



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

Wednesday, October 5, 2011  
CPM 2011-15

**MEMORANDUM FOR: Heads Of Executive Departments And Agencies**

FROM: John Berry, Director

Subject: Fiscal Year 2012 Prevailing Rate Pay Adjustments

On December 22, 2010, President Obama signed legislation to prohibit statutory pay adjustments for most Federal civilian employees. The pay freeze for all covered employees is in effect for the period beginning on January 1, 2011, and ending on December 31, 2012. The pay freeze applies to covered pay adjustments that would otherwise take effect during the 2-year freeze period. Prevailing rate wage schedules issued under section 5343(a) of title 5, United States Code, are covered by the pay freeze during calendar years 2011 and 2012. The information below provides guidance to agencies regarding implementation of the pay freeze with respect to wage schedules for prevailing rate employees. Prevailing rate employees remain eligible to receive within grade increases in fiscal year 2012. Lead agencies will reissue wage schedules during FY 2012 at the same wage levels as in FY 2011.

**Legal Background**

Section 147 of the Continuing Appropriations Act, 2011 (Pub. L. 111-242), as amended by section 1(a) of the Continuing Appropriations and Surface Transportation Extensions Act, 2011 (Pub. L. 111-322, December 22, 2010) (the FY 2011 Act), provided that notwithstanding any other provision of law, no statutory pay adjustment which (but for this subsection) would otherwise take effect during the period beginning on January 1, 2011, and ending on December 31, 2012, will be made. Under this section, no statutory pay adjustment will be made under 5 U.S.C. 5343(a), or similar authority.

The Consolidated Appropriations Act, 2010 (Public Law 111-117, December 16, 2009) (the FY 2010 Act), contained two provisions that continue to affect the determination of pay adjustments for certain prevailing rate (wage) employees in FY 2012. The FY 2011 Act extends into FY 2012 the pay limitation provision of section 710 of the FY 2010 Act and the floor pay adjustment provision under section 744.

## **Impact on Prevailing Rate Employees**

Section 710 provides that pay increases for certain prevailing rate employees in FY 2012 may not exceed 0 percent—the sum of the January 2012 General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2011 and FY 2012. Section 744 provides that, notwithstanding section 710, pay adjustments for certain prevailing rate employees in FY 2012 may not be less than the January 2012 pay adjustments received by GS employees where they work. Since GS employees will not be entitled to an increase in pay in January 2012, the adjustment under section 744 is equal to 0 percent. Section 710 applies to wage employees covered by 5 U.S.C. 5342(a)(2) or 5348. Section 744 applies to wage employees covered by 5 U.S.C. 5344 or 5348. Sections 710 and 744 do not apply to wage employees who negotiate their pay under section 9(b) of Public Law 92-392.

In previous years, lead agencies have established wage rates for affected prevailing rate employees for FY 2012 by determining the maximum rates applicable under the pay limitation provisions of section 710, determining the minimum pay increase applicable under section 744, and then applying the higher of the rates to affected prevailing rate wage schedules. In some wage areas, wage schedule adjustments under the minimum increase provisions of section 744 have been higher than under the maximum increase provisions of section 710. In addition, as a result of section 744, certain prevailing rate wage areas will continue to have more than one wage schedule in effect during FY 2012.

## **Changes in Minimum Wage Levels**

Any adjustment of a wage schedule rate for prevailing rate employees otherwise required by U.S. Office of Personnel Management (OPM) regulations pursuant to a change in an applicable State or local minimum wage rate is prohibited due to the pay freeze provisions of the FY 2011 Act.

## **Obtaining Wage Schedules**

Prevailing rate wage schedules will continue to be distributed by lead agencies through normal agency distribution channels. In addition, Federal Wage System wage schedules are accessible via the Internet through the Wage and Salary Division of the Department of Defense Civilian Personnel Management Service (Internet address [cpms.osd.mil/wage](http://cpms.osd.mil/wage)).

For further information, please contact OPM's Pay Systems, Pay and Leave, at (202) 606-2838 or by email at [pay-leave-policy@opm.gov](mailto:pay-leave-policy@opm.gov).

cc: Chief Human Capital Officers

Human Resources Directors