

RELEASED

RESTRICTED — Not to be released outside the General Accounting Office except on the basis of specific approval by the Office of Congressional Relations.

125111  
2787A

BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Subcommittee On  
Compensation And Employee Benefits,  
Committee On Post Office And Civil Service  
House Of Representatives**

**Federal White-Collar Special Rate Program**

About 34,000 out of 1.3 million white-collar positions under the General Schedule pay system are authorized pay rates higher than the statutory pay rates. These special rates, which will cost about \$102 million in fiscal year 1984, are offered to attract and retain employees in shortage occupations or in high pay areas. Since 1981, the Office of Personnel Management (OPM) has limited or denied pay increases for most special rate employees even though there are substantial pay disparities between private sector and federal salaries. OPM has based its decisions on information indicating that the staffing situation in these occupations has improved or stabilized despite the pay disparities. Agencies, however, believe OPM's decisions are affecting their ability to attract and retain well-qualified individuals and are resulting in extra training and recruiting costs, more overtime, productivity losses, work delays, and other problems.

Several alternatives to the special rate program are under consideration that may be more effective and could address specific staffing problems. These alternatives are summarized in the report.



123797

GAO/GGD-84-54  
MARCH 30, 1984

528428

**Request for copies of GAO reports should be sent to:**

**U.S. General Accounting Office  
Document Handling and Information  
Services Facility  
P.O. Box 6015  
Gaithersburg, Md. 20760**

**Telephone (202) 275-6241**

**The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".**



UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

GENERAL GOVERNMENT  
DIVISION

B-214553

The Honorable Mary Rose Oakar  
Chairwoman, Subcommittee on Compensation  
and Employee Benefits  
Committee on Post Office and  
Civil Service  
House of Representatives

Dear Madam Chairwoman:

This report is in response to the Subcommittee's April 7, 1982, request to review certain aspects of the federal white-collar special rate program and to provide information on how the program could be improved. The report shows that the Office of Personnel Management (OPM) and the departments and agencies that use special rate authority have different views on the need for and size of annual special rate increases. The report also discusses alternatives to the special rate program that OPM and agencies have under consideration to address the pay disparities between federal and private sector salaries.

As arranged with your office, unless you publicly announce this report's contents earlier, we plan no further distribution of this report until 14 days from its issuance date. We will then send copies to interested parties and make copies available to others upon request.

Sincerely yours,

*W. J. Anderson*

William J. Anderson  
Director



GENERAL ACCOUNTING OFFICE'S  
REPORT TO THE SUBCOMMITTEE  
ON COMPENSATION AND EMPLOYEE  
BENEFITS, COMMITTEE ON POST  
OFFICE AND CIVIL SERVICE  
HOUSE OF REPRESENTATIVES

FEDERAL WHITE-COLLAR SPECIAL  
RATE PROGRAM

D I G E S T

About 34,000 out of 1.3 million white-collar positions under the General Schedule pay system are authorized rates of pay higher than the statutory pay rates. The law (5 U.S.C. 5303) authorizes special rates when (1) the government has a significant problem recruiting or retaining well-qualified individuals and (2) the staffing problem is caused by substantially higher private sector pay rates. Under the law, OPM has broad discretion in deciding when to establish or adjust special pay rates. For fiscal year 1984, the government will spend about \$102 million on special rates.

The Chairwoman of the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, asked GAO to evaluate the special rate program. The Subcommittee was interested in how the Office of Personnel Management (OPM) decides who receives special rates, the adequacy of rate setting procedures, and whether the rate setting process can be improved. GAO evaluated OPM's special rate decisions from October 1981 through January 1984. GAO did not obtain official agency comments on this report.

The number of positions covered by special rates rose from about 8,000 in fiscal year 1977 to almost 34,000 in fiscal year 1984. The increase is due to a number of factors. For several years, General Schedule pay adjustments have been less than the amount needed to achieve comparability with private sector salaries as measured by the Bureau of Labor Statistics' nationwide survey. Also, the adjustments have been equal percentage, across-the-board pay increases rather than by level of work. Furthermore, the General Schedule does not recognize geographic or occupational variations in private sector pay. (See pp. 3 to 5.)

CHANGES TO THE SPECIAL  
RATE PROGRAM

Although the number of special rate positions has increased, OPM has begun limiting special rate pay adjustments. Before fiscal year 1981, all special rate employees received at least the annual General Schedule increases. Since that time, OPM has adjusted special rates on the basis of its evaluation of agency staffing problems rather than automatically granting the annual General Schedule pay increase. As a result, OPM has allowed fewer and smaller special rate increases for some special rate employees and no increases for many others. Agencies had requested special rate increases of \$35.3 million for fiscal year 1982 and \$30.2 million for fiscal year 1983. OPM reduced the requests by nearly \$12 million in fiscal year 1982 and \$29 million in 1983. About 88 percent of special rate employees did not receive the 3.5 percent January 1984 General Schedule increase. (See pp. 8 to 11.)

OPM believes that its decisions have not harmed the government's ability to attract and retain employees in hard-to-fill positions because the slowdown in the economy has minimized recruitment and retention problems despite pay disparities. Nevertheless, several agencies believe that OPM's decisions to limit or deny adjustments are having an adverse affect on their operations. They believe OPM is not paying sufficient attention to high turnover rates; lost productivity; added recruiting, training, and overtime costs; inability to attract quality personnel and retain experienced employees; work delays; and curtailment of vital services.

For example, officials at the Mare Island Naval Shipyard reported to OPM in 1983 that the cost of a special rate increase ranging from 5 percent at grade 5 to 22 percent at grade 9 for physical science technicians would be less expensive than the cost of schedule delays and overtime, and the cost of recruiting and training replacement personnel. OPM officials advised GAO that Mare Island was an

example where they adjusted special salary rates as soon as adequate documentation was brought to their attention. In October 1983, OPM approved a 3-percent increase for grades 5 through 8 and a 6-percent increase for grade 9. At the National Cancer Institute, officials stated that OPM's decision to deny the requested pay increases ranging from 23 percent at grade 5 to 17 percent at grade 9 for therapeutic radiologic technicians has resulted in the Institute turning away patients who require radiation therapy. According to Institute officials, two million dollars worth of equipment was idle because of a shortage of these personnel. Based on NCI's documentation, OPM approved a 4-percent increase effective October 1, 1983, and an additional 3.5 percent increase effective January 1, 1984. (See pp. 12 to 20.)

More than half of the special rate positions are engineering occupations--some 19,000 positions in fiscal year 1983. These occupations, according to federal agencies employing engineers, also experienced the greatest pay disparity--47 percent below the private sector at the entry-level grade GS-5 and 25 percent at GS-11 in 1983. Although agencies that employ engineers believed that a pay increase was clearly warranted and that their staffing problems could increase as the economy improves, OPM did not grant engineers a pay increase for fiscal year 1984. (see pp. 15 and 16.)

OPM officials recognize that differences of opinion exist between OPM and agencies over the special rate decisions but contend that the agencies have not provided sufficient evidence to support their concerns. Furthermore, OPM officials state that offsetting costs such as overtime and retraining are considered in the decisionmaking process, but under the law, costs alone cannot be the basis used to establish or adjust special rates.

#### ALTERNATIVES TO THE SPECIAL RATE PROGRAM

Although OPM and the Department of Defense (DOD) and other agencies have different views

on the need for and size of special rate salary increases, there is general agreement that managers need increased pay flexibility to deal with staffing problems. Both OPM and DOD have been considering alternatives to address these issues. In this regard, OPM is considering submitting legislation that would increase OPM's ability to deal with recruitment and retention problems. A discussion of the alternatives is included in chapter 3.

C o n t e n t s

	<u>Page</u>
DIGEST	i
CHAPTER	
1 INTRODUCTION	1
The federal white-collar special rate program	1
Special rate coverage and cost	3
Special rates: an outgrowth of pay system problems	4
Objectives, scope, and methodology	5
2 SPECIAL RATE PROGRAM OPERATIONS HAVE UNDERGONE MAJOR CHANGES	7
Changes to special rate request process	7
Changes to special rate adjustment procedures	8
Agencies' and employees' reactions to OPM's pay adjustment policies and procedures	12
Agencies believe that OPM's pay adjustment decisions hinder program operations	14
3 ALTERNATIVES TO THE SPECIAL RATE PROGRAM	21
Expand the General Schedule special rate range and authority	21
Special occupational schedules	22
Bonus program	22
Flexible classification levels and pay ranges	23
APPENDIX	
I Letter dated April 7, 1982, from the Chairwoman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service	24
II Special salary rate schedules for 1984	25

## ABBREVIATIONS

DMS	Department of Medicine and Surgery
DOD	Department of Defense
FWS	Federal Wage System
GAO	General Accounting Office
GS	General Schedule
NASA	National Aeronautics and Space Administration
NCI	National Cancer Institute
OPM	Office of Personnel Management
VA	Veterans Administration

## CHAPTER 1

### INTRODUCTION

At the request of the Chairwoman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, we evaluated the federal white-collar special rate program (see app. I). Currently, 132 special rate authorizations cover 33,838 white-collar positions. These authorizations affect about 2.6 percent of the federal white-collar work force and cover employees in 127 of the 400 professional, administrative, technical, and clerical occupations. For fiscal year 1984, the Office of Personnel Management (OPM) estimates that the special rate program will cost the government approximately \$102 million.

### THE FEDERAL WHITE-COLLAR SPECIAL RATE PROGRAM

The Federal Salary Reform Act of 1962 (5 U.S.C. 5303) established the special rate program to provide the government greater flexibility to attract and hold employees in hard-to-fill occupations in geographic areas where private sector salaries for certain occupations are exceptionally high and are contributing to a staffing problem. The law authorizes the President to increase basic rates of pay upon a finding that private enterprise pay rates substantially exceed statutory pay rates and significantly handicap the government's ability to recruit or retain well qualified individuals. The President is authorized to extend special rate coverage on an occupational or geographic basis to employees under the General Schedule, the Foreign Service Schedule, and in the Veterans Administration's Department of Medicine and Surgery. To date, special rate coverage has only been extended to employees under the General Schedule.

The President, by Executive Order 11721 (May 23, 1973), delegated responsibility for administering the special rate program to the U.S. Civil Service Commission. This function was transferred to OPM by the Civil Service Reform Act of 1978. Under this authority, OPM reviews agency staffing problems, establishes whether or not special rates are warranted, determines occupational and geographic coverage, and establishes the amount by which pay rates should be increased. Once the special rates are established, OPM reviews the authorization at least annually and can continue, abolish, or revise special rates as necessary. However, under the executive order, an employee's basic pay may not be reduced as a result of any revision or cancellation of special pay rates.

Under the law, OPM is authorized to apply special rates by increasing the minimum General Schedule rate (step 1) to a

beginning pay level that does not exceed the salary level paid at the 10th or maximum step of the grade. OPM establishes the new entry level rate at the salary believed necessary to provide adequate numbers of well-qualified employees. OPM then expands the General Schedule rate range so that special rate employees are covered by a 10 step pay range. Thus, a new employee, hired into a special rate occupation at the grade 5 level, could be covered by a special rate range beginning at step 2 and ending at step 11. Likewise, another new employee, hired into the same grade but in a different special rate occupation, could be covered by a rate range beginning at step 10 and ending at step 19. (See app. II for the special rate ranges authorized for fiscal year 1984.)

Before a special rate can be established or adjusted, OPM requires that departments and agencies provide evidence that a significant recruitment or retention problem is caused by substantially higher private enterprise rates. Departments and agencies initiate requests for new special rate authorizations when the need arises, while OPM initiates the annual review of existing special rates. Under both circumstances, OPM requires that departments and agencies submit specific data that shows (1) the extent to which recruitment or retention problems affect staffing levels and (2) the extent to which federal salaries lag behind private sector salaries.

For both the annual review and new special rate authorizations, OPM requires departments and agencies to show that alternative means, such as improved working conditions, job redesign, and training, will not resolve the staffing problem. Furthermore, for existing special rate authorizations, OPM requires that each department and agency arrive at a reasoned judgment as to what it believes is necessary to prevent the recurrence of the recruitment and retention problem on which the previous authorization was based.

Once departments and agencies compile all the information needed for submission to OPM, they are required to transmit special rate requests directly to OPM's central office in Washington, D.C. Each request must include a certification by the head of the department or agency that special rates are necessary to ensure adequate staffing to accomplish the agency's mission and that funds are available to cover increased expenditures for salaries and benefits resulting from approval of the request. If the special rate request covers fewer than 200 employees or would increase annual salary costs by less than \$200,000, the certification may be provided by an official designated to act on behalf of the agency or department head.

Upon receipt of each special rate request, OPM staff evaluate the submissions, examine available private sector wage and salary survey data, and determine if a new or increased special salary rate will resolve the staffing problem. Special rate adjustments, if warranted, are usually made each October. Decisions about new requests and their corresponding adjustments are made throughout the year.

#### SPECIAL RATE COVERAGE AND COST

While the overall size of the federal nonpostal white-collar work force has remained relatively stable at about 1.3 million employees, the numbers and types of occupations for which the government is experiencing recruitment and retention problems have increased. From fiscal year 1977 through fiscal year 1983, the number of positions covered by special rates increased about 325 percent, from approximately 8,000 to 34,000. During the same period, the number of special rate authorizations for specific occupations or areas grew about 130 percent, from 57 to 132. As a percentage of the total work force, the number of special rate employees has increased from .6 percent to 2.1 percent.

In fiscal year 1977, special salary rates cost the federal government \$19.3 million. Seven years later, in fiscal year 1983, special salary rates cost the federal government \$115.7 million, which amounts to about a 500-percent increase over the 7-year period. However, the cost of special salary rates as a percentage of total white-collar salaries is still relatively small-- .3 percent in fiscal year 1983 versus .08 percent in fiscal year 1977. For fiscal year 1984, the cost of the special rate program will decrease to \$102 million as a result of OPM's recent pay adjustment decisions.

During fiscal year 1983, 29,744 employees in 127 white-collar occupations were paid under the special rate program. Among these occupations, 23,039 employees were in professional jobs; 5,271 were in clerical positions; 629 were in technical positions, and 805 employees were in positions OPM classifies as administrative or other. Among the professional occupations, approximately 19,000 employees (83 percent) are in engineering positions and 4,000 employees (17 percent) are in medical positions.

Special rates also cover a wide variety of geographic areas. Of the 132 existing special rate authorizations for fiscal year 1984, 122 cover specific localities (cities, metropolitan areas, or regions); 2 cover states (Alaska and California); 4 are nationwide; and 4 are worldwide.

## SPECIAL RATES: AN OUTGROWTH OF PAY SYSTEM PROBLEMS

The Federal Salary Reform Act of 1962 (5 U.S.C. 5301) provides that white-collar salary rates under the General Schedule should be comparable to the national average of private enterprise rates for the same level of work. However, there are significant differences between federal and private sector salaries for particular occupations and levels of work. The differences arise from (1) limiting the annual pay adjustments required to achieve comparability and (2) making across-the-board rather than grade-by-grade pay adjustments. Also, the use of a single national pay scale which does not recognize occupational and geographic pay differences has exacerbated these differences. As a result, federal agencies have had to increasingly rely on the special rate program to recruit and retain essential personnel.

### Departures from the comparability process

Under the law, the President is authorized to adjust General Schedule salaries annually on the basis of a Bureau of Labor Statistics nationwide Professional, Administrative, Technical, and Clerical (PATC) survey. However, if the President believes that a full comparability adjustment is not warranted because of "national emergency or economic conditions affecting the general welfare," the President can send the Congress an alternative plan proposing a different adjustment. In the last 7 years, pay adjustments have been smaller than called for by the comparability process. Also, in 10 of the 13 annual adjustments that have occurred since enactment of the Federal Pay Comparability Act of 1970 (5 U.S.C. 5305), a single average percentage increase has been applied across-the-board for most General Schedule employees. According to the March 1983 PATC survey, these actions have caused federal white-collar salaries to fall 21.5 percent behind private sector salaries--ranging from a low of 17.82 percent at the GS-8 level to 36.27 percent for GS-15.

### Occupational and geographic pay differences

The government uses a single national pay scale which does not recognize that the white-collar labor market consists of distinct major groupings (professional, administrative, technical, and clerical) which have different pay treatments. As a result, many of the special rate authorizations are in effect today because the government classifies many heterogeneous white-collar occupations at the same work level or grade regardless of the actual pay relationships among these jobs in private industry.

In the private sector, profits, geographic location, labor market competition, and other factors cause occupations at equivalent federal work levels to receive different rates of pay. For example, the 1983 national PATC survey results show that pay for entry-level engineers at the GS-5 and GS-7 level would have to increase 69 percent and 48 percent, respectively to achieve comparability with pay in the private sector. In contrast, the PATC survey shows that pay for federal secretaries at the GS-5 and GS-7 level would have to increase 6 percent and 7.9 percent, respectively.

In addition to occupational differences, various studies have shown that pay rates for some white-collar jobs in the private sector vary widely among geographical areas. Generally, private sector firms recruit clerical and technical employees from the local labor market and set their pay rates on the basis of the prevailing rates for that area. Because of these local or geographical differences, the federal government with its national pay scale "overpays" in some areas and "underpays" in others. For example, the average salary for a secretary at the GS-5 level is \$15,126. In San Francisco, California, a secretary in the private sector is paid \$16,042 a year; in San Antonio, Texas, the same secretary would be paid \$13,832 a year.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this review were to (1) analyze the factors that contribute to the growth of the special rate program, (2) examine recent changes to special rate program administration and determine how these changes have affected departments and agencies, (3) examine special rate program limitations, and (4) provide information on various alternatives being considered to the current special rate program. We performed our work in accordance with generally accepted government auditing standards and conducted our field work from November 1982 to October 1983.

We conducted our review at the headquarters offices of the Veterans Administration (VA); the National Aeronautics and Space Administration (NASA); and the Departments of the Army, Air Force, and Navy. In addition, we made onsite visits at military service offices and installations and VA hospitals in New York and San Francisco. We also visited the NASA Ames Research Center in the San Francisco area. We selected these departments and agencies because they are the largest users of special rate authority. Furthermore, the San Francisco area was chosen because OPM's western region contains 36 of the 132 special rate authorizations--11 of which are in San Francisco. New York was chosen because of the high concentration of medical occupations covered by special rates at three VA hospitals.

At OPM headquarters and regional offices in San Francisco and New York, we interviewed officials charged with responsibility for administering the special rates program and obtained information and documents pertaining to special rates history, policies, and procedures. We analyzed data on special rate growth and costs. Also, we analyzed the fiscal years 1982 and 1983 annual review packets covering 132 agency requests for special rate adjustments. Using this data, we analyzed agency justification for submitting requests, agency submissions on federal and private sector pay gaps, and OPM special rate decision processes. Furthermore, at the two OPM regional offices, we interviewed officials regarding their involvement in the special rates program and examined and analyzed historical documents regarding special rate program administration.

At the other agency headquarters and field installations, we interviewed officials charged with special rate program administration and reviewed the personnel staffing data used to request special rates.

At the Subcommittee's request, we did not obtain agency comments on this report. However, we did discuss our findings with officials in OPM; the Departments of the Army, the Air Force, and the Navy; the National Aeronautics and Space Administration; the Veterans Administration; and the National Cancer Institute and considered their comments in preparing this report.

## CHAPTER 2

### SPECIAL RATE PROGRAM OPERATIONS

#### HAVE UNDERGONE MAJOR CHANGES

Since 1981, OPM has made major changes to the operations of the special rate program. These changes cover procedures in processing special rate requests and adjusting employee pay rates. For example, before 1981, OPM automatically granted annual pay increases to special rate employees. However, since fiscal year 1981, OPM has stopped this practice. Instead, OPM has adjusted special rates entirely on the basis of its annual evaluation of agency staffing problems. This change has resulted in many special rate employees being denied annual pay increases or not receiving the full rate increase requested by their agencies. OPM believes that its pay adjustment decisions have not hindered the government's ability to attract and retain qualified special rate employees.

Officials of the agencies we reviewed have expressed concern that OPM's special rate adjustment decisions over the last 3 years have affected their ability to recruit and retain top quality employees and have affected their ability to successfully perform their program mission. They have viewed OPM's decisions as inequitable and have questioned the logic of denying pay increases to employees in demonstrably hard-to-fill positions.

#### CHANGES TO SPECIAL RATE REQUEST PROCESS

Prior to August 1982, OPM required local agency installations to submit special rate requests to OPM headquarters through OPM regional offices, although these offices did not have authority to approve special rates. In July 1982, OPM centralized this process, requiring installations to submit the information to OPM headquarters through each individual agency headquarters office. OPM made this change to involve the requesting agency's headquarters offices in the decisionmaking process. Except for worldwide and nationwide authorizations, OPM officials said that prior to the 1982 change, no formal procedures existed to allow the involvement of department and agency headquarters offices in the approval process. They said that local installations could request special salary rates at their discretion. As a result, they said OPM had no indication that agency headquarters either wanted or could afford the increased salary costs.

OPM also recognized that there was a need to improve and shorten the process for reviewing agencies' requests for new special rates. For example, between March 1980 and August 1982,

OPM took an average of about 8 months to process 105 new special rate requests. OPM officials responsible for administering the special rate program attributed the delays to the large volume of new requests in recent years, shortage of staff to review and process requests, and lack of adequate guidelines to assist agencies in preparing special rate requests. They told us that during 1981 and the first part of 1982, OPM had two employees available to process new requests and that by the time each request was reviewed, the information supplied by the agencies was often outdated. As a result, OPM staff had to request that agencies update and resubmit the information. During the latter part of 1982, OPM added three employees to work on the special rate program. In addition, OPM published more specific guidelines to assist agencies in developing the information necessary to support a special rate request. Furthermore, because occupational staffing problems usually affect more than one local agency installation, OPM designated lead agencies (the agency employing the largest number of individuals in a given occupation) to coordinate and process all information for special rate submissions.

#### CHANGES TO SPECIAL RATE ADJUSTMENT PROCEDURES

From 1969 through 1980, OPM annually waived its regulations<sup>1</sup> and automatically extended the annual General Schedule pay increases to special rate employees. After each general pay increase, OPM would then review the special rate authorizations to determine whether additional adjustments were warranted. In those cases where OPM felt that the general increase was not sufficient to resolve agency staffing problems, OPM would authorize an additional pay increase. Conversely, for authorizations where OPM determined that the general pay increase was more than needed, OPM would adjust the special salary rate downward. However, the lower rate only affected employees hired after the effective date of the adjustment. Thus, incumbent employees did not lose the general pay increase granted earlier.

In October 1981, OPM changed its practice of automatically granting the general pay increase to special rate employees and decided instead to adjust special rates strictly on the basis of its annual review of agency staffing problems. During its 1981 annual review, OPM determined that the staffing situation had stabilized or improved for authorizations covering about 11,000

---

<sup>1</sup>According to OPM, the special rate regulations were never intended to automatically provide special rate employees with the full annual pay increase granted to regular General Schedule employees.

special rate employees. As a result, OPM decided that these employees did not need a pay increase. However, OPM regulations (5 CFR 530.307) required that all special salary schedules had to correspond with the step rates of the new General Schedule resulting from the October pay increase. To accomplish this, OPM found it necessary to raise the rates of these 11,000 employees an average of 1.5 percent. For the remaining 23,000 special rate employees, OPM granted at least the general pay increase of 4.8 percent. However, many of these employees, including engineers under special schedules, did not receive their pay increase until February 1982, because OPM was still reviewing the agencies' staffing data at the time the October general pay increase went into effect. The February pay increase was not made retroactive to October 1, 1981.

For 1982 and future years, OPM decided to make special rate adjustments effective at the time of the October general pay increase. Also, to avoid having to make the same type of technical pay adjustment that was made in 1981, OPM revised the special rate regulations in September 1982 to eliminate the requirement that special rates had to be aligned with the General Schedule step rates resulting from general pay increases.

During its 1982 annual review, OPM determined that 51 authorizations covering 11,435 out of 33,675 employees (34 percent) warranted no pay increase, 75 authorizations covering 22,087 employees (65 percent) required an increase of 4 percent or more, and 6 authorizations covering 153 employees (1 percent) would be cancelled. As a result of these special rate decisions, the Director of OPM sent a memorandum to the Director of Cabinet Administration stating that:

"Because of the tremendous potential for achieving real savings, I took a personal look at the entire special rates program this year. I [strengthened the controls over the program and] found it necessary to reduce the agencies' requested increases for existing authorizations by nearly \$12 million. This was accomplished . . . by taking a harder look at labor markets and other factors which led to a reasoned judgement that recruitment and retention problems . . . [which had stabilized or improved over the past year] could be managed despite substantial disparities between Federal/non-Federal pay."

During its 1983 annual review, OPM determined that it could reduce agencies' requested increases by \$29 million. This was accomplished by denying pay increases for 80 authorizations covering 26,071 out of 29,744 employees (88 percent), granting pay increases of 3 percent or greater to 41 authorizations covering 1,458 employees (5 percent), and cancelling 10

authorizations covering 2,215 employees (7 percent). Although the October 1983 general pay increase was delayed to January 1984, OPM granted the 1,458 employees their pay increase in October because of serious recruitment and retention problems. Tables 1 and 2 show the number and percent of special rate employees who were affected by specific OPM actions.

Table 1

Results of 1982 Special Rate Adjustments

Occupational group	Employees in authorizations that were cancelled		Employees who received no increase		Employees who received 4% increase		Employees who received increases greater than 4%		Total number of employees
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Professional	-	-	1,608	6.92	20,690	89.08	929	4.00	23,227
Administrative	139	95.21	7	4.79	-	-	-	-	146
Technical	7	1.21	244	42.29	314	54.42	12	2.08	577
Clerical	-	-	8,740	98.40	142	1.60	-	-	8,882
Other	7	0.83	836	99.17	-	-	-	-	843
Total	153	0.46	11,435	33.96	21,146	62.79	941	2.79	33,675

Table 2

Results of 1983 Special Rate Adjustments

Occupational group	Employees in authorizations that were cancelled		Employees who received no increase		Employees who received a 3% to 5% increase		Employees who received increases of 6% or greater		Total number of employees
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
Professional	5	.02	21,802	94.63	1,098	4.77	134	.58	23,039
Administrative	-	-	5	100.00	-	-	-	-	5
Technical	-	-	408	64.86	164	26.07	57	9.06	629
Clerical	1,744	33.09	3,527	66.91	-	-	-	-	5,271
Other	466	58.25	329	41.13	5	.63	-	-	800
Total	2,215	7.45	26,071	87.65	1,267	4.26	191	.64	29,744

AGENCIES' AND EMPLOYEES' REACTIONS  
TO OPM'S PAY ADJUSTMENT POLICIES  
AND PROCEDURES

Agency officials charged with program administration and employees covered by special rates are concerned about the effect of OPM's pay adjustment decisions. For example, in a January 1982, letter, the Secretary of Defense requested that the Counsellor to the President persuade the Director of OPM to reverse his decision and grant all special rate employees the full 4.8 percent fiscal year 1982 General Schedule pay increase. The Secretary stated that:

"I am quite concerned about the effect that OPM's decision may have on our ability to recruit and retain employees in manpower shortage category occupations. Coming at a time when recruitment and retention problems associated with engineering and medical occupations are rapidly increasing this action may do irreparable damage. It not only will mean that our recruiters must continue to offer lower salaries, but will be viewed by current employees as a drastic departure from past practice and a signal that the future of special schedules is in jeopardy even though they may be fully justified."

The Secretary went on to say that:

"While I agree that the annual review should serve as the basis for all final decisions concerning the appropriate level of special schedule rates, I do not believe the granting of the general pay increase prior to such a final adjustment has any negative impact on the effectiveness of the special schedule program. I believe that this is particularly true this year, since the general survey of private sector rates reflected an overall average increase significantly greater than 4.8 percent . . . .

"With regard to the costs of the program, I recognize that not granting the general pay raise to special schedule employees will result in identifiable savings in terms of salary costs. I believe, however, that any such savings will be more than offset by the resulting damage to our ability to recruit and retain quality employees for our critical occupations."

Later, in August 1982, both the Deputy Secretary of Defense and the Secretary of the Air Force reiterated DOD's earlier concerns. They requested that the Director of OPM waive changes to the special rate request and approval process to alleviate

employee and agency concerns that special rates were not being increased equitably. In this regard, the Deputy Secretary of Defense stated that technical problems should not delay the October 1982 adjustment in special rates and went on to say that:

"Our particular concern relates to the salaries of engineering and certain medical occupations. The salary data gathered for these occupations last year clearly indicated that, even after the February adjustment, Federal salaries were well below private sector salaries for comparable jobs. In addition, recently released Bureau of Labor Statistics data shows that private sector salaries have risen 8 to 10 percent above the levels of a year ago. When the resulting salary lag is considered in combination with the increasing staffing problems associated with these occupations, it is obvious that a sound basis already exists for granting the 4 percent increase in October."

Other agency officials expressed similar concerns about OPM's actions. For example, in September 1982, the Administrator of NASA wrote to the Director of OPM about potential OPM actions to freeze engineering special salary rates at 1982 levels. The Administrator stated that he could not

". . . overstate how damaging such an action would be to the ability of NASA to continue its mission . . . The increasing disparity between private sector science and engineering salaries and Federal science and engineering salaries must be diminished if we are to maintain our technological excellence. . . ."

Likewise, in December 1982, the Assistant Secretary for Administration at Commerce, wrote to the Director of OPM about OPM's decision to deny patent examiners the 4 percent general pay increase. The Assistant Secretary stated that:

"We believe an adjustment in these rates is essential for the [Patent and Trademark Office (PTO)] to remain competitive in recruiting and retaining top quality people in sufficient numbers to accomplish the Administration's goal of significantly reducing the patent pendency rate . . . ."

". . . Not only does this action place us at a serious competitive disadvantage; it has raised strong feelings among our newly recruited patent examiners that the Federal government has, in some way, violated a trust . . . ."

"I am concerned that the patent examiner's attitudes, the disparity in salary rates, and the potential of an improving economy will make it extremely difficult for PTO to . . . [recruit and retain employees] . . . . It would be both short sighted and negligent for OPM to not take these factors into consideration particularly after the recent successful recruiting campaign by the PTO . . . ."

Many special rate employees are also concerned about OPM's actions and have sent letters to OPM, the President, and Members of Congress expressing the opinion that OPM was not only unfair but also discriminatory. For example, in a November 1982 letter to OPM, a group of licensed vocational nurses in San Diego questioned why they, as employees covered by special rates, were singled out for denial of the "cost of living increase that President Reagan stated all Federal employees were to receive." Likewise, in another letter to the President, a medical technologist at the VA Medical Center in San Francisco called OPM's October 1982 decision arbitrary and insensitive to the needs of the Medical Center and employees. At the same time, the Chief of Clinical Pathology at the same hospital sent a letter to the Congress and called OPM's actions "incomprehensible" and "damaging to the delivery of health care to Veterans."

A joint suit questioning the legality of OPM's decision to deny special rate employees the same increase granted regular rate employees has been filed in federal court by the National Treasury Employees Union and the Patent Office Association. The suit is still pending.

AGENCIES BELIEVE THAT OPM'S  
PAY ADJUSTMENT DECISIONS  
HINDER PROGRAM OPERATIONS

According to officials at DOD, VA, and the National Cancer Institute (NCI) of the Department of Health and Human Services, OPM's special rate decisions are having an adverse impact on agency program operations. These officials state that they are having difficulties attracting and retaining qualified and experienced employees necessary to accomplish their program missions. In their opinion, OPM is sacrificing work force quality for short term budgetary savings and ignoring other costs agencies are incurring, such as recruiting and training costs and additional overtime. OPM officials on the other hand, advised us that they have not seen any evidence to support the kinds of concerns expressed by some of the agencies. Furthermore, they stated that offsetting costs such as overtime and retraining are considered as elements in determining the level at which to set special rates. In addition, they advised us that under the law, cost alone cannot be the basis used to establish or adjust special salary rates.

We did not make a judgement on the validity of the agencies' requested pay increases since OPM has broad discretion as to when labor market conditions warrant a special pay rate adjustment. The following sections illustrate the problems agencies are experiencing.

Professional engineers and architects nationwide and worldwide

Agency staffing data shows that nationwide and worldwide recruitment and retention among special rate engineering and other technical occupations are a problem and shortages exist. For example, agency staffing data for engineers and architects covered by special rates on a nationwide and worldwide basis shows that between 1981 and 1983 vacancy rates have improved from 18 percent to 14 percent due primarily to the downturn in the economy. However, of the 21,352 authorized positions in 1983, agencies were unable to fill 2,883 of these positions. Two specialties that agencies reported as the hardest to fill were electrical and electronics engineering. Other specialties that were difficult to fill included mechanical, aerospace, and industrial engineering.

While the staffing situation improved slightly between 1981 and 1983, the engineering salary disparity between the federal and private sector continued to widen. For example, the federal special salary rate disparity for entry-level engineers at GS-5 was 47 percent, up 6 percent from 1982; at GS-7, the salary disparity was 29 percent, up 3 percent from 1982. At GS-9 and 11, the pay disparity was 22 percent and 25 percent, respectively, up from 19 percent in 1982.

Because of the large pay disparities, agencies reported to OPM that they were having difficulty recruiting and retaining top quality personnel, and they anticipated this situation would get worse as the economy improves. The Department of Navy, which could not fill 2,000 (11 percent) of the 18,500 engineering and other technical positions in 1983, advised OPM in a letter dated July 29, 1983, that:

"These professional employees are a critical element in supporting the Department of the Navy's (DON) contribution to the national defense effort. Mission accomplishment is directly related to the maintenance of a state-of-the-art technical work force capable of logistically supporting DON's sophisticated hardware and facilities. The DON continues to experience an intense competition with private industry in the effort to attract and retain both entry level and experienced technical personnel. Over the past several

years there has been an increasing disparity between private industrial salaries for technical personnel and the Federal special salary rates. This salary gap seriously affects the DON's ability to compete for the quality college graduate from the top-rated technical universities. In addition, salary has been a significant factor contributing to increasing losses from DON's experienced ranks.

"Federal special salary rates must be increased if the DON is to remain a viable force in attracting and retaining the quality graduate in the numbers and in the disciplines required to achieve its mission."

Although the agencies that employ engineers believed that some increase in special rates was clearly warranted on the basis of the information they submitted, OPM did not grant engineers the 3.5 percent General Schedule pay increase that went into effect in January 1984.

#### Physical Science Technicians at Mare Island Naval Shipyard

At Mare Island Naval Shipyard at Vallejo, California, Navy officials are concerned about the loss of money, time, and productivity resulting from their inability to retain Physical Science Technicians. At the end of fiscal year 1982, Navy reported to OPM that the shipyard experienced a 23 percent vacancy rate and a 37 percent turnover rate among employees in this occupation. As a result, OPM granted these employees a 4 percent pay increase for fiscal year 1983. Navy had requested a 5.4 percent pay increase at grade 5, 8.3 percent at grade 6, 11.4 percent at grade 7, and 11 percent at grades 8 and 9. At the end of fiscal year 1983, Navy data showed that the shipyard experienced the same vacancy rate (23 percent) but turnover increased to 48 percent. As a result, for fiscal year 1984, Navy requested that OPM increase Physical Science Technician rates by 5 percent at grade 5 and as much as 22 percent at grade 9. Also, Navy requested that special rates be extended to cover grades 11 and 12. As in the previous year, OPM denied Navy's request and granted these employees a 3-percent increase at grades 5 through 8 and a 6-percent increase at grade 9. In addition, OPM did not extend special rate coverage to grades 11 and 12.

According to the Director of Radiation Control at Mare Island Naval Shipyard, Physical Science Technicians are needed to monitor radiological worksites at the shipyard and are critical for controlling this work in strict accordance with established requirements and standards. However, the shipyard experiences severe attrition among the technicians because once the employees are trained and reach the full performance level, they leave

for better paying jobs in both the private and public sectors. To complicate matters, pay disparities force the shipyard to hire employees who have no experience in radiological control work. As a result, the shipyard has to place most new hires in training programs that require approximately 1 year to complete.

The Commander of the Mare Island Naval Shipyard contends that a position filled by a new, inexperienced employee is still vacant from the standpoint of utilization and productivity. Furthermore, he maintains that without increases to existing special rates, the cost impact from losing and replacing technicians is severe. For example, in December 1982, the Civilian Personnel Office of the Mare Island Naval Shipyard estimated that the cost of schedule delays due to insufficient numbers of technicians, overtime to provide additional staffing, and recruitment and training costs for replacement personnel amounted to \$155,000 each month. In contrast, the cost of increasing special salary rates enough to reduce salary disparities from 40 percent to 10 percent would amount to approximately \$78,000 per month. As a result, the Civilian Personnel Office estimated that increasing special rates for 116 employees by the requested amount could have reduced 1982 costs by almost \$77,000 per month, or \$924,000 per year. Likewise, in 1983, the Civilian Personnel Office estimated that Navy's proposal for special rate increases for 165 technicians (assuming that all vacancies could be filled) would reduce the shipyard's current operating costs by \$102,000 a month, or \$1.2 million per year. As mentioned before, OPM officials stated that cost considerations alone cannot be the basis for a special pay adjustment.

#### Clerical workers in the Los Angeles Airport Area

The Air Force is experiencing recruitment and retention problems with clerical occupations at the Space Division, Air Force Systems Command in Los Angeles. According to civilian personnel officials at Air Force headquarters, the Space Division is located in the same area as several commercial aerospace and electronic firms that successfully attract federal clerical employees at substantially higher pay rates. They told us that these employees are especially attractive to the firms because they possess the security clearances--obtained at the government's expense--the companies need to perform Defense aerospace contracts. Therefore, the Space Division recruits new, often inexperienced employees who require at least a 6-month long security check before they can be brought on board. Once hired, the employees are trained and, shortly thereafter, some leave because they can demand higher salaries in the private sector. According to the data submitted to OPM during the 1982 annual review, the vacancy rate among federal clerical employees in the Los Angeles Airport area was 10 percent. During the same time

period, the turnover rate was 19 percent. In 1983, the vacancy rate increased to 18 percent, while the turnover rate increased to 27 percent. In both years, agencies in the area were successful in staffing over 80 percent of the vacant positions.

In 1982, and again in 1983, OPM denied any increase for federal clerical employees in the Los Angeles Airport area. Air Force civilian personnel officials told us that during 1982, high clerical turnover at the Space Division cost the Air Force about \$60,000 in increased training costs while security clearances cost about \$1,500 per employee. Furthermore, in a letter to OPM objecting to OPM's decision not to grant these employees a pay increase in 1982, the Director of the Air Force Civilian Personnel Office stated that the cost of this "revolving door is tremendous, far exceeding any savings we might realize as a result of withholding a four percent increase for these employees."

#### Therapeutic Radiologic Technicians at the National Cancer Institute

In August 1983, the Army, Navy, VA, and NCI all submitted an annual review packet to OPM which showed that pay for Therapeutic Radiologic Technicians is behind the nonfederal sector by as much as 16 to 18 percent. According to OPM, the overall staffing data at these agencies showed a vacancy rate of 35 percent (9 of 26 positions) and a turnover rate of 58 percent. To correct this problem, Army, Navy, and VA requested that OPM increase special rates by 4 percent at grades 4 through 9, while NCI requested that special rates be increased from 23 percent at GS-4 to 17 percent at GS-9. NCI also requested that the rate increases be put into effect as soon as possible to allow them to compete for the small pool of new graduates who are entering the labor market. The reason NCI requested higher rates for their technicians was that their staffing situation was more severe than the other agencies. According to NCI officials, 7 of the 11 positions (64 percent) at the Institute were vacant, and all of its losses during 1983 were due to insufficient pay. Although NCI made 14 employment offers between October 1982 and October 1983, none was accepted, leaving it unable to fill its 7 vacancies.

On August 15, 1983, the Director of the NCI wrote to OPM and stated that:

"The Radiation Oncology Branch has the capacity to treat 75 patients a day on three linear accelerators . . . . At present, the Branch is functioning at 50% of their total staffing strength. Due to this situation, one linear accelerator is being completely phased down and only 40 patients are being treated on

the two remaining accelerators . . . . A fourth linear accelerator is being installed and will be operational in several months. Without additional trained radiation technologists, this sophisticated and expensive piece of equipment also will remain dormant.

"In addition to recruiting new staff, [the Radiation Oncology Branch] is very concerned about [its] ability to retain [its] present staff. Therapeutic radiologic technologists deal over a long period of time with patients who are often very sick and it is a stressful job. While the National Cancer Institute has one of the most prestigious radiation oncology facilities in the country, the higher salaries and less stressful working conditions at smaller facilities in the private sector create a constant threat to our ability to retain staff. [The Chief of the Radiation Oncology Branch] anticipates that the loss of one more technologist may cause him to have to discontinue all radiation treatment to patients referred to NIH.

"I am certain that based on the above information you can see how desperate this situation has become for NCI. I would appreciate your expeditious consideration of our request to immediately implement the special pay rates . . . ."

After reviewing NCI and other agencies' requests, OPM decided that all Therapeutic Radiologic Technicians in the Washington, D.C., area, including those at NCI, should receive a 4-percent increase. In addition, OPM decided that the rate increase for these technicians should go into effect in October at the same time as other special rate increases. In making this decision, OPM stated that "separate treatment for NCI would introduce instability into the local market."

According to NCI officials, OPM's decision to deny their requested increase has resulted in NCI's inability to use \$2 million worth of radiation treatment equipment. In addition, NCI officials state that they are having to turn away patients that require radiation therapy.

In December 1983, OPM reexamined recruitment and retention problems among Therapeutic Radiologic Technicians in the Washington, D.C., area. Following their review, OPM decided to increase special rates for NCI employees by 3.5 percent. According to OPM officials, they granted the 3.5-percent increase because NCI presented additional evidence to show that the

4-percent increase previously approved was not sufficient to meet NCI recruitment goals. Therapeutic Radiologic Technicians at Army, Navy, and VA were denied any further increase.

Medical technicians at VA  
hospitals in New York City

In New York, VA Medical Center officials told us that they have had problems attracting and retaining experienced Echocardiograph Technicians, Therapeutic Radiologic Technicians, Physical Therapists, and Medical Technologists. VA officials attribute this problem to pay disparities between federal and nonfederal salaries and other factors. For example, the nonfederal sector is offering salaries to these technicians that range from 7 percent to 27 percent more than what VA is offering under the special rate program. Furthermore, they told us that onboard and prospective employees can apply and be hired at any one of 19 nonfederal hospitals within a 2-mile radius and receive full educational benefits, fully paid life and health insurance coverage, free meals while on duty, subsidized housing, free on-site parking, and free shuttle bus service to and from the subway. The officials stressed the importance of the latter two because all the hospitals, including VA, are located in high crime areas.

According to VA officials, VA has been unable to hire and retain technicians at the full performance level. As a result, VA has been forced to hire inexperienced employees for some positions at lower grades. For example, during 1981, the VA had 10 Nuclear Medicine Technician positions, 4 of which were vacant. VA officials told us that because they were unable to recruit qualified and experienced candidates, the positions were restructured from GS-9 to GS-5, thus allowing VA to hire recent college graduates who did not have the experience to qualify for the GS-9 position. As a result, VA was able to fill its positions with inexperienced workers and in 1983 had no vacancies. Likewise, in 1982, VA had to lower the GS-7 Diagnostic Radiologic Technologist position to GS-6. However, VA still has difficulty filling this position. For example, during 1983, VA was unsuccessful in filling 3 of 37 positions at the GS-6 level.

## CHAPTER 3

### ALTERNATIVES TO THE SPECIAL RATE PROGRAM

Even with the special rate program, agencies are experiencing difficulties recruiting and retaining qualified employees for certain hard-to-fill occupations. This is caused by several problems. First, the law authorizing special rates (5 U.S.C. 5303) does not allow the government to pay starting salaries above the 10th step of the General Schedule. As a result, agencies are at a disadvantage recruiting certain employees, such as engineers, when entry level salaries are at the maximum rate payable but are still substantially below starting salaries in the private sector. Second, the law does not allow OPM and agencies to use special rates to deal with other factors besides pay disparities. For example, special rates cannot be authorized to correct staffing problems caused by undesirable working conditions and locations and by differences in federal and private sector premium pays and benefits. Third, over the last 3 years, OPM has generally denied or reduced the special rate increases requested by agencies even though agency heads have certified that the pay adjustments were necessary to minimize their recruitment and retention problems.

Several options have been proposed or are under study that may provide possible solutions to problems in the special rate program. These include (1) expanding the special rate authority and step range, (2) establishing special occupational schedules, (3) authorizing recruitment and retention bonuses, and (4) expanding the flexibility of the General Schedule classification levels and pay ranges.

#### EXPAND THE GENERAL SCHEDULE SPECIAL RATE RANGE AND AUTHORITY

Under the law, special rates can be used only to correct staffing problems caused by pay disparities between federal and private sector salaries but not for other factors, such as working conditions and geographic locations, that contribute to recruitment and retention problems. Furthermore, OPM cannot authorize agencies to hire new employees above the minimum rate of the special rate schedule nor can it establish a special rate schedule with a beginning rate that exceeds the 10th step of the regular General Schedule. Currently, about 30 percent of the special rate authorizations are set at or near the maximum rate allowed by law, i.e., at steps 7 through 10. These authorizations cover engineers and certain medical occupations.

As a result of the special rate program limitations, OPM is considering requesting broader special rate authority from the Congress that would give OPM increased flexibility to deal with

staffing problems. Under this plan, OPM would be authorized to (1) correct staffing problems caused by other factors besides pay, (2) allow agencies to hire and place new employees in steps above the minimum rate, and (3) establish special rate schedules above the 10th step of the regular General Schedule.

#### SPECIAL OCCUPATIONAL SCHEDULES

In 1976, the President's Panel on Federal Compensation stated that the General Schedule had not proved to be an effective tool for managing certain specialized occupations. The Panel recommended that the executive branch be authorized to establish special occupational schedules and personnel systems for specific occupations for which management is significantly handicapped in recruiting and managing a well-qualified work force. Under this alternative, the executive branch would be authorized to remove some occupations, such as engineers, from the General Schedule and establish separate pay systems. Two 1979 pay reform bills (H.R. 4477 and S. 1340) would have authorized OPM to establish special occupational schedules for specific occupations or groups of occupations for which it had determined the government would be significantly handicapped in recruiting a well-qualified work force. However, these bills were not enacted into law.

Currently, several agencies, such as VA and DOD, have separate statutory pay systems for specialized occupations. For example, under title 38 of the United States Code, VA is allowed to establish salary rates for certain medical occupations under a separate pay system in the Department of Medicine and Surgery (DMS). Under this pay system, VA can pay physicians, nurses, and other medical employees up to 60 percent higher salaries than the same type of employees under the General Schedule. Because VA has the flexibility to recruit employees at higher salaries than under the General Schedule, it has wanted to extend provisions of its title 38 pay authority to additional medical employees working in VA hospitals but still under the General Schedule. Under Public Law 98-160 dated November 21, 1983, the Congress authorized VA to pay practical and vocational nurses and physical and respiratory therapists at higher salary levels. Although these employees will continue to be covered by the General Schedule, VA is no longer required to hire these employees at the minimum rate of the schedule established under title 5.

#### BONUS PROGRAM

The Department of the Navy has done developmental work on a bonus program that would provide agencies greater flexibility to recruit and retain employees for hard-to-fill occupations, such as engineers. Under this program, an agency could offer, subject to OPM approval, a one-time lump sum cash payment to

employees at the time of hire, but only after (1) the beginning step of the special rate authorization reached the 10th or maximum step of the regular General Schedule and (2) the agency demonstrated that a recruitment and retention problem continued to exist. If Navy's bonus program was adopted, civilian recruiters would be able to offer entry level engineers the regular special salary rate plus a bonus of up to \$10,000 based on the qualifications of the potential employee. If the recruit accepted the offer, the employee would be committed to work for the government for a minimum of 12 months.

According to OPM officials, the Navy proposal could also be extended to cover other special rate situations. For example, bonuses could be used to retain employees in occupations continually affected by significant pay lags. OPM could establish a ceiling on the amount of the bonus, or agencies could have the flexibility to determine the amount of the bonus based on agency need or the quality and desirability of the new recruit or employee.

FLEXIBLE CLASSIFICATION  
LEVELS AND PAY RANGES

DOD is analyzing a 6 year demonstration project Navy is conducting at two California installations: the Naval Ocean Systems Center in San Diego and the Naval Weapons Center in China Lake. This project, authorized by the Civil Service Reform Act (CSRA), began in July 1980 and is designed to test whether the effectiveness of federal laboratories can be enhanced by developing a more responsive personnel system. Among other things, the project expands the flexibility of the current pay system by paying employees according to broad classification bands instead of the normal 10 step pay ranges under the General Schedule. Accordingly, four levels of classification for scientists and engineers have replaced the eight grades from GS-5 through GS-15, and entry level pay is set within the broad pay ranges that relate to one of the four classification levels. Pay for each individual is adjusted annually according to five performance level groupings and is based on an employee's performance appraisal.

## NINETY-SEVENTH CONGRESS

MARY ROSE OAKAR, OHIO, CHAIR

DONALD JOSEPH ALBOSTA, MICH.    WILLIAM E. DANNEMEYER, CALIF.  
 GEORGE E. DANIELSON, CALIF.    DANIEL B. CRANE, ILL.  
 STENY H. HOYER, MD.  
 GUS SAVAGE, ILL.

**U.S. House of Representatives**  
 COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
 SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS  
 608 HOUSE OFFICE BUILDING ANNEX 1  
 Washington, D.C. 20515

TELEPHONE (202) 225-6831

April 7, 1982

Honorable Charles A. Bowsher  
 Comptroller General  
 General Accounting Office  
 441 G Street, N. W.  
 Washington, D. C. 20548

Dear Mr. Bowsher,

Since October, 1981, the Subcommittee on Compensation and Employee Benefits has received numerous complaints from white-collar employees in occupations covered by special rates. Among other things, these employees are angry about receiving less than the normal October comparability increase and feel that the Office of Personnel Management and the agencies are using special rate authority to realize substantial budget savings.

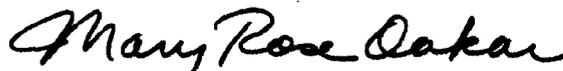
In view of their complaints, I would appreciate the General Accounting Office analyzing OPM's special rate authority. In this connection, I would like GAO to

- evaluate how OPM decides which occupations should be covered by special rates;
- assess the adequacy of OPM procedures used to establish special rates; and
- provide information on how the special rate determination process could be improved.

In addition, I would like GAO to conduct a similar analysis of special rate determinations for Federal blue-collar workers under the Federal Wage System.

I would appreciate your assistance in this matter. If you have any questions, please contact the Subcommittee staff at 225-6831.

Sincerely,



Mary Rose Oakar  
 Chair  
 Subcommittee on Compensation  
 and Employee Benefits

Fiscal Year 1984 General Schedule Pay Rates Extended for Special Rate Employees

Grade	Regular General Schedule steps										General Schedule Steps extended for special rates								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
GS-1	\$ 8,980	\$ 9,279	\$ 9,578	\$ 9,876	\$10,175	\$10,350	\$10,646	\$10,942	\$10,955	\$11,232	\$11,520	\$11,808	\$12,096	\$12,384	\$12,672	\$12,960	\$13,248	\$13,536	\$13,824
2	10,097	10,337	10,671	10,955	11,078	11,404	11,730	12,056	12,382	12,708	13,034	13,360	13,686	14,012	14,338	14,664	14,990	15,316	15,642
3	11,017	11,384	11,751	12,118	12,485	12,852	13,219	13,586	13,953	14,320	14,687	15,054	15,421	15,788	16,155	16,522	16,889	17,256	17,623
4	12,367	12,779	13,191	13,603	14,015	14,427	14,839	15,251	15,663	16,075	16,487	16,899	17,311	17,723	18,135	18,547	18,959	19,371	19,783
5	13,837	14,298	14,759	15,220	15,681	16,142	16,603	17,064	17,525	17,986	18,447	18,908	19,369	19,830	20,291	20,752	21,213	21,674	22,135
6	15,423	15,937	16,451	16,965	17,479	17,993	18,507	19,021	19,535	20,049	20,563	21,077	21,591	22,105	22,619	23,133	23,647	24,161	24,675
7	17,138	17,709	18,280	18,851	19,422	19,993	20,564	21,135	21,706	22,277	22,848	23,419	23,990	24,561	25,132	25,703	26,274	26,845	27,416
8	18,981	19,614	20,247	20,880	21,513	22,146	22,779	23,412	24,045	24,678	25,311	25,944	26,577	27,210	27,843	28,476	29,109	29,742	30,375
9	20,965	21,664	22,363	23,062	23,761	24,460	25,159	25,858	26,557	27,256	27,955	28,654	29,353	30,052	30,751	31,450	32,149	32,848	33,547
10	23,808	23,858	24,628	25,398	26,168	26,938	27,708	28,478	29,248	30,018	30,788	31,558	32,328	33,098	33,868	34,638	35,408	36,178	36,948
11	25,366	26,212	27,058	27,904	28,750	29,596	30,442	31,288	32,134	32,980	33,826	34,672	35,518	36,364	37,210	38,056	38,902	39,748	40,594
12	30,402	31,415	32,428	33,441	34,454	35,467	36,480	37,493	38,506	39,519	40,532	41,545	42,558	43,571	44,584	45,597	46,610	47,623	48,636
13	36,152	37,357	38,562	39,767	40,972	42,177	43,382	44,587	45,792	46,997	48,202	49,407	50,612	51,817	53,022	54,227	55,432	56,637	57,842
14	42,722	44,146	45,570	46,994	48,418	49,842	51,266	52,690	54,114	55,538	56,962	58,386	59,810	61,234	62,658	64,082	65,506	66,930*	68,354*
15	50,252	51,927	53,602	55,277	56,952	58,627	60,302	61,977	63,652	65,327	67,002*	68,677*	70,352*	72,027*	73,702*	75,377*	77,052*	78,727*	80,402*

\*The rate of basic pay payable to employees at these rates is limited to \$66,000, the rate payable for Level V of the Executive Schedule.





27837

**AN EQUAL OPPORTUNITY EMPLOYER**

**UNITED STATES  
GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS  
PENALTY FOR PRIVATE USE \$300**

**POSTAGE AND FEES PAID  
U. S. GENERAL ACCOUNTING OFFICE**



**THIRD CLASS**