

**FEDERAL SALARY COUNCIL
MEETING NUMBER 12-01
OCTOBER 19, 2012**

The [Federal Salary Council](#) held its first meeting of 2012 on October 19, 2012, at the Office of Personnel Management (OPM), with all Council members present. The Council members are listed in the table below.

Council Member	Title
Dr. Stephen E. Condrey	Federal Salary Council Chair and President-Elect of the American Society for Public Administration
Mr. Louis P. Cannon	National Trustee, Fraternal Order of Police
Mr. J. David Cox	National President, American Federation of Government Employees
Dr. Rex L. Facer II	Associate Professor of Public Finance and Management, Romney Institute of Public Management, Brigham Young University
Mr. William D. Fenaughty	National Secretary Treasurer, National Federation of Federal Employees
Ms. Colleen L. Kelley	National President, National Treasury Employees Union
Ms. Jacqueline Simon	Public Policy Director, American Federation of Government Employees

Mr. Jerome D. Mikowicz, OPM Deputy Associate Director for Pay and Leave, was the Designated Federal Officer. About 25 members of the public also attended the meeting, including 3 representatives from the media.

Agenda Item 1: (Announcements and Minutes from Last Meeting)

Designated Federal Officer's Opening Remarks

At 9:00 a.m., Mr. Mikowicz welcomed everyone to the meeting. He said the Council is subject to the Federal Advisory Committee Act (FACA), and performs duties enumerated in title 5, including developing [recommendations](#) to cover the establishment or modification of pay localities, the coverage of salary surveys used to set locality pay, the process for making pay comparisons, and the level of comparability payments that should be made. He said the Council will submit such recommendations, when finalized, to the [President's Pay Agent](#).¹

Mr. Mikowicz said the Council will decide on recommendations today to send to the Pay Agent for locality pay in January 2014. He clarified that OPM has no membership on the Council, but provides staff support to the Council under Executive Order 12764 to help it perform the duties he previously listed. He said the Council now has seven members, including two experts in labor

¹ The Pay Agent consists of the Secretary of Labor and the Directors of the Office of Management and Budget and OPM. Under section 5304 of title 5, the Pay Agent provides for Federal Salary Council meetings, considers the recommendations of the Federal Salary Council, defines locality pay areas, and submits an annual report to the President on the locality pay program. The report compares General Schedule pay rates to non-Federal pay, identifies areas in which a pay disparity exists and specifies the size of the disparity, makes recommendations for locality rates, and includes the views of the Federal Salary Council.

relations and pay policy and five officials from employee organizations representing large numbers of General Schedule employees.²

Providing a brief overview of the plan for today's meeting, Mr. Mikowicz referred everyone to the agenda in the meeting folders, and briefly mentioned each major item. He said the Council would—

- Make any preliminary remarks/administrative announcements;
- Hear a statement by the Bureau of Labor Statistics on salary surveys used in the locality pay program;
- Hear scheduled speakers' testimony regarding locality pay in certain areas, with each speaker's testimony limited to 5 minutes;
- Present and discuss the Council Working Group Report;
- Provide an opportunity for public comment;
- After the public comment period, adjourn when there is no further Council discussion; and
- Based on the Working Group Report and discussion in today's meeting, send written recommendations to the President's Pay Agent.

Council's Introductions and Announcements

Dr. Condrey thanked Mr. Mikowicz for the overview, and said, "Why don't we have the Council members introduce themselves?" When the introductions were complete, Dr. Condrey turned briefly to administrative matters. He announced that the Council's charter was renewed, and that the Council had already approved minutes for the previous meeting.³ He then turned to the next agenda item.

Agenda Item 2: (Report of the Bureau of Labor Statistics)

Dr. Condrey welcomed Mr. Hilery Simpson, Chief of Compensation Data Analysis and Planning for the National Compensation Survey program at the Bureau of Labor Statistics. Mr. Simpson read the following statement into the record (Council Document 2012-01-03):

This year for the first time the Bureau of Labor Statistics (BLS) supplied pay estimates for broad categories of professional, administrative, technical, and clerical jobs at the various General Schedule (GS) work levels to the Federal Salary Council and President's Pay Agent that were based solely on the combined data from two BLS programs, the

² Under the law, the President appoints the Council members, which include three experts in labor relations and pay policy and six representatives of employee organizations representing large numbers of General Schedule employees. The current Council has one vacant expert position and one vacant employee organization representative.

³ The Council's charter is Council Document FSC-2012-01-01, and the minutes from the previous meeting are Council Document FSC-2012-01-02. These and all materials referred to in these minutes as Council Documents were provided in the meeting folders.

National Compensation Survey (NCS) and the Occupational Employment Statistics (OES) program. This combination draws upon the strengths of each program to produce the estimates needed for setting General Schedule pay rates.

The Occupational Employment Statistics program, which has a sample of 1.2 million units, estimates occupational employment and pay in every State and metropolitan area in the nation and most U.S. territories (i.e., about 374 metropolitan areas). The sample size of the OES means that there are typically a large number of observations contributing to each published estimate.

The National Compensation Survey, which is based on a sample of about 11,000 units, collects detailed information including work level for about 57,000 jobs. In addition to providing information about how pay differs by work level, the NCS data are also used to generate the Employment Cost Index or ECI, which serves as the basis for the worldwide adjustment of the base General Schedule.

For the 12-month period ending in June 2012, the most recent estimates available at this time, the ECI wage and salary component for private industry workers increased by 1.8 percent. The increase for civilian workers, which includes State and local government employees as well as private industry workers was 1.7 percent. Estimates for the year ending in September 2012, the period that will serve as the basis for the January 2014 pay adjustment will be available on October 31, 2012.

Both the OES and NCS classify jobs into occupations using the Standard Occupational Classification System, or SOC. The SOC includes about 850 detailed occupations of which about 250 are used in Federal pay comparisons. A cross-walk between Federal GS job classifications and the SOC is regularly updated by OPM staff and used by BLS to produce pay estimates by broad occupational category and work level.

The NCS and OES data are brought together through a statistical method that estimates the effect of grade (work level) on the NCS wage rates and applies this relationship to the average wage rate by area and occupation from the OES data. BLS does not report to OPM average wage rates for specific occupations, rather, data is rolled up into broad categories of professional, administrative, technical, and clerical jobs, as discussed previously. This approach allows for the production of the estimates used in General Schedule pay setting for many more areas than the NCS program alone could provide and the flexibility to produce estimates for additional areas, beyond the current 34 locality pay areas, in a relatively short time. BLS was able to accommodate requests by the Council for additional areas in a matter of weeks. Future requests can be accommodated in a similar time frame, although requests for data from prior years may take longer.

This year BLS was able to provide estimates of pay by professional, administrative, clerical, and technical occupational categories and GS work levels for 85 separate areas including all 34 current pay localities as well as a number of areas that have been of interest to the Council but where the NCS survey was unable to supply data.

I will be happy to address any questions that you have.

Dr. Facer noted the reduction, by roughly half, of the NCS data used in the NCS/OES model to estimate work levels for OES salary data.⁴ He said, “We’ve noticed more variability in year-to-year estimates since that change. Would restoring NCS to the full sample ameliorate the variability in the NCS/OES model?” Mr. Simpson responded that there are much more data under OES than NCS, and added, “I’m not sure restoring NCS would work.”

Addressing Mr. Simpson, Dr. Facer said, “We’re always looking to improve. And we have improved in the sense of having data for more areas. But what more could be done to improve?”

Mr. Simpson replied to Dr. Facer, “Differences can come from a variety of sources, such as sampling, staffing patterns, and other factors. We have been working with the Council and staff to improve. We’re happy to hear your ideas and will continue working with you to improve.”

There were no further questions or comments from the Council, so Dr. Condrey announced that the Council would now hear scheduled testimony about locality pay areas.

Agenda Item 3: (Testimony about Locality Pay Areas)

Berkshire County, MA

Dr. Condrey welcomed Mr. Frederick Baron, Chief Engineer at a Department of the Navy Facility in Pittsfield, MA, which is in the “Rest of U.S.” (RUS) locality pay area.

Mr. Baron began, “I’d first like to acknowledge a couple of Council members.” He congratulated Mr. Cox on being elected AFGE National President at AFGE’s 39th National Convention in Las Vegas on August 15, 2012. He then recognized Dr. Facer, and referred to news articles summarizing or quoting Dr. Facer’s opinions on Federal pay reform. Addressing Dr. Facer, Mr. Baron said, “Your efforts to try to make a change and help us out are well received.”

Mr. Baron said that in his office, staffing challenges indicate that positions at grades GS-07 and above, particularly in engineering and technical occupations, are underpaid. “And those are the vast majority of jobs I’m trying to recruit for.”

Mr. Baron asked that, in addition to his prepared statement (Council Document FSC-2012-01-12), the Council consider the statement of Mr. Patrick DeFalco, Chair of the Federal Executive Association of Western Massachusetts (FEAWM), who was unable to attend today due to a personal matter. (Mr. DeFalco’s statement is Council Document FSC-2012-01-13.) Documents

⁴ The President’s Fiscal Year 2011 budget canceled NCS locality pay surveys and replaced them with the OES/NCS model. BLS subsequently reduced the NCS sample by roughly half (the other half is used for the Employment Cost Index), effectively canceling the NCS locality pay survey program. BLS delivered the last full NCS data in 2011.

supporting the Berkshire testimony also include a letter from Senator John Kerry supporting the FEAWM proposal to include Berkshire County in the Albany, NY locality pay area when that Council-proposed locality pay area is established. (See Council Document FSC-2012-01-14.)

Mr. Baron read his statement, which recommended Berkshire County be included either in the Council-proposed Albany, NY, locality pay area or in the Hartford locality pay area. He described ongoing recruiting difficulties, including—

- For an entry-level engineering position for which he tried to recruit, there were two job postings, and--
 - The first posting attracted no candidates;
 - The second posting attracted two well qualified applicants, but both turned down offers for a job interview primarily because of the locality pay level, and
 - The job is now being posted for a third time;
- For a software engineer position, a posting was unsuccessful for 18 months, and while the posting resulted in interviews and job offers, all offers were rejected because of the locality pay level; and
- Four very experienced Federal employees in the Pittsfield Navy facility left Federal employment for jobs with a contractor.

Mr. Baron said it has become a trend for Federal employees in Berkshire County to leave their jobs for contractor positions, or to work in nearby areas with higher locality pay. He added, “In addition to the four mentioned above from our office, nine people have left from our supporting DCMA Government agency due to pay issues. The continued loss of skilled personnel from our programs, without the ability to backfill candidates, continues to challenge our local agencies. Your support of a recommendation to incorporate Berkshire County into a locality pay area can prevent and reverse this trend.”

In closing his presentation, Mr. Baron said he wanted to leave the Council with this thought: “You have heard the struggles we are facing today during a time when the economy is struggling. What chance will this region have to attract talented Federal employees when the job market recovers?” He then invited questions or comments from the Council.

Mr. Cannon asked whether the four Federal employees who went to work for a contractor remain in the facility as contractors. Mr. Baron responded, “Yes, they left as Federal employees, and came back as contractors. Their security clearances were paid for by the Federal Government.”

Mr. Cox asked, “Have you applied for special rates?” Mr. Baron responded, “We have to struggle with the agency to get that through, but a change in locality pay would fix our issues.” He added that a posting in the New York locality pay area that was very similar to his engineer postings has 200 applicants, while getting *any* qualified applicants in Berkshire County is always a problem for his office.

The Council had no further questions or comments on Berkshire County, so Dr. Condrey welcomed the next speaker, Ms. Desaray Biernacki, President, AFGE/Council of Prisons Local

1217, who spoke in behalf of Federal employees in Herlong/Lassen County, CA, which is part of the RUS locality pay area.

Herlong/Lassen County, CA

Ms. Biernacki read a written statement, Council Document FSC-2012-01-15. She described Herlong, CA, as a remote work location to which most employees commute from either Reno, NV, (60 miles away) or Susanville, CA (40 miles away). She said, “Most of the employees working in Herlong live either in Susanville or Reno due to the fact that Herlong is a remote location with not a lot to offer residents such as homes or businesses to accommodate families.” She then reported gasoline prices and used those to calculate commuting costs; said that the National median monthly rental price for a home is \$799, compared to \$867 for Reno and \$929 for Susanville; and cited living cost indices for Susanville and Reno compared to the Atlanta and Sacramento locality pay areas.

Ms. Biernacki said handling high living costs with RUS locality pay rates is proving too difficult for many employees to remain in the Herlong area, which she said has lost 56 employees in the past 2 years. She said she had talked to most of 56 employees, and all the employees she talked to said they could no longer afford to work in Herlong. She said that, as a GS-08 single mother of two, she can understand why. She said she is often forced to choose between food and gasoline.

Ms. Biernacki proposed that Federal pay for Herlong be comparable to that for Atlanta or Sacramento. She thanked the Council for its time and invited feedback.

Dr. Condrey asked OPM staff whether Herlong, CA, is a new contact. Mr. Allan Hearne, OPM Team Leader for the locality pay program, informed the Council that Herlong is on the Council’s list of contacts (Council Document FSC-2012-01-10) as Lassen County, CA, and does not meet the Council’s criteria for areas of application.

Dr. Condrey thanked Ms. Biernacki for her presentation, and turned to the next agenda item.

Agenda Items 4 and 5: (Working Group Report, Discussion, Council Recommendations)

Dr. Condrey said that the Council would now hear the Report of the Working Group, which Dr. Facer presented. The Working Group Report, Council Document FSC-2012-01-11, identified five key decision points for which the Council would need to make recommendations to the Pay Agent.

Upon reaching decision points in the Working Group Report, Dr. Facer paused in his presentation while Dr. Condrey read the decision point and asked for discussion and a vote from the Council. Each of the 5 decision points in the Working Group Report is listed below, and under each decision point are the Working Group’s recommendation for the decision point and the action the Council voted to take.

Decision Point 1: Should we use the 2012 OES/NCS model data for the existing 34 locality pay areas for 2014?

Recommendation of the Working Group: The Working Group recommended use of the OES/NCS model for the 34 existing locality pay areas.

Council Action: By unanimous agreement, the Council will recommend use of the OES/NCS model for the 34 existing locality pay areas.

Decision Point 2: Should we resubmit our previous recommendation asking the President's Pay Agent to reinstate the full National Compensation Survey program?

Recommendation of the Working Group: The Working Group recommends asking the President's Pay Agent to reinstate the full National Compensation Survey program.

Council Action: By unanimous agreement, the Council will ask the President's Pay Agent to reinstate the full National Compensation Survey program.

Decision Point 3: Should we recommend any new locality pay areas using the OES/NCS model data? If so, how should areas be selected and which areas should be recommended?

Recommendation of the Working Group: The Working Group recommends that the 12 areas listed in Attachment 4 of the Working Group report, which have 2009-2012 pay gaps exceeding the 2009-2012 pay gaps for RUS by an average of 10 or more percentage points, be established as separate locality pay areas. If the 12 areas cannot be established at the same time as separate locality pay areas, the Working Group recommends areas be implemented in descending order of pay gap.

Council Action: By unanimous agreement, the Council will recommend that the 12 areas listed in Attachment 4 of the Working Group report, which have 2009-2012 pay gaps exceeding the 2009-2012 pay gaps for RUS on average by 10 or more percentage points, be established as separate locality pay areas. If not all 12 areas can be established as separate locality pay areas at the same time, the Council recommends choosing by descending order of pay gap.

Decision Point 4: Should we resubmit our recommendations made in 2010 and 2011 to change the current rules for including adjacent areas in locality pay areas or wait for new commuting data and new metropolitan area definitions in 2013 as recommended by the Pay Agent?

Recommendation of the Working Group: The Working Group recommends the Council resubmit its 2010 and 2011 recommendations to drop the GS employment criterion for evaluating adjacent areas and increase the commuting criterion from 7.5 percent to 20 percent for evaluating adjacent counties for inclusion in a locality pay area.

Council Action: By unanimous agreement, the Council will resubmit its 2010 and 2011 recommendations to change the current rules for defining locality pay areas.

Decision Point 5: We note that a number of locations that contacted OPM will benefit from our recommendations. Should we recommend any other special action for any of these areas other than to apply the proposed new criteria for defining locality pay areas and establishing new locality pay areas to them?

Recommendation of the Working Group: The Working Group provided the full Council with a list of RUS locations that had contacted OPM, but made no specific recommendation for areas not meeting the Council's proposed criteria for adjacent areas or not included on the list of 12 proposed new locality pay areas.

Council Action: By unanimous agreement, the Federal Salary Council will recommend that RUS counties completely bordered by separate locality pay areas be added to the locality pay area with which the adjacent RUS county has the highest commuting interchange rate. For RUS counties almost but not completely bordered by separate locality pay areas, the President's Pay Agent should give such counties special consideration on a case-by-case basis.

Agenda Items 6 and 7: (Public Comment and Adjournment)

Dr. Condrey invited public comment. Hearing none, he adjourned the Council meeting at 9:46 a.m.

CERTIFIED

SIGNED

Stephen E. Condrey, Ph.D.
Chair