pay Limitation of 4.8% for Fiscal Year 2002

# Wage and Salary Division Mission

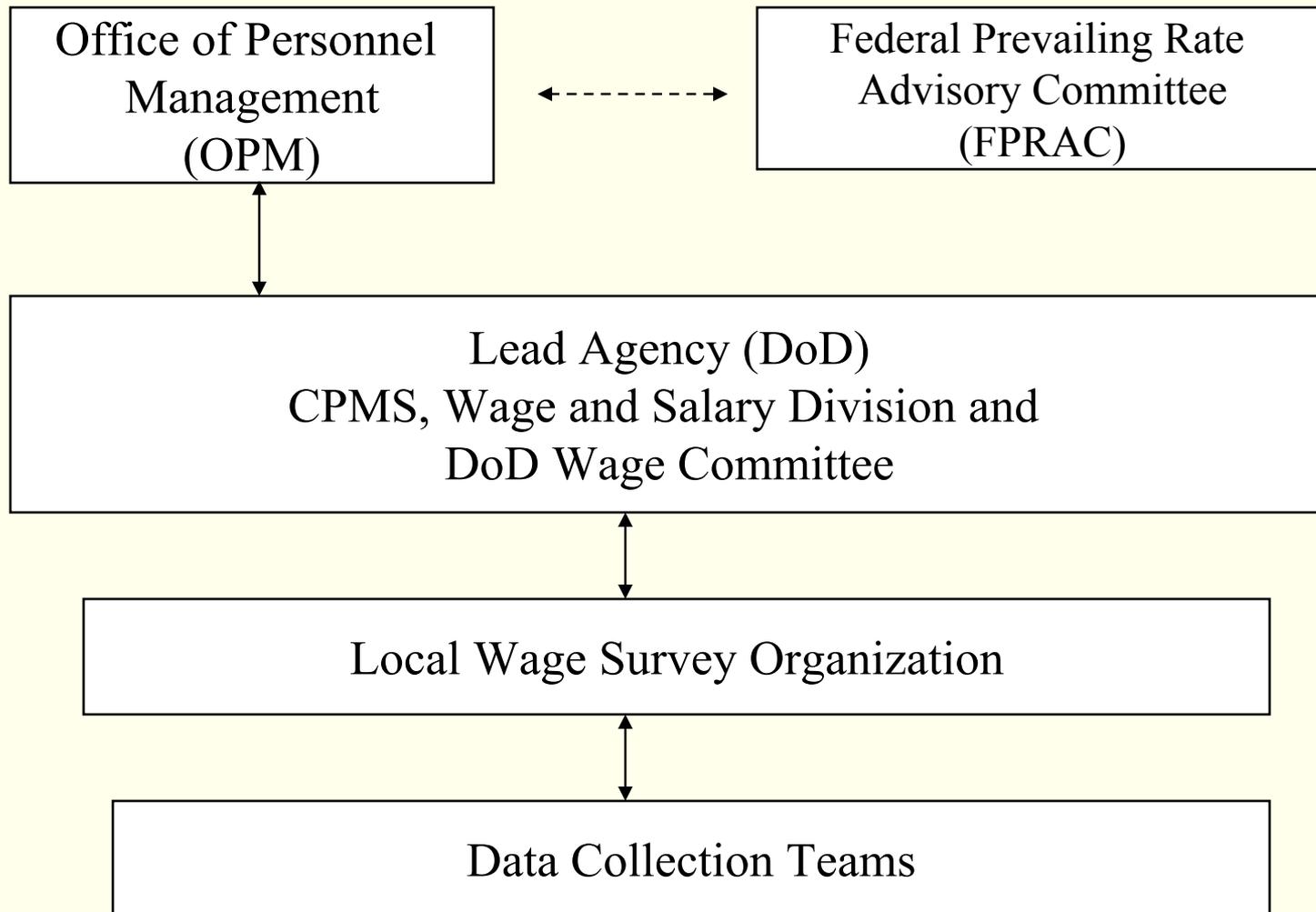


- Execute DoD Pay Setting Authority
- Prevailing Rate (Blue Collar) Locality Surveys
- Special Industry Surveys

# Organizational Chart



# Federal Wage System (FWS)



# Prevailing Rate Surveys



- Appropriated Fund - Trade, craft, and laboring occupations
- Nonappropriated Fund
  - Trade, craft, and laboring occupations
  - Administrative Services
  - Patron Services
  - Paybanding

# Special Schedule Surveys



- Appropriated Fund
  - Maritime Industry
  - Printing and Lithographic
  - Power
  - Overseas Educators
  - Occupational Special Rates
- Nonappropriated Fund - Occupational Special Rates

# FWS Appropriated Fund



- Subchapter S11 - Special Wage Schedules
  - Production Facilitating Positions (WD and WN)
  - Printing and Lithographic Positions
  - U.S. Citizen Wage Employees in Foreign Areas
  - Federal Wage Employees in U.S. Insular Areas
  - Aircraft, Electronic, & Optical Instrument Overhaul & Repair Positions in Puerto Rico
  - Corps of Engineers, U.S. Army Navigation Lock & Dam Employees
  - U.S. Department of Navy Positions in Bridgeport, CA

# FWS Appropriated Fund



- Appendix V - Agency Special Wage Schedules & Rates Documented Under the FWS "Set-Aside" Schedules
  - Alaska Area Differentials (4%, 8%, and 12%)
  - U.S. Army Corps of Engineers, Employees on Floating Plants (other than Hopper Dredges)
  - U.S. Army Corps of Engineers, Hopper Dredge Rate Schedules (Atlantic & Gulf Coasts and West Coast)
  - Electronic Equipment Maker, Installer & Repairer, and Radio Maintenance Employees, Washington, DC
  - Television System Employees, Washington, DC



# Special Pay Systems Branch

- Special Industry Schedules
- Occupational Special Rates
- Title 38 Special Salary Rates for Civilian Health Care Professionals (GS)
- Title 5 Special Salary Rates (GS)
- Monitor & Provide Technical Assistance for Compensation of Foreign National Employees

# Scope of Operations



<u>Pay Plan</u>	<u>Number of Employees</u>	<u>Number of Schedules</u>
Foreign National Oversight	73,000	48
Title 5 & 38 GS Special Rates/Oversight	52,000	312
NAF Federal Wage System	45,800	375
NAF NF (Pay Band)	43,000	125
NAF Administrative Support & Patron Services	2,300	250
Overseas Educators	9,400	25
Overseas FWS (APF and NAF)	6,600	10
Maritime	3,500	8
Lock & Dam	1,800	69
Miscellaneous	500	20
Federal Wage System (APF)	206,000	980
Corps of Engineers Power Plant	1,000	8
Floating Plant	700	93
Defense Language Institute	600	1
Printing and Lithographic	235	5
USUHS	200	4
Hopper Dredge	200	4
Totals	446,835	2,337

# Survey Specifications (Full Scale Survey)



- Wage Area Definition
- Industries Surveyed
- Establishments Surveyed
- Minimum Establishment Size
- Survey Jobs

# Industries Surveyed



## Appropriated Fund\*

- Manufacturing
- Transportation
- Communications
- Public Utilities
- Wholesale

## Nonappropriated Fund\*

- Wholesale
- Retail
- Services & Recreation

\*Industries may be added to the above when they account for significant private employment within the wage area.

# Establishments Surveyed



- Universe Survey - Includes all firms in survey area which meet minimum size and industry type requirements
- Probability Sample Survey - Includes a representative sample of firms which meet minimum size and industry type requirements
- Establishment Survey Listing

# Minimum Size



- Appropriated Fund – 50 or more employees; OPM may authorize lower minimum size.
- Nonappropriated Fund – 20 or more employees; 8 or more employees for Automatic Merchandising Machine Operators, Gasoline Service Stations, Bowling Centers, and Membership Sports and Recreation Clubs.

# Survey Jobs



## Appropriated Funds

- 21 required jobs representing grades 1-13
- 33 optional jobs representing grades 4-11
- 3 added jobs for hospitals representing grades 1, 2, and 8
- Additional jobs only with prior approval from OPM

# Survey Jobs



## Nonappropriated Fund

- 21 required jobs representing grades 1-10
- 11 optional jobs representing grades 1-10
- Additional jobs only with prior approval from OPM

# Wage Change Survey



- Update findings of full scale survey
- Same employers, occupations, weights, and wage line as full scale survey
- Usually by telephone but may be by mail or personal visits

# “Monroney” Amendment



- Provision named for former Oklahoma Senator Mike Monroney
- Section 5343(d) of title 5, United States Code
- Established in 1969 and provides for possible use of wage data from outside a local area as a basis for establishing wages in areas with “specialized industries”

# “Monroney” Amendment



- DoD employees exempted from coverage in 1985
- Restored for DoD employees on December 28, 2001 (effective with 2002 wage survey results)
- FY 2002 NDAA, PL 107-107, Section 1113, reinstated provisions of the “Monroney” Amendment for DoD FWS employees

# “Monroney” Amendment



- Specialized Industries consist of Federal organizations involved in industrial production or repair activities (10 categories):
  - Aircraft
  - Ammunition
  - Artillery & Combat Vehicles
  - Communications Equipment
  - Electronics
  - Guided Missiles
  - Heavy Duty Equipment
  - Shipbuilding
  - Sighting & Fire Control
  - Small Arms

# “Monroney” Application



- How to qualify for a dominant industry
- Dominant Industry - At least 25% of total FWS employment or 1,000 or more employees in a wage area having more than 4,000 wage employees
- Not all wage areas have a “specialized industry”; thirty-seven areas (out of 132) qualify

# “Monroney” Adequacy (Industry)



- Survey Area is one of the 25 largest Standard Metropolitan Statistical Areas; or
- Total number of employees in specialized private industry establishments located in the survey area is at least equal to total number of FWS employees working in the specialized industry

# “Monroney” Adequacy (Jobs)



- Jobs found at companies involved in specialized industry – each must provide unweighted samples:
  - 1 in WG-01 through WG-04 – regular job/20 samples
  - 1 in WG-05 through WG-08 – regular job/20 samples
  - 1 in WG-09 or above – regular job/20 samples
  - 1 in WG-09 or above – special job/20 samples
  - 3 in WG-01 or above – regular or special job/10 samples



# “Monroney” Adequacy (Jobs)

- If inadequate industry or jobs found in the local area, then look for a reference area having the industry and jobs:
  - Contiguous areas
  - Surrounding areas
  - Nearest adequate area

# WITHIN-GRADE INCREASES

- 5 U.S.C. 5343(d) provides 5 steps for each regular nonsupervisory wage schedule.
- 96, 100, 104, 108, 112 percent requirement.
- Step 1 to Step 2 requires 26 weeks service.
- Step 2 to Step 3 requires 78 weeks service.
- Step 3 to Step 4 requires 104 weeks service.
- Step 4 to Step 5 requires 104 weeks service.
- Work performance must be “satisfactory or better” for automatic advancement.
- Average FWS employee at step 4.

# DIFFERENTIALS

- Night shift differentials under 5 U.S.C. 5343(f) –
  - 7.5 percent between 3 p.m. and midnight (second shift).
  - 10 percent between 11 p.m. and 8 a.m. (third shift).
  - Entitlement based on majority of regularly scheduled non-overtime work (5 of 8).
  - Once triggered, payable for all hours in a day.
  - Uniform application, not based on local prevailing practices.
  - Basic pay.

# DIFFERENTIALS

- Environmental differential payments (EDP) under 5 U.S.C. 5343(c)(4) –
  - For duty involving “unusually severe working conditions or unusually severe hazards.”
  - Categories under Appendix A to Subpart E of 5 CFR part 532.
  - Highest category set at 100 percent of local WG-10, step 2, rate.
  - Most either 4 percent or 8 percent.
  - Basic pay.

# PAY CAP LEGISLATION

- 30 years of prevailing rates under the FWS.
- Only 6 years without a cap on adjustments.
- Adjustments capped at average GS increase since FY 1979.
- Pay gap less than 3 percent when measured at step 2.
- Formula links cap with average GS increase:
  - Across-the-board increase in General Schedule, plus
  - Difference between locality pay in current year and previous year.
- Delays wage schedule issuance in first quarter of fiscal year.
- 4.8 percent cap in FY 2002.

# PAY FLEXIBILITIES

- Special Qualifications Appointments
  - Allow an agency to hire unusually well qualified candidates at any of the five steps of the appropriate grade level instead of the first step.
  - Agency approval required.
- Increased Minimum Hiring Rate Authority
  - Allows the lead agency to establish a step higher than the first step as the minimum step at which a new employee will be hired.
  - Lead agency approval required.

# PAY FLEXIBILITIES

- Special Rate Authority
  - Allows an agency to request OPM approval to establish rates above the regular wage schedule for an occupation or group of occupations.
  - Lead agency review and OPM approval required.
- Special Schedule Authority
  - Allows an agency to request OPM approval to establish a higher schedule of rates in a manner generally broader in scope than under the special rate authority.
  - OPM approval required.
  - FPRAC reviews.
  - Regulated vs. set-aside special schedules.

# PAY FLEXIBILITIES

- Unrestricted Rate Authority
  - Allows OPM to waive annual statutory caps on FWS pay adjustments.
  - Cap provision must contain waiver authority.
  - Lead agency review and OPM approval required.
- 3Rs
  - Agencies may use Recruitment Bonuses, Relocation Bonuses, and Retention Allowances to attract and retain employees.
  - Agency approval required.

# CONGRESS

- Report to Congress on the Cost of Administering the Federal Wage System.
- Report to Congress on Pay for Bureau of Prisons Federal Wage System Employees.
- Report to Congress on the Salinas-Monterey, California, Wage Area.
- Treasury and General Government Appropriations Act would contain pay cap.