

**Supporting Statement for the
Compensation and Salary Surveys
(FR 29a, b; OMB No. 7100-0290)**

Summary

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend, without revision, the family of reports that include the Compensation and Salary Surveys (FR 29a,b; OMB No. 7100-0290). These surveys collect information on salaries, employee compensation policies, and other employee programs from employers that are considered competitors for Federal Reserve Board employees. The data from the surveys primarily are used to determine the appropriate salary structure and salary adjustments for Federal Reserve Board employees. The total annual burden for the FR 29a,b surveys is estimated to be 260 hours.

Background and Justification

The Federal Reserve Board implemented a market-sensitive salary structure in 1989, replacing one that paralleled the federal government's salary structure. The Board implemented the new structure based on several factors, including turnover of key employees in important positions (especially economists, attorneys, and financial analysts), difficulty in hiring experienced professionals and top-level graduates, and low employee morale because of actual or perceived noncompetitive pay. The Federal Reserve met with the consulting firm of Coopers and Lybrand to identify key job families, select benchmark jobs, and draw the original panel for a salary survey.

In support of market-sensitive adjustments to the salary structure, the Federal Reserve sponsors an Annual Salary Survey (FR 29a). Between 1989 and 1992, the Federal Reserve conducted the survey, and the 1993 survey was assigned to a consultant. The consulting firm of Towers Watson (formerly known as Watson Wyatt) has conducted the survey since 1994. In 2008, the Federal Reserve along with other Financial Institutions Reforms, Recovery and Enforcement Act of 1989 (FIRREA) agencies¹ decided to conduct the survey jointly. The Federal Reserve uses the survey information as a basis for recommendations to the Board regarding proposed salary range adjustments and merit increases for Federal Reserve Board employees so that salary ranges are competitive with other organizations offering similar jobs. The Federal Reserve also uses (1) published data from consultants such as Mercer, Inc. (Mercer) and Gartner, Inc. to supplement its information concerning specific job families, (such as information technology jobs); (2) merit projection surveys conducted by consulting firms such as Towers Watson, Hewitt Associates, and Mercer; and (3) data collected by Reserve Banks and FIRREA agencies.

¹ For purposes of this proposal the FIRREA agencies consist of: the Federal Reserve Board, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Commodities Futures Trading Commission, the Farm Credit Administration, and the Securities and Exchange Commission.

In order to fill unanticipated staffing needs and to assist in human resources policy planning, the Federal Reserve conducts more limited surveys (FR 29b) on an ad hoc basis. These surveys gather information that is needed between annual salary surveys or information on topics that are not easily incorporated into the annual survey. The surveys have proven to be effective instruments for the timely collection of such information.

In 2004, the annual Compensation Trend Survey (FR 29c) was discontinued. The Hay Management Consultants, an international consulting firm, conducted this survey on behalf of the Federal Reserve since 1991. The FR 29c survey data was primarily used by the Federal Reserve Board to support the Federal Reserve System in their annual salary review and adjustments of the salary structure for Reserve Bank employees. However, since 2001, the Federal Reserve has relied on data published in other national compensation surveys.

Several human resources consulting firms produce data on salaries and compensation trends; however, these data are less detailed than the information that the Federal Reserve collects. As noted above, this published information is used to supplement the FR 29 data, which focus on jobs comparable to those of Federal Reserve employees.

Description of Information Collection

The Federal Reserve sponsors surveys to aid in the annual adjustment of the salary structure. The Federal Reserve Board conducts other surveys on special topics on an ad hoc basis. These surveys conform to the Federal Reserve System's strict guidelines for compensation that govern the type of information gathered and how the information is gathered and used. The consultant that conducts the annual survey is selected competitively for a two-year contract.

Annual Compensation and Salary Survey (FR 29a)

The FR 29a requests information in five sections: general information, organization data, salary policies and practices, benefits programs, and salary data. The information includes salary ranges, average salaries paid, merit increases, average work weeks (hours worked), benefit programs, and bonuses. These categories are typical of third-party salary surveys. The survey requests data on 59 benchmark jobs (Federal Reserve jobs comparable to jobs filled by respondents). Of these jobs, 50 are exempt from the Fair Labor Standards Act overtime requirements, and 13 are nonexempt. The benchmark jobs cover the work performed in every division at the Federal Reserve Board, by position and grade level. Each year, Towers Watson consults with the Federal Reserve Board to update the list of benchmark jobs and the sample of respondents.

Towers Watson distributes approximately 99 survey questionnaires, annually, to a broad cross section of employers within the New York and Washington, DC corridor. On average, approximately 35 responses are returned and included in the survey database. All respondents receive a complimentary copy of the completed report.

Ad hoc surveys (FR 29b)

In addition to the annual surveys, the Federal Reserve Board conducts other surveys (FR 29b) during the year as needed to collect information on specific salary and non-salary issues that affect Federal Reserve Board employees. Recent examples of salary topics included salaries paid to employees in economist and attorney positions to aid in recruiting and retention issues. Recent examples of non-salary topics included workforce planning, telecommuting, and leave policy.

The process of designing and conducting these ad hoc surveys is informal. The Federal Reserve Board draws on its good working relationships with the respondents to the FR 29a and conducts the ad hoc surveys by phone and facsimile from a subset of these respondents. The Federal Reserve Board cannot anticipate what information will be needed and the need for the information is usually very time critical. The Federal Reserve Board seeks general approval to continue conducting the ad hoc surveys as needed and anticipates that it will conduct five ad hoc surveys per year, contacting about 10 respondents per survey.

Time Schedule for Information Collection

The FR 29a, which collects data as of March 1, is distributed at the end of February each year. The target date for the return of the surveys to Towers Watson is end of March. Towers Watson verifies and compiles the survey results during April and May, and the final report is mailed to respondents in June.

The Federal Reserve Board conducts ad hoc surveys throughout the year when the need arises. Owing to the informal nature of these surveys, the good working relationships with many of the respondents, the small number of respondents per survey, and the use of phone and facsimile instead of mailing paper questionnaires, the Federal Reserve Board typically needs only a few days to design the survey and collect the responses.

Sensitive Questions

This collection of information contains no questions of a sensitive nature, as defined by OMB guidelines.

Consultation Outside the Agency

The Federal Reserve and Towers Watson work together to review and update the survey instrument. On August 17, 2010, the Federal Reserve published a notice in the *Federal Register* (75 FR 50763) requesting public comment for 60 days on the extension, without revision, of the Compensation and Salary Surveys. The comment period for this notice expires on October 18, 2010.

Legal Status

The Legal Division has determined that the FR 29a, b are authorized pursuant sections 10(4) and 11(1) of the Federal Reserve Act, (12 U.S.C. section 244 and 248(1)) and is voluntary. These statutory provisions grant the Federal Reserve Board independence to determine its employees' salaries and compensation. Individual respondent data are regarded as confidential under the Freedom of Information Act (FOIA) (5 U.S.C 552 (b)(4) and (6)). Any aggregate reports produced are not subject to FOIA exemptions.

Estimate of Respondent Burden

As shown in the burden table below, the total annual respondent burden is estimated to be 260 hours. Since the surveys are voluntary, it is not possible to predict exactly how many surveys will be returned in a given year. The estimated number of respondents is based on recent response rates. In recent years the Federal Reserve Board has conducted, on average, five ad hoc surveys with an average of 10 respondents per survey. The total burden for the FR 29a,b represents less than 1 percent of total Federal Reserve System paperwork burden.

	<i>Estimated number of respondents</i>	<i>Annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
FR 29a Annual Salary	35	1	6	210
FR 29b Ad hoc	<u>10</u>	5	1	<u>50</u>
<i>Total</i>	45			260

The total estimated annual reporting cost to the public for these reporting forms is \$12,480.²

Estimate of Cost to the Federal Reserve System

The total annual cost to the Federal Reserve System for the surveys is estimated to be \$50,000 for the FR 29a and \$3,000 for the FR 29b surveys. The Board incurs costs in terms of staff time for development and analysis, and contractual services to the vender to conduct the annual survey.

² Total cost to the public was estimated using the following formula: percent of staff time, multiplied by annual burden hours, multiplied by hourly rate (100% Financial Managers @ \$48). The hourly rate is the median hourly wages (rounded up) from the Bureau of Labor and Statistics (BLS), Occupational Employment and Wages 2008, www.bls.gov/news.release/ocwage.nr0.htm The occupation is defined using the BLS Occupational Classification System, www.bls.gov/soc/