

History and Information

Since the Civil War, Blue-collar Federal workers pay is according to local prevailing private sector rates. Until 1965, each Federal agency had authority to determine local prevailing rates and establish wage area boundaries for its employees. Consequently, blue-collar Federal workers at the same grade level in the same city working for different agencies received different rates. In 1965, to address this inequity, a Presidential memo ordered Federal agencies to coordinate their wage-setting activities under the leadership of the Civil Service Commission. The Commission established the National Wage Policy Committee, made up of the heads of the major employing agencies and the heads of the major Federal employee unions, to seek advice on how to combine separate agency pay systems into a Coordinated Federal Wage System (CFWS). The CFWS eliminates inequities and unnecessary overlapping administrative structures from the blue-collar pay determination process.

In 1972, Public Law 92-392 established the current Federal Wage System (FWS). The FWS incorporated most of the existing administrative policies of the CFWS. Since 1972, the Commission and its successor agency, Office of Personnel Management (OPM), are responsible for overseeing the administration of the FWS. The FWS now covers Federal trade, craft, and laborer employees who receive pay from appropriated and non-appropriated funds.

The Department of Defense (DOD) conducts FWS wage surveys and establishes pay rates for all regular FWS wage schedules and most special FWS wage schedules. One of the key statutory principles underlying the FWS is that employee pay rates are to be maintained in line with prevailing levels of pay for comparable levels of work in the private sector within a local wage area. To carry out this statutory principle, the Defense Civilian Personnel Advisory Service, Wage and Salary Division conducts annual wage surveys to collect wage data from private sector establishments. The Wage and Salary Division works with both management and labor conducting local prevailing rate wage surveys to develop and adjust pay schedules under the FWS. Separate wage schedules are developed for appropriated fund hourly employees and non-appropriated craft, trade, labor, administrative, and patron services occupations. The Division also conducts occupational/industry surveys to establish pay for DOD educators, civilian mariners, power generation employees, and health care professionals.

General Schedule versus Federal Blue-Collar Schedule

Pay adjustments for General Schedule (GS) and FWS employees differ because separate laws and regulations authorize different surveys, methodologies, and occupational coverage. GS locality payments, which are authorized under the Federal Employees Pay Comparability Act of 1990, are based on a comparison of Federal and non-Federal pay. Each January, the law provides for GS employees to receive a general across-the-board increase based on the 12-month increase (if any) in the Employment Cost Index (less 0.5 percentage points), plus an increase, if warranted, based on the local cost of labor for white-collar occupations in each of the 47 GS locality pay areas. The Government's policy for white-collar Federal employees, established in Title 5, United States Code 5301, is that Federal pay rates should be comparable to non-Federal pay rates for the same levels of work within the same local pay area. FWS employees were specifically excluded from the GS locality pay system because they were already paid under a separate, preexisting prevailing rate system that reflects private sector practices for setting pay at different levels of work for trades, craft, and laborer occupations. Thus, the Federal Government's compensation practices mirror the private sector's general practice of establishing

separate and distinct pay structures and pay adjustment mechanisms for white-collar and blue-collar employees.

The FWS operates under carefully regulated procedures OPM developed cooperatively with Federal agencies and labor organizations over a 30-year period. These procedures are not static, but receive continual updates based on the advice of the Federal Prevailing Rate Advisory Committee (FPRAC), the statutory labor-management committee that advises the Director of OPM on the prevailing rate determination process. OPM defines the boundaries of wage areas, prescribes the required industries to be surveyed, the required job coverage for surveys, and designates a lead agency for each wage area. OPM has designated the Department of Defense as the lead agency for all FWS wage areas to improve the administration of the FWS and achieve economies of scale.

The DOD conducts all FWS wage surveys and sets the rates of pay on each regular FWS wage schedule with the advice of a national labor-management wage committee. One of the key statutory principles underlying the FWS is that employee pay rates are to be maintained in line with prevailing levels of pay for comparable levels of private sector work within a local wage area. To carry out this statutory principle, the DOD conducts annual wage surveys in each of the separate wage areas to collect wage data from private sector establishments. The DOD also establishes a local wage survey committee in each wage area. The local wage survey committee conducts local wage surveys in a wage area and reports survey findings to the DOD. In conjunction with the national labor-management wage committee, the DOD then establishes a local FWS wage schedule in each wage area based on the survey data.

Types of Surveys

The law provides for two kinds of local wage surveys. A “full-scale” wage survey takes place at least every two years. During a full-scale wage survey, the DOD creates a list of private sector establishments within the scope of the wage survey and in the relevant wage area, and sends teams of data collectors to collect wage data from those establishments that voluntarily agree to participate. A “wage-change” survey takes place each year the DOD does not conduct a full-scale wage survey. During wage-change surveys, the DOD updates the findings from the previous full-scale wage survey (usually by telephone) and establishes a new wage schedule based on those findings.

Survey Planning

Prior to each full-scale survey, the local wage survey committee holds a public hearing to receive input from interested parties on the survey criteria, which are as follows: area definition, industries, private industrial establishments, minimum size, and jobs to be surveyed. The DOD develops survey specifications after taking into consideration the reports and recommendations received from the local wage survey committee and, if applicable, the DOD Wage Committee.

The survey specifications include:

1. area to be surveyed;
2. industries to be surveyed;
3. standard minimum size of establishments to be surveyed;

4. establishments to be surveyed with certainty; and
5. the survey jobs

A list of establishments to be surveyed is prepared by using statistical sampling techniques according to DOD specifications.

The number of data collectors needed for a wage survey is based on the number and location of establishments to be surveyed. Teams consisting of one local FWS employee and one Federal employee representing agency management collect wage data. The data collectors are selected and appointed by their employing agency. In selecting and appointing data collectors, agencies must balance the requirements of active employee involvement in the wage survey process with the prudent management of available financial and human resources.

Full-scale wage survey data collection is accomplished by personal visits to establishments that are willing to participate. Data collectors submit collected data to the local wage survey committee with their recommendations about the use of the data. The local wage survey committee reviews all establishment information and survey job data collected for completeness and accuracy, and forwards the data to the lead agency with a report of its recommendations. The lead agency reviews all wage survey data forwarded by the local wage survey committee to ensure the survey was conducted within the prescribed procedures and specifications.

After consulting with the national DOD Wage Committee, the DOD selects a payline and constructs a wage schedule after considering all of the information, analysis, and recommendations. FWS wage schedules have a single effective date for all employees in a covered wage area.