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THE WHITE HOUSE  
WASHINGTON

August 31, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN  
FROM: JAMES E. CONNOR *JEC*  
SUBJECT: Federal Pay Adjustment

Confirming telephone call to Jim Jura of your office, the President reviewed your memorandum of August 25 on the above subject and approved the following decisions:

- #1 - Rule out Option 5, the alternative plan
- #2 - Meet with Advisory Committee

Please follow-up with appropriate action.

cc: Dick Cheney  
Jerry Jones

THE WHITE HOUSE  
WASHINGTON

August 27, 1976



MEMORANDUM FOR: DICK CHENEY  
FROM: JIM CONNOR  
SUBJECT: Federal Pay Adjustment

Staffing has been completed on Jim Lynn's memorandum of August 25 regarding Federal Pay Adjustment. These comments are attached.

The President is required to make his decision by Tuesday, August 31. Lynn's memorandum was dexed to you on August 25 and the attachments to his memo sent by courier on that same day.

THE WHITE HOUSE  
WASHINGTON

August 27, 1976

MR PRESIDENT:

Federal Pay Adjustment

The following recommendations have been received from the staff on Jim Lynn's memorandum of August 25 regarding Federal Pay Adjustment.

Phil Buchen - "Agree with legal observations set forth at the bottom of page 5 and the top of page 6. Support the recommendations advanced by OMB."

Jim Cannon - Strongly agrees with OMB & CSC.

Max Friedersdorf - Supports Option #5

Bob Hartmann comments - 1) A flat 5% increase, without consideration of the Advisory Committee recommendations, is obviously arbitrary. 2) better to have in hand all suggestions for the best solution, than to act hastily."

Alan Greenspan - Comments are at TAB A.  
Supports Option 4.

Jack Marsh - Supports Option #5.

Jim Connor



COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

ALAN GREENSPAN, CHAIRMAN  
PAUL W. MACAVOY  
BURTON G. MALKIEL

August 27, 1976

MEMORANDUM FOR DR. JAMES E. CONNOR

FROM: Paul W. MacAvoy *PW*

SUBJECT: Federal Pay Adjustment

This is in response to your request for the Council of Economic Advisers' comments and recommendations regarding the October 1976 Federal pay adjustments.

Recent research by economists has compared the earnings of Federal (non-postal) employees and private sector workers with the same productivity related characteristics. These studies find that the Federal workers tend to have higher wage rates and annual earnings than comparable private sector workers. Although not definitive, they suggest that undercompensation of Federal workers does not appear to be a problem.

The budget submitted in January 1976, assumed a 5 percent ceiling on wage increases with an estimated average increase of 4.7 percent. If the President proposes an alternative plan, the alternative can be vetoed by a majority vote in either House. The savings from imposing a 5 percent cap rather than the pay agent's plan are estimated to be \$160 million in the first year. Thus, the dollar savings and the likelihood of success from an alternative plan can be expected to be small.

The CEA participated in an advisory role in the recent Federal pay panel. We believe that the current procedures used by the pay agent are more appropriate than the previous method. The pay agent's proposed increase averaging 5.17 percent would result in only a small decline in real earnings for persons who do not receive a step or grade increase.

Therefore, we support Option 4, the pay agent's recommendation that would increase payroll costs by 5.17 percent.



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FROM: JAMES CONNOR

TO: DICK CHENY

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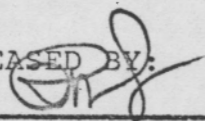
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THE WHITE HOUSE  
WASHINGTON

August 27, 1976

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Supports Option 4.

Jack Marsh - Supports Option #5.

Jim Connor



COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

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August 27, 1976

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FROM: JIM CONNOR  
TO: Dick Cheney  
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THE WHITE HOUSE

WASHINGTON

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August 25, 1976

MEMORANDUM FOR THE PRESIDENT

THROUGH: DICK CHENEY  
FROM: JIM CONNOR  
SUBJECT: Federal Pay Adjustment

The attached memorandum from Jim Lynn indicates that your decision on this subject must be made by next Tuesday, August 31. For this reason we are dexing this memorandum to you for your review.

At the same time we are gathering staff recommendations on this subject and we will forward these to you as soon as possible.

TABS A and B to this memorandum are being forwarded by courier leaving tomorrow morning.

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

August 25, 1976

ACTION

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MEMORANDUM FOR THE PRESIDENT

From: James T. Lynn  
Subject: Federal Pay Adjustment

I. BACKGROUND

The time is rapidly approaching for your final decision on the Federal pay adjustment which goes into effect this October. If you are not going to present an alternative plan imposing caps or delaying increases, your decision should be made by September 24. If you are going to present such a plan, your decision must be made by next Tuesday, August 31.

Tabs A and B contain two of the three reports which the comparability law requires that you consider before making the decision. Tab A is the comparability decision of your joint pay agent (the Chairman of the Civil Service Commission and the Director of the Office of Management and Budget). Tab B presents the views of the Federal Employees Pay Council (officials of the largest Federal employee unions). You must also consider the views of the members of the outside Advisory Committee on Federal Pay. We expect their report this week. However, they also wish to meet personally with you to express their views.

Law requires that the pay agent's decision be based on pay comparability with the private sector. Tab C displays present pay and the rate increases determined on a comparability basis in the agent's report, both before and after applying the statutory provision which rules out GS pay being above Executive Level V. With the Level V ceiling, the agent's decision this year would increase aggregate payroll costs for General Schedule employees by 5.17%. The increase in the rates of the General Schedule--disregarding the Level V ceiling--would average 4.83%.

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The agent's decision includes some fundamental and rather controversial changes in the comparability process. One of these is the use of weighting-- weighted averages which give consideration not only to varying salary rates for jobs but also to the relative impact of the differing numbers of employees in these jobs. Another change is application of a new curve which produces a better fit to private enterprise salary data and does a better job of closing the comparability gap. A third is inclusion in the comparability survey of revised definitions for secretary and computer operator occupations.

The Pay Council has strongly opposed the introduction of the changes described above, and the release of the pay agent's decision has resulted in the resignation of three of the five union officials on the Council. The Advisory Committee strongly believes we should make some meaningful compromise, and they probably will recommend that you provide for phasing in the changes, resulting in an average increase of around 6.2%.

The comparability law provides that you will "consider" the reports of the pay agent, the Pay Council, and the Advisory Committee before reaching your decision, and will "adjust the rates of pay of each statutory pay system in accordance with the principles ..." of comparability set forth in the law. This clearly means you could accept any one of the three reports as the basis for your decision. Therefore, you could adopt any one of the first four options below without an alternative plan. If you should decide to cut below the agent's finding (the lowest of those four options), you would have to use an alternative plan (which is Option 5).

The following includes all the major options available, arranged from the most to the least costly. Unless you choose Option 5, an alternative plan, your decision becomes final and is not subject to one-House veto.

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**II. OPTIONS**

1. The two remaining members of the Pay Council are advocating an average increase of 8.2%. However, you cannot logically agree to that unless you conclude that the pay agent is wrong to make the changes involving weighting and curve-fitting--changes endorsed by a variety of statistical experts, by the General Accounting Office, and by the Advisory Committee.

2. The largest of the Federal unions (AFGE) would reluctantly accept weighting and the other changes if there were some sort of phase-in of their impact. They have previously proposed a 6.7% increase. However, they probably would be glad to get almost any sort of compromise.

3. The Advisory Committee is expected to recommend a compromise (around 6.2%) which includes a phase-in of the impact of the recent changes. They are basing this on the precedent set when the introduction of a dual payline computation was recently phased in over a period of three years.

The Advisory Committee will make their own case for this compromise. However, you should be aware in advance of the two basic arguments for their proposal:

a. The agent's changes in methods of determining comparability reduce by some five percentage points the pay adjustment employees might otherwise have expected, with a saving to the government of \$2½ billion. In view of such drastic changes in long-standing procedures and in respect for the opinions of the affected parties, the Committee favors cushioning the impact somewhat. They believe this would produce a more amicable implementation while still securing the savings to the government in the long run.

b. The current Federal pay-setting system is unlike that in the Postal Service or private industry where management can be forced into large wage settlements to avoid strikes, etc. Our present system based on comparability typically produces relatively modest increases and avoids serious labor troubles. The Committee believes that we will eventually be forced toward collective bargaining procedures but should retain the current system for as long as possible by continuing to avoid major controversies and by making some compromise to achieve this.



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4. The pay agent believes its scale of increases, averaging 4.83%, is correct on the comparability basis. The increase in cost involved (5.17%) is also very close to the budget estimate and avoids the \$3/4 billion additional cost of the Committee's expected compromise proposal of around 6.2%. While the agent could have made such a compromise, we did not feel it was appropriate for us to do so. Rather, it was concluded that the entire matter, including any compromise which may finally be offered, should be presented to you for decision.

5. You could recommend an alternative plan to the Congress to reduce the increases provided in the agent's report by imposing a 5% cap. This would have to be done by August 31. The budget submitted in January was prepared on the basis that the October increases would be limited to 5%, with all employees receiving at least 3% increases. The budget's estimated average increase was 4.7%. Our position at budget time was that all this was to be subject to your final decision in late summer after a review of the economic and fiscal situation and the reports of the various parties. Under the pay agent's report, no one will receive less than 4.24%, and only GS-12, 13, 14, and 15 employees will receive more than the budget's projected 5% -- 5.45%, 6.12%, 6.94%, and 7.92% respectively.

The "pros" of this option for an alternative plan providing a 5% cap are:

a. It would be a further demonstration of your determination to hold down Federal expenditures. Assuming the cap is for a full year, the savings would be about \$160 million. In absolute terms, this is a substantial amount.

b. It would reaffirm your tentative decision reflected in the January budget submission to impose a 5% cap.

c. GS-12's, 13's, 14's, and 15's, now make \$21,848, \$26,009, \$30,541 and \$35,636, respectively. With a 5% cap, their average increases would range from \$1,092 to \$1,782, instead of from \$1,191 to \$2,822 without the cap. Under the pay agent's report, GS-16's, 17's and 18's would be entitled to increases of 9.06%, 10.36% and 11.83%, respectively, on a comparability basis, but by

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reason of the statutory limit tied to Executive Level V, they will receive only 5.05%, 4.76%, and 4.76%, respectively. Therefore, it can be argued that it is not inequitable to restrict increases for the next four lower grades, too.

The "cons" of such an alternative plan are:

a. Given (i) the barrage of criticism the Congress has received for congressional pay linkage, (ii) the Republican Platform plank to unlink, and (iii) an election year, Congress might very well feel forced to rise to the occasion by passing a bill unlinking their own pay (and possible even executive and judicial pay) with or without taking action to reject a 5% cap on General Schedule employees. If they were to do so, a veto would be hard to explain and would contradict the Platform.

b. It is probable that, as a result of the Quadrennial Commission review procedures this fall and winter, there will be a very substantial increase, effective early next year, in executive level, judicial and congressional pay. Without the cap on General Schedule employees provided by an alternative plan, such an increase for executive levels would raise the Level V ceiling that has "compressed" pay for GS-16's, 17's and 18's below comparability levels. It seems equitable that this be permitted if executive pay is so raised. If an alternative plan is to be presented now, this problem could be dealt with in only one of two ways: (1) by stipulating now that the cap would be imposed only for the period up to the time of the Quadrennial review increases, if any (which would result in very little savings--about \$67 million) or (2) by Quadrennial review action by you this Winter which defers, in whole or in part, increases that come out of such procedure until October 1977. The latter approach would save money by delaying the quadrennial increases and the increases for the GS-16's, 17's and 18's but would surely hurt executive and General Schedule management recruitment in the early part of 1977. If you don't submit an alternative plan now, this set of problems need not be addressed now.

c. The Department of Justice has joined in the lawsuit contesting the constitutionality of the one-house veto provision in the new election laws. The statute permitting alternative pay plans has a similar provision, and presentation of an alternative plan at

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this particular time might bring a lawsuit by the unions or others contesting the constitutionality of the alternative plan procedure. It would be extremely difficult to differentiate between the two cases. Our legal advisors believe it would be inconsistent to defend the constitutionality of the one-house veto in the alternative plan case, and they also argue that, if we were unsuccessful, the President's alternative plan authority (and the 5% cap) would probably be struck down along with the one-house veto.

d. The savings from last year's 5% cap was approximately \$1.6 billion. A 5% cap this year would save only about \$160 million, and even less than that if the cap were lifted early next year at the time of the anticipated Quadrennial increases. Thus, a cap this year would be considerably more difficult to justify.

e. The fact that GS-16's and above are held down by the Executive Level V limitation shouldn't be used against the GS-12's through 15's. Even if the latter get full comparability, they still would make less than the higher GS levels.

f. Under the statute, the President has alternative plan authority only under "national emergency or economic conditions affecting the general welfare" criteria. In view of the relatively small savings involved when viewed from the perspective of a budget approaching \$400 billion, there would be a risk of a judicial ruling that you exceeded your authority. Such an opinion might reduce the President's authority for the future by a narrow interpretation. In any event, use of an alternative plan under this year's circumstances would add still more impetus to the effort to get Congress to repeal or modify the President's alternative plan authority.

### III. RECOMMENDATION

As indicated above, under the law you should consider the views of the Advisory Committee before you select any option. Therefore, you should not decide the matter until we have their written report in your hands (later this week). Although only their report is necessary for your decision, the Committee has asked

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Comparability Decision of Your Joint Pay Agent

(To be forwarded by airplane)

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for a meeting with you. Last year you handled the matter by a telephone conversation with their Chairman, Mr. Rosow. This might satisfy them again this year, but in view of the strong reaction of the Pay Council this year (and the ensuing resignations) and the Committee's view that you should decide on increases above those provided by the pay agent's report, Chairman Hampton and I recommend strongly that you meet personally with the Committee, albeit briefly, before making your decision. If you are not inclined toward Option 5, an alternative plan, this meeting could be held any time in the next two or three weeks. If you are inclined toward an alternative plan, however, the meeting would have to be scheduled on or before the date your plan would have to go to Congress, August 31--next Tuesday.

Chairman Hampton and I recommend against Option 5 and do recommend Option 4. If you are inclined toward Option 5, we would much appreciate meeting with you before final decision.

#### IV. DECISIONS

1. Rule out Option 5, the alternative plan  
(Hampton and Lynn recommend that you agree).

Agree NR7 Disagree \_\_\_\_\_

2. Meet with Advisory Committee  
(Hampton and Lynn recommend that you agree).

Agree NR7 Disagree \_\_\_\_\_

Will handle by telephone call \_\_\_\_\_

3. Meet with Hampton, Lynn and other advisors before final decision (recommended by Hampton and Lynn only if you are inclined toward Option 5, the alternative plan).

Set up meeting \_\_\_\_\_

No meeting necessary \_\_\_\_\_

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Views of the Federal Employees Pay Council

(To be forwarded by airplane)

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CONFIDENTIAL DRAFT

REPORT ON THE FISCAL 1977 PAY INCREASE UNDER  
THE FEDERAL STATUTORY PAY SYSTEMS

Annual Report of the  
Advisory Committee on Federal Pay

August 25, 1976

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Advance (unsigned) copy of the  
Report of the Advisory Committee on Federal Pay

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TAB C

## PAY AGENT'S REPORT

| <u>GENERAL SCHEDULE</u><br><u>GRADE</u> | <u>CURRENT</u><br><u>STEP 1</u><br><u>RATES</u> | <u>PROPOSED STEP 1</u><br><u>RATES</u> | <u>PROPOSED PERCENT</u><br><u>INCREASE</u> |
|---|---|--|--|
| 1                                       | \$ 5,559  | \$ 5,810                               | 4.51%                                      |
| 2                                       | 6,296   | 6,572                                  | 4.39                                       |
| 3                                       | 7,102   | 7,408                                  | 4.30                                       |
| 4                                       | 7,976   | 8,316                                  | 4.25                                       |
| 5                                       | 8,925   | 9,303                                  | 4.24                                       |
| 6                                       | 9,946   | 10,370                                 | 4.27                                       |
| 7                                       | 11,046  | 11,523                                 | 4.33                                       |
| 8                                       | 12,222  | 12,763                                 | 4.42                                       |
| 9                                       | 13,482  | 14,097                                 | 4.55                                       |
| 10                                      | 14,824  | 15,524                                 | 4.72                                       |
| 11                                      | 16,255  | 17,056                                 | 4.93                                       |
| 12                                      | 19,386  | 20,442                                 | 5.45                                       |
| 13                                      | 22,906  | 24,308                                 | 6.12                                       |
| 14                                      | 26,861  | 28,725                                 | 6.94                                       |
| 15                                      | 31,309  | 33,789                                 | 7.92                                       |
| 16                                      | 36,338  | 39,600* (39,629)                       | 5.05 (9.06)                                |
| 17                                      | 37,800* (42,066)                                | 39,600* (46,423)                       | 4.76 (10.36)                               |
| 18                                      | 37,800* (48,654)                                | 39,600* (54,410)                       | 4.76 (11.83)                               |

\* Rates or proposed increases actually paid because of Executive level ceiling of \$37,800. Rates or proposed increases in parentheses would be paid if no ceiling existed.

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## I. INTRODUCTION

Recommendations of the Advisory Committee on Federal Pay regarding the Fiscal 1977 salary adjustment for approximately 1.4 million government employees covered by the Federal Pay Comparability Act of 1970 are contained in this, the fifth annual report of the Committee. About 2 million members of the Armed Forces as well as Federal executives, judges, and members of Congress receive the same increase in pay as the General Schedule, Bureau of Medicine and Surgery of the Veterans' Administration, and Foreign Service employees covered by the comparability legislation.

## II. THE OUTLOOK FOR THE PAY DETERMINATION PROCESS

During the past year the Advisory Committee was given additional responsibilities. However, the Agent's proposal regarding this year's pay increase has dealt a serious blow to the prospects for one of these new functions--namely, improving relations between the Government and Federal employee organizations. Even more serious, the proposal has jeopardized the entire process of Federal white-collar pay setting and led the AFL-CIO members of the Federal Employees Pay Council to resign.

### Recommendations of the President's Panel on Federal Compensation

The President's Panel on Federal Compensation in its report issued in December 1975 recommended that the Advisory Committee assume mediation and economic monitoring functions in addition to its statutory responsibility of making recommendations to the President on the annual increase in Federal white-collar pay. These new tasks were described in the Panel's report as follows:

"The Panel recommends that the President's Agent, the Federal Employees Pay Council, and the Advisory Committee on Federal Pay meet jointly on a regular basis throughout the year to discuss and resolve the issues involved in the pay-setting process, with a view toward formulating a common recommendation to the President on the pay adjustment required to achieve comparability."

"The Panel recommends that the Advisory Committee on Federal Pay be assigned the responsibility for an ongoing review of the way in which the Federal compensation system derives from, and is dependent upon, the forces at work in the private sector marketplace, with the specific charges of considering the impact of both Federal and private sector pay on the national economy and making periodic reports to the President on changes which should be proposed in Federal compensation policies and practices."

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The Committee is now adding a small staff to perform the economic monitoring function.

#### Efforts to Improve Relations

In pursuance of the objective of a common recommendation on the annual pay adjustment, members of the Advisory Committee have attended meetings of the Pay Agent and the Pay Council with increased frequency. In addition, in order to improve chances for unified agreement and to improve understanding between the Agent and the Pay Council, the Committee enlisted an experienced mediator, who has met frequently with the Agent and the Council.

It was out belief until the past few days that these discussions had resulted in better understanding on the part of the Advisory Committee of the problems faced by each group and in somewhat improved communications between the Agent and the Council. Experience suggested that continuation of these activities could lead to a more positive attitude and a better understanding between the parties during the coming year.

Our early optimism as to the long-term usefulness of this effort has, however, been dashed by the Agent's proposal regarding this year's pay increase and the Agent's insensitivity to the long-term labor relations implications of its proposal. The delays that the Agent made in 1975 as concessions to the Pay Council do not, in our view, justify the Pay Agent's present obdurate attitude. Its insistence on making the entire transition to a revised system of pay determination in a single year has placed the entire process of pay determination envisaged by the Federal Pay Comparability Act of 1970 in jeopardy.

#### Other Employee Organizations

While this discussion has concentrated on relations with the Federal Employees Pay Council, we also hope that the Pay Agent, with the support of the Federal Employees Pay Council, will provide employee organizations not on the Pay Council adequate opportunity to become informed on the Federal pay-setting process. In the Committee's view, ability of these organizations to comment knowledgeably and effectively on Pay Agent proposals has been seriously handicapped by the limited briefing which they have received on technical changes.

#### Privacy

Discussions between the parties have continued to be conducted in private. It is our experience that such privacy is essential to permit

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flexibility and avoid too early hardening of positions. Confidentiality is the very essence of mediation and indeed of any discussion of labor issues. The mediator must be free to probe the true position of each of the parties, test out possible areas of compromise, and, as a result of such private discussions, determine a potential basis for agreement.

Discussion of labor issues in public is the very antithesis of this process and is self defeating. Public discussion inevitably results in posturing and adoption of extreme positions directed at political constituents. Normally, neither side is prepared to indicate possible concessions in public, lest they be misconstrued by either the opposing side or their own constituents.

### III. THIS YEAR'S PAY INCREASE--THE RULES OF THE GAME

The Advisory Committee endorses the necessity for changing the measurement of comparability as proposed by the President's Agent. It endorses "PATCO" weighting of the key jobs studied in the private sector to get grade averages, weighting to draw a payline, and use of the "SCH" formula to develop a payline of best fit. The issue of including secretaries and computer operators as key jobs in measuring private sector pay is settled unless there is a court decision to the contrary. 1/

The Committee is convinced, however, that the Agent's proposal to introduce the entire effect of the changes this year is most unwise from the standpoint of long-term public interest. It strongly urges that, in view of the severe impact of these changes on Federal pay and the fact that the revised measurement system is by no means perfect, the changes should be phased in over a reasonable period.

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1/ In 1975, the Agent deferred inclusion of secretaries and computer operators in measuring private sector pay and made a good faith effort to obtain an impartial review of the adequacy of the descriptions of these occupations. This review was prevented by a Justice Department ruling that the Agent did not have authority to delegate the resolution of this point. In February 1975, the Pay Agent and the Pay Council agreed to submit the question of descriptions of these occupations to the Advisory Committee for binding arbitration. The Justice Department ruling stated that the Committee could not undertake this function and furthermore stated that the Pay Agent did not have authority to request or accept binding arbitration. A court suit filed by the Pay Council alleging that the Pay Agent had violated the agreement to seek review is still pending. The Pay Council has accepted inclusion of these occupations in comparability measurement unless the court ruling is favorable to the Pay Council position.

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The Committee agrees with the Agent that the revised measurement system will result in a closer approximation to comparability between private sector pay and Federal pay than the methods used in past years. While it recognizes that the system is imperfect and subject to improvement and that there is need, for example, for improvements in the survey of private industry pay scales--notably the addition of occupations in some grades--it believes that the revised procedures proposed by the Agent will reduce the distortions resulting from the present limited occupational coverage of the BLS survey. 2/

There has been an adequate period for discussion of the proposed changes between the Agent and the Pay Council; the Agent delayed changes at the time of the October 1975 pay increase in order to allow for more extended deliberations..

#### Need for Phasing in Changes

Despite our belief that the revised methods of measurement of comparability should be put into effect, we urge strongly that the transition to the resultant pay scales be phased in. There are most compelling reasons for proposing this phase-in approach:

1. Full introduction of the measurement changes in the same year that secretaries and computer operators are added to the private sector pay survey will cut the potential 1976 Federal pay increase by more than half. Specifically (a) the addition of computer operators and reintroduction of secretaries to the private sector pay survey will reduce this year's Federal pay increase by more than 2 percentage points--from 10.5 to 8.25 percent, (b) the new weighting and payline techniques will cut the increase another 3 percentage points--to a 5.17 percent increase in average payroll costs and a 4.83 percent average increase in pay scales.
2. This is too great a reduction below that called for by continuation of the previous rules of the game to be put into effect all at once, given the fact that there is still need for improvement in the technical underpinnings of the revised measurement system. While the revised system of measurement is a distinct improvement over the method that has been used in recent years, there is general agreement that the BLS survey of pay in private industry that is used to measure the private sector counterpart of grade averages is in need of

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2/ Our statistical adviser has carefully studied the proposed changes and endorses them as sound in principle, though in need of further occupational buttressing to derive grade averages.

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substantial strengthening. It is impossible to predict whether addition of jobs to this survey would significantly change the grade averages and, if so, whether the resulting averages would be lower or higher than those computed with present occupational coverage. However, the need for further improvements and their possible impact on measurement of comparability raises serious questions as to whether the new measurement is so precise as to sanction introducing it all at once. The Agent's reference to being "compelled by the precision which these reforms bring to the process" is an exaggeration of its accuracy.

3. The precision of the measurement is further weakened by the 6-month lag between the date of the private sector pay data and the effective date of the Federal pay increase. This means that in a year in which private sector pay is rising by 7 or 8 percent the data on private sector pay used for comparability purposes may be as much as 3.5 to 4 percent too low by the time Federal pay scales are increased. While a method of compensating for this lag has not been developed, the lag is certainly adequate justification for our recommendation to phase in the revised system.
4. There is precedent for phasing in the changes. When the dual payline was introduced in 1973, the President's Agent followed the Advisory Committee's recommendation to spread the effect of the change in methods over a period of years. In that case, the Pay Agent adopted a 3-year transition. That precedent should be followed here. However, the application should vary as set forth in our recommendation (page 9).
5. Time is needed to prepare and distribute a clear explanation of the pay-setting system to Federal employees. The system of determining Federal pay is complex and difficult to understand. A complicated system creates employee suspicion, especially when it is changed drastically and with relative frequency. Much of the complexity results from the dual requirements of the pay comparability legislation that "there shall be equal pay for substantially equal work" and that "Federal pay rates be comparable with private enterprise rates for the same levels of work." Whatever its cause or justification, however, the complicated system and changes in it do require time for employee orientation.
6. Suspicion has been increased by the frequency of changes in the measurement system. The players need to know the rules by which they are playing.

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7. The pay rates which employees are now told are too high were determined by a system developed unilaterally by the Agent, not through collective bargaining. It is hard to conceive any establishments in the private sector, about which our Committee has considerable knowledge, implementing such major changes in compensation practices all at once.
8. A further source of confusion is the sudden change from uniform to varying percent increases, which works to the disadvantage of the lower graded employees. Even though this change is justified, it has not been made clear to employees in the lower grades that their pay had been out of line with the private sector.
9. The shift to the revised weighting and payline system will save the government more than \$1.4 billion each year in perpetuity. Combined with the addition of secretaries and computer operators to the annual salary survey, the total saving will be almost \$2.5 billion a year. Therefore, deferral of about \$450 million of this saving for one year is a reasonable investment in the continued acceptability of the comparability system and effective labor-management relations. This would be true even if some of the Pay Council members had not resigned. Their resignation simply made it clear that the alternative is the collapse of the entire system.

#### Uniform Increases Versus Comparability

While disagreeing with the failure to phase in the changes, the Advisory Committee agrees with the proposal to put into effect increases varying with pay grades, as comparability requires. In its 1975 report it advised against uniform increases as a matter of principle. It accepted uniform increases last year primarily because the "principal parties agreed on this approach." The Committee also stated that its decision was "influenced by its belief that failure to follow the line of best fit this year would not set a precedent. The Committee sincerely hopes that revised techniques (changes in the type of payline, in curve-fitting techniques, and in weighting methods) will be agreed to before next year's pay decision must be made, so that the line of best fit resulting from these new approaches can be used."

A policy of uniform percent increases would contradict the basic objective of weighting--to improve comparability. Consequently, the two are aspects of the same process. Therefore, to adopt weighting and to propose a uniform percentage increase would be a contradiction in objectives.

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Actually, the variation in percentage increases among grades called for this year is not due to the revised methods of measuring comparability. Rather, it is a result of past substitution of uniform percent increases for those called for by the comparability principles in previous years. The cumulative effect of substituting uniform increases for increases dictated by the line of best fit over the past 5 years has compounded a distortion from true comparability as defined in the statute (Section 5301(a)(3)), which reads as follows:

"Federal pay rates be comparable with private enterprise pay rates for the same levels of work."

This past failure to provide increases varying by grade has been inequitable to workers in some grades and has impaired the government's ability to attract and retain the most competent employees in critical positions. It also leads to public criticisms of Federal pay in the lower pay grades in which Federal scales often exceed those in private industry. This past practice aggravates the geographic inequities that result from payment of white-collar employees on a national scale and is a major factor in the widespread misconception that Federal pay is generally too high.

Correction for the imbalance among grades that has accumulated will result in increases that vary substantially from grade to grade during the transition period. Once, however, this correction is made, the annual increases dictated by future adherence to comparability should not vary greatly among grades since normally increases vary relatively little in percentage terms in a single year for people at different pay grades.

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**IV. QUADRENNIAL COMMISSION ON EXECUTIVE,  
LEGISLATIVE, AND JUDICIAL SALARIES**

In this year of a national election it is imperative that the new administration, regardless of party, be able to attract and retain the most competent personnel essential for effective governmental administration. In order to achieve this objective, our Nation must have a rational and realistic executive, legislative, and judicial salary program. There has been no basic adjustment in these salary levels since 1969. The 5-percent adjustment made in 1975 was clearly insufficient in light of the increase in the Consumer Price Index over that period of approximately 50 percent. Over the same period private sector pay advanced more than 50 percent, thus opening a wide gap between Federal and private sector executive pay. Although it is recognized that salaries for top executives and judges will never be equal to those in the private sector, at the moment no semblance of comparability exists at these levels. As a result, some of the Nation's most competent key personnel have departed from government and it has been difficult to attract competent replacements.

Thus, the appointment of the Quadrennial Commission on Executive, Legislative, and Judicial Salaries is welcomed. It is more imperative than ever that prompt action be taken by the President and the Congress to take appropriate and prompt action to effectuate the forthcoming recommendations of this Commission as set forth in our recommendations.

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V. RECOMMENDATIONS

1. All of the transition to the revised system of measuring comparability should not go into effect in a single year. Rather, we recommend that the revised system of weighting and payline fitting should be introduced now but its effects be phased in. Since the Pay Agent already has deferred implementation of the change for one year, it is appropriate to make two-thirds of the transition to weighting and new curve fitting this year and the remaining one-third next year. (The full impact of reintroduction of the job of secretary and introduction of computer operators would go into effect immediately so that more than two-thirds of the effect of all the changes would be introduced this year.)

This would result in an average payroll increase of approximately 6.2 percent. Considering the fact that the recurring annual saving from the revised system will amount to at least \$1.4 billion, and the combined annual saving from this change plus adding secretaries and computer operators will amount to \$2.5 billion, the single time deferral of roughly \$450 million of this saving resulting from phasing would be a sound investment to save the current system of pay determination.

2. To achieve comparability, the increase should vary with grades. With two thirds of the transition made immediately, the increases would vary from 5.04 in Grade 2 to 8.72 percent in the steps of GS-15 below the ceiling.
3. Improvements in the key job sample in the annual BLS survey should be expedited. Apart from these, future changes in methodology should be separated from consideration of the annual pay increase and should occur infrequently.
4. The Agent should promptly prepare and distribute to all affected personnel a clear explanation of the new pay system.
5. The Committee repeats its earlier recommendation that legislation be enacted to separate the determination of congressional pay from that of judges, executives, and other employees.
6. We urge the President and the Congress to act expeditiously on the forthcoming recommendations of the Quadrennial Commission on Executive, Legislative, and Judicial Salaries.

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## October 1976 Pay Increase Under Various Proposals

| Grade                          | System used<br>from 1973<br>to 1975 | Pay Agent's<br>proposal <u>1/</u> | Advisory<br>Committee's<br>proposal <u>2/</u> |
|--------------------------------|-------------------------------------|-----------------------------------|---|
| Average payroll increase ----- | 8.25                                | 5.17                              | 6.20  |
| <u>Scale increases</u>         |                                     |                                   |   |
| GS-1 -----                     | 6.14                                | 4.51                              | 5.05  |
| GS-2 -----                     | 6.35                                | 4.39                              | 5.04  |
| GS-3 -----                     | 6.57                                | 4.30                              | 5.06  |
| GS-4 -----                     | 6.79                                | 4.25                              | 5.10  |
| GS-5 -----                     | 7.01                                | 4.24                              | 5.16  |
| GS-6 -----                     | 7.23                                | 4.27                              | 5.26  |
| GS-7 -----                     | 7.46                                | 4.33                              | 5.37  |
| GS-8 -----                     | 7.68                                | 4.42                              | 5.51  |
| GS-9 -----                     | 7.92                                | 4.55                              | 5.67  |
| GS-10 -----                    | 8.15                                | 4.72                              | 5.86  |
| GS-11 -----                    | 8.38                                | 4.93                              | 6.08  |
| GS-12 -----                    | 8.85                                | 5.45                              | 6.58  |
| GS-13 -----                    | 9.33                                | 6.12                              | 7.19  |
| GS-14 -----                    | 9.82                                | 6.94                              | 7.90  |
| GS-15 -----                    |                                     |                                   |   |
| Up through Step 6 -----        | 10.31                               | 7.92                              | 8.72  |
| Step 7 and above -----         | 7.81                                | 4.83                              | 5.82  |
| GS-16 -----                    |                                     |                                   |   |
| Hypothetical <u>3/</u> -----   | 10.80                               | 9.06                              | 9.64  |
| Actual -----                   | 7.81                                | 4.83                              | 5.82  |
| GS-17 -----                    |                                     |                                   |   |
| Hypothetical <u>3/</u> -----   | 11.30                               | 10.36                             | 10.67   |
| Actual -----                   | 7.81                                | 4.83                              | 5.82  |
| GS-18 -----                    |                                     |                                   |   |
| Hypothetical <u>3/</u> -----   | 11.80                               | 11.83                             | 11.83   |
| Actual -----                   | 7.81                                | 4.83                              | 5.82  |

1/ Immediate full implementation of "PATCO" weights to compute both grade averages and "SGH" payline.

2/ Two-step transition to PATCO weights, SGH payline, with two-thirds effective in 1976.

3/ Hypothetical at this time because of legislated pay ceiling.

NOTE: All proposals assume inclusion of secretaries and computer operators in measuring private sector pay.

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THE WHITE HOUSE  
WASHINGTON

August 25, 1976

MR PRESIDENT:

Federal Pay Adjustment

Jim Lynn's memorandum on the above subject was dexed to you today for review. As promised attached are Tabs A and B mentioned in Jim Lynn's memorandum.

Staffing comments are being gathered and will be forwarded.

Jim Connor

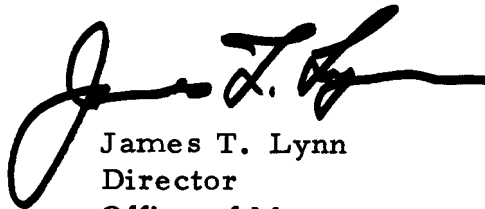
August 25, 1976

MEMORANDUM FOR THE PRESIDENT

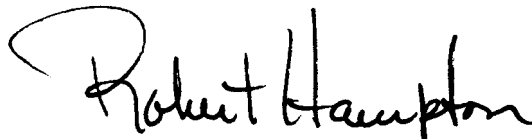
Subject: Annual report on comparability for  
Federal statutory pay systems

In accordance with the provisions of section 5305 of title 5, United States Code, and section 201 of Executive Order 11721, we submit herewith our report on the adjustments needed in Federal statutory pay rates in order to achieve comparability with 1976 private enterprise pay rates.

We are furnishing a copy of this report to the Advisory Committee on Federal Pay so that that committee can carry out its statutory responsibilities in a timely manner.



James T. Lynn  
Director  
Office of Management and Budget



Robert E. Hampton  
Chairman  
U. S. Civil Service Commission

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COMPARABILITY OF THE FEDERAL STATUTORY PAY SYSTEMS

WITH PRIVATE ENTERPRISE PAY RATES

JOINT ANNUAL REPORT

OF

THE DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, AND  
THE CHAIRMAN, U. S. CIVIL SERVICE COMMISSION

1976

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TAB

A

ANNUAL REPORT OF THE PRESIDENT'S AGENT ON  
COMPARABILITY OF THE FEDERAL STATUTORY PAY SYSTEMS  
WITH 1976 PRIVATE ENTERPRISE PAY RATES

Introduction

Under section 5301 of title 5, United States Code, pay rates for employees under the Federal statutory pay systems are fixed in accordance with the principles that--

- (1) there be equal pay for substantially equal work;
- (2) pay distinctions be maintained in keeping with work and performance distinctions;
- (3) Federal pay rates be comparable with private enterprise pay rates for the same levels of work; and
- (4) pay levels for the statutory pay systems be interrelated.

In order to ensure that these pay rates will remain comparable with private enterprise pay rates, section 5305 of title 5 authorizes the President to adjust these pay rates annually. Each year the President's agent is required to prepare a report to the President for his consideration in determining this pay adjustment. Section 5305 directs that this report is to--

- (1) compare the rates of pay of the statutory pay systems with the rates of pay for the same levels of work in private enterprise on the basis of appropriate annual surveys conducted by the Bureau of Labor Statistics;
- (2) make recommendations for appropriate adjustments in rates of pay; and
- (3) include the views and recommendations of the Federal Employees Pay Council and employee organizations not represented on the Council.

Under section 201 of Executive Order 11721, May 23, 1973, the Director of the Office of Management and Budget and the Chairman of the Civil Service Commission serve as the President's agent, and have prepared this report in fulfillment of their responsibility under section 5305.



## 1976 Bureau of Labor Statistics Survey Results

Certain changes occurred this year in the group of jobs surveyed in the National Survey of Professional, Administrative, Technical and Clerical Pay (the PATC Survey) and used in the pay comparison.

The major change resulted from the reintroduction of Secretary and Computer Operator to the survey. As explained in more detail in the section dealing with our relations with the Federal Employees Pay Council, we reached a decision early in December to return these jobs to the survey over the Council's objections.

Survey data for Personnel Director V, which is equivalent to GS-15, had met BLS' statistical criteria for publishability for the first time last year. This year it failed to do so and, accordingly, cannot be used.

Job Analyst III and Job Analyst IV are again included in the pay comparison this year. Although they were surveyed and published last year, our own maintenance review disclosed that, because of deficiencies in the survey job definitions, they were then producing inappropriate job matches and, consequently, data which could not be used for Federal pay-setting purposes in 1975. The survey job definitions were revised to prevent this from recurring in 1976, thereby making the data usable this year.

### --Industry coverage

The industries and establishment sizes covered in the 1976 PATC Survey are the same as were covered by the 1975 survey.

However, at our request, BLS conducted a test of certain possible expansions in the survey universe this year. The test was designed to determine whether several previously unsurveyed "for-profit" industries should be added to the PATC Survey. The test also examined the surveyability of "not-for-profit" educational, scientific, and research organizations. Another part of the test explored the possibility of setting lower size-of-establishment cutoffs in certain industries already being surveyed. The feasibility of changes such as these had been indicated by the results of preliminary studies conducted earlier by the staff of the Civil Service Commission.

Whether or not these changes in the specifications for the PATC Survey should be implemented will be decided after the results of the BLS tests have been thoroughly analyzed and tested. The test data will be provided to us later this year. Should proposals to change the PATC Survey coverage result therefrom, they will be

explored with the Federal Employees Pay Council, as well as with employee organizations not represented on the Council, with a view toward reaching final decisions at the earliest practicable date.

--Bonuses

The test of the collection of cash bonus data conducted by BLS late last year was not a success. BLS reported a high non-response rate and an unacceptably high sampling error and predicted that these same problems would occur if a full survey were attempted in conjunction with the regular 1976 PATC Survey. Nevertheless, as we had agreed with the Pay Council that we would include bonus data with the basic pay data in the pay comparability process this year if it met BLS standards, we asked BLS to undertake a full-scale collection of bonus data this year. However, the data resulting from this attempt did not meet BLS' statistical criteria for publishability and could not be used.

--Time lag

Last year we reported that we had agreed with the Pay Council to work with BLS in an effort to develop an acceptable and feasible method to shorten the time lag between the reference date of the PATC Survey and the effective date of the Federal pay comparability adjustment.

Our representatives met with BLS and the Pay Council and the matter was thoroughly discussed by all parties. After carefully studying the processes involved in conducting the survey and tabulating the results, BLS advised us that it would not be possible to further shorten the time necessary to complete the PATC Survey. The full month's reduction that BLS had achieved in 1975 has brought the processing time to its irreducible minimum.

An alternative suggestion that, while time lag cannot be reduced, it could be compensated for, was explored and carefully considered, but ultimately rejected. This would have involved a statistical adjustment of the pay data to produce an estimate or projection of its movement after March of each year. We remain convinced, however, that Federal pay adjustments, involving the massive expenditure which they do, must be solidly based upon factual data rather than estimates or projections.

It is also clear from the legislative history of the Federal Pay Comparability Act of 1970 that Congress was fully aware that a reasonable time lag between completion of the survey and the statutory date of the adjustment would be inescapable.

### Changes in Methodology

Over the years there have been many criticisms from inside and outside the Federal Government of the methods used to arrive at the annual comparability determination. The Comptroller General, for example, has proposed a number of thoughtful and significant changes. The agent's staff consequently undertook a special study in late 1973, which resulted in a number of proposals designed to improve the statistical methodology used in translating the PATC Survey data into the salary schedules that are used to pay Federal white-collar employees. The most significant of these proposals are those concerned with the statistical areas of weighting and curve fitting.

Heretofore simple averaging processes have been used for Federal pay-setting purposes. That is, equal weight has been given to each survey job average in arriving at the industry average salary for a particular GS grade. Similarly, each grade average has then been given equal weight in computing the payline through the summarized data.

The problem is that a salary for a job or grade having only a few hundred employees has as much impact on the final results as does a salary for a job or grade populated by tens of thousands of employees. The impact of such salary data is not in proportion to the relative importance of the job or grade in terms of the total number of Federal employees it represents.

GS-5 is a good example since all the surveyable categories are represented.

Two clerical jobs are surveyed. These jobs represent over fifty-four occupational series (113,000 employees) in the clerical category at GS-5.

Four technical jobs are surveyed and they represent ninety-five occupational series (44,529 employees) in the technical category at GS-5.

Two administrative jobs are surveyed (although one was not publishable this year) and they represent 110 occupational series (8,300 employees) in the administrative category.

Four professional jobs are surveyed and they represent eighty-nine series (3,896 employees) in the professional category at GS-5.

Under the old methodology of equal weighting, the relatively high private sector rates for the professional employees would heavily influence the salaries of all of the Federal employees in GS-5 even though the professional jobs represent only the very small (2 percent) Federal professional category.

This is because these professional salaries would get 40 percent of the weight at this grade level, while the salaries of the two clerical jobs would get only 20 percent of the weight despite the fact that the two clerical jobs represent 67 percent of the GS population at that grade. It was in this way that the imprecisions of the old methodology had caused some overpayment.

Our staff has long been aware of the need for the higher degree of precision that proportionate weighting would bring to the system. As early as 1962 the staff prepared tabulations for congressional committees demonstrating the result of using the General Schedule employment population to weight the survey averages and the calculations. While the introduction of this refinement was considered many times over the years, it was not until full comparability had been attained in 1969 that proportionate weighting began to receive significant attention. By 1974, occupational analyses, combined with the computerization of workforce data by occupation, made it possible to introduce representational weighting into the process.

The methodology adopted this year involves the relating of each surveyed occupation to the General Schedule occupations to which they are most equivalent. Simply stated, under this concept the professional jobs surveyed at a particular grade represent all General Schedule professional occupations at that grade and are thus given the numerical weight of the total professional employment at the grade in computing the grade average. In similar fashion, survey jobs in administrative occupations represent all General Schedule administrative occupations and receive their numerical employment weight in determining the overall average salary for the grade. The same kind of weighting process is applied to technical and clerical jobs with respect to the occupational categories they represent. The three percent of the General Schedule which does not fall into one of these four categories is designated "Other." The resulting acronym "PATCO" (from the five categories, Professional, Admistrative, Technical, Clerical, and Other) has come to be used to identify this categorization and weighting method.

Under this process of proportionate weighting in terms of the occupational category represented, those salary averages representing the largest number of employees have proportionately greater weights in the computation of the grade average. In somewhat similar fashion the paylines are computed by weighting each resulting grade average by its corresponding GS population.

The end result of this weighting process is to bring the greatest number of Federal employees to the position of closest comparability with their private sector counterparts. Its introduction this year marks the achievement of long-awaited reform.

The curves which are fitted to produce the paylines have for many years been of a unique type, developed by the comparability staff specifically for this purpose during the 1960's. One portion of our studies examined a variety of other curves--some drawn from the standard statistical literature and some less widely known--to see if any would produce a better fit to the data, as well as being expressible in standard algebraic form and easier to compute.

The "standard" curve used in past years is not derived from a formula, and has to be computed by a laborious iterative process; while this presented no problem with the use of large digital computers, it made it virtually impossible for the interested observer to duplicate or verify the process. The curve used this year is a second-degree curve or parabola, fitted by standard least-squares techniques to logarithms.\* It produces a better fit to the PATC data, and does a better job of closing the comparability gap, while providing proper regularity in the pattern of the intergrade differentials.

#### Comparison of Rates of Pay

Table 1 of Appendix A presents the average private enterprise pay rates reported in the PATC Survey this year, and the weighted averages produced by the PATCO methodology which become the input data used to compute the fitted payline for this year's pay adjustment.

Table 2 of Appendix A shows the computation of the General Schedule comparability pay rates under the new PATCO weighting and the new curve. It produces a graduated pattern of increases, ranging from 4.51 percent at GS-1 down to a low of 4.24 percent at GS-5 and then back up to a theoretical 11.82 percent at GS-18. The weighted average percentage increase received would be 4.83 percent, before being affected by the statutory salary ceiling. The aggregate increase in payroll, after considering the effect of the statutory salary ceiling, would be 5.17 percent. Table 3 presents the new General Schedule rates which would result from this adjustment.

#### --Opposition of the Federal Employees Pay Council

The Pay Council opposes these methodological changes. Most of the employee organizations not represented on the Council have expressed themselves as being similarly opposed. We have detailed below our relations with the Council and other

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\* When many different curves were being examined during the course of the study, this particular one was identified as the "SGH Curve." This name is used by the Pay Council and others in their comments.

organizations, the presentations and arguments they have made against the methodological changes and the increase they produce, and our reaction to them.

In summary, we have given their views and recommendations the most careful and serious thought, but are compelled by the precision which these reforms bring to the process to conclude that they should be fully implemented this year.

#### Related Statutory Pay Systems

As mentioned previously, table 3 in Appendix A shows the General Schedule pay rates which provide comparability with private enterprise pay rates as shown by the 1976 PATC Survey.

Table 4 shows the similarly adjusted pay rates for the schedules in section 4107 of title 38, United States Code, relating to physicians dentists, nurses, and certain other employees in the Department of Medicine and Surgery of the Veterans Administration.

Table 5 shows the adjusted pay rates for the schedules in sections 412 and 415 of the Foreign Service Act of 1946, as amended (22 U.S.C. 867 and 22 U.S.C. 870(a)), relating to Foreign Service officers and staff.

The pay rates in Tables 4 and 5 are related to the pay rates of the General Schedule in the same way they have been in the past. In previous reports, we indicated there were unresolved questions about the relationships between the two Foreign Service schedules and the General Schedule. Many of the very complicated issues have been narrowed down, and we hope to have a satisfactory resolution of the State Department linkage question within the next year. Consequently, we have not altered the established pay relationships of these schedules.

Table 6 shows the new rates for the Executive Schedule. The \$39,600 figure shown for level V is based upon the average General Schedule increase of 4.83 percent. This salary would become the new statutory salary ceiling for the General Schedule rates under this adjustment. It should be noted that the increases in the Executive Schedule, since they are based upon the overall average General Schedule increase, will be less than the comparability-determined adjustment for many of the upper grades. Consequently three additional step rates of the General Schedule will have been affected by the statutory ceiling. When the new General Schedule is implemented, all the rates of GS-16, GS-17, and GS-18 will be limited by the statutory ceiling, as well as the top four steps of GS-15.

Costs

The cost, stated on an annual basis, of implementing the pay adjustments for the 1.4 million civilian employees under the statutory pay systems is estimated as follows:

(Millions of Dollars)

| <u>Statutory Pay Systems</u>                    | <u>Basic Pay</u> | <u>Fringe Benefits<br/>and Premium Pay</u> | <u>Totals*</u> |
|---|------------------|--|----------------|
| General Schedule                                | \$1,079.9        | \$125.0                                    | \$1,204.9      |
| Department of Medicine<br>and Surgery schedules | 28.0             | 3.9  | 31.9           |
| Foreign Service schedules                       | 15.6             | 2.0  | 17.6           |
| Totals*   | \$1,123.5        | \$131.0                                    | \$1,254.4      |

\*Because of rounding, individual items may not sum to totals.

Under Public Law 94-82, rates of pay for the Executive Schedule, Members of Congress, Federal judges, and certain other top Federal officials will also be increased by the overall percentage of the adjustment made to the General Schedule rates. In addition, certain other employees whose pay is fixed by administrative action normally receive pay adjustments corresponding to General Schedule adjustments. We estimate the cost of these pay adjustments to be \$33.3 million.

Under section 1009 of title 37 of the United States Code, members of the uniformed services will receive an adjustment in their basic pay and certain allowances comparable to the overall average General Schedule adjustment. We estimate the cost of this military pay adjustment for the uniformed services to be \$1,071.0 million.

Therefore, we estimate the total annualized cost of the pay adjustment to be \$2,358.7 million.

### Role and Views of the Federal Employees Pay Council

The members of the Federal Employees Pay Council during most of the past year were Mr. Vincent L. Connery, President of the National Treasury Employees Union; Mr. Richard M. Galleher, Research Director of the Public Employee Department of the AFL-CIO; Mr. Dennis Garrison, Executive Vice President of the American Federation of Government Employees; Mr. Clyde M. Webber, President of the American Federation of Government Employees; and Dr. Nathan T. Wolkowir, President of the National Federation of Federal Employees.

Upon the untimely death in June of Mr. Webber, who had served on the Pay Council since its inception, Mr. Garrison succeeded to the Presidency of the AFGE and assumed the Pay Council chair vacated by Mr. Webber. Mr. Thomas E. Swain was appointed Executive Vice President of the AFGE and assumed Mr. Garrison's seat on the Pay Council.

Following the 1975 adjustment, our representatives began meeting with the Pay Council on a weekly basis.

#### --Secretary and Computer Operator

Several meetings and staff-level technical discussions were devoted to attempts to resolve the issue of including the Secretary and Computer Operator occupations in the PATC Survey. (A discussion of this issue was included in our 1975 report on the comparability adjustment.) Although we had agreed with the Council in February 1975 to submit this issue to a third party for a binding decision, the Justice Department later advised us that it would be legally impermissible for us to agree to be bound by the decision of a third party as to whether these jobs should be returned to the PATC Survey.

Our efforts to reach agreement with the Council on alternative non-binding third party arrangements were unsuccessful. Intensive joint restudy of the survey job definitions and related materials was then undertaken to see if we could resolve the issue bilaterally. When these efforts proved similarly unsuccessful, we issued a formal statement (attached as Appendix D) announcing our decision to return these jobs to the Survey and to use the pay data they produced in the 1976 comparability determination.

The Pay Council then brought suit in the U.S. District Court on January 8 seeking a determination that our February 1975 agreement was legally permissible. This suit was dismissed by Judge Gerhard A. Gesell on March 16, 1976. The Pay Council then appealed this decision to the U.S. Court of Appeals; as of this writing, that Court has not yet rendered its judgment.



--Methodological Changes

In November we furnished the Pay Council with a major portion of the draft report of the Pay Rate Determination study. This dealt with the question of weighting the PATC Survey data. In February, the sections dealing with the type of curve and curve-fitting criteria were provided to the Council.

The initial staff draft had been prepared as a basis for thorough exploration of the questions and issues by the Council members and our representatives, and did not include specific recommendations. However, at the later request of the Council, specific staff proposals were formulated and presented on April 19 to the Pay Council.

During subsequent deliberations a variety of computations and analyses were provided by our staff, based upon assumptions and projections requested by the Council. These examined implications of data variations under the proposed new weighting and curve fitting methodologies. A number of "time-series" analyses were prepared to illustrate how the new methods would have worked over a period of several years. Additionally, in order to assess the impact of the methodological changes on the upcoming 1976 adjustment, hypothetical paylines were run under a variety of data combinations, based upon a Council estimate of the average private industry pay increase during the survey year (the PATC survey had not yet been completed).

The results of these analyses were considered by our representatives to be fully consistent with the findings of earlier staff studies as reflected in the report under discussion, and to be fully supportive of the proposed changes. The Council disagreed.

Subsequently our representatives enlisted the assistance of three Government experts in statistical processes and asked them to examine independently the proposals in light of the Council's objections. The three experts were selected from Federal agencies not otherwise involved in the comparability process.

In summary, the conclusion reached by this panel of experts was that weighting the private sector salary averages using the number of Federal employees should be used for calculating input data for the payline computation, and that the PATCO methodology was an appropriate procedure to accomplish this. Other technical conclusions of the staff report were also supported by this panel.

The Pay Council believes that the PATCO weighting methodology is a valid concept, but concluded that it is presently "defective, incomplete, and premature," and should not be adopted. The Pay Council proposed instead that the 1976 adjustment be computed by use of the old methodology, or by a system of "indexation." The old methodology would produce an aggregate payroll increase of 8.25 percent rather than the 5.17 percent presented herein.

On July 19, when we met with the Council, one of its members, Mr. Connery, stood firmly for the 8.25 percent increase produced by the old methodology and insisted that this amount be given as a flat, across-the-board adjustment at each grade. The other four members, while agreeing that this was the proper amount, said that they would reluctantly agree to "split the difference" (between the old and new methodologies) and accept a 6.7 percent increase, provided that it was made across-the-board.

Splitting the difference would be, in effect, phasing the change in over a two-year period. Introducing a methodological change by a transitional phasing process was the course which was followed when the Dual Payline was adopted in 1973 but this was done because of special circumstances that year. Complete adoption of the Dual Payline in 1973 would have resulted in an adjustment of only 3.4 percent at a time when inflation was beginning to rise toward double digit levels. Today the proposed adjustment is considerably larger and the inflationary spiral has been reversed. For this reason we were unable to accept this part of the Pay Council majority's proposal.

Flattening a graduated percentage adjustment proposal was the course of action we adopted last year at the Council's urging but we see no reason for such a decision this year. In fact, one of the principal reasons we accepted the idea last year was that the particular graduated pattern to which the Council objected resulted from techniques (the "old" methodology) which we ourselves contemplated replacing. The new methodology also shows a graduated pattern of increases, but these reflect the actual differences in the raw data. There is no justification for the substitution of a flat increase which will undo the accuracy which the new methodology has achieved.

A policy decision to flatten an increase which comparability has caused to be graduated always leaves an uncorrected residual, and merely prolongs the day of reckoning when correction will require an even "steeper" line. Moreover, its effect is to "redistribute" a portion of the increases which comparability has determined are appropriate for the middle and upper grades to lower grades where true comparability produces lesser amounts. For these reasons we have not been able to accept this portion of the Pay Council's proposal.

Consequently we have decided that the proposed methodological changes should be implemented immediately. The lack of any uncorrected residual next year will permit the 1977 adjustment to reflect accurately the changes in pay levels which will have occurred in the private sector.

#### --Council Resignations

On August 11, we transmitted a draft of portions of this report to the Federal Employees Pay Council so that they could prepare their formal statement for inclusion in it. On receipt of this draft, which formally announced our decision to introduce the methodological reforms this year, Mr. Garrison and Mr. Swain (of the AFGE) and Mr. Galleher (of the AFL-CIO) submitted their resignations from the Pay Council. These three former members have prepared a formal statement of their position (which is partially subscribed to by Dr. Wolkomir) and this has been included in full as Appendix F. Their letters of resignation are also part of this appendix. Their statement recounts the discussion of various increase proposals at our July 19 meeting but does not make a specific recommendation.

#### --Council Statement

The formal report of the two remaining members of the Pay Council is included as Appendix B. Dr. Wolkomir has joined Mr. Connery in signing this statement which recommends the adoption of the 8.2 percent increase which would result from the use of the old methodology. It is to be assumed that this proposal is not for the graduated pattern of increases produced by the actual application of the old methodology, but for the application of that overall amount at each grade on an across-the-board basis.

Both the statement of the former Council members and the formal report of the remaining Council members include excerpts from a paper which the full five-member Pay Council submitted to us on June 29 which presented their technical objections to the proposed methodological changes. At the Council's request, we prepared a response to this paper. The full text of both of these technical papers is included as Appendix C.

#### --Summary

We very much regret that some of the members of the Pay Council chose to resign because of their disagreement with us over changes in the pay comparability process. Their action does not, however, alter the nature of the substantive technical issues involved, or our responsibility to implement reforms when they are clearly necessary for the continued integrity of the process.

Role of Employee Organizations Not Represented on  
The Federal Employees Pay Council

The views and recommendations of employee organizations not represented on the Federal Employees Pay Council appear as Appendix E of this report.

Last year we reported that we planned to schedule more meetings with the non-Council organizations so that we could present them with the changes proposed as a result of the Pay Rate Determination study after they had been thoroughly explored with the Pay Council.

Unfortunately these discussions with the Pay Council became very protracted and it was not until June 18 that we could furnish the non-Council organizations with a copy of the draft Pay Rate Determination paper. On July 9, we transmitted paylines and tabulations showing several of the alternative weighting methods and types of curves discussed in the paper, based upon the 1976 PATC Survey data which had just been received.

Representatives from 12 of these organizations attended a meeting held on July 20 to discuss the proposed changes in methodology. Written statements were received from twelve organizations, one of which, the National Federation of Professional Organizations, represents eight other organizations which did not provide separate comments.

In general, most of these organizations were opposed to the weighting proposals, because they produce lower rates of pay. The Federal Professional Association, however, did endorse the PATCO weighting of the grade averages, but did not believe the payline calculation itself should be proportionately weighted because that alone tends to flatten the payline. This organization also objected to the new curve type because it produces lower (theoretical) rates for the supergrades where there are no Survey data and the line is simply extrapolated.

Of the organizations which commented on the graduated increase pattern, five endorsed it heartily, while the National Association of Government Employees called it "unconscionable".

The Association of Civilian Technicians called for a \$1000 increase for each Federal employee this year, rather than a comparability adjustment.

Role of the Advisory Committee on Federal Pay

In December 1975, the Report to the President of the President's Panel on Federal Compensation (the "Rockefeller Panel") recommended that "[t]he President's Agent, the Federal Employees Pay Council, and the Advisory Committee on Federal Pay should meet jointly on a regular basis throughout the year to discuss and resolve the issues in the pay-setting process, with a view toward formulating a common recommendation to the President."

This recommendation was immediately implemented. Seeing its role as principally mediatory, the Advisory Committee engaged the consulting services of an experienced labor relations mediator from the private sector. He has attended several of our meetings with the Pay Council and has assisted in sharpening the definition of the issues which separate us and the Council, and in focusing attention upon the points to be resolved.

Because of the highly technical nature of the methodological changes this year, the Advisory Committee also engaged the consulting services of a statistician who was for many years an official of the Bureau of Labor Statistics. He and the Committee's Executive Director have been attending our Pay Council meetings on a regular basis.

In addition there have been several meetings attended by the Advisory Committee members themselves.

Because of the very deep disagreement of the Pay Council with our proposed methodological changes, and the subsequent resignations of some of the members, it is clear that there can be nothing approaching a "common recommendation" this year. However, we believe the joint efforts during the past few months have been most useful, particularly in acquainting the Advisory Committee and its staff with the technical issues well in advance of the time when they must render an independent judgment on this year's proposed adjustment.

We are optimistic that, in future years, the enlarged role of the Advisory Committee will make a substantial contribution to the entire process.

Appendix A

Tables

Table 1 - 1976 Private Enterprise Rates and  
PATCO Weighting Tabulation

Table 2 - Computation of General Schedule Pay Rates

Table 3 - General Schedule

Table 4 - Department of Medicine and Surgery Schedules

Table 5 - Foreign Service Schedules

Table 6 - Executive, Legislative and Judicial Salaries

Table 1  
1976 Private Enterprise Rates  
and  
PATCO Weighting Calculation

|                          | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|--------------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| GS-1                     |                        |                          |  |                               |                                       |
| <u>Clerical</u>          |                        |                          |  |                               |                                       |
| File Clerk I             | \$5875                 | 61.2%                    |  |                               |                                       |
| Messenger                | 6676                   | 38.8                     |  |                               |                                       |
|                          |                        | <u>100.0</u>             | \$6186                                   | 100.0%                        | <u>\$6186</u>                         |
| GS-2                     |                        |                          |  |                               |                                       |
| <u>Clerical</u>          |                        |                          |  |                               |                                       |
| File Clerk II            | 6637                   | 16.4                     |  |                               |                                       |
| Keypunch Operator I      | 7660                   | 9.8                      |  |                               |                                       |
| Typist I                 | 6827                   | 73.8                     |  |                               |                                       |
|                          |                        | <u>100.0</u>             | 6877                                     | 100.0                         | <u>6877</u>                           |
| GS-3                     |                        |                          |  |                               |                                       |
| <u>Technical</u>         |                        |                          |  |                               |                                       |
| Drafter-Tracer           | 8369                   | 25.6                     |  |                               |                                       |
| Engineering Technician I | 9064                   | 74.4                     |  |                               |                                       |
|                          |                        | <u>100.0</u>             | 8886                                     | 13.6                          |                                       |
| <u>Clerical</u>          |                        |                          |  |                               |                                       |
| Accounting Clerk I       | 7636                   | 1.8                      |  |                               |                                       |
| File Clerk III           | 8205                   | 8.6                      |  |                               |                                       |
| Keypunch Operator II     | 8811                   | 11.4                     |  |                               |                                       |
| Keypunch Supervisor I    | 9939                   | (2)                      |  |                               |                                       |
| General Stenographer     | 8472                   | 7.3                      |  |                               |                                       |
| Typist II                | 7975                   | 70.8                     |  |                               |                                       |
|                          |                        | <u>100.0</u>             | 8121                                     | <u>86.4</u><br>100.0          | <u>8225</u>                           |

See footnotes at end of table.

GS-4

|                        | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|------------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| <u>Technical</u>       |                        |                          |  |                               |                                       |
| Accounting Clerk II    | \$9652                 | 34.5%                    |  |                               |                                       |
| Drafter I              | 9763                   | 14.8                     |  |                               |                                       |
| Engineering Technician | 10841                  | 38.1                     |  |                               |                                       |
| Computer Operator I    | 7761                   | 12.6                     |  |                               |                                       |
|                        |                        | <u>100.0</u>             | \$9884                                   | 20.4%                         |                                       |
| <u>Clerical</u>        |                        |                          |  |                               |                                       |
| Accounting Clerk II    | 9652                   | 13.0                     |  |                               |                                       |
| Keypunch Supervisor II | 11470                  | 0.7                      |  |                               |                                       |
| Secretary I            | 8882                   | 16.1                     |  |                               |                                       |
| Senior Stenographer    | 9445                   | 70.2                     |  |                               |                                       |
|                        |                        | <u>100.0</u>             | 9394                                     | <u>79.6</u><br>100.0          | <u>\$9494</u>                         |

GS-5

|                            |       |              |       |                      |              |
|----------------------------|-------|--------------|-------|----------------------|--------------|
| <u>Professional</u>        |       |              |       |                      |              |
| Accountant I               | 11453 | 14.8         |       |                      |              |
| Auditor I                  | 11769 | 32.0         |       |                      |              |
| Chemist I                  | 12473 | 6.1          |       |                      |              |
| Engineer I                 | 13918 | 47.1         |       |                      |              |
|                            |       | <u>100.0</u> | 12777 | 2.3                  |              |
| <u>Administrative</u>      |       |              |       |                      |              |
| Buyer I                    | 11732 | 100.0        |       |                      |              |
| Job Analyst I              | (3)   | ---          |       |                      |              |
|                            |       | <u>100.0</u> | 11732 | 4.9                  |              |
| <u>Technical</u>           |       |              |       |                      |              |
| Buyer I                    | 11732 | 28.9         |       |                      |              |
| Computer Operator II       | 8774  | 31.5         |       |                      |              |
| Drafter II                 | 12029 | 11.6         |       |                      |              |
| Engineering Technician III | 12268 | 28.0         |       |                      |              |
|                            |       | <u>100.0</u> | 10981 | 26.2                 |              |
| <u>Clerical</u>            |       |              |       |                      |              |
| Keypunch Supervisor III    | 12815 | 1.0          |       |                      |              |
| Secretary II               | 9641  | 99.0         |       |                      |              |
|                            |       | <u>100.0</u> | 9673  | <u>66.6</u><br>100.0 | <u>10189</u> |

See footnotes at end of table.



|                           | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|---------------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| GS-6                      |                        |                          |  |                               |                                       |
| <u>Technical</u>          |                        |                          |  |                               |                                       |
| Computer Operator III     | \$10162                | 100.0%                   | \$10162                                  | 33.2%                         |                                       |
| <u>Clerical</u>           |                        |                          |  |                               |                                       |
| Keypunch Supervisor IV    | 14883                  | 0.5                      |  |                               |                                       |
| Secretary III             | 10413                  | 99.5                     |  |                               |                                       |
|                           |                        | <u>100.0</u>             | 10435                                    | <u>66.8</u><br><u>100.0</u>   | <u>\$10344</u>                        |
| GS-7                      |                        |                          |  |                               |                                       |
| <u>Professional</u>       |                        |                          |  |                               |                                       |
| Accountant II             | 13394                  | 14.9                     |  |                               |                                       |
| Auditor II                | 13427                  | 24.3                     |  |                               |                                       |
| Chemist II                | 14077                  | 7.3                      |  |                               |                                       |
| Engineer II               | 15184                  | 53.5                     |  |                               |                                       |
|                           |                        | <u>100.0</u>             | 14409                                    | 12.1                          |                                       |
| <u>Administrative</u>     |                        |                          |  |                               |                                       |
| Buyer II                  | 14200                  | 83.3                     |  |                               |                                       |
| Job Analyst II            | 13559                  | 16.7                     |  |                               |                                       |
|                           |                        | <u>100.0</u>             | 14093                                    | 19.2                          |                                       |
| <u>Technical</u>          |                        |                          |  |                               |                                       |
| Buyer II                  | 14200                  | 10.3                     |  |                               |                                       |
| Computer Operator IV      | 11881                  | 32.7                     |  |                               |                                       |
| Drafter III               | 15288                  | 7.2                      |  |                               |                                       |
| Engineering Technician IV | 14178                  | 49.8                     |  |                               |                                       |
|                           |                        | <u>100.0</u>             | 13509                                    | 58.3                          |                                       |
| <u>Clerical</u>           |                        |                          |  |                               |                                       |
| Keypunch Supervisor V     | (3)                    | ---                      |  |                               |                                       |
| Secretary IV              | 11442                  | 100.0                    |  |                               |                                       |
|                           |                        | <u>100.0</u>             | 11442                                    | <u>10.4</u><br><u>100.0</u>   | <u>13513</u>                          |

See footnotes at end of table.

|                          | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|--------------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| GS-8                     |                        |                          |  |                               |                                       |
| <u>Technical</u>         |                        |                          |  |                               |                                       |
| Computer Operator V      | \$13523                | 100.0%                   | \$13523                                  | 81.1%                         |                                       |
| <u>Clerical</u>          |                        |                          |  |                               |                                       |
| Secretary V              | 12342                  | 100.0                    | 12342                                    | <u>18.9</u><br>100.0          | <u>\$13300</u>                        |
| GS-9                     |                        |                          |  |                               |                                       |
| <u>Professional</u>      |                        |                          |  |                               |                                       |
| Accountant III           | 15428                  | 13.7                     |  |                               |                                       |
| Attorney I               | 15413                  | 3.2                      |  |                               |                                       |
| Auditor III              | 16059                  | 28.9                     |  |                               |                                       |
| Chemist III              | 16589                  | 11.1                     |  |                               |                                       |
| Engineer III             | 17482                  | <u>43.1</u><br>100.0     | 16624                                    | 20.0                          |                                       |
| <u>Administrative</u>    |                        |                          |  |                               |                                       |
| Buyer III                | 17122                  | 80.1                     |  |                               |                                       |
| Job Analyst III          | 16091                  | <u>19.9</u><br>100.0     | 16917                                    | 39.3                          |                                       |
| <u>Technical</u>         |                        |                          |  |                               |                                       |
| Computer Operator VI     | 15038                  | 13.0                     |  |                               |                                       |
| Engineering Technician V | 16086                  | <u>87.0</u><br>100.0     | 15950                                    | <u>40.7</u><br>100.0          | <u>16465</u>                          |
| GS-11                    |                        |                          |  |                               |                                       |
| <u>Professional</u>      |                        |                          |  |                               |                                       |
| Accountant IV            | 18738                  | 7.9                      |  |                               |                                       |
| Attorney II              | 18667                  | 6.2                      |  |                               |                                       |
| Auditor IV               | 19952                  | 26.0                     |  |                               |                                       |
| Chemist IV               | 20429                  | 7.4                      |  |                               |                                       |
| Chief Accountant I       | 20460                  | 2.0                      |  |                               |                                       |
| Engineer IV              | 20749                  | <u>50.5</u><br>100.0     | 20225                                    | 37.7                          |                                       |
| <u>Administrative</u>    |                        |                          |  |                               |                                       |
| Buyer IV                 | 20075                  | 48.9                     |  |                               |                                       |
| Job Analyst IV           | 19142                  | 41.1                     |  |                               |                                       |
| Personnel Director I     | 18193                  | <u>10.0</u><br>100.0     | 19503                                    | <u>62.3</u><br>100.0          | <u>19776</u>                          |

See footnotes at end of table.

|                        | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|------------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| GS-12                  |                        |                          |  |                               |                                       |
| <u>Professional</u>    |                        |                          |  |                               |                                       |
| Accountant V           | \$23402                | 5.9%                     |  |                               |                                       |
| Attorney III           | 24205                  | 8.5                      |  |                               |                                       |
| Chemist V              | 24099                  | 5.8                      |  |                               |                                       |
| Chief Accountant II    | 22753                  | 2.6                      |  |                               |                                       |
| Engineer V             | 24082                  | <u>77.2</u>              |  |                               |                                       |
|                        |                        | 100.0                    | \$24019                                  | 43.0%                         |                                       |
| <u>Administrative</u>  |                        |                          |  |                               |                                       |
| Personnel Director II  | 21720                  | 100.0                    |  |                               |                                       |
|                        |                        |                          | 21720                                    | <u>57.0</u>                   |                                       |
|                        |                        |                          |  | 100.0                         | <u>\$22708</u>                        |
| GS-13                  |                        |                          |  |                               |                                       |
| <u>Professional</u>    |                        |                          |  |                               |                                       |
| Attorney IV            | 29828                  | 11.5                     |  |                               |                                       |
| Chief Accountant III   | 28136                  | 3.2                      |  |                               |                                       |
| Chemist VI             | 28868                  | 5.4                      |  |                               |                                       |
| Engineer VI            | 27737                  | <u>79.9</u>              |  |                               |                                       |
|                        |                        | 100.0                    | 28051                                    | 48.4                          |                                       |
| <u>Administrative</u>  |                        |                          |  |                               |                                       |
| Personnel Director III | 26845                  | 100.0                    |  |                               |                                       |
|                        |                        |                          | 26845                                    | <u>51.6</u>                   |                                       |
|                        |                        |                          |  | 100.0                         | <u>27429</u>                          |
| GS-14                  |                        |                          |  |                               |                                       |
| <u>Professional</u>    |                        |                          |  |                               |                                       |
| Attorney V             | 36308                  | 17.0                     |  |                               |                                       |
| Chemist VII            | 33559                  | 5.3                      |  |                               |                                       |
| Chief Accountant IV    | 33916                  | 5.0                      |  |                               |                                       |
| Engineer VII           | 30850                  | <u>72.7</u>              |  |                               |                                       |
|                        |                        | 100.0                    | 32074                                    | 53.5                          |                                       |
| <u>Administrative</u>  |                        |                          |  |                               |                                       |
| Personnel Director IV  | 33060                  | 100.0                    |  |                               |                                       |
|                        |                        |                          | 33060                                    | <u>46.5</u>                   |                                       |
|                        |                        |                          |  | 100.0                         | <u>32533</u>                          |

See footnotes at end of table

|                       | <u>Job<br/>Average</u> | <u>Job<br/>Weight(1)</u> | <u>Weighted<br/>Category<br/>Average</u> | <u>Category<br/>Weight(1)</u> | <u>Weighted<br/>Grade<br/>Average</u> |
|-----------------------|------------------------|--------------------------|--|-------------------------------|---------------------------------------|
| <u>Professional</u>   |                        |                          |  |                               |                                       |
| Attorney VI           | \$43747                | 29.3%                    |  |                               |                                       |
| Chemist VIII          | 40723                  | 5.8                      |  |                               |                                       |
| Engineer VIII         | 36236                  | 64.9                     |  |                               |                                       |
|                       |                        | <u>100.0</u>             | \$38696                                  | 100.0%                        |                                       |
| <u>Administrative</u> |                        |                          |  |                               |                                       |
| Personnel Director V  | (3)                    | ---                      | ---                                      | ---                           |                                       |
|                       |                        |                          |  | <u>100.0</u>                  | <u>\$38696</u>                        |

Footnotes:

- (1) Percentage weights are shown rounded to the nearest 1/10 of a percent and then forced to total to 100; actual calculations utilized a very high degree of precision.
- (2) Less than 1/10 of one percent, but included in the actual calculation.
- (3) Data for this job did not meet BLS' statistical criteria for publication in 1976.

Table 2

Computation of General Schedule Pay Rates

| Grade | Private Enterprise (PATC) Payline |                             |                 | General Schedule Payline             |                             |   | Increases Needed           |  |                             |
|-------|-----------------------------------|-----------------------------|-----------------|--------------------------------------|-----------------------------|---|----------------------------|--|-----------------------------|
|       | PATC<br>Average<br>Salaries       | Intergrade<br>Differentials | PATC<br>Payline | Current<br>GS<br>Average<br>Salaries | Intergrade<br>Differentials | Current<br>Average<br>Salary<br>Payline | Current<br>Step 1<br>Rates | Difference<br>Between<br>PATC & GS<br>Paylines | Proposed<br>Step 1<br>Rates |
| GS-1  | \$6,186                           | ---                         | \$6,352         | \$5,658                              | ---                         | \$6,078                                 | \$5,559                    | 4.51%  | \$5,810                     |
| 2     | 6,877                             | ---                         | 7,212           | 6,487                                | ---                         | 6,909                                   | 6,296                      | 4.39   | 6,572                       |
| 3     | 8,225                             | 28.450                      | 8,160           | 7,617                                | 28.702                      | 7,823                                   | 7,102                      | 4.30   | 7,408                       |
| 4     | 9,494                             | ---                         | 9,201           | 8,881                                | ---                         | 8,826                                   | 7,976                      | 4.25   | 8,316                       |
| 5     | 10,189                            | 26.735                      | 10,341          | 10,139                               | 26.808                      | 9,920                                   | 8,925                      | 4.24   | 9,303                       |
| 6     | 10,344                            | ---                         | 11,583          | 11,411                               | ---                         | 11,109                                  | 9,946                      | 4.27   | 10,370                      |
| 7     | 13,513                            | 25.043                      | 12,931          | 12,429                               | 24.942                      | 12,395                                  | 11,046                     | 4.33   | 11,523                      |
| 8     | 13,300                            | ---                         | 14,387          | 14,145                               | ---                         | 13,778                                  | 12,222                     | 4.42   | 12,763                      |
| 9     | 16,465                            | 23.373                      | 15,953          | 15,037                               | 23.103                      | 15,258                                  | 13,482                     | 4.55   | 14,097                      |
| 10    | ---                               | ---                         | 17,631          | 17,092                               | ---                         | 16,835                                  | 14,824                     | 4.72   | 15,524                      |
| 11    | 19,776                            | 21.725                      | 19,419          | 18,288                               | 21.292                      | 18,507                                  | 16,255                     | 4.93   | 17,056                      |
| 12    | 22,708                            | 20.100                      | 23,322          | 21,848                               | 19.507                      | 22,117                                  | 19,386                     | 5.45   | 20,442                      |
| 13    | 27,429                            | 18.496                      | 27,636          | 26,009                               | 17.748                      | 26,042                                  | 22,906                     | 6.12   | 24,308                      |
| 14    | 32,533                            | 16.914                      | 32,311          | 30,541                               | 16.015                      | 30,213                                  | 26,861                     | 6.94   | 28,725                      |
| 15    | 38,696                            | 15.353                      | 37,271          | 35,636                               | 14.308                      | 34,536                                  | 31,309                     | 7.92   | 33,789                      |
| 16    | ---                               | 13.813                      | 42,419          | ---                                  | 12.626                      | 38,897                                  | 36,338                     | 9.06   | 39,629*                     |
| 17    | ---                               | 12.293                      | 47,634          | ---                                  | 10.969                      | 43,163                                  | 42,066*                    | 10.36  | 46,423*                     |
| 18    | ---                               | 10.793                      | 52,775          | ---                                  | 9.336                       | 47,192                                  | 48,654*                    | 11.83  | 54,410*                     |

NOTE: All figures rounded independently; actual computations utilized a very high degree of precision.

\*Actual rates limited to the rate for level V of the Executive Schedule which, under this adjustment, would become \$39,600.

Table 3

General Schedule Rates to Provide  
Comparability with 1976 Private Enterprise Pay

|      | 1       | 2       | 3       | 4       | 5       | 6       | 7       | 8       | 9       | 10      |
|------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| GS-1 | \$5,810 | \$6,004 | \$6,198 | \$6,392 | \$6,586 | \$6,780 | \$6,974 | \$7,168 | \$7,362 | \$7,556 |
| 2    | 6,572   | 6,791   | 7,010   | 7,229   | 7,448   | 7,667   | 7,886   | 8,105   | 8,324   | 8,543   |
| 3    | 7,408   | 7,655   | 7,902   | 8,149   | 8,396   | 8,643   | 8,890   | 9,137   | 9,384   | 9,631   |
| 4    | 8,316   | 8,593   | 8,870   | 9,147   | 9,424   | 9,701   | 9,978   | 10,255  | 10,532  | 10,809  |
| 5    | 9,303   | 9,613   | 9,923   | 10,233  | 10,543  | 10,853  | 11,163  | 11,473  | 11,783  | 12,093  |
| 6    | 10,370  | 10,716  | 11,062  | 11,408  | 11,754  | 12,100  | 12,446  | 12,792  | 13,138  | 13,484  |
| 7    | 11,523  | 11,907  | 12,291  | 12,675  | 13,059  | 13,443  | 13,827  | 14,211  | 14,595  | 14,979  |
| 8    | 12,763  | 13,188  | 13,613  | 14,038  | 14,463  | 14,888  | 15,313  | 15,738  | 16,163  | 16,588  |
| 9    | 14,097  | 14,567  | 15,037  | 15,507  | 15,977  | 16,447  | 16,917  | 17,387  | 17,857  | 18,327  |
| 10   | 15,524  | 16,041  | 16,558  | 17,075  | 17,592  | 18,109  | 18,626  | 19,143  | 19,660  | 20,177  |
| 11   | 17,056  | 17,625  | 18,194  | 18,763  | 19,332  | 19,901  | 20,470  | 21,039  | 21,608  | 22,177  |
| 12   | 20,442  | 21,123  | 21,804  | 22,485  | 23,166  | 23,847  | 24,528  | 25,209  | 25,890  | 26,571  |
| 13   | 24,308  | 25,118  | 25,928  | 26,738  | 27,548  | 28,358  | 29,168  | 29,978  | 30,788  | 31,598  |
| 14   | 28,725  | 29,683  | 30,641  | 31,599  | 32,557  | 33,515  | 34,473  | 35,431  | 36,389  | 37,347  |
| 15   | 33,789  | 34,915  | 36,041  | 37,167  | 38,293  | 39,419  | 40,545* | 41,671* | 42,797* | 43,923* |
| 16   | 39,629* | 40,950* | 42,271* | 43,592* | 44,913* | 46,234* | 47,555* | 48,876* | 50,197* |         |
| 17   | 46,423* | 47,970* | 49,517* | 51,064* | 52,611* |         |         |         |         |         |
| 18   | 54,410* |         |         |         |         |         |         |         |         |         |

\*The rate of basic pay for employees at these rates would be limited by section 5308 of title 5 of the United States Code to the rate for level V of the Executive Schedule which, under this adjustment, would become \$39,600.

Table 4

Department of Medicine and Surgery Schedules

Section 4103 Schedule

|   | <u>Minimum</u> | <u>Maximum</u> |
|---|----------------|----------------|
| Chief Medical Director                  | (single rate)  | \$61,015***    |
| Deputy Chief Medical Director           | (single rate)  | 58,531**       |
| Associate Deputy Chief Medical Director | (single rate)  | 56,062*        |
| Assistant Chief Medical Director        | (single rate)  | 54,410*        |
| Medical Director                        | \$46,423*      | 52,611*        |
| Director of Nursing Service             | 46,423*        | 52,611*        |
| Director of Chaplain Service            | 39,629*        | 50,197*        |
| Director of Pharmacy Service            | 39,629*        | 50,197*        |
| Director of Dietetic Service            | 39,629*        | 50,197*        |
| Director of Optometry                   | 39,629*        | 50,197*        |

Physician and Dentist Schedule

|                    | <u>Minimum</u> | <u>Maximum</u> |
|--------------------|----------------|----------------|
| Director grade     | \$39,629*      | \$50,197*      |
| Executive grade    | 36,593         | 47,573*        |
| Chief grade        | 33,789         | 43,923*        |
| Senior grade       | 28,725         | 37,347         |
| Intermediate grade | 24,308         | 31,598         |
| Full grade         | 20,442         | 26,571         |
| Associate grade    | 17,056         | 22,177         |

Nurse Schedule

|                          | <u>Minimum</u> | <u>Maximum</u> |
|--------------------------|----------------|----------------|
| Director grade           | \$33,789       | \$43,923*      |
| Assistant Director grade | 28,725         | 37,347         |
| Chief grade              | 24,308         | 31,598         |
| Senior grade             | 20,442         | 26,571         |
| Intermediate grade       | 17,056         | 22,177         |
| Full grade               | 14,097         | 18,327         |
| Associate grade          | 12,131         | 15,767         |
| Junior grade             | 10,370         | 13,484         |

\*Limited by law to the rate for level V of the Executive Schedule which, under this adjustment, would become \$39,600.

\*\*Limited by law to the rate for level IV of the Executive Schedule which, under this adjustment, would become \$41,800.

\*\*\*Limited by law to the rate for level III of the Executive Schedule which, under this adjustment, would become \$44,000.

Table 5

Foreign Service Schedules

|       | 1         | 2         | 3         | 4         | 5         | 6         | 7         |
|-------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| FSO-1 | \$51,226* | \$52,934* | \$54,410* |           |           |           |           |
| 2     | 39,341    | 40,652*   | 41,963*   | \$43,274* | \$44,585* | \$45,896* | \$47,207* |
| 3     | 30,674    | 31,696    | 32,718    | 33,740    | 34,762    | 35,784    | 36,806    |
| 4     | 24,308    | 25,118    | 25,928    | 26,738    | 27,548    | 28,358    | 29,168    |
| 5     | 19,601    | 20,254    | 20,907    | 21,560    | 22,213    | 22,866    | 23,519    |
| 6     | 16,096    | 16,633    | 17,170    | 17,707    | 18,244    | 18,781    | 19,318    |
| 7     | 13,478    | 13,927    | 14,376    | 14,825    | 15,274    | 15,723    | 16,172    |
| 8     | 11,523    | 11,907    | 12,291    | 12,675    | 13,059    | 13,443    | 13,827    |

|       | 1        | 2        | 3        | 4        | 5        | 6        | 7        | 8        | 9        | 10        |
|-------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| FSS-1 | \$30,674 | \$31,696 | \$32,718 | \$33,740 | \$34,762 | \$35,784 | \$36,806 | \$37,828 | \$38,850 | \$39,872* |
| 2     | 24,308   | 25,118   | 25,928   | 26,738   | 27,548   | 28,358   | 29,168   | 29,978   | 30,788   | 31,598    |
| 3     | 19,601   | 20,254   | 20,907   | 21,560   | 22,213   | 22,866   | 23,519   | 24,172   | 24,825   | 25,478    |
| 4     | 16,096   | 16,633   | 17,170   | 17,707   | 18,244   | 18,781   | 19,318   | 19,855   | 20,392   | 20,929    |
| 5     | 14,402   | 14,882   | 15,362   | 15,842   | 16,322   | 16,802   | 17,282   | 17,762   | 18,242   | 18,722    |
| 6     | 12,893   | 13,323   | 13,753   | 14,183   | 14,613   | 15,043   | 15,473   | 15,903   | 16,333   | 16,763    |
| 7     | 11,547   | 11,932   | 12,317   | 12,702   | 13,087   | 13,472   | 13,857   | 14,242   | 14,627   | 15,012    |
| 8     | 10,346   | 10,691   | 11,036   | 11,381   | 11,726   | 12,071   | 12,416   | 12,761   | 13,106   | 13,451    |
| 9     | 9,273    | 9,582    | 9,891    | 10,200   | 10,509   | 10,818   | 11,127   | 11,436   | 11,745   | 12,054    |
| 10    | 8,316    | 8,593    | 8,870    | 9,147    | 9,424    | 9,701    | 9,978    | 10,255   | 10,532   | 10,809    |

\*The rate of basic pay for employees at these rates would be limited by section 5308 of title 5 of the United States Code to the rate for level V of the Executive Schedule which, under this adjustment, would become \$39,600.



Table 6

Executive, Legislative, and Judicial Salaries

|                                     |          |
|-------------------------------------|----------|
| Vice-President of the United States | \$68,800 |
|-------------------------------------|----------|

The Executive Schedule

|           |          |
|-----------|----------|
| Level I   | \$66,000 |
| Level II  | 46,800   |
| Level III | 44,000   |
| Level IV  | 41,800   |
| Level V   | 39,600   |

Legislative Salaries

|   |          |
|---|----------|
| Speaker of the House of Representatives | \$68,800 |
|---|----------|

|  |        |
|--|--------|
| President pro tempore of the Senate and<br>the majority and minority leaders of<br>the Senate and House of Representatives | 54,500 |
|--|--------|

|   |        |
|---|--------|
| Senators, Members of the House of<br>Representatives, Delegates to the<br>House of Representatives, and the<br>Resident Commissioner from Puerto Rico | 46,800 |
|---|--------|

Judicial Salaries

|                                    |          |
|------------------------------------|----------|
| Chief Justice of the United States | \$68,800 |
|------------------------------------|----------|

|   |        |
|---|--------|
| Associate Justices of the Supreme Court | 66,000 |
|---|--------|

|  |        |
|--|--------|
| Circuit Judges, Judges of the Court of<br>Claims, and Judges of the Court of<br>Customs and Patent Appeals | 46,800 |
|--|--------|

|  |        |
|--|--------|
| District Judges and Judges of the<br>Customs Court | 44,000 |
|--|--------|

|   |        |
|---|--------|
| Commissioners of the Court of Claims<br>and the maximum salary for full-<br>time Referees in Bankruptcy | 39,600 |
|---|--------|

TAB

B

Appendix B

Views of the  
Federal Employees Pay Council

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F E D E R A L E M P L O Y E E S P A Y C O U N C I L

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(ESTABLISHED UNDER PUBLIC LAW NO. 91-656)

\*\*\*\*

Mr. Vincent Connery, National Treasury Employees Union  
Dr. Nathan Wolkomir, National Federation of Federal Employees

Washington, D. C.  
August 17, 1976

MEMORANDUM FOR THE PRESIDENT'S PAY AGENT  
AND  
ADVISORY COMMITTEE ON FEDERAL PAY

In compliance with the requirements of Section 5305 of Title 5, United States Code, wherein the views and recommendations of the Federal Employees Pay Council are to be included in the annual report to the President prior to his determining the October pay adjustment, the remaining members of said Pay Council respectfully submit the following report for consideration.

Necessity forces us to summarize the frustrating experiences of this past year, in particular, in attempting via weekly meetings with representatives of the Pay Agent to improve a system that by law is required to determine pay for a work force that represents approximately 1.5 million white collar employees and approximately 2.5 million military personnel. It is our contention that none of the principles set forth in the Federal Pay Comparability Act of 1970 have been met by the Agent's technical recommendations to the President. They are:

- (1) Equal pay for substantially equal work,
- (2) Pay distinctions in keeping with work and performance distinctions,
- (3) Comparable pay rates for the same levels of work; and
- (4) That interrelated pay levels for the statutory pay systems be effected.

A full year of effort merely produced the need for greater scrutiny of the weekly meetings by the Presidential Advisory Committee, their retaining a professional mediator to attend all meetings, and the need for a lawsuit in an attempt to make the Pay Agent more responsive to their responsibility.

Despite the Council's efforts, the President's Pay Agent consistently operated "from unwarranted assumptions to preconceived conclusions." The new methodologies developed by the Agent all conveniently fell into the basic "caps" proposed by the President in his budget message to Congress. In our opinion, the introduction of the unilaterally determined Secretary and Computer Operator definitions and the new methodology involving the "PATCO" weighting system and "SGH" paylines, were all part of the Agent's scheme to arrive at directed and preconceived conclusions.

If the sole purpose of retaining a larger and expensive staff of statisticians both by the C.S.C. and the Office of Management and Budget is to "steer the ship of state on a course directed by their captain" despite Bureau of Labor statistics findings, despite the law, and despite

expensive surveys, this is certainly the time for all taxpayers to be made aware of how their taxes are being misused because "the ship of state is reading a chart" that has been contaminated by political and not equitable considerations.

The Federal Pay Comparability Act of 1970 was enacted to provide comparability with private enterprise pay and not to satisfy the whims or economic philosophies of any one individual or group of individuals. The Bureau of Labor Statistics in its release of July 7, 1976 clearly enunciated "White Collar Pay up 7 percent, March, 1975-March, 1976." The BLS strongly stated that it was "the second largest increase recorded in the 16 years that PATC pay has been surveyed." They also indicated an average increase of 7.3% for the lower paid "Clerical and Clerical Supervisory occupations" and an average of 6.7% for the "Professional Administrative and Technical Support occupations."

How then can the Agent recommend an aggregate salary dollar increment of 5.17% with a spread of 4.24% to 11.83% in the upper grades? The changes in methodology were conveniently employed to provide the preconceived spread. Thus weighting as employed, the use of the Secretary and Computer Operator Definitions, the PATCO and SGH Curves, were all used to accomodate the "Captains' Preconceived Chart and Directed Course."

It would be futile at this late stage to repeat one year's discourse on the Pay Agent proposals, the minutes of the weekly meetings would disclose

the frustrated attempts to play the game of gambit. On June 29, 1976 the Federal Employees Pay Council submitted their criticisms of the "PACTO" and "SGH" pay techniques. Although 1975 BLS figures were used because only these figures were available to service test for discussion purposes these newly developed weighting techniques and methodology, the basic objections are applicable to any figure used. We thus requote these objections as follows as part of this report.

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F E D E R A L E M P L O Y E E S P A Y C O U N C I L

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(ESTABLISHED UNDER PUBLIC LAW NO. 91-656)

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SUMMARY OF OBJECTIONS TO PATCO AND SGH PAY TECHNIQUE

The Federal Employees Pay Council has been requested by the Pay Agent to prepare a summary statement of the Council's objections to the specific formulation of PATCO weighting concept, as prepared by Agent's representatives staff, as well as the Council's objection to the SGH dual payline methodology.

COUNCIL FAVORS PROPER WEIGHTING

At the outset, the Council wishes to repeat that it was the first body calling for a change in the present so-called "equal weighting system." In fact, the Council challenged this designation of "equal weighting" as a misnomer. It pointed out that in fact the "equal weighting" technique gave 60 times the weight to the BLS data incorporated at GS-1 in relation to the BLS data entered at GS-5.

Moreover, the Council indicated that there were several alternative systems of weighting which it would like to review with the Agent. These should be reviewed expeditiously as to concept, theory and practicality and the merits of the alternatives fundamentally evaluated as quickly as possible.



## II

The Council agreed that one of the promising alternatives, at least in concept, was PATCO. The Council still regards this as potentially one of the fruitful systems of weighting, provided that the concept is implemented both in the collection of the pay data by the BLS as well as in the computation of the pay lines.

The Council stressed further that the weighting techniques employed in private and Federal sectors and in the construction of both the slopes of the Dual payline system should be identical and comprehensive in formulation so as to take into account the realities and dynamics of both the private and the Federal workforces.

To assure proper weighting, the Council proposed that joint studies be initiated to interrelate grade and step rate paylines and to ascertain what anomalies or special characteristics determined pay at the different levels of difficulty of work, both in the private and in the Federal sector.

The Council proposed these studies to assure the closest comparability approximations possible between Federal and private enterprise pay rates so as to determine both the proper global pay increases due to the entire Federal workforce, and the equitable distribution to each individual by grade and step. In the latter regard, the intergrade differentials needed careful analysis, to avoid distortions and maldistributions.

The Council regrets that the Agent has not responded to the many requests for studies of other weighting systems besides PATCO. For this reason, the Council believes the comparability process has been deprived

### III

of that fuller review which it deserves.

The Council reiterates, as it did at the June 9, 1976 meeting with the Pay Agent's representatives, that the minutes of past meetings are replete with the systematic objections the Council developed to the specific curve fitting process and to the particular and selective judgments used in implementing the PATCO concept.

Most importantly, the Council has sought to emphasize in the past that the so-called PATCO methodology prepared by the Agent's staff seriously deviates from the PATCO concept to which the Agent and the Council had previously subscribed as an appropriate alternative to be studied jointly by both parties. On this understanding, the Council transmits the attached paper, which is designed primarily to deal with the technical failures to incorporate the essential characteristics of the PATCO concept in the Agent's specific project. As for the SGH line, the Council notes that a great expenditure of resource was applied, without any serious consideration being given to the Council's own proposals for weighting within a system of constant integrate differential.

Nevertheless, since the PATCO concept has been accepted, in principle, by both the Agent and the Council as one of the likely, fruitful concepts, the principal issue regarding PATCO between them now relates to the adequacy of the actual model being proposed -- in short, is it sufficiently developed or is it still defective, incomplete or premature?

#### IV

The Council believes the attached analysis shows that it is in fact still defective, incomplete and premature and not yet ready for utilization in setting Federal pay.

PATCO System Problems - Categorization,  
Classification and Job Definitions for Pay Surveys

The PATCO concept has been accepted in principle by both the Agent and the Council. Thus, the issue relates primarily to the proper definition of the criteria by which any specific formulation of the PATCO concept must be tested before implementation. The version of PATCO presented by the Agent is, regrettably, primarily predicated on the Commission's staff technical paper of March, 1975, titled Report On The Occupational Representativeness Of The PATC Survey. This Report, even in its present modified form fails to meet the most essential criteria before implementation can be achieved.

The categorical subdivision of the established Federal occupations requires, at the minimum, a review of at least the following unresolved matters:

- (1) proper subdivision of certain occupational series into two or more categories;
- (2) existence of counterpart positions in the private sector to those in Federal sector particularly in the "Other" category;
- (3) the limitation on the use of PATCO categories;
- (4) frequent changes in percentage adjustment in a given job, series and grade in a survey definition, thus excluding that portion of the Federal workforce not covered by the specific definition;

(5) whether adequate survey definitions could be developed for certain occupations;

(6) absence of well defined principles and procedures for development, test and maintenance review of survey definitions; and

(7) total absence of "Other" occupations in the PATCO BLS survey.

Unless and until these problems are overcome, the validity of the specific formula of PATCO concept is subject to challenge and repudiation.

1. Assignment of Occupational series to the five categories.

The existing Federal classification occupational grouping and series does not readily permit the categorization into one of the five categories. The most significant limitation to using PATCO groupings is that their application to specific occupations involves the use of a certain amount of judgment which cannot be quantified (Staff report, page 5).

It is also recognized that certain occupations may have questionable PATCO categorizations (Ibid, page 5).

When it issued a staff paper--Tentative Staff Plan For Maintenance of PATCO Weighting, dated March 10, 1976, the Commission has itself recognized that extensive use has been made of judgmental determinations, which have not been reviewed or tested by the Council, and which have considerable influence on the weights and consequently on the payline.

The staff paper further emphasized that "We believe these determinations, once made, would have a great deal of long-term stability, and would be reviewed on a stated cycle--perhaps every third to fifth year, except as indicated below."

It is obvious that the judgmental determinations have not been the object of critical, analytic scrutiny, thus they do not have that validity, which they might have acquired had they not been the product designed in closed session. For example, the staff paper has avoided a fundamental legal and policy issue--is not the splitting of an occupational series into two or more categories inconsistent with basic principles of the classification program, and contrary to statute (5 U.S.C. Ch. 51).

The Commission, under its classification program, published criteria covering General Information, Background and Instructions on position classification standards (TS 76-Aug. 68). Included therein is an explanation of terms used in position classification, and the relationship of technical occupations to those recognized as professional.

The following extracts of terminological definitions are considered pertinent to the question of arbitrary categorization of occupational classification series; and dividing such series into two or more categories.

- (b) Class of positions - A "class of positions" is a group of all individual positions that are sufficiently alike, as to (1) kind or subject matter of work, (2) level of difficulty and responsibility, and

(3) qualification requirements of the work, to warrant like treatment in carrying out the usual personnel processes, such as fixing pay, testing, selection, transfer, and promotion. A "class" is the smallest subdivision into which the many positions subject to the provisions of the Classification Act of 1949, as amended, are grouped. Hence, it is the occupational unit described in position-classification standards developed and published for guidance in classifying individual positions.

- (c) Series of classes - A "series" or "series of classes" is a subdivision of an occupational group, consisting of one or more classes of positions similar as to specialized line of work but differing in difficulty or responsibility of work, and therefore in grade and salary range. A series of classes may be thought of as composed of classes in the most natural line of promotion.

The Council takes exception also to the proposed occupation alignment in the Technical category, particularly at grade GS-7 and above; further, it finds unacceptable the definitions constructed for each of the PATCO categories. (Refer to Appendix C-subject report.)

Apparently, the Commission elected arbitrarily to subdivide a number of occupational series between two categories, not on the basis of any valid criteria, i.e., work, responsibility, or qualifications, but strictly on the question of grade level.

For example, the subject staff study proposes to divide the Miscellaneous Inspection Series, GS-1899, as follows: Grades GS-3 through 6, Clerical category; Grades GS-7 through 10, Technical category; and Grades GS-11 and above in the Administrative category.

This subdivision of the Miscellaneous Series, GS-1899, was further

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confirmed by the Commission in a memorandum to the Council dated March 22, 1976; subject: PATCO Categories. The Council had requested a justification for this division of each of the 21-GS series into two or more categories.

These determinations allegedly were made by the Standards Division, BPS; however, the legal citation (5 U.S.C. 5105) used as the authority is not consistent with the provisions of the cited reference.

Title 5, Section 5105 pertains to Commission authority to develop and publish classification standards, defining various classes of positions in terms of duties, responsibilities and qualification requirements. It does not grant, nor has the Commission previously invoked, authority to divide classification standards into two or more categories. To do this the Commission prior to implementing this PATCO formula would have to publish separate classification standards for clerical, technical and administrative categories, e.g., Accounts Maintenance Clerical Series, GS-520; Accounting Technician Series, GS-525; and Accounting Series, GS-510.

The Commission concedes that assignments of occupational series to the various categories was determined by the Standards Division, and based on occupational knowledge. In many instances, however, they were not predicated on published classification standards or comparable guides, and certainly not on position descriptions of individual positions. And it is not supported by tabulation runs produced by the Central Personnel Data File (CPDF).



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Yet, this occupational series, as the name implies, is a Miscellaneous or "catchall" series where no other series in the Investigation Group, GS-1800, is appropriate for the allocation of jobs. There are no classification standards for this series. Since the Commission does not have access to specific position descriptions, it is impossible to comprehend any basis for dividing this series into 3-PATCO categories.

Further, the CPDF tabulation for September, 1975, lists the Miscellaneous Inspection Series, GS-1899, under "other" category.

If the March 22, 1976 memo is indicative of the many changes in the PATCO listings provided the Council, then there is need for a more intensive review of the occupational categories and proper assignment to a particular PATCO category or categories. It is questionable whether the 21 General Series can be divided into several PATCO categories strictly by grade level. The position classification standards not only represent the various classes or bands of typical work assignments, degrees of responsibilities, and qualifications, but is also indicative of the normal progression in career development.

2. Existence of counterpart positions in the private sector.

Although the Agent's representatives, through the Classification Division, assigned all identifiable G. S. occupational series to the several categories, the validity of such action was considered questionable even by the authors

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of March, 1975 staff technical paper on occupational representativeness of the PATC survey.

The Congress, in 1973, authorized funds for a study of the entire pay comparability process, including representativeness. In a prelude to the PATCO proposal, it was emphasized that the PATC occupational survey job list could be improved by selecting occupations to reflect better the occupational composition of the Federal workforce. This would require, most of all, as a precondition for any further changes in the payline, the proper introduction into the BLS survey of those occupations which the Commission now collectively describes as "Other". In the absence of such previous action, producing BLS data in these "Other" occupations, the importance of the GAO criticism is not addressed properly but handled superficially, at the cost of credibility.

There is no question that the Agent's staff proposal does not provide a BLS PATCO system and that it will continue to be premature and incomplete until the "Other" category occupations are included in the BLS survey. In the past several years, even the PATC survey was not truly representative of the Federal occupations, both in terms of grade and population. It should not, however, have meant abolition of an ongoing system and implementation of an incomplete system alleged to be PATCO. Until framework of the BLS portion of the PATC system has been transformed into PATCO, the most we could do is to have further studies to analyze the heavily populated Federal occupations in relation to their counterpart in the private sector, and to

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ascertain the feasibility of developing identifiable work level definitions for collection of pay data.

Under the formulation of the PATCO concept, unfortunately, the several hundred Federal occupations have been hastily divided into 5 categories, with the "Other" being a catch-all. This categorization is admittedly not valid today since the occupations do not readily identify with a specific category. Further, certain occupations were split among the categories. Many of the occupations were placed in the "Other" category for lack of a more appropriate assignment.

The "Other" category, as defined by the Agent's staff, contains a heterogeneous group of occupations without ascertaining whether occupational counterparts exist and to what degree in the private sector. The coverage ranges from Student Trainees in the professional occupations to miscellaneous inspection and border patrol activities. Many occupations support recognized professional groups, such as Nursing Assistants and Physicians Assistants.

Under the Federal classification system the support occupations are identified with related professional, technical and clerical work within a major subdivision identified as an "Occupational Group". These major occupational subdivisions identify with recognized professions, i.e.: within each group there are specializations, such as Physicians Assistant Series, GS-603 and Nursing Assistant, Series, GS-621.

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The population of the "Other" category, as of Sept. 30, 1975 was 89,429 Federal employees in forty occupations. This is approximately 7 percent of the total GS workforce. The proper allocation of this 7 percent into weighting by grades has not been reviewed by the Agent's staff, especially as they affect the GS grades (6, 8, 10) where BLS matches are particularly important. Recognizing that there are two heavily populated occupations -- Fire Protection and Prevention, GS-081 and Police, GS-083, it is highly questionable whether counterpart positions exist in the private sector to the degree necessary to warrant survey coverage.

There are other occupations identified in the PATCO categories which exist exclusively in the Federal Government. There are no private sector counterpart positions in certain occupations such as Internal Revenue Agent, GS-512; Military Personnel Clerical and Technician, GS-204, Military Pay, GS-545; Social Insurance Claims Examiner, GS-993; Immigration Inspection, GS-1816; Customs Inspection, GS-1890 and related customs work in similar series.

Aside from the objection to the "Other" category and the fact that, thus far, there have been no job definitions developed and service tested to warrant continuation of this category, the study report proposes development of definitions contrary to the basic principles of both classification and pay setting practices.

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Under the section on Implementation of Recommendations, with subsection titled -- Adoption of PATCO Matrix Job Selection Procedures, (Page 11) is the following extract -- "If the work cannot be completed within a year, it would be preferable to develop definitions by PATCO category, rather than by grade, because many of the survey definitions, of course, will span a number of General Schedule grades."

The Civil Service Commission recognized the need for development of job survey definitions (in contrast to occupational series definition covering a range of grades) identifying specific grades or work levels, by issuance of a position paper (undated) titled "Plan for Developing and Revising PATC Definitions with the FEPC".

Thus the proposed PATCO job selection procedures are inconsistent with the above reference in terms of job definition development. It is a basic requirement that any survey definitions reflect levels of work, in order to ascertain comparability between Federal and the Private Sector as to levels of work and pay.

Statistical Objections To PATCO And Pay Fitting Techniques

The Council must state quite frankly that the number of changes made in the weighting system, and in the PATCO component of the weighting system, over the last three or four months has made the Agent's original staff work inconsistent and contradictory. Set forth below is a statistical critique of the weighting, PATCO and SGH curve fitting methodology. The many mis-statements, unexamined assumptions and resulting questionable infrequency of this system are outlined below.

The Council strongly believes that what is at stake here is the preservation of the comparability system. As Table I shows, the effects of the implementation of the dual payline in 1973 combined with the projected effects of implementation of the SGH line and the new weighting system including PATCO is to reduce, and perhaps even vitiate, the effects of past efforts to establish a proper relationship between the wage movements in the Federal sector and the wage movements of the Federal employees' counterparts in the private sector. One need only look at the BLS data collected to see that the wage movements over the last four years including the estimated '76 movements for each of the different occupations in the BLS survey have been radically and totally different than the wage movements that the Federal workers have been receiving and will receive in October of 1976 under the proposed new "techniques" of setting pay rates.

Table 2

1976 Federal Pay Increase Possibilities  
(Includes Secretary and Computer Operator Definitions)

| Methodology<br>1969-1972<br>4th Step | <u>PATC Input</u>                       | <u>Using PATCO Input</u>     |         |
|--------------------------------------|---|------------------------------|---------|
|                                      | D-P<br>Current System<br>1973 - Present |                              | SGH     |
| 9.24                                 | 4.58                                    | GS-1                         | 5.37    |
| 9.19                                 | 5.34                                    | -3                           | 4.18    |
| 9.13                                 | 6.09                                    | -5                           | 3.46    |
| 9.08                                 | 6.97                                    | -7                           | 3.22    |
| 9.02                                 | 7.66                                    | -9                           | 3.44    |
| 8.97                                 | 8.48                                    | -11                          | 4.13    |
| 8.86                                 | 10.15                                   | -13                          | 6.97    |
| 8.74                                 | 11.86                                   | -15                          | 11.89   |
| (8.57)                               | (14.52)                                 | (18)                         | (23.83) |
| 8.98%                                | 8.22%                                   | <u>Averages<br/>Weighted</u> | 5.05%   |

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For instance, between the end of October of 1972 and May of 1976 the Average Hourly Earnings Index measuring private sector wage movements increased by 30.9% while Federal workers pay increased by less than 16%. Using the estimates proposed by the PATCO-SGH payline proposal, the October '76 comparability adjustment of a GS-7 worker will be only an increase of 3.22%. That will mean over the four year period since the end of October of 1972 this worker will have received comparability adjustments of about 19%, whereas his counterpart as reflected in the Average Hourly Earnings Index based upon the current rate of increase will have enjoyed an overall pay rate increase from the end of October of 1972 to October of 1976 of 34%.

The inequity is obvious; the effect upon productivity and morale of Federal employees is obvious; however, most unfortunately, the system that created this chaos is extremely complex and is not obvious.

The Agent's representatives proposal consists of four separate weighting systems. The Council will specify each of the four weighting systems and summarize our objections to them.

#### I. Four Weighting Systems Contained in Agent's Representatives Proposal

##### A. Weighting of the GS Payline Deviations by the Federal Grade Level Population

The Council has previously expressed its reservations on the paylines of the Agent, which the Council considers as imposed on it. Nevertheless, given this continuing reservation, if the Agent adheres to the dual payline



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construct, the Council would agree that weighting of the Federal payline deviations by the Federal grade population is a proper modification. It is obvious, as the Agent pointed out in its summary, that such weighting prevents a 3% error at GS-1 in one direction being compensated by a 3% error at GS-5 in the opposite direction. As is well known, the size of the GS-1 and GS-5 grade populations vary by a ratio of a least 50 to 1. Therefore, the Council is in agreement with this procedure. However, consistency demands that the same weighting of deviations should take place in the PATC survey payline. In fact, if the dual payline were eliminated, then this weighting system should only be used on the single payline generated from the private sector BLS PATC data.

B. Weighting of BLS Private Enterprise PATC Payline by a Partial Federal Category Weights

The Agent's representatives, dealing with the same problems enumerated above elected to weight the deviations in the private enterprise payline by the category population for professional, administrative, technical, and clerical; thereby completely ignoring the nonuniform distribution of the "Other" category in the several GS grade levels. In effect, this allows the inability of Federal jobs to be categorized as either P, A, T, or C, to influence and, in fact, to change the pay comparability income that would otherwise be afforded Federal<sup>1</sup> employees. This is an extremely arbitrary decision by the Agent's representatives. This system seems to be an attempt

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to make the weighting system "more scientific." In actual fact, the weighting of the PATC payline by partial category weights rather than the grade weights simply becomes a barometer pointing to the weakness of the entire category weighting system. That is, partial category weighting of deviations does not deal with the entire Federal workforce. It is not a weighting system that reflects the composition of the private enterprise nor is it a weighting system that equally nor completely reflects the composition of the Federal workforce.

C. The Third System of Weighting by the Mean Step

Since 1973 there has been an implicit assumption that the average step that is in the GS sector properly reflects the average step in the BLS private enterprise survey. The Council rejects the propriety of this notion. However, the Council realizes that the Agent, the Advisory Committee and the President have accepted this system. Therefore, the Council asks that if indeed this assumption is to remain the basis for pay setting as it has since 1973 that it be applied equally and fairly within the Agent's representatives proposal for the PATCO weighting system.

The assumption that the private enterprise has the same mean step on average as the Federal government is not precise. It seems only logical that if we are to go to the "scientific system of PATCO" that one should also ascribe the mean step of each specific job within the PATCO weighting system and adjust the salary computed accordingly. Failing to do so is

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failing to complete the implied methodology within PATCO which can be done without any changes in the BLS survey. The data is presently available to determine the mean steps corresponding to each of the jobs that are surveyed within the PATCO categories. If this adjustment was made, which would complete the methodology of the Agent's system to the extent currently possible given the inadequacies of the BLS survey and the inadequacies of the cell structures of the PATCO categories, then the PATCO system would have more validity, though it would still be improper.

The Council strongly urges that if the Agent must continue to make the mean step assumption it implements it consistently. That is, either the Agent immediately drop the dual line recognizing that the assumption concerning the mean step is invalid, or the Agent carries this assumption to its logical conclusions which is to adopt the mean step for each of the jobs within the BLS survey as reflected in the Federal sector if it adopts this PATCO weighting system. To do less is to arbitrarily choose only those aspects of a complete weighting system which will depress the payline rather than those aspects of weighting which would allow a fair determination of Federal pay within the concept of a new methodology which is, however invalid, at least internally consistent.

#### D. Substitution of PATCO Salary Average for BLS Survey Results

Above we have listed the reasons why the weighting systems are statistically

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invalid in the new proposal by the Agent's representatives. However, in order to further outline the problems that exist within the PATCO system let us assume for the moment that this system were implemented. Assuming it is to be used in pay setting for October of 1976 many practical problems and operational difficulties will be encountered. The Council notes that the PATCO weighting system is improper because of its incompleteness and the fact that it is not a scientifically drawn system with statistical significance.

#### 1. Implications of the PATCO System Assuming It Is Adopted

There are currently some 79 job definitions matched by the BLS to produce the PATC survey results. Basic to the PATCO system is a judgmental determination as to which workers represented in the different GS series exactly match each of these BLS private enterprise job definitions, (as elaborated upon in the previous section). The practical implication of this system is the requirement that two methods of job matching are involved. As in the past, the BLS must match private sector jobs to the definitions in the PATC survey. But, unlike the past, the Civil Service Commission must in turn use the same definitions to match part or all of particular GS series job to that specific definition. In protracted discussions between the Council and the Agent during the spring of 1976 it became quite apparent that such job matching involved in the main judgmental decisions. The constant revision of these 79 value judgments will cause payline fluctuations.

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This produces a situation where pay rates in the comparability system, far from being more scientifically determined are based upon a maze of at least 79 additional value judgments that were not necessary under the old system.

The Council, for its part, believes that value judgments should enter into the pay comparability process only at the policy level; that value judgments are necessary to consider the effects of a pay raise upon the morale, productivity, and standard of living of the Federal workforce, particularly at the lower GS grades. The Council objects to the implementation of a supposedly "scientific system" which is constructed upon subjective judgments without any method of validation.

## 2. The Nonscientific Nature of the PATCO System

The entire measured PATC categories amounts to only 25% of the entire Federal GS workforce. A sample of 25% could easily be large enough to adequately reflect its universe if it were drawn scientifically and weighted to the total universe in a statistically valid manner.

The Agent's representatives pointed out that the PATCO system involves a two-stage sampling process which they state is analogous to the CPI Index computed by the BLS. The fact that the PATCO system uses a two-stage sampling process is obvious. But more important than the two-stage system is the fact that state one is not based upon valid statistical sampling theory. The BLS

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in computing the CPI picks its "cell" sample within a category in a valid statistical manner to properly reflect the particular category component of the CPI. Then the weight of that particular component within the consumer budget is established based upon past consumer's survey practices. Finally, the finished CPI Index is derived. The most unfortunate difference between the BLS CPI statistical system and that which the Agent's representatives are thrusting upon employees in the Federal government is that the latter system, though it resembles the CPI, is not statistically valid.

At the GS-1 level only the clerical category is surveyed with the two cells surveyed comprising only 10.7% of the category size at GS-1 for clerical. None of the remaining categories are surveyed though the technical component of GS-1 comprises almost 12% of the GS-1 workforce. Similarly, at GS-2 the surveyed jobs are only clerical with the cells comprising 51% of the category population. Although over 13% of the GS-2 workforce is technical, there is no technical survey cell.

At GS-4 both clerical and technical categories are surveyed within the BLS PATC survey. In the first case the cell jobs surveyed by PATC represents 21% of clerical category population, whereas the technical cell represents only 6.5%. At the GS-5 level these dichotomies are even greater. For instance, the clerical cell population is 22.1% of the category population, the technical is 36.3%, the professional is 51.8% but the administrative cell population is only 3.8%.

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Further examples abound within the PATCO system. At GS-11 only the administrative and professional categories are measured even though technical workers comprise almost 16% of this level's workforce. The professional cell is 47.8% of the category population whereas the administrative surveyed cell is only 1.9% of the administrative category population.

Further examples of the totally arbitrary size of the survey cell relative to the category population are shown in Table II. The Pay Council challenges the Agent's representatives to show how this system which allows the cell populations to vary from 1.9% to over 50% of the category population are selected in a statistically valid and statistically meaningful manner.

The assertion that this proposed weighting system is analogous to the valid survey used by BLS in computing the CPI is cosmetic. The CPI is a scientifically drawn sample, properly weighted up to reflect the universe of the category and then properly weighted to reflect the family budget components. In contrast, PATCO ignores one of five major categories -- OTHER. Secondly, PATCO arbitrarily surveys different percentages of cell sizes for different PATC categories. Thirdly, PATCO ignores some Federal categories. Finally, PATCO assigns the weight of the category population to the private enterprise payline salaries regardless of the appropriateness of the cell composition to reflect the category population.

PATCO produces, in short, in its present form scientific nonsense.

TABLE 11

## PATCO CATEGORY WEIGHTING PATTERNS - March 1976

| GRADE LEVEL | CATEGORIES      |                  |                       |                     |
|-------------|-----------------|------------------|-----------------------|---------------------|
|             | <u>Clerical</u> | <u>Technical</u> | <u>Administrative</u> | <u>Professional</u> |
| GS-1        | 9.31<br>(10.7)  |                  |                       |                     |
| GS-2        | 1.96<br>(51.0)  |                  |                       |                     |
| GS-3        | 1.75<br>(57.1)  |                  |                       |                     |
| GS-3        |                 | 2.36<br>(42.3)   |                       |                     |
| GS-4        | 4.74<br>(21.0)  |                  |                       |                     |
| GS-4        |                 | 15.38<br>(6.5)   |                       |                     |
| GS-5        | 4.51<br>(22.1)  |                  |                       |                     |
| GS-5        |                 | 2.75<br>(36.3)   |                       |                     |
| GS-5        |                 |                  | 25.67<br>(3.8)        |                     |
| GS-5        |                 |                  |                       | 1.93<br>(51.8)      |
| GS-6        | 3.14<br>(31.8)  |                  |                       |                     |
| GS-6        |                 | 20.98<br>(6.76)  |                       |                     |
| GS-7        | 1.64<br>(60.97) |                  |                       |                     |
| GS-7        |                 | 9.60<br>(10.4)   |                       |                     |
| GS-7        |                 |                  | 32.73<br>(3.0)        |                     |
| GS-7        |                 |                  |                       | 2.79<br>(35.8)      |
| GS-8        | 1.79<br>(55.8)  |                  |                       |                     |
| GS-8        |                 | 19.08<br>(5.25)  |                       |                     |
| GS-9        |                 | 4.84<br>(20.6)   |                       |                     |
| GS-9        |                 |                  | 39.99<br>(2.3)        |                     |
| GS-9        |                 |                  |                       | 3.08<br>(32.47)     |
| GS-11       |                 |                  | 51.76<br>(91.97)      |                     |
| GS-11       |                 |                  |                       | 2.09<br>(47.8)      |
| GS-12       |                 |                  | 272.80<br>(.36)       |                     |
| GS-12       |                 |                  |                       | 1.95<br>(31.2)      |
| GS-13       |                 |                  | 108.33<br>(.92)       |                     |
| GS-13       |                 |                  |                       | 1.88<br>(53.1)      |
| GS-14       |                 |                  | 72.17<br>(.01)        |                     |
| GS-14       |                 |                  |                       | 1.86<br>(53.7)      |
| GS-15       |                 |                  | 42.96<br>(2.32)       |                     |
| GS-15       |                 |                  |                       | 2.07<br>(48.3)      |

The number in parentheses ( ) indicates the percentage that a survey cell population constitutes of its corresponding category universe. The number above this is the resultant multiplier.



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Conceptually it has some validity but its implementation at this point and time because of its incompleteness is totally invalid.

### Conclusion

The Federal Employees Pay Council has summarized its strong objections to the implementation of the Agent's representatives proposal for a weighting system including PACTO, the SGH curve and the dual payline construct. If the PATCO two-stage sampling system were drawn in a method truly analogous to the BLS CPI survey with scientifically constructed survey cells, properly reflecting their respective category's universe and then in turn the category survey weighted up to the grade level we would not find fault statistically with the conceptual basis of the system. This, of course, would presupposed that the system PATCO would also be measured by the BLS rather than the BLS solely measuring PATC. Further, the Council would have to be assured that the use of the mean step implied in the dual payline was consistently employed job by job, category by category, throughout the Federal sector structure or preferable totally discarded and abandoned by the Agent.

The most appropriate solution to the unusual distribution of pay increases, grade wise, would be to discard the "SGH" pay line. An interim solution, there should be no change whatsoever in methodology this year, or indexation should be basis for pay adjustment for 1976.

The Council notes that the Advisory Committee has endorsed, previously, the indexation method for determining pay adjustments.

### CONCLUSION

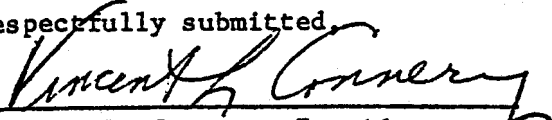
The Federal Employees Pay Council reiterates its long-standing position, enunciated time and again throughout this year. It asks at the minimal for no further departure this year from the methodology imposed upon it and Federal personnel through the Dual Pay Line.

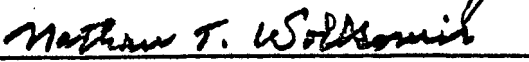
This Dual Pay Line methodology shows an estimated pay increase on October 1, 1976 of 8.2%. That 8.2% is computed on the basis of definitions of Secretary and Computer Operator to which the Council strongly objects. Thus, in accepting the 8.2% as a minimum, the Federal Employees Pay Council is granting, for the time being, a computation which the Federal courts may reverse.

The global 8.2% minimum can be derived also from the alternative formula suggested in 1974 by the Advisory Committee on Federal Pay -- a system of indexation.

Assuming the same March 1975 to March 1976 Hourly Earnings Index increase which the Agent used, the proper indexation should be to the 1975 base rate prior to the recommended 8.6% increase due in October 1975. Of this, 3.6% was lost through the 5.0% cap. Thus the proper current index rate would be 6.6% plus the lost 3.6% which give 10.2%. Conceding the same 2.0% decrease from the exclusion of the disputed Secretary and Computer Operator definitions in the BLS survey for 1975, the adjusted result would be 8.2%.

Respectfully submitted,

  
Vincent L. Connery, President  
National Treasury Employees Union

  
Nathan T. Wolkomir, President  
National Federation of Federal Employees

Appendix C

Federal Employees Pay Council

Paper of June 29, 1976

and Agents' Response Thereto

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F E D E R A L   E M P L O Y E E S   P A Y   C O U N C I L

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(ESTABLISHED UNDER PUBLIC LAW NO. 91-656)

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Mr. Richard Galleher, AFL-CIO, Chairman  
Mr. Vincent Connery, National Treasury Employees Union  
Mr. Dennis Garrison, American Federation of Government Employees  
Mr. Thomas E. Swain, American Federation of Government Employees  
Dr. Nathan Wolkomir, National Federation of Federal Employees

Washington, D.C.  
June 29, 1976

SUMMARY OF OBJECTIONS TO PATCO AND SGH PAY TECHNIQUE

The Federal Employees Pay Council has been requested by the Pay Agent to prepare a summary statement of the Council's objections to the specific formulation of PATCO weighting concept, as prepared by Agent's representatives staff, as well as the Council's objection to the SGH dual payline methodology.

COUNCIL FAVORS PROPER WEIGHTING

At the outset, the Council wishes to repeat that it was the first body calling for a change in the present so-called "equal weighting system". In fact, the Council challenged this designation of "equal weighting" as a misnomer. It pointed out that in fact the "equal weighting" technique gave 60 times the weight to the BLS data incorporated at GS-1 in relation to the BLS data entered at GS-5.

Moreover, the Council indicated that there were several alternative systems of weighting which it would like to

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review with the Agent. These should be reviewed expeditiously as to concept, theory and practicality and the merits of the alternatives fundamentally evaluated as quickly as possible.

The Council agreed that one of the promising alternatives, at least in concept, was PATCO. The Council still regards this as potentially as one of the fruitful systems of weighting, provided that the concept is implemented both in the collection of the pay data by the BLS as well as in the computation of the pay lines.

The Council stressed further that the weighting techniques employed in private and Federal sectors and in the construction of both the slopes of the Dual payline system should be identical and comprehensive in formulation so as to take into account the realities and dynamics of both the private and the Federal workforces.

To assure proper weighting, the Council proposed that joint studies be initiated to interrelate grade and step rate paylines and to ascertain what anomalies or special characteristics determined pay at the different levels of difficulty of work, both in the private and in the Federal sector.

The Council proposed these studies to assure the closest comparability approximations possible between Federal and private enterprise pay rates so as to determine both the proper global pay increases due to the entire Federal workforce,

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and the equitable distribution to each individual by grade and step. In the latter regard, the intergrade differentials needed careful analysis, to avoid distortions and maldistributions.

The Council regrets that the Agent has not responded to the many requests for studies of other weighting systems besides PATCO. For this reason, the Council believes the comparability process has been deprived of that fuller review which it deserves.

The Council iterates, as it did at the June 9, 1976 meeting with the Pay Agent's representatives, that the minutes of past meetings are replete with the systematic objections the Council developed to the specific curve fitting process and to the particular and selective judgments used in implementing the PATCO concept.

Most importantly, the Council has sought to emphasize in the past that the so-called PATCO methodology prepared by the Agent's staff seriously deviates from the PATCO concept to which the Agent and the Council had previously subscribed as an appropriate alternative to be studied jointly by both parties. On this understanding, the Council transmits the attached paper, which is designed primarily to deal with the technical failures to incorporate the essential characteristics of the PATCO concept in the Agent's specific project. As for the SGH line, the Council notes that a great expenditure of resource was applied, without any serious consideration being given to the Council's own proposals for weighting within a system of constant intergrade differential.

#### IV

Nevertheless, since the PATCO concept has been accepted, in principle, by both the Agent and the Council as one of the likely, fruitful concepts, the principal issue regarding PATCO between them now relates to the adequacy of the actual model being proposed -- in short, is it sufficiently developed or is it still defective, incomplete or premature?

The Council believes the attached analysis shows that it is in fact still defective, incomplete and premature and not yet ready for utilization in setting Federal pay.

PATCO System Problems - Categorization,  
Classification and Job Definitions for Pay Surveys

The PATCO concept has been accepted in principle by both the Agent and the Council. Thus, the issue relates primarily to the proper definition of the criteria by which any specific formulation of the PATCO concept must be tested before implementation. The version of PATCO presented by the Agent is, regrettably, primarily predicated on the Commission's staff technical paper of March 1975, titled Report On The Occupational Representativeness Of The PATC Survey. This Report, even in its present modified form fails to meet the most essential criteria before implementation can be achieved.

The categorical subdivision of the established Federal occupations requires, at the minimum, a review of at least the following unresolved matters:

- (1) proper subdivision of certain occupational series into two or more categories;
- (2) existence of counterpart positions in the private sector to those in Federal sector particularly in the "Other" category;
- (3) the limitation on the use of PATCO categories;
- (4) frequent changes in percentage adjustment in a given job, series and grade in a survey definition, thus excluding that portion of the Federal workforce not covered by the specific definition;



- (5) whether adequate survey definitions could be developed for certain occupations;
- (6) absence of well defined principles and procedures for development, test and maintenance review of survey definitions; and
- (7) total absence of "Other" occupations in the PATC BLS survey.

Unless and until these problems are overcome, the validity of the specific formula of PATCO concept is subject to challenge and repudiation.

1. Assignment of Occupational series to the five categories.

The existing Federal classification occupational grouping and series does not readily permit the categorization into one of the five categories. The most significant limitation to using PATCO groupings is that their application to specific occupations involves the use of a certain amount of judgment which cannot be quantified. (Staff report, page 5)

It is also recognized that certain occupations may have questionable PATCO categorizations. (Ibid, page 5)

When it issued a staff paper--Tentative Staff Plan For Maintenance of PATCO Weighting, dated March 10, 1976, the Commission has itself recognized that extensive use has been made of judgmental determinations, which have not been reviewed or tested by the Council, and which have considerable influence on the weights and consequently on the payline.

The staff paper further emphasized that "We believe these determinations, once made, would have a great deal of long-term stability, and would be reviewed on a stated cycle--perhaps every third to fifth year, except as indicated below."

It is obvious that the judgmental determinations have not been the object of critical, analytic scrutiny, thus they do not have that validity, which they might have acquired had they not been the product designed in closed session. For example, the staff paper has avoided a fundamental legal and policy issue--is not the splitting of an occupational series into two or more categories inconsistent with basic principles of the classification program, and contrary to statute (5 U.S.C. Ch. 51).

The Commission, under its classification program, published criteria covering General Information, Background and Instructions on position classification standards (TS 76-Aug. 68). Included therein is an explanation of terms used in position classification, and the relationship of technical occupations to those recognized as professional.

The following extracts of terminological definitions are considered pertinent to the question of arbitrary categorization of occupational classification series; and dividing such series into two or more categories.

- (b) Class of positions.--A "class of positions" is a group of all individual positions that are sufficiently alike, as to (1) kind or subject matter of work, (2) level of difficulty and responsibility, and (3) qualification

requirements of the work, to warrant like treatment in carrying out the usual personnel processes, such as fixing pay, testing, selection, transfer, and promotion. A "class" is the smallest subdivision into which the many positions subject to the provisions of the Classification Act of 1949, as amended, are grouped. Hence, it is the occupational unit described in position-classification standards developed and published for guidance in classifying individual positions.

- (c) Series of classes.--A "series" or "series of classes" is a subdivision of an occupational group, consisting of one or more classes of positions similar as to specialized line of work but differing in difficulty or responsibility of work, and therefore in grade and salary range. A series of classes may be thought of as composed of classes in the most natural line of promotion.

The Council takes exception also to the proposed occupation alignment in the Technical category, particularly at grade GS-7 and above; further, it finds unacceptable the definitions constructed for each of the PATCO categories. (Refer to Appendix C-subject report.)

Apparently, the Commission elected arbitrarily to subdivide a number of occupational series between two categories, not on the basis of any valid criteria, i.e., work, responsibility, or qualifications, but strictly on the question of grade level.

For example, the subject staff study proposes to divide the Miscellaneous Inspection Series, GS-1899, as follows: Grades GS-3 thru 6, Clerical category; Grades GS-7 thru 10, Technical category; and Grades GS-11 and above in the Administrative category.

This subdivision of the Miscellaneous Series, GS-1899, was further confirmed by the Commission in a memorandum to the Council dated March 22, 1976; subject: PATCO Categories. The Council had requested a justification for this division of each of the 21-GS series into two or more categories.

These determinations allegedly were made by the Standards Division, BPS; however, the legal citation (5 U.S.C. 5105) used as the authority is not consistent with the provisions of the cited reference.

Title 5, Section 5105 pertains to Commission authority to develop and publish classification standards, defining various classes of positions in terms of duties, responsibilities and qualification requirements. It does not grant, nor has the Commission previously invoked, authority to divide classification standards into two or more categories. To do this the Commission prior to implementing this PATCO formula would have to publish separate classification standards for clerical, technical and administrative categories, e.g., Accounts Maintenance Clerical Series, GS-520; Accounting Technician Series, GS-525; and Accounting Series, GS-510.

The Commission concedes that assignments of occupational series to the various categories was determined by the Standards Division, and based on occupational knowledge. In many instances, however, they were not predicated on published classification standards or comparable guides, and certainly not on position descriptions of individual positions. And it is

not supported by tabulation runs produced by the Central Personnel Data File (CPDF).

Yet, this occupational series, as the name implies, is a Miscellaneous or "catchall" series where no other series in the Investigation Group, GS-1800, is appropriate for the allocation of jobs. There are no classification standards for this series. Since the Commission does not have access to specific position descriptions, it is impossible to comprehend any basis for dividing this series into 3-PATCO categories.

Further, the CPDF tabulation for September 1975, lists the Miscellaneous Inspection Series, GS-1899, under "Other" category.

If the March 22, 1976 memo is indicative of the many changes in the PATCO listings provided the Council, then there is need for a more intensive review of the occupational categories and proper assignment to a particular PATCO category or categories. It is questionable whether the 21 General Series can be divided into several PATCO categories strictly by grade level. The position classification standards not only represent the various classes or bands of typical work assignments, degrees of responsibilities, and qualifications, but is also indicative of the normal progression in career development.

2. Existence of counterpart positions in the private sector.

Although the Agent's representatives, through the Classification Division, assigned all identifiable G.S.

occupational series to the several categories, the validity of such action was considered questionable even by the authors of March, 1975 staff technical paper on occupational representativeness of the PATC survey.

The Congress, in 1973, authorized funds for a study of the entire pay comparability process, including representativeness. In a prelude to the PATCO proposal, it was emphasized that the PATC occupational survey job list could be improved by selecting occupations to reflect better the occupational composition of the Federal workforce. This would require, most of all, as a precondition for any further changes in the payline, the proper introduction into the BLS survey of those occupations which the Commission now collectively describes as "Other". In the absence of such previous action, producing BLS data in these "Other" occupations, the importance of the GAO criticism is not addressed properly but handled superficially, at the cost of credibility.

There is no question that the Agent's staff proposal does not provide a BLS PATCO system and that it will continue to be premature and incomplete until the "Other" category occupations are included in the BLS survey. In the past several years, even the PATC survey was not truly representative of the Federal occupations, both in terms of grade and population. It should not, however, have meant abolition of an ongoing system and implementation of an incomplete system alleged to be PATCO.

Until framework of the BLS portion of the PATC system has been transformed into PATCO, the most we could do is to have further studies to analyze the heavily populated Federal occupations in relation to their counterpart in the private sector, and to ascertain the feasibility of developing identifiable work level definitions for collection of pay data.

Under the formulation of the PATCO concept, unfortunately, the several hundred Federal occupations have been hastily divided into 5 categories, with the "Other" being a catch-all. This categorization is admittedly not valid today since the occupations do not readily identify with a specific category. Further, certain occupations were split among the categories. Many of the occupations were placed in the "Other" category for lack of a more appropriate assignment.

The "Other" category, as defined by the Agent's staff, contains a heterogeneous group of occupations without ascertaining whether occupational counterparts exist and to what degree in the private sector. The coverage ranges from Student Trainees in the professional occupations to miscellaneous inspection and border patrol activities. Many occupations support recognized professional groups, such as Nursing Assistants and Physicians Assistants.

Under the Federal classification system the support occupations are identified with related professional, technical and clerical work within a major subdivision identified as an

"Occupational Group". These major occupational subdivisions identify with recognized professions, i.e.; within each group there are specializations, such as Physicians Assistant Series, GS-603 and Nursing Assistant Series, GS-621.

The population of the "Other" category, as of Sept. 30, 1975 was 89,429 Federal employees in forty occupations. This is approximately 7 percent of the total GS workforce. The proper allocation of this 7 percent into weighting by grades has not been reviewed by the Agent's staff, especially as they affect the GS grades (6, 8, 10) where BLS matches are particularly important. Recognizing that there are two heavily populated occupations--Fire Protection and Prevention, GS-081, and Police, GS-083, it is highly questionable whether counterpart positions exist in the private sector to the degree necessary to warrant survey coverage.

There are other occupations identified in the PATCO categories which exist exclusively in the Federal Government. There are no private sector counterpart positions in certain occupations such as Internal Revenue Agent, GS-512; Military Personnel Clerical and Technician, GS-204; Military Pay, GS-545; Social Insurance Claims Examiner, GS-993; Immigration Inspection, GS-1816; Customs Inspection, GS-1890 and related customs work in similar series.

Aside from the objection to the "Other" category and the fact that, thus far, there have been no job definitions developed and service tested to warrant continuation of this



category, the study report proposes development of definitions contrary to the basic principles of both classification and pay setting practices.

Under the section on Implementation of Recommendations, with subsection titled--Adoption of PATCO Matrix Job Selection Procedures, (Page 11) is the following extract--"If the work cannot be completed within a year, it would be preferable to develop definitions by PATCO category, rather than by grade, because many of the survey definitions, of course, will span a number of General Schedule grades."

The Civil Service Commission recognized the need for development of job survey definitions (in contrast to occupational series definitions covering a range of grades) identifying specific grades or work levels, by issuance of a position paper (undated) titled "Plan for Developing and Revising PATC Definitions with the FEPC".

Thus the proposed PATCO job selection procedures are inconsistent with the above reference in terms of job definition development. It is a basic requirement that any survey definitions reflect levels of work, in order to ascertain comparability between Federal and the Private Sector as to levels of work and pay.

Statistical Objections To PATCO And Pay Fitting Techniques

The Council must state quite frankly that the number of changes made in the weighting system, and in the PATCO component of the weighting system, over the last three or four months has made the Agent's original staff work inconsistent and contradictory. Set forth below is a statistical critique of the weighting, PATCO and SGH curve fitting methodology. The many misstatements, unexamined assumptions and resulting questionable infrequency of this system are outlined below.

The Council strongly believes that what is at stake here is the preservation of the comparability system. As Table I shows, the effects of the implementation of the dual payline in 1973 combined with the projected effects of implementation of the SGH line and the new weighting system including PATCO is to reduce, and perhaps even vitiate, the effects of past efforts to establish a proper relationship between the wage movements in the Federal sector and the wage movements of the federal employees' counterparts in the private sector. One need only look at the BLS data collected to see that the wage movements over the last four years including the estimated '76 movements for each of the different occupations in the BLS survey have been radically and totally different than the wage movements that the federal workers have been receiving and will receive in October of 1976 under the proposed new "techniques" of setting pay rates.

Table 2

1976 Federal Pay Increase Possibilities  
(Includes Secretary and Computer Operator Definitions)

| Methodology<br>1969-1972<br>4th Step | <u>PATC Input</u>                       | <u>Using PATCO Input</u>     |         |
|--------------------------------------|---|------------------------------|---------|
|                                      | D-P<br>Current System<br>1973 - Present |                              | SGH     |
| 9.24                                 | 4.58                                    | GS-1                         | 5.37    |
| 9.19                                 | 5.34                                    | -3                           | 4.18    |
| 9.13                                 | 6.09                                    | -5                           | 3.46    |
| 9.08                                 | 6.97                                    | -7                           | 3.22    |
| 9.02                                 | 7.66                                    | -9                           | 3.44    |
| 8.97                                 | 8.48                                    | -11                          | 4.13    |
| 8.86                                 | 10.15                                   | -13                          | 6.97    |
| 8.74                                 | 11.86                                   | -15                          | 11.89   |
| (8.57)                               | (14.52)                                 | (18)                         | (23.83) |
| 8.98%                                | 8.22%                                   | <u>Averages<br/>Weighted</u> | 5.05%   |

For instance, between the end of October of 1972 and May of 1976 the Average Hourly Earnings Index measuring private sector wage movements increased by 30.9% while federal workers pay increased by less than 16%. Using the estimates proposed by the PATCO-SGH payline proposal, the October '76 comparability adjustment of a GS-7 worker will be only an increase of 3.22%. That will mean over the four year period since the end of October of 1972 this worker will have received comparability adjustments of about 19%, whereas his counterpart as reflected in the Average Hourly Earnings Index based upon the current rate of increase will have enjoyed an overall pay rate increase from the end of October of 1972 to October of 1976 of 34%.

The inequity is obvious; the effect upon productivity and morale of federal employees is obvious; however, most unfortunately, the system that created this chaos is extremely complex and is not obvious.

The Agent's representatives proposal consists of four separate weighting systems. The Council will specify each of the four weighting systems and summarize our objections to them.

I. Four Weighting Systems Contained in Agent's Representatives Proposal

A. Weighting of the GS Payline Deviations by the Federal Grade Level Population

The Council has previously expressed its reservations on the paylines of the Agent, which the Council considers as imposed on it. Nevertheless, given this continuing reservation, if the Agent adheres to the dual payline construct, the Council would agree that weighting of the federal payline deviations by the federal grade population is a proper modification. It is obvious, as the Agent pointed out in

its summary, that such weighting prevents a 3% error at GS-1 in one direction being compensated by a 3% error at GS-5 in the opposite direction. As is well known, the size of the GS-1 and GS-5 grade populations vary by a ratio of at least 50 to 1. Therefore, the Council is in agreement with this procedure. However, consistency demands that the same weighting of deviations should take place in the PATC survey payline. In fact, if the dual payline were eliminated, then this weighting system should only be used on the single payline generated from the private sector BLS PATC data.

B. Weighting of BLS Private Enterprise PATC Payline by a Partial Federal Category Weights

The Agent's representatives, dealing with the same problems enumerated above elected to weight the deviations in the private enterprise payline by the category population for professional, administrative, technical, and clerical; thereby completely ignoring the nonuniform distribution of the "Other" category in the several GS grade levels. In effect, this allows the inability of federal jobs to be categorized as either P, A, T, or C, to influence and, in fact, to change the pay comparability income that would otherwise be afforded federal employees. This is an extremely arbitrary decision by the Agent's representatives.

This system seems to be an attempt to make the weighting system "more scientific." In actual fact, the weighting of the PATC payline by partial category weights rather than the grade weights simply becomes a barometer pointing to the weakness of the entire category weighting system. That is, partial category weighting of deviations does not deal with the entire federal workforce. It is not a weighting system that reflects the composition of the private enterprise nor is it a weighting system that equally nor completely reflects the composition of the federal workforce.

C. The Third System of Weighting by the Mean Step

Since 1973 there has been an implicit assumption that the average step that is in the GS sector properly reflects the average step in the BLS private enterprise survey. The Council rejects the propriety of this notion. However, the Council realizes that the Agent, the Advisory Committee and the President have accepted this system. Therefore, the Council asks that if indeed this assumption is to remain the basis for pay setting as it has since 1973 that it be applied equally and fairly within the Agent's representatives proposal for the PATCO weighting system.

The assumption that the private enterprise has the same mean step on average as the federal government is not precise. It seems only logical that if we are to go to the "scientific system of PATCO" that one should also ascribe the mean step of each specific job within the PATCO weighting system and adjust the salary computed accordingly. Failing to do so is failing to complete the implicit methodology within PATCO which can be done without any changes in the BLS survey. The data is presently available to determine the mean steps corresponding to

each of the jobs that are surveyed within the PATCO categories. If this adjustment was made, which would complete the methodology of the Agent's system to the extent currently possible given the inadequacies of the BLS survey and the inadequacies of the cell structures of the PATCO categories, then the PATCO system would have more validity, though it would still be improper.

The Council strongly urges that if the Agent must continue to make the mean step assumption that it implements it consistently. That is, either the Agent immediately drop the dual line recognizing that the assumption concerning the mean step is invalid, or the Agent carries this assumption to its logical conclusions which is to adopt the mean step for each of the jobs within the BLS survey as reflected in the federal sector if it adopts this PATCO weighting system. To do less is to arbitrarily choose only those aspects of a complete weighting system which will depress the payline rather than those aspects of weighting which would allow a fair determination of federal pay within the concept of a new methodology which is, however invalid, at least internally consistent.

D. Substitution of PATCO Salary Average for BLS Survey Results

Above we have listed the reasons why the weighting systems are statistically invalid in the new proposal by the Agent's representatives. However, in order to further outline the problems that exist within the PATCO system let us assume for the moment that this system were implemented. Assuming it is to be used in pay setting for October of 1976 many practical problems and operational difficulties will be encountered. The Council notes that the PATCO weighting system is improper because of its incomplete-

ness and the fact that it is not a scientifically drawn system with statistical significance.

1. Implications of the PATCO System Assuming It Is Adopted

There are currently some 79 job definitions matched by the BLS to produce the PATC survey results. Basic to the PATCO system is a judgmental determination as to which workers represented in the different GS series exactly match each of these BLS private enterprise job definitions, (as elaborated upon in the previous section). The practical implication of this system is the requirement that two methods of job matching are involved. As in the past, the BLS must match private sector jobs to the definitions in the PATC survey. But, unlike the past, the Civil Service Commission must in turn use the same definitions to match part or all of particular GS series job to that specific definition. In protracted discussions between the Council and the Agent during the spring of 1976 it became quite apparent that such job matching involved in the main judgmental decisions. The constant revision of these 79 value judgments will cause payline fluctuations.

This produces a situation where pay rates in the comparability system, far from being more scientifically determined are based upon a maze of at least 79 additional value judgments that were not necessary under the old system.

The Council, for its part, believes that value judgments should enter into the pay comparability process only at the policy level; that value judgments are necessary to consider the effects of a pay raise upon the morale, productivity, and standard of living of the federal workforce, particularly at lower GS grades. The Council objects to the implementation of a supposedly "scientific system"



which is constructed upon subjective judgments without any method of validation.

2. The Nonscientific Nature of the PATCO System

The entire measured PATC categories amounts to only 25% of the entire federal GS workforce. A sample of 25% could easily be large enough to adequately reflect its universe if it were drawn scientifically and weighted to the total universe in a statistically valid manner.

The Agent's representatives pointed out that the PATCO system involves a two-stage sampling process which they state is analogous to the CPI Index computed by the BLS. The fact that the PATCO system uses a two-stage sampling process is obvious. But more important than the two-stage system is the fact that stage one is not based upon valid statistical sampling theory. The BLS in computing the CPI picks its "cell" sample within a category in a valid statistical manner to properly reflect the particular category component of the CPI. Then the weight of that particular component within the consumer budget is established based upon past consumer's survey practices. Finally the finished CPI Index is derived.

The most unfortunate difference between the BLS CPI statistical system and that which the Agent's representatives are thrusting upon employees in the federal government is that the latter system, though it resembles the CPI, is not statistically valid.

At the GS-1 level only the clerical category is surveyed with the two cells surveyed comprising only 10.7% of the category size at GS-1 for clerical. None of the remaining categories are surveyed though the technical component of GS-1 comprises almost 12% of the GS-1 workforce. Similiarly, at GS-2 the surveyed jobs are only

clerical with the cells comprising 51% of the category population. Although over 13% of the GS-2 workforce is technical, there is no technical survey cell.

At GS-4 both clerical and technical categories are surveyed within the BLS PATC survey. In the first case the cell jobs surveyed by PATC represents 21% of clerical category population, whereas the technical cell represents only 6.5%. At the GS-5 level these dichotomies are even greater. For instance, the clerical cell population is 22.1% of the category population, the technical is 36.3%, the professional is 51.8% but the administrative cell population is only 3.8%.

Further examples abound within the PATCO system. At GS-11 only the administrative and professional categories are measured even though technical workers comprise almost 16% of this level's workforce. The professional cell is 47.8% of the category population whereas the administrative surveyed cell is only 1.9% of the administrative category population.

Further examples of the totally arbitrary size of the survey cell relative to the category population are shown in Table II. The Pay Council challenges the Agent's representatives to show how this system which allows the cell populations to vary from 1.9% to over 50% of the category population are selected in a statistically valid and statistically meaningful manner.

The assertion that this proposed weighting system is analogous to the valid survey used by BLS in computing the CPI is cosmetic. The CPI is a scientifically drawn sample, properly weighted up to reflect the universe of the category and then properly weighted to reflect the family budget components. In contrast, PATCO ignores

TABLE 11

## PATCO CATEGORY WEIGHTING PATTERNS - MARCH 1976

| GRADE LEVEL | CATEGORIES      |                  |                       |                     |
|-------------|-----------------|------------------|-----------------------|---------------------|
|             | <u>Clerical</u> | <u>Technical</u> | <u>Administrative</u> | <u>Professional</u> |
| GS-1        | 9.31<br>(10.7)  |                  |                       |                     |
| GS-2        | 1.96<br>(51.0)  |                  |                       |                     |
| GS-3        | 1.75<br>(57.1)  |                  |                       |                     |
| GS-3        |                 | 2.36<br>(42.3)   |                       |                     |
| GS-4        | 4.74<br>(21.0)  |                  |                       |                     |
| GS-4        |                 | 15.38<br>(6.5)   |                       |                     |
| GS-5        | 4.51<br>(22.1)  |                  |                       |                     |
| GS-5        |                 | 2.75<br>(36.3)   |                       |                     |
| GS-5        |                 |                  | 25.67<br>(3.8)        |                     |
| GS-5        |                 |                  |                       | 1.93<br>(51.8)      |
| GS-6        | 3.14<br>(31.8)  |                  |                       |                     |
| GS-6        |                 | 20.98<br>(4.76)  |                       |                     |
| GS-7        | 1.64<br>(60.9)  |                  |                       |                     |
| GS-7        |                 | 9.60<br>(10.4)   |                       |                     |
| GS-7        |                 |                  | 32.73<br>(3.0)        |                     |
| GS-7        |                 |                  |                       | 2.79<br>(35.8)      |
| GS-8        | 1.79<br>(55.8)  |                  |                       |                     |
| GS-8        |                 | 19.08<br>(5.25)  |                       |                     |
| GS-9        |                 | 4.84<br>(20.6)   |                       |                     |
| GS-9        |                 |                  | 39.99<br>(2.5)        |                     |
| GS-9        |                 |                  |                       | 3.08<br>(32.4)      |
| GS-11       |                 |                  | 51.76<br>(01.9)       |                     |
| GS-11       |                 |                  |                       | 2.09<br>(47.8)      |
| GS-12       |                 |                  | 272.80<br>(.36)       |                     |
| GS-12       |                 |                  |                       | 1.95<br>(31.2)      |
| GS-13       |                 |                  | 108.53<br>(.92)       |                     |
| GS-13       |                 |                  |                       | 1.88<br>(53.1)      |
| GS-14       |                 |                  | 72.17<br>(.01)        |                     |
| GS-14       |                 |                  |                       | 1.86<br>(53.3)      |
| GS-15       |                 |                  | 42.96<br>(2.32)       |                     |
| GS-15       |                 |                  |                       | 2.07<br>(48.3)      |

The number in parentheses ( ) indicates the percentage that a survey cell population constitutes of its corresponding category universe. The number above this is the resultant multiplier.

one of five major categories - OTHER. Secondly, PATCO arbitrarily surveys different percentages of cell sizes for different PATC categories. Thirdly, PATCO ignores some federal categories. Finally, PATCO assigns the weight of the category population to the private enterprise payline salaries regardless of the appropriateness of the cell composition to reflect the category population.

PATCO produces, in short, in its present form scientific nonsense. Conceptually it has some validity but its implementation at this point and time because of its incompleteness is totally invalid.

#### Conclusion

The Federal Employees Pay Council has summarized its strong objections to the implementation of the Agent's representatives proposal for a weighting system including PACTO, the SGH curve and the dual payline construct. If the PATCO two stage sampling system were drawn in a method truly analogous to the BLS CPI survey with scientifically constructed survey cells, properly reflecting their respective category's universe and then in turn the category survey weighted up to the grade level we would not find fault statistically with the conceptual basis of the system. This, of course, would presupposed that the system PATCO would also be measured by the BLS rather than the BLS solely measuring PATC. Further the Council would have to be assured that the use of the mean step implied in the dual payline was consistently employed job by job, category by category, throughout the federal sector structure or preferable totally discarded and abandoned by the Agent.

The Council calls again for a system of indexation endorsed by the Advisory Committee, by the GAO and proposed by the Federal Employees Pay Council. We believe such a system of indexation should be employed for at least two years or longer. This time period would allow proper consideration, completion and possible implementation of a weighting system which would carefully, fully and scientifically reflect the proper comparability pay rates for federal white-collar workers.

Problems of the SGH Pay Line

The Agent distributed to the Pay Council the preferred "SGH" proposal, which the CSC staff considers appropriate for comparability increases in pay for Federal employees. The "SGH" curve produces an estimated pay increase of 5.0541%.

The CSC staff feels that its "SGH" curve has been validated because it neatly falls between the two results produced by the traditional curve, using both the old and the new "best fitting" criteria.

Despite this CSC staff conclusion, the SGH curve has problems. For example, it produces an exceptional range of pay increases, resulting in increases under 4.0% for all grades GS-4 through GS-10 inclusive (lowest at GS-7, which would receive 3.22%), and an increase of 23.83% at GS-18. The only grades receiving over 5.0% would be the following:

|       |        |
|-------|--------|
| GS-12 | 5.30%  |
| GS-1  | 5.37%  |
| GS-13 | 6.97%  |
| GS-14 | 9.16%  |
| GS-15 | 11.89% |
| GS-16 | 15.21% |
| GS-17 | 19.17% |
| GS-18 | 23.83% |

On that basis, the Agent's estimate for October, 1976 is globally 5.0541%. This estimated pay line is based on the assumption that there has been a 6.6% pay increase shown in the BLS-HEI data.

The Council notes that the "SGH" line has a declining "comparability gap" from GS 1 through GS 7 (3.22% at GS 7) and an increasing "comparability gap" from that low point to GS 18 (23.83%).

The most appropriate solution to the unusual distribution of pay increases, grade wise, would be to discard the "SGH" pay line. As an interim solution, there should be no change whatsoever in methodology this year, or indexation should be basis for pay adjustment for 1976.

The Council notes that the Advisory Committee has endorsed, previously, the indexation method for determining pay adjustments.

RESPONSE TO THE FEDERAL EMPLOYEES PAY COUNCIL JUNE 29, 1976, PAPER  
ENTITLED: "SUMMARY OF OBJECTIONS TO PATCO AND SGH PAY TECHNIQUE"

The purpose of this paper is to provide an analysis of the Council's paper of June 29, 1976, which detailed the Council's objections to the methodological changes resulting from the Pay Rate Determination study.

WEIGHTING

The Council has now publicly declared its support for the concept of PATCO weighting and thus accepted it as a valid means to provide Federal workers with a closer degree of pay comparability with their counterparts in the private sector. The Council objects to the introduction of PATCO weighting now, not because of conceptual concerns, but because it believes it to be "defective, incomplete and premature." The Council's arguments in support of this contention have been carefully examined. Our comments on these arguments are as follows.

Sampling The Council has voiced concern about the "Other" category of occupations and has expressed the opinion that there are really three kinds or groups of "Others."

The first group consists of those occupations which the PATCO system defines as Other. Occupations in the Other category are not surveyed because most of the GS employment in this category is in protective service occupations. Since most non-Federal employees in these occupations work for State and local governments, there would be no point in surveying these occupations unless statutory change permits surveying State and local governments. This idea has been proposed by the Comptroller General and the Rockefeller Panel, among others; and we also support the idea in principle. The Council, while criticizing the fact that these occupations are not surveyed, also opposes changing the comparability law so as to permit covering State and local governments. In any event, the argument that the Survey lacks validity without these occupations is without merit from a statistical standpoint. The Survey universe already includes the categorical counterparts of 97 percent of the General Schedule, and this simply cannot be objected to on the grounds of insufficiency.

The second "Other" group contains occupations in surveyable categories that are not presently surveyed at some grades. Employment in these categories comprises another 7 percent of the GS workforce. The size of this group will diminish as the addition of new jobs to the Survey provides coverage of those grade-categories (like the technical and administrative at GS-10) which have no survey representation at present. We also want to close this gap--to raise the 90 percent closer to the theoretical 97 percent. The specific proposal to do so--the Occupational Representatives study--was presented to the Council in April 1975. However, agent-Council involvement with many other matters has

prevented progress toward this goal despite the fact that weekly meetings have become the normal practice during the past year. This proposal will be given priority attention when meetings resume later this year. Meanwhile, we cannot agree that this 7 percent really presents any more of a problem than the earlier 3 percent: The fact remains that 90 percent of the General Schedule workforce is employed in those categories, at those grades, which are surveyed. We cannot agree that this representation is insufficient.

The third group consists of those Federal employees who are not in the specific jobs which are surveyed. This is a large group. In fact, only about 21 percent of the GS employees are in jobs comparable to the ones surveyed. The second table in Part II of the Council's paper displays the variation between the cases where the Federal employment in the job or jobs surveyed comprises a large proportion of the category and those where it does not.

The Council's paper seems to state (in both this table and the text) that the validity of the sampling or representativeness depends primarily upon the number of people rather than the number of jobs. For example, the inference presumably to be drawn from the discussion on page 8 is that the GS-8 clerical percentage of 55.8 is relatively "healthier" than the GS-4 technical percentage of 6.5. This is true, but it is also true that in the first case only one job is surveyed whereas in the second case four jobs are surveyed. Representativeness is a complex subject. In a quantitative sense it must involve a balance between the number of jobs and the number of employees in the PATCO category/grade combinations to be sampled for the PATC Survey job list.

However, the question of representativeness cannot be decided on quantitative grounds alone. For example, the real question is: Is Secretary V at GS-8 sufficiently representative of the clerical work at that level to stand alone, to represent (for pay comparability purposes) that entire category? The agent is convinced that it is. To overturn that conviction, one would need to demonstrate that secretary is atypical of clerical work at GS-8. Nothing in the Council's paper suggests this.

The staff summary paper of June 2 drew an analogy between the PATCO methodology and the CPI methodology which paralleled the jobs in the former with the "items" in the latter. However, the Council's rebuttal to that analogy misses the point by dealing only with the number of employees, and thus fails in its effort to discredit the proposed methodology.

Categorization Part I of the Council's paper consists primarily of a repetition of criticisms of the PATCO categorization process which the agent has already answered; thus no further response is provided herein. Specifically, the Agent's "authority" to make such determinations was



the subject of a letter dated June 2, 1976, to the Council. The basis and procedure of the original categorization and the splitting of some series into two or more categories is presented in Appendix C of the draft Pay Rate Determination report furnished originally last November, and then in more detail in a paper dated March 22. The basis and anticipated updating of the percentage adjustments was the subject of a later paper dated April 21.

Moreover, some of the Council's criticisms are based upon earlier versions of PATCO and are no longer relevant because pertinent revisions to the system have been made. These changes were made as a direct result of the Council's views and recommendations as presented to the agent's representatives when the earlier PATCO categorization was first discussed. The process by which these revisions were made provides a good example of the positive and substantial impact which the Council has had on the mechanics of the comparability process. Nevertheless, the Council's paper ignores the changes already made and instead bases its arguments upon the categorizations as they existed before the changes suggested by the Council itself were made.

It is difficult to understand the basis for the Council's charge that the PATCO categorization has no foundation in the concept of the PATC Survey. The very title of the Survey (National Survey of Professional, Administrative, Technical, and Clerical Pay) belies such a contention. It is clear that from the beginning of the process survey occupations have been selected with a view toward having representation from each of these broad occupational categories. The fact that the resulting salary data has not heretofore been weighted in proportion to category employment does not diminish the significance of the early efforts to provide category representation. Rather, the proposal to now adopt category weighting represents a logical follow-on in the continuing development of this program.

Other Weighting Questions The Council's paper introduces the idea that there should be "weighting by the mean step." This idea apparently stems from the Council's belief that since 1973, when the Dual Payline was first introduced, there has been an implicit assumption that the average step in the General Schedule properly reflects the "average step" in the private sector data. The agent joins the Council in rejecting this notion. Such an assumption has not been made nor is it necessary or even proper that it be made. The Dual Payline simply adjusts General Schedule average salaries so that they are comparable with private enterprise average salaries. In no way does it assume that the rate range distributions that produced those average salaries are similar in private enterprise and the Federal Government.

The Council also urges that the PATC payline calculation should be weighted by the total GS population as the GS payline is, rather than by the PATCO population. This specific question was very carefully considered. The decision (as stated on page 2 of the June 2 Summary paper) was that each grade average should be weighted by the population figure which is associated with it, that is, which "produced it" in the first place. An outside panel of statistical experts which was consulted by the agent's representatives on the methodological changes, independently considered this same question, and specifically endorsed the staff proposal.

#### THE SGH CURVE

The Council's paper contains only one specific objection with respect to the new curve: the pay increases have an "unusual" distribution. We find nothing inherently wrong with this distribution. In arguing for "no change whatsoever in methodology this year" the Council is not arguing the superiority of the graduated pattern of increases produced by the standard curve over the graduated pattern of increases produced by the new curve, because it is clear that the Council advocates that the 1976 adjustment should be a flat, across-the-board increase by a policy decision, as was done last year. The Council has consistently recommended a uniform percentage increase rather than the indicated comparability adjustment. For this year in particular, a uniform increase would provide Federal pay rates which in no way would be comparable to private enterprise pay rates for the same levels of work.

#### INDEXATION

An alternative Council proposal is that the 1976 adjustment be determined by some method of indexation. The Council further asserts that this proposal has been endorsed by both the Advisory Committee and GAO. This proposal must be rejected. The law requires that each year's adjustment be based upon an annual survey, and that rates be compared on the basis of levels of work. These requirements constitute a legal bar to indexation as that term is generally understood. Moreover, the very concept of indexation presupposes a condition of parity as a starting point. Such a situation clearly does not exist at present: in order to achieve parity, i.e., comparability, it is necessary to make larger adjustments to the upper grades than to the lower grades.

The Advisory Committee recommendation in 1974 recognized the necessity of such a precondition. They recommended that methodology be stabilized for a period of several years, during which increases would be determined by the full application of that stabilized methodology, or that the use of an index be considered during that period. In either case, "basic alignment of the Federal pay structure," while not occurring annually, would still occur at intervals. That is exactly what has been done.

There have been no changes since the introduction of the Dual Payline in 1973, except those urged by the Council, such as eliminating Secretary and Computer Operator rates from the 1974 and 1975 adjustments, and flattening the 1975 increase. We now propose to make a major, basic, realignment of the structure in 1976. In 1975 the Advisory Committee expressed its hope that the 1976 adjustment would be based upon the "line of best fit" resulting from "revised techniques" in "weighting methods" and "type of payline."

The GAO has never endorsed indexation as a pay-setting method, but merely recommended that the feasibility of devising some means of reducing or compensating for time lag be studied. If such a compensation mechanism were to be a system of indexation, it could (in the GAO proposal) be applied only after the basic structure were determined by the full application of the comparability process. Thus, the proposal for indexation does not have the endorsements of the Advisory Committee and GAO which the Council's paper claims it has.

#### MISCELLANEOUS

The Council's paper contains a number of statements which apparently reflect misunderstandings in a number of areas, and which can only be characterized as misstatements in other areas. This paper does not attempt to correct them except when the statement is part of a major Council point to which this paper is responding.

It is necessary to call attention to one misstatement which appears both in the June 29 paper, and in the cover letter of July 20 by which that paper was transmitted to the non-Council organizations. This is that the "PATCO methodology prepared by the Agent's staff seriously deviates from the PATCO concept to which the Agent and Council had previously subscribed as an appropriate alternative to be studied jointly by both parties." This is a misstatement of the facts. The PATCO methodology cannot "deviate" from any other earlier PATCO "concept," because no such concept had been previously "subscribed to" by the Council and the agent as a proposed topic for "joint study." PATCO, in both concept and methodology, was developed by the Commission staff over the past three years. As a result of suggestions by the Council, some changes were made in the categorization of some GS series. The Council still objects to other categorizations.

The concept has remained unchanged, however. Originally the Council objected to the concept--at one time asserting that it was illegal. In May of this year, the Council announced for the first time its agreement with the concept, but strongly opposed the introduction of the methodology. We do not feel that the statement quoted above is in consonance with these facts.

SUMMARY

In short, we have not been persuaded by the arguments the Council has advanced against the methodological changes proposed for this year. Of all the arguments raised by the Council, the one which received the greatest amount of deliberation was whether the PATC Survey is representative enough at the present time to support the PATCO weighting methodology. There is no doubt that it will become more representative as the job list is expanded along the lines proposed by the Occupational Representativeness study. The question is: is it sufficiently representative now? Our comparability and statistical staffs and the outside statistical panel (which was consulted on this as well as other statistical issues) are unanimous in saying that it is. In non-statistical language, they have all concluded that, even with the current job list, PATCO weighting is so vastly superior to the "equal" weighting used heretofore that further delay in its introduction cannot be justified.

Appendix D

December 1975 Statement  
on Secretaries and Computer Operators

December 11, 1975

MEMORANDUM FOR THE FEDERAL EMPLOYEES PAY COUNCIL

Subject: The Secretary and Computer Operator Issue

We have carefully considered the report which the Pay Council submitted on October 17 to substantiate its contention that the PATC Survey definitions for the Secretary and Computer Operator occupations are invalid. We have also carefully reviewed the analysis of this report prepared by the Commission staff, which responds to the points advanced by the Council. Additionally, the meeting of October 22 with the Council provided further elaboration of the Council's views, and a candid exchange of technical arguments.

We have concluded that the arguments of the Council have not demonstrated that the definitions in question are invalid. We have, therefore, determined that they will be returned to the Survey in 1976.

We would have preferred that this determination be reached in another way. As you know, we formally agreed on February 25 to submit this issue to a third party--preferably the Advisory Committee on Federal Pay since they already have a statutory role in the comparability process--and to be bound by the decision which they rendered. When the Department of Justice determined that the Advisory Committee could not legally undertake the role spelled out in our agreement, we then asked for a decision as to the legality of our being bound by the decision of some other third party. As you are aware, the Justice Department has determined that it is not legally permissible for the agent to agree to be bound by the decision of any third party. Therefore, we have had to conclude that the agreement cannot legally be fulfilled, and must be considered null and void.

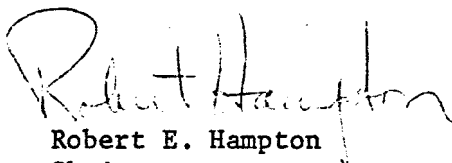
Consequently, you will recall, we then proposed that the spirit of the February 25 agreement be preserved to the extent legally permissible by agreeing to submit the issue to a third party who would be asked to render a non-binding advisory opinion. We furnished you with a draft of the form such an agreement might take on September 22. It specified that we would give "great weight" to such an advisory opinion. We regret very much that the Council rejected this proposal. The Council proposed instead an intensive series of technical staff discussions in the further effort to resolve the issue which had been urged by the Advisory Committee. Although this effort did not resolve the issue, we appreciate the Council's cooperation and participation in these further discussions.

At the same time we agreed to your proposal for resuming two-party negotiations, we again raised the idea of an advisory third party, suggesting (on September 24) a "two-track" approach whereby a third-party mechanism could be set in motion while the technical staff discussions were being held concurrently. Although you rejected this proposal, we reiterated our suggestion for an advisory third-party approach at the opening of the principals' meeting on October 22, but again you rejected it.

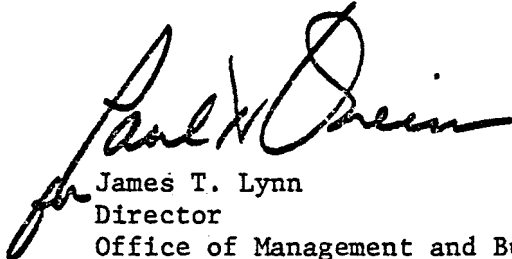
We regret the Council's repeated rejections of a non-binding opinion by an outside party on this issue, as we genuinely believe it would have been the best way to have resolved the difference in our views. The agent's staff remains convinced that these job definitions would stand the test of intensive scrutiny by any informed and impartial third party. We were more than willing to make this judgment binding upon us and would have done so had there been no legal bar. This same spirit motivated our repeated proposals to do the same thing, before the same party or parties, in the non-binding framework.

Now that a decision has been reached on these two definitions, we reiterate our hope that technical disputes of this sort can be alleviated in the future by the development of a regular procedure for the addition or revision of PATC Survey job definitions.

It is our understanding that our representatives recently exchanged draft proposals for such a mechanism. We believe that the development of a procedure which would broaden the role of the Council, without infringing upon the statutory responsibilities of the agent, could become the most significant milestone to date in the development of the labor-management cooperation envisioned by the Federal Pay Comparability Act of 1970.



Robert E. Hampton  
Chairman  
U. S. Civil Service Commission



James T. Lynn  
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