

## **3 FAH-2 H-220 DEVELOPMENT OF A LOCAL COMPENSATION PLAN**

*(TL:FSNH-026; 08-20-2003)*

*(Office of Origin: DIR)*

### **3 FAH-2 H-221 GENERAL**

*(TL:FSNH-1; 9-25-91)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

*HR/FSN* will develop a new or restructure an existing local compensation plan whenever it obtains a complete measure of all cash and most applicable benefit features of compensation through what is termed a Full Survey. *HR/FSN* will obtain such a complete measure by means of independent, third party measures of prevailing practice developed by contractors, local consultants or staff approved by *HR/FSN*.

#### **A. FULL SURVEYS**

Full survey measures should take place at four to five year intervals or whenever the overall structure of local compensation in practice is significantly changing. Generally, such changes will occur gradually over time and will not be noticeable until four to five years have elapsed. Greater or lesser intervals are permissible and are subject to determination by the Chief of Mission in consultation with the affected agency heads at post. The actual schedule of countries to survey is subject to funding priorities of the affected Regional Bureau and *HR/FSN*'s ability to analyze the resulting data in a reasonable amount of time. *HR/FSN* will bring the posts that have had a five-year interval between full surveys to the attention of the Regional Bureaus and other agencies and will develop the annual schedule of no more than 30 full surveys based on their collective recommendations.

#### **B. LINKAGE TO JOB EVALUATION**

Full Surveys may take place in conjunction with reviews of the post's administration of the position classification system. Compensation changes resulting from Full Surveys may not be implemented without a determination by *HR/FSN* that a post's administration of the position classification system is generally in compliance with the classification standards that are used to differentiate various levels (grades) of work (duties and responsibilities) for which prevailing levels of compensation are obtained.

## **3 FAH-2 H-222 PREPARATION FOR AND CONDUCT OF FULL SURVEYS**

(TL:FSNH-026; 08-20-2003)

(Uniform State/AID/USIA/Commerce/Agriculture)

The *Management officer* at each Mission has overall responsibility for coordinating the full survey with other agency heads at post, keeping all affected agency heads at post, constituent posts and the FSN's themselves informed regarding the procedures outlined below and soliciting input that can affect the results of the survey. The *Management officer* should establish a Local Survey Committee comprised of a US officer as a representative from each affected agency. The *Management officer* will chair this Committee. Prior to the start of the survey the Chair will convey final Committee recommendations to HR/FSN concerning post's views on company selection and job matching. This Committee should ensure HR/FSN and the salary survey team leader are aware of all anomalies at post or in prevailing practice, such as, different definitions of full time work or undocumented forms of income. The *Management officer* should also establish an FSN Survey Committee comprised of no more than seven FSN employees or PSC's representing the various components of the Mission. All recommendations made by these Committees are subject to approval by HR/FSN.

The *Management officer* and/or Personnel Officer should maintain regular, continuing contacts with the companies cooperating in surveys as well as other prominent local companies, which may have to be used as alternative sources of data. The purpose of such contacts is to keep abreast of possible salary, benefit, and labor supply changes in the community. Such contacts would also make data collection easier at survey time.

While no hard and fast rules exist, the Local Survey Committee should consider and take the following steps in preparing for and conducting a survey. Many of a post's competitors will also use the following steps.

### **A. DETERMINE NEED FOR AND TYPE OF SURVEY**

Posts may need a complete new measure of major factors (i.e., salary and benefits) affecting compensation or just a quick fix of the comparators' base pay levels. To determine first the reason for a survey and the amount of data needed will help post select the best type of survey to obtain this data. (See 3 FAH-2 H-215 b.) If a full survey is needed, post should proceed with the following steps.

### **B. COMMUNICATE WITH ALL AGENCIES AND FSN'S**

Post should consult with the managers/supervisors among all Federal agencies at post and with the FSN's themselves at the very beginning to determine the need for and type of survey. The Local Survey Committee and FSN Survey Committee are the appropriate vehicles for communication.

## **C. REVIEW THE CURRENT LOCAL COMPENSATION PLAN**

This review should cover associated needs that can be addressed by a survey. Are there particular benefits or pay practices which need updating? Is a new list of comparators needed? Do problems exist with third country national pay rates? Is post having problems recruiting or retaining employees in certain jobs at current pay rates? The choice of survey companies is the most critical factor affecting FSN Compensation. The Survey Committees should use the criteria sheet in 3 FAH-2 H-200 Appendix C to develop and submit recommendations.

## **D. HR/FSN GUIDANCE**

HR/FSN can assist in deciding how best to meet the needs determined above in the quickest and most efficient way possible without violating US law and regulation. In preparation for a full survey, HR/FSN will also provide guidance on additional details needed from post covering such items as:

- Translation of survey job descriptions at post,
- Preparation of survey job descriptions for added jobs and exception jobs,
- Translation of pertinent sections of local labor law,
- Description of key aspects of local social insurance benefits,
- Description of all aspects of the local compensation plan,
- Data on annual premium costs for insured benefits, and
- Data on the number of FSN's, family size and length of service.

If personnel outside the post are tasked with conducting the survey, the post and its parent Bureau are responsible for alerting these personnel and HR/FSN to in-country issues affecting travel, visas, currency problems, timing problems or concerns, and medical protection needed. The Bureau is responsible for facilitating the visas and funding for contractors or other outside parties tasked with conducting the survey.

## **E. COMMUNICATE WITH SURVEY COMPANIES**

Post should send a letter informing survey companies of post's survey (see 3 FAH-2 H-200 Appendix F ) and seeking confirmation that the company will agree to be surveyed. This letter should also enclose forms to be used in the survey ( 3 FAH-2 H-200 Appendix D ), copies of the data obtained in prior surveys and the survey job descriptions in 3 FAH-2 H-200 Appendix A and any added jobs. If appropriate, post should inform the company that an FSN employee may sit in and observe the survey process.

## **F. FSN OBSERVERS**

In advance, post should select FSN's who will assist/observe the survey. FSN's selected should represent all agencies at post, should include both men and women and be persons with a good command of the English language. They should be informed prior to the survey contact (the visit) of their role. This role may include raising questions or clarifying observations at the end of the visit. Due to the confidentiality requirement, this role does not include taking written notes. Control over job matching or any data obtained in the interview is the responsibility of the data collector.

## **G. COMPANY INTERVIEW**

When conducted by an outside contractor, the interviews should commence no later than the third working day after arrival of a survey team and should normally include:

- Introduction of all present,
- Statement of purpose,
- Statement of confidentiality of the data,
- Outline of data needed,
- Data review, and
- Close out thank you and request for permission to call back if clarification is needed.

## **H. REVIEW DATA OBTAINED**

After the interview, the survey team including the FSN observer should review the data obtained. This review should take place at the US Mission outside of the company's presence to determine the completeness and accuracy of the recorded data and to determine if any follow-up contact is necessary. The survey team should also determine if the data is internally consistent, i.e., higher level jobs are paid more than lower levels, projected increases from last year are reflected in the data in comparison with data obtained in previous surveys from the same company.

The survey team leader may conduct a brief close out review of the survey results with the Local Survey Committee and the FSN Survey Committee if not all FSN's at post. The leader of the survey team should also be available to brief the Country Team at post on the survey results. This review should summarize the general features of the survey, but must not provide any tentative conclusions regarding possible adjustments to the Local Compensation Plan. Work orders for contract survey teams do not include time for lengthy briefings to address questions of pay administration or other personnel problems the post may be experiencing.

## **I. SEND THE DATA TO HR/FSN**

As soon as HR/FSN receives a complete set of data, HR/FSN will establish the earliest possible effective date if all affected agency headquarters agree. This Office will send a cable indicating either the effective date or that additional data is needed before an effective date can be established.

Except in exceptional circumstances, for data received on or after August 1 of each year, HR/FSN will set the earliest effective date on or after the first pay period after September 30 to ensure funding occurs within the appropriate fiscal year.

If no cable is received within a week or two of sending the data to HR/FSN, post should call to determine if post must take steps to transmit the data again to HR/FSN.

HR/FSN cannot set effective dates in pay periods prior to receipt and clearance of a complete set of survey data unless it is prevailing practice or is required by host government decree to do so. Any new data subsequently sent in can only be used at a later effective date (again upon receipt and clearance by all agencies). Any clarification of existing data is not a basis in and of itself for changing effective dates once established.

Heads of agencies may require a later effective date for a variety of reasons, including ease of administration and budget.

## **J. CLOSE OUT WITH SURVEY COMPANY**

Post should send thank you notes to the survey companies along with a summary of the data to be provided by HR/FSN. Later, the resulting pay schedule should also be sent to the companies.

Post should consider maintaining these company contacts and their cooperation through meetings or other representational functions.

As a final step in the full survey process, post must certify by cable to HR/FSN that the survey is complete and evaluate the survey team. If post is not satisfied with a contractor or consultant, this cable serves as documentation to prevent future contracts with that contractor. Posts can usually provide full travel, per diem and commissary/exchange privileges to an outside survey team and up to two thirds of the salary at post unless instructed otherwise. Final salary amounts due are usually authorized and paid in Washington after HR/FSN receives the survey data and the survey team evaluation cable.

## **K. IMPLEMENTATION**

After analysis of the data, HR/FSN will coordinate and send authorizations for amending the current official local compensation plan (LCP) to post and its respective Regional Administrative Management Center (RAMC). Post is responsible for drawing up the final document for the LCP, coordinating it with all affected agencies and the RAMC, and obtaining final signatures on the document. Until signed and dated, the new LCP is not official, nor considered implemented. The current LCP will govern all payments until so amended, with the amendments affecting all pay actions subsequent to the effective date. Any action without the proper authorization or lack of implementation of authorized changes can be the basis for an overpayment for which the USG is not liable and for which the USG may recoup any monies spent.

## **3 FAH-2 H-223 SURVEY JOBS**

*(TL:FSNH-025; 08-01-2003)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

Salary surveys will provide measures of prevailing levels of compensation for specific jobs that represent all or most of the different levels (grades) of work (duties and responsibilities) defined in the FSN position classification job evaluation system. These jobs will not necessarily represent specific jobs at post but will represent typical jobs, that is, jobs most frequently found in local labor markets at levels of work equivalent to those in the FSN job evaluation system. The survey jobs contained in 3 FAH-2 H-200 Appendix A must be used in all surveys.

## **A. ADDITIONAL JOBS**

Posts may recommend in writing to *HR/FSN* prior to the survey up to five more jobs for survey that may be used in constructing the basic workweek schedule at post. These added jobs may include the jobs listed in Appendix B as additional jobs or other jobs related to post needs. Post may want to represent specific jobs at post that also typically exist in the post's particular labor market. While the time needed for survey and analysis may increase, the addition of survey jobs may help address specific post concerns such as difficulty recruiting employees for these jobs at the grade levels represented. Additions should be kept to a minimum in the interest of efficiency. Any additions must have a position description, an analysis, and evaluation statement that justifies the position's grade level and a description of the work context, e.g., staffing pattern, supervision, equipment, etc. *HR/FSN* must approve any addition to the survey job list for a particular country prior to commencement of a survey. Posts where AID is present should consider using the first four jobs listed in 3 FAH-2 H-200 Appendix B to represent typical levels of work in AID.

## **B. EXCEPTION RATE JOBS**

Sometimes a post may find a particular job in a host country is, for whatever reason, paid at an exceptionally high or low rate. In these cases, posts may separately recommend any number of additional survey jobs to determine if exception rates (ER) are warranted, that is, if certain jobs in a host country are paid differently (higher or lower) from the pay rates post has on its basic workweek schedule for the same level of work. Such exceptions can only be used to construct exception rate schedules described in Subchapter 3 FAH-2 H-240 of this Handbook if the survey data so warrants and will not be used to construct the regular basic workweek schedule at post.

## **C. JOB MATCHING**

In measuring survey jobs, the data collectors must determine whether a specific company job is similar to one listed in 3 FAH-2 H-200 Appendix A or to any other ones added to the approved survey job list. When one is similar and the survey company has incumbents in the job, the company's job is a match. To match jobs, data collectors must fully understand the duties of and qualifications for each survey job and the reasons why it has been evaluated as representing a specific level of work, the grade level of the survey job.

**Job matching is the single most important step in the survey process.**

The data collector is the sole person responsible for matching jobs. The data collector cannot delegate this responsibility. A job is similar, a match, if it is a full time permanent job in the survey company and has at least the majority of essential duties listed. Essential duties are those that take 25 percent or more of the job incumbent's time. Essential duties are the grade level controlling duties. Jobs may have other lesser duties (less than 25% of the time) but these duties or even essential duties should not be the type of work that exists at a higher grade level. Jobs with higher levels of work combined with the level of work being matched are mixed jobs and are not a match since the accompanying level of compensation is usually due to the higher level of work even if a majority of the time is not spent on the higher level work.

Jobs are not a match on the basis of the same or similar job titles. However, data collectors should record the survey companies' titles in local language on the data collection sheets so any follow-up surveys can identify the jobs previously matched. If time permits, the data collector should obtain a job description or develop a brief one from the notes taken in the job matching exercise. Jobs are also not a match to jobs as they exist at the Mission but as described in 3 FAH-2 H-200 Appendix A. The data collector should question the company official, for each survey job, on whether the company has any incumbents performing the duties and responsibilities and meeting the qualification requirements as described in 3 FAH-2 H-200 Appendix A or on the approved list. Company officials may receive a copy of the descriptions but the data collector must obtain at least an oral description from the company officials of the duties of incumbents in matching jobs to ensure more than job titles are being used to match jobs. In this manner, the data collector retains control over the job matching process.

The survey company official may want to say a particular job is a match. The data collector need not dispute this statement in the interview but should ensure that sufficient information is obtained to enable the data collector to indicate a match exists upon submission of data. A job is also not a match on the basis of expected salary or a salary similar to other jobs matched at the same grade level. However, in reviewing the salary for a matched job within the company's internal alignment of jobs, the data collector may use salary as an indicator that the job matched is not significantly out of alignment or, if so, to find out why. For example, if secretaries are paid more than engineers, either the engineers are not fully qualified or the secretaries may have higher-level administrative duties.

In summary, the following types of jobs should not be matched:

- Jobs not comparable to the survey job description,
- Jobs comparable to a similar job at the post but not as described in a survey job description,

- Part-time jobs,
- Temporary jobs,
- Pensioner jobs,
- Supervisory jobs,
- Apprentice or trainee jobs, and
- Jobs encumbered by non-employees such as contractors or workers on the payroll of another company.

In the job matching process the data collector should explain to the survey company official the respective roles and responsibilities of US and local national staff, the nature of the survey jobs as representing specific levels of responsibility and complexity, and the organizational structure of the Mission. In return, the data collector should obtain the survey company's organizational chart, which will enable the data collector to locate survey jobs within the company's organization and determine the scope and breadth of any incumbent's duties and responsibilities. The scope and breadth can affect whether a job is a match.

### **3 FAH-2 H-224 SURVEY COMPANIES**

*(TL:FSNH-025; 08-01-2003)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

Prior to a full survey the Local Survey Committee must identify the companies which best fit the criteria for selection (see section 3 FAH-2 H-224 B below). This Committee should use the criteria sheet in 3 FAH-2 H-200 Appendix C to develop and submit recommendations. The person responsible for conducting the survey must select up to the maximum number of companies indicated below for final submission but may test several more than the indicated maximum before making a selection of those that best fit the criteria in section 3 FAH-2 H-224 B.

**The choice of survey companies is the single most important factor that determines FSN levels of pay.**

A poor choice will mean inappropriate pay levels. In identifying comparator firms, a post is indicating the companies with which it is competing for the same quality of employee and those who have similar work requirements and conditions.

**Again, the choice of survey companies is the single most important factor that determines FSN levels of pay.**

The Local Survey Committee can recommend fewer companies if the

resulting list better fits the criteria for selection. These numbers of companies are not rigid since the ultimate goal is for posts to ensure the list contains companies with which post actually competes for employees. Generally, fewer good companies are better for representative data than many for ensuring greater accuracy of statistical data and averages. A good way to proceed is for the Local Survey Committee to identify as many companies that fit the criteria as possible. Then if the number of companies exceeds the limit of companies listed in paragraph A. below, post should reduce the sample. Posts may, within reason, have the survey team leader visit more companies than are necessary in order to determine which companies are the best to retain in the sample as the basis for FSN compensation. Posts may exceed the criteria if there is a particular need for more companies to justify exception rates or third country national rates. If companies are added for these latter purposes, all the benchmark jobs should be surveyed, not just the exceptions.

The list of firms should be a cross-industry sample drawn from the industrial, business, public or international sectors and may cover manufacturing, transportation, communication, utilities (gas, electricity, etc.), wholesale/retail trade, finance, insurance, real estate, service, governments, government-owned corporations, regional/international firms (UN) or embassies with which the post competes for employees whether local, governmental, US, or multinational in ownership. If a USDOD installation is in the same competitive area as the US Mission, it should be included in the sample, observing the caveat in paragraph D, number 7, below.

Post should insure that a balanced sample is obtained in the selection process and that no sector is disproportionately represented except when the GNP is under 5 billion dollars or post is under the Special Embassy Program (SEP). (See section 3 FAH-2 H-227 B7.) With GNP lower than 5 billion dollars the post may and should limit the cross industry sample to only the most comparable sectors wherein the competition for employees is high and the USG is vying for very limited resources and especially when fewer than the guideline number of companies are used for the survey.

For SEP posts, the sample can be limited to the one or two major competitors in country. An initial linkage must be established to the compensation system of the one or two companies meeting the criteria for selection in section 3 FAH-2 H-224 B below. Once the linkage is established, usually through a full survey, post's LCP will be adjusted whenever and howsoever the linked comparators adjust their scales and without the need for additional surveys. If these comparators reorganize or withdraw from the labor market, then new comparators should be chosen and linkage established.

In compiling a list of potential survey firms meeting the criteria for Company selection, the Local Survey Committee should have input from all agencies at post and from the FSN employees. Suggestions should include written justification showing that the firm is competitive with or comparable to the Mission and a reasonable number of matches can be expected. This justification should center on the nature of work performed and the commonality of responsibilities at levels of work (not necessarily jobs) similar to those at post.

In this light, post should consider firms to which it has recently lost employees for the same type of work (secretarial position to secretarial position, etc.) and firms from which it has recently recruited employees for the same type of work. Care should be exercised in judging a firm's total compensation effectiveness. Some may pay well but provide low benefits and vice versa.

Companies with subsidiary offices located near the US Mission may be counted as a single employer, particularly if both parts of the company are covered by the same compensation plan. Companies may also be located near a consulate in a different city within the host country but still qualify; however, post should keep the list of companies limited to as few locations as possible in order to reduce the administrative effort needed to contact these companies during a survey. Normally, companies within the same commuting distance from the embassy or consulates are those with whom the USG is competing for employees and are the only companies eligible for selection.

Companies outside the host country cannot be used.

## **A. MAXIMUM NUMBER OF COMPANIES**

1. One international firm and/or up to 2 multinational companies for Special Embassy Program posts.
2. Six for small posts (less than 100 FSN's and PSC's) or host country GNP is under 5 billion dollars.
3. Twelve for mid-sized posts (100 to 200 FSN's and PSC's) and host country GNP is between 5 and 50 billion dollars.
4. Eighteen for large posts (over 200 FSN's and PSC's) and host country GNP is over 50 billion dollars.

## **B. CRITERIA FOR COMPANY SELECTION**

The USG compensation goal for Foreign Service National employees is to achieve compensation comparability with local employers in each country who are similar to the USG in several aspects or with whom the USG competes for employees or PSC's. The characteristics which should be present in truly comparable employers are as follows:

1. Structured personnel system, i.e., specified pay rates/ranges integrated with a payroll system and management decisions and a reasonable hierarchy of duties and responsibilities as found in a formal job evaluation or position classification system;
2. Similar work conditions, i.e., year round full workdays and pressure for high productivity;
3. High quality job requirements, i.e., high level skills/education required in recruitment, as specified for each position, including expertise at the leading edge of various technologies and procedures (in office, for equipment, for management) and possibly including language requirements;
4. Wide range of job responsibilities in company with low turnover and limited training periods, i.e., companies must recruit skilled employees and provide attractive conditions of employment that encourage job retention of these skills in the face of limited career ladders;
5. Size of organization, i.e., normally 100 or more local employees near the post, or employment of other categories where required, e.g., Third Country Nationals (TCN) or employees in skill shortage categories for which post requires exception rates (ER);
6. Number and composition of comparable jobs, i.e., job matches to 6 or more survey jobs reasonably spread among the various grade levels, or matches for other categories of employees (TCN, Exception Rates), or matches for survey jobs not found in other survey companies; and
7. Adaptability to function in a non-host country type organization, i.e., U.S. Government organizations may have procedures and practices which are similar to or very different from local country norms.

## **C. CRITERIA FOR EXCLUSION**

Further, companies should be excluded for any of the following reasons:

1. Use of illegal personnel practices in country;
2. Employment of marginal employees such as migrant workers or those having a low level of skills;

3. Cut back on activity due to bankruptcy or other restrictive conditions such as a monopoly, lack of funds or technology, or phase out of company activity by management choice or government intervention;

4. Use of questionable practices that cannot be captured by reasonable compensation measures such as making payments to prevent theft, payments to relatives or frequently allowing excused absences with pay;

5. Exhibit fast growth but are temporary employers, such as oil exploration or gas pipeline construction where the company expects to move on or shut down upon completion of tasks;

6. Failure to observe host country labor laws and requirements whether with or without the Government's direct or tacit approval unless this is common (prevailing) practice;

7. Uncooperative relations with the Mission or data collectors;

8. Questionable data that is internally (to the company) inconsistent or inconsistent from survey to survey; and

9. Failure to meet the criteria for selection.

## **D. SPECIFIC INDUSTRY GUIDELINES**

In applying, the above criteria and guidelines post normally should not consider including the following types of organizations if the reason cited is applicable. If the cited reason is not applicable, the following types of organizations can be selected:

1. Agriculture, mining, construction companies due to seasonal employment;

2. Low tech manufacturing companies due to few office employees and with most employees in production jobs;

3. Government-owned transportation, utilities, finance, corporations, etc., due to conservative nature of personnel management generally or monopolies affecting jobs below the executive levels. Governments tend to impose artificial controls on their own employees as a means to control the economy;

4. Financial institutions below the top one or two most progressive ones due to much more conservative nature of personnel management affecting jobs below executive levels for which they follow rather than lead the market in management technologies;

5. Insurance companies due to conservative nature of personnel management as in less progressive financial institutions;
6. Hotels, due to unusual and sometimes undocumented forms of compensation attributed to year-end or special awards, or bonuses or productivity increases;
7. DOD installations in country whenever the majority of jobs are in the trades and labor functions for which the Mission is not competing or the installation is not located near the US Mission;
8. Circularity - care should be taken to avoid including firms, which directly follow the US Mission's local compensation plan or pattern of salary adjustments. This does not mean excluding firms, which survey US Mission as one of several survey firms. It does mean excluding firms that provide salary adjustments in the same amounts and timing as US Mission adjustments (such as is common for some diplomatic establishments); and
9. Monopolies due to conservative nature of personnel management by choice since monopolies do not have the same market pressure to be competitive.

## **E. MULTIPLE SURVEY COMPANY SAMPLES**

A Mission may have more than one sample of survey companies meeting the selection criteria in order to measure significantly different compensation practices that vary by location or by the major job distinction between office jobs (white collar) and trades and labor (blue collar). Further job subdivisions and samples are not permitted. The maximum limit on the number of companies that may be in a sample applies to each sample relative to each country's GNP and to the number of FSN's and PSC's for which the sample is being drawn. For example, in a country with a GNP over 50 billion where post needs a separate blue collar sample for fewer than 100 blue collar employees and PSC's, this sample should not exceed 6 in number.

## **F. CHANGING COMPANY SAMPLES ONCE ESTABLISHED**

Subsequent to the full survey a Mission may and should request *HR/FSN* to delete a survey company anytime the company fails to meet the criteria for selection or meets the criteria for exclusion in 3 FAH-2 H-224 B and C. A Mission may request the temporary suspension of a survey company from the data analysis that leads to a new local compensation plan whenever a company may be reorganizing. After reorganization, if previously matched jobs cannot be identified, the company can be considered for permanent exclusion using selection criterion number 6. If a company is unable to meet with data collectors in a timely manner, their previous data will be used with no change. In no case may post delete or suspend a survey company solely due to the lack of a salary or benefit adjustment when other survey companies have done so or solely due to compensation levels that are low in comparison with others. The criteria for selection and exclusion in 3 FAH-2 H-224 B and C are the sole reasons for company deletion.

*HR/FSN* may add a survey company only at the time of a full survey and only after the Local Survey Committee or the person responsible for the full survey recommends the addition and obtains complete salary and benefit data.

## **G. SURVEY COMPANY DATA AND VISIT**

For each survey company in the full survey, data collectors must obtain the following data using the form in 3 FAH-2 H-200 Appendix D to record all data except that for items 6, 10, 11 and 13:

1. Name of company official providing the information;
2. Location - both mailing address and, if different, actual physical location;
3. Size - in round numbers total employment in company at site(s) where matches are made in immediate vicinity and, if different, also country-wide;
4. Type - industrial category using terms in section 3 FAH-2 H-224 or 3 FAH-2 H-200 Appendix C to describe the product or service of the company;
5. Local differences - indicate if the company varies pay by location within the country for the same job;
6. Method of pay adjustment - describe how the company adjusts structure and/or individual employee's pay by means of cost of living, merit, seniority, productivity adjustments applied across the board or to select groups or individuals (who, why, how);

7. Last pay adjustment - time, amount, and type (why) of last general increase;
8. Next pay adjustment - time and type of next projected increase;
9. Hours in a full-time workweek spent at work exclusive of time not at work such as lunch, defined breaks, set up time, clean up time, travel, etc.;
10. Describe the number of job evaluation levels, if defined;
11. Describe the definition of distinct employee groups such as exempt/non-exempt, white/blue collar, and which FSN grade levels are covered by each definition;
12. Pay structure, i.e.,
  - (a) Size of pay range in percentage terms (e.g., maximum rate divided by minimum less one) or percentage above and below mid-point,
  - (b) Does the range vary by grade level,
  - (c) Number and size of increments within a range, if they exist,
  - (d) Time in years of service to move from minimum to midpoint or maximum rates while in the same job or range, and
  - (e) Basis for moving through a pay range, such as, merit, longevity, cost of living adjustments, job promotion or increase in duties;

Posts should note that the step rate for US employees such as FSN's serves multiple purposes including to:

- Establish the minimum in-hire rate;
- Establish the maximum rate the USG is willing to pay to get the job done at the specified grade level;
- Recognize satisfactory or better performance in relation to length of service; and
- Recognize exceptional performance by means of extra step increases (meritorious step increases).

13. Pay definition - identify what surveyed pay rates represent, e.g. base pay only, base plus COLA, base plus bonus or allowance;

14. Premium pay rates - identify the extra payments beyond basic pay (straight time, 100%) for hours worked. Note any variance among different employee groups, if they exist, i.e.,

- (a) Describe how the hourly pay rate for determining premium is computed, e.g., annual pay divided by 2080,
- (b) Payment for overtime (work outside basic workweek hours) on
  - (1) Work Day (daytime or nighttime)
  - (2) Day of Rest
  - (3) Holidays
- (c) Payment for work on holiday during basic workweek hours (in addition to regular pay)
- (d) Night Shift Differential—premium paid in addition to regular pay for work at night during basic workweek hours. If none, specify whether employee works a night shift but does not receive a differential ("none") or no employees work a night shift ("n/a")
- (e) Specific Day Differential—premium paid in addition to regular pay for work on a specific day during basic workweek hours.
- (f) Premium for any other defined pay status such as standby, on call, hazard duty, and language proficiency.

In recording data, data collectors must use codes to identify the company to guarantee confidentiality of the data to the company official. Data collectors are never to reveal individual company codes or practices to other survey companies nor compare practices of survey company with other identified companies. If the company agrees, its name can be listed as a survey participant, but no further identifying information can be released, discussed or referred to orally or in writing.

In the initial visit data collectors must clearly identify themselves, explain the kind of information being sought and why, and guarantee confidentiality of the data.

Confidentiality means that the information is only used to set FSN pay and not for any other report of the U.S. Government or any other government; data is coded to avoid accidental identification of a company's specific data; copies should be kept only in the administrative office at post and in *HR/FSN*; neither office releases this information but uses it only for the internal purposes of setting FSN pay. Data collectors must collect full survey data in person, not by phone or mail, from a company official who knows the precise salaries being paid and other related compensation matters.

Data collectors should explain that the USG wishes to pay salaries and benefits to its FSN staff commensurate with those prevailing locally and that data secured will be averaged in with that from other employers to determine the salaries and benefits the USG will pay. A summary of the surveyed data should also be made available as soon as possible after completion of the survey to the company in such a way that they can see how their pay relates to that in other survey companies without being able to identify the other companies' specific jobs or pay rates. See the report format in 3 FAH-2 H-200 Appendix G .

### **3 FAH-2 H-225 SALARY DATA**

*(TL:FSNH-1; 9-25-91)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

For each survey job, data collectors must obtain the following data using the form in 3 FAH-2 H-200 Appendix D and the job numbers as listed in 3 FAH-2 H-200 Appendix A . Additional jobs should be numbered in sequence as added.

a. **Company job title**—record actual title used by company in local language if possible.

b. **Language level**—data collectors need to determine both the post requirements for post jobs at the same levels as the survey jobs or even the specific survey job if it exists at post and the survey company requirements for the survey jobs. This requirement is a general assessment along the following lines.

If post would require special language qualification for the FSN counterpart at the grade level of a survey key position and the same language qualifications are not required in comparable employer positions surveyed, then an adjustment for this factor may be added to salary rates of employer positions which do not include the language requirements. This adjustment is to compensate for extra requirements that exist at post. If the converse situation prevails, that the company requires language qualifications for a survey position that exceed language qualifications which post would require for a comparable FSN position, a negative adjustment is made.

Any adjustment of this type may not exceed 10%. The adjustment should not be applied across-the-board, but should be used only for those survey positions, which fit the criteria described above.

As a basis for comparing language skills, post may define levels of language proficiency in a manner similar to that in 3 FAH-2 H-200 Appendix C of the LEPCH (Local Employee Position Classification Handbook) and may assign an appropriate percentage value to these levels. After determining, for each survey job, the degree of non-official language proficiency that would be required by both the post and the surveyed companies, a quantitative comparison between skills can be made and an appropriate language adjustment factor computed. If a third language proficiency is required, values can be combined from different levels.

Column I of the chart below identifies proficiency levels which should generally be used. Values assigned in Column II will vary by post and should in part reflect how widespread the English language is used locally and how variant this language is from the official language in terms of nature, form, and characteristics. The values inserted in Column II and III relate to the example below.

I Degree of Skill in Non-native Language	II Percentage (%)Value Assigned to Skill (English)	III Percentage (%)Value Assigned to Skill (French)
None	0	0
Limited knowledge	3	2
Good working knowledge/fluent	6	4

**Example:**

If post requires the Secretary position to have a good working knowledge of English but the company match to Secretary survey job would not be required to have any knowledge of English and if English is a non-native language that is not commonly spoken in post's locality, then a language differential could be figured as follows: value for good working knowledge of English required by post (6%) minus the value for no proficiency in non-native language required by company (0%) results in a plus 6% adjustment for company position matched to Secretary.

In addition, if the post's position requires a limited knowledge of French but the survey company requires a good working knowledge and French is commonly spoken in addition to the native language, the adjustment would be post's value (2%) minus the company's value (4%), a minus 2% adjustment. The combined adjustment is thus 4% for the Secretary survey job.

c. **Hours of work in a workweek**—record the hours at work in a basic full time workweek exclusive of non-work times such as lunch, breaks, clean-up time, etc. Pay rates thus measured are for hours at work and can ultimately be broken down into an hourly rate as the basic building block for compensation. Using this building block, *HR/FSN* can then determine annual, monthly, weekly or hourly pay for a basic workweek as exists at post, as well as for other regular schedules, both part-time and those in excess of the basic workweek that are permitted by local labor law before an overtime premium is required.

d. **Type of salary** —indicate whether recorded rates are hourly, weekly, monthly, annual or other.

e. **In-hire minimum rate**—the lowest rate normally used for qualified candidates during the first full year of employment in the job matched exclusive of probationary rates and rates paid for those employees who exceed minimum qualifications. If no recent hiring has occurred for the survey job in the company, then this rate should be the rate that the company would normally use for hiring employees meeting minimum qualifications. Rates that are due to discriminatory practices, favoritism, or preserving a previously earned rate should not be used. If the company has structured pay ranges, their lowest rate in the range will usually be the minimum rate. However, some companies may have a range on paper (on the books) but actually use a higher rate as the starting salary. This higher rate which meets the above definition should be used as the in-hire minimum rate.

Where an employer has no formal, structured local salary schedule, often the normal in-hiring rate can still be identified. If not, the lowest rate currently being used for a comparable position should be obtained and can often be used without distorting the salary data, as long as further questioning indicates that for all practical purposes the lowest rate is a reasonable representation of the in-hire rate. If only a single rate is reported on a comparable position, detailed questioning is necessary in order to be reasonably certain whether the rate may be considered an in-hire rate.

Data collectors should also ask whether the salary rates reported include any special allowances or other benefits. If so, ask what they are and the amounts thereof. Normally, the amounts of these supplements are deducted and separately recorded (under benefits) from salaries reported to arrive at a basic rate for each position.

f. **Maximum rate**—whether attained by longevity or exceptional performance, the highest salary normally available for use by the company in setting and adjusting pay for the job being matched. The maximum rate reported should reflect the highest salary an employee who performs satisfactorily or better can reasonably expect to receive. This rate is usually the top rate where a structured salary schedule exists. However, in some cases the pay progression for the same job may span more than one grade with starting salary at the minimum or beginning of a lower grade and the maximum at the top of the range for a higher grade. A company's maximum for normal performance may also be the midpoint of the salary range with a higher maximum available under a merit increase program for exceptional performance. This higher maximum is the one that should be reported in this case.

Maximum rates are questionable if:

1. The difference between in-hire and maximum potential is excessive for the job being matched when compared to this difference for other jobs being matched in the same company, or
2. Persons with long service have not obtained the maximum, or
3. The maximum exceeds the normal range of salaries reported in the company or exceeds the specified range if the company has such a policy, unless such a maximum is attainable only with exceptional performance.

Where no structure exists, maximum rates are the highest rates currently being paid. However, care should also be taken to avoid using higher rates paid that are not due to the level of work and performance. Some examples are a red circle rate paid as a saved rate from some higher level jobs previously performed or gold circle rates for rewarding potential retirees, relatives or other awards for non-job related performance.

Care should also be taken to ensure that the rates reported are those currently being used or available for use. For example, a rate rarely and only used for outstanding performance that is not related to the job should be disregarded. Post employees are also eligible for awards, both within the pay range (meritorious step increases) and separate from the pay range (cash performance awards).

g. **Single rate**—a catch all descriptor of other types of rates that may be reported. In general, it can refer to:

1. Actual or average rates of pay whether or not the company has structured salary schedules with minimum and maximum rates,
2. The only going rate paid for the job, exclusive of probationary rates or rewards, or

3. The midpoint of a salary range which sometimes may be called the "going" rate. Data collectors should footnote the above as follows: (a) for actual or average rates, (s) for single rates, (m) for midpoint of the range rates whenever those rates are obtained. The analysis of this type of data may have to be different from the analysis of data on pay structure data, i.e., minimum and maximum rates.

h. **Weighting**—data indicating numbers of employees occupying the position being matched. Normally, weighting is not used nor necessary since each survey job and each company has a weight of one (a single weight). Each is an indicator of the labor market and not a true statistical representation. Single weight data is used to determine what post's position should be in the labor market, whether post is competing with small well paid firms among large average paid firms or vice versa. Use of weights is not ruled out. Neither is it encouraged in this system. Thus space is not normally available to record this type of information.

### 3 FAH-2 H-226 BENEFITS

*(TL:FSNH-025; 08-01-2003)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

As part of the database obtained in a full survey or updated in a salary change survey, the information on various benefits can be a critical component of compensation. Benefits are the most complex and varied component and can be handled in one of three basic ways as follows:

- Provided separately and identified,
- Monetized and added to base pay, or
- Evaluated as having little or no impact on pay.

Benefits can include risk benefits covering life, medical, retirement, unemployment insurance; time not at work benefits of paid leave for vacation, sickness, maternity, personal needs; perquisites (perks) as add-ons to base pay to recognize importance of the job to the company; bonuses or allowances that need to be separately documented; and conditions of work inclusive of language requirements or hazardous work conditions not recognized in the classification system. Each of these types of benefits can be taken into account in the basic ways described above. Some benefits by nature lend themselves to one way more so than another. The approaches to use are described below but are by no means definitive since benefits are the least common element of compensation when cross-culturally analyzed.

Compensation benefits should be distinguished from factors that are part of the cost of doing business in country. These factors can include uniforms for guards and drivers or a telephone at certain locations to reach key people. Such factors are not for personal use so much as for the benefit of the employer.

In many countries benefits once given cannot be taken away without agreement by all affected parties. In these cases, changes in benefits usually involve substitution or incorporation of the benefit into base pay.

The value of a particular benefit may also be split and captured under two or more of the following procedures, so long as the total value in prevailing practice is taken into account.

The primary concerns in evaluating and providing benefits are to do so in a manner that is in line with prevailing practice, that is administratively easy and to avoid un-funded liabilities in the budget so that benefits are paid by post on an annual basis rather than deferred, even though employees may not receive a benefit until a later date.

## **A. SEPARATE BENEFITS**

A separate benefit is a compensation feature that post can provide as a distinctly identified benefit such as a 13th month bonus for FSN's, so long as it also exists among at least 40 percent of the surveyed firms or post management determines that it is in the post's interest (post already pays an extra month) to do so. As such, it is a PREDOMINANT benefit in prevailing practice as opposed to a benefit practice that may exist among just one or two companies out of many. Both situations (40 percent or more versus one or two companies) are prevailing in that an employer is providing the benefit as part of its total compensation package. Only one, a predominant benefit, stands out sufficiently to also warrant separate treatment by the post. Other non-predominant benefits can be treated under one of the next two procedures in 3 FAH-3 H-226 B and C.

In assessing predominance, *HR/FSN* should determine whether the particular benefit practice is stable or increasing in usage among surveyed firms. If the reverse is true, *HR/FSN* should consider one of the next two procedures. ( 3 FAH-2 H-226 B or C)

A predominant benefit may apply to all grade levels or select grade levels or even just to particular jobs. It may be in the post's (and FSN's) interest to pay a benefit separately if in fact the benefit is excluded from local tax liability or is not included as part of the pay rate basis for overtime, social security or retirement.

In adopting a predominant benefit, *HR/FSN* should first consider authorizing the benefit to be provided in the same manner or fashion used by the survey companies. For example, if the host government social insurance system provides family allowance payments, post should obtain a similar benefit for its employees only through the host government system. On the other hand, if local employers generally provide family allowances directly to their employees, the post should adopt a similar plan providing for direct payment of the allowance to FSN's. Procedures for adoption of direct fringe benefit payments are contained in 3 FAM 7340 and procedures for participation in host government social insurance systems and adoption of private insurance plans are in 3 FAM 7320 and 3 FAM 7340, respectively. In either case, the US Mission must incorporate the separate benefit as a provision or part of the local compensation plan.

*HR/FSN* can also determine whether an aggregate of benefits that would normally be handled under one of the next two procedures (section 3 FAH-2 H-226 B or C) would produce a significant adjustment to pay of 5 percent or more and whether post can provide this combination as a separate Benefits Allowance. Such an allowance would be a catch-all benefit that could not be attributed to any one item in prevailing practice but would allow *HR/FSN* and post to capture benefits that are prevailing, even if not predominantly, but not normally treated as a separate benefit. Such a Benefit Allowance may vary, and many times will vary, by grade level due to the variety of benefit adjustments that may apply to one grade level and not another.

Some benefits by nature are best provided as a separate benefit plan if they exist in prevailing practice. These benefits are generally not to be monetized and are as follows:

- Leave benefits, paid or unpaid, for time not at work;
- Life insurance and other death benefits;
- Medical benefits;
- Retirement benefits;
- Separation benefits, including severance, separation notices and other gratuities or service benefits provided upon separation;
- Allowances generally for housing, meals, transportation, family, education, cost of living, language, fitness, furniture, equipment, tax, location, savings, representation (if not for reimbursement), which are provided throughout the year on a pay period basis; and
- Bonuses or one-time payments for profit, productivity, attendance, seniority, sacred times, vacation, travel (if not for reimbursement) or extra months of pay.

The above benefits are generally those perceived by employees as prevailing practice if they exist and whose absence in the post plan would be noticeable. Such benefits generally apply to all employees, but amounts may vary by grade level. Analysis of these benefits must follow the guidance in 3 FAH-2 H-227 C, where applicable.

## **B. MONETIZED BENEFITS**

A monetized benefit is an adjustment applied to and included in the (adjusted) basic rates at post to account for any benefit that is not predominant among the survey companies (less than 40 percent) nor paid as a separate benefit nor evaluated as having little or no impact on pay.

Some benefits by nature are best monetized because they are significant but only for a few survey companies or jobs, even though retirement or overtime are generally not computed on these benefits by the survey companies.

*HR/FSN* will generally monetize benefits that meet the above conditions when an adjustment for a particular benefit is significant, that is, it affects one or more grade levels by 5 percent or more. In monetizing benefits, *HR/FSN* must follow the guidance in section 3 FAH-2 H-227 C where applicable. Again, a monetized benefit may apply to all grade levels, select grade levels or just to particular jobs.

Some examples that may be monetized are as follows:

- Cashier's allowance (cash handling);
- Utilities/phone payments;
- Managerial bonuses;
- Club memberships;
- Car allowances or packages;
- Professional fees;
- In-kind Payments; and
- Other perquisites (perks).

In addition, certain conditions of work or other requirements unique to an employer may be recognized in a monetary manner in basic rates, such as, language requirements or hazardous work conditions. If monetized, care should be taken to ensure that these conditions are not also taken into account in the FSN classification of a job.

## C. NO IMPACT BENEFITS

Certain benefits which may have a plus or minus value, in fact counterbalance each other and, as a consequence, have no significant effect on the overall survey findings.

*HR/FSN* will evaluate these benefits to the extent that immediate data will permit and will provide guidance to posts on which of these benefits should be dropped from measurements in future surveys. In general, the effort to measure these benefits is wasted when such benefits counterbalance each other.

For example, if post has 10 extra holidays in comparison with survey companies, this would result in a minus 4 percent adjustment to pay which could be offset by an approximately equal plus adjustment for such benefits as beverages (e.g., 1 percent), social programs (e.g., 1 percent), and loans (e.g., 2 percent).

The type of benefits that are prevailing for one or more survey companies or jobs but not having an impact on pay will generally include the following:

- Extra holidays,
- Subscriptions,
- Uniforms,
- Periodic trips,
- Social programs,
- Discount products,
- Beverage benefits (coffee, tea),
- Loans,
- Stock options,
- Scholarships,
- Anniversary gifts.

Posts may request consideration for any of the above benefits for treatment as a separate or monetized benefit but must provide adequate data on the prevailing practice before *HR/FSN* can determine the appropriate action.

## **D. BENEFIT DATA**

In recording information on benefits, the standard format in 3 FAH-2 H-200 Appendix D must be used to cover the basic benefits that may exist at many posts. Attached to the form is the numbering and sequence for recording certain benefits and the basic questions to pursue. Additional benefits may be described and included in the same format.

In describing each benefit, the primary focus should be on the value or actual benefit level being provided to the specific employees of the survey company.

A good alternative would be the value or benefit level to the "average" person which should be based on the typical employee at post, for example, average age or length of service who is married and has "x" number of children.

If value to the employee is not available, information on the cost of the benefit to the employer for the total number of employees at the company may be described. Any variance on benefit levels or values by position or location should also be recorded.

The methodology contained in this section provides further guidance in conjunction with 3 FAM 7340 for determining the level of a separate benefit. It deals with the data gathering process preliminary to evaluating and implementing retirement and medical benefits, but the approach easily lends itself to evaluating any separate benefit for FSN's such as leave plans, life insurance, bonuses, various allowances or severance pay.

This section consists of two parts: (1) the kinds of retirement and medical benefits which may be encountered, and (2) the questions which can elicit the information needed to evaluate these benefits.

### **1. Types of Benefits**

#### **a. Retirement**

Retirement benefits may be provided through the host government alone, supplemented by the employer or provided by the employer alone. The benefit may be a lump sum or an annuity (pension). The lump sum may be in the form of termination or gratuity pay or a provident or savings fund. A retirement benefit may be an insured benefit, which provides a lump sum, an annuity, or a partial lump sum with the remainder as an annuity. The funding of the retirement benefit also varies. The host government or the employer may fund the benefit entirely, or funding may be through various combinations, which include the host government, the employers and the employees.

(1) **Host Government:** In many countries a national social insurance plan may be administered by the host government. This national plan may consist of only a retirement plan or it may be a comprehensive social insurance program which provides retirement, medical and disability benefits, unemployment, life insurance as well as various allowances such as housing, family and education. Some of these latter allowances may be provided directly by the government or be required of the employer.

The host government retirement benefit may be a lump sum, such as through a provident fund, or an annuity. Plans which provide annuities may provide survivor benefits and periodic cost of living adjustments. Host government social insurance systems may be funded entirely from general revenues, host government/employer contributions, employer/employee contributions, or host government/employer/employee contributions.

(2) **Employer Retirement Plans:** In the absence of a host government retirement plan, as a supplement to a host government retirement plan or as a substitute for the (non-viable) host government plan, employers may provide their own retirement benefit. There are several types of retirement benefits which an employer may provide to employees.

(a) **Termination Pay or Seniority Gratuity:** On separation, either before or at retirement age, an employee receives a lump sum payment. This is usually a portion of an employee's final annual salary, e.g., a week or a month, times years of service. If separation is before the normal retirement age, the nature of the separation may have a bearing on whether and how much the employee receives. This benefit may be combined with severance pay or paid separately and is generally employer funded.

(b) **Provident Fund:** This benefit is also a lump sum payment. It may be funded by the employer or, more often, is contributory with the employer and employee each contributing a fixed percentage of the employee's income, generally the basic salary. The employer's contribution may equal or exceed that of the employee, or increase after the employee has reached a certain length of service. A formal contract is generally entered into between the employer and the employee. The return on the contributions will depend upon the employer's philosophy. Part or all of the contributions may be placed in individual accounts in a bank or trust fund to earn interest. Each employee will have two accounts, one in the employee's name representing the employee's contributions, the other in the employer's name for the employee representing the employer's contributions. Upon separation, either at retirement or earlier for other reasons (health, voluntary resignation, RIF or death), the employee or beneficiary will receive the employee's contributions plus accrued interest and, depending upon the nature of the separation and vesting practices, a portion or all of the employer's contributions plus accrued interest.

Some employers may establish an investment committee composed of company executives and employees. The purpose of the committee is to propose investment strategies for investing a portion of the contributions in order to achieve a higher rate of return than can be provided by a bank. Investment opportunities include stocks, bonds, and capital ventures. In these ventures, there can be considerable risk and when a loss occurs it is absorbed by the fund without any liability on the part of the employer to reimburse the fund for the loss. Under certain conditions, employees may be allowed to borrow against their equity in the fund.

(c) **Lump Sum Benefit Using Annuity-like Formula:** In some instances, employers provide a lump sum retirement benefit determined by using a formula similar to calculating an annuity, that is, a percentage of a final average salary (or a high 3, 5, 10 or a life-time average) times years of service.

(d) **Company Funded Annuity:** Some employers provide their own annuity plans. These plans may be entirely employer funded or require an employee contribution. Some plans may include adjustments. However, there is no guarantee beyond the employer's ability to pay. Any economic difficulties could offset the company's ability to maintain its retirement plan.

(3) **Insured Retirement Benefit:** Employers may elect to provide retirement benefits through an insurance carrier. There are basically two types of insured retirement benefits: a money purchase plan and a defined benefit plan.

(a) **Money Purchase:** With this type of retirement plan, both the employer and employee contribute a fixed percentage of salary. At retirement, the employee has the choice of receiving either a lump sum consisting of the employee's and the employer's contributions plus accrued interest or of taking this lump sum and purchasing a paid up annuity. The employee also may elect to receive a partial lump sum and the remainder as an annuity. The employee will not know the full value of the benefit until retirement.

This type of retirement benefit is easy to administer and in many ways resembles a provident fund in that contributions are fixed and the benefit consists of contributions plus a return on investment.

(b) **Defined Benefit:** This type of retirement benefit generally provides an annuity which is defined from the outset as a percentage of a final average salary (high 3, 5, 10 or lifetime average) times years of participation in the retirement plan. A maximum may be specified. At retirement, some plans allow the employee to commute (convert) a portion of the retirement benefit to a lump sum with the remainder as an annuity reduced by the value of the commutation.

The annuity may be guaranteed for a 5 or 10 year period with life thereafter. This means that even if the annuitant dies before the end of the 5th or 10th year, and if there is no survivor option, the survivor or the estate will receive the monthly payment to the end of the 5th or 10th year or a lump sum equivalent. If the annuitant lives beyond the "certain" period, the annuity continues until death and may include a survivor's annuity.

The employee's contribution is generally fixed and, depending upon local law and practice, may change little if at all during a career. The employer's contribution, on the other hand, may change annually or whenever the carrier's actuaries reassess their projections regarding the insured benefit.

(c) **The following provisions** are generally common to money purchase and defined benefit plans.

(1) Should an employee separate prior to the normal retirement date he may be eligible for:

—a refund of his contributions plus accrued interest;

—a portion or all of the employer's contributions plus interest, depending upon the nature of the separation and vesting practices;

—a reduced retirement benefit at the normal retirement age, based on the employee's ability to continue contributing on his own behalf; or

—a paid up annuity which will commence at the normal retirement date, purchased by the employer and employee contributions to date.

(2) If it is prevailing practice, early retirement may be permitted with the annuity actuarially reduced.

(3) If the benefit is an annuity, a survivor annuity may be provided when death occurs after retirement.

(4) When death occurs during employment, the plan may provide for a death benefit in the form of a lump sum payment or an annuity for survivors.

#### **b. Medical Benefits**

The locally prevailing medical benefits at a post may range from the presence of a doctor or nurse at the work site to a medical insurance plan, which provides basic and major medical coverage. Medical benefits may be provided through a host government social insurance plan alone or supplemented by the employer. Where the level of care provided by the host government is considered unsatisfactory or where no government benefit exists, employers may provide the medical care. This care may be in the form of a doctor at the work site, a contract with a hospital or clinic,

reimbursement of medical expenses, a lump sum allowance or an insurance policy.

**(1) Host Government Plan:**

(a) The medical benefits may be part of a social insurance program, which is funded out of general revenues without additional cost to employer or employee. The benefits provided will vary from preventive medicine to full coverage. Participants may be restricted to certain hospitals, doctors, and pharmacies.

(b) Medical benefits may be part of a social insurance plan to which employers and employees must contribute and may be a condition of employment. Benefits may include preventive and corrective medicine, inpatient and outpatient care and maternity care. Participants are generally restricted to certain hospitals, doctors, and pharmacies.

**(2) Employer Plans:**

(a) Supplemental: Employer may provide a supplemental medical plan to cover expenses and treatment the government plan does not provide, or to extend the coverage provided by the government plan once the limits of the government plan have been reached. This may be in the form of a direct payment to a hospital or doctor for part or all of the additional expenses, reimbursement to the employee or by means of an insurance plan.

(b) Duplicative: Employer may provide medical care which duplicates the care provided by the social insurance plan, including any supplemental plan. This may be provided by a contract with private hospital(s), clinic(s), or doctor(s), through reimbursement to employee according to a schedule of benefits or through an insurance plan. Duplication usually reduces time spent away from work seeking medical care.

(c) Direct: Employers may provide a doctor or nurse at the work site during regularly scheduled hours to provide first aid, diagnoses, medicines, x-rays, or lab tests, and to refer employees to specialists. This benefit is generally employer funded.

(d) Contract: An employer may contract with one or several hospitals to provide certain or all medical services with or without limitation. The cost may be a fixed annual charge per employee, which the employer or employee funds or it is shared. It may include dependents, the cost of which is paid by the employer, employee or shared.

(e) Reimbursement: The employer may reimburse the employee for stipulated medical expenses for self only or may include dependents. Reimbursement may be a portion or all of each expense up to an annual maximum and is payable upon presentation of receipts.

(f) **Lump Sum:** Employer may give employee a lump sum annually to cover medical expenses.

(g) **Insurance:** Employers may have an insurance policy whereby an insurance company provides direct payment to the medical facility, practitioner, or pharmacy for medical services rendered, or may provide reimbursement to the enrollee. The policy defines the benefits to be provided, the amounts allowed, and the conditions, limitations and exclusions. The policy may allow a free choice or limit selection to a list of participating hospitals, doctors, and pharmacies. The policy may cover the employee only or include dependents. The premium may be employer funded, employee funded or shared.

## **2. Data Gathering**

To determine if a benefit is a predominant practice, the survey team or post must contact each of the survey companies and collect data using the questions in 3 FAH-2 H-200 Appendix D . When collecting data on retirement or medical benefit plans, it is especially important that the company be visited rather than contacted by phone or letter because of the extensive questioning involved. The interview is generally smoother and shorter if it is possible first to obtain a copy of the company's plan. Once this has been reviewed, the interview can be used to fill in any gaps.

In the absence of a printed plan, the following questions should be used to obtain comprehensive and detailed information that will be necessary to develop new plans at post.

### **a. Retirement Benefits**

The answers to these questions may differ for each type of retirement benefit or supplemental benefit provided by the employer.

(1) What is the type of benefit - Severance, Provident Fund, Lump Sum, Money Purchase or Defined Benefit?

(2) Is it a supplement to a host government plan or is it used in the absence of a host government plan?

(3) Does it apply equally to all employees? If not, what are the differences?

(4) What is the minimum entry age?

(5) Are there any service qualifications—one year's probation, 6 months, immediate?

(6) If the benefit is a defined benefit or severance pay, what is the benefit formula (in the company's terms; don't rephrase)? For other types, what is the rate of return (interest earned) for a lump sum, provident fund, money purchase?

(7) If a defined benefit, what is the maximum benefit, i.e., what is the maximum percentage of the final average salary an employee with the maximum number of year's service can hope to receive? Is the benefit paid as an annuity or in one lump sum? Does the employee have any options?

(8) What is the salary basis for the benefit, i.e., basic salary, gross salary?

(9) What are the maximum years membership in the plan on which the benefit is based?

(10) What is the employee's contribution? Define the salary on which it is based.

(11) What is the employer's contribution? Define the salary on which it is based.

(12) Is there a host government plan? If the employer provides a defined benefit as a supplement, is the benefit or contribution reduced in anticipation of the government benefit so that the total benefit does not exceed a certain percentage of the final average salary?

(13) What is the normal retirement age for male/female? Is there a length of service (vesting) requirement for the retirement benefit? Is it based on law or company policy? Retirement forced at that age?

(14) Is there a provision for early retirement? What is the age and length of service requirement? Is the benefit reduced? What is the procedure?

(15) Is there a late retirement? What is the age? Do the employee and the employer continue contributing to the retirement plan beyond the normal retirement date? Is the benefit increased due to increased service if the total service does not exceed the maximum service for the plan?

(16) Does the retirement plan provide a death in service benefit? Please explain in detail.

(17) Is there a retirement benefit for disability? Please explain in detail.

(18) Is there a benefit for dependent children? Explain in detail.

(19) Is there a survivor (death after retirement) benefit? Explain in detail.

**b. Medical Benefit**

As with retirement plans, it is best if a copy of the complete medical plan can be obtained from each employer. In the absence of a printed plan, each employer should be questioned in detail regarding the benefits provided as follows:

(1) Are all employees equally eligible for all benefits? If not, is it due to salary, position or tenure, and what are the various benefit levels?

(2) Are dependents covered?

(3) In Muslim countries, how many wives may be included?

(4) Are any age restrictions placed on the inclusion of children under the medical plan, i.e., no longer covered after age 18 or 21?

(5) How is the plan funded for the employee? Is it employer or employee funded or shared: If shared, what is the contribution of each, either as fixed amount or as a percentage of salary? Define the salary used to compute the premium payment.

(6) Are the costs of dependent coverage the responsibility of the employee, employer, or are they shared? (7) Is there a deductible? Does it vary depending upon whether spouse and children are covered under the policy?

(8) Is there an annual maximum for each benefit or an aggregate annual maximum?

(9) If the plan is strictly reimbursement of medical expenses, what are the terms of the plan? How much will be paid?

(10) For each of the following benefit areas, you should obtain the current level of coverage provided by each employer. Again, if different levels of coverage apply to different categories of employees, any and all limitations or exclusions should be recorded for each benefit for each employee category.

(a) Hospitalization:

Room and board: ward, semi-private, private

Amount per day

Maximum days per confinement

Ancillary hospital services

Maximum payable

—Annual

—Per event

(b) Surgery:

Kinds allowed

Limitations on kinds—costs

Is there a fee schedule related to surgery?

Anesthesia

Assistants

Laboratory costs

X-rays

(c) Doctor Visits:

Hospital

Limitations

Office

Cost per visit

Home

Annual maximum

(d) Prescription Drugs - percentage paid and maximum

(e) Maternity:

Normal delivery

Caesarean delivery

Pre-natal care

Post-natal care

(f) Hospital Outpatient Services: Types covered and benefit schedule.

(g) Optical Service:

Examination

Prescription

Frames

Lenses

(h) Physical Therapy

(l) Psychiatric Treatment

(j) Ambulance Service

(k) Hearing Aids

(l) Dental

(m) Expenses incurred out-of country:

What is covered?

Maximum limits?

(n) Other Benefits

### **3 FAH-2 H-227 EVALUATION AND IMPLEMENTATION OF RESULTS**

*(TL:FSNH-026; 08-20-2003)*

*(Uniform State/AID/USIA/Commerce/Agriculture)*

This section contains guidelines for the analysis of survey data that provide the basis for a new or adjustments to a local compensation plan. Regardless of the analytical methods used, the resulting pay schedule will show one specified rate for each grade and step, which is the annual basic salary rate for the post's basic workweek. This basic workweek will usually be for a 40 hour per week tour of duty.

Posts should properly identify and list additional rates (exceptions or other tours of duty) or separate benefits in a remarks section attached to the pay schedule. The remarks section will include the premium pay rules and additional benefits, such as bonuses or allowances that affect take home pay in any given pay period.

The plan description and rules for other separate authorized benefits should be attached to the pay schedule. These benefit plans and the salary schedule together comprise the local compensation plan.

Posts should maintain any other aspect of personnel management that is discretionary or delegated to post in a separate location, although both the LCP and such discretionary or delegated features may be combined into a personnel handbook at post. These features may include grievance procedures, awards, performance evaluations, and so on.

HR/FSN or individuals delegated by HR/FSN to evaluate survey data will use the following guidelines. The basic principle is to let the data speak for itself. The analytical result that most closely follows (the least deviation from) prevailing practice is the preferred basis for adjusting LCP's. Further modifications or analysis may be applied to obtain results that both follow prevailing practice and take into account the public interest and management's ability to manage.

## **A. SALARY ANALYSIS**

The goal of salary analysis is to determine the control point or control rate for each grade level that is aligned with practice and the basic policies in section 3 FAH-2 H-214. This control rate for each grade will generally be the minimum rate when pay structure data is used or a higher step rate if average or midpoint data is used. In all cases if the control rates are graphed on a chart showing salary amounts for each grade level and each control point is connected by a line, the resulting lines connecting all points is the "pay line."

To determine control points in survey data, the following steps are necessary to establish a common basis for comparison with post's current pay line of equivalent control rates, assuming a 40-hour workweek.

1. Convert the basic rates for each survey job in each company to the pay rate that would result from working 40 hours in one week. As such the basic unit is the hourly rate of pay for each job (see 3 FAH-2 H-200 Appendix E ).
2. Annualize each basic rate to the amount that would result from working 40 hours each week for 52 weeks (see 3 FAH-2 H-200 Appendix E).
3. Annualize monetized benefits to the amount that would normally be provided for each 52 week period.
4. Add the annual value of monetized benefits inclusive of language adjustments that are in percentage terms to the annual 40-hour basic rates
5. After the percentage benefit adjustments are made add the annual value of monetized benefits that are in fixed amounts to annual 40-hour basic rates.

6. Average the resulting (adjusted) basic rates for each survey job, usually with each company having a weight of one. The results are the average survey job rate. Weighted averages may also be computed.

7. Individual company rates for a survey job may be eliminated at this point of the analysis. This is called "sport editing". Such rates are called atypical or sport rates. An atypical or sport rate is a rate reported by one employer for a survey job which deviates excessively from other rates reported by employers for the same survey job. Such rates may be eliminated if they result from mismatching of an employer's position with a survey job or from suspected discrimination in pay treatment or if these rates meet the guidelines below.

Rate deletions should be done with scrupulous objectivity.

Due to the many different rate groupings which evolve in gathering salary data, these guides for deleting rates are generally applicable but not necessarily all encompassing.

(a) As a general rule do not tentatively identify sport rates if they fall within a grouping of rates having the following characteristics.

(1) Rates reported fail to exhibit a strong central tendency, that is, a substantial majority of the rates, do not fall into a relatively tight rate cluster.

(2) Three or fewer salary rates are reported in the grouping.

(3) Very low rate(s) appears to be balanced by very high rate(s).

(b) Then determine which rates deviate excessively. This type of determination is to some extent judgmental but, as a rule, the tentatively identified sport rate should be at least 25% higher or lower than the closest intervening rate that falls between it and the central rate cluster.

(c) If excessive, the identified rate and survey job match along with all other sport rates may be eliminated from the survey job average.

(d) The analysis may retain all sport rates.

(e) Sport editing should generally not be selectively applied, that is, eliminating some sport rates and not others.

8. The average rates for the survey jobs at the same grade level are then averaged to provide the control point for each grade.

9. The average rate for a survey job may also be eliminated or sported in the following circumstances.

(a) The rate deviates excessively from the rates of other survey jobs in the same grade. Excessive deviation is considered to exist when inclusion of the rate in determining the average for the grade results in a distortion in the progression of rates between grades which is not reasonably correctable by use of the 5% factor set forth in 3 FAH-2 H-227 B1.

(b) An exception rate range for the job is being considered or has been approved.

(c) Insufficient, and therefore potentially misleading, salary data was collected for the job.

## **B. SALARY SCHEDULE DETERMINATION**

Once the control point for each grade level is determined, and only then, further adjustments may be necessary to arrive at a pay line that can provide the basis for constructing the remaining rates on a salary schedule. These adjustments should ensure compliance with the requirements in 3 FAH-2 H-214 above and may correct problems in the pattern of the data. Such problems may be severe pay compression, that is, very little difference between rates for each grade average; pay inversions where a lower grade has an average pay rate that is higher than the rate for a higher grade level; or extreme differences between grade levels. Normally, extreme differences are an indication that the market conditions in country value various groups of jobs very differently, such as trades/labor versus office jobs, professional/administrative versus technical/clerical, or other distinctions between major job groupings. Extreme differences may be reduced but should not be eliminated.

In effect due to the range of jobs being measured from unskilled laborers to mid level or senior level managers, the survey data may contain pay line patterns that differ for each major job grouping. For example, grade level differences may be small for blue-collar work and large for professional level jobs.

Adjustments may also be made to ensure a reasonable pattern of adjustments to the current LCP. Such adjustments still must adhere to the prevailing practice "raw" data, must be used sparingly, and must take into account the impact on potential future adjustments or lack of adjustments.

The following sections address component or related parts of the salary schedule.

### **1. Pay line Adjustments**

After determining percentage differences between each successive grade, pay line rates may generally be adjusted by normally no more than 5% upward or downwards to achieve an orderly progression between

grades of at least 10%. Prevailing practice may indicate a more compressed pattern. The 10% rule is to ensure a reasonable increase in pay to accompany increased duties and responsibilities that exist with each successive higher-grade level.

Greater than 5% adjustments may be made to correct pay compression or inversion or to bring one or two grade levels equal to rates currently authorized on the LCP.

The pay line with the least amount of adjustment (measured in absolute terms, that is, without the sign value of plus or minus) is the one that is closest to prevailing practice. In other words, it deviates the least from practice as measured by the absolute sum of deviations.

A pay line with greater amounts of adjustments than the line closest to practice may be used if it is in the public interest and easier to manage by post than the closest pay line. To this end, once a pay line has been determined, further adjustments may be made that result in the same increase for one or more grade levels if the resulting pay line indicates a modal or near modal pattern of increases to the currently authorized salary schedule.

## **2. Salary Range**

The size of a salary range will depend on prevailing practice as measured by information on salary range spreads among employers rather than internal US Government policy.

If a significant number of employers have structured salary schedules and a single pattern of within-grade salary ranges is common among these employers, then this most common pattern may be adopted for the FSN salary structure.

If no common pattern of rate ranges exists among the employers with structured schedules, then the FSN schedule should be patterned after but need not be identical to the average within-grade spreads reflected by the survey data. Average within-grade spreads may be determined by (1) measuring the salary spreads between actual minimum and maximum rates reported by each surveyed company for each survey job or (2) measuring the spread between the average minimum and maximum rates for each survey job and then averaging results by grade level. Once the pattern of within-grade salary spread is established, information on within-grade salary spreads should not be gathered during the next several surveys. The spread or pattern of spread once adopted by the post in accordance with the foregoing procedure should remain constant unless there is significant change in prevailing practice.

If no discernible within-grade salary spread can be identified, salary ranges should be established at 30% above final minimum rates.

### **3. Within Grade Increase**

Information collected on the amounts of within grade increases granted by employers and the timing should be analyzed to determine a common amount. This amount is normally used in developing the rates of the post's schedule.

Normally, the number of step rates in each grade should be uniform throughout the schedule, and the amount of a step rate within the range for each grade should be uniform. The uniformity is usually accomplished by determining the within grade increase amount as a percentage of the minimum rate.

Regardless of local practices, step rates of the post's salary schedule should not exceed 5% of the minimum rate of a grade.

If no discernable pattern exists, each salary range normally should be established with 10 steps above the minimum rate and with increments of 3% of the minimum rate.

The resulting structure of a salary schedule thus depends on the interrelationship of the size of the range and the amount of a within grade increase. The amount of the within grade increase is the only limitation. For example, if the normal pattern of salary range is found to be 36% and, generally, increments among local employers are in the 3% range, the post's salary ranges would consist of 12 step rates above the minimum rate, with the within grade increase amount equivalent to 3% of the minimum rate.

Practice could likewise have a 4% increment. Then post's salary range would consist of 9 steps above the minimum rate.

The number of increments is always one less than the total number of steps since the increments are added to the first step.

### **4. Other Than Minimum Rates As Central Points**

When other than the minimum rate is the control point for the post's LCP, the control point will be adjusted down to establish the minimum rate for the salary schedule. For example, where use of mid-points for each grade is necessary in lieu of minimum rates for each grade and the salary range for each grade is established at 30% with 10 steps above each adjusted minimum rate of a grade and increments of 3% of the minimum rate, in these cases, the minimum rate is determined by multiplying the average mid-point for a grade by .87 and the results multiplied by 1.30 to determine the maximum rate for each grade. When done, step 1 will be 13 percent below step 6 (the midpoint) or 87 percent of step 6. Conversely step 6 will be 15 percent greater than step 1 or 115 percent of step one. Step 11 will be 30 percent greater than step 1 or 130 percent of step one.

Step 1 = 0.87 times step 6

Step 6 = 1.15 times step 1

Step 11 = 1.3 times step 1

## **5. Step Rate Waiting Period**

The waiting period between step rates will normally be 52 weeks. However, step rates may vary in terms of length of waiting period if in accord with local practices or if considered administratively desirable. For example, in a 11-step salary range, the waiting period for the first 7 step rates may be established at 52 week intervals, with a longer waiting period of 156 weeks established for the remaining 3 steps. Step increases must be administered in accord with 3 FAM 7580.

## **6. Other Salary Schedules**

In areas where local law does not require overtime to be paid and the post requires the establishment of long workweeks, two or more different schedules of rates for a grade may be established each with different workweek hours. For example, assuming post's basic workweek is a 40-hour workweek, if a post requires a 44-hour workweek for some chauffeurs at grade FSN-3, the basic rate for 40 hours is increased by 10% to construct a separate 44-hour schedule.

Local law may require overtime to be paid after a fixed number of hours per week or per day. HR/FSN will take this limit into account in establishing post's basic workweek. HR/FSN, at post's request, may establish other salary schedules but only up to the limit established by local law beyond which overtime must be paid.

Local law may require overtime to be paid after an employee's defined tour of duty with the definition left to the employer's decision. In this case HR/FSN, at post's request, may establish as many other schedules as needed to be used for the various tours of duty at a post.

In all established schedules at a post the hourly rate for the employee's basic salary will be the same. Assuming a 40-hour basic workweek, the hourly rate is derived by dividing the annual 40-hour basic salary rate by 2080. All other work schedules and salary schedules are multiples of this hourly rate. A different formula may be authorized for calculating the hourly rate for premium pay purposes.

With a 40-hour, basic workweek other than 40 hour per week salary schedules should be developed using the following procedures.

(a) Multiply the minimum and maximum basic rates for each grade level on the 40 hour schedule by the factor in 3 FAH-2 H-200 Appendix E and round to a whole number. The resulting minimum is fixed, but the maximum is tentative.

(b) Determine the within grade increase (WGI) or step rate amount by dividing the difference between the tentative maximum rate (top step) and the resulting minimum rate (step 1) by the number of increments in the rate range for the grade and round to a whole number. Do not divide by the total number of steps. For example, for a twelve-step schedule there are eleven increments.

(c) Compute the final step rates for each grade by adding the resulting within grade increase amount to each step in turn. Thus, the WGI added to the basic rate at step 1 equals step 2, added to step 2 equals step 3 and so on until the maximum step rate is reached. This maximum step rate may differ a small amount from the tentative maximum rate determined in a) above. At this point, disregard the maximum rate determined in a).

## **7. Special Embassy Program**

The analysis needed to arrive at a new LCP for a post covered under the Special Embassy Program (SEP) is the same as described above, even though only one or two survey companies provide the data. However, when control points are established, these points are usually also the points where a post's salary schedule is linked to the survey company's pay structure. That is, the level of a company's job match on the survey company's pay schedule is equivalent to a particular grade level in the FSN Classification System.

Future adjustments to a post's pay schedule do not require further surveys. Change to the survey company structure, that is, a new pay schedule being published, is the basis for changing the post's local salary schedule. Once an SEP post has an established salary schedule, the *Management officer* should maintain close contacts with the post's comparator companies in order to alert HR/FSN when these companies make salary adjustments to their schedule. Upon notification, HR/FSN can then construct a new salary schedule for post. If the survey company reorganizes or an SEP post needs to align with a new comparator, a new survey may be necessary, unless HR/FSN can obtain sufficient data from the survey company headquarters to establish new linkage points.

## **8. Procedures for Reduced Rates**

If any new rates or amounts are lower than current ones, HR/FSN will issue a lower schedule along with instructions for post to construct a Temporary Schedule Revision Allowance (TSRA) for individual employees. This allowance will be the difference between an employee's current total compensation and the new lower amounts of total compensation. With this approach, no employee should suffer a decrease in salary due to the implementation of salary survey results as required by 3 FAM 7326 while at the same time no employee will receive any salary increase beyond what is warranted by prevailing practice.

## **C. BENEFITS**

Whether monetized or separately paid, the analysis of benefits requires almost as many approaches as there are benefits. No final analysis is necessary when benefits have no impact, but a preliminary estimate may be necessary. Monetized benefits will be treated on an individual company basis and added to the basic rates for the affected survey jobs matched in the survey company. Separate benefits are normally based on the average (mean) practice among all the surveyed companies wherein the value for a benefit not practiced by a company is zero. As an exception, a modal practice may be adopted to the extent that the differences for companies not practicing the mode are taken into account either as a monetized benefit or as an offset in evaluating benefits with no impact. Only plus adjustments should be monetized, but both plus and minus adjustments can initially be considered when reviewing benefits not having an impact. As a result of a survey, any benefit adjustment may be increased or decreased.

Because of U.S. legal prohibitions, administrative restraints, and the method of determining salaries and benefits for FSN's, benefits provided by a post and by surveyed employers often differ in kind and/or amount. Where a post does not grant a benefit provided by a comparator employer or where a post has an additional condition of work, which does not exist among, surveyed employers or where the value of the benefit provided by a post differs from the value of the benefit granted by an employer, the monetary difference is measured.

Employer costs or savings or value to the average employee of benefits are quoted as percentages of salaries, fixed amounts of money, or periods of salary payment, for example, 2 weeks' pay. In cases where percentages of salary or fixed amounts of money are provided, those figures are normally used in comparing the employer's benefit to a post benefit. In cases where periods of salary payment are provided, the periods given are converted to a percentage of pay, for example, 1 week's pay equals 2% of annual salary, 1 month's pay equals 8-1/3% of annual salary.

There are two basic methods of evaluating a fringe benefit. One is to use employer costs and the other is to use savings or value to the average employee. Special care is often necessary in determining which of the two methods provides the most accurate and realistic measure of the benefit. For example, an employer who provides free lunch to employees may provide an annual employer cost figure of providing these meals, which may not include the purchase and maintenance of equipment, salaries, and other operational expenses. In this case, the employer's costs provide an unrealistic base upon which to evaluate the benefit. A more accurate means of measurement is the average annual savings per employee brought about by use of the benefit. These differences in approach are covered in the following subsections, which explain how to evaluate individual employer benefits.

The analysis of benefits for SEP posts may require more extensive consideration of both the manner in which benefits are provided and additional conditions of work at post to ensure that the total compensation package of post is, in general, comparable in value to that of its one or two comparators even though the package may have different components. This additional consideration may be necessary to avoid radical restructuring of a post's plan. In this circumstance, the least possible change that permits adherence to the total value of prevailing practice is the best course of action.

As a final note, the pre-tax monetary value of monetized benefits or separate monetary amounts should be computed. This will usually mean grossing up the monetary values by the appropriate tax rates that would be applied to cash payments received by FSN's as compensation for work. Grossing up for tax value need only be applied if sufficient information is available on applicable tax rates and liabilities for FSN's.

## **1. Host Government Social Insurance Benefits and Employer Supplements**

The benefits, which are addressed here, include basic pensions, other retirement benefits and medical/hospital benefits. Salary supplements during periods of sickness or maternity are covered under leave. Normally, retirement and medical benefits are provided as separate benefits and, to the extent possible, in the same manner as in prevailing practice.

When such benefits are not predominant or cannot be adopted, a plus adjustment to basic rates may be authorized. This adjustment is normally based on the average value to the employee or employer costs per employee; whichever is more reasonable and appropriate.

Inasmuch as the USG provides workers' compensation benefits to FSN's, the share of the employer's contribution to the host government system for workers' compensation benefits is first deducted from the total employer's contribution.

When a post as an employer is unable to participate directly in a host government social insurance system but FSN employees may participate individually or as a group, adjustment to basic rates reported by the survey companies is normally not authorized. This approach also includes the adoption by employees of any other prevailing retirement plan in lieu of or in absence of a related host government benefit plan. In these cases the normal employer's contribution or an appropriate pro-rata share is reimbursed directly to affected employees upon regular periodic presentation of satisfactory proof of continued payment of contributions to the insurance system.

To produce a plan which exactly reflects retirement or medical benefits practice may be very difficult due to types and varieties of these benefits among the survey companies. In these instances, a post's plan should provide a reasonable approximation of prevailing practice.

### **a. Spread Sheet Approach**

One method of approaching this task is to use a spreadsheet. Down the left side, list all of the major components of the benefit. Across the top of the sheet, list the survey companies. For each component of the benefit, list what each employer provides. Each component is studied in light of what each employer provides. Once a benefit is determined to be prevailing, the benefit level is best determined by using an actual average. In this way, the benefit level is reflective of all the survey employers. In some instances where the majority of employers provide the same benefit and benefit level, this modal practice may be selected.

The following example should illustrate the above. Assume that a post is proposing a medical plan and has surveyed its 10 employers. One component of some employers' plans is dental coverage. If only 3 of the 10 employers provide dental coverage, it would not be predominant and therefore could not be proposed by the post. Assume 6 of the 10 employers provide dental care, with varying annual maximums for dental care of local currency 600, 500, 550, 700, 450, and 800. The post could include dental care with an annual maximum of local currency 360 (the total of the maximums divided by 10). If 8 employers provided dental care and with the same annual maximum for dental care, the post could adopt that maximum rather than averaging. Once the above has been done for each component of a benefit, a plan should emerge which is representative of prevailing practice. Where there must be a decision regarding a major component of a plan, or where a post has any question, HR/FSN will make the determination.

The use of a spread sheet should not only assist in determining prevailing practice, but will also be helpful in supporting the post's proposal to the Department and answering questions raised by employees. A sample spread sheet is provided below.

### SAMPLE SPREAD SHEET RETIREMENT BENEFIT

BENEFIT COMPONENT	CO. A	CO. B	CO. C	CO. D	PREVAILING PRACTICE
1. Type of Plan	Defined Benefit	Defined Benefit	Money Purchase	Defined Benefit	Defined Benefit
2. Equal Application to all Employees	yes	yes	yes	yes	yes
3. Min-Entry Age	20	20	18	20	Common =20 Average = 19.5
4. Service Qualification	6 mo.	none	none	1 yr.	average = 4.5 mo.
5. Benefit Formula	1.5% avg. x hi-5 x yrs contrib to plan	1.75% x hi-5 x yrs contrib to plan	Contribution plus interest	1.75% x hi-5 yrs x yrs contrib to plan	*
6. Max Benefit	60% of hi-5	70% of hi-5		70% of hi-5	66.6%
7. Max yrs to receive max	40	40		40	40
8. Commutation	yes 25%	no	Lump Sum or 25% plus annuity	yes 25%	25%
9. Employee Contrib and base	8.5% base	8% base	6% base	9% base	7.87% base
10. Employer Contrib	12.5% base	12% base	6% base	13% base	10.87% base
11. Normal retire M/F	M/60	M/60	M/60	M/60	Common M/60

	F/55	F/55	F/55	F/65	F/55
12. Based on law	yes	yes	yes	yes	yes
13. Early Retirement	yes 5 yrs	yes 5 yrs	yes 6 yrs	yes 5 yrs	yes Common = 5 yrs
14. Retirement Reduced	actuarially reduced	actuarially reduced	entitlement at age 55	actuarially reduced	yes reduced
15. Late Retirement	no	no	no	no	no
16. Death in Service	married 2 x annual salary single - 1x annual salary	married 3 x annual salary single - 1.5 annual salary	assets in plan	married- 2 x annual salary single - annual salary	*
17. Survivor annuity	50% annuitant's pension	50% annuitant's pension	none unless purchase annuity 50% annuitant's annuity	50% annuitant's pension	50% of assets
18. Benefit dependent children	no	no	no	no	no
19. COLA	no	no	no	no	no

\* set aside for HR/FSN to evaluate.

Based on an analysis of the spread sheet, the post's proposed retirement benefit should consist of the following elements.

—It should be a defined benefit plan with all employees treated equally. If the data were mixed, i.e., half of survey employers had a defined benefit and half some type of lump sum; post should submit data to HR/FSN for a determination.

—The minimum age for participation appears to be age 20 with 4 months required for completing a probationary period. However, these two elements should conform to post's current practices regarding entry age and probationary service.

—The benefit formula should be set aside for HR/FSN to evaluate.

—The employee should have the option to commute (convert) part of the annuity, not to exceed 25%, to a lump sum payment.

—The employee contribution should be 8% of basic rate as defined in the compensation plan.

—The employer's contribution should be about 11% of basic salary. The insurance carrier, however, will provide the actual cost to the post.

—The post normal retirement age for employees should conform with local law and practice. In this instance, it appears to be both law and practice for males to retire at 60 and females to retire at 55. It is also prevailing practice to allow an early retirement with an actuarial reduction in the annuity.

—The plan should provide a death in service benefit, but the formula should be set aside for HR/FSN to determine.

—The plan should include the option of allowing an employee to select a survivor's annuity of 50% of the annuitant's pension.

—There should be no provision for a benefit for dependent children nor a provision for any cost of living adjustment.

At this point, post should submit data from survey employers and the spread sheet to HR/FSN for review and recommendations. After review, post will be given a go-ahead to solicit bids from various insurance carriers in accordance with 3 FAM 7300. Required clauses must be agreed to by the insurance carriers. If the carrier the post selects objects to any of the clauses, part of the final proposal must list the clause(s) objected to and the reason(s).

In negotiation with insurance carriers, post must be aware of certain impediments which are explained in the following section.

Post's evaluation of a carrier should include, among other factors, documented past performance of the carrier, administrative charges, and average rate of return for the type of benefit being sought. The submission of a proposed plan for final Department review and coordination of approval should include the proposal, inclusive of the DOSPR clauses (see 3 FAM 7300), the spread sheet and an estimated cost of the plan by agency. Post should also include a summary of its evaluations of the other carriers, which bid but were not selected.

\*NOTE: For this portion or any other component of a fringe benefit where prevailing practice is not readily discernible, post should request HR/FSN's assistance.

#### **b. Precautions**

The Department's current operating authority does not allow the enhancement of appropriated funds. Therefore, the Department cannot take salaries and invest them in a bank for the purpose of earning interest except to establish a provident fund.

This impediment influences, to a lesser degree, the Department's ability to purchase insured benefits. The issues in this latter situation revolve around the requirement, that the USG can neither control nor influence the investment of the contributions nor have access to them for any purpose once they have been transferred to the insurance carrier. Further, once transferred to the carrier, the USG cannot become liable to either the carrier or the FSN's for the value of the purchased benefit. The monies expended in purchasing this benefit become, in effect, assets of the employees, which are held in trust for them by the insurance carrier who then assumes liability for performance of the contract. This trust is held until the benefit becomes payable under the terms of the contract. This trust does not relieve the post of the responsibility of periodically reviewing the contract to ensure that the administrative charges, premiums and rates of return are competitive and properly documented and, when necessary, to change carriers. The post must also ensure that the employee's entitlements, both at retirement and at earlier separation, are consistent with locally prevailing practice.

In the event a benefit is paid to an employee under conditions warranting less than full entitlement, e.g., separating before normal retirement due to voluntary separation but not death or disability, any excess USG contribution must be used to offset future contributions for the benefit. The same is true for any dividends, which would normally be returned to the employer. They must be used to offset future USG contributions. By policy, the Department prefers not to receive a direct refund of these monies once expended.

The post must check local laws very closely to ensure that the USG imposed conditions of not being liable to either the carrier or the FSN's once the contributions have been made to the carrier are not in contravention of local laws, thereby nullifying these special conditions. Questions or problems in this area should be directed to HR/FSN with all documentation on a priority basis. HR/FSN will attempt to provide guidance.

Post also should be aware of any local laws which protect or ensure the rights of an employee to an employer benefit once it has been given. This usually means that once given an employer cannot unilaterally reduce or repeal the benefit. Therefore, it is extremely important to ensure that the benefit and benefit level are in strict compliance with local laws and prevailing practice.

## **2. Leave Benefits**

The following procedures are used to compute fringe benefit adjustments for differences between an employer's and post's leave benefits. Normally, these differences should be incorporated in a separate local leave plan or monetized.

### **a. Annual Leave**

At a post where the locally prevailing leave practice has been adopted for FSNs and is based on the average annual leave benefit provided by surveyed employers, no adjustment is made for any differences in the leave granted by the post and the survey employers.

If post annual leave plan is based on the most common amount of leave provided by surveyed employers (rather than the average amount) or if a U.S. style leave plan is the only plan currently authorized, then a monetary adjustment may be made if a significant difference exists between employer and post annual leave plans.

If U.S. style leave system is utilized, an appropriate evaluation may be made in the following manner.

(1) Use 20 days as the annual leave benefit provided by the post. This corresponds with the amount of annual leave provided to FSNs with 3 and up to 15 years of service.

(2) Determine the weighted average number of annual leave days the company provides its employees during the same time frame of employment. For example, if a survey company employee with 1 and up to 4 years service earns 5 days annual leave per year; 4 and up to 8 years service earns 10 days; 8 and up to 12 years service earns 15 days; and 12 or more years service earns 20 days, then the company annual leave amount on which to base an adjustment would be 13.8. The chart below shows how this was determined.

I	II	III	IV
Applicable Completed Years Svc.	No. of Years Represented By Column I	No. of Annual Leave Days Earned	Weighted No. Days (Column II x Column III)
3	1	5	5
4, 5, 6, 7	4	10	40
8, 9, 10, 11	4	15	60
12, 13, 14	<u>3</u>	20	<u>60</u>
Total:	12		16.5

Weighted Average: 165 divided by 12 = 13.75 or 13.8.

The total number of days of annual leave granted by the post greater than the amount provided by the company is a minus factor. If the converse is true, a plus factor is appropriate. In the example above, a minus 2.48% adjustment factor would be appropriate. This amount was determined as follows: 13.8 company days minus 20 post days times .004. (Note: .004 or 0.4% represents the ratio of one day of work to the total number of workdays per year—1/260.)

**b. Maternity and Sick Leave**

No adjustment is warranted for any differences in the post's and the surveyed employer's sick and maternity leave plans due to the difficulties in placing a monetary value on these leave plans.

**c. Special Leave and Holidays**

Any differences between post and survey company practice is to be monetized and possibly may be considered as a benefit with no impact on pay.

**3. Bonuses and Allowances**

When a separate bonus or allowance is a predominant practice, the amount payable is normally determined on the basis of the amount most commonly paid (modal) among surveyed employers or the average of the amounts paid by all employers. When modal amounts are used, any differences between post and each company may be monetized and included in base pay for that company or included in the calculation of a catch-all Benefits Allowance or evaluated with benefits that have no impact on pay. A separate bonus or allowance may not be adopted when such a benefit is not predominant in practice but may be monetized.

In determining the amount of the post's bonus and evaluating amounts paid by individual employer, consideration should always be given to whether the employer bonus varies by salary level or by job category. Adoption by the post of two bonus amounts, one for higher-level employees and another for clerical and non-supervisory personnel, may be more compatible with local practice than one bonus amount.

When it is predominant among surveyed employers to provide a seniority bonus plan, the post should determine the average benefit paid by all surveyed employers and pay the benefit separately to the post's FSN's under rules similar to those of surveyed employers. No adjustment to salaries reported by surveyed employers is authorized. Where the payment of a seniority bonus plan is not predominant, no adjustment to the salaries reported by any surveyed employer is authorized in that such a benefit virtually defies accurate evaluation. For example, there is no realistic way of determining how many employees in an employer's work force will actually receive a benefit, which may be granted only after, say, 25 years' service.

Post should also note that in some countries, sur salaire payments, if given, may differ from the above seniority payments and be in addition to any other form of seniority or base salary rate. Sur salaire payments may be individualized according to an employee's performance, qualifications, seniority and other personal factors. The average sur salaire for each survey job should be monetized and included in base pay for that job.

Profit-sharing bonuses generally vary in amount from year to year and occasionally may not be given at all by an employer. If the profit-sharing bonus is not given consistently by an employer each year, no adjustment is warranted. If the employer consistently gives a profit-sharing bonus, the post should determine the amounts of such bonuses given by the employer over the previous 3-year period and use the average of those amounts as a plus adjustment (a monetized benefit) for affected positions of that employer.

#### **4. Separation Notice**

Separation notice of varying periods is granted by employers in many foreign areas. The notice period usually varies from 1 week to 1 month. No adjustment for this benefit is warranted because the post should establish a separation notice period comparable to prevailing practice.

#### **5. Severance Benefits**

In areas where severance pay is customary among surveyed employers or required by local law, the post should adopt a plan similar to that generally provided by surveyed employers (see 3 FAM 7343 through 3 FAM 7344 ). Where severance pay is required by local law, the amount of payment normally should be established in post's plan in accordance with the requirements of law. Where severance payments are customary but not based on local law, the amount of payment under the post's plan should be established on the basis of the average amount paid by surveyed employers. The averaging method is used in this latter situation in order to avoid the need for evaluating and monetizing any differences in the benefits provided by the post and a particular employer. An adjustment for a severance pay benefit generally cannot be evaluated accurately because the number of employees who will actually receive the benefit upon separation is unknown.

Where severance pay is not a predominant practice, but one or a few employers pay the benefit, no adjustment is authorized unless given at retirement or upon voluntary termination.

#### **6. Housing**

In some localities, employers provide free or low-cost or mortgage (interest) supplemented housing to all or to a limited number of employees occupying positions comparable to post positions. Posts cannot directly provide actual housing to FSN's as a separate benefit but can provide an equivalent monetary value as a separate benefit.

If the employer provides equivalent free housing to all employees, an appropriate value is normally the annual cost necessary for an individual to rent identical or equivalent housing on the market. When the employer provides equivalent housing to all employees at reduced rates, an appropriate value is generally the difference between the amount the employee is actually paying the employer for the housing and the average annual rental value of identical housing on the market. Frequently, employers provide better housing facilities to higher paid employees than to clerical staff. In such instances, the evaluation process would be similar to that set forth above but normally would be applied on a grade level basis and not as an average amount to all employees.

Where the employer provides housing to incumbents of a particular position or to incumbents of a group of positions, a monetized benefit is normally determined in accordance with the above guidelines but applied as a monetized benefit only to the survey jobs of the company that are matched.

When housing benefits are predominant for most survey jobs at one or more grade levels, a separate housing allowance should be provided by post for these same grade levels. Where a housing allowance is not a predominant practice among surveyed employers, the value of the benefit provided by an employer should be related to each survey job. The amount of or percentage of salary provided as a benefit for each survey job is an appropriate adjustment to basic pay as a monetized benefit.

## **7. Long and Short Term Loans**

Normally, this benefit is one with no impact on pay. If significant in value, posts can provide this as a separate monetary benefit or may provide a comparable benefit in the form of salary advancement with reimbursement schemes or salary reduction plans to be established by HR/FSN. The mechanics of these schemes will depend on whether the loans are short or long term and whether interest-free or at reduced interest rates.

In some localities, surveyed employers provide low-interest loans to their employees for the purchase of houses, automobiles, etc. The average savings per employee of the surveyed employer or average savings for category or level of positions is normally an appropriate evaluation. The value of the benefit is normally determined as follows: Where the amounts borrowed do not vary significantly by category or level of position, the outstanding loan balance of all employees is multiplied by the difference between the prevailing interest rate and the interest rate charged by the employer and divided by the total number of employees to whom the benefit is available. Where significant differences in the amounts borrowed exist by category or grade level of survey jobs, separate calculations should be made by grade level.

## **8. Payments in Kind**

Post, by way of exception and if authorized by HR/FSN, can provide benefits in kind if it is a predominant practice and doing so does not contravene local law. Normally, in-kind benefits are treated as benefits that have no impact on pay.

Payments in kind to employees are common in some localities. These benefits may be in the nature of foods, beverages, clothing, etc. Since post's ability to make payments in kind is limited, an appropriate adjustment in salaries is made for these benefits. An appropriate adjustment in these cases usually is the amount of money annually it would take an FSN to purchase these goods on the market. The value of this benefit may vary by salary level or category of position.

## **9. Discount Benefits**

Normally, this benefit is one that has no impact on pay. If it has a significant value, HR/FSN can consider authorizing a separate payment or monetized amount in base pay. Post could also consider requesting authority for a coupon or reimbursement program if that is the prevailing manner of providing this type of benefit.

When an employer permits employees to purchase items at a discount, an appropriate adjustment is normally the employer's estimate of the average annual savings per employee resulting from purchases. The amount of purchases may vary significantly by category or level of position.

## **10. Free or Reduced Cost Travel Benefits**

In some localities, employers, other than airlines, may offer a significant benefit in the form of fully or partially paid transportation costs. In evaluating this benefit, the post should determine:

- To whom the benefit applies,
- The average savings to affected employees based on the commercial costs of the transportation, and
- The frequency of use of the benefit by affected employees.

An appropriate annual adjustment to salaries of affected positions is obtained as follows:

When one or more trips are taken annually, multiply the average savings per trip per affected employee by the number of trips.

When trips are taken less frequently than annually, average savings per trip per affected employee should be prorated, as appropriate. For example, if the average affected employee takes a trip every 2 years, the average savings per trip per affected employee is reduced by one-half.

In the case of airlines which may provide an unlimited number of trips for their employees, the post should determine the average annual cost to the airlines per employee, not the average savings to affected employees. This figure can normally be used as the fringe benefit adjustment. If the airline is unable to provide such a figure, no adjustment is authorized inasmuch as the benefit is usually offered on a standby basis only, which is of no cost to the airline.

## **11. Employer Clinic Benefits**

The value and types of benefits provided by survey companies and post's clinics should be considered in the evaluation of health benefits and done as a separate benefit rather than being monetized.

## **12. Disability Benefits**

In some localities employers offer disability compensation for work-connected illness or injury. A separate benefit or a monetized benefit is not warranted because FSN's may receive benefits under the Federal Employee Compensation Act, which are comparable to the level of benefits prevailing in each foreign locality (see 3 FAM 7712). However, if aspects of this benefit are not covered by the USG, such as commuting time to and from work, or if this benefit is normally contained within a host government's social insurance plan, post may obtain comparable coverage by means of insurance or by participation in the host government plan to the extent possible. As an alternative and if authorized by HR/FSN, a post may self-insure and pay the benefits out of current budget.

Other non-work-connected disability benefits may be provided as part of sick leave (short- and long-term disability) or incorporated in the social security or retirement program (long-term disability).

## **13. Transportation Benefits**

### **a. Allowances**

Where a transportation allowance, i.e. the granting of specific amounts of money for transportation expenses, is a predominant practice, a similar separate benefit should be adopted by the post. Where a transportation allowance is not predominant, the value of the benefit provided to individual employees by an employer normally is used as an adjustment to salary rates reported by the employer. If the value of the benefit varies significantly by category or level of position, separate adjustment amounts are applied, as appropriate. However, in order for an adjustment to be made, the employer providing the benefit must be in an employment situation comparable to that of the post. For example, an employer located in a remote area may be required to pay transportation costs in order to recruit and retain qualified individuals in the remote area. No fringe benefit adjustment is warranted under such circumstances unless post is in a similar remote location situation.

#### **b. Free Transportation To and From Work**

When free transportation for commuting is provided by survey companies, the average annual cost of mass transportation can be used as a basis for a separate allowance or an adjustment to base salaries. The amount may be computed as follows:

Use the average daily one-way cost of public mass transportation to work for FSN employees, multiplied by the number of trips per day provided by the employer, multiplied by the average number of days actually worked per annum by FSN employees (usually around 220 days, which represents total workdays minus average annual and sick leave usage and holidays).

Posts may also consider and request authorization to directly provide this benefit, if it is predominant, by means of a contract service or actually running a motor pool of appropriate vehicles.

### **14. Family Allowance Benefits**

Where the majority of the surveyed employers pays family allowances directly to employees based on local law or prevailing practice, the post should adopt a similar separate payment plan. If the family allowance paid directly by employers is not predominant among the surveyed employers, an appropriate adjustment to the salaries reported by the employer would be the allowance which would be payable by the employer to the average-sized family of FSN's, not the average amount paid to the employer's personnel. This adjustment is not used where the family allowance is not paid directly to employees by the employer but by the host government's social insurance program.

### **15. Meal Allowance or Discounted Meal Benefits**

#### **a. Meal Allowance**

In some localities, surveyed employers generally provide their employees with a daily, weekly, or monthly meal allowance. In these cases, a separate meal allowance should be adopted. Consideration should be given to the number of days absent of the average FSN employee for annual leave, sick leave, and holidays. The number of workdays for computation purposes will usually be approximately 220.

If it is not a predominant local practice for surveyed employers to provide a meal allowance, the appropriate adjustment to salaries reported by those employers providing the benefit is the average annual meal allowance provided by the employer, provided the benefit does not vary significantly among positions. If significant variances exist, separate appropriate adjustments should be developed and applied. This benefit may be one that has no impact on pay.

**b. Discount Meals**

Where employers generally provide meals to their employees at reduced costs or at no cost to the employee, the average savings per employee for a similar meal at a comparable local cafeteria or canteen may be used as the basis for a separate meal allowance at post.

The employer's cost of furnishing meals should not be used in computing the annual adjustment because it often excludes costs of maintenance of equipment, salaries, and other operating expenses. The benefit is evaluated as follows:

- (1) Determine the value (cost) in a comparable cafeteria or canteen of the average meal provided to employees of the surveyed employer,
- (2) Deduct from these the amount paid by employees of the surveyed employer for the average meal, and
- (3) Multiply the result [(1) minus 2)] by the number of workdays per annum excluding holidays and average annual and sick leave taken (normally 220).

In instances where the average meal provided by the employer varies significantly by category or level of employees, separate adjustment should be made as appropriate.

Where the post operates a similar facility, a comparison of the savings on meals between employees of the surveyed employer and FSN's will provide an appropriate basis for evaluation. Care should be taken to ensure the comparison is made with FSN's and not with American employees at post. Americans may, in fact, enjoy a savings in comparison with US costs but a post's prices for a meal may not necessarily represent a savings for FSN's.

Where an employer provides free or discount beverages, the value is to be considered with benefits that have no impact on pay, unless the value is significant in local terms.

## **16. Car Benefits**

Surveyed employers occasionally provide the use of automobiles at reduced rates or at no cost to selected employees. Often such benefits are provided only to top management officials whose responsibilities exceed those of FSN's at post and therefore are not properly subject to the evaluation process. Where the benefit is reported by an employer, special care should be given to reviewing the job match between the survey job and the employee's position. Only where, as a result of the foregoing review, it is conclusively determined that the job match is appropriate is the benefit subject to further consideration in the evaluation process. In evaluating the benefit, consideration must be given to the following factors:

—The incumbent of the survey job that is matched may have available a chauffeur-driven automobile during and after working hours for use in performance of official duties;

—The cost figures provided by the employer may reflect actual employer costs, not retail costs, the two of which may vary considerably, particularly when the benefit is provided by an automobile manufacturer; and

—Use of the automobile for personal purposes after working hours may be limited by various employer restrictions.

Normally, no consideration of this benefit is authorized unless the employee of the surveyed employer uses the automobile extensively or exclusively for personal use. In other similar evaluation situations, the actual annual savings to the employee would be a reasonable adjustment. However, because of the variables and difficulties in making such a determination, the adjustment is limited to a maximum of 5% of the basic salary reported by the employer for the position affected and is applicable only where exclusive personal use of the automobile is involved. Any exception to the foregoing rule requires prior Washington approval but may be done on the basis of detailed information or reasonable imputed annual values for tax purposes or higher values for other transportation benefits.

Car benefits should be provided as a separate benefit, an allowance, for specific jobs or grade levels depending on the practice.

## **17. Unique Conditions of Work Allowance**

Where post has an additional condition of work which does not exist among surveyed employers, the condition should be taken into account with a comparable benefit, whether monetary or in kind. If, for example, in a given country, FSN's who are terminated due to a RIF or abolishment of position are handicapped in seeking other employment due to their former association with the USG, the severance pay plan may be modified to provide further severance pay for the extra months of expected unemployment due solely to that former USG association. If a TCN employee must maintain dual households because the employee's family is restricted from living in the country of employment, post may compensate for the rental cost of a second house for the TCN employee. In order to be payable, dual households would have to be the result of local legal restrictions such as for race, color, creed or national origin rather than individual restrictions (criminal record) or individual choice on the part of the employee. This may be done either as a separate or a monetized benefit if it applies to all TCN employees or by means of a voucher for the employee's house rental cost if only certain employees are affected. Similarly, compensation for a TCN could be authorized if the USG itself requires the TCN's family to remain outside of the country of the TCN's employment and the TCN must maintain dual households.

Another possible condition of work could be a significant level of harassment of FSN's due to their USG employment. In such a case, a transportation allowance or other benefit could be added to compensate for extra measures which the US Mission requires FSN's take to avoid such harassment. HR/FSN may authorize a direct allowance for harassment as follows:

- 5% for general threat of violence,
- 7% for some actual or intermittent harassment,
- 10% for general and continued actual harassment, or
- 15% for actual loss or infringement of life or property.

A language requirement is, in a sense, a condition of work but is already addressed in section 3 FAH-2 H-225.

Work scheduling is a condition of work. If leave is cancelled due to work requirements and cannot be used during the balance of the leave year, such leave can be restored using the US style leave program guidelines and policies. Leave restoration is a comparable benefit that counterbalances the negative aspects of work scheduling.

Another condition of work can include longer or more strenuous work hours than is prevailing practice in countries where health conditions do not foster such as a work ethic. A comparable benefit could be additional medical support services to ensure a healthy workforce to meet post work requirements.

Evaluation should be applied only to those conditions that exist at an individual post and not worldwide. It should also be applied only to those conditions which can be related to employment with the US Mission and not due to the requirements of the job (in which case it should be taken into account in the classification of the position). The condition must be measured or certified by the *Management officer* at the mission. If such conditions are currently being examined for a worldwide approach or require further authorization either in law or regulation, no evaluation or adjustment may be made.

Before proceeding with the actual evaluation of any unique condition of work at a post, the *management officer* must obtain approval from HR/FSN to determine parameters for consideration. Each condition will be considered on a case by case basis on the merits of the situation itself. This evaluation may occur outside the normal timing of surveys that occur at post.

## **18. Hard Currency Benefits**

A prevailing practice benefit of receiving compensation in hard currency or features of compensation in a manner equivalent to a hard currency value can be considered if it provides a measurable and significant degree of extra compensation. A hard currency benefit can be separately provided either in local or a hard currency if it is a predominant practice. Use of hard currency is possible unless it is illegal or its availability encourages illegal activities.

## **D. IMPLEMENTATION**

Aside from the procedural steps needed to implement an LCP indicated in section 3 FAH-2 H-222 k, several further aspects of an LCP may need analysis and a plan description for incorporation into an LCP at the time of implementation. Each is described below. A model plan is available in Appendix H.

### **1. Premium Pay**

The additional compensation for work during or outside of what is considered normal work hours (the basic workweek hours which comprise the employee's tour of duty) can take many forms in prevailing practice as follows.

(a) **Overtime**—extra payment usually paid as a percentage of basic rate in addition to basic pay for all hours worked outside the total hours in an employee's basic workweek or beyond a specified limit. This limit may be fixed daily - 8 or 9 hours a day; weekly - 40 or 48 hours in a week; or monthly - 172 or 200 in a month. This limit may also be whatever are the hours in the employer's defined basic workweek or some combination of fixed limits on top of management defined basic workweeks. It can also vary by grade level.

The combination of basic and extra payments may be called by specific terms, such as "time and a half", "double time". Such terms may be confusing since the specified amount may be in addition to or inclusive of basic pay. If data is not clear, it is assumed to be inclusive. Employers may compensate overtime at different rates, with greater compensation paid for overtime at night, on a holiday, on a rest day, or after a certain number of hours of overtime in a week.

(b) **Rest Day**—an extra payment usually paid as a percentage of basic rate in addition to basic pay for any work on days of rest such as Saturday and Sunday. This premium appears as overtime payment since it is for time worked outside an employee's basic workweek. It may be required for the culturally defined days of rest if other than Saturday and Sunday. If not required, it may be left to management discretion for the employer's defined days of rest, which may vary for different positions or groups of employees.

(c) **Holiday**—payment for any work on a holiday that is usually paid as a percentage premium in addition to regular pay already paid for a holiday occurring within employee's basic workweek hours. Work outside the employee's tour of duty is treated as overtime.

(d) **Specific Day Differential**—extra payment for work during the employee's basic workweek on a specified day. This generally applies to an employee who has an unusual workweek, that is, the employee's basic workweek includes a day typically observed by others as a day of rest or prayer. The differential is paid in addition to regular pay.

Work outside the basic workweek hours in the specified day is compensated with overtime pay.

(e) **Night Differential**—an extra payment either in percentage terms or fixed amounts paid in addition to regular pay for work during basic workweek hours at night. The amounts may vary when more than one outside time period is specified. The amount may be guaranteed for work that routinely occurs at night whether or not actually worked or the amount may be paid only for actual hours worked. The post's practice will be based on the average of only those companies that require work at night.

(f) **Standby or On Call**—an extra payment paid in addition to basic pay for being available for more work or for being called back to work after an employee's assigned tour of duty. The additional amount plus the basic pay may be guaranteed for a minimum number of hours upon actual call back. The amount for being available usually carries other restrictions on minimum times that must be met for return to work, e.g., return within one hour upon call back. Such minimum time also relates to and may limit the distance an employee can be from the work site.

(g) **Other**—additional payments may be paid for work time spent at different types of work. These payments may include differentials for hazardous work that involves dangers to health, life, or property; differentials for hardships that may be physical or mental; differentials for various physical, mental or material requirements an employee must bring to the job, such as, a car, knowledge or skill, or keen eyesight. These latter differentials can be confusing at best since they may be taken into consideration in various bonuses or allowances, in the job classification, or in employee reimbursements that are not viewed as part of employee compensation but as the employer's cost of doing business. Prevailing practice is the best indicator for the amount of the differential, how such payments are to be made and by whom.

## 2. Benefit Payments

When benefits are provided by outside organizations, such as the host government, insurance companies or financial institutions, the following guidance applies.

(a) The employer's contribution and the employee's contribution (through payroll deduction) are paid by the post directly to the host government or other enterprise on behalf of FSN employees not under the Civil Service Retirement System (CSR).

(b) The employer's contribution to the host government social insurance system or other enterprise minus the portions of the employer's contribution for pension benefits is paid by the post directly to the host government on behalf of employees under CSR wherever the host government permits such an arrangement. Usually this approach is used to purchase medical, sick leave, and other disability benefits available through local social security. The employee's contribution through payroll deduction is also paid for these benefits. Some host government plans may permit CSR covered employees to enroll for retirement benefits. Employees may do so if they pay the entire cost.

(c) Where supplemental pension or retirement-type plans are clearly predominant, a similar benefit should be adopted in the customary fashion only for employees covered under the host government system for pension benefits. Where adoption of the supplemental plan is not feasible, a separate payment may be made only to employees covered under the host government system for pension benefits. In this case, the payment is noted under the "Remarks" section of the local salary schedule as follows: "Employees not under CSR receive a direct payment of (amount or formula for payment) which represents the average value of supplemental pension benefits provided by employers surveyed and is paid in lieu of post providing a supplemental pension benefit."

(d) Where supplemental pension or retirement-type plans are clearly not predominant, the total of the average costs per employee to each employer offering the benefits divided by the total number of employers used in the last basic local salary survey normally is payable only to employees covered under the host government system for pension benefits. The payment is noted under the "Remarks" section of the local salary schedule in general accord with the example in item c) above.

If there are no longer any employees at a post enrolled under CSR, this payment can be monetized or provided through a separate Benefits Allowance.

(e) Where benefits other than pension are not predominant or for which a separate plan cannot be adopted that supplements host government benefits, plus adjustments to monetize this benefit are authorized to all salary rates reported by employers, which provide such benefits. The adjustment normally is based on employer costs per employee, if such costs are reasonable.

### **3. Effective Dates**

Effective dates will be as specified in section 3 FAH-2 H-222 I. Once authorized and implemented on a specified effective date, a local compensation plan (LCP) revision is in effect until further changes are authorized by State Department and implemented by post. State Department authorizes these changes with specified effective dates by cable. Posts complete the process by coordinating among agencies at post and implementing the changes in conjunction with the pertinent RAMC. Earliest possible effective dates may be established only at a prospective (in the future) point in time and only upon actual receipt of a complete set of survey data by HR/FSN and interagency agreement to do so. The data may be further clarified without changing the earliest possible effective date. If the data is later changed or new data added to the original submission, then a later "earliest possible effective date" must be established and again only at a prospective point in time and only upon actual receipt of data by HR/FSN and with interagency agreement to do so.

The earliest possible effective date may be changed to a later date at post or agency discretion for a variety of reasons, the chief of which is budget.

The earliest possible effective date may be prior to the date data is received if it is prevailing practice to set effective dates prior to the date survey companies decide to adjust pay or if required by the host government.

#### **4. Reduction of Compensation Elements**

If survey data supports a reduction of pay or benefits, HR/FSN will take steps to authorize or approve such reductions, unless prevented by local law.

However, post should note that the additional value of a compensation practice at post that exceeds the prevailing value for the same practice until reduced will affect the overall total compensation comparison process and may require an offset in the LCP to ensure the post total is, in general, comparable to the total in prevailing practice. If no data is available on prevailing practice, posts may generally continue a currently authorized compensation practice until a clear justification for change is available.

### **3 FAH-2 H-228 THROUGH H-229 UNASSIGNED**