

PAY ADMINISTRATION

- 1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) procedures related to the Locality Pay System.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. This revision deletes the term, “Primary Metropolitan Statistical Area” and adds a statistical area called “Metropolitan Division.” These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management and Labor Relations Web site](#).
- 3. RESPONSIBLE OFFICE:** The Compensation and Classification Service (055), Office of the Deputy Assistant Secretary for Human Resources Management and Labor Relations.
- 4. RELATED DIRECTIVE:** VA Directive 5007, Pay Administration.
- 5. RESCISSIONS:** None.

CERTIFIED BY:

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS**

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CHAPTER 2. VA-CONDUCTED SURVEYS

1. GENERAL. When BLS or other third-party salary survey data are not available (see paragraph 4 of chapter 1), the facility Director shall conduct a survey of the local labor market area (LLMA) in accordance with the instructions in this chapter. In scheduling LPS surveys, the facility Director will consider the dates of the following:

- a. Scheduled salary increases at establishments in the LLMA;
- b. Upcoming GS adjustments; and
- c. Any applicable non-foreign cost-of-living allowance (COLA) outside the continental United States or in Alaska and Hawaii, approved by the Office of Personnel Management under Title 5, United States Code (U.S.C.) 5941.

2. LOCAL LABOR MARKET AREAS

a. **Minimum LLMA.** The minimum LLMA for covered occupations or specialties shall be one of the following:

(1) If the VA facility is in a Metropolitan Statistical Area (MSA), [which is not subdivided into Metropolitan Divisions], the minimum LLMA is the MSA[. If the VA facility is located in an MSA which is subdivided into Metropolitan Divisions, the minimum LLMA is the Metropolitan Division.]

(2) If the VA facility is not in an MSA or [Metropolitan Division], but is in a county, township, or independent city contiguous to an MSA or [Metropolitan Division], the minimum LLMA is the MSA or [Metropolitan Division (if applicable), plus] the county, township, or independent city in which the facility is located;

(3) If neither subparagraph 2a(1) or (2) apply, but the facility is in a Federal Wage System (FWS) survey area, the minimum LLMA is the FWS survey area; or

NOTE: *In the New England States (Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, and Connecticut) MSAs, [Metropolitan Divisions], and FWS survey areas are based on townships. In these cases, recognized townships will be used to determine basic survey areas rather than counties.*

(4) If subparagraphs 2a(1) through (3) do not apply, the facility Director shall define a minimum LLMA which is contiguous, includes the county in which the facility is located, and is based on the location of competing establishments, geographical features of the area, transportation facilities for employees, and commuting patterns of VA employees. The minimum LLMA defined under this subparagraph shall not exceed the commuting area of the VA facility, and shall include a minimum of three establishments with employees in the occupation or specialty being surveyed.

(5) If a facility is not in an MSA or [Metropolitan Division], but is contiguous to more than one MSA or [Metropolitan Division], the decision on which MSA or [Metropolitan Division] to use will be based on the same criteria in subparagraph 2a(4).

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(6) If a satellite outpatient clinic (OPC) is not in the LLMA of the parent facility, a separate survey will be required and a separate LLMA will be established using the criteria in subparagraphs 2a(1) through (5).

b. Expanded LLMAs

(1) Normally, facility Directors may contiguously expand survey areas for one or more covered occupations or specialties to include any recognized economic area, such as township(s), city(ies), county(ies), MSA(s), and [Metropolitan Division](s). Such expansion will be based on a review of the conditions in subparagraph 2a(4) and a determination by the Director that the minimum survey area does not adequately reflect the LLMA for those occupations or specialties or there are less than three job matches per grade. LLMAs may be expanded differently for different occupations or specialties; however, the expanded area normally will not exceed the commuting area of the VA facility.

(2) If the minimum LLMA defined under subparagraph 2a or b(1) does not adequately reflect the local labor market for the occupation or specialty, or the survey continues to provide less than three job matches per grade, facility Directors may further expand the LLMA for an occupation or specialty beyond the normal commuting area of the VA facility. The facility Director must provide a written justification, which clearly supports expansion of the LLMA beyond the normal commuting area.

c. Documentation and Review

(1) Each facility Director must document the applicable minimum LLMA and forward a copy of the definition to the Network Director (10N__/055). Supporting documentation required for locally defined or expanded LLMAs under subparagraphs 2a(4) or b will also be forwarded. The LLMA definitions and supporting documentation will be retained by Human Resources Managers and made part of official survey files in accordance with paragraph 9.

(2) If upon review, it is determined that a minimum LLMA established under subparagraph 2a(4) or any expanded LLMA exceeds the facility's commuting area and justification required under subparagraph 2b(2) does not support the expansion, appropriate corrective action may be taken (see par. 10 of chapter 1).

3. SURVEY UNIVERSE AND SURVEY SAMPLE

a. **Survey Universe.** Using local, regional, and national directories which identify health care facilities and include estimates of their employment in the LLMA, facility Directors shall develop and maintain a survey universe consisting of all establishments in the LLMA that have employees in covered occupations. Software has been developed to assist facilities in establishing and maintaining survey universes.

b. **Establishments to be Surveyed.** To determine which establishments are to be surveyed, the following procedures will be used:

(1) If the universe contains 15 or fewer establishments, the entire universe will be surveyed; and

(2) If the universe contains more than 15 establishments, the survey will be based on a sample.

(a) **Certainty Establishments.** Before sampling, facility Directors may select in writing one or more establishments to be included in the survey. Establishments selected by this method are referred to as certainty establishments and are removed from the survey universe before sampling.

1. Establishments will only be included with certainty if they significantly affect the facility's ability to recruit or retain employees in the occupation or specialty to be surveyed, e.g., a major employer of nurses in close proximity to the VA facility. A list of certainty establishments and the reason for their selection will be retained in the LPS survey file.

2. Directors of facilities in outlying towns and suburbs of an MSA or a [Metropolitan Division] that are required to document decisions based on nearest geographic competitors under subparagraph 2a(3) of chapter 3, must list those establishments as certainty establishments for the survey.

3. Selection of additional certainty establishments may also be appropriate in order to increase the potential for job matches.

(b) **Sorting the Universe into Groups.** To begin the sampling process, first sort the universe, excluding any certainty establishments, using the following procedures:

1. Rank by estimated employment, the establishments in the universe from highest to lowest employment;

2. Determine the total estimated employment for the universe by summing the estimated employment for all establishments; and

3. Divide the universe into five groups with the total estimated employment of the establishments in each group equal to one-fifth of the total universe employment. (For example, if the total estimated employment in the universe is 50,000, create five groups of establishments each with total estimated employment of approximately 10,000.)

(c) **Selecting Sample Establishments.** If there are five or fewer establishments in a group, all the establishments will be surveyed. If there are more than five establishments in a group, five establishments will be selected randomly to be surveyed. **NOTE:** *This procedure will result in no more than 25 randomly selected establishments. These are combined with any certainty establishments to create the survey sample.*

c. **Abbreviated Surveys.** If there are fewer than ten employees in the occupation or specialty to be surveyed, the facility Director may order a full scale survey. However, normally an abbreviated survey of only the five establishments closest to the VA facility will be surveyed. In addition, the facility Director may select one certainty establishment if the criteria in subparagraph 3b(2)(a) are met. Also, if there are only three or four establishments in the LLMA, only these will be surveyed. In the abbreviated survey, these establishments shall constitute both the survey universe and survey establishments. Abbreviated surveys may not be conducted by facilities coordinating surveys in identical or overlapping LLMA's required in paragraph 10.

2. Use the transaction or actual starting salary survey data to set the rate for the step determined in subparagraph [2a(2)(d)] [].

3. Back down to the appropriate beginning rate by dividing the average salary rate as shown in the chart in subparagraph [2a(2)](b) [].

4. Example: The average step for VA hires in the grade during the past 12 months is step 5. The average actual starting rate paid in the community for the equivalent grade is \$41,825. Step 1 of the grade is set at \$37,344 (\$41,825 divided by 1.12).

NOTE: *The use of transaction rates or actual starting salaries of incumbents is discouraged due to the difficulty in determining equivalent levels of experience in VA. It is also of limited value if the number of transactions is insufficient to support a reasonable projection.*

(e) **Using Published Minimum Rates or Actual Minimum Rates.** Use the published minimum or actual minimum rates from the survey to set the step 1 rate for the equivalent VA grade.

(f) **Using Salary Survey Data that Match More Than One VA Grade**

1. When it is determined that a surveyed position matches more than one VA grade equally, the available salary data may be used to extrapolate beginning rates for each grade matched.

2. Example: The descriptions of the positions(s) matched equate to both the VA Nurse I and Nurse II grades equally. Mid-point salary data are available. In order to have the mid-point of the two grades reflect the survey data, Step 1 of Nurse I is set by dividing the average mid-point salary rate paid in the community by 1.33. The Step 1 rate of the Nurse II grade is then set based on the minimum differential requirements contained in paragraph 3 of this chapter.

3. Example: The descriptions of the position(s) matched equate to both Nurse I and Nurse II equally. Only maximum salary data are available. Step 1 of the Nurse II grade is set by dividing the average maximum salary rate paid in the community by 1.33 (add .03 to the divisor for each step in an extended rate range). The Step 1 rate of the Nurse I grade is then set by dividing the new Nurse II Step 1 rate by 1.09.

(3) Some facilities are located in outlying towns and suburbs of a Metropolitan Statistical Area (MSA) or a [] Metropolitan [Division] and are, therefore, included in the same LLMA as facilities in the more urban area of that MSA or [Metropolitan Division]. Directors of such outlying facilities will normally set the beginning rate for each grade at an amount deemed competitive with the available salary data] of that facility's nearest (geographically) principal competitors (see subparagraph 3b(2)(a)2 of chapter 2 for survey instructions). When submitting a new schedule, the facility Director must provide written documentation of which establishments are the nearest principal competitors and justify decisions to set the rates based on survey information from the more urban establishments. Such decisions will be based on the location of other direct competitors, geographical features of the area, transportation facilities for employees, and commuting patterns of VA employees.

(4) In no instance shall the rate of a VA grade, or level in a grade, for which survey data were collected, be adjusted to an amount that exceeds the highest comparable rate for corresponding non-VA positions in the LLMA.