

FIRST ANNUAL REPORT OF  
THE CIVIL SERVICE COMMISSION UNDER  
CLASSIFICATION ACT OF 1949

---

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

TRANSMITTING

THE FIRST ANNUAL REPORT OF THE CIVIL SERVICE  
COMMISSION, PURSUANT TO SECTION 1102  
OF THE CLASSIFICATION ACT OF 1949



JULY 19, 1951.—Referred to the Committee on Post Office and  
Civil Service and ordered to be printed

---

UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1951

TO THE READER  
BY THE CHIEF EDITOR OF THE  
NEW YORK HERALD.

MESSAGE.

1851.

THE EDITORIAL DEPARTMENT OF THE HERALD.

1851.

THE EDITORIAL DEPARTMENT OF THE HERALD.  
1851.

THE EDITORIAL DEPARTMENT OF THE HERALD.

1851.

## LETTER OF TRANSMITTAL

*To the Congress of the United States:*

Pursuant to the provisions of section 1102 of the Classification Act of 1949, I am transmitting herewith the first annual report of the Civil Service Commission under the act, and submitting my recommendations based upon the report of the Commission.

The Civil Service Commission makes the following recommendations:

- (a) To exempt certain trades, crafts, and laboring positions from the Classification Act and to base their pay rates on the prevailing rates in local communities.
- (b) To authorize the Commission, under certain conditions, to permit initial appointments at a pay step above the minimum rate of the grade.
- (c) To authorize the President to increase the number of positions in grades GS-16, GS-17, and GS-18.
- (d) To assure that downward reclassification of a position will not reduce the salary of an incumbent employee.

With regard to the first two of the above-listed recommendations of the Civil Service Commission, it is my opinion that they are sound in theory and worthy of careful consideration. Since the time of the initial formulation of the recommendations, however, the economic control program enacted by the Congress has developed to the point where new considerations are imposed. Accordingly, these recommendations have been under study by the Wage Stabilization Board to determine the inflationary impact, if any, which may be involved. It is recommended, therefore, that action on these proposals be held in abeyance until the completion of these studies, whereupon specific legislative measures will be recommended to the Congress.

The question of increasing the number of authorized positions in grades GS-16, GS-17, and GS-18 is the subject of a general review now being conducted by the Civil Service Commission and the Bureau of the Budget pursuant to my directive of April 12, 1951. It is contemplated that this review will result in the formulation of a legislative proposal which will combine existing authorities for such grades into a single statute and which will provide at the same time for an orderly, systematic and economical control over the numbers of such grades.

The fourth listed recommendation of the Civil Service Commission has my concurrence.

With reference to the general level of compensation under the schedules of the Classification Act of 1949, I have recommended to the Civil Service Committees of the Senate and the House of Representatives early and favorable action on pending measures to increase such schedules by approximately 7 percent. I desire to emphasize the great importance to the defense program of the early enactment of this legislation.

The report of the Civil Service Commission transmitted herewith reflects a year of constructive development in the field of public personnel administration. The Congress and the Civil Service Commission are to be congratulated upon this substantial progress.

HARRY S. TRUMAN.

THE WHITE HOUSE, July 19, 1951.



## LETTER OF SUBMITTAL

---

WASHINGTON, D. C., *February 2, 1951.*

The PRESIDENT OF THE UNITED STATES.

SIR: We have the honor to submit herewith the first annual report of the Civil Service Commission with respect to the rates of compensation under, and the administration of, the Classification Act of 1949, as required by section 1102 of that act.

This section provides that—

The Commission shall prepare and submit to the President an annual report with respect to the rates of compensation under, and the administration of, this Act. The President shall submit an annual report to Congress which shall contain, among other matters, such recommendations, based upon the report of the Commission, as he may deem advisable.

Brief reference to the new act and its significant directives was made in the regular annual report of the Commission's activities for the fiscal year 1950.

This first annual report covers a full calendar year of operation. It is contemplated that subsequent annual reports under this law will cover the fiscal-year period of administration.

Within the past year the Commission has completed and reported to Congress upon the results of two studies required by the act. A study of the problem of additional compensation for hazardous employments, required by section 803, was submitted October 26, 1950. The report on a study on efficiency rating systems in the Federal service, required by section 903, was submitted February 1, 1950.

Respectfully submitted.

HARRY B. MITCHELL,  
FRANCES PERKINS,  
JAMES M. MITCHELL,  
*Commissioners.*



## CONTENTS

---

	Page
Letter of transmittal	II
I. Introduction and recommendations	1
Background	1
Modifications of the Classification Act	2
Recommendations	3
II. Administration of the classification plan	3
Coverage	3
Inclusions under the act	4
Exclusions from the act	4
Problem areas in determining coverage	5
Highest grades of the General Schedule	6
Effect of limitations	9
Preparation and publication of standards	10
The audit program	11
The plan of audit	11
Preaudits	12
Postaudits	13
Appeals	14
Effect of downward reallocations	15
Salary savings provisions	16
III. Administration of the pay plan	18
The pay schedules	18
Consolidation and simplification of pay schedules	20
Flexibility in pay scales	20
Merit step-increases	22

8794800

# **FIRST ANNUAL REPORT OF THE CIVIL SERVICE COMMISSION UNDER CLASSIFICATION ACT OF 1949**

---

## **I. INTRODUCTION AND RECOMMENDATIONS**

### **BACKGROUND**

The Classification Act of 1949 (Public Law 429, 81st Cong.), approved October 28, 1949, is a comprehensive revision of the Classification Act of 1923, and supersedes that act and its amendments. It is the principal statute governing rates of pay for approximately 900,000 Federal white-collar workers, and applies both to the departmental service (mostly in the District of Columbia) and to the field service (in the 48 States, in Territories and possessions of the United States, and in foreign countries).

The most significant features of the new act are:

1. Provision for a revised method of position-classification administration, based on retention of controlling authority in the Commission and decentralization of day-to-day transactions (allocating positions to classes and grades) to the departments. The new law authorizes the Commission to prepare and publish allocation standards, and to find facts and place positions in proper classes and grades, initially or on review, at any time on its own motion. Each agency is required to adhere to the published standards, and is authorized to allocate positions on a day-by-day basis for payroll purposes without prior formal reference to the Commission in individual cases.

The Commission is required to audit a sufficient number of each agency's allocations to determine the degree of adherence to published standards. Erroneous allocations are to be corrected by certificate of the Commission which is binding on all administrative, payroll, certifying, disbursing, and accounting officers. Under certain conditions the Commission may revoke or suspend, and subsequently restore, the allocation authority of the agency in whole or in part, and require prior approval by the Commission in all types of cases covered by the revocation or suspension.

2. Provision that this plan of operation shall apply uniformly to both the departmental and field services. Thus, the Classification Act of 1949 provides for the first time that the same authorities and procedures—both in the departmental and in the field service—shall govern the placing of positions in grades and classes for pay and other personnel purposes.

3. Authorization of a single agency, the Civil Service Commission, to determine finally whether the coverage provisions of the act apply to individual positions.

4. Express continuing authorization to the Commission, among other things—

To decide classification appeals at the request of a department or an employee;

To issue regulations and procedural instructions for the administration of the provisions of the act, except those relating to the management improvement plan and awards (title X of the act), which are the responsibility of the Bureau of the Budget;

To prescribe the form and place of custody of classification records; and

To govern by regulation the pay rate that applies when specified types of personnel action take place.

5. Consolidation of 4 former pay schedules of 41 grades into 2 pay schedules of 18 and 10 grades, respectively. The act establishes new and simplified schedules of grades and annual salary ranges. Three former occupational services, the Professional and Scientific, the Sub-professional, and the Clerical, Administrative, and Fiscal were consolidated into one General Schedule of grades and classes. The former Crafts, Protective, and Custodial Service was converted to the Crafts, Protective, and Custodial Schedule. The General Schedule is divided into 18 grades, and the Crafts, Protective, and Custodial Schedule into 10 grades, of difficulty and responsibility of work. Compensation schedules established in the act set forth per annum rates for the various grades in each schedule, and for charwomen and head charwomen working part time.

6. Establishment of an "adult floor" of \$2,120 and a ceiling of \$14,000.

7. Creation of three top grades in the General Schedule, above the previously existing ceiling grade of the Classification Act, known as GS-16 (\$11,200-\$12,000), GS-17 (\$12,000-\$13,000), and GS-18 (\$14,000). The use of these grades is restricted in two ways: (a) They are excluded from the usual operating procedure; prior action by the Commission is required for the first two of these grades, and in the case of the highest grade, recommendation by the Commission and approval by the President are required. (b) At any given time, there can be, under the act, no more than 300 positions in GS-16, 75 in GS-17, and 25 in GS-18.

8. Provision for a longevity step-increase plan under which employees of long and satisfactory service may receive three step increases (one every 3 years) above the scheduled maximum rates of their grades.

9. Provision whereby an employee who is promoted to a higher position will concurrently receive at least a one-step increase in pay even though his old and new salary ranges overlap.

#### MODIFICATIONS OF THE CLASSIFICATION ACT

Several laws enacted in the second session of the Eighty-first Congress amended or modified the provisions of the Classification Act of 1949. Public Law 562, approved June 16, 1950, amended the act to make it inapplicable to postal employees of the Canal Zone government. Public Law 580, approved June 28, 1950, postponed the application of the Classification Act to certain employees of the Selective Service System; by a subsequent enactment, Public Law 599, approved June 30, 1950, they were entirely exempted from the act. Public Law 580 also authorized the crediting of the service toward longevity increases of certain employees previously compensated under the Reed-Jenkins Act of May 29, 1928, and the Bacharach Act of May 29, 1928, as amended and supplemented.

The Defense Production Act of 1950, Public Law 774, September 8, 1950, Public Law 843, approved September 27, 1950, and the Federal Civil Defense Act of 1950, Public Law 920, January 12, 1951, increased, for certain agencies only, the number of positions permitted in grades 16, 17, and 18 of the General Schedule of the Classification Act. Public Law 873, approved September 30, 1950, the Performance Rating Act of 1950, superseded and repealed title IX of the act.

Those amendments and modifications to the act which relate directly to administration of the classification plan will be discussed in the second section of this report.

#### RECOMMENDATIONS

In the subsequent sections of this report, certain problems are discussed which have arisen out of the administration of the Classification Act of 1949. Some of these call for remedial legislation. The Commission therefore recommends that the Classification Act of 1949 be amended—

1. (a) To exempt from the Classification Act crafts, trades, manual-labor and other positions having trade, craft, or laboring experience and knowledge as the paramount requirements and to require their payment by agencies, as nearly as is consistent with the public interest, in accordance with prevailing rates; (b) to simplify and consolidate the compensation schedules of the Classification Act by abolishing the present CPC Schedule, and consolidating all positions remaining within the General Schedule.
2. To permit the President, to the extent he deems necessary and in consideration of the needs of the service, to increase the number of positions permitted in grades 16, 17, and 18 of the General Schedule of the Classification Act.
3. To provide, subject to necessary safeguards and controls by the Commission, that there shall be no reduction in the salary of an employee due to the downward-grade change of his position where there has been no substantial change in duties and responsibilities since it was last allocated.
4. To provide flexibility in the pay schedules of the Classification Act and to facilitate recruitment by authorizing the Commission, under certain conditions, to permit initial appointments at a pay step above the minimum rate of the grade.

#### II. ADMINISTRATION OF THE CLASSIFICATION PLAN

##### COVERAGE

The Classification Act of 1949 gave the Commission complete authority to make decisions as to the coverage of the act, an authority previously limited to positions in the departmental service. Section 203 authorizes the Commission to "determine finally" the applicability of sections 201 and 202, the coverage sections of the act, to specific positions, officers, and employees.

The general rule is that the act applies to "all civilian positions, officers, and employees in or under the departments" unless excluded by section 202, which lists numerous groups of excluded positions, or by other statutes which are inconsistent with the Classification Act.

*Inclusions under the act*

During the years in which the 1923 act was in effect, numerous agencies, groups of positions, and individual positions were excluded from the act by specific provisions of law. One of the principal purposes of the 1949 act was to bring many of these positions under the uniform classification plan.

Authority was given to the Commission to establish the effective dates, not more than 6 months from the date of enactment, when the act was to apply for the first time to positions which were theretofore exempt from the Classification Act of 1923, as amended.

A total of 16,885 positions were brought under the Classification Act. Eight entire agencies, totaling about 13,000 positions, came under the act for the first time. The Federal Housing Administration with 6,136 positions, the Home Loan Bank Board with 891, and the Reconstruction Finance Corporation with 4,823 were the largest of these agencies. The others included the Displaced Persons Commission, the Export-Import Bank, National Capital Sesquicentennial Commission, Philippine War Damage Commission, and the United States Soldiers' Home.

In addition to these entire agencies, nearly 3,900 other positions in 22 departments and independent establishments were brought under the act. Among the positions brought under the act for the first time were 518 customs clerks in the Treasury Department, 1,019 immigrant inspectors in the Justice Department, and 1,156 positions in the Commerce Department, most of which were connected with the decennial census. Employees of local and appeal boards in the Selective Service System, totaling 2,605 positions, were also to have been brought under the act. However, after postponing the effective date of their inclusion, the Eighty-first Congress in Public Law 599 authorized their compensation without regard to the provisions of the Classification Act of 1949.

Of the 16,885 positions brought under the act for the first time, about 5,000 were in Washington, D. C.

*Exclusions from the act*

Section 202 of the act originally listed 31 groups of positions to be excluded from the Classification Act. These exclusions fall into several categories: (1) entire agencies, such as the Tennessee Valley Authority, and the Atomic Energy Commission; (2) integrated groups of employees of the same department, such as the field service of the Post Office Department, the Foreign Service of the United States, and teachers, firemen, and policemen of the government of the District of Columbia; (3) positions in any agency whose duties are of the nature described in the exclusion, such as trades, crafts, and manual-labor employees; (4) positions in any agency regardless of the nature of the duties but in which the work or pay is subject to special conditions, such as emergency or seasonal employments.

The majority of the problems which have arisen, requiring a determination by the Commission, related to the applicability of the exclusions in the third and fourth categories, in which the exclusions depended upon special circumstances.

The 1949 act excluded some positions which previously had been subject to the Classification Act of 1923. Among these are the 4,075

positions in the Bureau of Engraving and Printing paid on the hourly rate basis of the Clerical-Mechanical Service of the 1923 statute; about 90 positions of members of crews of vessels in the employ of the Public Health Service, who are to be paid in accordance with prevailing rates in the maritime industry; and an undetermined number of emergency or seasonal employees whose employment is of uncertain or purely temporary duration or who are employed for brief periods at intervals.

Since the enactment of the Classification Act of 1949, other legislation has authorized the removal from the act of a few groups of positions formerly subject to the act, or which had just been brought under the act. One example, already noted, is that of the employees of the local and appeals boards of the Selective Service System. Other examples are: Postal employees of the Canal Zone government (Public Law 562, 81st Cong.); positions in the Bureau of Standards engaged in the conduct of observations on radio propagation phenomena in the Arctic region (Public Law 618, 81st Cong., approved July 21, 1950).

The net effect of the Classification Act of 1949 and of other laws was to include more positions under the act than were excluded.

#### *Problem areas in determining coverage*

The most difficult problems encountered by the Commission in determining the coverage of the act have arisen in connection with that portion of paragraph (7) of section 202 directing, with some exceptions, the exclusion of positions in trades, crafts, and other manual-labor occupations. The exceptions are that those trades, crafts, and manual-labor employees engaged in the maintenance and operation of public buildings and associated equipment or serving as aides to scientists and engineers in scientific and engineering laboratories shall be subject to the act. This requirement is similar to provisions in the Classification Act of 1923. If there had been a single central authority to determine what jobs should or should not be excluded from the 1923 act, the majority of these positions, which are in the field service, would properly have been under the pay schedules of that act, and merely have continued to be subject to the 1949 statute. However, there was no such authority. Hence, there is a great dissimilarity of treatment of like positions, not only from department to department, but in many instances within a single bureau of one department.

The Commission recommends, therefore, that trades, crafts, and manual-labor positions be excluded from the Classification Act on a uniform and realistic basis and compensated, as nearly as is consistent with the public interest, on the basis of prevailing rates. The ultimate exclusion of these positions was suggested in the report of the Senate Committee on Post Office and Civil Service on the bill which became the Classification Act of 1949.

Difficult technical problems have arisen in determining under the present language of the act whether numerous positions and occupations are, in fact, manual-labor occupations. These problems arise primarily in connection with, for example, positions of supervisors of trades, crafts, or manual-labor employees, and other occupations which are closely related to trades, crafts, and manual-labor occupations but in which the employees do not themselves personally perform such work.

\* The language of the act in this respect should be clarified so that if trades, crafts, or manual-labor training and experience is the paramount requirement of the job, it would be excluded. However, even if such training and experience was essential, a job would be subject to the act if it included other tasks which constituted the paramount requirements. The Commission recommends that section 202 (7) of the Classification Act of 1949 be amended to include these principles.

#### HIGHEST GRADES OF THE GENERAL SCHEDULE

The Classification Act of 1949 established and superimposed three new grade levels, 16, 17, and 18, of the General Schedule, on the top of the previous classification structure. Each grade was defined in terms of difficulty and responsibility of work. The compensation schedules for these grades are:

GS-16-----	\$11, 200	\$11, 400	\$11, 600	\$11, 800	\$12, 000
GS-17-----	12, 200	12, 400	12, 600	12, 800	13, 000
GS-18-----	14, 000				

Section 505 of the act provided (a) that positions may be placed in grade 16 or 17 of the General Schedule only by action of, or after prior approval by, the Commission; and (b) that positions may be placed in or removed from grade 18 of the General Schedule only by the President upon recommendation of the Commission. The number of such positions, at any one time, was limited to 300 positions in GS-16, 75 in GS-17, and 25 in GS-18.

Shortly after passage of the act, the Commission requested the departments and agencies to recommend positions for allocation to grades GS-16, 17, and 18. It further requested that each recommendation be supported by position descriptions, and other specified factual information.

Selections were made by the President for GS-18 and by the Commission for GS-16 and GS-17 following a careful review of the positions recommended and all others currently compensated at \$10,000 or more per annum.

The statutory definitions of grades 16, 17, and 18 provided the general standards.

Like other grade definitions, those for GS-16, GS-17, and GS-18 recognize parity of levels of difficulty and responsibility among positions of widely varying characteristics. They show clearly that in these top grades may be placed professional, scientific, technical, supervisory, administrative, fiscal, research, and consulting positions. No particular subject matter, function, activity, department, or agency could monopolize these grades. "Quotas," therefore, were not established; the process was one of evaluating the duties, responsibilities, and qualification requirements of positions, and comparing them, one with another, in the light of the grade definitions.

Among other things, the definitions of GS-17 and GS-18 contemplated at least two classes of positions of heads of bureaus or other first major subdivisions of executive departments or agencies. Such positions were to be appraised on the basis of the kind and extent of the authorities and responsibilities vested in them, and the scope, complexity, and degree of difficulty of the activities carried on.

When on this basis a position was outstanding and exceptional among the whole group of positions of heads of bureaus, it was to be placed in GS-18. If it did not meet this standard but was of a high order among the whole group of bureau head positions, it was to be placed in GS-17.

The grade definitions also recognized the planning and direction (or the planning and execution) of specialized programs. Positions involving such activities were appraised on the basis of the difficulty, responsibility and national significance of the work to be done as well as the qualification standards for that work.

Forty-seven agencies recommended 1,008 positions. Most of these, 708 in number, were then in GS-15. Of the remainder, 34 positions were in GS-14, 122 were new positions not allocated before, and 141 were being brought under the Classification Act for the first time.

Of the 1,008 recommendations, 623 were for GS-16, in which 300 positions were permitted by the law; 288 were for GS-17, in which 75 positions were permitted; and 97 were for GS-18, in which 25 positions were the maximum allowed.

In the final list of 400 positions approved by the President and the Commission, 38 departments and agencies were represented. The table on the following page is a summary.

8 FIRST ANNUAL REPORT OF THE CIVIL SERVICE COMMISSION

*Number of positions recommended by departments or agencies and approved by the Civil Service Commission for GS-16 and GS-17, and approved by the President for GS-18, as of Sept. 1, 1950*

Department or agency	Total		GS-16		GS-17		GS-18	
	Recommended	Approved	Recommended	Approved	Recommended	Approved	Recommended	Approved
Administrative Office of U. S. Courts	4	0	4	0	0	0	0	0
Agriculture	92	46	61	34	20	8	11	4
Civil Aeronautics Board	6	2	6	2	0	0	0	0
Civil Service Commission	6	5	4	4	1	0	1	1
Commerce <sup>1</sup>	50	32	33	23	11	6	6	3
Defense	189	77	132	60	44	14	13	3
District of Columbia government	13	5	5	3	5	2	3	0
Executive Office—White House	1	1	1	1	0	0	0	0
Bureau of the Budget	26	6	20	2	5	3	1	1
Government Patents Board	1	0	1	0	0	0	0	0
National Security Council	1	1	0	0	1	1	0	0
National Security Resources Board	13	12	1	12	12	0	0	0
Export-Import Bank	9	4	6	3	2	1	1	0
Federal Communications Commission	9	6	6	6	3	0	0	0
Federal Mediation and Conciliation Service	2	2	0	1	0	1	2	0
Federal Power Commission	5	3	2	3	3	0	0	0
Federal Security Agency	44	26	28	20	11	4	5	2
Federal Trade Commission	6	5	5	5	3	0	0	0
General Accounting Office	13	6	7	5	5	0	1	1
General Services Administration	37	4	31	4	6	0	0	0
Housing and Home Finance Agency	31	12	16	10	12	2	3	0
Housing Expediter, Office of the	3	0	2	0	1	0	0	0
Institute of Inter-American Affairs	2	1	1	1	1	0	0	0
Interior	76	10	45	8	18	8	13	3
Interstate Commerce Commission	8	6	3	5	3	1	2	0
Justice	34	12	22	11	10	1	2	0
Labor	21	9	8	4	9	3	4	2
Library of Congress	2	2	0	1	0	0	2	1
National Advisory Committee for Aeronautics	24	4	16	4	5	0	3	0
National Capital Housing Authority	1	0	0	0	1	0	0	0
National Labor Relations Board	4	2	4	2	0	0	0	0
National Mediation Board	1	0	0	0	1	0	0	0
Panama Canal	2	1	1	0	1	1	0	0
Philippine War Damage Commission	3	0	3	0	0	0	0	0
Post Office	23	7	13	7	10	0	0	0
President's Committee on Religious, Moral and Recreational Welfare and Character Guidance in Armed Forces	1	0	1	0	0	0	0	0
Railroad Retirement Board	4	1	3	1	1	0	0	0
Reconstruction Finance Corporation	29	6	16	4	10	2	3	0
Securities and Exchange Commission	10	5	6	5	4	0	0	0
Selective Service System	4	0	1	0	3	0	0	0
Smithsonian Institution	4	1	2	1	1	0	1	0
State	42	23	24	12	15	9	3	2
Tariff Commission	6	2	5	2	1	0	0	0
Treasury	89	37	40	28	38	7	11	2
Veterans' Administration	55	7	38	6	11	1	6	0
War Claims Commission	2	0	2	0	0	0	0	0
Total	1,008	400	623	300	288	75	97	25

<sup>1</sup> Figures adjusted to include those originally of U. S. Maritime Commission, merged with Commerce by Reorganization Plan No. 21.

Departments and agencies are required to report to the Commission (a) significant changes in the duties and responsibilities of positions allocated to GS-16, 17, and 18 and (b) the abolition or abandonment of any such position or its replacement by a position paid a statutory rate outside the Classification Act.

When one of these positions is abolished or disappears in any department, the Commission gives consideration to positions in all other departments that may warrant allocation to the grade concerned. It grants the allocation to the position having the greatest merit from the standpoint of an evaluation of its duties and responsibilities irrespective of department or agency location.

*Effect of limitations*

The allocation of 400 positions in GS-16, 17, and 18 relieved to a considerable extent the earlier concentration of highly responsible jobs of varying levels of difficulty and responsibility in the former grades CAF-15 and P-8. However, there is no provision for flexibility to meet the changing needs of the service. When the Korean situation resulted in changes in the national planning, it became apparent that additional positions in GS-16, 17, and 18 were necessary to meet the requirements of the Government's economic and military defense program. This necessity has been met by piecemeal legislation rather than by the broad approach which the general problem requires. Laws passed in the Eighty-first Congress, second session, authorized additional positions in these grades for (1) activities covered in the Defense Production Act of 1950, (2) the Department of Defense, and (3) the Federal Civil Defense Administration.

Section 710 (a) of the Defense Production Act of 1950, approved September 8, 1950, authorized the President—

to the extent he deems it necessary and appropriate in order to carry out the provisions of this Act—

to place positions and employ persons temporarily in grades GS-16, 17, and 18. The President was expressly empowered to redelegate such authority. The allocations approved under section 710 (a) were to be in addition to the 400 authorized by section 505 of the Classification Act.

In section 902 (d) of Executive Order No. 10161, issued September 9, 1950, the President directed that section 710 (a) of the Defense Production Act of 1950 should be administered according to the standards and procedures used when the original 400 positions in these grades were approved. Departments and agencies having functions under the Defense Production Act are authorized to submit recommendations to the Chairman of the Commission for allocation of positions to GS-16, 17, or 18.

Questions as to whether any position presented under this authority comes within the scope of the Defense Production Act are referred, by direction of the President, to the Director of the Bureau of the Budget for his determination.

On November 18, 1950, in a memorandum issued to the heads of executive departments and agencies having responsibilities under the Defense Production Act of 1950, the President limited the number of positions which may be placed in grades GS-16, 17, and 18 under the Defense Production Act of 1950 to 150, of which not more than 20 may be classified in grade GS-18. In the initial procedure under this restriction, about 380 positions were recommended by the 13 agencies concerned.

In the same memorandum the President requested the Director of the Bureau of the Budget and the Chairman of the Civil Service Commission to report quarterly, beginning January 1951, on the effect of this limitation on the defense program, and to recommend changes in the limitation whenever such action is necessary.

Section 108 of the Supplemental Appropriation Act, 1951, approved September 27, 1950, empowered the President to authorize positions in grades GS-16, 17, and 18 in the Department of Defense, in addition to

the number authorized by section 505 of the Classification Act of 1949, and in accordance with the procedures and standards of that act.

At that time the Department of Defense had 60 positions in GS-16, 14 in GS-17, and 3 in GS-18. The effect of section 108, therefore, was to give the Department of Defense 20 additional positions in GS-16, 5 additional positions in GS-17, and 1 additional position in GS-18.

Section 401 of the Federal Civil Defense Act of 1950, approved January 12, 1951, authorizes the head of the Federal Civil Defense Administration, subject to the standards and procedures of the Classification Act, to place not more than 22 positions in grades GS-16, 17, and 18. These positions are additional to the number authorized by section 505.

As a matter of policy the Commission is opposed to these types of legislation. There should be a liberalization of the limitations on a general basis applicable to all departments and agencies under the Classification Act of 1949.

The Commission's experience in the administration of section 505 has clearly demonstrated the need for greater flexibility in the numerical limits imposed on positions in these top grades. The real need varies with the conditions of the service. When the service is expanding, new organizations are being created, and new functions are being added to existing organizations, there is a definite need for additional positions. In a contracting service the reverse is true. The present national emergency has proved that it should not be necessary to await legislation in such a matter when the requirement is immediate.

For these reasons the Commission recommends that the Classification Act be amended to authorize the President, to the extent he deems it necessary and appropriate in the interests of good administration, to determine the number of positions in grades 16, 17, and 18 of the General Schedule which may exist at any one time in excess of the numbers currently specified in section 505 of the act.

#### PREPARATION AND PUBLICATION OF STANDARDS

The Classification Act of 1949 gives the Commission full authority to prepare and publish standards which must be followed by agencies and the Commission in placing positions in classes and grades. Standards previously issued by the Commission under Executive Order 9512, which has been revoked, have been reissued and made effective under the new act.

Allocation standards are prepared on the basis of a Nation-wide sampling of position information to insure their Government-wide applicability. In developing standards, the Commission seeks the active working cooperation of the operating, administrative, and technical officials and employees in the agencies, and formal and informal committees of professional and scientific groups.

The development of new standards and, where needed, the revision of existing published standards is progressing as rapidly as central office staff resources permit.

During the year, the Handbook of Occupational Groups and Series of Classes Established Under the Federal Position-Classification Plan was revised and published. This handbook reflects the changes in

the occupational structure of the classification plan that have occurred since July 1945, the date of the latest previous issue. This revision was a major project because of the large number of changes made as a result of standards studies conducted during the past several years and as a result of the enactment of the new Classification Act of 1949, which altered the "service" structure of the Federal classification plan.

#### THE AUDIT PROGRAM

The procedure for administration of the classification plan is built around three main points:

1. The Commission prepares and issues standards to guide the allocation of positions to class and grade;
2. The departments and agencies allocate positions in accordance with published standards, or, where there are no standards, consistently with published standards;
3. The Commission reviews—"audits"—allocations to determine whether the departments have placed positions in classes and grades in conformance with or consistently with the published standards.

In making these reviews or "audits" the Commission is authorized to require departments to correct misallocations. If necessary, it may revoke or suspend in whole or in part a department's authority to allocate positions and require prior approval of the Commission before allocations may be effective. Agencies may ask the Commission to give prior approval to its allocations, and some do. Agencies or employees may appeal to the Commission for the review of allocations.

The principal method for discharging the Commission's review responsibility, however, is the audit survey, in which reviews are made of allocations of large groups of employees in related organizational segments of departments. In making reviews, Commission classifiers examine position classification records, organization and functional charts and other pertinent records; interview personnel and operating officials and supervisors; and talk with employees at their desks or other work places to secure facts as to the duties and responsibilities of positions.

#### *The plan of audit*

In conducting the audit program, the Commission's objective is to make surveys in as many agencies, and to cover as many positions in as many different field and departmental offices as possible, within available funds. It is desirable that every position be reviewed at least once every 3 years. This has not been possible with funds available because there is a definite relationship between the number of classifiers and the number of audits which can be made. A severe reduction in force in July 1949 resulted in the discharge or reassignment to other functions of a large number of the Commission's position classifiers, both in the central and regional offices. No regional office had more than two classifiers available for audit work, and at times only one was available in many regions. Although additional funds were at the Commission's disposal in July 1950, to help build up the staff of classifiers, the staff is still inadequate to permit the Commission to even approach the full discharge of its responsibilities under the Classification Act of 1949.

The emergency situation now existing will very probably require a major adjustment in the audit program. A short time before the emergency proclamation of December 16, 1950, a special group of classifiers in the central office was given the responsibility for problems of the kind arising in emergency periods. The tasks to which it was assigned included giving assistance in classification matters and making audit surveys in the emergency agencies which had been newly established prior to the emergency proclamation; the examination of promotions in all departments in accordance with the directive contained in the Supplemental Appropriation Act, 1951; and the investigation of agency complaints that other agencies were pirating employees by allocating positions to higher grades than warranted by duties and responsibilities.

It is probable that new emergency agencies will be established and grow to a considerable size and that earlier emergency agencies will be greatly expanded. Also, many regular departments and bureaus have or will be assigned emergency tasks, many of which will require a considerable expansion of personnel. While it is desirable that the regular audit program be continued as much as possible, it is likely that much more time of the staff will be devoted to special surveys, audits of promotions, investigations of alleged pirating, and advisory assistance relating to emergency and defense functions of the Government.

#### *Preaudits*

The Classification Act of 1923 required, for departmental positions, that agency allocations be reviewed and approved by the Commission before they could be made effective. The Commission's part in this procedure was called a "preaudit." The new act incorporated a radically different procedure in which reviews by the Commission are ordinarily to be made after the agency's allocation has been put into effect. The one general exception to this procedure is that no position may be placed in GS-16 or 17 without prior approval of the Commission or in GS-18 without recommendation of the Commission and approval by the President. However, agencies may request the Commission to make preaudits and the Commission may require agencies to submit allocations of positions for approval before they may become effective.

From November 1, 1949, to November 30, 1950, the Commission made preaudits of 2,719 positions, all of which were in the departmental service. Approximately 700 of these were cases in process when the 1949 statute became effective, and which were not withdrawn by the agencies. Four hundred positions were allocated to grades GS-16, 17, and 18. Another 560 included those positions submitted for allocation to grades GS-16, 17, and 18, but which were allocated to lower grades. Approximately 500 preaudits were made of positions in the government of the District of Columbia and 560 in other agencies.

It is probable that the number of preaudits in future years will be somewhat less. Most preaudits will result from situations in which the agency is not certain of the application of standards in particular instances, cases in which the proper allocation is in dispute within the agency, or the realization that the allocations of key jobs affect the allocations of many other positions in the organization. The preaudit load of GS-16, 17, and 18 positions will depend largely upon the effects of legislation authorizing increased numbers of positions in these grades. Because of the nature of these positions (especially

when the authorized number is restricted), allocation of these positions requires more hours per case than is true of normal preaudits.

In addition to the preaudits described above, there was a large but undetermined number of preaudits in connection with the tasks of bringing 16,885 positions under the Classification Act for the first time. Bringing such a large number of positions under the act within the time limit of 6 months required intensive work by the departments and the Commission. Positions which had been compensated under a variety of pay systems had to be allocated to class and grade under the classification and pay plans prescribed in the act. The Commission gave a great deal of advisory assistance to the agencies, and in many instances made detailed reviews to assure that the positions were correctly allocated.

A substantial part of the Commission's audit program is devoted to giving advisory assistance to agencies on such matters as the interpretation and application of standards to specific cases, and the allocation of positions for which no standards have been issued. Many of these cases are given as thorough study as those in which an action is formally certified. In others advice is simply sought on particular points involved in an allocation, and does not involve Commission study of all aspects of the position.

#### *Postaudits*

Good measures of the extensiveness of the Commission's program of reviewing, or "postauditing," position allocations previously made by the various agencies are to be found in the number of audit surveys by the central and regional offices, and in the number of positions covered. However, statistics do not indicate the effectiveness of the program. They do not indicate the amount of tangible good which is accomplished. Thus, during the course of surveys, agencies frequently correct misallocations found by the Commission. Since the allocations are correct when our classifiers leave, they are not reported as "misallocations to be corrected." Also, statistics do not reflect the large amount of advisory service given to the department during the survey on understanding and interpreting allocation standards, on the application of standards to specific positions, and other tangible allocation problems. Even the reporting of these accomplishments, however, would not show the most important phases of the Commission's audit program: those pertaining to the improvement of an agency's own position-classification program.

In the administration of the standards post-audit method of allocating positions, as embodied in the Classification Act of 1949, the major responsibility for the success of the program rests upon the departments themselves because of the size of the service, the dispersal of thousands of field offices, and the small size of the Commission's staff. The manner in which agencies discharge these responsibilities is much more important in measuring the success of the program than is their misallocation of a particular position. An audit of a group of positions can take place, even under the best conditions, only at relatively far-spaced intervals. In the audits themselves, we cannot make a detailed examination of every position. Thus, a finding that certain positions are misallocated does not mean that all other positions are correctly allocated. It is the responsibility of the agency to extend to other positions the Commission's findings on the representative positions which are examined in detail. Of even more importance, it is neces-

sary for the success of the program that agencies regularly and conscientiously administer the classification program in the intervals between audits. If a department were not to operate in this manner, the most thoroughgoing audit by the Commission with its present staff, or even with a greatly augmented staff, would not insure accomplishment of the objectives of the act.

Although the Commission does look for misallocations and does require their correction, it is not possible and it is not the objective of the program to review the allocation actions of the departments so as to find every misallocated position, and to make sure, solely through our findings, that every position is always correctly allocated. During our audit surveys, much attention is given to such matters as the department's attitude toward position classification, the standing of its classification program among operating officials within the department, the support given to the program by top officials, the quality of its classification staff, the frequency and thoroughness of internal classification surveys, the methods adopted by the classification staff to keep informed of changes in assignments and of organizational and functional changes which affect the allocation of positions, and the knowledge and application of Commission requirements and allocation standards.

A department making a good showing on these matters is quite likely to have sound allocations generally, even though some errors have occurred which require correction. A department making a poor showing is likely to have many misallocations, and the mere correction of these errors will not necessarily bring about a change for the future. The Commission, therefore, places considerable emphasis in its audit program on efforts to secure a better understanding and appreciation of the practical value of the sound classification program envisaged by the Classification Act of 1949, and on efforts to assist the departments to improve weak points found in their operations. This approach to our responsibilities will, we believe, secure the best results in the long run.

Accordingly, in our audits, an examination is made of the attitude, organization, staff, procedures, and other matters indicative of a sound classification program. These matters are studied in themselves, but the actual audit of representative numbers of positions is the principal means of bringing to light basic causes of misallocations.

#### *Appeals*

Title V of the act grants the right of appeal to all employees and all departments. Initial allocation actions by the departments and the Commission and audit-allocation actions by the Commission are all subject to appeal. Although individual employees may appeal the correctness of the allocation of their own positions, they are encouraged by the Commission to exhaust all available appeal procedures within their own departments before appealing to the Commission since experience has shown that the majority of such problems can be solved, satisfactorily, within the Department itself. Departments may appeal from allocation actions of the Commission.

Relatively few appeals have been received since passage of the act.

## EFFECT OF DOWNWARD REALLOCATIONS

In the administration of the classification plan, it may become necessary to change the grade levels to which positions have been allocated. Where the positions are allocated upward, the resulting adjustment of salary levels is not ordinarily a matter for concern except as to availability of funds. In the case of the downward grading of positions, serious problems of both administration and effect upon employee morale are presented.

Under the provisions of the Classification Act of 1949, the Commission is not only responsible for publishing standards for the allocation of positions; it is also responsible for reviewing allocations to determine that the departments are adhering to or acting in conformance with these standards in the evaluation of their positions.

In the course of such standards promulgation and review by the Commission, and also in the intraagency administration of the Classification Act, it is inevitable that some positions will be found to be allocated too high. There are many reasons for this. When a position or group of positions is allocated in a new activity, all potentials of which have not been tested, subsequent review of the positions may show that the original allocation was too high for a continuing, established operation. The application of new standards for the allocation of positions may result in downgrading. The review required in the Classification Act of 1949 may disclose that an agency has improperly interpreted published standards. These are but some of the circumstances under which positions of employees may be reallocated downward and in which they may suffer reduction in pay.

Employees affected are seldom personally responsible for the lack of conformance of their duties and responsibilities with the standards for the grades in which they are paid. Hence, most agencies are naturally somewhat hesitant to make downward adjustments and most employees are reluctant to accept them if a cut in salary results. An equitable solution of this problem would materially facilitate the administration of the classification program.

An outstanding example of such a situation arose in the case of the reduction in grade of positions of registration officers in the Veterans' Administration.

On January 24, 1950, the Civil Service Commission certified, under authority of the Classification Act of 1949, that certain registration officer positions in regional offices of the Veterans' Administration previously placed in grade CAF-9 (GS-9) by that agency should be placed in grade GS-7. This certificate was the culmination of lengthy negotiations with the Veterans' Administration, including many conferences and actual audits of these positions in several regional offices. Some 2,000 employees were in these positions.

The Commission was immediately flooded with hundreds of letters from Members of Congress and other interested persons and, as a result, several bills were introduced in Congress to establish the allocation, by law, of registration officers in grade GS-9. Because of the size of the group affected the Commission agreed to draft a bill which would have the effect of protecting the salaries from reduction but would permit the proper allocation of the position and would insure that as positions became vacant, any new appointments would be to the correct grade. The Commission further agreed that it would delay

the effective date of its certificate until the Congress had the opportunity to consider such legislation. The delay, however, was not to extend beyond the end of the first session of the Eighty-second Congress.

This case is important because the number of employees and the amount of funds involved focus attention upon the general problem. The equities and the interests of the individual employees are actually no greater and no different than if a single reallocation downward was involved. The Commission therefore is of the opinion that a general solution of the problem or an affirmative stand, one way or the other, should be taken by the Congress for the future guidance of the agencies and the Commission.

#### *Salary savings provisions*

In order to avoid the complications and loss of employee morale resulting from the reduction of salary due to the downward reallocation of positions under any of these circumstances, and in order to facilitate administration of the Classification Act, that act should be amended to include an additional salary saving provision.

There are two current salary saving clauses in the Classification Act: section 604 (b) (11) and section 1105 (b).

Section 604 (b) (11) which applied to employees paid under the Classification Act of 1923, as amended, and continuing under the Classification Act of 1949, stated:

Employees receiving a rate of basic compensation, authorized by law, immediately prior to the effective date of this title, in excess of the appropriate new rate of the grade \* \* \* may continue to receive such rate so long as they remain in the same position and grade, but when any such position becomes vacant, the rate of basic compensation of any subsequent appointee shall be fixed in accordance with this Act.

The benefit of this saving clause is contingent upon no change of position or grade.

Section 1105 (b) applied to employees whose positions were exempt from the Classification Act of 1923, and whose positions were brought within the Classification Act of 1949 for the first time. This section provided that—

An officer or employee occupying any such position on such effective date, and receiving basic compensation at a rate in excess of the appropriate rate of the grade in which such position is placed, shall continue to receive basic compensation without change in rate until (1) he leaves such position, or (2) he is entitled to receive basic compensation at a higher rate by reason of the operation of title V or VII. When such position is vacated by such officer or employee, the rate of basic compensation of any subsequent appointee shall be fixed in accordance with this Act.

The general intent of this saving clause is that the employee's salary shall not be reduced by reason of a downward reallocation, so long as he continues to occupy the same position as on the effective date. A subsequent change of position or a reassignment, transfer, or promotion to another position in the same or a different grade, causes the saving clause to expire.

The two saving clauses, section 604 (b) (11) and section 1105 (b), do not protect the salary of the employee involved in any of the situations described in the discussion of downward grade changes.

However, the salary protection provided for positions newly brought within the Classification Act furnishes a possible parallel for a method to take care of the salary adjustment of positions such as the registration officers.

S. 3751, Eighty-first Congress, second session, relating to the classification of registration officers in the Veterans' Administration, was introduced June 13, 1950. In its adverse report on the bill to the Committee on Post Office and Civil Service, the Commission suggested a substitute which would save the salaries which employees, including registration officers, received immediately after the effective date of title VI of the Classification Act of 1949, when the grades of their positions are reduced, so long as they remain in the position occupied on the effective date of title VI.

A possible alternative proposal to the foregoing and one of much broader implication would apply to all current as well as future situations where an employee is faced with reduction in pay as the result of downgrading of his position where the duties and responsibilities have not changed materially since their original allocation. This proposal would permit the employee to continue to receive, for a specific period of time, such as 6 months or 1 year, his existing salary, even though above the maximum for the grade to which his position is reduced.

An agency in which the downgrading of a position or group of positions occurs may wish to assign the employees affected to other positions for which the salary rates they are receiving at the time of downgrading are appropriate. The difficulties of administrative placement of employees in such an action are numerous, and may be time-consuming as well. Because of limitations of the availability of suitable positions, particularly vacancies in positions for which the employees' qualifications may be satisfactory, not all employees can be placed.

Under such a proposal the agency would immediately downgrade the positions involved, but continue the salary to the employees for a period of time, either to cover placement in another position in the agency of appropriate higher-grade value or to cushion the impact of the ultimate salary reduction when such placement cannot be accomplished, or to afford the affected employees the opportunity of seeking employment in other Federal organizations. In the meantime, all new employees coming into such positions would be paid the appropriate rate.

What would constitute a reasonable period of time for such transition is a moot question. Unless an agency is liquidating completely, or function by function, by a definite date or dates, it can be assumed that it will continue to exist into the succeeding fiscal year. Its programs must be reconsidered each year for budget estimates; therefore, the agency should be expected to effect whatever change is necessary as a result of downgrading within that cycle. Hence, a period of 1 year from the downgrading action might well be the maximum allowable for contemplated readjustments.

## III. ADMINISTRATION OF THE PAY PLAN

## THE PAY SCHEDULES

The most recent general increase in the pay schedules of the Classification Act was a flat increase of \$330 provided by the Postal Rate Revision and Federal Employees Salary Act of 1948. The average increase was 11 percent and varied from 30.6 percent at the floor to 3.3 percent at the ceiling. During the 18-year period preceding this enactment there had been three pay-schedule revisions of general application.

From 1930 until July 1, 1945, the only change in the basic rate schedules of the Classification Act was a small increase, in 1942, in the first two grades of the Subprofessional Service and the first eight grades of the Crafts, Protective, and Custodial Service.

On July 1, 1945, the Federal Employees Pay Act of 1945 became effective. This contained a pay-increase formula which raised rates of basic compensation as follows: 20 percent on the first \$1,200; 10 percent on the next \$3,400, and 5 percent on the remainder, subject to a \$10,000 ceiling. The average increase was 15.9 percent. The range of increases varied from 20 percent at the floor of the schedules to 8.9 percent at the ceiling.

On July 1, 1946, additional increases were authorized by the Federal Employees Pay Act of 1946. This act provided a 14-percent increase but not less than \$250 (unless more than 25 percent), subject to a \$10,000 ceiling. The average increase was 14.2 percent. The range of increases varied from 25 percent at the very lowest to 2 percent at the ceiling.

Subsequent to the general increase of \$330 which was effective July 11, 1948, the Classification Act of 1923, as amended, was repealed and was replaced by the Classification Act of 1949. Although this law corrected some of the distortions in the compensation schedules which resulted from previous pay-increase acts it was not in itself a pay-increase measure. Pay adjustments incident to the change in schedules averaged \$140. Individual adjustments ranged from one-tenth of 1 percent to 8.9 percent. The over-all salary average under the Classification Act was increased by 4 percent.

The combined over-all effect of the pay-scale revisions of the Classification Acts of 1923 and 1949, comparing the rates currently in effect with those in effect during the 1930-45 (or in some instances 1942-45, as indicated above), is a 52.8-percent increase due to statutory rate changes only. During this period the average salary of employees subject to the Classification Act between the period 1939-45 (or 1942-45 in some instances) and June 30, 1950, increased from \$1,994 to \$3,667 or 83.9 percent. This increase was based on (a) rate changes, (b) changes in the distribution of employees among the grades as the result of promotions, transfers, revisions of the schedules and so on, and (c) merit step-increases.

These increases were by no means evenly distributed either dollar- or percentage-wise. This is shown by the increases in entrance rates for the various grades of the General Schedule of the Classification Act. As an illustration, the minimum salary for an adult worker in SP-1 in August 1939 was \$1,020 per annum. On October 28, 1949, the minimum rate for the equivalent grade, GS-1, was \$2,200, an increase of \$1,180, or 115.6 percent. Entrance rates for the next

succeeding five grades were less in actual dollars and in percent but all of these rates were increased by 50 percent or more. The greatest money increase in entrance rates was \$2,300 in GS-14 (former P-7 and CAF-14). The entrance rate for the highest grade, GS-15, for which there are former comparable grades (P-8 and CAF-15), was increased during this period by \$2,000, or only 25 percent. Entrance rates for positions in the CPC Schedule increased from 1939 to 1949 from \$910, or 151 percent, in CPC-1 to \$1,550, or 59.6 percent in CPC-10.

In considering those increases, it is significant to note that since August 15, 1939, the Consumers' Price Index of the United States Department of Labor has advanced from 98.6 (the base period is 1935-39) to 175.6 on November 15, 1950, an increase of 78.1 percent. The November index, which is an all-time high, represents a 4.2-percent increase over October 15, 1949, the approximate date of the approval of the Classification Act of 1949. This means, in terms of the Consumers' Price Index, that on November 15, 1950, it took \$1.78 to purchase the things which on August 15, 1939, would have cost \$1; or conversely that \$1 as of November 15, 1950, would have the purchasing power of \$0.562 on August 15, 1939. Thus, if the purchasing power of the average salary of all Classification Act employees, \$3,667, were converted to 1939 (August 15) dollars, it would amount to \$2,060.85 as compared with the average at that time of \$1,994.

Expressed in terms of 1939 (August 15) dollars, entrance rates for the grades of the General Schedule are with a single exception lower than the entrance rates actually in effect in 1939. Such rates for the Crafts, Protective, and Custodial Schedule fared somewhat better. Specific examples are—

Old grade	Present grade	1939 rate	November 1950 rate	November 1950 rate August 1939 dollars
SP-1	GS-1	\$1,020	\$2,200	\$1,236.40
CAF-1	GS-1	1,260	2,200	1,236.40
CAF-3	GS-3	1,620	2,650	1,489.30
CAF-5	GS-5	2,000	3,100	1,742.20
CAF-7	GS-7	2,600	3,825	2,149.65
CAF-9	GS-9	3,200	4,600	2,585.20
CAF-11	GS-11	3,800	5,400	3,034.80
CAF-13	GS-13	5,600	7,600	4,271.20
CAF-15	GS-15	8,000	10,000	5,620.00
CU-1	CPC-1	600	1,510	848.62
CU-3	CPC-3	1,200	2,252	1,265.62
CU-5	CPC-5	1,500	2,674	1,502.79
CU-7	CPC-7	1,860	3,125	1,756.25
CU-9	CPC-9	2,300	3,775	2,121.55
CU-10	CPC-10	2,600	4,150	2,332.30

In the past year, the general trend in nongovernmental pay has been upward. This is particularly true of employees paid at daily or hourly rates. Certain precedent-setting union-management contracts have provided pay increases in the form of an "annual improvement factor" designed to recognize and improve the standard of living of employees. As a part of such agreements were provisions for quarterly pay adjustments based on the movement of the Consumers' Price Index.

Within the Government itself and during the past 6 months there have been a substantial number of revisions in the basic pay rates of

employees whose compensation is determined by wage boards. As examples, the Army-Air Force Wage Board increased basic rates in 140 areas by an average of approximately 10½ cents per hour. Also as a result of locality wage studies the Department of the Navy increased rates in 80 out of 90 geographic areas by an average of about 13 cents per hour.

Such facts as these should lead to serious consideration of the possibility of a general increase to meet the changes in cost of living since passage of the Classification Act of 1949.

#### CONSOLIDATION AND SIMPLIFICATION OF PAY SCHEDULES

The Classification Act of 1949 materially revised and simplified the structure and rates of the pay schedules of its predecessor act. The consolidation of the four "service" schedules into two, the General Schedule and the Crafts, Protective, and Custodial Schedule, was a marked improvement and is working out satisfactorily.

In a previous section of this report, the Commission recommended that certain crafts, trades, manual-labor, and other positions having trade, craft, or laboring experience as the paramount requirements be excluded from the Classification Act and be compensated, as nearly as is consistent with the public interest, in accordance with prevailing rates. These positions are now covered by the CPC Schedule. If this recommendation is adopted and these positions are excluded, the principal groups of positions remaining in this schedule would be messengers, guards, and firefighters.

Under these circumstances, nothing would be gained by maintaining a separate schedule within the structure of the Classification Act for the few CPC classes of positions which would remain under the act. On the contrary, the structure of the pay schedules should be further simplified by reducing the number of schedules to 1, the number of grades by 10, and the number of pay rates by 60. Hence, as a part of the recommendation for exclusion of crafts, trades, and labor positions from the Classification Act, it is further recommended that the Crafts, Protective, and Custodial Schedule be abolished and that the residual positions therein be allocated to existing grades of the General Schedule.

The ultimate necessity for this action was foreseen by the Senate Committee on Post Office and Civil Service which, in its report on the bill which became the Classification Act of 1949, commented:

For the present at least, positions in the crafts, protective and custodial schedule should continue to receive the separate treatment the bill gives them. \* \* \* At an appropriate time, consideration should be given to a program calling for fixing the wages of all crafts and labor by wage boards on a prevailing-rate basis. \* \* \* When that time comes, the transition of the crafts and labor group to a prevailing-rate basis *and the other groups to the general schedule* would be made easier if they are now treated separately. [Italics supplied.]

The Commission is of the opinion that the appropriate time for action on these matters has arrived.

#### FLEXIBILITY IN PAY SCALES

One of the most frequent and best founded criticisms of the Classification Act is the lack of flexibility in its pay schedules to permit of a more realistic adjustment to recruiting conditions. Experience has

clearly demonstrated that in a tight labor market the rigidity of the pay schedules of the Classification Act adversely affect the recruitment and retention of employees paid under that act.

Experience has shown that two kinds of situations adversely affect the recruitment and retention of employees in Classification Act positions:

(1) For some kinds of positions the wages available in expanded industry in the locality or in Government wage-board positions are more attractive to the kinds of employees normally recruited. It is imperative, in most such cases, that the agencies be able to recruit and retain employees for these positions. This is especially true of hospital and other positions so essential to the activities of the Government which are expanded during an emergency.

(2) The Government has two major systems of pay for Government employees: uniform, Nation-wide statutory rates for positions subject to the Classification Act; and fluctuating rates based upon prevailing rates of pay in local labor-market areas. In many cases the two systems come into close contact—for example, the supervisors of wage-board employees are frequently paid under the Classification Act. It sometimes happens, particularly when the labor market is very competitive, that the wages of employees who are paid on the basis of prevailing rates will be higher than, or otherwise out of relationship with, the pay of the employees in closely related Classification Act positions of greater difficulty or responsibility. Clearly such a situation makes for considerable difficulty in recruiting or getting wage-board employees (one of the most fruitful sources of recruits for such positions) to accept greater responsibilities without any reasonable increase in remuneration.

Both of these situations could often be corrected or ameliorated by increasing the minimum rate of pay for Classification Act positions to one of the higher rates within the proper grade.

The Commission recommends, therefore, that it be given authority to permit recruitment under the pay scales of the Classification Act at an appropriate within-grade salary rate, rather than always at the minimum rate of the grade, whenever it finds, on the basis of recruiting experience, that such action is necessitated by extreme difficulty in filling such positions.

Under such authority, the Commission would establish a proper within-grade salary rate as the official minimum rate for certain classes of positions located in specified areas. In the interest both of recruiting and retaining qualified workers in such positions and in order to be fair to persons previously recruited, the new minimum rate would apply equally to new appointees and present employees in such positions.

Any action under this authority would be predicated upon a determination by the Commission that a sufficient number of qualified eligibles for positions in a given class could not be secured in the area or location at the existing minimum rate for such class and that there was a possibility that a sufficient number of eligibles could be secured by increasing the minimum rate. Such action would be limited to 1 year unless the rate was renewed or revised. Such flexibility would materially facilitate recruiting in those areas where local wages for given classes of positions are markedly higher than the

minimum rates for comparable positions under the Classification Act pay scales.

This proposal would not involve changing the basic pay level of any grade of the Classification Act.

#### MERIT STEP-INCREASES

A notable feature of the Classification Act is its provision, in title VII, for three types of merit increases referred to in the act as step-increases. These are (1) periodic step-increases, (2) additional increases as rewards for superior accomplishment, and (3) longevity increases, which are step-increases beyond the maximum scheduled rate of the grade. The first two types of step-increases were previously authorized by an amendment to the Classification Act of 1923.

Periodic step-increases are given to employees having a performance rating of "Satisfactory" or better and who have not received an equivalent increase within a period of 52 weeks in grades where the steps are less than \$200, and 78 weeks in grades where the steps are \$200 or more. The objectives of the legislation providing periodic increases were that such a salary advancement plan would promote economy and efficiency in the service, provide incentives for better performance, improve employee morale, and aid in attracting and retaining competent persons in the service. Unquestionably this plan has demonstrated its value to the entire service.

Additional increases as rewards for superior accomplishment are granted only within the limits of available appropriations, for (1) outstanding performance; (2) initiation of an idea, method, or device, which has been adopted, and is expected to improve the service or provide more economical operations; or (3) for a special act or service in the public interest. Such rewards are limited to one within-grade step. Under regulations and plans approved by the Commission, the various agencies made 976 such rewards during fiscal year 1950.

Longevity step-increases are provided as rewards for long, faithful, and satisfactory service. The plan consists of not to exceed three successive longevity step-increases, one every 3 years, beyond the maximum scheduled rate of an employee's grade, where certain conditions of length and quality of service are met.

The plan applies only to the first 10 grades of the General Schedule and to the 10 grades of the Crafts, Protective, and Custodial Schedule.

For each such step-increase the employee must have completed 3 years of continuous service at the maximum scheduled rate of his grade, or at a rate in excess thereof authorized by the plan. He must have a performance rating of "Satisfactory" or better. He shall have had in the aggregate at least 10 years of service in his present position or in the present grade and equivalent or higher grades. No period of 3 years counts toward more than one such increase and not more than three successive increases may be awarded.

The longevity step-increase plan is designed as an incentive and a reward for employees to continue to do good work in positions in which (1) they have had long service, (2) they are expertly trained by experience, (3) they continue to render effective service, but (4) there is little opportunity to advance in grade, due to the nature of the organization structure or activities of their particular unit. To

encourage such employees to render constantly improved service, notwithstanding infrequency of promotional opportunities, is to the advantage of the Government.

On the other hand, the longevity step-increase plan is not designed as a general pay-increase program. In particular, it may never apply to employees who advance normally in the career service by promotion from grade to grade and as already noted it does not apply to the higher grades.

From October 28, 1949, until June 30, 1950, 3,103 employees received longevity step-increases; of these, 2,763 employees were in grades 1 to 10 of the General Schedule and 340 were in the grades of the CPC Schedule; 2,584 employees received one longevity step, 389 two, and 130 three longevity step-increases.



