UNITED STATES
DEPARTMENT OF LABOR
BUREAU OF LABOR STATISTICS
(Agency)

and

AMERICAN FEDERATION
OF GOVERNMENT EMPLOYEES
NATIONAL COUNCIL OF FIELD LABOR LOCALS
(Union)

0-AR-4813

DEcision

December 14, 2012

Before the Authority: Carol Waller Pope, Chairman, and Ernest DuBester, Member

I. Statement of the Case

This matter is before the Authority on exceptions to an award of Arbitrator James S. Margolin filed by the Agency under § 7122(a) of the Federal Service Labor-Management Relations Statute (the Statute) and part 2425 of the Authority’s Regulations. The Union filed an opposition to the Agency’s exceptions.

The Arbitrator sustained a grievance claiming that a critical element in the performance plan for Field Economist and Economic Assistant positions (the affected positions) violated law, regulations, and the parties’ collective-bargaining agreement (CBA).

For the reasons that follow, we dismiss the Agency’s management-rights, exceeds-authority, and essence exceptions, and deny the Agency’s remaining exceptions.

II. Background and Arbitrator’s Award

The Agency collects, analyzes, and disseminates economic information. Award at 7. The incumbents of the affected positions collect data through surveys of businesses. Id. at 8. The survey data enable the Agency to prepare various statistical economic indexes. Id. A high survey response rate is necessary to produce reliable and accurate statistics. Id. Responding to the surveys is voluntary. Id. That is, the Agency has no statutory or regulatory authority to compel businesses to respond to the surveys. Id. One of the critical elements in the performance plans for each of the affected positions deals with maximizing survey responses (the refusal-rate element).1 Id. The element measures employee performance relative to regional average response rates. See id. at 8-9, 11; Opp’n, Attach. 5 at 33-34, 36-37, 40-41.

The Union filed an institutional grievance claiming that the refusal-rate element violates 5 U.S.C. § 4302; 5 C.F.R. part 430; Chapter 430 of the Department Personnel Regulations, Subchapter 1 (DPR Chapter 430); and Articles 5, 15, and 43 of the CBA.2 Opp’n, Attach. 1 at 2, Grievance. As a remedy, the Union requested, among other things, that the Agency remove the refusal-rate element from employee performance plans and review and reissue ratings of record for each affected employee for the applicable performance periods. Id. The parties could not resolve their dispute and submitted it to arbitration.

The parties stipulated to the issue as whether the affected positions’ refusal-rate element for the 2009 and 2010 performance periods violates law, regulation, or the CBA. Award at 2-3.

The Arbitrator concluded that the refusal-rate element violates § 4302(b)(1) and Article 43. Id. at 12. The Arbitrator found that § 4302(b)(1) and Article 43 require the Agency to establish performance elements and standards, that, “to the maximum extent feasible,” permit “the accurate appraisal of performance based on objective criteria, and . . . are reasonable, realistic, attainable, and clearly stated in writing.” Id. The Arbitrator found that neither the hearing testimony nor other evidence demonstrated that the affected employees are rated on “any objective criteria [that] are reasonable, realistic[,] and attainable.” Id. He found that the Agency does not rate employees on the effort they put into obtaining voluntary cooperation from businesses to participate in the survey process, but instead rates them only on results. Id. In this connection, the Arbitrator determined that the employees’ success is defined not by

1 In the award, the Arbitrator refers to this element as the “response-rate element” and the “refusal-rate critical element.” See, e.g., Award at 9, 13. For consistency, we refer to the element as the “refusal-rate element” throughout this decision. In addition, as all of the affected positions have a similar disputed critical element, we refer to those elements collectively as the “refusal-rate element.” The refusal-rate elements for each of the affected positions are set forth in the appendix to this decision.
2 All pertinent provisions of relevant laws, regulations, and the CBA are set forth in the appendix to this decision.
“uniform and objective standards,” but rather by “the luck of the draw as to the assignment by the supervisor, the mood of the respondent business[,] or the deceptive guile of the employee” to “cajole the respondent to participate in the survey.” *Id.* at 11.

The Arbitrator found that the Agency also violated § 4302(b)(1) by failing to communicate to employees performance standards that are “sufficiently specific to provide . . . a firm benchmark toward which to aim” performance. *Id.* at 12. In support, the Arbitrator cited Agency-witness testimony acknowledging that the initial refusal-rate benchmark is an “approximation,” and that the regional average is “a moving target” throughout the performance year. *Id.*

In addition, the Arbitrator found that the Agency failed to comply with § 4302(b)(2)’s requirement that it clearly communicate in advance to employees the performance standards and critical elements of their positions. *Id.* And he found that the refusal-rate element failed to satisfy DPR Chapter 430’s requirement that “a performance plan . . . consist of critical elements focused on organizational results,” and not on factors outside employees’ control. *Id.* at 13.

In sum, the Arbitrator found that the refusal-rate element does “not comply with [§ 4302], applicable regulations[,] and the parties’ [CBA].” *Id.*

As a remedy, the Arbitrator ordered the Agency to remove the refusal-rate element from the affected employees’ performance plans, and directed the Agency not to penalize those employees for failing to meet the element’s requirements. *Id.* at 14. Additionally, the Arbitrator ordered the Agency to review and reissue, where appropriate, a rating of record for affected employees on their remaining elements for the 2009 and 2010 performance periods. *Id.*

**III. Positions of the Parties**

**A. Agency’s Exceptions**

The Agency raises five contrary-to-law exceptions. First, the Agency claims, the Arbitrator erred in finding that the refusal-rate element violated § 4302(b)(1). Exceptions at 7, 12-13. In this connection, the Agency challenges each of the Arbitrator’s bases for finding a violation of § 4302(b)(1). *Id.* at 12-13. Specifically, the Agency argues that the refusal-rate element permits an accurate appraisal of performance based on “objective criteria.” *Id.* The Agency also argues that the element is sufficiently precise to provide a “firm benchmark” of success, “to the maximum extent feasible.” *Id.*

Second, the Agency claims that the Arbitrator erred in finding that the refusal-rate element did not comply with 5 C.F.R. § 430.203. *Id.* at 8-10. The Agency argues that the refusal-rate element satisfies the definition of a critical element in § 430.203. *Id.* at 9. In this regard, the Agency asserts that the refusal-rate element is “inextricably bound to the mission of the [Agency].” *Id.* The Agency also contends that considering whether factors are outside employees’ control is not a requirement under 5 C.F.R. part 430. *Id.*

Third, the Agency claims that the Arbitrator erred in finding that the refusal-rate element did not comply with DPR Chapter 430. *Id.* at 10-11. The Agency asserts that the refusal-rate element meets the requirements of DPR Chapter 430 because it is focused on organizational results and linked to the employees’ position descriptions. *Id.* at 10.

Fourth, the Agency claims that the Arbitrator erred, as a matter of law, in finding that the refusal-rate element violates Article 43 of the CBA. *Id.* at 11. The Agency notes that Article 43 incorporates § 430.203 (a government-wide regulation) and DPR Chapter 430 (an agency-wide regulation). *Id.* The Agency claims that because the Arbitrator’s findings that the Agency violated these regulations are contrary to law, the Arbitrator’s related finding that the Agency violated Article 43 is also contrary to law. *Id.*

Fifth, the Agency claims that the Arbitrator erred because the award affects its management rights to direct employees and assign work under § 7106(a)(2)(A) and (B) of the Statute. *Id.* at 13-14. According to the Agency, it is within its management rights to identify critical elements and establish performance standards; to determine the particular duties to be assigned, and to whom or which positions the duties will be assigned; and to determine when work assignments will occur. *Id.* at 14. The Agency also argues that the relief awarded by the Arbitrator affects its management right to assign work under § 7106(a)(2)(B) of the Statute and that the award does not provide a remedy for a violation of applicable law or a contract provision negotiated under § 7106(b) of the Statute. *Id.* at 15.

Finally, the Agency raises essence and exceeds-authority exceptions. *Id.* at 16, 17. First, the Agency asserts that the remedy fails to draw its essence from Article 15, Section 7(D)(2) of the CBA (pertaining to institutional grievances), because it erroneously grants individual relief to resolve an institutional grievance. *Id.* at 16. Second, the Agency argues that the Arbitrator exceeded his authority in granting individual relief to resolve an institutional grievance. *Id.* at 17.
B. Union’s Opposition

The Union claims that the Arbitrator properly determined that the refusal-rate element does not comply with § 4302(b)(1) or Article 43. Opp’n at 12-13. In particular, the Union asserts that the Agency failed to explain how a critical element that rates employees on a matter that is indisputably outside of their control can comply with § 4302(b)(1)’s objectivity requirement. Id. at 13.

The Union also argues that the award does not interfere with management’s rights to assign and direct work under § 7106 of the Statute because the Arbitrator found a violation of applicable law. Id. at 15. Even assuming the award affects management rights, the Union asserts that the award provides a remedy for a violation of applicable law and does not abrogate management’s rights to direct employees and assign work, consistent with Authority case law. Id. at 16. The Union further claims that the award does not prevent the Agency from promulgating performance standards and evaluating employees, but rather, requires only that the performance standards conform to § 4302(b)(1)’s objectivity requirement. Id.

In addition, the Union asserts that the Agency’s remaining claims regarding the remedy are unfounded and frivolous. Id. at 17. According to the Union, nothing in Article 15 or any other provision of the CBA limits the relief that an arbitrator can award as a remedy for an institutional grievance. Id. Additionally, the Union contends that, under the CBA, the Agency cannot challenge the arbitrability of the grievance at this point in the proceedings. Id. at 19. Finally, the Union argues, the institutional grievance was appropriate because the relief sought was not individual, but institutional, as it affected employees nationwide. Id. at 21.

IV. Analysis and Conclusions

A. Preliminary Issue: The Agency’s management-rights, exceeds-authority, and essence exceptions are barred by §§ 2425.4(c) and 2429.5 of the Authority’s Regulations.

The Agency claims that the award affects its management rights to direct employees and assign work under § 7106(a)(2)(A) and (B) of the Statute. Exceptions at 13-14. Regarding the remedy, the Agency argues that the relief awarded by the Arbitrator does not provide a remedy for a violation of applicable law or a contract provision negotiated under § 7106(b) of the Statute. Id. at 15. The Agency also argues that the Arbitrator exceeded his authority by awarding individual relief to employees. Id. at 15-17. On this same basis, the Agency argues that the award fails to draw its essence from the CBA provision that pertains to institutional grievances. Id.

The Agency’s management-rights, exceeds-authority, and essence exceptions are not properly before the Authority. Under 5 C.F.R. § 2429.5, the Authority will not consider “any evidence, factual assertions, arguments (including affirmative defenses), requested remedies, or challenges to an awarded remedy that could have been, but were not, presented in the proceedings before the . . . arbitrator.” Accord 5 C.F.R. § 2425.4(c); Fraternal Order of Police, Pentagon Police Labor Comm., 65 FLRA 781, 783-84 (2011) (dismissing exception under § 2429.5, where record established agency could have raised argument before arbitrator, but did not).

As noted above, there is no dispute that, at arbitration, the Agency was on notice of both the nature of the grievance as an institutional grievance and the Union’s requested relief; namely, that the Agency remove the refusal-rate element and reissue ratings of record for each affected employee for the applicable performance periods. See Opp’n, Attach. 1 at 2, 3. However, there is no indication in the record that the Agency raised any argument before the Arbitrator concerning the effect that granting the Union’s requested relief would have on its management rights to direct employees and assign work. Moreover, although in its post-hearing brief, the Agency referenced management-rights standards in relation to its claim that the refusal-rate element met the definition of a critical element as defined in 5 C.F.R. part 430, the Agency did not claim that sustaining the grievance or granting the Union’s requested relief would violate its management rights under § 7106(a). Opp’n, Attach. 5, Agency’s Post-Hearing Brief at 31-32. And the Agency’s mere statement of the management-rights standards to the Arbitrator is insufficient to raise a claim that the Union’s requested relief would conflict with those standards.

In addition, there is no indication in the record that the Agency argued that limitations on the Arbitrator’s authority, or any provision of the CBA, precluded the Arbitrator from awarding the Union its requested relief because the grievance was institutional in nature.

Because the Agency could have raised these arguments before the Arbitrator, but failed to do so, we dismiss the Agency’s management-rights, exceeds-authority, and essence exceptions under §§ 2425.4(c) and 2429.5. E.g., U.S. DHS, U.S. CBP, 66 FLRA 335, 337-38 (2011) (dismissing exceptions where agency had notice of specific remedy sought by
inconsistent with law, the Authority reviews any question of law raised by the exceptions and the award de novo. See NTEU, Chapter 24, 50 FLRA 330, 332 (1995) (citing U.S. Customs Serv. v. FLRA, 43 F.3d 682, 686-87 (D.C. Cir. 1994)). In applying the standard of de novo review, the Authority assesses whether an arbitrator’s legal conclusions are consistent with the applicable standard of law. See U.S. Dep’t of Def., Dep’ts of the Army & the Air Force, Ala. Nat’l Guard, Northport, Ala., 55 FLRA 37, 40 (1998). In making that assessment, the Authority defers to the arbitrator’s underlying factual findings, unless the appealing party establishes that those factual findings are deficient as nonfacts. U.S. Dep’t of Transp., FAA, 63 FLRA 502, 504 (2009) (FAA).

The Agency contends that the Arbitrator erred in finding that the refusal-rate element violates § 4302(b)(1). Exceptions at 7-8, 12-13. Specifically, the Agency argues that the refusal-rate element permits an accurate appraisal of performance based on objective criteria. Id. at 7-8, 12-13. In addition, the Agency claims that the Arbitrator erred in finding that the refusal-rate element violates § 430.203, and derivatively, Article 43. Id. at 8-10.

Section 4302(b)(1) requires that a performance appraisal system establish performance standards “which will, to the maximum extent feasible, permit the accurate evaluation of job performance on the basis of objective criteria.” 5 U.S.C. § 4302(b)(1); see also Greer v. Dep’t. of the Army, 79 M.S.P.R. 477, 483 (1998). The Authority, as well as the Merit Systems Protection Board, has interpreted § 4302(b)(1) to require that such “performance standards . . . be based on objective criteria that are reasonable, realistic and attainable.” NTEU, Chapter 229, 32 FLRA 826, 830 (1988) (NTEU) (citing Walker v. Dep’t of the Treasury, 28 M.S.P.R. 227, 229 (1985)); accord Newark Air Force Station, 30 FLRA 616, 628-29 (1987) (Newark) (acknowledging court precedent holding that performance must be measured against standards that allow for reasonably accurate measurement of performance and are attainable).

Here, the Arbitrator found that neither the hearing testimony nor other evidence demonstrated that the affected employees are rated on “any objective criteria [that] are reasonable, realistic[,] and attainable.” Award at 12. The Arbitrator found that, instead, the employees’ success is defined by “the luck of the draw” as to the assignment, the “mood” of the respondent businesses, or the “deceptive guise of the employee” to “cajole” the respondents to participate in the survey, and not by “uniform and objective standards.” Id. at 11. These determinations – essentially that, under the refusal-rate element, the Agency measures the unpredictable behavior of third parties, not employees’ performance of their duties – are factual findings. As noted above, the Authority defers to an arbitrator’s underlying factual findings, unless the appealing party establishes that those factual findings are deficient as nonfacts. See FAA, 63 FLRA at 504. The Agency does not challenge the Arbitrator’s findings as nonfacts. Moreover, the Agency neither demonstrates that the Arbitrator’s award conflicts with the plain wording of § 4302(b)(1) nor cites any authority that would support such a conclusion. We therefore deny the Agency’s contrary-to-law exception regarding the Arbitrator’s finding that the refusal-rate element violates the objective criteria requirement of § 4302(b)(1).

We also reject the Agency’s related claim that the Arbitrator erred in finding the refusal-rate element violates applicable regulations and the parties’ CBA; specifically, § 430.203, and derivatively, Article 43 of the CBA as it relates to that government-wide regulation. See Exceptions at 8-11.

Part 430 of title 5 of the Code of Federal Regulations supplements and implements chapter 43 of title 5 of the U.S. Code. 5 C.F.R. § 430.101. Accordingly, § 430.203 is an extension of § 4302(b)(1). Id. That regulation defines the term “performance standard,” as used in § 4302(b)(1), as a “management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance.” 5 C.F.R. § 430.203. A performance standard may include, but is not limited to, quality, quantity, timeliness, and manner of performance.” Id. The regulation defines a “critical element” as “a work assignment . . . of such importance that unacceptable performance on the element would result in a determination that an employee’s overall performance is unacceptable.” Id. Neither of these regulatory definitions changes § 4302(b)(1)’s explicit requirement that performance standards be based on objective criteria. 5 U.S.C. § 4302(b)(1). Thus, as we have already found that the Agency has failed to show that the Arbitrator erred in finding that the refusal-rate element violates the objective-criteria requirement of § 4302(b)(1), we find that the Agency has likewise failed to show that the award is deficient based on § 430.203.

In reaching this conclusion, we reject the Agency’s reliance on AFGE, AFL-CIO, Local 1409, 28 FLRA 109 (1987), as that case addressed issues
related to § 7106 of the Statute, not § 430.203. Further, because we have rejected the Agency’s exceptions related to § 7106 of the Statute, not § 430.203, we also reject the Agency’s derivative exception regarding Article 43 of the CBA as it relates to government-wide regulations and their applicability to bargaining-unit employees. We therefore deny the Agency’s contrary-to-law exceptions based on § 4302(b)(1), § 430.203, and derivatively, Article 43, to the extent that these exceptions relate to the Arbitrator’s finding on the objective-criteria requirement.

C. The Agency’s remaining exceptions do not provide a basis for finding the award deficient.

The Agency also claims the Arbitrator erred in finding that the refusal-rate element violates § 4302(b)(1) because it fails to communicate a performance standard to employees that provides a “firm benchmark” and is “sufficiently specific.” Exceptions at 12-13. In addition, the Agency claims that the Arbitrator erred in finding that the refusal-rate element violates DPR Chapter 430 and derivatively, Article 43, which the agency claims incorporates agency-wide regulations such as DPR Chapter 430. Id. at 10-11. We need not address the Agency’s remaining exceptions in this regard, because they challenge separate and independent grounds for the award.

When an arbitrator bases an award on separate and independent grounds, an appealing party must establish that all of the grounds are deficient for the Authority to find the award deficient. See, e.g., U.S. Dep’t of HHS, Food & Drug Admin., Pac. Region, 55 FLRA 331, 336 (1999). In such circumstances, if the excepting party does not demonstrate that the award is deficient on one of the grounds relied on by the arbitrator, then it is unnecessary to address exceptions to the other grounds. See U.S. Dep’t of the Air Force, 442nd Fighter Wing, Whiteman Air Force Base, Mo., 66 FLRA 357, 364-65 (2011) (Whiteman AFB).

The Arbitrator found that the refusal-rate element violates the objective-criteria requirement of § 4302(b)(1). Award at 7-8, 12-13. This is a separate and independent ground for his award. Id. As we have found that the Agency has not established that the Arbitrator erred in this determination, we find it is unnecessary to consider the Agency’s remaining claims concerning § 4302(b)(1)’s requirement that the Agency communicate a “firm benchmark” to employees, or its claims pertaining to agency regulation DPR Chapter 430 and Article 43 as it relates to that agency regulation. See Whiteman AFB, 66 FLRA at 364-65. Accordingly, we do not address those claims.

V. Decision

We dismiss in part and deny in part the Agency’s exceptions.
APPENDIX

The refusal-rate elements for the affected positions are as follows:

Economic Assistant
Element 5 - Maximizes Survey Response.

(1) Identifies and contacts the appropriate respondent;
(2) Identifies cooperation issues and consults supervisor for alternative strategies;
(3) Minimizes no contacts and refusals for C&S Pricing, C&S Initiation, Housing Pricing and Housing Initiation using appropriate cooperating strategies. Follows established procedures and fully documents the reason for all nonproductive schedules; and
(4) Response rates for C&S and Housing are consistent with regional averages and nature of assignment. Follows Regional Office strategies and procedures for securing cooperation and full participation.

Opp’n, Attach. 5 at 33-34.

Field Economist (Consumer Price)
Element 5 - Maximizes Survey Response.

(1) Schedule review, reinterviews, observational interviews, [and] other available reports consistently demonstrate an ability to obtain cooperation for the full range of outlets and ELI’s;
(2) Minimizes no contacts and refusals for C&S and Housing using appropriate cooperation strategies. Strategies for recurring cooperation reflect sound judgment and expertise and agreed upon remedies and executed in a timely manner; and
(3) Response rates for C&S and Housing are consistent with regional averages and nature of assignment.

Id. at 36.

Economist (Industrial Price)
Element 2 - Maximizes Cooperation at the Establishment Level.

(1) Schedule reviews, IPIV’s, observational interviews, and refusal rates indicate skill in obtaining cooperation, including the most complex firms. Documentation is complete for establishing refusals;
(2) Follows Regional office strategies and procedures for securing cooperation and full participation. Uses innovative strategies in addressing assigned refusal follow-ups; and
(3) Nature of assignment will be considered when rating this element.

Id. at 37.

Economist (Compensation)
Element 4 - Maximizes Establishment Response.

(1) Performance meets the standard when response rates for the assignment meet the standards below. In rating this element, rating official will consider the nature of the assignment including history of the assigned schedules, size of assignment and time allocated to get cooperation;
(2) The employee’s establishment refusal rate for initiation units is no more than 10 percentage points above the regional standard, the employee’s initiation establishment refusal rate is no more than 10 percentage points above the region’s average;
(3) The employee’s establishment combined temporary nonresponse (TNR) and rate for units [are] no more than 5 percentage points above the regional standard. In that event that the yearly regional establishment combined TNR and refusal rate average for units in update is higher than the established standard, the employee’s update establishment combined TNR and refusal rate is no more than 5 percentage points above the region’s average; and
(4) Potential initiation refusal units and potential TNR’s from significant update units are promptly identified, sufficiently documented in accordance with procedures, and promptly referred
to the Branch Chief. Final refusals and temporary non-responses are well documented and reflect that appropriate strategies were utilized to secure cooperation.

*Id.* at 40-41.

5 U.S.C. § 4302 provides, in pertinent part, as follows:

(b) Under regulations, which the Office of Personnel Management shall prescribe, each performance appraisal system shall provide for—

(1) establishing performance standards which will, to the maximum extent feasible, permit the accurate evaluation of job performance on the basis of objective criteria . . . related to the job in question for each employee or position under the system.


5 C.F.R. § 430.203 provides, in pertinent part, as follows:

In this subpart, terms are defined as follows:

. . . .

Critical element means a work assignment or responsibility of such importance that unacceptable performance on the element would result in a determination that an employee’s overall performance is unacceptable. Such elements shall be used to measure performance only at the individual level.

. . . .

Performance standard means the management-approved expression of the performance threshold(s), requirement(s), or expectation(s) that must be met to be appraised at a particular level of performance. A performance standard may include, but is not limited to, quality, quantity, timeliness, and manner of performance.

5 C.F.R. § 430.203.

DPR 430, Subchapter 1, Section 6(a) provides, in pertinent part, as follows:

*Results-Based Elements.* The performance plan will consist of critical elements focused on organizational results. Each element must have written performance standards which hold the employee accountable for measurable and/or observable results. These results-based standards will be written at the *Meet* level for all critical elements. Standards must include measures of performance, such as quality, quantity, timeliness, and cost effectiveness. . . .

Award at 6.

Article 15, Section 7 of the CBA provides, in pertinent part:

D.1 - Union-Filed Institutional Grievance

A grievance [filed] by the [National Council of Field Labor Locals] NCFLL is a request for institutional relief over the interpretation or application of this Agreement or the interpretation or application of Departmental regulations, and the applications of Government-wide regulation, covering personnel policies and practices.

D.2 - Union-Filed Employee Grievance

A Union filed employee grievance seeks personal relief for an individual employee or group of employees. The grievance(s) should be filed in accordance with the procedures and time frames delineated in Section 7, just as if the affected employee(s) had initiated the grievance(s).

*Id.* at 3.
Article 43, Section 1 of the CBA provides, in pertinent part:

The Government-wide regulations and the Department’s implementing regulation are applicable to employees in the bargaining unit.

Exceptions, Attach. E at 119.

Article 43, Section 3 of the CBA provides, in pertinent part:

A performance standard will, to the maximum extent feasible, permit the accurate evaluation of a job performance on the basis of objective criteria related to the job in question for each employee or position under the System.

Award at 4.