WAGE-GRADE PAY IN GEORGIA AND OKLAHOMA

HEARING

BEFORE THE

SUBCOMMITTEE ON THE CIVIL SERVICE

OF THE

COMMITTEE ON
GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

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WAGE-GRADE PAY IN GEORGIA AND OKLAHOMA

WEDNESDAY, OCTOBER 4, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE CIVIL SERVICE,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:11 a.m., in room 2203, Rayburn House Office Building, Hon. Joe Scarborough (chairman of the subcommittee) presiding.

Present: Representative Scarborough.

Staff present: Garry Ewing, staff director; Jennifer Hemingway, deputy staff director; Miguel Serrano, counsel; Tania Shand, minority professional staff member; and Earley Green, minority assistant clerk.

Mr. SCARBOROUGH. Good morning, I'd like to welcome everyone to this oversight hearing. Our purpose today is to evaluate the effectiveness of the process for making wage-grade pay determinations for particular localities in the United States.

The Federal Government employs about 250,000 blue-collar employees, about 14 percent of the Federal work force. Blue-collar wages are determined through the wage-grade pay system. Although smaller in size than our white-collar work force, their work is extremely important. More than two-thirds of them work for defense agencies. And on a personal note, my brother-in-law is one of them. They include such occupations as aircraft mechanics that keep our military aircraft flying.

Since assuming the chairmanship, I have held conversations with several Members of Congress whose constituents allege unwarranted differences between wages paid in neighboring local wage areas. In a system with over 256 local wage areas, attempting to resolve such issues legislatively would raise difficult, if not insurmountable obstacles, and would likely result in perpetual congressional intervention. But that doesn't relieve us of our responsibility to ensure that the process for determining blue collar wage rates is working correctly. As with the General Schedule pay system, we need to ensure that the Federal Government's compensation programs are adequate to all of our employees.

Today provides an opportunity for subcommittee members to examine thoroughly the issues that are involved in a very complex wage-grade system that governs over 250,000 Federal employees. A discussion of the current system in practice, what administrative options are available for particular localities facing challenges, and

whether or not legislation is needed to improve the process for establishing wage-grade pay will greatly benefit this subcommittee.

In particular, I want to ensure that the pay determinations are sufficient to recruit and retain the most qualified civil servants. Our blue-collar workers provide valuable services for our government; it is only fair that they are going to be compensated adequately for all of their efforts. I look forward to hearing the testimony of our distinguished witnesses on this very important issue.

[The prepared statement of Hon. Joe Scarborough follows:]

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Congress of the United States

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COMMITTEE ON GOVERNMENT REFORM

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CIVIL SERVICE SUBCOMMITTEE
"OVERSIGHT OF WAGE GRADE PAY IN GEORGIA AND OKLAHOMA"
OCTOBER 4, 2000

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Since assuming the chairmanship, I have held conversations with several Members of Congress whose constituents allege unwarranted differences between the wages paid in neighboring local wage areas. In a system with over 256 local wage areas, attempting to resolve such issues legislatively would raise difficult, if not insurmountable obstacles, and would likely result in perpetual Congressional intervention. But that does not relieve us of our responsibility to ensure that the process for determining blue-collar wage rates is working correctly. As with the General Schedule Pay System, we need to ensure the federal government's compensation programs are adequate.

Today provides an opportunity for subcommittee members to examine thoroughly the issues involved in the complex wage-grade system that governs over 250,000 federal employees. A discussion of the current system in practice, what administrative options are available for particular localities facing challenges, and whether or not legislation is needed to improve the process for establishing wage-grade pay will benefit the subcommittee.

In particular, I want to ensure the pay determinations are sufficient to recruit and retain qualified civil servants. Our blue-collar workers provide valuable services for the government; it is only fair they are compensated adequately for their effort. I look forward to hearing the testimony of our distinguished witnesses on this important issue.

Mr. SCARBOROUGH. I would like to begin by asking unanimous consent that Congressman Chambliss be permitted to participate for the remainder of the hearing from the dias, not only for the first panel but for the second as well.

I would like to ask each witness to present a 5-minute summary of your testimony and, without objection, your written statements will be entered into the record.

Let's begin with Mr. Chambliss.

STATEMENT OF HON. SAXBY CHAMBLISS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. CHAMBLISS. Thank you very much, Mr. Chairman, and I particularly want to thank you for your leadership in having this important hearing today to explore the wage disparities at Georgia and Oklahoma military bases and to look for solutions that can help the men and women who serve our country every day to keep our military strong and ready.

Ever since I came to Congress, I have heard complaints from many of my constituents who work at Robins Air Force Base about the disparity between the wage-grade pay scale in Warner Robins and other parts of Georgia. The men and women who work at Robins provide vital support to and maintenance on critical national security assets that are needed every day to protect and defend the national security interests of our great Nation. Middle Georgia bleeds Air Force blue and our workers are patriotic, dedicated and local public servants determined to ensure that essential warfighting aircraft continue to fly. One of the successes of Operations Allied Force and Noble Anvil in Kosovo last year was the outstanding ability of Air Force depots like Warner Robins to meet the surge requirements of the warfighters. In many cases our workers labored around the clock on additional shifts so that the Air Force's Material Command could ensure continued support of military operations in Kosovo as well as normal peacetime operations. Air Force logistics centers like Warner Robins took extraordinary actions to maintain support to all of its Air Force customers, but the hard work and dedication of our workers at the base clearly made that successful effort possible.

As you well know, our military services are facing serious recruiting and retention problems. The Department of Defense must compete intensely with the private sector to hire and keep the best and brightest of our work force. Moreover, our current work force is aging. Just last week, Air Force Chief of Staff General Michael Ryan testified before the House Armed Services Committee that workers at our Air Force depots are on average about 48 years old. Approximately 50 percent of the current depot work force will retire in the next 5 years, and we find it increasingly difficult to replace these valued workers who will soon be leaving Federal service.

Earlier this month, our local newspaper, the Macon Telegraph, reported that Warner Robins Air Force Base is suffering a work force shortage.

Given these facts, I find it very puzzling that we continue to tolerate such a gross disparity in wage-grade pay scales in Georgia. It is hard enough already to recruit and retain good people. Why

should we make it even more difficult by imposing unfairness and enforcing unequal wage-grade pay? We are perpetuating a disincentive that discourages and demoralizes our wage-grade employees.

Our wage-grade workers at Warner Robins are performing skilled, specialized jobs that are not like similar occupations in the local area surrounding the depot. However, less than 100 miles from Warner Robins in Atlanta, companies like Delta Air Lines and Lockheed both employ large numbers of highly skilled aircraft maintenance workers.

Last year, I introduced H.R. 2394 to equalize the pay between Warner Robins and the Atlanta areas. I believe that in determining wage rates, it would make sense to compare similar jobs that are within commuting distance of each other.

I know for a personal fact that there are a number of individuals, both in the Macon and Warner Robins area, who drive as far as Atlanta every day to go to work. Likewise, there are folks living in the suburbs of Atlanta who come to Robins Air Force Base to work every single day.

Mr. Chairman, I look forward to hearing from our witnesses today and I thank you for allowing us the opportunity to highlight the wage-grade disparities in Georgia and Oklahoma. I firmly believe that this hearing will make Congress more aware of the challenges facing our dedicated workers and will begin a process by which we can provide better pay and maximize the effectiveness and efficiency of our depot system. And I thank you.

[The prepared statement of Hon. Saxby Chambliss follows:]

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Oversight of Wage-Grade Pay in Georgia and Oklahoma
Government Reform Committee, Subcommittee on Civil Service
October 4, 2000
10am, 2203 Rayburn House Office Building

Statement by Congressman Saxby Chambliss

Mr. Chairman, I want to thank you for your leadership in having this important hearing today to explore wage disparities at Georgia and Oklahoma military bases and to look for solutions that can help the men and women who serve our country everyday to keep our military strong and ready.

Ever since I came to Congress, I have heard complaints from many of my constituents who work at Robins Air Force Base about the disparity between the wage grade pay scale in Warner Robins and other parts of Georgia. The men and women who work at Robins provide vital support to and maintenance on critical national security assets that are needed everyday to protect and defend the national security interests of our great nation. Middle Georgia bleeds Air Force blue and our workers are patriotic, dedicated, and loyal public servants determined to ensure that essential warfighting aircraft continue to fly. One of the successes of Operations Allied Force and Noble Anvil in Kosovo last year was the outstanding ability of Air Force depots, like Warner Robins, to meet the surge requirements of the warfighters. In many cases, our workers labored around the clock on additional shifts so that the Air Force's Materiel Command could ensure continued support of military operations in Kosovo as well as normal peacetime operations. Air Force logistics centers like Warner Robins took extraordinary actions to maintain support to all of its Air Force customers. But the hard work and dedication of our workers at the base clearly made that successful effort possible.

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Mr. Chairman, I look forward to hearing from our witnesses today, and I thank you for allowing us the opportunity to highlight the wage grade disparities in Georgia and Oklahoma. I firmly believe that this hearing will make Congress more aware of the challenges facing our dedicated workers and will begin a process by which we can provide better pay and maximize the effectiveness and efficiency of our depot system. Thank you.

Mr. SCARBOROUGH. I thank you, Congressman Chambliss, and I want to thank you right now in front of everybody for your work on this important issue and the number of times that you have come up and talked to me about H.R. 2394 and the importance in equalizing the pay grade differences.

You have done a great job as Congressman for the 8th District. And one man who knows that is a man who actually is also speaking today, Jim Davis, who was recently elected as national secretary-treasurer of the American Federation of Government Employees, and prior to that he was employed at Robins Air Force Base in Congressman Chambliss's district, so he certainly is very aware of the problems that Congressman Chambliss's constituents are facing.

I'd like to welcome you and congratulate you on your election victory. And look forward to hearing your testimony. Let me ask if you could, since this is an oversight subcommittee, if you could stand up and take the oath.

[Witness sworn.]

Mr. SCARBOROUGH. Thank you. Go ahead.

STATEMENT OF JIM DAVIS, NATIONAL TREASURER ELECT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES

Mr. DAVIS. Mr. Chairman and members of the subcommittee, my name is Jim Davis and I am the national secretary-treasurer of the American Federation of Government Employees. On behalf of the more than 600,000 Federal and District of Columbia employees represented by AFGE, I thank you for the opportunity to testify today on our concerns about the Federal wage system.

I am representing AFGE today both from the perspective of a recently elected national officer, and as a long-term local officer. For the past 8 years I have served as local president at Robins Air Force Base and, as such, have witnessed the negative impact of the current Federal wage system and been intensely involved in our union's efforts to correct the inequities our current system generates.

Mr. Chairman, simply put, the current system is in trouble. congressionally imposed pay caps, coupled with the withdrawal of the Monroney protections for DOD employees, have conspired to prevent tens of thousands of Federal blue-collar workers from receiving what the Federal wage system envisioned: wages that reflect prevailing rates for similar work in the local private economy.

Our current method of determining wages is sending a clear message that if you want to be all you can be, do not seek employment in the public sector, because we are not going to compete and pay competitive wages for your services. Federal blue-collar workers deserve better for their hard work performed every day. And AFGE commends this subcommittee and Congressman Chambliss for holding these hearings and recognizing the needs for solutions to the pressing problems being experienced by this forgotten and neglected group of Federal workers.

We started the Federal wage system with all good intentions, but almost immediately after the wage system was put in place, problems with the Prevailing Rate Act were recognized. Specifically, where the government was the dominant industry in a particular

wage area, certain trades and crafts like shipbuilding and aircraft maintenance, there were no private sector jobs to be surveyed as prescribed by the law. Therefore, the so-called Monroney amendment was enacted, and it directed the data collectors to bring in data from the nearest area where adequate private sector trades and craft skills existed.

Then in 1979, Congress and the President distorted the system by imposing a ceiling on the annual percentage increases the system could pay regardless of what the data showed. As a result, each year since that time, Congress has limited the blue-collar pay increases to the percentage granted by Federal white-collar workers who were paid according to the General Schedule system. Thus, the Federal wage system has not been a prevailing rate system in anything other than name for 21 years.

Then in 1984, DOD sought the relief from Congress to exempt the Monroney amendment. They argued that their budget made compliance with the Monroney unaffordable. Blue-collar workers employed by DOD since 1984 have the dubious distinction of an even lower wage schedule than their counterparts at other Federal agencies.

This, of course, is an ironic state since the Monroney was designed specifically for industries that had the predominant rate, and DOD is the one with the predominant skills.

So what we are doing today is maintaining an enormous bureaucratic infrastructure in many agencies charged with calculating what blue-collar rates should be if the wage system was allowed to work without the pay caps, without the withdrawal of the Monroney protection for DOD workers, just to make sure that our employees know the magnitude of the loss of they suffer year after year. This year, 84 percent of the Federal blue-collar workers in the wage-grade 10 and above were affected by the cap because the wage system data showed prevailing rates above Federal rates.

Now, you showed some interest in what is going on at Robins Air Force Base, my hometown. And to be specific, this year, for example, a wage-grade 10 at Robins Air Force base is paid $16.15 an hour. Now, the same employee working for another agency in the Macon area is paid $16.57 an hour, while at the same time, less than 100 miles away, as Congressman Chambliss stated, this same wage-grade employee maintaining the same aircraft is paid $19.61 an hour. It is a $3.46 difference.

I would also like to address here the dispute that DOD and AFGE have over my contention that the disparities between the Federal wage system and the GS pay adjustments between 1987 and 1999 amount to discrimination. DOD has defended itself by arguing that the two pay systems have produced similar average wages for the workers in the two systems, and I strongly disagree. In 1984, there was a 12.75 percent difference between the pay of a GS–11.4 and WG–10, step 2, at Robins. In 1999, the percentage difference between the rates was 36 percent. The GS salary has grown 56 percent. The wage-grade scale has grown 29 percent.

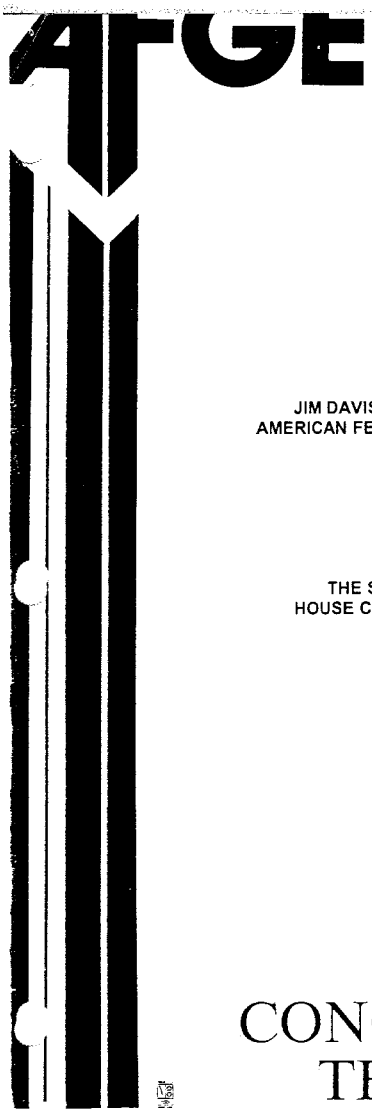
The Bureau of Labor Statistics says that inflation has gone 56 percent so the GS people are in line while the wage-grade people have fell back. Now, you can talk about percentages, but in real dollars these same employees, the GS employees, have received a

$7.62 increase in their wages, while the wage-grade people have received $3.48.

I don't understand what the goal of the DOD is in continuing to support this system. They argue that recruitment and retention problems that DOD has experienced nationwide can best be resolved by some minor targeting—tweaking of the existing system. DOD claims that problems with the wage-grade system is isolated, but it is not. We firmly believe that if DOD wants to recruit people, we can simply go and have a conversion of our wage-grade people to the GS pay scale. This will allow the flexibilities that we are asking for.

I see that I am out of time and I will answer any questions that you may have.

[The prepared statement of Mr. Davis follows:]



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STATEMENT BY

JIM DAVIS, NATIONAL SECRETARY-TREASURER
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES,
AFL-CIO

BEFORE

THE SUBCOMMITTEE ON CIVIL SERVICE
HOUSE COMMITTEE ON GOVERNMENT REFORM

REGARDING

WAGE GRADE PAY

OCTOBER 4, 2000

CONGRESSIONAL TESTIMONY

Mr. Chairman and Members of the Subcommittee: My name is Jim Davis, and I am the National Secretary-Treasurer of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 600,000 federal and District of Columbia employees represented by AFGE, I thank you for the opportunity to testify today on our concerns about the Federal Wage System (FWS). I am representing AFGE today both from the perspective of a National Officer of this union, and as a Local Officer. For the past 8 years, I served as the AFGE Local President at Warner Robins Air Force Base, and as such, have been intensely involved in our union's efforts to improve the pay system for federal blue-collar workers on the Base.

Simply put, Mr. Chairman, the Federal Wage System, the process for setting pay for federal craft and trade workers, is in trouble. Congressionally imposed pay caps, coupled with the withdrawal of Monroney protections for Department of Defense (DoD) employees, have conspired to prevent tens of thousands of federal blue-collar workers from receiving what the FWS envisioned: wages that reflect prevailing rates for similar work in the local private economy.

To make matters worse, while there are some federal blue-collar workers who are being paid in accordance with prevailing rates, in too many cases those rates are so depressed that the workers are unable to meet the costs of supporting their families. Craft and trade jobs are constantly threatened with

elimination through contracting out, often without the benefit of a competitive public-private cost comparison to assure that the government gets the best deal for its money. Federal blue-collar workers deserve better for the hard work they perform every day. AFGE commends the Subcommittee for holding this hearing, and recognizing the need for solutions to the pressing problems being experienced by this neglected group of federal workers.

The History of the Federal Wage System

In considering the current problems with the FWS, it is useful to recount the history of the blue-collar pay-setting system. The FWS was established in 1972 with the passage of the Prevailing Rate Act. The law required that pay for federal craft and trade employees be consistent with prevailing rates for similar work in local private labor markets. The system uses annual wage surveys to determine and calculate the rates paid by local private employers. Under the law, representatives of unions to which federal blue-collar workers belong are able to participate in all aspects of the pay-setting process, from data collection to serving on the Federal Prevailing Rate Advisory Committee (FPRAC).

The so-called Monroney amendment to the FWS law corrected what was almost immediately recognized as a crucial shortcoming in the Prevailing Rate Act. Monroney required that when the government has a dominant industry in a particular wage area, e.g. shipbuilding or aircraft maintenance, the private sector

job matches used to compute federal blue-collar wages must come from the same industry. If there is insufficient private sector data for that industry within a particular FWS wage area, then Monroney directs the data collectors to bring in data from the nearest adequate area.

In 1979, seven years after passage of the original law that all parties considered a fair compromise between full collective bargaining rights and a pay-setting process outside the reach of the vagaries of budget politics, Congress and the President distorted the system by imposing a ceiling on the annual percentage increases the system could pay. In each year since that time, Congress has limited blue-collar pay increases to the percentage granted to federal white collar workers who are paid according to the General Schedule. Thus the FWS has not been a prevailing rate system in anything other than name for 21 years.

In addition, in 1984, the Department of Defense sought and received from Congress an exemption from the Monroney amendment. They argued that their budget made compliance with Monroney unaffordable. Federal blue-collar workers employed by the DoD have, since 1984, had the dubious distinction of an even lower wage schedule than their counterparts at other federal agencies. This is, of course, an ironic state of affairs since the situation addressed in Monroney – the existence of a dominant industry – only occurs in DoD. The same workers for whom special data from outside a wage area is relevant are

the only ones who are prevented from benefiting from the data. The DoD exemption from Monroney is a classic "Catch-22" situation, minus any of the humor that might be attached to that phrase.

In numerous FWS wage areas and for numerous occupations, gaps between federal and private blue-collar pay rates abound. Some are quite large and some are small. It is important to note that under the existing absurd situation, when federal blue-collar rates do match private rates, it is a coincidence, not an instance where the FWS still works as intended.

Further, the federal government retains an enormous bureaucratic infrastructure in many agencies charged with calculating what blue-collar pay rates should be if the FWS were allowed to work – without the pay caps, without the withdrawal of Monroney protections for Department of Defense workers – just to make sure that our members know the magnitude of the loss they suffer, year after year. AFGE has asked DoD to release its administrative costs for the FWS so that it might be possible to gauge whether these funds might be more usefully employed in the service of the blue-collar workforce. We raise this issue not to denigrate the dedication, professionalism, or ability of those who administer the system, but rather because the product of their work is entirely ignored.

The overall stagnation in private sector wages over the past 25 years has had an even more devastating effect on the fortunes of federal workers – both

white and blue-collar – than deviations from the pay-setting formulas set forth in law. American-based multi-national corporations shipped millions of jobs overseas to countries with very low labor and environmental standards. The service economy which emerged produced many jobs. but low wages. Union organizing was stagnant. FWS surveys, mirroring the data collected by the Bureau of Labor Statistics (BLS) and the Commerce Department, showed little or no wage growth in many blue-collar jobs. The FWS thus routinely produced increases of one or two cents per hour for many wage grade federal workers. Although this year 84 percent of federal blue-collar workers in Wage Grade 10 and above were affected by the cap because the FWS data showed prevailing rates above federal rates, 75 percent of blue-collar workers in Wage Grade 3 and below were paid at the prevailing rate. While Monroney may have helped them, the caps did not hurt them.

I have referred above to the historical facts of the withdrawal of Monroney protection for DoD's blue-collar workers, and the imposition of the pay caps which limit FWS increases to those received by GS workers. These facts, along with the larger forces of globalization go a long way in explaining the plight of federal blue-collar workers, but there is more to this dismal tale. The sad fact is that in spite of being a model of labor-management partnership and inclusiveness, the data collecting process for FWS is flawed, inefficient, and far too expensive.

The data collected by local wage committees for use in calculating the FWS pay rates are of uneven quality *at best*. The method for translating this flawed data into actual blue-collar pay rates only adds more problems into this miserable stew. In any case, the result is that federal blue-collar pay rates are not prevailing rates. They are numbers derived from estimates derived from projections derived from extrapolations derived from guesses derived from data manipulations derived from who knows what.

The data collectors are supposed to match federal blue-collar jobs and pay rates with similar local private sector jobs and pay rates. When there are no matches available to the data collectors (a common phenomenon due in some cases to the reluctance or refusal of private firms to share data with the federal government, either for competitive reasons or out of more general anti-government sentiment) the FWS practice is to use data from a similarly-graded job. That may sound logical but consider this: a hospital cook and a carpenter in most cases have the same Wage Grade classification. If local businesses either do not employ carpenters or if they refuse to supply the government with wage data for carpenters, the federal carpenter's job match will be with a private sector hospital cook. Let's say that carpenters in that local economy are scarce and highly valued, and have won substantial wage increases each year, but that hospital cooks are a dime a dozen and have received little or no wage increases over the same period. The federal carpenter's fate is tied to that of the hospital cook, since the federal government classifies them at the same wage grade.

This is just one example of how FWS data is flawed. Similar flaws are legion. The FWS data gathering system is simply not defensible.

More to the point: FWS wages are in far too many instances insufficient to support a federal worker and his or her family. AFGE believes that the single most important measure of a pay-setting system – for either white or blue-collar workers – is whether it allows workers to earn sufficient income to support a family in a decent fashion. Does it produce at least a stable standard of living? Does it hold out the hope that in good economic times, when productivity is rising, improvements in standard of living are possible? The FWS fails both of these tests.

Warner Robins Air Force Base

The Subcommittee has expressed a particular interest in Warner Robins Air Force Base in Georgia, my hometown. It is fortuitous that you asked about Robins because it displays in microcosm virtually all of the broader issues I have addressed above. The blue-collar federal employees there have been victimized by the absence of Monroney protections.

This year, for example, a Wage Grade 10 at Warner Robins is paid $16.15 per hour. Federal blue-collar workers at the same grade but employed by other agencies in the Macon, Georgia wage area which covers Warner Robins are paid

$16.57 per hour. Without the caps, the Warner Robins WG-10s would be paid $16.17 and the WG-10s outside DoD would be paid $16.74 per hour. Thus the combined effect of no Monroney protection and artificial ceilings on annual FWS raises is 3.6 percent this year for all of DoD's Wage Grade 10s in the Macon, Georgia wage area. This classification includes aircraft mechanics, sheet metal mechanics, electricians, welders, machinists, and others. Of course, these rates are the product of the flawed methodology and flawed data I have described. The actual differential between what these skilled blue-collar workers employed at Robins Air Force Base are paid, and what private sector workers doing similar jobs are paid, either locally or regionally, is not captured in these figures.

I would also like to address here a dispute that DoD and AFGE have been having over my contention that the disparities between the FWS and the GS pay adjustments between 1987 and 1999 amount to discrimination. DoD has defended itself by arguing that the two pay systems have produced similar *average* raises for workers in the two systems over the period.

This disingenuous bit of statistical manipulation is beneath DoD. There are many ways to consider the differences in fortunes between blue and white collar federal workers in Macon over a given period, but adding up average wage increases is perhaps the least meaningful. The cumulative total differences between the average raises for GS and FWS workers in Macon Georgia between 1987 and 1999 is actually in a range between 9.64 percent and 15.21 percent,

but it is 3.63 percentage points. But surely the DoD knows that percentage adjustments are not additive. In statistics, two plus two doesn't necessarily equal four. This is easily seen with slightly larger numbers since statistical changes in the two plus two range tend not to round out enough to affect dollars and cents over very short periods.

Consider the effect of two consecutive five percent raises for a worker earning $8 per hour. In the first year, the 5 percent raise lifts him/her up to $8.40 per hour. In the second year, the second 5 percent lifts him/her up to $8.82. Over the two year period, the wage rate would have risen by *10.25* percent, not *10* percent. Nevertheless, the average raise over the two-year period was only 5 percent.

The cumulative percentage raises for FWS and GS workers in Macon over the period cannot be fairly described with one number. All GS (except those with special rates) within a locality receive the same percentage increase under FEPCA, a combination nationwide increase based upon the Employment Cost Index (ECI) and a locality adjustment. Federal blue-collar workers in any particular wage area, on the other hand, receive different percentage increases based upon grade. Therefore the simplest, most honest, and most revealing way of comparing the differences between FWS and GS raises over a period of time is to take two workers and compare their pay at the beginning and end of the period. That is an approach that DoD wants to avoid. But the reality persists.

In 1984, there was a 12.75 percent difference between the pay of a GS-11 step 4 at Robins AFB and a FWS WG-10 step 2 at Robins. In 1999, the percentage difference between their rates was 36.75 percent. The GS salary had grown by 56 percent in nominal (non-inflation adjusted) terms over that period. The FWS rate had grown by 29 percent in nominal (non-inflation adjusted) terms. In real, inflation-adjusted terms, the GS worker just exactly kept pace with inflation, as measured by the Bureau of Labor Statistics' Consumer Price Index (CPI) which rose 56.8 percent between 1984 and 1999. The FWS worker in our example, fell behind by about half. That is, his/her wage increases only made up for half of the increase in prices as measured by the CPI. Both these measures ignore the fact that health insurance premiums for federal workers grew at close to three times the rate of the CPI, making this insurance less and less affordable for either the GS or FWS worker. In dollar terms, the increase for the GS worker was more than twice the increase for the FWS ($7.62 versus $3.48).

What policy goal can DoD be achieving by denying these facts? DoD tries to maintain the illusion that the FWS and the GS produce roughly equivalent adjustments in pay for federal workers, and thereby undermine AFGE's contention that the FWS is failing both federal agencies and federal blue-collar workers. They argue that the recruitment and retention problems that DoD is experiencing nationwide can best be solved by some minor, targeted tweaking of

the existing system. DoD claims that the problems with FWS are isolated exceptions and that solutions which might benefit all FWS workers are unnecessary. Interestingly, however the solutions they propose are easily reconcilable with AFGE's position.

DoD argues that what FWS needs is FEPCA-style authority to pay retention and relocation bonuses, and to establish special rates for certain occupations which are in very high demand. AFGE argues that what FWS needs is FEPCA-style authority to make sure that each and every FWS worker receives an annual adjustment that reflects both national and local changes in private sector pay, and which will allow them to afford the astronomical increases in premiums for the Federal Employees Health Benefits Program (FEHBP) and otherwise maintain or improve their standard of living. I submit to you that both management's and our criticisms of the FWS can best be resolved by undertaking to reclassify the federal blue-collar workforce into the General Schedule. Management will gain the flexibility it wants and workers will gain the salary improvements we need.

Privatization and Contracting Out

Federal blue-collar workers are also plagued by the mania for contracting out and privatization that has gripped much of the federal government but has taken hold most virulently in the Department of Defense. Earlier this year, 455

federal jobs were eliminated at the Defense Distribution Depot located at Warner Robins Air Force Base, a Defense Logistics Agencies activity. These warehouse jobs were largely blue-collar, and the contractor won the public-private competition (held under OMB Circular A-76 policy guidance) with the argument that it could perform the function more cheaply.

The contracting out threat, however, cuts two ways with respect to blue-collar federal workers, both at DoD and at other federal agencies. On the one hand, since FWS rates are so low, the government has extreme difficulty recruiting and retaining the blue-collar workforce it needs to carry out its mission. In some cases, therefore, the impetus for contracting out these federal jobs is to circumvent the low wages the FWS offers. No federal manager will testify that s/he privatized an otherwise satisfactory in-house function solely in order to be able to solve a wage-based recruitment problem, but anecdotal evidence to that effect is repeated throughout the DoD.

In other cases, privatization goes forward as a means of paying blue-collar workers even lower wages than those specified in the FWS. Private contractors like the one who won at the Warner Robins Defense Distribution Depot, promise to perform at a lower cost than in-house federal workers can meet. Our experience is that their "Performance Work Statements" understate their overhead, administrative, and labor costs. Once the contract is awarded and the government has lost its in-house capabilities, the contractor tends to do one of

two things. He either employs workers to perform the jobs previously held by federal employees at lower wages with fewer or nonexistent benefits, or admits that his bid was too low and pays the higher wages and more generous benefits than the government had been paying in order to solve the recruitment problem.

AFGE has devoted considerable resources to consideration of the problems facing federal blue-collar workers. Our union held a national conference in December 1999 which brought together local union leaders from numerous federal agencies located throughout the nation. Everyone there recognized the weaknesses of the FWS. The concept of prevailing rates embodied in the 1972 law which established the FWS as well as its requirement of thoroughgoing union involvement are well-regarded. But the consensus of that conference was that the FWS is both an anachronism, and a failure. It is time to try something new.

The FWS is not meeting the needs of employees to have sufficient income to care for their families. Pay caps deny higher graded workers the wages paid to their counterparts in the local private sector. At the lower end of the wage grade scale, depressed private sector pay rates help drag down the pay of federal workers. The system forces federal blue-collar workers to feel all of the pain of the private economy, but none of the gain. We must reform the system so that it is able to provide federal craft and trade workers with incomes and standards of living that properly reward their dedicated service to the nation.

Clearly, the government would also benefit because it would be able to hire workers for vacancies which exist.

When the FWS was established as a prevailing rate system, federal white collar pay under the General Schedule (GS) was adjusted annually solely on a national basis. The passage of the Federal Employees Pay Comparability Act of 1990 (FEPCA) moved white collar pay toward regional differentials while maintaining annual across-the-board raises that reflect broad changes in wages and salaries as measured by the BLS's Employment Cost Index (ECI). We believe that this combination of nationwide and locality-based adjustments, across-the-board, embodied in FEPCA represents a more reasonable model for blue-collar workers.

The 32 localities in FEPCA (31 urban areas plus "Rest of U.S.") are also a more reasonable reflection of current labor markets and commuting patterns than the unwieldy, costly, and inefficient 133 maintained by the FWS. A good example is the Baltimore-Washington locality under FEPCA. Although in decades past (when FWS was established) Baltimore and Washington and the surrounding suburban counties may have had entirely separate economies and labor markets, no one would argue that that is true today. Other similar examples abound (New Orleans-Biloxi; Atlanta-Macon, etc.). Economic development between cities and in once-rural or once entirely residential areas has changed so much that there is no justification for retaining the three separate

FWS wage areas in this region, and with them the huge administrative structure to support separate wage surveys, calculation of separate pay lines, and separate committees to argue about all of these things. And all, of course, to be ignored due to the imposition of artificial pay caps.

Further, FEPCA leaves the data collection to the professionals at BLS. Business establishments comply with BLS requests for wage and other data; they spurn the requests from local wage committees who try their best on behalf of the cumbersome FWS. The BLS has demonstrated its proficiency at wage data collection, as businesses, academic researchers, federal agencies, as well as lawmakers routinely rely upon them to provide data of the highest quality.

AFGE believes that the answer to the many serious problems with FWS, both from the workers' and the agencies' perspective, is staring us right in the face. We consider it wrong that the GS pay raise serve only as a maximum for blue-collar workers. If the GS maximum is applied to the FWS, then the GS minimum should apply as well. If the federal government wants to pursue a pay policy that grants pay differentials by region (or wage area or locality or whatever one may choose to call it), then FEPCA already exists as a reasonably well-functioning model. In short, we believe that unless and until a new system for setting the pay for federal blue-collar workers is established, they should receive the same pay adjustments as their white collar federal co-workers.

Mr. SCARBOROUGH. I appreciate it and will certainly give you time to come back and answer any questions and go into any information you were not able to give us here.

I do want to say at the outset, though, that as a Member of Congress who represents an area with five military bases, I have seen firsthand that this actually is more than just a union issue for Federal employees. This is a readiness issue.

I mentioned before that my brother-in-law is a blue-collar civil servant who used to work at NAS Pensacola. Now he is over in Jacksonville. But what I found when I toured the bases at NAS Pensacola or Hurlburt Field or Eglin Air Force Base or Tyndall in Panama City, I found that these blue-collar workers were the people that kept the helicopters flying and the airplanes flying and were the ones that in a crunch, they went to fix these things up and keep them going. And that's why it is just absolutely essential that we resolve this issue.

Again, it is not just a blue-collar pay issue. This is a real readiness issue and one that is troubling to me, somebody that has seen how important the blue-collar work force is to the military operation of this country.

Let me ask you, Congressman Chambliss, we have obviously talked about this issue a good bit. Certainly everybody here knows that you have been a champion on this issue. But can you talk to me about the contacts that you have had locally; what have you heard, for instance, from the local union or from the base commander or the leadership at Robins Air Force base on this issue? What are they telling you?

Mr. CHAMBLISS. Well, let me amplify, first of all, on what—your statement there with respect to the readiness of our troops. You and I serve on the Armed Services Committee together and we are very well aware of our readiness problems. You were at the same hearing that I referenced in my testimony a little earlier last week where we heard that we have got serious problems there within our force all up and down the line from a readiness perspective.

Now, that exact same problem exists within the civilian work force for the same reasons. We have got pay problems, we have got work atmosphere problems and what not that cause morale among these wage-grade employees to be low. And you are right, they are the heart and soul of our civilian work force. They are the folks at Robins Air Force Base that keep our planes flying, our warfighters will have the very best equipment possible and very best weapons systems available.

So that issue of readiness is a critical, critical issue. I have been up and down the line at Robins both with Mr. Davis and without Mr. Davis, and talked to employees both union, nonunion, wage-grade, nonwage-grade, and this is a concern to everybody within that work force, this wage-grade differential issue. And it does not make any difference whether they are a wage-grade employee or not, the other folks know what the problem is and they are very concerned about those folks. There is a morale problem all up and down the line there. And that is the primary reason I think we need to address it, in addition to the readiness issue overall.

What I am told from the leadership is that it is reviewed from time to time and that basically their hands have been tied. They

are required to abide by the law and they feel like they are restricted from the DOD perspective and they do not have any flexibility about what they can do at the local level.

Obviously, when I kept hearing that over and over, then that precipitated this legislation, and we would rather not have to go through the legislative route. We would rather address it administratively. And I hope that maybe the fact that DOD now understands and the Air Force understands that we are dead serious about this and we want to get something done about it and this committee is ready to move on it, and perhaps we can move in the direction, administratively even.

Mr. SCARBOROUGH. Have you talked to the Office of Personnel Management or the Air Force about the wage discrepancies in your district?

Mr. CHAMBLISS. Yes.

Mr. SCARBOROUGH. What have they told you?

Mr. CHAMBLISS. Well, basically the same thing, that their hands are tied. That, you know, they are concerned about the overall cost for our operation of the depot, and that is a concern to them and obviously that is a concern for everybody. But if you are having morale problems within the work force and you can cure it by spending a few bucks, then you are much better off to improve the morale of those folks, increase the efficiency of the work force by improving that morale, and I think very clearly there is a better response to it and a better reaction to it than it just costs too much money. That is not good enough.

Mr. SCARBOROUGH. You mentioned morale. Let me ask you, what are you finding with morale—how is this affecting morale and wage-rate problems, affecting it up and down the line with our blue-collar workers?

Mr. CHAMBLISS. It's been interesting. I will have wage-grade employees who are so concerned over this issue that they will make a special effort to travel the 30 to 45-minute distance from Robins Air Force Base to my office, my district office in Macon, just to sit down with me and explain their problem; about the fact that they have been at Robins as a wage-grade employee for X number of years, and they will give me their personal history of their pay increases and compare it to folks in the General Services as well as folks who are doing the same job that they are doing, exact same job on the exact same weapons system at Lockheed Martin in Atlanta.

Mr. SCARBOROUGH. Are you hearing complaints also about how white-collar workers got 4.8 percent while blue-collar was capped? Is that also feeding into this?

Mr. CHAMBLISS. Yes, that's a part of it too. As in any work force, everybody knows basically what everybody else makes and they know what pay raises they get. And these folks are feeling like they are getting shortchanged. And there is just no question but what it is affecting their morale significantly.

Mr. SCARBOROUGH. Mr. Davis, as a leader of that work force, would you agree with Congressman Chambliss that morale is being severely affected by this issue and others like is?

Mr. DAVIS. Yes, sir. When we conduct union meetings, I never wanted to hear the issue of pay come up, because in our meetings

we have the trades and craft people there as well as the General Schedule people. And it was dividing the work force, because you would have an individual that is a mechanic and their spouse would be an office worker, and they would see the difference. You know, when you get 50 percent more increase in your salary than your co-worker for no reason whatsoever, it begins to make you wonder what does your employer feel for you.

Mr. SCARBOROUGH. Right.

Mr. DAVIS. And from the perspective of DOD, they say the competitiveness. As you stated, 14 percent of the Federal Government is wage grade. It does not seem to be a problem with the General Schedule people. Their salaries are rolled up into those competitive bids just as well as the people turning the wrenches. It is a big problem. We need to fix it. We are getting to the point where we cannot hire people. You talk about readiness, we are going to lose our core capability to maintain our weapons systems because people just simply cannot afford to work for the Federal Government anymore.

Mr. SCARBOROUGH. And I wanted to ask you about that, because that is again, as Saxby said, we had a readiness hearing in the Armed Services Committee and we were talking about the problem with recruiting and retaining the best and the brightest to go out and fight and protect and defend this country and American interests across the globe.

It seems to me we are having the same problems here. What are you finding at Robins Air Force Base? Are you having difficulty recruiting and retaining the quality personnel to make sure that the jets fly and the helicopters get to where they are going?

Mr. DAVIS. Yes, sir. A good example is the C–5. You know, Robins competed for that workload. It was brought in. It has been there, I guess, close to 3 years now, and we have probably 30 percent of the work force on that C–5, contract field team people. I have raised the issue: Why are we not hiring? The contract said that this is how many people we would have. We won the bid. Why are we not hiring organic people for it? And I am continuously told they are not out there to hire.

But the contractor is hiring them, and we had a meeting with them and 50 percent of who they hired was in our local area, but they are paying a higher wage.

Mr. SCARBOROUGH. Let me ask you that, because I think that is important too, not only looking at it on the recruiting side but also on the retention side. When somebody leaves Robins Air Force Base, where do they go? What employers are you competing with? Who are you losing your employees to?

Mr. DAVIS. Well, a lot of them are going outside of our area. They are staying with the Federal Government, because you know the average age is 47, 48. You don't want to throw your career away. Many of them are still under the old retirement system so it is the "golden handcuff" type deal. They are going to other installations, they are going to other areas. Those that don't, they go to work for the contractor, and they turn right back around and they are on our installation doing the same work and making more money. And they are not bashful about telling the co-workers out there, hey,

you know, I'm making more money now doing the same work, living in the same house. I'm making more money.

So it is a critical problem.

Mr. SCARBOROUGH. Have you discussed with the Air Force any administrative options that they may have for addressing the pay problem?

Mr. DAVIS. Not at the level that can make that decision. All I have seen is written testimony or statements that they want to tweak the system and that they want to use some of the options that are allowed under the General Schedule system to pay bonuses, moving expenses. That's not going to work. That's a temporary fix. We've been tweaking the wage-grade system for 21 years. We need to examine it from a very broad perspective. Tweaking it is not going to fix it. We already have two classes of people basically when you get into meetings and you talk about the pay. Are we going to generate a third and a fourth and a fifth? I just don't see the logic behind that.

Mr. SCARBOROUGH. Let me ask you all just a broad question. Again, Congressman Chambliss, you have talked around this, as you have, Mr. Davis. But specifically, describe the morale at Robins Air Force Base.

Mr. CHAMBLISS. Well, you know, these folks do a great job. And I've not just seen them on the line but I've seen the end product. They've been declared the best base in the Air Force a couple of times since I have been a Member of Congress. So I don't want to let you think that there is not quality work going on there.

But by the same token, this work force knows and understands that they're not making an equal pay for equal work that their colleagues and folks doing the same thing are getting paid just within a few miles up the road.

And that, in and of itself, requires them to go home every day and face their family and say, "You know, we could move to Atlanta, or we could drive to Atlanta every day and I could provide you with a better quality of life." And having to face your wife and your children every night when you go home in that type of atmosphere obviously causes significant problems, once they get up to go to work the next morning.

So morale has been significantly affected by it. These people are glad to have a job. Don't misunderstand me there. They are happy doing what they're doing and they are glad to be working at Robins Air Force Base. They would rather not have to drive that additional number of miles every day to do the same job. And with that type of mind-set, it just has a significant effect on the overall morale, not just of that employee, but the employee working next to them who may be a wage-grade employee, may be a contract employee; and for him to be standing side by side with a contract employee, knowing that the week before that contract employee was getting paid the same thing he is, and now they are doing the same job and the contract employee is getting $4 or $5 an hour more, and plus he is getting a little different benefit, is really where the morale problem hits its height. It is significant. It is widespread within the work force.

Jim was telling me earlier, now we're up to 3,500 to 4,000 employees who are wage-grade employees. So it is a significant part of our work force that is directly affected by it.

Mr. SCARBOROUGH. Mr. Davis, could you talk briefly about the morale issue?

Mr. DAVIS. Mr. Chambliss was correct, they do quality work there. The morale is low with respect to their trust in their management structure. They do the work that they do because they know who's getting on that airplane. They know who's getting on that airplane, and they know what they are getting on that airplane for.

If our work force was not at the age that it is, I'm afraid we would see mass exodus. When we get the majority of our work force under the new retirement system where they can take their money with them, there is not going to be any reason for them to stay when they talk about sending their kids to college. They're dedicated employees. They grumble a lot. It affects them in their home life, but they go out there and do their job every day.

So when you talk morale, that is a very broad issue. They are going to do their job. They continue to do that job. And I believe it is our responsibility to see to it that they are paid what they should be paid because they are a very critical element in the defense of this country.

Mr. SCARBOROUGH. Do you all have anything else you would like to say?

Mr. CHAMBLISS. I don't think so, Mr. Chairman.

Mr. SCARBOROUGH. Thank you.

Mr. DAVIS. I appreciate the opportunity.

Mr. SCARBOROUGH. I appreciate you coming. Certainly appreciate, Saxby, all the hard work you have done on this issue, and I appreciate your testimony. And we had a unanimous consent request to have you sit up on the dais for the next panel, so I would like to invite you up and thank you, Mr. Davis.

Mr. DAVIS. Thank you.

Mr. SCARBOROUGH. We will now go on to our second panel. And that is going to consist of Roger Blanchard and Donald Winstead.

Since 1997, Roger Blanchard has served as Assistant Deputy Chief of Staff for Personnel for the U.S. Air Force. He is responsible for comprehensive plans and policies covering all life cycles of military and civilian personnel management, and we certainly welcome his participation.

Donald Winstead currently serves as Assistant Director for Compensation Administration at the Office of Personnel Management. OPM develops and maintains governmentwide regulations and policies on pay administration including basic pay setting and locality pay determinations.

We will start with you, Mr. Winstead.

STATEMENT OF DONALD WINSTEAD, ASSISTANT DIRECTOR FOR COMPENSATION ADMINISTRATION, OFFICE OF PERSONNEL MANAGEMENT; AND ROGER M. BLANCHARD, ASSISTANT DEPUTY CHIEF OF STAFF FOR PERSONNEL, U.S. AIR FORCE

Mr. WINSTEAD. Mr. Chairman and members of the subcommittee, thank you for inviting me to testify today on issues affecting the pay of wage-grade employees of the Federal Government. You asked specifically for information about how the process for making wage-grade pay determinations is working in particular localities in Florida, Georgia and Oklahoma.

Before addressing the circumstances of specific local wage areas of interest to the subcommittee, please allow me to provide a brief overview of the pay system under which wage-grade employees are paid.

Since 1972, wage-grade employees have been paid under the Federal wage system. This system is separate from the General Schedule pay system that covers most white-collar Federal employees. The Federal wage system covers about 250,000 Federal employees in trade, craft and laboring occupations, which are sometimes referred to as blue-collar occupations. The vast majority of these employees work for the Department of Defense.

One of the key statutory principles underlying the Federal wage system is that rates of pay are to be maintained in line with prevailing levels of pay for comparable work within a local wage area. For this reason, wage-grade employees also are referred to as prevailing rate employees. To carry out this statutory principle, the Department of Defense conducts wage surveys of private sector employers in each of 132 local wage areas throughout the United States to determine local prevailing rates. Prevailing rate employees, including local Federal employee union officials, are involved in all aspects of the prevailing rate pay-setting process. At the local level, labor and management officials work in partnership through a wage survey committee to collect the data needed to determine local prevailing rates.

The Office of Personnel Management establishes local wage areas under the Federal wage system. Generally, we establish a local wage area where large concentrations of Federal employment coincide with concentrations of private sector employment adequate to determine local prevailing rate factors such as commuting patterns, distance from major Federal installations. Overall population and the size and type of private industrial establishments are used to set wage area boundaries. Major military installations and Department of Veterans Affairs medical centers typically serve as the cores around which local wage area boundaries are constructed.

As in the case of data collection for local wage surveys, prevailing rate employees are involved, through their Federal employee union representatives, in the process for determining the boundaries of local wage areas. At the national level, Federal employee unions participate in this process through their membership on the Federal Prevailing Rate Advisory Committee. This advisory committee is composed of five representatives from agency management, five from Federal labor organizations and an independent chairman. The committee advises OPM on all aspects of administering the

Federal wage system, including how local wage area boundaries are set.

Now, let me address your concerns about wage-grade pay in certain local wage areas. We're aware that employees in the Macon, GA wage area have expressed concerns about the fact that their wage rates are lower than those in the neighboring Atlanta, GA wage area. And we have heard similar concerns from employees in the Wichita Falls, TX/southwestern Oklahoma wage area where wage rates are lower than for comparable employees in the Oklahoma City wage area.

The pay situation in both of these wage areas is largely a consequence of the principle that levels of pay are to be maintained in line with prevailing levels of pay for comparable work within each local wage area. Levels of pay under the Federal wage system vary, sometimes substantially, from one wage area to another. This consequence is in keeping with the purpose behind the prevailing rate principle, that the Federal Government should compete on an equal footing with private sector employers in each local labor market. To do otherwise would unnecessarily drive up overall employment costs for the Federal Government and for private sector employees as well.

The pay situation in the Wichita Falls, TX/southwestern Oklahoma wage area has been further complicated by a series of pay caps imposed on the Federal wage system during the past 20 years. Pay caps are enacted through appropriations legislation and prevent Federal wage system pay increases from exceeding the overall average GS pay increase. The pay cap in fiscal year 2000 was 4.93 percent. However, even without these pay caps, the pay rates in the wage area would still be lower than those in the neighboring Oklahoma City wage area.

The concerns expressed by Federal prevailing rate employees in the Jacksonville area likely arise because recent pay increases for these employees have been smaller than for General Schedule employees who are covered by a separate locality pay system. The General Schedule locality pay system began in 1994 and is being gradually phased in to reduce the pay gap for white-collar Federal employees. But in Jacksonville, there is no pay gap for blue-collar Federal employees; therefore, prevailing rate employees in Jacksonville receive pay increases each year to maintain parity with private sector blue-collar pay rates in that area, while white-collar Federal employees have been receiving larger pay increases in order to reduce a significant pay gap.

We are convinced that overall, the Federal wage system is accomplishing the purposes for which it was established in 1972. No legislation is needed at this time to enable Federal agencies to recruit and retain skilled blue-collar workers.

No Federal agency has made us aware of any significant recruitment or retention problems affecting Federal agencies in the Jacksonville, FL; Macon, GA; or Wichita Falls, TX/southwestern Oklahoma wage areas. But if this situation changes, you can be sure that OPM will work expeditiously to use existing administrative authorities to deal with any problems that are brought to our attention.

For example, at the request of an employing agency, OPM may establish special salary rates to address specific recruitment or retention problems. In addition, we are now considering a request from the Department of Defense to authorize recruitment and relocation bonuses and retention allowances for Federal wage system employees. If this request is approved, Federal agencies will be able to make such payments on a case-by-case basis or for groups of employees in certain situations without prior OPM approval.

This concludes my remarks and I would be pleased to answer any questions you may have.

Mr. SCARBOROUGH. Thank you, Mr. Winstead.

[The prepared statement of Mr. Winstead follows:]

STATEMENT OF
DONALD J. WINSTEAD, ASSISTANT DIRECTOR
FOR COMPENSATION ADMINISTRATION
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON THE CIVIL SERVICE
COMMITTEE ON GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

on

OVERSIGHT OF WAGE-GRADE PAY IN CERTAIN LOCALITIES

October 4, 2000

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

THANK YOU FOR INVITING ME TO TESTIFY TODAY ON ISSUES AFFECTING THE PAY OF WAGE-GRADE EMPLOYEES OF THE FEDERAL GOVERNMENT. YOU ASKED SPECIFICALLY FOR INFORMATION ABOUT HOW THE PROCESS FOR MAKING WAGE-GRADE PAY DETERMINATIONS IS WORKING IN PARTICULAR LOCALITIES IN FLORIDA, GEORGIA, AND OKLAHOMA.

BEFORE ADDRESSING THE CIRCUMSTANCES OF SPECIFIC LOCAL WAGE AREAS OF INTEREST TO THE SUBCOMMITTEE, PLEASE ALLOW ME TO PROVIDE A BRIEF OVERVIEW OF THE PAY SYSTEM UNDER WHICH WAGE-GRADE EMPLOYEES ARE PAID. SINCE 1972, WAGE-GRADE EMPLOYEES HAVE BEEN PAID UNDER THE FEDERAL WAGE SYSTEM. THIS SYSTEM IS SEPARATE FROM THE GENERAL SCHEDULE PAY SYSTEM THAT COVERS MOST WHITE-COLLAR FEDERAL

EMPLOYEES. THE FEDERAL WAGE SYSTEM COVERS ABOUT 250,000 FEDERAL EMPLOYEES IN TRADE, CRAFT, AND LABORING OCCUPATIONS, WHICH ARE SOMETIMES REFERRED TO AS "BLUE-COLLAR" OCCUPATIONS. THE VAST MAJORITY OF THESE EMPLOYEES WORK FOR THE DEPARTMENT OF DEFENSE.

ONE OF THE KEY STATUTORY PRINCIPLES UNDERLYING THE FEDERAL WAGE SYSTEM IS THAT RATES OF PAY ARE TO BE MAINTAINED IN LINE WITH PREVAILING LEVELS OF PAY FOR COMPARABLE WORK WITHIN A LOCAL WAGE AREA. FOR THIS REASON, WAGE-GRADE EMPLOYEES ALSO ARE REFERRED TO AS "PREVAILING RATE" EMPLOYEES. TO CARRY OUT THIS STATUTORY PRINCIPLE, THE DEPARTMENT OF DEFENSE CONDUCTS WAGE SURVEYS OF PRIVATE SECTOR EMPLOYERS IN EACH OF 132 LOCAL WAGE AREAS THROUGHOUT THE UNITED STATES TO DETERMINE LOCAL PREVAILING RATES. PREVAILING RATE EMPLOYEES—INCLUDING LOCAL FEDERAL EMPLOYEE UNION OFFICIALS—ARE INVOLVED IN ALL ASPECTS OF THE PREVAILING RATE PAY-SETTING PROCESS. AT THE LOCAL LEVEL, LABOR AND MANAGEMENT OFFICIALS WORK IN PARTNERSHIP THROUGH A WAGE SURVEY COMMITTEE TO COLLECT THE DATA NEEDED TO DETERMINE LOCAL PREVAILING RATES.

THE OFFICE OF PERSONNEL MANAGEMENT ESTABLISHES LOCAL WAGE AREAS UNDER THE FEDERAL WAGE SYSTEM. GENERALLY, WE ESTABLISH A LOCAL WAGE AREA WHERE LARGE CONCENTRATIONS OF FEDERAL EMPLOYMENT

COINCIDE WITH CONCENTRATIONS OF PRIVATE SECTOR EMPLOYMENT ADEQUATE TO DETERMINE LOCAL PREVAILING RATES. FACTORS SUCH AS COMMUTING PATTERNS, DISTANCE FROM MAJOR FEDERAL INSTALLATIONS, OVERALL POPULATION, AND THE SIZE AND TYPE OF PRIVATE INDUSTRIAL ESTABLISHMENTS ARE USED TO SET WAGE AREA BOUNDARIES. MAJOR MILITARY INSTALLATIONS AND DEPARTMENT OF VETERANS AFFAIRS MEDICAL CENTERS TYPICALLY SERVE AS THE CORES AROUND WHICH LOCAL WAGE AREA BOUNDARIES ARE CONSTRUCTED.

AS IN THE CASE OF DATA COLLECTION FOR LOCAL WAGE SURVEYS, PREVAILING RATE EMPLOYEES ARE INVOLVED—THROUGH THEIR FEDERAL EMPLOYEE UNION REPRESENTATIVES—IN THE PROCESS FOR DETERMINING THE BOUNDARIES OF LOCAL WAGE AREAS. AT THE NATIONAL LEVEL, FEDERAL EMPLOYEE UNIONS PARTICIPATE IN THIS PROCESS THROUGH THEIR MEMBERSHIP ON THE FEDERAL PREVAILING RATE ADVISORY COMMITTEE. THIS ADVISORY COMMITTEE IS COMPOSED OF FIVE REPRESENTATIVES FROM AGENCY MANAGEMENT, FIVE FROM FEDERAL LABOR ORGANIZATIONS, AND AN INDEPENDENT CHAIRMAN. THE COMMITTEE ADVISES OPM ON ALL ASPECTS OF ADMINISTERING THE FEDERAL WAGE SYSTEM, INCLUDING HOW LOCAL WAGE AREA BOUNDARIES ARE SET.

NOW LET ME ADDRESS YOUR CONCERNS ABOUT WAGE-GRADE PAY IN CERTAIN LOCAL WAGE AREAS. WE ARE AWARE THAT EMPLOYEES IN THE MACON, GEORGIA, WAGE AREA HAVE EXPRESSED CONCERNS ABOUT THE FACT THAT THEIR WAGE RATES ARE LOWER THAN THOSE IN THE NEIGHBORING ATLANTA, GEORGIA, WAGE AREA. WE HAVE HEARD SIMILAR CONCERNS FROM EMPLOYEES IN THE WICHITA FALLS, TEXAS-SOUTHWESTERN OKLAHOMA WAGE AREA, WHERE WAGE RATES ARE LOWER THAN FOR COMPARABLE EMPLOYEES IN THE OKLAHOMA CITY WAGE AREA.

THE PAY SITUATION IN BOTH OF THESE WAGE AREAS IS LARGELY A CONSEQUENCE OF THE PRINCIPLE THAT LEVELS OF PAY ARE TO BE MAINTAINED IN LINE WITH PREVAILING LEVELS OF PAY FOR COMPARABLE WORK WITHIN EACH LOCAL WAGE AREA. LEVELS OF PAY UNDER THE FEDERAL WAGE SYSTEM VARY—SOMETIMES SUBSTANTIALLY—FROM ONE WAGE AREA TO ANOTHER. THIS CONSEQUENCE IS IN KEEPING WITH THE PURPOSE BEHIND THE PREVAILING RATE PRINCIPLE—THAT THE FEDERAL GOVERNMENT SHOULD COMPETE ON AN EQUAL FOOTING WITH PRIVATE SECTOR EMPLOYERS IN EACH LOCAL LABOR MARKET. TO DO OTHERWISE WOULD UNNECESSARILY DRIVE UP OVERALL EMPLOYMENT COSTS FOR PRIVATE SECTOR EMPLOYERS IN A LOCAL WAGE AREA—AND EVENTUALLY FOR THE FEDERAL GOVERNMENT, AS WELL.

THE PAY SITUATION IN THE WICHITA FALLS, TEXAS-SOUTHWESTERN OKLAHOMA WAGE AREA HAS BEEN FURTHER COMPLICATED BY A SERIES OF PAY CAPS IMPOSED ON THE FEDERAL WAGE SYSTEM DURING THE PAST 20 YEARS. PAY CAPS ARE ENACTED THROUGH APPROPRIATIONS LEGISLATION AND PREVENT FEDERAL WAGE SYSTEM PAY INCREASES FROM EXCEEDING THE OVERALL AVERAGE GS PAY INCREASE. THE PAY CAP IN FY 2000 WAS 4.93 PERCENT. HOWEVER, EVEN WITHOUT THESE PAY CAPS, THE PAY RATES IN THIS WAGE AREA WOULD STILL BE LOWER THAN THOSE IN THE NEIGHBORING OKLAHOMA CITY WAGE AREA.

THE CONCERNS EXPRESSED BY FEDERAL PREVAILING RATE EMPLOYEES IN THE JACKSONVILLE AREA LIKELY ARISE BECAUSE RECENT PAY INCREASES FOR THESE EMPLOYEES HAVE BEEN SMALLER THAN FOR GENERAL SCHEDULE EMPLOYEES, WHO ARE COVERED BY A SEPARATE LOCALITY PAY SYSTEM. THE GENERAL SCHEDULE LOCALITY PAY SYSTEM BEGAN IN 1994 AND IS BEING GRADUALLY PHASED IN TO REDUCE THE PAY GAP FOR WHITE-COLLAR FEDERAL EMPLOYEES. BUT IN JACKSONVILLE, THERE IS NO PAY GAP FOR BLUE-COLLAR FEDERAL EMPLOYEES. THEREFORE, PREVAILING RATE EMPLOYEES IN JACKSONVILLE RECEIVE PAY INCREASES EACH YEAR TO MAINTAIN PARITY WITH PRIVATE SECTOR BLUE-COLLAR PAY RATES IN THAT AREA, WHILE WHITE-COLLAR FEDERAL EMPLOYEES HAVE BEEN RECEIVING LARGER PAY INCREASES IN ORDER TO REDUCE A SIGNIFICANT PAY GAP.

WE ARE CONVINCED THAT—OVERALL—THE FEDERAL WAGE SYSTEM IS ACCOMPLISHING THE PURPOSES FOR WHICH IT WAS ESTABLISHED IN 1972. NO LEGISLATION IS NEEDED AT THIS TIME TO ENABLE FEDERAL AGENCIES TO RECRUIT AND RETAIN SKILLED BLUE-COLLAR WORKERS.

NO FEDERAL AGENCY HAS MADE US AWARE OF ANY SIGNIFICANT RECRUITMENT OR RETENTION PROBLEMS AFFECTING FEDERAL AGENCIES IN THE JACKSONVILLE, FLORIDA, MACON, GEORGIA, OR WICHITA FALLS, TEXAS-SOUTHWEST OKLAHOMA WAGE AREAS. IF THIS SITUATION CHANGES, YOU CAN BE SURE THAT OPM WILL WORK EXPEDITIOUSLY TO USE EXISTING ADMINISTRATIVE AUTHORITIES TO DEAL WITH ANY PROBLEMS THAT ARE BROUGHT TO OUR ATTENTION.

FOR EXAMPLE, AT THE REQUEST OF AN EMPLOYING AGENCY, OPM MAY ESTABLISH SPECIAL SALARY RATES TO ADDRESS SPECIFIC RECRUITMENT OR RETENTION PROBLEMS. IN ADDITION, WE ARE NOW CONSIDERING A REQUEST FROM THE DEPARTMENT OF DEFENSE TO AUTHORIZE RECRUITMENT AND RELOCATION BONUSES AND RETENTION ALLOWANCES FOR FEDERAL WAGE SYSTEM EMPLOYEES. IF THIS REQUEST IS APPROVED, FEDERAL AGENCIES WILL BE ABLE TO MAKE SUCH PAYMENTS ON A CASE-BY-CASE BASIS—OR FOR GROUPS OF EMPLOYEES IN CERTAIN SITUATIONS—WITHOUT PRIOR OPM APPROVAL.

THIS CONCLUDES MY PREPARED REMARKS. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Mr. SCARBOROUGH. Mr. Blanchard.

Mr. BLANCHARD. Mr. Chairman, and distinguished members of the Civil Service Subcommittee, it is a great honor to be here representing the men and women of the U.S. Air Force, and to report to you on wage-grade pay determinations affecting Air Force blue-collar civilian employees in particular localities in Georgia and Oklahoma. I request my full statement be entered in the record, and I have a few remarks to make.

Mr. SCARBOROUGH. Without objection, so ordered.

Mr. BLANCHARD. I am sorry that Dr. Disney could not be here in person for OSD, but I would like to thank her for providing a comprehensive statement covering the process for setting pay in the Federal wage system and describing the situation at several of our Air Force bases, and finally for outlining the administrative remedies available to installations that encounter recruiting and retention problems.

[The prepared statement of Ms. Disney follows:]

Statement of Dr. Diane M. Disney

Deputy Assistant Secretary
Civilian Personnel Policy
Department of Defense

before the
Subcommittee on the Civil Service, Committee on Government Reform

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OVERSIGHT OF WAGE-GRADE PAY

October 4, 2000

Mr. Chairman and Members of the Subcommittee. It is a pleasure to be here today to describe for you the process of setting wages for blue-collar positions in the Federal Government.

My testimony will begin with a description of the differences between the General Schedule and the Federal Wage System. Then I will cover the membership and roles of the Federal Prevailing Rate Advisory Committee (FPRAC), the elements of wage surveys, and the processes for addressing concerns or appeals. Next, as you requested, I will provide data concerning three specific wage areas. I will conclude with some comments about recruitment and retention.

OVERVIEW OF PROCESS FOR SETTING BLUE-COLLAR WAGES

Basic Differences Between General Schedule and Federal Wage System

As you are aware, the Federal Government has a number of pay systems. Outside the Postal Service, by far the largest is the General Schedule, which covers most white-collar positions in professional, administrative, technical, and clerical occupations. Its base rates are worldwide, with 32 locality pay areas in the contiguous 48 states and Washington, DC. These rates are based on changes in the Employment Cost Index (ECI) and data from Bureau of Labor Statistics' surveys. By statute, the basic General Schedule is increased by the change in the ECI less 0.5 percent. The Federal Salary Council makes recommendations to the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget and the Office of Personnel Management) on the establishment and modification of the geographic pay areas, methods of comparing Federal and non-Federal pay, and the annual adjustments needed in each locality pay area. Recent practice has been that the President proposes an overall percentage change each year, which must then be approved by Congress as part of the Federal Budget. After this approval, the President subdivides this amount into the basic increase and the locality pay adjustments.

Covering trade, craft, and labor positions, the Federal Wage System has a local rather than a national focus. As described below, the Department of Defense oversees surveys of pay for similar levels of work in 132 Appropriated Fund geographic areas (and 126 Non-Appropriated Fund areas) to determine wage schedules for each. Unlike the General Schedule, the Federal Wage System does not contain a general and locality-based increase, but is based on changes in local prevailing rates found in each wage area. This process has traditionally been a partnership of labor and management.

Operations of the Federal Wage System

Central to the Federal Wage System is the Federal Prevailing Rate Advisory Committee (FPRAC). The Director of the Office of Personnel Management (OPM) appoints the FPRAC's chair for a four-year term. The committee includes five management members (OPM, my office, two Military Departments (currently the Air Force and the Navy), and the Department of Veterans Affairs) and five labor members (two from the American Federation of Government Employees and one each from the Metal Trades Department, the National Federation of Federal Employees, and the National Association of Government Employees).

The FPRAC advises OPM on matters pertaining to the Federal Wage System. The group studies the prevailing rate system, reviews wage survey area boundaries, discusses wage-related concerns, and prepares an annual report to OPM. It generally meets on a monthly basis at the call of the committee Chair or when requested by five committee members.

The lead agency for administering the Federal Wage System is the Department of Defense, which meets this responsibility through the Wage and Salary Division of the Civilian Personnel Management Service (CPMS) and the Department of Defense Wage Committee. This responsibility entails designating the host activity in conducting surveys, establishing local survey committees, recommending survey specifications, and determining when surveys begin. CPMS consults with management and labor (the DoD Wage Committee) on survey results and generates and distributes wage schedules and survey summaries.

Teams of Federal employees then collect information from private employers. Each survey team consists of two members, one from labor and one from management. The boundaries of each wage area are determined by OPM, in accordance with 5 CFR, Subpart B, Appendix C. Each area must contain a sufficient concentration of FWS employees and private enterprises to permit determination of prevailing rates. Survey conditions are met when there is a minimum of 100 wage employees of one agency subject to the regular schedule of the Federal Wage System, and when there are either 20 private industry establishments with 50 employees each or ten establishments with 50 employees each with a combined total of 1500 employees, and total private employment in surveyed industries is at least twice the Federal wage employment in the survey area (5 CFR, Section 532.211). The boundaries may be changed by OPM itself or by OPM acting upon a recommendation from the FPRAC.

Some type of survey is conducted in each area each year, as determined in 5 CFR 532, Subpart B, Appendix A. Every other year, CPMS conducts a full-scale survey, with wage-change surveys conducted on the alternate years.

Surveys are conducted throughout the year, and wage schedules become effective throughout each fiscal year. For those schedules that are effective at the beginning of the fiscal year, finalization is delayed pending establishment of the pay cap, a general limitation on the amount of increase permissible in Federal prevailing rates of pay. Because the pay cap is based on both the basic General Schedule increase and the locality pay increase, which is not normally available until early December, many prevailing rate schedules must be retroactively increased. Another effect of the annual pay cap is that all prevailing rate increases are limited to the total General Schedule increase regardless of survey results. Over a period of years, this cap on wage adjustments has created a lag between the Federal and private-sector wages in some pay areas.

Appeals and Remedies

The facts that the wage surveys are joint labor-management efforts and that the FPRAC itself is a long-standing partnership mean that many concerns can be and are addressed in a very timely fashion. Further, if any member of the Local Wage Survey Committee disagrees with the recommendation, he or she can submit a minority report to the DoD Wage Committee. While an individual employee cannot appeal the wage rate, he or she may appeal the pay plan or classification of the position.

Three types of administrative remedies are possible. The first is an increase in minimum rates, which must be approved by the lead agency. These must be based on documented recruitment or retention problems for specific occupations and locations. The increased rates cannot exceed step five. The second remedy consists of Special Rates, which can be above step five and must be approved by OPM. These, too, must be based on documented or likely recruitment or retention problems for specific occupations in a given location. Finally, OPM may authorize an exemption from the pay cap for all occupations in a given area. Such an exemption must be based on the need to ensure the recruitment or retention of qualified employees.

DATA CONCERNING SPECIFIC WAGE AREAS

In your invitation to testify, you expressed interest in wage data for five specific Appropriated Fund wage areas. To provide some context for the response, Figure 1 compares the overall average increases for GS employees with those for FWS employees in Atlanta and in Macon, Georgia, for the past five years.

Figure 1
Overall Average Increases for General Schedule Employees versus Federal Wage System Employees in Atlanta and Macon, Georgia
(Increases expressed as a percent)

Year*	General Schedule (including Atlanta locality**)	FWS Atlanta (DoD & non-DoD)	General Schedule (including RUS locality)	FWS Macon DoD
1996	2.47	2.46	2.38	2.47
1997	2.80	2.63	2.97	3.07
1998	2.81	2.53	2.90	2.84
1999	3.58	3.40	3.54	3.62
2000	4.76	4.03	4.69	4.82
Average	3.28	3.01	3.30	3.36
Total	17.52	15.97	17.59	17.97

*Calendar Year for GS and Fiscal Year for FWS.
*The Atlanta locality pay area does not include all counties in the Atlanta FWS area.

These figures indicate that the typical DoD employee covered by the FWS in Macon, Georgia, received a slightly higher percentage increase than his or her GS counterpart during the past five years. More precisely, every $100 the FWS employee received at the start of 1996 was $117.97 this year; for the GS equivalent the current figure is $117.83. Further, the Macon employee received a higher percentage increase in each of the past five years than did his or her counterpart in the Atlanta wage area. In terms of growth, then, there is no statistically compelling reason to make any changes in the Macon, Georgia, wage area.

On the other hand, survey results for the Atlanta survey area have consistently generated higher labor rates than those found in Macon. Simply stated, wages of prevailing-rate type positions in Atlanta are higher than those in Macon.* The representative rate for a WG-10 in Atlanta is currently $19.61 per hour, as compared to $16.15 for Macon. It is important to note that increases in each area varied significantly by grade level. In Atlanta, the most recent increases varied from $.15 per hour to $1.17 per hour. In Macon, the most recent increases varied from $.45 per hour to $.88 per hour for DoD employees.

Data concerning employees in Oklahoma City and those in Wichita Falls, Texas, and Southwest Oklahoma appear in Figure 2. This comparison incorporates the General Schedule increases paid to employees in the Rest of United States (RUS) locality pay area because all of the FWS areas are in RUS. Although employees in Oklahoma City received higher percentages increases than their counterparts in the neighboring wage areas for three of the past five years,

* Similarly, the current GS locality pay rate for Atlanta (7.66%) is higher than the rate for RUS (6.78%) paid in Macon. This illustrates that differences apply not only in the FWS pay system but also in the GS pay system across geographic areas.

and the same percentage in a fourth year, the difference in the fifth meant that they received a somewhat lower total increase over the reporting period (17.31% vs. 18.01%).

Figure 2
Overall Average Increases for General Schedule RUS Employees versus Federal Wage System Employees in Oklahoma City and Wichita Falls, Texas-Southwestern Oklahoma
(Increases expressed as a percent)

Year*	General Schedule (including RUS locality)	FWS Oklahoma City	FWS WF,TX-SW Oklahoma DoD
1996	2.38	2.47	2.47
1997	2.97	3.08	3.06
1998	2.90	2.84	2.82
1999	3.54	3.63	3.62
2000	4.69	4.21	4.88
Average	3.30	3.25	3.37
Total	17.59	17.31	18.01

*Calendar Year for GS and Fiscal Year for FWS.

The representative rate for a WG-10 DoD employee in Oklahoma City is $17.10 per hour, as compared to $15.08 in Wichita Falls, Texas-Southwestern Oklahoma. In Oklahoma City, recent increases for DoD employees varied from $.47 per hour to $.76 per hour. In Wichita Falls, Texas-Southwestern Oklahoma, increases varied from $.39 per hour to $.88 per hour.

Your invitation mentioned a somewhat different situation in Jacksonville, Florida, as there have been no requests to combine wage areas. Therefore, Figure 3 presents increases for GS employees in the RUS pay area, as well as for DoD and non-DoD FWS employees in Jacksonville. This shows that the typical FWS employee of DoD received higher percentage increases than his or her non-DoD counterpart in each of the past five years. However, the FWS schedule paid lower increases than did the General Schedule in the past four years.

The representative rate for a WG-10 in Jacksonville, Florida is $16.37 per hour for DoD employees, with recent increases varying from $.09 per hour to $.58 per hour.

Figure 3
Overall Average Increases for General Schedule RUS Employees versus Federal Wage System Employees in Jacksonville, Florida
(Increases expressed as a percent)

Year*	General Schedule (including RUS locality)	FWS Jacksonville DoD	FWS Jacksonville Non – DoD
1996	2.38	2.48	2.47
1997	2.97	2.73	2.53
1998	2.90	2.24	2.09
1999	3.54	1.95	1.86
2000	4.69	2.36	2.31
Average	3.30	2.35	2.25
Total	17.59	12.32	11.78

*Calendar Year for GS and Fiscal Year for FWS.

Concerning the pay lag I mentioned earlier, in Atlanta, Georgia, the pay lag is 1.63 percent, while in Macon, it is 1.72 percent for DoD employees and 2.28 percent for non-DoD employees. In Oklahoma City, the lag is 1.43 percent for DoD employees and 1.5 percent for non-DoD Federal employees. The difference between DoD and non-DoD lags is the result of application of the Monroney provision. There is no lag in Jacksonville, Florida.

In the Wichita Falls, Texas-Southwestern Oklahoma wage area, the pay lag is currently 12.53 percent. In this case, the rates of pay prior to the pay cap legislation were relatively low. As the area grew in prosperity and the survey data reflected higher rates, the employees' rate of pay was capped at the annual limitation authorized by Congress. I should point out, however, that this figure has been steadily declining. For example, in 1990 the lag was 19.52 percent; in 1995 it was 19.08 percent; and now it is 12.53 percent.

Conclusion

Your final request concerned information on recruitment and retention at Robins Air Force Base and Tinker Air Force Base. Our examination of hiring and turnover information from the Defense Manpower Data Center indicates that there are no evident problems in either area at either site. For example, the separation rate for FWS employees at Robbins Air Force Base was 5.7 percent in 1989 and in 1994. By 1999, it had fallen to 4.1 percent; and for 2000 (through July), it is 3.2 percent. Over the decade, the separation rates for FWS employees at Tinker Air Force base have fallen from 5.1 percent in 1989 to 4.4 percent this year. My colleague from the Air Force will provide further details for your review.

As this testimony has indicated, wage setting is a complicated process, but one in which the Department of Defense is pleased to play a significant role. We greatly value our wage-grade employees and therefore make every effort to ensure that the process is equitable and timely. We are particularly grateful that this process has long reflected a solid working relationship between labor and management. In that regard, we appreciate your interest but believe that there is no legislation needed to change boundaries of wage areas. The FPRAC provides a well-established forum for addressing such concerns and should be allowed to continue its work.

This concludes my remarks. Thank you again for the opportunity to discuss the oversight of wage-grade pay. I will be pleased to answer any questions that you may have.

Mr. BLANCHARD. Our focus in the Air Force is to ensure that we have a fair and equitable pay system for all employees, in particular a blue-collar wage system that assures the Air Force is competitive in today's booming economy, marketing the Air Force as an employer of choice, including attracting and hiring the highest-skilled employees available into our positions. We are working to retain, maintain, and sustain this critical part of our total force. We know that when our compensation programs are working properly, there is minimum turbulence in our work force, and recruiting and retention problems do not exist.

The other side of this balancing act is that we have an obligation to ensure our blue-collar work force is cost-effective and efficient. This is becoming more important as we go through the competitive sourcing process for many of our functions. We operate in a competitive environment today, and in many cases the margins are very close between the costs of in-house and contract labor. We owe it to our dedicated employees to be careful that as we tweak the compensation programs, we do not create situations where our people are no longer competitive in contracting-out situations.

As indicated in your statements and Congressman Chambliss's statements, our Air Force wage-grade work force is critical to the day-to-day mission of the Air Force as well as to our continued future as the best aerospace force in the world. The work they do, particularly in aircraft maintenance, has a direct mission impact and contributes directly to the readiness of the U.S. Air Force.

These are skilled and dedicated employees, professionals in their crafts, and we have invested substantially in them to ensure we have a capable in-house work force to support America's Air Force. We believe the Federal wage system can operate to provide fair and competitive compensation for our valuable employees and that it currently contains enough administrative flexibility to address specific recruiting and retention problems in a targeted and cost-effective way.

We do not believe a legislative solution is necessary or desirable. However, we are interested in adding flexibility in the system by expanding the authority to offer recruitment and relocation bonuses and retention allowances authorized in the Federal Employees Pay Comparability Act to Federal wage system employees. Currently, these three Rs are only available to General Schedule employees. We believe these additional flexibilities together with the administrative flexibilities already available would further enhance our ability to react quickly to specific recruiting and retention problems.

Once again I thank you for the opportunity to be here, and I will be glad to answer any of your questions.

Mr. SCARBOROUGH. Thank you. I appreciate it.

[The prepared statement of Mr. Blanchard follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON THE CIVIL SERVICE
UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: OVERSIGHT OF WAGE-GRADE PAY IN CERTAIN LOCALITIES

STATEMENT OF: ROGER M. BLANCHARD
ASSISTANT DEPUTY CHIEF OF STAFF,
PERSONNEL UNITED STATES AIR FORCE

26 SEPTEMBER 2000

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON THE CIVIL SERVICE
UNITED STATES HOUSE OF REPRESENTATIVES

INTRODUCTION

Mr. Chairman and members of the committee, I am extremely pleased to be here today to report to you on wage-grade pay determinations affecting Air Force blue collar civilian employees in particular localities in Georgia and Oklahoma. I also want to thank OSD for providing a comprehensive written statement covering the process for setting pay in the Federal Wage System, describing the situation at several of our Air Force bases, and finally for outlining the administrative remedies available to installations that encounter recruiting or retention problems.

My testimony will include a more detailed look at the specific Air Force bases of interest to the Committee.

MISSION FOCUS

Our focus in the Air Force is to ensure we have a fair and equitable pay system for all employees, in particular a blue-collar wage system, that assures the Air Force remains competitive in today's booming economy. Marketing the Air Force as an employer of choice includes attracting and hiring the highest skilled individuals available into our positions. When our compensation programs are working properly, there is minimum turbulence in our work force and recruiting and retention problems do not exist.

Our Air Force blue collar workforce is critical to the day-to-day mission of the Air Force, as well as to our continued future as the best aerospace force in the world. The work they do, particularly in aircraft maintenance, has a direct mission impact and contributes directly to the readiness of the United

States Air Force. These are skilled and dedicated employees, professionals in their crafts, and we have invested substantially in them to assure we have a capable in-house workforce to support America's Air Force.

Sustaining our blue collar workforce is part of our overall force management strategy to ensure we maintain a mission-ready civilian force. Accession planning, force development, and separation management constitute the three main elements of our civilian workforce management strategy. Appropriate compensation programs are critical to each part of this strategy. Competitive pay is necessary to attract new employees and retain skilled and experienced employees. In addition, targeted buyouts help us shape and rejuvenate an out-of-date force.

Our experience at the bases of specific interest to the Committee has been as follows:

Tinker AFB -- Currently, officials at Tinker AFB report they are not experiencing difficulties in filling their Federal Wage System (FWS) jobs. For example, the Tinker AFB Delegated Examining Unit receives on the average about 250 applications for each FWS job announcement it opens. When they have recruitment difficulties, they are associated with the availability of journeyman-level workers, not the pay offered.

Tinker reports an attrition rate of about 4% per year. Even this relatively low rate is due to employees reaching retirement age, not to employees leaving for higher pay.

Robins AFB (Warner Robins Air Logistics Center) -- Robins AFB reports that recruitment for aircraft skills is becoming difficult for them. For example, they are currently attempting to fill 87 of a total of 289 aircraft systems maintenance worker positions, a vacancy rate of 30%. In September 2000, the Office of Personnel Management (OPM) referred 19 applicants for these jobs; of these, only 7 reported for interviews. This high vacancy rate, combined with a large number of aircraft maintenance workers regularly leaving for higher pay, makes it hard for Robins to make positive progress in filling their most critical vacancies. Robins AFB is working to gather similar data that can be used to justify special rates for aircraft –related occupations, for submission through HQ USAF and DoD to the Office of Personnel Management for approval. These special rates are one of the administrative remedies that are available to address alleged discrepancies in pay, as outlined below.

While this information is being gathered, Warner Robins Air Logistics Center (WR-ALC)is currently working to improve the wage survey process and enhance the installation's status as a competitive employer. For example, WR-ALC has requested the DoD Wage & Salary Division to work with them to expand the wage survey in the Macon, GA wage area. They are working to include additional counties that have aircraft-related businesses that might be

able to yield appropriate salary data. Additionally, they have asked to expand the survey to include previously-excluded contractor employees engaged in aircraft repair at Robins AFB. Both of these requests are currently under consideration by DoD's Wage and Salary Division, as well as a Blue Collar Working Group, recently commissioned by the Defense Partnership Council to look into the Federal Wage System and make recommendations for improvement.

Altus AFB – Altus AFB falls within the Wichita Falls/SW Oklahoma Wage Area. Pay in that area is affected more than many others by "pay lag" (the cumulative effects of pay caps over the years). The base also reports the perception that employees may be relocating to Tinker AFB for higher wages.

Both Altus and Tinker implemented new wage schedules effective 10 Oct 99. The projected pay increases were both capped (in law) by the average increase received by white-collar Federal employees, which was 4.93%. This practice of capping FWS pay had resulted, over a number of years, in a 19.08 % average lag (behind what the wage schedules would have been had they not been capped) at Altus. The new (1999) schedule has an average lag of 12.53%. The WG-10 is the most heavily populated grade at Altus and the lag in that pay grade is 11.5%.

By contrast, the average lag at Tinker is 1.43%. This is a product of higher-paying industries in the Oklahoma City area, and the history of the application of the pay cap at Tinker. The bottom line is that with the

application of the new pay schedules in 1999, the average difference between WG-10 employees at Altus and Tinker is $2.02 per hour.

In order for there to be any relief for these schedules at Altus, we would have to demonstrate recruitment and retention difficulties. When the in-house aircraft maintenance function won a bid for that work in Jan 97 (705 civilian positions), there were initially significant recruitment and retention difficulties. In recent years that has diminished. On a yearly basis, about 5% of their vacancies are attributable to moving to another wage area for pay (40.4 positions out of a total of 793). To date, Altus has not found it necessary to forward a package seeking either special rates, relief from the pay cap, or increased minimum rates for specific occupations.

Sheppard AFB – Although they find themselves in the same wage area as Altus AFB (Wichita Falls/SW Oklahoma), Sheppard AFB does not report recruiting or retention problems in their Federal Wage System area. They have only 130 FWS employees, primarily in the civil engineering functions, and have ample candidates from whom to select for their vacancies. They report no particular problems at the present time.

SUMMARY

As previously noted, the current system contains flexibilities that are available to us in order to sustain our work force.

When an activity is experiencing unusual recruitment and retention problems based on the pay offered employees or candidates, they may request through HQ Air Force two possible rate adjustments. The first is a request for increased minimum rates. This means we could offer employees a higher step in grade, e.g., step 3 (there are 5 steps in each grade). Under ordinary circumstances, employees are brought to work in the first step in grade, and then advance to higher steps based on seniority. These requests are approved at the Department of Defense level. Robins AFB is currently developing such a request for the Macon area. We have recently received such a request on behalf of Andrews AFB, in the Washington, D.C. area, for filling certain aircraft maintenance positions, and are currently working that request with DoD.

The second remedy is to request special rates (which would extend the normal pay scale higher than the 5th step of a particular grade). The request is based on unusual recruitment and retention problems for an occupation in a specific area, and is approved only at the OPM level. To date, HQ Air Force has not received such a request for the Macon, GA or Wichita Falls/SW Oklahoma wage areas.

A third remedy would be the lifting of the pay cap by OPM for all occupations in a location. We have no basis for seeking this remedy at this time.

It is always a high priority to AF leadership when our employees have problems. When they come to our attention, we are committed to evaluate those problems and find solutions. We have delegated personnel authorities to

installation commanders and we rely on them to run their programs and apprise us of any issues important to their local civilian workforce. As we jointly look at ways to solve these issues, we must also be concerned about any unintended consequences, such as artificially raising wages, and losing competitiveness with our peer organizations. The Air Force's objective is to have a blue collar pay system that is as fair and equitable as possible. We need to remain a competitive employer to sustain a viable and competent workforce to support the Air Force mission and our national security.

In order to be as competitive as possible, there is a vital change we would like your help with:

WHAT THE AIR FORCE WOULD LIKE TO SEE CHANGE

The Air Force believes that the authority for Federal agencies to offer Recruitment and Relocation Bonuses and Retention Allowances, authorized in the Federal Employees Pay Comparability Act (1990), to FWS employees would be an additional and very flexible remedy to many of our recruitment or retention problems encountered in wage areas nationwide. Currently, these bonuses of up to 25% of basic pay may only be offered to General Schedule and certain other categories of employees, but not FWS employees. At our request, the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) recently requested this authority for FWS employees from OPM. It is our understanding that OPM is currently reviewing our request. If this authority is granted, it

would help our commanders and managers to alleviate recruiting and retention challenges.

IN CLOSING

A fair and equitable Federal Wage System is an absolutely vital component in attracting and retaining a professional, competent work force so necessary to the success and readiness of America's Air Force. A competitive wage system for individuals is not only important and right, it is simply good government. We believe the FWS is fundamentally sound, and contains significant administrative flexibilities to address isolated recruiting and retention challenges. Adding the increased flexibility to pay recruiting and relocation bonuses and retention allowances will assure that the Federal Wage System can serve the Air Force and our great country well into the 21st century.

Mr. SCARBOROUGH. Let me ask both of you, before we start asking questions, if you will stand up and take the oath.

[Witnesses sworn.]

Mr. SCARBOROUGH. Now you are prepared to answer tough questions from Saxby Chambliss. Saxby, why don't we defer to you?

Mr. CHAMBLISS. Thank you, Mr. Chairman.

Mr. Winstead, can you tell me what comparison is made for the wage-grade salary determination at Robins?

Mr. WINSTEAD. Every year the Department of Defense conducts a wage survey in that local wage area. We conduct—the Department of Defense conducts full-scale surveys every other year, and in the years in between they conduct surveys by telephone or mail to update those surveys, and the Department of Defense compares jobs at a similar level of work.

For example, there are a number of jobs under the system that are graded at a similar level, and so the Department of Defense looks for jobs having similar level of work in the private sector in the Macon wage area, and surveys private sector establishments that have those kinds of jobs to come up with an overall salary level for the private sector and compares that with the rates that are being paid to Federal wage-grade employees in that area.

Mr. CHAMBLISS. Do you know, specifically, though, who those wage-grade employees' jobs are compared with?

Mr. WINSTEAD. There are a number of jobs that are graded at wage-grade 10 level, which is, I believe, the job—the level at which aircraft mechanics are graded under the system. And, for example, those would include motor grader operators, automotive mechanics, welders, pipe fitters, sheet metal workers, electricians, and machinists.

Mr. CHAMBLISS. But again, can you tell me who they are compared with? Do you have a list of folks that were called to check to see how much they were being paid to compare the wage-grade folks at Robins with?

Mr. WINSTEAD. Your question is which employers?

Mr. CHAMBLISS. Yes.

Mr. WINSTEAD. I don't have a list of the employers. I can defer to the Department of Air Force or get back to you on that question.

Mr. CHAMBLISS. I would like a list of those as far as the last survey that was conducted. Is that survey, in the case of Robins, limited to Bibb County and Houston County?

Mr. WINSTEAD. No, there are other counties in the survey area in the Macon wage area.

Mr. CHAMBLISS. All right. What determines how far the area would go that the survey would include? What is the criteria there?

Mr. WINSTEAD. We look at areas that have large numbers of wage-grade employees, at least 100 employees in that county. And we look at the private sector establishments in those areas.

Mr. CHAMBLISS. Well, of course, the problem with that is once you leave Houston and Bibb County, you're in rural areas all around Robins Air Force Base and you simply don't have, Mr. Winstead, any comparable jobs there. And that's been my continuing problem with this; that, sure, I understand that you can compare a mechanic to a motor grader to a mechanic on an airplane just from the standpoint that they are both mechanics. But the

level of sophistication of that job to ensure that that warfighter has a properly prepared weapons system that that mechanic is working on doesn't compare, really, with the mechanic that is working on a motor grader.

And that is my problem that I have had continually with this. You are not comparing apples to apples, you are comparing apples to oranges when you try to do that.

Second, the area is obviously very limited. This has been somewhat of a fuzzy area that I get every time I ask this question about what is the area, what counties are included? But as I say, when you get outside of Macon and Bibb County, if you go to Bleckley County, you have no heavy construction folks there. Twiggs County, you have no heavy construction folks there; no airplane mechanics that you can compare them with.

But yet if you go to Delta Airlines at the Atlanta airport, which is approximately 80 miles away, you have a strong contingent of airplane mechanics that you could look at.

And I am just continually bothered by that. And I know that you recently in the State of Rhode Island—excuse me, in the Boston area—that you have proposed adding the entire State of Rhode Island to the Boston locality pay area; and that in California, you are proposing adding Monterey, CA to the San Francisco pay area for the purpose of comparing wages. Can you tell me what the difference would be, then, why we don't include Atlanta in the area for Robins for the same reasons that you are adding areas in those particular localities?

Mr. WINSTEAD. Well, of course, we are talking about two different pay systems to start with. The pay system for the white-collar employees is the General Schedule, and we do have a locality system for that work force. The folks in Rhode Island—the agencies in Rhode Island presented some issues to the Federal Salary Council last week regarding recruitment and retention problems there that lead the Federal Salary Council to make a recommendation regarding adding Rhode Island to the Boston locality pay area. And the President's PAYGEN, which consists of OPM and the Office of Management and Budget and the Department of Labor, agreed with that recommendation.

I think in general, though, our observation would be that the local labor market generally is broader in scope geographically for white-collar-type workers in professional, administrative, technical-type jobs as opposed to the trades craft and labor kinds of occupations that are covered by the Federal wage system. And so under the Federal wage system, we generally have smaller pay areas or wage areas.

Mr. CHAMBLISS. Why would that be, though? Why does that make sense to do that? Why don't you treat your blue-collar employees the same way you do for white-collar employees?

Mr. WINSTEAD. We think the labor market for those two categories of employees are different and we believe it makes sense to compare blue-collar workers with blue-collar workers and white-collar workers with white-collar workers.

Mr. CHAMBLISS. I understand that, and surely that is the way to do that, but you are saying that the area encompassed by the survey for white-collar employees is broader than the area for blue-col-

lar employees, so really you are discriminating against those blue-collar employees if that is in fact the case. And my question is why do you do that? Why don't you have a broader area for the blue-collar workers?

Mr. WINSTEAD. Again, I would say that the local labor markets for most occupations that are covered by the Federal wage system is generally smaller than is the case for most of the occupations that are covered by the General Schedule.

Mr. CHAMBLISS. Well—and that is a classic reason why, Mr. Winstead, in the case of airplane sheet metal workers, airplane mechanics, folks that pull seats out of airplanes and repair those seats and put them back in airplanes, there is nobody else in the Macon area that does that. That's exactly why we are having this conversation today and exactly why, if you go 80 miles up the road, you are going to find people that do that, that ought to be compared to the employees at Robins.

You just answered my question specifically, and I am glad that is exactly the way you feel.

Now, can you explain why a wage-grade 10, level 5, position in Atlanta would make 23 percent more than a wage-grade 10, step 5, at Robins?

Mr. WINSTEAD. Again, that has to do with the local labor market for those jobs in those two areas. The Department of Defense conducts surveys in the Macon wage area and conducts separate surveys in the Atlanta wage area, and the conclusion based on those surveys is that the local prevailing rates in the Atlanta area are higher than the local prevailing rates in the Macon wage area.

Mr. CHAMBLISS. Let me ask either of you if you know of—have any personal knowledge of why we don't extend the area north to Atlanta where there are these jobs at Lockheed? Mr. Blanchard, do you have any comment on that? Do you have any knowledge about that?

Mr. BLANCHARD. I do not have any personal knowledge about why the wage area has not been extended. I know that the process for doing that requires a recommendation to come forward through the system, the prevailing rate system for consideration, and is a product of a labor-management effort to bring that kind of issue forward.

I also know that Robins, the commander at Robins presently is working within the system to identify additional industries and jobs within the survey area to be surveyed, and included in the survey process in an attempt to ensure that a wider range of industries are included in that process. Of course, industries may or may not agree to participate in the survey process, and that's another issue that needs to be resolved.

If, in fact, we are able to identify additional industries within the survey area for inclusion in the survey process, getting them to agree to participate is the next step. And hopefully by doing that, then we begin to see the reflection of their rates in the overall rate.

Mr. CHAMBLISS. You mentioned that it's preferable from the Air Force perspective to try to resolve this administratively as opposed to legislatively, and I agree. I wish we could come to some resolution of it. What can the Air Force do, what sort of steps can you

take from a positive perspective to try to resolve this administratively?

Mr. BLANCHARD. We're working with Robins now to support their effort to gather the kind of data that the system requires to reflect the recruiting and retention problems, either present or anticipated, that are being experienced or anticipated to be experienced, to justify either advances in hire rates which would be helpful in a recruiting sense and/or special salary rates which might be helpful in a retention sense, and are targeted to the occupation—specific occupation where the special salary rates would be required.

That, however, is dependent upon demonstrating the recruiting and retention problems and/or the serious likelihood of those problems in the system, so that the administrative action can be taken to either authorize one or the other of those actions. Robins is looking at that activity now, based on their experience. The commander is very much engaged in that process both with the DOD wage-fixing activity as well as with us, and we're supporting that effort. We think that is the right way to go.

Mr. CHAMBLISS. Well, you heard what I had to say about contract workers working side by side with wage-grade employees. And Mr. Davis even gave you some specific numbers on what contractor employees make versus what wage-grade employees make. Now, knowing that scenario, knowing that these guys were both wage-grade employees, they were working side by side, both of them making $16 an hour, then 2 weeks later, the contractor employee, who is the exact same employee doing the exact same job, stands side by side with that individual and he's all of a sudden making $19 an hour, sitting there telling his buddy, well you come to work for this guy and you will make $19 an hour, is that fair?

Mr. BLANCHARD. I'm not going to comment on whether it is fair. I will tell you that one of the things that we have asked, that the Robins commander is asking, is that the rates of contractor employees at Robins be included in the wage survey data so that those can be reflected in the overall rates for setting the wage-grade pay as well. Which, if it is unfair, then that would correct the inequity.

Mr. CHAMBLISS. And I think that will certainly help the problem, and I think what you're going to find is that they are paying Atlanta wage rates. It is exactly what they are paying, because that is where the contractors come from, that's where the employees come from, and that's where the contractors come from.

In that same vein—I mean, when we hire a contract employee, that employee is really still paid by the Air Force, correct?

Mr. BLANCHARD. Through the contractor; yes, sir.

Mr. CHAMBLISS. Yes. And when we hire that contractor to do a job, we fully expect that contractor not just to do the job, but he's going to make money on that job, would he not? Otherwise, he's not going to stay in business.

Mr. BLANCHARD. Yes, sir.

Mr. CHAMBLISS. So my point being, that if we have the contractor wage rate higher than our wage-rate employees, and built into that is not just a higher wage, but some profit factor, then it just looks to me like that the Air Force ought to be making that profit, if nothing else; and in the long-term we are going to be saving money, because we are going to hire less contractor employees, we

are going to be paying our folks a little bit more, we are going to be improving morale, we are going to be thus improving efficiency of those employees. And I could just tell you, having been in the private sector and having to hire folks and fire folks that did not do the job for one reason or another, it just makes absolutely perfect sense that we ought to be hiring those folks ourselves and paying them a little more rather than paying that contractor plus paying that contractor's built-in profit. It almost makes so much sense that the folks in Washington can't understand it. And I am not saying the Air Force doesn't understand it.

Let me just ask you, because I have heard from time to time, as I mentioned a minute ago, that one reason that we cannot change the pay scale of our wage-rate folks is that it is going to have a financial impact on the base. We do want to make sure that we provide quality work at reasonable rates in order to be competitive.

Could both of you-all comment on this issue of what effect raising wages for wage-grade employees would have on our ability to compete in the open market for our various contracts?

Mr. BLANCHARD. From our perspective, we need to be concerned, and we are concerned, about the cost-effectiveness of the work force and controlling those costs as of one factor along with other factors in terms of providing the service that we provide and maintaining the readiness of the force.

To the degree that contractor rates or that our wage rates rise and increase the cost of our labor, I'm not exactly sure how that is reflected in wage rates that private employers must pay in terms of Department of Labor wage rates under the Contract Act. I'm not an expert in those areas. However, our bottom-line concern has to be on maintaining a cost-effective and efficient work force, whether it is a contractor work force or an in-house government work force. And our focus needs to be on the product and the service delivery of those work forces, whether they are in an in-house work force or a contractor work force.

Competitiveness is becoming more of an issue, as I indicated in my opening statement. And the ability of the in-house work force to compete on an equal basis with the contractor is obviously a concern to the work force, to the in-house work force, and one that we need to be concerned about as well as we rely on either of those work forces to provide the services that we are procuring.

I think with regard to the overall competitiveness, it may end upon being sort of a wash in terms of the labor costs associated with each contract. But that's a product of the A–76 process under OMB Circular A–76 on contracting out, and I am admittedly not an expert in that area.

Mr. WINSTEAD. Representative Chambliss, we would defer to the Department of Defense's observations on the competitiveness and the issue of contracting out. I would just say that the—of course, the Office of Personnel Management is interested in maintaining a system that allows the Federal Government to get the work done. And that's what we believe that the Federal wage system is designed to help do and we will, of course, depend on the agencies—in this case the Department of Defense—to let us know when there is a problem with the system so that we can use some of the ad-

ministrative flexibilities that are available to try to address the situation.

Mr. CHAMBLISS. How long has the current system been in place?

Mr. WINSTEAD. It was established in 1972.

Mr. CHAMBLISS. OK. So 28 years, roughly, almost 30 years. During that time, Mr. Blanchard, you and I were talking about earlier that we have significantly downsized the force structure, which has caused some downsizing of our civilian work force also. But we have certainly changed the way we do business within the Air Force from the standpoint of Air Force personnel. And after 28 years, I think it may be time that we took a look at maybe some new ideas and some creative things that ought to be done to ensure that we continue not just to recruit, but to retain these folks and that we don't lose them, as Mr. Davis had reference to.

And I want to make sure that you all understand and that you convey to the folks that you are going to go back to and report on this hearing that we are dead serious about this issue and we want to see something done about it.

I don't like employees coming to me and saying that they like living in Warner Robins, GA, but they are considering moving to Atlanta because they are going to be able to make more money and provide a better education opportunity for their children, because there is such a significant difference in that wage-grade scale in Atlanta and in Warner Robins.

And I should have mentioned this story earlier, but I will close with this, Mr. Chairman, and I think you will appreciate this. I was on the line 1 day talking with a particular individual who is a wage-grade employee. And he related a story to me of a guy who worked next to him doing the exact same job, who was fired from his position by the Air Force for the right reasons. He just simply was not doing his job. Two weeks later he is hired by the contractor, brought back to the same job, right next to this individual, and he is making $4 to $5 an hour more than the wage-grade employee.

Now, when we talk about morale-busting, folks, that will bust your morale of your work force. And everybody out there knew the guy should have been fired and he shouldn't have been hired by the contractor, but he was. And it caused some very serious problems just in that one particular instance.

Mr. Chairman, I thank you very much and I apologize for going probably too long.

Mr. SCARBOROUGH. Actually, you were given 5 minutes and you went 4 minutes and 59 seconds. I would like to also congratulate you on using the official word, which is now in the lexicon of all Republicans, by accusing Mr. Winstead of a "fuzzy" answer. I thought that was very good. At least he did not go to the "fuzzy numbers" thing. And notice Mr. Winstead did not sigh while you were asking the questions. I think we have elevated this debate to a higher level than others.

So, Mr. Chambliss did ask a question that I did not understand the answer to and would like a clarification. I guess it would be easy for people from a distance from Washington, DC, who have been to Macon, GA and Atlanta, GA, to say, gee, they really are two separate types of cities, and maybe we could understand about the wage differences until he brings up the fact that Rhode Island

is connected to Boston, all of Rhode Island, and Monterey is connected to San Francisco.

And I don't know if—I am sure you have been in Monterey and San Francisco and Rhode Island and Boston. Obviously, two very distinct cultures. And I would think that somebody that is familiar with those areas, even more distinct than Macon and Atlanta.

What was your answer as to why Rhode Island was in the same wage area as Boston, and Monterey the same as San Francisco, but Macon not connected with Atlanta?

Mr. WINSTEAD. The General Schedule has a locality pay system and under that system we have 32 locality pay areas, many fewer than under the Federal wage system. Those locality pay areas are designed to coincide with metropolitan statistical areas. And the boundary of the Boston metropolitan statistical area includes many of the—much of the eastern part of Massachusetts, but it did not include portions of Rhode Island. And, similarly, in the San Francisco area, the San Francisco metropolitan area does not include Monterey County.

However, the Federal Salary Council, which is responsible for making recommendations regarding the administration of the white-collar pay system, recommended to us last year that those two locations that immediately adjoin Boston in the one case and San Francisco in the other, should be added to those localities for the General Schedule locality pay purposes. They presented—the individuals from those areas presented compelling cases to the Federal Salary Council and the Federal Salary Council subsequently recommended to us that those changes be made. And the PAYGEN has agreed to those changes.

Mr. SCARBOROUGH. I guess that is what I am saying. I am not taking this up with you here, but those people that made those arguments and made those decisions were inaccurate. Again, you look at San Francisco, just go a little bit south to Los Gatos or to Palo Alto or further south to San Jose, those areas are radically different than San Francisco; but you keep going south to Monterey, and I think you are just in a completely different world. And to connect those areas and to connect Rhode Island with Boston—some parts of Rhode Island are fairly rural. I just think it's—I just don't see the consistency there. And certainly I think, Mr. Chambliss, that is something that, certainly to me at least, would be a compelling argument to connect Macon with Atlanta.

Let me ask a question about retention and recruitment. Mr. Blanchard, have you discussed the issues with OPM as far as your requests for bonuses and other incentives to help for retention and recruitment?

Mr. BLANCHARD. That request has gone to OPM via OSD, and it is under active consideration by OPM at the present time and we have discussed it. They are obviously aware that we are in favor of it and that it provides an additional set of flexibilities, as I indicated, that would be useful to target recruiting and retention.

Mr. SCARBOROUGH. OK. And, of course, Mr. Davis testified earlier that he did not think that would be enough and that was a piecemeal solution. But, still, are you confident that they are going to end up accepting that proposal from the Air Force?

Mr. BLANCHARD. I hope so. I hope so. I think that together, as I said, with the administrative flexibilities that are in the Federal wage system already—that is, the ability to set advanced in-hire rates and the ability to set special pay rates on an occupational basis—this would be more flexibility to target at specific recruitment and retention problems within a particular wage area. And it is cost effective in that it allows you to target to the specific area where there is a problem, rather than applying a generalized increase that may or may not solve other problems.

Mr. SCARBOROUGH. Mr. Winstead, has OPM made a decision? Are they close to making a decision? Can you give us an update?

Mr. WINSTEAD. We have not yet made a decision but I believe we are very close to reaching a conclusion of our review of the request that we received from the Department of Defense, and that it is very likely that we will make that decision very quickly.

Mr. SCARBOROUGH. What criteria is OPM using right now to come to a decision on the Air Force request?

Mr. WINSTEAD. We are looking at the question about which groups of employees generally are eligible to receive these kinds of bonuses and make—taking a look at whether or not we believe it would be appropriate to extend that authority to the Federal wage system.

Mr. SCARBOROUGH. Has OPM extended that authority to other agencies?

Mr. WINSTEAD. We have extended that authority to other groups of—other pay systems outside the general pay schedule in the past, yes.

Mr. SCARBOROUGH. Can you cite a few of those?

Mr. WINSTEAD. I could get you a list of those for the record.

Mr. SCARBOROUGH. If you could just, in the next 2 weeks if you could, and we will certainly put that in the record.

OK. I appreciate it. Mr. Chambliss, do you have any additional questions or comments?

Mr. CHAMBLISS. No, Mr. Chairman, I think that covers it. Thank you very much.

Mr. SCARBOROUGH. Great. Thank you. I thank both of you gentlemen for coming and testifying today. Certainly it was helpful. Mr. Davis, I thank you again. And, Congressman Chambliss especially, thank you for bringing this issue to the forefront.

I ask unanimous consent that the statement of Elijah Cummings, ranking member, be entered in the record.

And I ask unanimous consent that the statement of Colleen M. Kelley, the president of the National Treasury Employees Union, be included as a part of the record.

Without objection, so ordered.

We are adjourned.

[Whereupon, at 11:25 a.m., the subcommittee was adjourned.]

[The prepared statement of Hon. Elijah E. Cummings and additional information referred to follows:]

OPENING STATEMENT OF THE

HONORABLE ELIJAH E. CUMMINGS

RANKING MEMBER

SUBCOMMITTEE ON CIVIL SERVICE

HEARING ON

"Oversight of Wage-Grade Pay in Georgia and Oklahoma"

Wednesday, October 4, 2000

1 The Federal Wage System (FWS) is the primary pay system
2 for employees in trade, craft, and laboring positions in the Federal
3 government. Among other things, these employees provide for our
4 country's defense, maintain the government's buildings and facilities,
5 and national parks.
6 Congress established the federal wage system in 1972. It was
7 developed to make the pay of federal blue-collar workers comparable to
8 prevailing private sector rates in each local wage area. Before the
9 federal wage system was developed there was no central authority to
10 establish wage equity for federal trade, craft, and laboring employees.

1 The Office of Personnel Management (OPM) prescribes basic
2 policies and procedures to ensure uniform pay-setting. OPM specifies
3 procedures for agencies to design and conduct wage surveys, to
4 construct wage schedules, to grade levels of work, and to administer
5 basic and premium pay for employees.
6 Labor and agency representatives participate in local wage
7 surveys, conducted in the 135 different local wage areas to determine
8 prevailing private sector rates for each wage area. The data collected in
9 these local wage surveys are then used in setting federal pay rates for
10 each local wage area.
11 In June 1992, OPM, though under a different Administration,
12 issued a report to Congress entitled, "The Federal Wage System: Pay
13 Problems and Pay Cap Phase out." The report cited "pay caps" as a
14 major source of problems in the federal wage system and proposed that
15 pay caps be phased out. The report also stated that, "the issue of
16 removal or phase out of pay caps can only be considered in the context

1 of broader system reform."

2 Though the focus of this hearing is wage-grade employees in
3 Georgia and Oklahoma, no report or examination of the federal wage-
4 grade system has been undertaken since 1992. Therefore, I am
5 interested in whether or not the federal wage-grade system is a fair
6 system for blue-collar workers, and if not, what needs to be done to
7 address its problems on a national level. However, if the system is
8 working as intended and there are no "recruitment and retention"
9 problems, I would like to know that to.

10 I thank the witnesses for appearing before the Subcommittee
11 today and look forward to their testimony.

Statement
of
Colleen M. Kelley

National President
National Treasury Employees Union

Subcommittee on Civil Service
Committee on Government Reform
U.S. House of Representatives

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Chairman Scarborough, Ranking Member Cummings, and Distinguished Members of the Subcommittee, my name is Colleen Kelley and I am the National President of the National Treasury Employees Union. NTEU represents 155,000 federal employees in 24 different government agencies. Many of our NTEU members are covered under the Federal Wage System.

I am pleased that the subcommittee is holding a hearing today on this important issue. The situations in Macon, Georgia and Oklahoma are similar to situations across the country: federal employees covered under the Federal Wage System are not earning what they should be. It is critical that Congress take action to ensure employees covered under the Federal Wage

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System are paid livable wages comparable to those paid to employees doing similar work in the private sector. The Federal Wage System needs to be reformed.

NTEU wage grade employees across the country -- from the IRS Service Center in Fresno, California to Austin, Texas, from Ogden, Utah to Brookhaven, New York – have brought concerns to my attention about wide wage disparities between blue collar employees working for the federal government and those doing the same work in the private sector. These employees want one thing: close the gap and pay federal blue collar workers what their counterparts in the private sector earn.

The wage schedule for federal blue collar employees at the IRS Service Center in Austin, Texas is a perfect example of how imperfect the current FWS system is. For instance, an electrician covered under the Federal Wage Schedule is typically a grade 10 employee. Under the federal wage grade schedule for Austin, a federally employed electrician earns anywhere from $15.12 an hour to $17.63 an hour. Yet a journeyman electrician in Austin who is a member of the International Brotherhood of Electrical Workers Local Union earns $21.30 an hour, and the total wage and benefit package for this private sector electrician is valued at $25.83 an hour.

The aim of the Federal Wage System is to ensure that "Federal trade, craft, and laboring employees in a local wage area who do the same kind of work get the same rate of pay." However, the Austin example illustrates how in fact pay equity between the private and public sector blue collar employees does not exist.

Austin employees at the IRS Service Center contend that one of the reasons for the inequity is that the annual wage surveys are not comprehensive enough to get a complete picture of local wages. They feel their situation could be improved if their survey also considered comparable private sector blue collar wages in Dallas and / or Houston, where the FWS rates are typically higher. NTEU believes that the locality regions across the country should be scrutinized to determine whether they are still applicable to the demographic changes in different parts of the U.S.

In working to improve the current FWS system, this committee should also review the outdated methodology used to survey local private sector wages. The current system does not generate local pay schedules which accurately reflect local prevailing wages. Currently, private businesses are not required to respond to the wage surveys. Because of the voluntary nature of the surveys, private sector employers have been more and more unwilling to participate. As a result, in many instances a particular wage rate is set based on a very limited sampling which does not reflect the true prevailing wages for blue collar workers in a given locality. Because the FWS pay scales are based on what data is plugged into the wage-setting formula, it is critical to ensure that the private sector wage data collected is accurate and diverse, and that there is a large sampling of this data. In many instances under the current system, there does not appear to be enough wage data collected to ensure a fair pay scale.

Another area in which this subcommittee can help lift up the low wages for federal blue collar workers is to work to correct the arbitrary pay caps which Congress has imposed on Wage

Grade employees since 1979. For example, for Fiscal Year 2000, pay increases for these employees ***could not exceed*** 4.93 percent. Unlike federal workers covered under the General Schedule (GS) pay scale, the Wage Grade pay increase provision serves as a cap, not a floor. In addition to a minimum cost of living adjustment GS employees receive each year, they also receive a locality pay adjustment, which is determined by a particular geographical area's wages. And even in regions where private sector wage increases are less than the national average, GS employees still receive the national cost of living adjustment and a minimum locality pay increase.

However, FWS employees are treated much differently. In areas where the local prevailing wage for private sector blue collar workers far exceeds the national average, the pay raise for federal blue collar workers cannot exceed the cap set by Congress. And in regions where private sector wages may not have increased as much as the national averages, federal FWS employees receive a pay increase equal to the private sector wage increases - even though it is less than the pay increase set by Congress. In other words, when local private sector wages go up, federal blue collar wage increases cannot exceed the federal cap; and when local private sector wages are stagnant and grow at a rate smaller than the national average, federal blue collar wages cannot exceed the "local" cap. Under the current system federal blue collar workers are in a lose/lose situation.

For too long, Wage Grade employees have been denied the fair pay adjustments they deserve, and as a result the pay gap between the federal and private sectors has grown

significantly. Even in regions where the local pay increase for certain Wage Grade employees may have been on par with increases for similar private sector jobs for a particular year, the twenty one years of disparities in private and federal sector pay has left federal Wage Grade workers lagging far behind. These dedicated federal workers will never be able to recover the pay they have lost over the course of their federal careers. I would strongly urge you to remove these pay caps, and to allow the Congressionally-imposed pay adjustment to serve as a minimum pay increase, as opposed to a limitation.

Finally, I want to express NTEU's support for the proposal being developed by the Office of Personnel Management that would allow agencies to pay recruitment and relocation bonuses and retention allowances to prevailing wage employees. Most agencies depend on maintaining an in-house capability to perform critical blue collar functions, yet in many instances they are not able to compete with private sector employers in offering comparable wage and benefit packages. Agencies have had the authority to offer these incentives to GS employees for some time now and it is time that agencies be given the same authority in order to retain and recruit the best and brightest blue collar employees.

Year after year, federal employees are being asked to do more for less. If we want our government to continue to provide first class services to the taxpayers, we need to ensure that ***all*** of our dedicated federal employees -- our government's most valuable assets – earn a living wage. This hearing today is a positive step forward in working to improve the wage system for federal blue collar workers. Thank you for your allowing NTEU to share our views on the

Federal Wage System. We look forward to continue working with you to address this and other wage and benefit issues for federal employees.

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