

SUBCHAPTER S11

SPECIAL WAGE RATE SCHEDULES

S11-1 General

- a. This subchapter describes special wage rate schedules or special pay practices which apply to specific occupations or positions under the Federal Wage System.
- b. Except as otherwise specified in the description of each special pay situation included in this subchapter, all wage employees involved are subject to general coverage by the regular grading and pay plan of the Federal Wage System described in this operating manual and to other applicable rules and regulations of the Office of Personnel Management.

S11-2 Special Pay Plan for U.S. Citizen Wage Employees in Foreign Areas

- a. **Coverage.** This special pay plan includes the procedures and methods used by the Department of Defense to develop and issue the regular wage rate schedules which apply to U.S. citizen prevailing rate employees who work in foreign areas. The regular wage rate schedules established under this special pay plan provide the rates of pay for the nonsupervisory, leader, and supervisory wage employees (nonappropriated fund) for use by all agencies under the Federal Wage System.
- b. **Basis for foreign area schedules.** Nonsupervisory schedule payline rates shown on the regular foreign areas schedule are based on an average of payline rates shown on all regular nonsupervisory wage rate schedules established under the Federal Wage System for each nonappropriated fund wage area defined for the forty-eight contiguous states and the District of Columbia. The wage rate schedules used in the payline rate averaging process are those which are in effect on the effective date of each adjustment to the nonappropriated fund foreign areas regular wage rate schedules.
- c. **Schedule averaging process.** Payline rates shown for each grade on the foreign areas regular nonsupervisory wage rate schedule are derived by computing a simple average of each payline rate shown for each of the 15 grades of all nonsupervisory wage rate schedules designated in S11-2b, above.
- d. **Computing scheduled pay rates.** Through the use of the payline rates derived under the schedule averaging process, the step rates for each of the 15 grades of the regular schedule and all scheduled pay rates for leaders and supervisors are developed on the basis of the standard formulas in S5-11f.
- e. **Timing of wage schedule adjustment.** The regular wage rate schedules for U.S. citizen prevailing rate employees in foreign areas issued under this special pay plan are normally adjusted annually to be effective on the first Sunday in January.

S11-3 Special Pay Plan for Nonappropriated Fund Tipped Positions Classified as Waiter/Waitress

- a. **Coverage.** This special pay plan applies to nonappropriated fund (NAF) positions properly classified as Waiter or Waitress.
- b. **Introduction.** The following criteria and definitions govern the setting of pay for NAF employees classified as Waiter or Waitress.
 - (1) Wage Schedule - All NAF tipped employees will be paid from the regular FWS NAF wage schedule applicable to their duty station.
 - (2) "Tipped employee" means an employee who customarily and regularly receives more than \$30 a month in tips.
 - (3) Tip offset.
 - (a) Tip offset is the amount of money by which an employer, in meeting the legal minimum wage standard, may reduce a tipped employee's wage in consideration of the receipt of tips. The Small Business Job Protection Act of 1996 requires a fixed dollar tip offset. A minimum cash amount of \$2.13 per hour should be paid to tipped employees. If tips actually received are not sufficient, when added to \$2.13, to total the minimum wage of \$4.75 (as of October 1, 1996) or \$5.15 (as of September 1, 1997), the employer must also pay the additional difference to the tipped employee.
 - (b) The tip offset for employees classified as Waiter or Waitress may be established, increased, abolished, or decreased by NAF instrumentalities on an annual basis and at such additional times as new or revised minimum wage statutes require. The determination as to when and whether a tip offset shall be applied and the amount to be applied will be made through negotiations between local NAF management and the official representatives of the local union where employees covered by this pay system are represented by an exclusive bargaining agent. In the absence of exclusive representation, the determination will be made by local NAF management. Changes in tip offset practices may be made more frequently than annually as a result of a collective bargaining agreement.
- c. **Variability.** Because tip income may vary substantially within a nonappropriated fund instrumentality, the amount of tip offset may vary within a single instrumentality by location, shift, or type and time of service.
- d. **Applicability of State or Federal statutes.** The practice of offsetting wages because of tips and the restrictions on the amount that may be offset will be governed by the provisions of the Fair Labor Standards Act of 1938, as amended, or the statutes of the State, possession, or territory in which the Waiter or Waitress is employed, whichever provides the greater benefit to the employee. Special schedules may not be established under this section in locations where tip offset is prohibited by law.