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SURVEY REVISIONS FOR FEDERAL WAGE GRADE EMPLOYEES

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KANSAS STATE UNIVERSITY

HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYEE POLITICAL
RIGHTS AND INTERGOVERNMENTAL PROGRAMS

OF THE

COMMITTEE ON
OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

NINETY-FOURTH CONGRESS

SECOND SESSION

ON

H.R. 12540

A BILL TO AMEND TITLE 5, UNITED STATES CODE, TO
MAKE CERTAIN REVISIONS WITH RESPECT TO THE SUR-
VEYS USED TO ESTABLISH PAY FOR PREVAILING RATE
EMPLOYEES IN FEDERAL AGENCIES AND NONAPPROPRI-
ATED FUND INSTRUMENTALITIES, AND FOR OTHER
PURPOSES

HEARING HELD IN NEW YORK, N.Y.,

JULY 19, 1976

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SURVEY REVISIONS FOR FEDERAL WAGE GRADE EMPLOYEES

MONDAY, JULY 19, 1976

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON EMPLOYEE POLITICAL RIGHTS
AND INTERGOVERNMENTAL PROGRAMS,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to notice, in room 305, 26 Federal Plaza, New York, N.Y., Hon. Steven Solarz (acting chairman of the subcommittee) presiding. Members present: Hon. Benjamin Gilman and Hon. John Murphy. Staff: John Breitenberg.

OPENING STATEMENT BY HON. STEVEN SOLARZ

Mr. SOLARZ. The hearing is hereby in order.

I am pleased to open these public hearings on proposed legislation which would affect the pay of Federal blue-collar workers. Under existing law, the Federal Wage System (FWS) aims to provide a fair and equitable basis for fixing and periodically adjusting the pay of these workers—laborers, tradesmen, and craftsmen. Their wages are determined by conducting periodic wage surveys of similar work performed in private industry within local labor market areas.

There are 3,400 blue-collar workers in New York City. In addition, there are over 2,000 blue-collar workers employed in the congressional district (Newburgh), of my distinguished colleague from Upstate New York, Mr. Gilman.

Earlier this year, this Subcommittee on Employee Political Rights and Intergovernmental Programs conducted 4 days of public oversight hearings on the administration of this law. A number of practices were brought to the attention of the subcommittee. Legislative proposals have now been introduced which would correct some of these practices.

H.R. 13772, which I have cosponsored along with the chairman and other members of this subcommittee, would eliminate some of the inequities in the pay of blue-collar workers—particularly those workers whose wages are paid from moneys which are not appropriated by the Congress.

H.R. 13772 eliminates from the wage survey those firms which pay their employees less than the minimum wage and whose wages have not resulted from collective bargaining. It establishes a single wage area for both appropriated fund (AF) and nonappropriated fund (NAF) employees. It eliminates the requirement that wage surveys for NAF employees be confined to establishments whose occupations tend to be lower paying. It requires equal pay for equal work among both appropriated fund and nonappropriated fund employees.

A second bill, H.R. 12843, has been introduced by Congressman Derwinski, Republican of Illinois, at the request of the Ford administration. This bill would repeal the Monroney amendment, the night-shift differential, and the five-step pay system. Enactment of H.R. 12843 would result in some savings to the Federal Government. It would also limit the salary increases of blue-collar workers to 3 percent.

The irony of this situation is that the Ford administration would ask its blue-collar workers, the vast majority of whom are employed by the Department of Defense, to assume a disproportionate share of the burden of raising \$14.4 billion to pay for more tanks, helicopters, B-1 bombers, and Trident missiles. Fortunately, however, our parent Committee on Post Office and Civil Service has gone on record as rejecting the administration's proposals in the committee's report to the House Committee on the Budget.

May I simply add that because the Congress goes back into session today after a 2-week recess, that I fear that we may have to terminate the hearing around 10:30 or 10:40 so that we can get to the airport in time to catch a plane to get back for some votes that are scheduled on the floor of the House early this afternoon, and I would very much appreciate it if those who are scheduled to testify would keep the time constraints under which the subcommittee labors this morning in mind.

Our first witnesses today are Mr. Joseph Gleason, the national vice president of the American Federation of Government Employees from the second district, New York and New Jersey, who is accompanied by Mr. Joseph Fallon, the National Representative of the AFGE.

Gentlemen, we are old friends by now, having appeared on both sides of the table at several hearings, and behind the same table at several banquets, and I am delighted that you could join us this morning to give us the benefit of your combined thinking about these legislative proposals.

**TESTIMONY OF JOSEPH D. GLEASON, NATIONAL VICE PRESIDENT,
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, SECOND
DISTRICT, NEW YORK-NEW JERSEY, ACCOMPANIED BY JOSEPH
FALLON, NATIONAL REPRESENTATIVE, AFGE**

Mr. GLEASON. Thank you, Mr. Chairman. It is indeed good to welcome you back, and to testify before your committee. At the outset so that the record will show it, the American Federation of Government Employees endorses without qualifications the bill that you have just spoken to, as well as the bill introduced by Chairman Clay, H.R. 12540.

Equally at the outset, so there is no question or equivocation, the American Federation of Government Employees is unalterably opposed to H.R. 12843. AFGE's position on these changes has already been spoken to in previous testimony by the late Clyde Webber, national president of AFGE on February 10, 1976, and George A. Hobt, director of our Wage Systems Department on October 24, 1975.

AFGE represents nationally over 208,394 appropriated fund prevailing rate employees in exclusive representation units established under Executive Order 11491. This is more than 53 percent of all prevailing rate employees paid under this system eligible to be orga-

nized. Additionally, we represent more than 29,000 non-appropriated-fund employees. And I might note that the survey area here for the New York area, AFGF represents some 9,657 blue-collar employees.

As the lead union in 97 of the 135 appropriated-fund wage areas, and in over half of the 145 non-appropriated-fund wage areas, AFGF has expended thousands of man-hours in making the Federal wage system work.

The subcommittee is already aware of the degree of our involvement in the Federal wage system. We have been the lead union in most of the wage areas in this part of the country, having participated in the surveys, and know well how the system works. It is a good system basically, far from perfect, but it has automatic provisions for progressive improvement. Improvements are what are needed, not regressive restrictions that would put us back in the dark ages of blue-collar pay setting.

When this law (92-392) was passed in 1972, one of the most welcome features was the provision that there be labor participation at every level of the pay-setting process. The law established the Federal Prevailing Rate Advisory Committee, a body consisting of equal numbers of labor and management representatives chaired by a chairman otherwise independent of the Government. The members of this subcommittee should take special note of the fact that this same Federal Prevailing Rate Advisory Committee, a body which has been lauded by management as being a model of Federal labor relations, the body which is charged under the law for making recommendations for changes and improvements in the Federal wage system, has not been consulted, nor endorsed, nor initiated any of the changes that have been proposed and testified to by the various administration representatives that have appeared before this subcommittee.

Knowledgeable Federal employees in the field view this as an end run by the administration harmful not only to wage grade pay setting, but also yet another attempt to dodge meaningful labor relations.

Much of the management arguments we have seen appear to be a smokescreen. Several of the items proposed for change, it has been shown, are not high-cost items, but it would appear that they have been thrown into the package to camouflage the one real thrust of these proposed changes. Viewed objectively, the main thrust can be seen in only one light, and that is to totally ignore comparability, to deny the wisdom of a system that was years in the making, to totally ignore the immense problems and pressure it would create for both workers and management and, in the end, accomplish only one thing, and that would be to cut Federal employees' pay.

The Monroney amendment has been attached saying it distorts comparability. Its critics fail to mention, however, that it came about in an effort to provide comparability where none existed. They also fail to mention that were it repealed, the actions taken to fill the void remaining would be more costly than the present system.

Those who advocate the elimination of the present percentage night-shift differentials maintain it would be a return to the previous coordinated Federal wage system practice where night-shift differential was established on a cents-per-hour basis through locality surveys. They fail to mention, however, that prior to the coordinated Federal wage system, as many oldtimers will recall, it was a common practice in many agencies to pay a percentage night-shift differential.

They also fail to mention the problems encountered in many areas with the old coordinated Federal wage system in attempting to find an adequate basis in the private sector for setting a cents-per-hour differential. Another point so ignored is that it is common private industry practice to pay both blue- and white-collar employees in a firm night-shift differential on the same basis which the law attempts to do.

The attack on the five-step system and the proposals to eliminate steps and move the pay line from step 2 is just another attempt to save hundreds of millions of dollars. The witnesses, so far, have been very careful not to say what the disastrous effect would be on employees' pay. This proposal would result in an 8- to 12-percent reduction in potential income and for all practical purposes would put the prevailing rate employee on a single rate system with no hope for compensation for dedication, longevity, or experience. It represents not merely a return to the coordinated Federal wage system or previous agency systems, but would really be a step backward to the days when there was no system at all.

The proposal to add State and local governments to the surveys where needed seems to be the most innocuous of the proposals. The real impact of this proposal would depend upon the interpretation of what is meant by "where needed." No surveys over the last 3 years have been found to be inadequate since State and local governments were excluded.

We note with interest that all the proposals, with the exception of the General Accounting Office report, and it only by inference, failed to suggest the inclusion of the Tennessee Valley Authority or the Postal Service in an attempt to broaden the survey base. Surely it seems logical that if 1,312 Federal employees' wages can somehow contribute to inflation in Puerto Rico, then 18,585 postal employees must surely affect the prevailing rate in the Washington, D.C., area.

There has been a great deal said about comparability. Just where does comparability stop and reason begin? The Federal Government employs slightly over 2½ million people. There are 3,353,946 employers in the United States. How many of these even approach in any aspect being comparable with the Federal Government? There are only 820 that employ more than 5,000 people. None of these have the responsibility that the Government has for the security and well-being of our country. The Federal Government does things differently than the private sector for good reason.

Especially when we are talking about the one employer on which all of these 3½ million employers and 230 million people depend. Thus, there can be a real danger in being a "strict constructionist" on comparability. Comparability may be in the eye of the beholder.

We expected that any overall comprehensive review should have resulted in a reasonably balanced set of recommendations, some good, some bad, some adverse, and some beneficial. I don't see that. All I see is what appears to be an extension of announced administration policy to water down comparability. If that does not work, then to totally ignore comparability and to impose an arbitrary 3- to 5-percent increase caps, that even today are far below the most conservative estimates of the growth of inflation this year.

Probably one of the most distressing aspects of the administration and agency proposals is the fact that there is no mention or concern over the terrible plight of the nonappropriated fund employees, or as I have classed them, "the migrant workers" of the Federal Establishment for whom the Federal Wage System was supposed to encompass and for whom it was to provide equal pay treatment. We first saw thousands of these people excluded from this system and have seen the remaining thousands victimized by an exceedingly narrow interpretation of the law when applied to their surveys.

Chairman Clay's bill, if enacted, would represent a giant step forward for these employees and would end once and for all the rampant discrimination that stems not from how hard, how well, how difficult, or how long they work but rather from where the money comes to pay them.

Mr. Chairman, as an extension of this statement, I would like to share with you the feelings of the people who belong to our union in the two States. There are in number some 25,000 to 26,000 actual members. We are representing at the moment in the neighborhood of 62,000 to 63,000 Federal white and blue collar employees. And I suggest to you, sir, that as a Member of the Congress—and I say this with all due respect to you—as you return to Washington to advise your colleagues in the Congress, that I think that if this type of legislation that is proposed by the administration, the Derwinski bill specifically, is allowed to even reach the floor of the Congress of the United States, then the Congress is asking for trouble with Federal employees.

Let me tell you why. I am sure you are well aware of the most recent developments in terms of Federal white collar salaries. And we now see the possibility of the Ford administration proposing a weighted increase in which people in the lower grades will receive a lesser percentage, and those in the higher grades a higher percentage.

For example, for those white collar employees we may be talking about 4.3 percent, and if one goes to the grades 14 and 15 we find a proposed 9 percent increase.

Mr. Chairman, in actual dollars—and that is what the people in this room and the people who work for the Federal Establishment understand, they don't understand weighted averages—that means for a GS-1, and there are still quite a few hundred of those in the Federal Government, a dollar increase of \$240, and for a GS-15, \$2,480.

Now, if anybody wants the Federal employee to strike, they certainly can provoke it by trying to put that kind of a pay system into effect. Thank you so much.

Mr. SOLARZ. I want to thank you for your very thoughtful statement, Mr. Gleason. I think you have raised some very important points which the committee will undoubtedly take into consideration in evaluating this legislation.

In the interest of time, I just wanted to ask one or two questions. I gather it is your position that as a general rule that we ought to adhere to the comparability standard. This would provide a kind of rational basis for determining the pay levels for Federal employees.

Now, if in fact that is the case, I wonder if you could address yourself in somewhat more detail to the provision of the Derwinski bill calling for the elimination of the standard percentage night shift

differential, and its substitution by presumably a comparability provision which would provide a night shift differential comparable to the night shift differentials for people performing similar work in that particular wage area.

Given your general commitment to comparability, why wouldn't that be considered a more desirable way of handling this problem than having fixed automatic night shift differentials?

Mr. FALLON. If I might, Congressman, I would like to answer that.

Mr. SOLARZ. Yes, certainly.

Mr. FALLON. In our surveys, and I am personally acquainted with many of the surveys in the 2d district, New York-New Jersey, we find that our information comes in two different types. One is a percentage in certain areas, and some are cents-per-hour for the night shift differential.

When we break it down into our figures at the local level, it is easier to break it down and it is easier to apply as a percentage. We feel that if an electrician-journeyman proves a skilled employee, is working nights and he is getting time-and-a-half at his salary, not at a flat rate—he doesn't get the same as a truckdriver—that he should get a percentage of his salary for night shift differential. It is to pay the employee for the discomfort and the inconvenience, and for the odd hours.

We feel that in fact, as many of our surveys show the night shift differential paid to highly skilled employees in outside industry is higher than 7½ and 10 percent. But we did agree to the 7½ and 10 percent. This is the way it is broken down in our surveys.

Mr. SOLARZ. If, in fact, employees working on night shifts doing similar work as a rule are getting more than 7½ percent differential for the night shift, it would seem to me that your workers would be better served by a comparability provisions to determine the extent of the night shift differential than by a flat 7½ percent.

Mr. FALLON. No, the 7½ percent and the 10 percent may be confused a little, gives everyone more than the flat rate that was given in the past. There was nothing more than 17 cents in some of our areas, and 20 cents given for the second and third shift under the old system until we go back to the percentage. And now the minimum wage gives you, you know, for third shift \$2.30 is the minimum. There has to be 23 cents for 10 percent, so they are getting an increase in the night shift differential on the percentage, rather than the flat rate.

Mr. SOLARZ. Well, is the flat rate based on comparability, or how is it determined?

Mr. FALLON. Sir, as far as we are concerned—and I am talking about specifically employees in the District on the survey—we don't know how they arrived at it in Washington. We don't know how they arrived at some of the figures.

Mr. SOLARZ. Are there any insurmountable methodological problems in determining what comparable night shift differentials are?

Mr. FALLON. Not insurmountable. It is all done by computer, and it is all done outside of our area. If we can handle it ourselves we could figure it out better. We have to get it out where it should be 20 percent for the third shift.

Mr. SOLARZ. I guess what I am trying to get at is if the base pay for a particular worker is determined by the comparability provisions,

whereby the Government makes a determination as to how much somebody doing the comparable work gets in the same area, for base pay, why shouldn't it be possible to determine what the comparable night shift differential is, and then base the differential on that?

Mr. GLEASON. I have no problem with what you are saying, and I think perhaps it is a question of words here. It would be more than likely that a survey area such as New York the percentage would be considerably higher. But I think that in general what we are saying is that on balance the 7½ and 10 percent overall was more helpful to a greater number of blue collar employees on a nationwide basis.

Mr. SOLARZ. More helpful than what?

Mr. GLEASON. Than what had previously been the case. In other words, let's say just for the sake of argument there had been say 90 surveys going anywhere in the United States. It is a fair bet to assume that over 80 of them might have been paying less than what the 7½ or 10 percent is.

Mr. SOLARZ. Was the previous formula based on comparability, or was it based on some other consideration?

Mr. FALLON. When it was under the Coordinated Federal Wage System it was all based on survey comparability. Again, it is a matter of comparability. Semantics. What is comparability?

Mr. SOLARZ. Did they attempt to determine what the average night shift differential was for people in different categories, and then base night shift differential for Federal blue collar workers on that finding?

Mr. GLEASON. You know, Mr. Fallon earlier said to you that it was difficult for us to really know what was being done at the Washington level. In fact, it so disturbed us some years ago that we made an internal proposal within the organization, which hadn't gotten as far as we would like it to have, and that was that when the data was compiled within a survey area that the rates be set within the survey area, as opposed to going down and being fed in a computer in Washington, D.C., and we honestly believe—so I can't give you the specific proof—that it has been gerrymandered.

Consequently, the experience of the past tells us that and the new system doesn't give us the sense of security that we would feel if we were able to take that data right here, make a compilation of it, and then indeed—for example, the New York City or the New York survey probably would have a higher percentage based upon the higher cost of living, higher wages, et cetera.

Mr. SOLARZ. But you think elsewhere in the country it might not?

Mr. GLEASON. On balance I would think not. Again, recognizing New York for what it is in terms of its cost of living factor and inflation and everything, I would say that we are a little bit different than the rest of the Nation in that respect.

Mr. SOLARZ. I appreciate the responsiveness of your reply. I think Congressman's Gilman's aid has some questions.

Mr. BREITENBERG. Mr. Gleason, do you believe that Federal blue collar workers are presently underpaid?

Mr. GLEASON. Do I believe that Federal blue collar workers are presently underpaid? I sure do. I sure do.

Mr. BREITENBERG. Do you believe that in comparison to what their local counterparts are paid in private industry?

Mr. GLEASON. Well, it depends upon what you mean by "their local counterparts in private industry." If you were to say, if you would ask me that question at such point in time as you reviewed construction rates, then maybe I might be able to answer a little more intelligently, but right now based on the fact that blue collar employees wages are not evenly drawn against their counterparts in the entire private sector, I don't think I can intelligently answer the question.

Mr. SOLARZ. Congressman Gilman just joined us. We are delighted to have him here for the hearing. Ben, do you want to make a statement?

Mr. GILMAN. Yes. Thank you.

Mr. SOLARZ. We have just received testimony from Mr. Gleason, who was the first witness, and we were asking him some questions.

Mr. GILMAN. I regret that I was delayed in the traffic. I would like to make an opening statement, if I might interrupt Mr. Gleason.

Mr. SOLARZ. You may make your opening statement.

OPENING STATEMENT OF HON. BENJAMIN GILMAN

Mr. GILMAN. Mr. Chairman, we are meeting here today to receive for the first time testimony on H.R. 12843, a bill introduced by Congressman Derwinski at the request of the executive branch. Appropriately, this hearing is being held in the field where wage surveys are actually conducted and therefore, where also problems most often occur.

This legislation was prepared by the Civil Service Commission in direct response to the recommendations set forth in the 1976 staff report of the President's Panel on Federal Compensation and is consistent with earlier, essentially similar, recommendations made by the Comptroller General in the General Accounting Office's June 3, 1975, report to the Congress entitled "Improving the Pay Determination Process for the Federal Blue-Collar Employees."

Specifically, H.R. 12843 provides that with the next wage survey ordered after October 1, 1976, the requirement for the use of out-of-area rates—the Monroney amendment—would be eliminated, that the step-rate structure would be revised to conform with private industry practice nationwide, and that payline structures would be based on an "average to average" computation rather than on a "second-step payline" computation. Additionally, with the occurrence of the first full-scale survey after October 1, 1976, night shift differentials would be based on locally prevailing practices and the limitation of survey coverage to private establishments would be removed. Finally, this bill would also require full-scale wage surveys to be conducted at least every third year, instead of every two as at present. As a consequence of this legislation, no prevailing rate employee would have his basic rate reduced. Rather, each employee on the rolls at the effective date of this act will receive a minimum 3 percent wage increase following the first survey conducted under the revised system, unless wages in the area have increased by a lesser amount. Thereafter, employees on a retained rate will receive one-half of each subsequent wage adjustment, not to exceed 3 percent, until he or she is entitled to a higher rate of pay by operation of the revised wage system.

During this second session of the 94th Congress, our subcommittee devoted 4 days to oversight hearings on the operation of the Federal Wage System—Public Law 92392. These hearings were most informative but necessitated, in my opinion, further hearings on the proposals for the reform of the Federal Wage System.

Highlights of the testimony submitted during the course of the subcommittee's hearings revealed that existing provisions of Public Law 92392 may be inconsistent with the basic principle underlying the Federal wage system, that is Federal blue-collar pay rates fixed on the basis of comparability with prevailing rates and pay practices in the non-Federal sector. This inconsistency if true, burdens taxpayers with an estimated \$440 million a year in excessive payroll costs and creates an inflationary spiral by subjecting private industry to pressures to increase pay rates which, in turn, are reflected in subsequent Federal wage surveys.

It is contended by the executive branch that H.R. 12343, if enacted would result in five important benefits to both the Federal Government and private industry:

1. H.R. 12343 would bring the Federal wage system rates and practice closer to those of private industry, causing competition between the Federal Government and private industry to be more equal.

2. H.R. 12343, if enacted, would lower the tax cost to private industry for Government payroll. It is estimated that the legislation would reduce by 7 percent the total Federal wage system payroll cost of approximately \$6 billion annually.

3. Bringing Federal blue-collar pay rates closer to local prevailing rates will put a stop to the "competitive talent spiral" in which trades and crafts employees in private industry seek employment in the Federal Government because they earn rates that are 12 percent above average private industry rates.

4. Bringing Federal wage system rates closer to local prevailing rates, creating a more realistic basis for private industry labor contract negotiations because differences between private industry and Federal rates are reduced.

5. H.R. 12343 would amend current law to substitute a requirement for full-scale wage surveys at least every third year, instead of every 2 years. This will reduce the administrative costs of the Federal wage system surveys to the Federal Government and reduce the cost of participating in the surveys to private industry.

In concluding, it should be noted that the proposals contained in H.R. 12343 were endorsed by the action of the House of Representatives in adopting these recommendations in the first concurrent budget resolution.

Thank you, Mr. Chairman.

Mr. GLEASON. Mr. Chairman, if I might for just one moment, please?

Mr. SOLARZ. Yes.

Mr. GLEASON. Congressman Gilman, I have found you to be a thoughtful, considerate and articulate spokesman in the Congress of the United States. I believe that, I have believed it for a long time, and I will believe it after I leave here today.

Mr. GILMAN. Thank you.

Mr. GLEASON. But I suggest to you, sir, that if you had taken that statement and read that to the employees in the U.S. Military Academy at West Point, I think they would have all walked out of the room. It is incredible that that statement could be offered. I just find no justification for it at all. All that statement says to me, sir, is that we are going to continue to make the Federal employee the sole sector of our society upon which we are going to put burdens and restraints.

And I just find it incomprehensible. Thank you, and I still think you are a gentleman.

Mr. GILMAN. I have just a few short questions that I would like to address to Mr. Gleason because my chairman tells me that we have some time restrictions.

Do you consider it necessary to find matches for every Federal occupation in a wage area in order to establish a pay schedule?

Mr. FALLON. Do we consider it necessary, sir, is that your question?

Mr. GILMAN. Yes.

Mr. FALLON. We would find that we would have a better idea of comparability if we done it, but it is impossible even under the present system that doesn't require it. We keep having at comparability in 12 percent above outside industry. Sir, you are mistaken. We get an average grade—we survey nine different job titles and come up with the pay from maybe 14, 15 or 20 jobs in the Federal Government.

I will give you a for instance. We don't survey an electrician on the outside and match his with an electrician in the Government. We survey an electrician, a pipefitter, a sheetmetal worker, and then we take the average of those. Some of them are as high as \$10 an hour. Some of them are as low as \$7. We add them together and divide them, and you get the Government's idea of comparability. And they also, sir, have steps. Contrary to the testimony I have read in other areas, they do have steps.

We get the average step of the journeyman electrician that we are matching. We don't—the Federal employee does not get 12 percent above outside industry. An electrician at Griffiths Air Force Base gets \$6.30 an hour, \$6.70 an hour at the top step. An electrician—and I'm talking from personal experience—on the outside gets \$9.50 in the same area, plus free fringe benefits. He doesn't pay for his pension, he doesn't pay for his hospitalization.

Sir, there is no comparability between a survey, and in your area—your people should have showed you—in your area there is no comparability for pay in the military academy. There is no establishments in West Point that you can match to the jobs that are on West Point.

And you want to eliminate the Monroney amendment that should be applied in the West Point area, in Newburgh. There are no industries in the Newburgh area to match what the people do on West Point. Therefore, we have one of the lousiest surveys in the area. We do, sir, and my language might not be right, but it is a lousy survey.

Mr. GILMAN. As an alternative to eliminating the Monroney amendment would you favor applying out-of-area data to only the specialized positions for which the out-of-area data was sought in the first place?

Mr. FALLON. Sir, it wouldn't apply. I'll give you two for instances. I just mentioned West Point where there is no industry up there because they are moving out and we can't get a right survey, and another one that comes to mind immediately is Atlantic City, which is a seasonal.

We have FAA in Atlantic City. We cannot match any of the jobs in Atlantic City, wage rate jobs in Atlantic City itself. We go across the river to Dover, Del., and we match a survey out of Dover, Del., with the area. The whole survey is taken out of another area. That was the only way.

To apply the Monroney amendemnt only to those jobs in a specialized category might work at Griffiths Air Force Base where some of them were aircraft. It wouldn't work all over, sir.

Mr. GILMAN. The Bureau of Labor Statistics study of industry night shift practices in 1971 through 1972 found that manufacturing firms had about 17 percent of their workers on second shift, and 6 percent of their workers on third shift. This study found that a uniform cents-per-hour method of compensation was almost twice as common as a uniform percentage method for second shift payments, and five times as common for third shift.

Would you care to comment on that finding?

Mr. FALLON. Yes, sir. Again you mentioned 1971 and 1972, Bureau of Labor Statistics. Our union is again saying that you are using outdated material, they are using not only outdated material on night shift differential, but outdated firms. The Bureau of Labor Statistics is 5 years behind the times, believe me, on their statistics. I don't know who owns their computers, but they are.

We get firms to survey in our surveys in the local area that have been out of business for 4 years. We have notified them on previous surveys they are no longer in business, or they refuse to participate. We have many firms in the area that refuse to participate, and we still keep getting them—2 years later we are getting them out of the Bureau of Labor Statistics, so those figures are outdated.

Mr. GILMAN. Would you favor as an alternative to amending the five-step structure, a change that would require a three-step structure for only nonsupervisory wage employees? As you probably know, this was the approach used in the old coordinated Federal wage system.

Mr. FALLON. Sir, our position on the steps is that we should be given the same amount of steps as the white-collar workers, which was 10. We compromised at five. And we are opposed to any return to the three-step system.

Mr. GILMAN. I thank you, gentlemen. Our time is limited and I appreciated your responses.

Mr. GLEASON. Let me just offer one last observation in response to your questioning, Congressman. Before you arrived in our testimony we spoke to the number of employers in the United States, the amount of employees that they employ. The figure was a little over 3.3 million employers in the United States, and of that there are only 820 employers who have 5,000 or more employees.

If you want to talk about limiting surveys for blue collar employees to those firms which employ 5,000 or more employees, why don't you come back and talk to us then? Then maybe I think we could make some sense.

Mr. SOLARZ. I wish to thank you gentlemen for your testimony and for giving the committee the benefit of your great experience in this area. What you have to say will be given the most careful and thoughtful consideration, as I think it always has in the past, and I hope you won't hesitate to keep us informed about your views on any developments in this area.

Mr. GILMAN. Mr. Chairman, to maintain the continuity of the testimony, I would like to request that Mr. Lanahan, who is here from the U.S. Military Academy, be permitted to respond to just a few questions. He is the wage specialist at West Point.

Mr. SOLARZ. Certainly.

TESTIMONY OF HUGH LANAHAN, CHIEF OF POSITION PAY MANAGEMENT AT U.S. MILITARY ACADEMY, WEST POINT, N.Y., AND CHAIRMAN OF LOCAL WAGE SURVEY COMMITTEE

Mr. GILMAN. Mr. Lanahan, would you please state your title and where you are employed?

Mr. LANAHAN. I am the Chief of Position Pay Management at the U.S. Military Academy, West Point, N.Y., and I am also the Chairman of the Local Wage Survey Committee.

Mr. GILMAN. And have you just heard the testimony of Mr. Gleason?

Mr. LANAHAN. Yes; I have.

Mr. GILMAN. Do you have any comments with regard to that testimony?

Mr. LANAHAN. Well, I think Mr. Fallon did mention that we survey 9 or 10 different jobs. It is actually around 22 to 24 different survey jobs. Also, the survey at the U.S. Military Academy has always been adequate in the past. We have never had any problems, we have always been able to get a sufficient number of matches to come up with a comparable pay schedule.

Mr. GILMAN. Have you experienced any problems in conducting your surveys?

Mr. LANAHAN. No; we do have occasional establishments who will refuse to cooperate, but we still get enough establishments, enough data.

Mr. GILMAN. How long does your average survey take?

Mr. LANAHAN. Oh, perhaps the best part of 3 weeks, by the time you get all the callbacks and so on. That is actual data collecting.

Mr. GILMAN. And how many man-hours are involved in that survey?

Mr. LANAHAN. Well, we use nine teams; half union and half management, and I would say that they spend maybe the best part of a month. That is the teams. Now, the committee members, we start meeting in December, when the schedule or the wage survey won't start until March, we begin our initial meetings then in preparation for the survey.

Mr. GILMAN. And what would be your opinion of the consequences of eliminating dual survey areas for nonappropriated and appropriated fund employees, as is recommended by our chairman, the gentleman from Missouri, Mr. Clay?

Mr. LANAHAN. Well, if they were to do that and combine the survey universe. That is, if we went out and survey not only manufacturing, communications, utilities, and transportation, but if we included in that survey wholesale, retail, services, and recreational type industries, then this would have a depressing effect on the appropriated side of the House and it would escalate the nonappropriated side.

Mr. GILMAN. It has been contended that the real cause for the disparity in rates between appropriated fund and nonappropriated fund employees is a function of the different establishments surveyed for both groups. Is that correct?

Mr. LANAHAN. What was that again, sir?

Mr. GILMAN. It has been contended that the real cause for the disparity in rates between appropriated fund and nonappropriated fund employees is a function of the different establishments surveyed for both groups.

Mr. LANAHAN. Well, that does have an effect on it, but however, we do survey comparable type positions. On the nonappropriated side of the House we survey food service workers, we go to motels, hotels, recreational areas, and so on.

Then on the appropriated side of the House we go to the industry, manufacturing, wholesale, and so on.

Mr. GILMAN. Have you observed a competitive talent spiral, as I referred to it in my opening statement, in effect at the Point?

Mr. LANAHAN. No; we have really no competition. As far as the labor market is concerned we have more people looking for jobs than we have jobs. This is both nonappropriated and appropriated. And we lose a very, very few of our employees to private industry.

Mr. GILMAN. Do you think the Monroney amendment should be operative in that area, the area of the Academy?

Mr. LANAHAN. No; I do not. We have never had to use it in the past, and I do not think it reflects what we would call a prevailing rate. If you go from say, the West Point area, Newburgh, and have to go out in the midwest, that is not a rate that prevails in Newburgh, or in that vicinity.

Mr. GILMAN. Upon the whole, do you find that the workers at the Academy are receiving higher wages than they would in the local area?

Mr. LANAHAN. Generally speaking, yes. I can cite an instance there where we pay our food service workers, they start out, I think it is \$4.22 an hour. A registered nurse in a local hospital gets around \$4.50 an hour. So our food service workers, when they get to the fifth step, are making—the nurses are making less than the food service workers.

Mr. GILMAN. Thank you, Mr. Lanahan.

Mr. Chairman, I have no further questions.

Mr. SOLARZ. Thank you very much, Mr. Lanahan.

Our next witness is Ms. Marty Moran, the executive director of the Rockland County Association. And Ms. Moran, I would ask you to try to be brief, because we are running a little behind.

**TESTIMONY OF MS. MARTY MORAN, EXECUTIVE DIRECTOR,
ROCKLAND COUNTY ASSOCIATION**

Ms. MORAN. I have a very short statment, that is very concise.

Mr. Chairman, Congressman Gilman, I welcome the opportunity of appearing before this subcommittee today in support of H.R. 12843.

Mr. Chairman, The Rockland County Association, an organization of businessmen, professionals, industry and labor has reviewed the June 3, 1975 GAO report entitled "Improving The Pay Determination Process For Federal Blue-Collar Employees," and we find that we are in agreement with most of the recommendations contained therein.

Even though Rockland County is not situs of Federal blue-collar employment, my association is still very concerned about the inconsistencies in the wage survey process and the resulting disparity between blue-collar and private industry rates.

The GAO report points to four legislative provisions which makes it impossible to maintain a comparable rate of pay for Federal blue-collar employees with prevailing rates of private enterprises.

The first legislative provision is the five-step rate regular schedule. The pay range in the nonsupervisory grade schedule is 16 percent with 5 pay step levels. In surveying some of the larger industries in Rockland County, we found that many have only a three-step schedule for their employees—the basic entry level, 6-weeks trial period, and the 6-months to 1-year increase. Not only does the private sector have the three-step schedule, but many of them start their basic entry step at minimum pay up to \$3 per hour. This contrasts with Government blue-collar workers who are compensated at more than 12 percent above the market rate.

Second, a more representative survey coverage is definitely needed to determine pay scales. In reviewing the industry surveyed in the "wage-area" that includes Rockland County, we find that no industry within the county was surveyed. We question the validity of our exclusion.

Further, if State and local government was included on the list of possible job matches, Rockland County could supply potentially 1,605 job matches for data collector purposes. However, if these State and local governments are included in the survey, we are concerned as to whether such inclusions would serve to cause greater spread between Government and the private sector in comparability. Although it is conceivable that inclusions of State and local government would warrant a greater degree of comparable positions, it could tend to arrive at a greater spread than 12 percent above market.

Third, we recommend, in order to help equalize and to place Government and the private sector in competition in the labor market, that the data collection process should be refined. The GAO report suggests the following two improvements.

1. Establish a permanent body of carefully selected and thoroughly trained full-time collectors to minimize errors.

2. Establish additional quality controls on the data collection process.

We believe these two suggestions have merit and demonstrate a need for a more thorough survey with a highly-trained full-time professional staff. However, The Rockland County Association concurs

with the suggestion of the Veterans Administration that a study should be made to determine the administrative costs involved before adopting this full-time professional staff.

The ultimate goal in any attempts to revise the data collection process should be a more comparable hourly wage rate between Government and the private sector for the following reasons:

1. To maintain our free enterprise system, Government should not be the more attractive employer because of hourly wage differential for comparable positions.

2. It is the free enterprise systems—the private sector—who pays taxes and should not have Government as a competitor in the labor market.

3. In making revisions and amendments to the the present legislation, we should reach for the best solution to the collection data process which comes up with a factual, accurate comparison of comparable positions, but in doing so, at the least cost necessary without creating another bureaucracy which in the long run costs the taxpayers more than the defaults we are correcting.

In summary, all the recommendations have some merit. However, every provision of H.R. 12843 should be studied for adverse results before passage in order to determine if the intended goals will be accomplished.

The Rockland County Association would like to further add that once you have made these improvements, we urge you then to look into the real culprit which makes Government a much more attractive employer than our private sector—fringe benefits. I thank you.

I added to that as a fifth page 2 articles which I clipped from the newspapers yesterday having to do with the survey done by the New York Chamber of Commerce in Industry, which I thought might interest you in making your determinations along this line.

Mr. SOLARZ. Thank you very much, Ms. Moran, I just have one question. You indicated in your testimony that since it was the private sector that pays the taxes it shouldn't have to, in effect, put up with having Government as a competitor in the labor market.

I take it, however, you are not suggesting that Government pay rates be scaled at a lesser level than those provided for comparable work in the private sector?

Ms. MORAN. Definitely not. I think we should be in competition with each other in all ways.

Mr. SOLARZ. So you are in favor of genuine comparability?

Ms. MORAN. Genuine comparability, so that you and I who are out in the labor market have our choice where we would like to work. We find, as I talked with industry within Rockland County, that even though we do get those basic entry level positions filled quite readily, once they have learned some kind of a trade then they move quickly into the Government sector.

Mr. SOLARZ. To the extent that a more sophisticated method of determining comparability would be devised which indicated that in certain areas and for certain job classifications, Federal employees were getting less than their counterparts in the private sector, would you favor an increase in Federal wages to bring them up to the level of comparability?

Ms. MORAN. I would say that you and I doing the same job, should have the same pay.

Mr. SOLARZ. So you would favor an increase if it showed that people in the public sector were getting less than workers in the private sector?

Ms. MORAN. Yes.

Mr. SOLARZ. Thank you very much. Mr. Gilman?

Mr. GILMAN. Ms. Moran, I want to thank you for being present today and sharing with us your views and the views of the Rockland County Association.

Would you tell the subcommittee why you believe, as you stated in the last portion of your statement, that fringe benefits, more than the Federal Wage System, cause a competitive talent sprial between private industry and the Federal Government?

Ms. MORAN. It appears—and I think I am correct—I'm not, you know, I can't talk on each one of our industries' penisons, et cetera. I am not that knowledgeable about each and every one of them, but government does have a very good fringe benefits program all the way around, and I have a husband who is a New York City policeman, and I think his fringe benefits are great. All right?

I would say that I am only taking my survey that I got from my personnel people in industry. And they said that generally speaking this is the biggest factor that pulls the private sector employee into government positions.

Mr. GILMAN. What you are saying then, is that generally the fringe benefits of industry in the Rockland County area are not up to par with government fringe benefits in the same area?

Ms. MORAN. That is what my personnel people are telling me.

Mr. SOLARZ. If we could—I would very much appreciate it if the members of the audience could restrain their comments. We do have witnesses, and this is a public hearing, and those who want to testify before the committee can request an opportunity to do so, and will certainly be given an opportunity. But I think, particularly in light of the time, it would be helpful if we could conduct this in an orderly fashion.

Mr. GILMAN. And Rockland County adjoins Orange County, the county in which the U.S. Military Academy is located?

Ms. MORAN. That is correct.

Mr. SOLARZ. Thank you very much, Ms. Moran.

Our next witness is Mr. Patrick Sheridan, who is a member of the board of directors of the American Compensation Association.

TESTIMONY OF PATRICK J. SHERIDAN, MEMBER, BOARD OF DIRECTORS, AMERICAN COMPENSATION ASSOCIATION

Mr. SHERIDAN. Mr. Chairman, Congressman Gilman, I appreciate the invitation to comment on the proposed legislation affecting the pay process for Federal blue-collar workers. My name is Patrick J. Sheridan and I am survey chairman and former board member of the American Compensation Association. For the past 13 years I have been corporate salary administration manager of Western Electric Company. In this position, my responsibility included the design and execution of surveys and the development and maintenance of corporate wage and salary structures. My views therefore, reflect the experience gained from a career in the industrial community.

To begin with I would like to direct my attention to the question of dual survey areas, wage data below the minimum wage, and the Monroney amendment.

Mr. Chairman, if the purpose of a wage survey is to determine within a given area the prevailing wage rates for comparable work, then it certainly does not make sense to designate one wage area for appropriated fund workers, and another area for nonappropriated fund workers.

It makes even less sense to collect wage data from another wage area to complete a survey sample, particularly when these outside data are combined to distort the valid wage data collected in the local survey area. The net effect of this practice is to increase the prevailing rate, not only for the jobs surveyed outside the local area, but for the entire spectrum of jobs in the local area.

Mr. Chairman, the government is required to pay wages comparable to private industry. Industry practice is to pay competitive rates based on a local labor market. I don't believe these concepts are all that different in the final results. If industry is paying competitive rates, and the Federal Government rates are comparable, the Federal Government in effect is paying competitive rates.

The problem arises when the Government survey teams go outside their local area to collect wage data which inflates the survey results, and consequently the Federal pay rates. Industry then includes these inflated rates in their wage survey, and so begins the unending cycle. Industry will increase their rates to remain competitive and the Government will increase their rates to remain comparable.

Mr. Chairman, I would favor a single wage area for all blue-collar workers, the elimination of wage data below the minimum wage, and the repeal of the Monroney amendment.

I would now like to direct my comments to the night shift differential. The purpose of shift differentials is to compensate employees whose job requires they work at odd hours thereby taking them out of the mainstream and causing disruption to normal family life.

The amount of this additional compensation bears a relationship to the employee's base pay. The current practice is to maintain this relationship on a national basis as a fixed percentage of 7½ and 10 percent for afternoon and evening work. Therefore, increases to the base rate automatically result in increases to the shift differential payment.

If this policy were changed it would result in an additional rate to negotiate and could result in some whipsawing of rates between wage regions. Further, in the long run, I cannot see any substantial savings in changing the existing policy of a percentage relationship to a fixed rate, which would have to be negotiated. Mr. Chairman, I do not favor repeal of the current national policy of night shift differential.

I would now like to direct my comments to the five-step system. Probably the most disturbing aspect of the Federal Wage System is a policy that provides for an average of 12 percent above the prevailing local area rate. This is due to the fact that the anchor point is established at the second step of a five-step structure.

Paying the average worker 12 percent above the comparability level is stretching comparability and feeding the inflationary wage cycle. Mr. Chairman, I would favor repeal of the five-step system as it is currently administered.

Further, I would recommend that in its place a structure and policy be developed that would result in the average Federal blue-collar worker being paid at the prevailing local area rate, and that workers be paid within the range on the basis of experience and performance.

Mr. Chairman, I favor the effects of these changes on present employee rates be cushioned as provided for in the administration bill.

With respect to extending the survey interval from 2 to 3 years, I would like to make the following comments. The art of surveying wages requires competent surveyors dealing with knowledgeable personnel people in determining comparable work and exchanging wage data. Extending the interval creates too wide a gap between the survey visits. Over a 3 year period of time many changes take place in the survey area, in the companies, and in the Government survey teams. Good survey information requires that it be current, that it have continuity with previous surveys and that there be some element of stability in the companies surveyed.

Mr. Chairman, rather than extend the survey interval to 3 years, I would suggest that the interval be maintained at 2 years on a visitation basis and in addition, a telephone wage check be conducted in the off year.

Mr. Chairman, once again, on behalf of the American Compensation Association and its more than 3,000 members, I would like to express my appreciation for the opportunity to express our views on the legislation under consideration.

I will be glad to answer any questions you might have.

Mr. SOLARZ. Thank you very much, Mr. Sheridan. I just wanted to ask you one thing. You indicated that you were in favor of the repeal of the Monroney Amendment. What should be done in those areas where there aren't enough comparable jobs available to conduct the proper survey, which is the contingency provided for in the Monroney Amendment, if the Monroney Amendment were repealed?

Mr. SHERIDAN. The pay policy line, or structure line, is a mathematical line of best fit covering some 15 grade levels. As such it is not necessary to collect information on all 15 grade levels in order to establish the line of best fit. I don't see the need for going to an outside area to bring in extraneous data that may not be applicable to the survey area in order to influence this mathematical line of best fit.

Mr. SOLARZ. How do you establish the pay base if there aren't comparable positions available by which judgment can be made?

Mr. SHERIDAN. Well, in doing the survey work, if you can get an adequate sample in at least 6 of the 15 grade levels—and this does not necessarily mean all the jobs in each grade level—but get an adequate sample of work performed within each grade level, then through the use of a second degree equation you can establish a line of best fit, and this provides for a relationship between the grade levels where data was not collected.

Mr. SOLARZ. On the question of the night shift differential, which you favor keeping intact, how do you feel about the proposal to base night shift differential on the comparable night shift differential paid for comparable jobs in the wage area in question, rather than making it a fixed percentage of the base pay?

Mr. SHERIDAN. Mr. Chairman, I don't think the night shift, afternoon, or evening differential is related to the job as much as it is to the inconvenience that it causes to the individual. And therefore, I believe in establishing a policy that would apply uniformly to all employees.

Mr. SOLARZ. Do you have any sense of the extent to which afternoon and night shift differentials in the private sector are above or under the 7.5 and 10 percent?

Mr. SHERIDAN. Probably 7.5 percent, probably that is a good number for the afternoon shift. Probably about 10 percent for the third shift.

Mr. SOLARZ. So you think in point of fact, while it is a fixed percentage, it is probably comparable to the differentials provided in the private sector?

Mr. SHERIDAN. I think it is, yes. I don't think either side would gain anything by changing it, because in the first place, when they are negotiating a new fixed rate, it is going to be at least 7.5 or 10 percent, so you start off from there, and I think that there is probably a risk that it might go higher even.

Mr. SOLARZ. Thank you very much. Mr. Gilman?

Mr. GILMAN. Thank you. Mr. Sheridan, I find it interesting your recommendation that a structure and a policy be developed that would result in the average blue collar worker being paid at prevailing local area rate, and that workers be paid above the average on the basis of experience and performance.

Could you explain that in just a little more detail?

Mr. SHERIDAN. Yes. I think the average rate paid to workers in a particular occupation or skill, taking into account all the rates in that particular occupation, should compare to the average rate paid in the area.

Now, some workers are going to be new on the job. You don't learn to be an electrician overnight. Some occupations take maybe 2 or 3 years to gain proficiency. I think the starting rate should be at a level where over a period of about 2 years, based on experience a worker can progress from a beginner rate up to the average rate in increments based on time and experience gained. When the worker reaches the average rate a performance appraisal should be conducted and some workers should be paid above the average rate, based on their above average performance.

Mr. GILMAN. Mr. Sheridan, are you then recommending that wage surveys be done at the present intervals instead of every 3 years? You seem to favor consistency of data over the savings in the administrative costs. Would you comment on that?

Mr. SHERIDAN. Well, technically, communication is a very important factor in doing wage surveys, and the greater the interval between surveys and between meetings of the personnel people that furnish the data the greater the risk that there will be misinterpretations when the data is collected.

The cost of doing the type of survey that you are talking about to a particular company is probably one man's time for 1 day. Each time the survey is conducted, since the surveyor and the personnel man know better what each other is looking for, the cost becomes less and less, because they are more prepared for the meeting.

Mr. GILMAN. In conducting wage surveys for your own company have you ever gone beyond your designated wage area for job matches?

Mr. SHERIDAN. No, we haven't. In fact we have had occasion where we will move into an area where there was very little comparable work. For instance, in the State of Washington, most of the industry there is connected with lumber or food processing. Here an electronics plant was about to be opened and we had to do a wage survey.

Now, what we did in a case like this was to take the jobs performed by the industries in the area and score them on our own classifications. In other words, we said, "what grade would we make these jobs if we were the ones that had the jobs in our own company?" And then on this basis we set up a pay scale for comparable pay levels, rather than the exact comparability of duties in the particular job.

Mr. GILMAN. Just one other question, Mr. Sheridan, to the best of our knowledge, does industry in conducting their own private surveys utilize a concept similar to that in the Monroney amendment?

Mr. SHERIDAN. No, we do not.

Mr. GILMAN. I have no further questions, Mr. Chairman.

Mr. SOLARZ. Thank you very much, Mr. Sheridan.

Our last witnesses are labor members of the New York-New Jersey Local Wage Survey Committees: Mr. Robert McMichael, Mr. John Massa, Mr. Mortimer O'Shea, Mr. John Tully, Mr. Howard Marchitell, Ms. Wadie Conwell, and Mr. George Lovett.

I would appreciate it if you would make your presentation as brief as possible. I would like to adjourn the hearing in a few minutes.

**TESTIMONY OF LABOR MEMBERS OF NEW YORK-NEW JERSEY
LOCAL WAGE SURVEY COMMITTEES: ANTONIO CHURCH, JOHN
MASSA, MORTIMER O'SHEA, JOHN TULLY, HOWARD MARCHITELL,
WADIE CONWELL, AND GEORGE LOVETT**

Mr. CHURCH. I am Antonio Church, labor alternate of local wage survey committee, Picatinny Arsenal. Mr. McMichael is retired, and I am taking his place.

As Mr. Gleason already stated the labor position on this bill, I would like to tell you for just a little human interest of how it affects me and my family. The cost of everything, electricity, food, medical insurance has skyrocketed. Our paychecks due to inflation have shrunk. This bill, H.R. 12943, would make things worse than they are now. Ten years ago I could go out and buy a new car. Today, on the wages I make I can't afford a new car. I drive a fugitive from a junkyard.

This is the way I have to economize to feed my family and take care of them. The past 4 years I have gone into my savings account to pay taxes on my real estate. This bill does not do anything, H.R. 12843, but take away, and take food out of my family's mouths.

Mr. Gilman, if you support this bill, then, sir, I have to classify you with the mugger on the street that would steal my wallet. Thank you.

Mr. SOLARZ. Ms. Conwell, do you have a statement?

Ms. CONWELL. No, I don't have a statement right here.

Mr. SOLARZ. Do any of the other witnesses have a statement they would like to read for the record?

Mr. TULLY. Yes.

Mr. SOLARZ. Mr. Tully?

Mr. TULLY. My names in John Tully, and I am the labor member of the Federal wage survey committee for the Albany-Schenectady-Troy wage survey area.

The failure to gain participation of the largest employer in our wage survey area has the effect of depressing any wage increase we may obtain in our survey. The General Electric Co., with plants in Schenectady, Selkirk, and Waterford, has over 20,000 employees within our wage survey area and they are nonparticipation in our wage survey precludes our gaining increases that would result in our gaining comparability with prevailing rates. At the conclusion of our recent full scale wage survey blue-collar workers at the Waterford Arsenal, WG employees, received an increase of 7.9 percent which resulted in an average increase of 44 cents per hour.

This was reflected in increases in our wage schedule for 30 cents per hour for our WG-1 laborer to 59 cents per hour for our WG-13 top grade toolmaker. Compare this to the wage schedule granted—this is a press release from the General Electric Co.—compare this to the wage scale granted by General Electric effective June 27 under which every employee working under this wage schedule received through a negotiated agreement an increase of 60 cents per hour.

In addition, employees in higher scale jobs received from 5 to 50 cents per hour. This resulted in an increase of \$1.10 per hour for their top rate toolmaker. Our failure to gain rates equal to prevailing rates in skilled crafts in our wage survey area results in a hardship when the arsenal tries to recruit skilled journeymen.

I show you an ad which appeared recently in our Albany, N.Y., Knickerbocker News, dated July 8. This is the ad. It is a pretty big ad. It tells all about the goodies that the Government offers their employees.

It reads—"Paid personal leave, paid sick leave, health insurance, life insurance, retirement"—but you come down to the bottom line where it says starting salary, "\$6.23 per hour."

Right alongside of this is another ad; the Norton Co. This a plant 10 blocks away from the Watervliet Arsenal in Watervliet, and that reads, "Journeyman machinist wanted, \$7.49 per hour starting rate." That is a difference of \$1.26 an hour in starting rates.

Needless to say the Government recruiting policy at the Watervliet Arsenal is not too successful. Thank you, Mr. Chairman.

Mr. SOLARZ. I gather that Ms. Conwell had a prepared statement, and without objection and in the interest of time I would ask that it be inserted in the record at this point, so it will be available to the committee in its entirety.

PREPARED STATEMENT OF WADIE CONWELL, VICE PRESIDENT, AFGE LOCAL 1999

Good morning, my name is Wadie Conwell. I am a Vice President of Local 1999, AFGE, Fort Dix, New Jersey. I am employed by Non-appropriated funds as a janitress at Doughboy Inn, Fort Dix, New Jersey.

Distinguished members of the House Subcommittee on Employee Political Rights and Intergovernmental Programs:

There is a need for wage surveys to remain as they now stand in order to try and get compatible wages. I feel it would be a grave mistake to the many employees who are being paid a low wage scale during this high economic crunch that so many people are already feeling, to discontinue wage surveys.

People who are working in Non-appropriated fund activities and who work for AAFES are in some instances, only getting the minimum wage scale. Without these much needed wage surveys people who are at the top of their scale will no longer be eligible for higher pays regardless of the cost of living. Only people who are in the supervisory positions are eligible for the cost of living increases and these people are already entitled to many more benefits than the lower grade employees.

The only way these employees could possibly get an increase of any size, no matter how large or small, is through "Wage Surveys." If these surveys are discontinued employees have nothing to look forward to or to even stay with the activity that employs them when they have reached their top step. It is even possible or probable to say many of these low income employees will some day need some kind of state assistance to just support their families. As I have stated, most of the employees I represent are not eligible for cost of living increases so I ask you where does this leave the average working class employee? If you do away with the wage survey you do away with fair and competitive wages. What we need is your support in this important matter, we do not need the wage surveys discontinued.

Employees of Non-appropriated fund with years of service have suffered hardships due to the unfair wage system. The wage surveys gave us more substantial increases to better our living standards. To discontinue these wage surveys, as they now stand, would be a slap in the face to people who now qualify for supplemental welfare payments. The minimum wage scale was not established to make money for the employer, but to help maintain a living standard commensurate with people in the private sector. To do away with the wage survey will eliminate fair and competitive wages. Non-appropriated fund employees are considered to be the migrant workers of federal service due to their benefits and working conditions.

Therefore, distinguished members, I urge you to pass H.R. 12540 which excludes from the wage survey firms which pay less than the minimum wage, establishes a single wage area for appropriated fund and non-appropriated fund workers, eliminates the existing provision that wage surveys for non-appropriated fund employees be confined to the lower paying occupations and industries, and requires that non-appropriated fund and appropriated fund employees receive equal pay for equal work. Pass this bill and non-appropriated fund employees will no longer be referred to as Uncle Sam's step children.

I also strongly urge you not to introduce H.R. 12843 as it would destroy the Monroney amendment in its entirety. It would also destroy our right to seek comparable wages in the private industries. We need the night shift differential and the five step pay system. To repeal the Monroney amendment would be detrimental to the welfare of all blue collar workers, causing them to lose all the benefits that they have fought so hard to achieve. That is why, from my point of view, H.R. 12843 should never be passed.

In closing, I would like to thank you for extending this opportunity to me to express my views on this all important issue.

Mr. SOLARZ. Is there anyone else who would like to make a statement at this time?

Mr. LOVETT. Yes, Mr. Chairman.

Mr. SOLARZ. Mr. Lovett?

Mr. LOVETT. Mr. Chairman, my name is George Lovett, I am a vice president for NAF, Picatinny Arsenal. In relation to the gentleman that you had up here from West Point, Newburgh, N. Y. it was kind of astounding when he stated food service workers make \$4.52 an hour. Well, I have been with this NAF for approximately 7 years, and when I started—I am what you call a mobile food operator, at \$2.55 an hour, and in 7 years I have really got up quite big in the world, I make \$4.02 an hour now.

Our starting salary for our food service worker in Picatinny Arsenal is \$2.55. Now, where these rates come of \$4.52, I would just like to say that I would like to move up there to Newburgh because I think I can make more money than I am making now.

Mr. GILMAN. Mr. Lovett, if I might interrupt you—Mr. Lanahan, did you wish to comment on that?

Mr. LANAHAN. Yes, that was on the appropriated fund schedule. We have food service workers at West Point who work in the cadet mess, and they get \$4.22 per hour to start. That is not nonappropriated, but it is appropriated funds.

Mr. LOVETT. I stand corrected, I was assuming nonappropriated funds.

The same thing, on equal pay, years ago it was—you mentioned, Congressman Gilman about having knowledgeable working conditions and equal rights and so forth, of how good you worked according to how you got paid. Well, I know this for a fact, when I first started here it was who you knew is how you got paid in the nonappropriated funds.

I am not being smart, or anything like that, but it was who the boss patted on the behind, and believe me, I know this to be a fact. Another thing, I have been holding this wage survey, I was nominated by Picatinny there, and I concur in relation to the Bureau of Labor Statistics survey. That needs much improvement. Myself and management had gotten together 2 years ago and gave to the Bureau of Labor Statistics different companies that we suggested, because you cannot get a survey of a food service worker anywhere on the outside.

They are making them compatible to waitresses, and these are tip employees and it just doesn't work. I politely got a no comment from the Bureau of Labor Statistics, politely saying "mind your own business, we'll run our thing and you run your thing." That is all I have to say.

Mr. GILMAN. Thank you, Mr. Lovett.

Mr. SOLARZ. Mr. O'Shea?

Mr. O'SHEA. Congressman Gilman, I am from your district.

Mr. GILMAN. Yes, sir.

Mr. O'SHEA. And as one of your constituents I would like to ask right off the bat, purely for clarification, are you for this bill?

Mr. GILMAN. I am glad you asked that. Most of us on this subcommittee are in the process of examining the legislation and that is why we are here conducting field hearings. I have not taken a position on the present bill. I am here today to hear your thoughts and to develop both sides of the issue: It is for that reason we welcome your testimony and this discussion.

Mr. O'SHEA. If I could I would like a copy of your statement that you have made today.

Mr. GILMAN. I will be pleased to provide you with one.

Mr. O'SHEA. In regard to the food service worker, the gentleman to the right of me spoke about, in your own area the food service worker, nonappropriated funds, possible four categories received only a 1-cent-an-hour raise on the last full conducted survey.

Mr. GILMAN. What was the date of that survey, Mr. O'Shea?

Mr. O'SHEA. I am the committeeman on the appropriated fund, not the nonappropriated fund, but I believe the nonappropriated fund is—well, Mr. Lanahan would have it.

Mr. LANAHAN. May 23, 1976, the day of the schedule.

Mr. O'SHEA. Now, I may be speaking a little out of turn here, but like I said, I am a committeeman on the appropriated fund, not the nonappropriated fund, but on the nonappropriated fund it has been brought to my attention in the past week that there was one company surveyed. In the nonappropriated fund, without mentioning the name

of the company that has only one full-time worker and the rest are all part-time workers, and from my understanding of the procedures, this is an illegal finding and return.

With regards to our own survey, I have here a copy of the wage survey report that we sent back to DOD. This is within your own area. We have 20 companies that refuse to participate, including IBM, who you all know is a major, predominate employer up there in our immediate area.

Thirty companies could not participate because they were below 50 employees. Now, out of some of these companies I know for a fact, I surveyed them previously on wage surveys, had 50 employees or better and were able to be surveyed.

If you are going to use the 3-year policy, you take a company that is going to be able to participate this year, next year it has less than 50, and the following year it has got less than 50, what have you got? If anything, we should tighten up the reins on it, and incidentally in regards to a statement one of the other gentlemen made there is a telephone survey made on the offyear.

Mr. GILMAN. Mr. O'Shea, do you think that we should be reducing the size of the companies surveyed?

Mr. O'SHEA. No, sir. I find in fact just the opposite and I will put this into mind, and please accept this as my train of thought. In a lot of the companies that we survey those that have approximately 100 employees or better have got more benefits going for them to start with, plus cost of living built into their contracts.

Now, you are asking to knock down the five step procedure, go to 3 years, compete with—have wage comparison with companies that cost-of-living increments built into theirs and asking us to make a 3-year basis and knock out our fourth and fifth step? That is kind of inadequate, is it not? A Federal employee does not receive a cost of living.

By the way, in talking about how great the Federal employees get paid, I am a heavy duty equipment mechanic. If I work on the outside I can make anywhere from \$8.50 to \$10 an hour, in your area. Two companies? Down in New York City you can do a little bit better, where I originally came from, and incidentally I came from New York City because they foreclosed the Brooklyn Navy Yard.

Mr. GILMAN. Providing we could get some employment outside the Academy.

Mr. O'SHEA. Providing we could get some employment outside the Academy, I agree with you. Do you know that the Federal Government in your own area is largest employer?

Mr. GILMAN. I recognize that.

Mr. O'SHEA. And it is your biggest bunch of constituents?

Mr. GILMAN. And one of the best, I'm told.

Mr. SOLARZ. Mr. Massa, do you have any testimony?

Mr. MASSA. Yes. My name is John Massa. I am the labor member of the local wage survey committee for the Syracuse-Utica-Rome area.

Sir, I would like to contradict some of the statements that were made here this morning, such as that our wages are 12 percent above the prevailing rate. Who says so? Yeah, we all know that 12 percent is 12 percent more than the second step, but who says that the second step is the prevailing rate?

I have figures here that have been taken from our latest survey which went into effect May 23, 1976. A grade-10 on the outside—and I have just a few samples, you know—one is \$9.64 in this company it has four steps, one is \$7.31 per hour, 10 steps; \$7.68, \$7.47, \$7.29 and our rate is \$7.30. So how the hell is that 12 percent above the prevailing rate?

I'll tell you how they come with their prevailing rate. It is because the BLS and the Civil Service Commission are in cahoots, because they will give you an establishment that is out in the boondocks somewhere, and give it the weight of 10, 12, 14, 16. That is how they come to that prevailing rate of the second step.

But if you take bonafide industries we are not 12 percent, we are below. And I'll give you another example now. For instance, one of the largest employers in our area is the Niagara Mohawk, the telephone company. Now the telephone company has just received a 17-percent increase. The Niagara Mohawk has received an 18-percent increase. Now, we won't pick that up until our next telephone followup survey.

So we are actually 1 year behind. So how do they figure that we have 12 percent above? This doesn't strike me very well. Like I say—and also those BLS listings, they stink. Believe me when I tell you. When they tell you that company so-and-so, Onondaga County, or Herkimer County—no way. So I can't understand where they get this baloney, and its been publicized all over the country.

Mr. SOLARZ. I want to take this opportunity to first thank all of the witnesses who have testified this morning for bringing to the attention of the committee a number of very serious problems which are built into the current methods for determining comparability. There is certainly food for thought here, and I want to assure you that we will take a much closer look at some of the practices and problems which were pointed out during the testimony.

At the same time I also want to take this opportunity to thank members of the public who came down to listen to the testimony and lending your moral support on occasion to some of the points that were made. I really think that hearings like this are an example of democracy in action, and as my good friend and colleague, Congressman Gilman, the purpose of this hearing is not necessarily to confirm preconceived notions, but rather to attempt to get the facts from a broad range of individuals who are involved in matters like this, so that we can make a determination as to what is in the best interest of not only those who work for the Government, who are certainly entitled to justice and to fairness and to decency in their pay, but also to the American people themselves who ultimately pay the taxes which provide the funds for the salaries of those who work for the Federal Government.

Mr. GILMAN. Mr. Chairman, if I might join you in your remarks and thank those who did appear today for their very fine statements. If there are any others who are present today who would also care to add a statement for the record, and for the review of our subcommittee, we welcome having those statements submitted to us, and I would request that the record be kept open for that purpose, Mr. Chairman.

Mr. SOLARZ. Ms. Conwell, your statement which you were thoughtful enough to prepare in advance has already been submitted for the record, and it will appear in its entirety, together will the other testi-

mony. I don't want you to feel that your efforts will go unnoticed or unappreciated. They will be there together with everyone else's.

Unfortunately, we have a plane to catch in order to get back to Washington so we can make some votes there, but if at some point anybody would like to add some thoughts or testimony, the record will be kept open so that it can be included.

The hearing is hereby adjourned.

[Whereupon, at 10:40 a.m., the hearing was adjourned.]

[The statements which follow were received for inclusion in the record.]

STATEMENT BY CARL W. CLEWLOW, DEPUTY ASSISTANT SECRETARY OF DEFENSE—
CIVILIAN PERSONNEL POLICY

5 USC 5341 requires that the level of rates of pay for Federal Wage System employees be maintained in line with prevailing levels for comparable work within a local wage area. Under this concept the Government should not pay less nor more than non-Federal employers. H.R. 12540 would restrict the employers which are used to determine the level of rates prevailing for comparable work to those employers whose rates were established pursuant to the collective bargaining process.

Information developed by the Bureau of Labor Statistics showed that in 1972 about 47 percent of the workers in manufacturing industries belonged to labor organizations. Under the proposed legislation therefore, more than one-half of the employees in the manufacturing industries would be excluded by law from our survey samples. Schedules based on surveys which excludes this large a segment of private sector employment could not possibly represent the prevailing level of rates for comparable work within a local wage area. So the proposed addition to the law would work in opposition to the basic principle of that law.

H.R. 12540 goes even further and would require exclusion of all data from a firm if any rates paid by the firm were less than the Federal minimum wages provided by section 206(a)(1) of Title 29. We are now required to pay all employees at rates no lower than the Federal minimum rate. We have gone even further in our wage setting practices. We exclude from our survey data rates below the minimum rate paid by employers included in our surveys. These rates which we now exclude are legal rates. They are also prevailing rates. However, because the rates are below the minimum and since we cannot pay rates below the minimum, we exclude such data from our wage fixing processes. As a result, our schedules are raised to some extent by this exclusion. To go beyond what is already being done, as would be required by this legislative proposal, would exclude from our surveys data from many establishments which are either exempt from coverage of the Fair Labor Standards Act or governed by a lower minimum rate. This would affect particularly our nonappropriated fund wage schedules which are required to be based on rates prevailing in the wholesale, retail, service and recreation industries. It would also result in exclusion of establishments covered by the FLSA which employ learners, apprentices, and handicapped workers at the rates authorized under Section 14 of the Act. The significant decrease in the survey universe would make the resulting wage schedules completely unrepresentative of the level of prevailing rates, particularly those covering nonappropriated fund employees. This action is completely contrary to one of the major recommendations on the Federal Wage System included in the GAO report on the Federal Wage System, i.e., to expand the survey universe so as to be more representative of that universe which does exist within a wage area.

In developing Public Law 92-392 the Congress provided special provisions for nonappropriated fund employees. There are about 83,000 of them covered by the Act. The activities in which the NAF employees work are concerned with morale, welfare, and recreation programs for the Armed Forces, such as clubs, messes, bowling alleys, and exchanges. These activities are not funded by Congress, instead they must obtain their resources from revenues they themselves generate. This fact was recognized by the Congress in Public Law 92-392 when it provided special provisions for fixing the pay for nonappropriated fund employees.

These special provisions were that (1) the survey universe for NAF schedules is limited to wholesale, retail, service and recreation industries and (2) the wage areas may not extend beyond the immediate locality in which the particular prevailing rate employees are employed. H.R. 12540 eliminates both of these

special provisions. In addition, it requires that an NAF prevailing rate employee working under the same conditions of employment as an appropriated fund employee in the same local wage area shall not be paid less than the appropriated fund employee. These provisions of H.R. 12540, coupled with existing basic policies of the Federal Wage System would for all practical purposes eliminate separate wage schedules for NAF employees.

Since H.R. 12540 does not change the statutory basic policy that rates of pay of FWS employees be maintained in line with prevailing levels for comparable work, the surveys conducted to set pay for both NAF and appropriated fund employees would have to cover industries comparable to both groups. One could logically conclude that this would result in combining all industries currently surveyed in the separate NAF and appropriated fund surveys into a single survey. Since the rates paid by the industry segments comparable to the two groups are vastly different, this would result in reduced rates for appropriated fund employees and increased rates for NAF employees.

Mixing of data from sources where the differences in the rates paid by different segments of the non-Federal sector are so great, would result in rates which are not reflective of either group of counterpart industries. Additionally, an employee must be paid a fair rate whether he is paid from appropriated or nonappropriated funds. In the case of a nonappropriated fund employee his rate is a fair rate if it reflects on the average what is paid to his private sector counterpart, that is rates paid in the wholesale, retail, service and recreation industries. In the case of an appropriated fund employee his rate is fair if it reflects on the average the rate paid to his non-Federal counterpart, that is rates paid in the manufacturing, transportation, public utility, communication and wholesale trade industries. When neither an appropriated fund nor a nonappropriated fund employee's pay rate is related to his non-Federal sector counterpart then the rates are not fair for either group.

In summary, the Department of Defense opposes enactment of H.R. 12540 because while the local prevailing rate principle has been and continues to be a sound basis for pay determination, this legislation adds several statutory features which would cause further departure from that basic prevailing rate principle.

As you know the Administration has proposed a comprehensive reform bill for the prevailing rate pay system that would return to and reinforce these basic principles. We urge the Subcommittee to give favorable consideration to H.R. 12843 in lieu of H.R. 12540.

The opportunity to make this statement a matter of record is appreciated.

STATEMENT BY JOHN MASSA, LABOR MEMBER, SYRACUSE-UTICA-ROME SURVEY COMMITTEE

Mr. Chairman, I wish to thank you for the opportunity to appear and present my views and the views of the Federal employees of the Syracuse-Utica-Rome area, against H.R. 12843 and in support of H.R. 13772.

After many years of inequities the present Federal Wage System has been working well. Only in the past six to eight years, since this system has been in effect, have federal workers made some headway towards comparability with the assistance of Union participation.

In regards to previous testimony supplied by Commission personnel making data collectors the scapegoats of the system.

Granted there is a lot of room for improvement in training of data collectors for both sides and in the recruitment of data collectors, training should be upgraded.

The local committee I sit on has difficulty recruiting data collectors for management, for the reason that supervisors are reluctant to have their people leave their jobs for a few days, because every organization is under strength.

I'm not against professional data collectors, but the question has been brought up about the expense of surveys. Professional data collectors will have to be paid per diem for traveling all over the country, making surveys more expensive. Host agency data collectors are not paid per diem.

The step system and night differential is very important to the worker. It takes six years on the job for a worker to achieve the 5th step, why shouldn't he, or she be compensated for experience and expertise gained on the job?

The night differential is also important, because of working the odd hours that takes the worker away from his, or her family at a time that they should be with their growing children.

I also find that the BLS listings we receive for wage surveys are very shabby and poor, they include a large number of establishments with depressed wages that are heavily weighted.

Mr. Chairman, I am very much against the inclusion of state and local governments in the surveys. It's true they are paid a little less, but their fringe benefits are much better than the Federal worker. Their pension is fully paid, they are covered under Social Security, their Hospitalization is paid for, they earn the same amount of annual and sick leave and have five days of personal leave besides. If these benefits were converted to dollars and cents, I would have no objections to including them in the survey.

During our survey of our wage area, we asked the Establishments surveyed of their fringe benefits and we found that private industry averages sixty dollars per month above the federal worker.

Where is the comparability?

There is much talk about federal pay being 12% above prevailing rates, not so Mr. Chairman. I will give you one example taken from our last survey which took effect May 23, 1976, "at random" Wage Grade 7.

Establishment No.:	Per hour
1-----	\$6. 58
2-----	6. 53
3-----	7. 07
4-----	6. 39
5-----	6. 61
6-----	7. 14
Total-----	40. 32

Average hour rate \$6.72 per hour. Our rate per hour for Wage Grade 7, 5th step is \$6.60 per hour. These are unweighted averages, where is the 12% above prevailing rate? You want to pay comparable wages for comparable work, then do away with weighted averages and weighted establishments.

Mr. Chairman, this 12 percent above prevailing rates is a lot of bunk. The federal worker is always one year behind the private sector, because whatever is negotiated in the private sector this year is not picked up in our survey until the following year.

For example, one month after our survey went into effect three of the major employers in my area negotiated the following increases, General Electric 33 percent for the next 3 years of new contract, nationwide. Telephone Company received 18 percent wage increase and Utility Company received 17 percent increase in wages.

These increases will not be picked up until next April in our telephone followup survey. So you see Mr. Chairman, Federal wages do not inflate private wages as stated. Surveys prove that because Federal wages are adjusted to the private sector, not vice versa.

We strongly indorse H.R. 12540 introduced by Congressman William Clay and co-sponsored by Stephen Solarz.