



# COMPENSATION PRACTICES IN THE U.S. GOVERNMENTS: A Review of Federal, State, and Local Government Practices



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The United States has a complex, decentralised system of governments. There is one federal government, fifty state governments, and over 90,000 local governments creating a mosaic of different personnel practices across the United States. There are over 18 million full-time equivalent employees working for governments in the United States. At the state and local level, these employees account for nearly 1.1 trillion US dollars in annual payroll. This huge enterprise, because of its decentralised process is rarely examined in its entirety. This report seeks to paint a picture of compensation practices at the federal, state, and local levels of the United States, shedding some light on this area.

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## Prologue

Government compensation practices play a significant role in determining the capacity and efficiency levels of public service operations, as provision of high-quality public services requires capable and competent public servants to deliver them. They also influence the quality of the contribution public servants make in the formulation and implementation of policies across several policy domains. Thus, it is important for government to offer fair, adequate, and competitive compensation to attract and retain suitably competent and skilled individuals to work in the public service.

This paper is a welcome addition to the body of knowledge on public sector compensation, as it provides a thorough review of compensation practices across the different government levels of the United States, i.e., federal, state, and local. These complex and decentralized system of governments perform a variety of roles, staffed mostly by public servants. As these public servants work for different levels of government and they perform different tasks, in most cases, the mechanisms and structures guiding their compensation are often very different.

Hence, the review begins with the compensation practices at the federal government level, then it continues with the state, and local government systems, and intra-governmental entities such as special purpose governments. Four core compensation systems exist at the federal level, the General Schedule that covers most federal employees, the Federal Wage System that covers federal blue-collar employees paid by the hour, the Law Enforcement Officers special compensation system, and the Senior Executive Service. The review continues at the state level whereas each state of the fifty states has a unique human resource system resulting to different compensation practices. However, they all use grade-based systems in calculating salaries of their employees. Likewise, many differences exist at the local government level, as local governments vary dramatically in their service delivery responsibilities based on the state or a country are located in. The sophistication of their compensation systems depends upon their size, location, and the volume of services they deliver, with this phenomenon also holding true at the municipal government level, as well as for special districts.

In sum, the compensation systems for different level government employees in the United States is complex, but in general, all systems utilise the point and factor job classification framework to determine the grade level of a job against a grade conversion table that denotes the range of points required for a job to be classified into the appropriate grade and then matched with the base pay table for each grade. Base pay tables contain the salary amount for each grade by step, where each grade has ten steps, and each step represents, on average, a 3% increase in salary. Usually, government employees progress from step to step based on longevity and adequate performance.

We sincerely hope that this review is informative, and it will meet the readers' expectations on such an important topic as public sector compensation. It is another contribution of the Astana Civil Service Hub, in congruence with its mandate for knowledge sharing among its participating countries; thus, fulfilling their explicit demand for contemporary knowledge and experience pertinent to the field of public administration and civil service development.



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## **About the Astana Civil Service Hub (ACSH)**

The Astana Civil Service Hub is a flagship initiative of the Government of Kazakhstan and the United Nations Development Programme. It was created in 2013 by five international organisations and 25 countries: now comprising 43 participating countries. The geographical range of its participants stretches from the Americas and Europe through the CIS, the Caucasus, and Central Asia to ASEAN countries, demonstrating that partnerships for civil service excellence is a constant and universal need for all nations.

Its mandate is to assist in the promotion of public service effectiveness by supporting the efforts of governments of its participating countries in building institutional and human capacity; and thus, contributing to the improvement of civil service systems in the countries of the region and beyond.

The Astana Civil Service Hub is a multilateral institutional platform for the continuous exchange of knowledge and experience in the field of public service development, aiming at supporting government in the region through fostering partnerships, capacity building and peer-to-peer learning activities, and evidence-based research.

More information at [www.astanacivilservicehub.org](http://www.astanacivilservicehub.org)

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## Introduction

This report reviews compensation practices at the federal, state, and local levels of the United States governmental institutions that play a variety of roles, and which are mostly staffed by public servants.<sup>1</sup> For example, the federal government provides some educational oversight and resource assistance, but the vast majority of education spending and employment is at the local school district, generally, a single, special-purpose form of local government. Other roles, such as the oversight of public lands is largely done by the federal government, but there are still public lands that are owned and managed by state governments. This complex tapestry of roles creates a complicated array of public servants who work for different levels of government, sometimes assuming very similar roles, and at other times performing fundamentally different tasks. As these public servants work for different levels of government, the mechanisms and structures guiding their compensation are often very different.

**Table 1. Number of government employees by level of government in the United States**

Level of Government	Number of Units	Number of full-time equivalent employees <sup>2</sup>
Federal	1	2,183,000
State	50	4,376,023
County	3,031	12,027,599
Municipal/General Purpose <sup>3</sup>	38,779	
Special-Purpose <sup>4</sup>	51,296	
Total	93,157	18,586,622

Source: U.S. Census Bureau; and [https://www.whitehouse.gov/wp-content/uploads/2022/03/hist16z1\\_fy2023.xlsx](https://www.whitehouse.gov/wp-content/uploads/2022/03/hist16z1_fy2023.xlsx)

This review of U.S. governmental compensation practices will begin with the federal government, then the states, and then local governments. Again, it is important to recognise that each of the states has different compensation practices, as do the 90,000 local governments. The paper will conclude with recommendations for governmental compensation practices.

## Federal Government

The United States Federal government, with over 2.1 million employees is the largest employer in the United States. The next largest employer is Walmart with about 1.6 million U.S. employees (Walmart 2022). Not only is the federal government the largest employer, but it is also operating an extremely complex operation, in some cases it literally is rocket science.

The federal pay system consists of four core systems: the General Schedule, Federal Wage System, Law Enforcement Officers, and the Senior Executive Service. The General Schedule covers most federal employees in professional, administrative, technical, and clerical positions, approximately 1.5 million employees. The Federal Wage System covers federal blue-collar employees who are paid by the hour, approximately 200,000 employees. The Law Enforcement Officers pay system covers

<sup>1</sup> This report does not address the compensation practices for military personnel, postal workers, consultants or grant recipients. For a rich discussion of these additional “federal workers” see Paul C. Light. (2018). *The Government-Industrial Complex: Tracking the True Size of Government, 1984–2018*. New York: Oxford University Press (published in conjunction with the Volcker Alliance).

<sup>2</sup> Full-time equivalent employees combine the number of full-time employees with a pro-rated value for part-time employees. For example, at the state level there are 1,398,431 part-time employees, that is equal to 525,959 full-time employees. At the local level, there are 2,560,989 part-time employees, which is equal to 1,008,834 full-time employees.

<sup>3</sup> Municipal or general-purpose governments are commonly known as cities and towns and provide a broad array of services.

<sup>4</sup> Special-purpose governments include governmental units providing either a singular service, such as education, water delivery, parks and recreation to an area that may not necessarily match the boundaries of a city or town or a set of services, such as waste collection, public safety, and recreation to an area that does not match the boundaries of a city, town, or county.

approximately 130,000 federal law enforcement officers. The Senior Executive Service (SES) constitutes the senior leaders in government, just below presidential appointees, and it numbers approximately 8,000 members.

### General Schedule

The General Schedule was introduced to the federal government in 1949 through the Classification Act of 1949. The General Schedule, covering about 1.5 million federal workers is a grade and step system. Underlying the grade is a classification system, the federal Factor Evaluation System (FES). The FES classifies each job in the general schedule using nine factors (Box 1). Each factor has multiple levels which are assigned points. A job is evaluated on each factor and the appropriate level is determined and points are awarded. The total points from all nine factors are summed for a total score. The score is then translated to a grade using the “Grade Conversion Table” (Table 2).

To facilitate the evaluation of factors, the Office of Personnel Management (OPM) has created Position Classification Standard documents for every series in the 23 white collar occupational groups.<sup>5</sup> Examples of occupation groups include Human Resource Management Group, Accounting and Budget Group, and Library and Archives Group. Within each group, there are several series. The Library and Archives Group “includes all classes of

#### Box 1. FES Factors

Factor 1: Knowledge required by the position  
 Factor 2: Supervisory Controls  
 Factor 3: Guidelines  
 Factor 4: Complexity  
 Factor 5: Scope and Effect  
 Factor 6: Personal Contacts  
 Factor 7: Purpose of Contacts  
 Factor 8: Physical Demands  
 Factor 9: Work Environment

**Table 2. General Schedule and Grade Conversion Table**

GS Grade	Point Range
1	190 - 250
2	255 - 450
3	455 - 650
4	655 - 850
5	855 - 1100
6	1105 - 1350
7	1355 - 1600
8	1605 - 1850
9	1855 - 2100
10	2105 - 2350
11	2355 - 2750
12	2755 - 3150
13	3155 - 3600
14	3605 - 4050
15	4055 - up

Source: Office of Personnel Management (2019)

positions the duties of which are to advise on, administer, supervise, or perform professional and scientific work or subordinate technical work in the various phases of library and archival science” (OPM 2018). This facilitates consistent classification across agencies and job groups to facilitate internal equity across the federal government. The General Schedule grades are then tied to a base pay table. Pay Tables are then adjusted for locality pay. In 1990, Congress passed the Federal Employees Pay Comparability Act of 1990 (FEPCA) to facilitate the differentiation of compensation in local labour markets across the United States. Prior to this Act, federal employees were historically compensated at the same rates regardless of where they were located across the country, with a few exceptions. FEPCA established several goals for federal compensation, including to have federal pay within 5% of non-federal pay within local labour markets. To accomplish this, the Federal Salary Council uses data from the Bureau of Labour Statistics to evaluate local labour markets for areas where the disparity between federal pay and non-federal pay are the largest.<sup>6</sup> Those areas are established as locality pay areas.

Annually, the Federal Salary Council reviews the data and makes recommendations to the President’s Pay Agent. Currently there are 53 separate locality pay areas plus the rest of the United States.<sup>7</sup>

<sup>5</sup> These standards documents are available on OPM’s website at: <https://www.opm.gov/policy-data-oversight/classification-qualifications/classifying-general-schedule-positions/#url=Standards>

<sup>6</sup> It is important to note, that the comparison that is used is wages and not the cost of living. The objective was to increase the federal government’s pay competitiveness, not to equalise federal employees’ standard of living. It is possible that there are areas where the cost of living (e.g., food and housing) are relatively low, but the cost of labour is high.

<sup>7</sup> <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2022/locality-pay-area-definitions/>

In total, each of these 54 areas receives a locality pay adjustment to the base pay tables. In essence, establishing pay is a multiple step process. First establish the base pay table (Table 4). Then based on the pay disparities, establish the pay adjustment for individual pay areas. Finally, publish individual pay tables. Tables 5 and 6 are examples of pay tables for the Rest of U.S. (all areas not covered by individual locality pay areas) and the locality pay table for the San Jose – San Francisco – Oakland, California pay area, respectively. So, in 2022 for a typical GS 9 position, step one of the base pay table is US\$ 47,097. If the job holder is in a Rest of U.S. pay area, their pay at step one would be US\$ 54,727, if they were in the San Jose – San Francisco – Oakland, California pay area, their pay in step one would be US\$ 67,226. So, where you work for the federal government impacts your pay level significantly.

As for the general mechanics of the pay tables, each grade has ten steps, each step represents, on average, a 3% increase, with a total increase, from grade 1 to grade 10, of 30%.<sup>8</sup> In order to be eligible for a step increase, an employee needs to have an acceptable level of performance (at least “Fully Successful” – a level 3), have completed the required waiting period, and have not received an equivalent increase during the waiting period (See 5 CFR 531.407). The waiting periods vary for each step and are outlined in Table 2. In order to move from step 1 to step 10, under the general requirements, it will take 18 years. During that time, not only could an employee receive step increases, but they would also receive any increases to the General Schedule. Over the last 15 years there has been an average increase of 1.3% annually to the General Schedule. This has ranged from a high of 2.9% in 2009 to a low of 0.0% in 2011, 2012, and 2013, as there was a federal pay freeze in place, and the pay tables did not change during those years.

**Table 3. Time Required for Within Grade Step Increases**

Advancement from...	Requires...
Step 1 to step 2	52 weeks of creditable service in step 1
Step 2 to step 3	52 weeks of creditable service in step 2
Step 3 to step 4	52 weeks of creditable service in step 3
Step 4 to step 5	104 weeks of creditable service in step 4
Step 5 to step 6	104 weeks of creditable service in step 5
Step 6 to step 7	104 weeks of creditable service in step 6
Step 7 to step 8	156 weeks of creditable service in step 7
Step 8 to step 9	156 weeks of creditable service in step 8
Step 9 to step 10	156 weeks of creditable service in step 9

Source: <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/within-grade-increases/>

There have been a number of reform proposals to the General Schedule. Some have suggested changes that focused on total compensation and redesigning rewards and incentives to strengthen a public service culture (e.g., Perry 2021), while others have focused on improving the pay system’s sensitivity to the external labour market (Stier 2011). Others still have called for changes to the underlying classification system (Kettl et al. 2018; Partnership for Public Service, Booz Allen Hamilton 2014). Those who have been most critical of federal pay practices argue that the system needs fundamental reform because, from their perspective, federal employees are overpaid (e.g., Biggs and Richwine 2011). However, some advocates have proposed that the system could be modified within its current framework to improve it. Some suggestions include broadening the pay range from 30% to 50%, making accurate pay comparisons with the private sector, and allowing for grade level pay adjustments (Condrey et al. 2012).

<sup>8</sup> Notably, the within grade increases are fixed dollar amounts, rather than a consistent percentage, except for grades 1 and 2 which are neither a fixed dollar amount nor a consistent percentage. To calculate the step increase amount for grades 3-15, a 30% range is calculated first and then divided by 9. For example, GS3 has a step one value of US\$ 24,794, the 30% range is a maximum value of US\$ 32,174 for a total difference of US\$ 7,425. Each step then increases by US\$ 825 (7,425/9). As a result, early step increases are a slightly higher percentage, for example, step 2 is a 3.3% increase while step 10 is a 2.6% increase. There are some deviations to the general pattern, particularly for some upper grades that are limited by statute to not exceed the rate for level IV of the Executive Schedule.



**Table 4. Salary Table 2022-GS Incorporating the 2.2% GS increase effective January 2022: Annual Rated by Grade and Step (In US\$)**

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10	Within grade step increase amounts
1	20,172	20,849	21,519	22,187	22,857	23,249	23,913	24,581	24,608	25,234	Varies
2	22,682	23,222	23,973	24,608	24,886	25,618	26,350	27,082	27,814	28,546	Varies
3	24,749	25,574	26,399	27,224	28,049	28,874	29,699	30,524	31,349	32,174	825
4	27,782	28,708	29,634	30,560	31,486	32,412	33,338	34,264	35,190	36,116	926
5	31,083	32,119	33,155	34,191	35,227	36,263	37,299	38,335	39,371	40,407	1,036
6	34,649	35,804	36,956	38,114	39,269	40,424	41,579	42,734	43,889	45,044	1,155
7	38,503	39,786	41,069	42,352	43,635	44,918	46,201	47,484	48,767	50,050	1,283
8	42,641	44,062	45,483	46,904	48,325	49,746	51,167	52,588	54,009	55,430	1,421
9	47,097	48,667	50,237	51,807	53,377	54,947	56,517	58,087	59,657	61,227	1,570
10	51,864	53,593	55,322	57,051	58,780	60,509	62,238	63,967	65,696	67,425	1,729
11	56,983	58,882	60,781	62,680	64,579	66,478	68,377	70,276	72,175	74,074	1,899
12	68,299	70,576	72,853	75,130	77,407	79,684	81,961	84,238	86,515	88,792	2,277
13	81,216	83,923	86,630	89,337	92,044	94,751	97,458	100,165	102,872	105,579	2,707
14	95,973	99,172	102,371	105,570	108,769	111,968	115,167	118,366	121,565	124,764	3,199
15	112,890	116,653	120,416	124,179	127,942	131,705	135,468	139,231	142,994	146,757	3,763

**Table 5. Salary Table 2022-RUS Incorporating the 2.2% GS increase and a Locality Payment of 16.2% for the Locality Pay Area of rest of U.S. Effective January 2022: Annual Rates by Grade and Step (In US\$)**

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
1	23,440	24,227	25,005	25,781	26,560	27,015	27,787	28,563	28,594	29,322
2	26,356	26,984	27,857	28,594	28,918	29,768	30,619	31,469	32,320	33,170
3	28,758	29,717	30,676	31,634	32,593	33,552	34,510	35,469	36,428	37,386
4	32,283	33,359	34,435	35,511	36,587	37,663	38,739	39,815	40,891	41,967
5	36,118	37,322	38,526	39,730	40,934	42,138	43,341	44,545	45,749	46,953
6	40,262	41,604	42,946	44,288	45,631	46,973	48,315	49,657	50,999	52,341
7	44,740	46,231	47,722	49,213	50,704	52,195	53,686	55,176	56,667	58,158
8	49,549	51,200	52,851	54,502	56,154	57,805	59,456	61,107	62,758	64,410
9	54,727	56,551	58,375	60,200	62,024	63,848	65,673	67,497	69,321	71,146
10	60,266	62,275	64,284	66,293	68,302	70,311	72,321	74,330	76,339	78,348
11	66,214	68,421	70,628	72,834	75,041	77,247	79,454	81,661	83,867	86,074
12	79,363	82,009	84,655	87,301	89,947	92,593	95,239	97,885	100,530	103,176
13	94,373	97,519	100,664	103,810	106,955	110,101	113,246	116,392	119,537	122,683
14	111,521	115,238	118,955	122,672	126,390	130,107	133,824	137,541	141,259	144,976
15	131,178	135,551	139,923	144,296	148,669	153,041	157,414	161,786	166,159	170,532



## **Federal Wage System**

The Federal Wage System (FWS) covers federal blue-collar workers who are paid by the hour. The FWS was established in 1972 and has the Federal Prevailing Rate Advisory Committee (FPRAC) to recommend changes to pay rates and other pay policies for blue collar workers. A basic principle of the FWS is that pay rates should be in line with pay for comparable work in the private sector in the local pay area.<sup>9</sup>

The FWS has 130 appropriated fund pay areas and 118 non-appropriated fund pay areas.<sup>10</sup> The FWS generally has 15 grades and 5 steps within each grade for three classes of jobs (nonsupervisory, leader, and supervisor). For supervisory jobs there are an additional 4 grades. FWS jobs are classified based on four factors: skill and knowledge, responsibility, physical effort, and working conditions.

The pay scales are structured so that the difference between grades varies for each pay area, this ranges from 2.2% to over 20%. In general, the between grade percentage changes decrease as the grades increase. The average between step 1 and step 5 is 16.67%, with each step representing a just under a 4% increase. The progression between steps is as follows: an employee advances to the second step, receiving the prevailing wage in the area, after 6 months. To the third step after another 18 months and to the fourth and fifth steps after an additional two years in each step. So, after a total of 6 years with acceptable performance an employee in the Federal Wage System will be at their maximum compensation for their position until the pay scale as a whole is increased. Part of the rationale for differing lengths of service for step increases is that the marginal added value of an employee is likely to decrease over time, so to accommodate that in compensation, the period needed to fulfil step requirements is lengthened. Nevertheless, the FWS is very market sensitive and is adjusted regularly to maintain pay competitiveness with prevailing wages in local labour markets.

## **Law Enforcement Officers**

Federal law enforcement officers have a separate pay scale. This was established as a result of a requirement in the Federal Employees Pay Comparability Act of 1990. There were specific concerns that law enforcement compensation in the federal government was not sufficient to attract and retain “men and women of high quality and strong commitment who are prepared to protect and defend their country vigorously” (OPM 1993); and that “entry-level pay rates under the General Schedule have not kept pace with entry-level salaries offered by state and local law enforcement organisations” (NACLE 1990, p. 59). Furthermore, there were concerns that the classification approach of the General Schedule may not be appropriate for law enforcement (NACLE 1990, pp. 42-44). Law Enforcement Officers pay scales applies to federal employees who meet a legally defined definition of “law enforcement officer” (5 USC 550.103).

Law enforcement officer pay scales are unique. There are eight basic grades (3-10) that have their own special base pay rates, then for grades 11 through 15, they use the standard GS pay rates. Depending on the geographic area, there are also locality pay adjustments to the special base rates for grades 3 through 10, as well as the other grades that match their GS locality pay (11-15). See Table 7 for the Rest of U.S. Law Enforcement Officer pay table. The within grade range averages 27.4% with a minimum range of 24.3% and a maximum range of 30.0%. Each step within the grade range averages a 2.7% increase, with a range of 1.1% to 3.4%. The across grade increase averages 13.4%, with a range of 4.2% to 32.6%.

<sup>9</sup> The Department of Defence conducts annual wage surveys that are used to collect data from private firms to determine the appropriate amounts for the local pay areas.

<sup>10</sup> Appropriated funds generally include regular executive agencies, such as the Interior Department and the Environmental Protection Agency, while non-appropriated funds include the “Army and Air Force Exchange Service, Navy Ships Stores Programme, Navy exchanges, Marine Corps exchanges, Coast Guard exchanges, and other instrumentalities of the United States under the jurisdiction of the armed forces conducted for the comfort, pleasure, contentment, and mental and physical improvement of personnel of the armed forces” (Section 2105(c) of Title 5, United States Code).

## Senior Executive Service

The Senior Executive Service (SES) is the cadre of management professionals at the top level of the professional civil service in the United States. There are only about 8,000 members of the SES. To qualify for the SES, candidates must demonstrate competence in five executive core competencies: (i) leading change; (ii) leading people; (iii) results driven; (iv) business acumen; and (v) building coalitions. SES candidates must be certified by the Qualifications Review Board at the Office of Personnel Management. In order to attract senior professionals into these positions there is a separate pay system for the SES. The SES uses a performance-based-pay system that allows for greater pay so there is a system that differentiates the performance of SES members. The SES pay system has a minimum pay value of US\$ 135,468, this is 120% of the pay rate for GS-15, step 1 of the base GS pay schedule. This ensures that members of the Senior Executive Service are compensated at competitive rates above those received by GS 15 managers. The maximum compensation is set at US \$203,700 for those agencies with a certified SES performance appraisal system. This is the same amount as level II of the Executive Schedule.<sup>11 12</sup> In addition to the SES members' base pay, they can receive a performance award; that award being between 5 and 20 percent of the executive's rate of basic pay.

## State Governments

Each of the fifty states have a unique human resource management system. As such, they each have different compensation practices. However, there are some general patterns that we can be observed across the states. For example, it is very common for states to have grade-based systems.

Texas uses a classification system to guide its compensation practices. The State of Texas Position Classification Plan (Plan) seeks to classify positions based on the education, work experience, skills, and work performed with an eye toward offering competitive compensation to private sector employers. Texas has three different compensation schedules. Schedule A (Table 8) for administrative support, maintenance, technician, and paraprofessional positions. Schedule B, for professional and managerial positions and Schedule C for commissioned law enforcement personnel.

Schedules A & B are structured similarly with a minimum, midpoint, and maximum for each grade. However, in Schedule A there are 18 grades, while in Schedule B there are 27 grades. The ranges vary slightly differently for the two schedules. For schedule A the smallest range is 45.7% and the largest range is 63.5%. The average range for Schedule A is 54.4%. For Schedule B, the smallest range is 46.8% for the lowest grade, and then it immediately jumps to 57.1% for the second grade and progresses to 69.1% for grade 27. The average range for Schedule B is 63.7%. There is not an explicit statement on why ranges vary so much by grade. The assumption is that it may be necessary for some positions to attract and retain the most suitable employees, particularly in the upper grades.

Schedule C is structured differently. The within grade differences are based on years of service. For the first two grades, there is only a starting wage, for grade C3, it starts with less than 4 years of service and then with each additional 4 years of service there is an increase, however, those years of service increase do not follow a consistent pattern across grades. The increase ranges from a high of 21.9% for grade C3, going from less than 4 years of service to more than 4 years of service. The smallest increase is for grade C8, where there is a total increase across the range of 0.1%. In addition to salaries, Texas views as part of its total compensation package, traditional benefits (health insurance, and vacation and sick leave), training and development, and the work experience (scheduling flexibility, work-life balance programmes, and challenging and rewarding work environments).

<sup>11</sup> The Executive Schedule is used to compensate senior political officials and has five pay levels. In 2022, this ranged from US\$ 165,300 for Level V up to US\$ 226,300 for Level I.

<sup>12</sup> For SES agencies without a certified appraisal system, the maximum pay for SES members is US\$ 187,300, which is the same as Level III of the Executive Schedule.

**Table 8. Texas Salary Schedule A, Annual Salary Rates: Effective 1 Sept. 2021, to 31 Aug. 2023 (In US\$)**

Salary Group	Minimum	Midpoint	Maximum	Range (%)
A04	18,893	23,209	27,525	45.7
A05	19,777	24,309	28,840	45.8
A06	20,706	25,464	30,221	46.0
A07	21,681	26,679	31,677	46.1
A08	22,705	27,967	33,229	46.4
A09	3,781	29,320	34,859	46.6
A10	24,910	30,741	36,571	46.8
A11	26,332	33,844	41,355	57.1
A12	27,840	35,819	43,798	57.3
A13	29,439	37,914	46,388	57.6
A14	31,144	40,139	49,134	57.8
A15	32,976	42,511	52,045	57.8
A16	34,918	45,024	55,130	57.9
A17	36,976	47,688	58,399	57.9
A18	39,521	51,985	64,449	63.1
A19	42,244	55,602	68,960	63.2
A20	45,158	59,473	73,788	63.4
A21	48,278	63,616	78,953	63.5

Massachusetts operates a very different compensation system, largely because of union representation. Massachusetts has eleven different bargaining groups, which are each represented by different unions. Within each bargaining group there is a salary schedule. For example, Administrative and Clerical positions are represented by the National Association of Government Employees and their salary schedule has 28 different grades and for each grade there are 14 steps. Employees, in general, advance one step on the anniversary of their employment, as long as they have not reached the top of the salary schedule and their performance "Meets Expectations". The within grade range has a minimum of 23.2% and a maximum of 41.9%. Step increases range from 1.58% for grade 1 to a maximum of 3.06% for grade 26. The Massachusetts Nurses Association represents professional healthcare positions, and their salary schedule has four different pay tables based on which salary plan an employee is on. Each grade for this salary schedule, regardless of plan has a range of 62.8% with 12 steps within the range. Each of the 12 steps represents a 4.53% increase above the previous step.

Furthermore, Massachusetts has an additional salary schedule for managers. The schedule has 12 grades, and each grade has three levels with a pay band for each level. The average overall range for each managerial grade is 54.2%. Managers can receive pay increases in one of four ways: merit pay, across-the-board increases, reclassification, or promotion to a higher-grade position. There is also an additional salary schedule for information technology managers. This schedule has 4 grades with a minimum and maximum for each grade.

Massachusetts offers employees four classes of benefits beyond their direct compensation: health and wellness resources (including medical insurance), financial resources (e.g., retirement savings, sick and vacation leave, life insurance, and transit and parking benefits), work-life resources (e.g., hybrid work options, community service/volunteer leave, and student loan forgiveness), and career development resources (e.g., training and career ladder programme and tuition reimbursement). Massachusetts has tried to offer a broad and diverse package of benefits to be attractive to its broad employment base.

The State of Washington has more than 30 different pay schedules. This is due in part to having a large number of unions representing different employee groups. The salary schedule for general non-represented employees is highlighted here. The General Service Salary Schedule has 91

different grades with compensation that ranges from a low minimum salary of US\$ 31,092 to high maximum salary of US\$ 374,064 (see Table 9 for a demonstrative portion of the pay table). Each grade has thirteen steps and on average the range is 34.2%, with each step representing about a 2.5% step increase for all but the lowest grades which have a step increase of about 2.35%. Some of the salary schedules for union represented employees mirror the state's General Service Salary Schedule, while other salary scales are significantly different. For example, employees represented by the Fish and Wildlife Officers Guild have a salary schedule with five positions, with salaries ranging from US\$ 67,044 for a recruit to US\$ 140,676 for a Captain. Only the officer position has multiple steps (5); all other positions list a single step value. Officer pay ranges from US\$ 72,408 for step I to US\$ 94,848 for step V. Some represented salary schedules, such as the one for employees represented by the Washington Public Employees Association has 34 grades and 21 steps. Washington also has separate salary schedules for managerial employees. In some cases these schedules have a specific minimum, midpoint, and a maximum for specific positions and in other cases, there are simply broad pay bands.

The State of Washington offers a common set of employee benefits, including medical, dental, and vision insurance, life and disability insurance, retirement programmes, and vacation and leave benefits. The State also offers other benefits ranging from flexible work schedules to dependent care assistance and other insurance (i.e., auto, home, and other).

The State of Indiana has nine different salary plans. Within each salary plan there are different grades, ranging from two for protective occupations — law enforcement and clerical, office machine operators and technicians, to eight for supervisory and managerial — professional, administrative, and technological positions. Positions are classified into the pay family and grade level.<sup>13</sup> The size of the salary range varies for each different grade. For example, for supervisory and managerial-labour, trades and crafts job family, the ranges vary from a low of 51.0% to a high of 56.7%. For the supervisory and managerial-professional, administrative, and technological job family, the ranges vary from a low of 81.6% to a high of 97.7%. Between grade differences vary from a low of 3.6% to a high of 19.1%. As with the other states, Indiana offers its employees a full range of benefits, including health and other insurance, retirement benefits, and sick and vacation leave.

The State of Georgia has a state-wide salary plan that covers 82% of state employees. The plan has 20 grades, and for each grade there is a minimum, mid-point, and maximum value. Between grade differences range from 4.4% between grade B and C and 12.4% between grades S and T. Within grades the range also varies. For grade A, the range is 41.9%, the amounts then increase for each grade. For grade C, the range is 50.2%, for grade G, the range is 62.4%, for grades Q and above the ranges are all greater than 70.0%. Within grade increases are generally based on performance when the legislature allocates additional monies. However, in fiscal year 2022, the Georgia General Assembly increased each employee's pay by a fixed US\$ 5,000 dollars as a cost-of-living adjustment.

As demonstrated by these states, there is a wide range of compensation practices. However, it is common among the states is to use classification-based grades and to use those to structure compensation levels. However, within grade pay increases approaches vary. With some states providing annual step increases based on satisfactory performance to other states offering increases not on a fixed schedule, but when the legislative body is willing to allocate additional resources to pay increases.

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<sup>13</sup> See [https://www.in.gov/spd/files/job\\_titles.pdf](https://www.in.gov/spd/files/job_titles.pdf) for a list of job titles, salary plan, grade level, and salary ranges.

**Table 9. State of Washington General Service Salary Schedule for Non-Represented Employees, selected grades (In US\$).**

SALARY RANGE	STEP A	STEP B	STEP C	STEP D	STEP E	STEP F	STEP G	STEP H	STEP I	STEP J	STEP K	STEP L	STEP M
30	Annual	31,092	31,620	32,364	33,168	33,924	34,680	35,484	36,288	37,152	38,004	38,952	40,812
	Monthly	2,591	2,635	2,697	2,764	2,827	2,890	2,957	3,024	3,096	3,167	3,246	3,401
	Hourly	14.89	15.14	15.50	15.89	16.25	16.61	16.99	17.38	17.79	18.20	18.66	19.55
	Standby	1.04	1.06	1.09	1.11	1.14	1.16	1.19	1.22	1.25	1.27	1.31	1.37
31	Annual	31,620	32,364	33,168	33,924	34,680	35,484	36,288	37,152	38,004	38,952	40,812	41,760
	Monthly	2,635	2,697	2,764	2,827	2,890	2,957	3,024	3,096	3,167	3,246	3,321	3,401
	Hourly	15.14	15.50	15.89	16.25	16.61	16.99	17.38	17.79	18.20	18.66	19.09	20.00
	Standby	1.06	1.09	1.11	1.14	1.16	1.19	1.22	1.25	1.27	1.31	1.34	1.40
32	Annual	32,364	33,168	33,924	34,680	35,484	36,288	37,152	38,004	38,952	39,852	40,812	42,696
	Monthly	2,697	2,764	2,827	2,890	2,957	3,024	3,096	3,167	3,246	3,321	3,401	3,558
	Hourly	15.50	15.89	16.25	16.61	16.99	17.38	17.79	18.20	18.66	19.09	19.55	20.45
	Standby	1.09	1.11	1.14	1.16	1.19	1.22	1.25	1.27	1.31	1.34	1.37	1.43
33	Annual	33,168	33,924	34,680	35,484	36,288	37,152	38,004	38,952	39,852	40,812	42,696	43,800
	Monthly	2,764	2,827	2,890	2,957	3,024	3,096	3,167	3,246	3,321	3,401	3,558	3,650
	Hourly	15.89	16.25	16.61	16.99	17.38	17.79	18.20	18.66	19.09	19.55	20.00	20.98
	Standby	1.11	1.14	1.16	1.19	1.22	1.25	1.27	1.31	1.34	1.37	1.40	1.47
34	Annual	33,924	34,680	35,484	36,288	37,152	38,004	38,952	40,812	41,760	42,696	43,800	44,808
	Monthly	2,827	2,890	2,957	3,024	3,096	3,167	3,246	3,321	3,401	3,480	3,558	3,734
	Hourly	16.25	16.61	16.99	17.38	17.79	18.20	18.66	19.09	19.55	20.00	20.45	21.46
	Standby	1.14	1.16	1.19	1.22	1.25	1.27	1.31	1.34	1.37	1.40	1.43	1.50

## Local Governments – Counties

There are 3,031 counties in the United States. County governments vary dramatically in their service delivery responsibilities based on the state a county is located in. In some states, such as Florida, Georgia, and Virginia, many counties provide urban services that would typically be provided only within city boundaries. In other states, counties provide a much more limited set of services, often including human/social services, limited recreation services, managing the court system, law enforcement by the County Sheriff, and tax collection. As a result of the wide variation in service responsibilities in counties across the United States, there are wide differences in their personnel needs. As such, small counties often have relatively simple personnel practices, including compensation.

Large, sophisticated counties, such as Fairfax County in Virginia or Miami-Dade County in Florida have large numbers of employees and sophisticated personnel practices. Fairfax County, for example, has a classification driven pay structure with 40 grades. Each grade has a minimum and a maximum value. The range for grades varies, for grades 4-20, there is a 66.7% range and for grades 21-40 there is an 83.5% range. Between grades there is an average increase of 5.2% and a range between 2.0% and 10.5%. Miami-Dade County, on the other hand, has both a step and range system. Fifty-nine percent of Miami-Dade County are on a step plan and 40 percent are on a range plan. There are a small number of employees (39 out of 2,976) that are on a flat rate compensation plan. The county currently has a living wage ordinance that requires the county to pay at least US\$ 15.03 with qualifying benefits of US\$ 3.70 or US\$ 18.73 per hour. Over half (58%) of Miami-Dade County's workforce is represented by unions. Miami-Dade County has at least 19 different pay schedules, each with a different number of grades depending on the position and whether it is union represented or not. Step plans have 20 steps. Large counties such as these offer a comprehensive set of benefits to their employees.

Salt Lake County has a much smaller set of pay plans. This is in part due to the lack of union representation for employees. For general employees, there are two pay plans, the general structure (Table 10), and the trades/technical structure. Each of these is similarly designed, with the major difference being the number of grades. The general structure has 13 grades (8-20), while the trades/technical structure has 12 (9-20). The plans provide a minimum, a mid-point, and a maximum for each grade. For three grades (8, 9, and 10) in the general structure, the minimum salary is below the county's living wage requirement, so employees in these grades receive at least the living wage rate.<sup>14</sup> Each grade has a pay range of 50%. The grade-to-grade difference varies. For the general schedule the average grade-to-grade increase is 12.6%, with a range of grade-to-grade increases between 4.3% and 23.9%. For the trade and technical schedule, the average increase is 11.5%, with a range between 4.3% and 16.8%. The County also has two different pay plans for the Sheriff's Office, one for public safety officers and one for corrections. The public safety plan has 14 grades, while the corrections plan has 13 grades. Both plans have 12 steps. Both of the Sheriff's pay plans have 2.75% step increases and 2.75% grade-to-grade increase. This results in a minimum to maximum range of 34.8%.

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<sup>14</sup> Salt Lake County has also established a living wage level for merit employees of US\$ 15.00 per hour.



**Table 10. Salt Lake County 2022 Merit Salary Plan General Schedule (In US\$).**

Grade <sup>15</sup>	Minimum		Midpoint		Maximum	
	Hourly rate	Annual rate	Hourly rate	Annual rate	Hourly rate	Annual rate
008	12.44	25,952.00	15.54	32,440.00	18.65	38,928.00
009	12.98	27,074.00	16.21	33,842.50	19.46	40,611.00
010	14.08	29,367.00	17.59	36,709.00	21.11	44,051.00
011	15.38	32,100.00	19.23	40,125.50	23.07	48,151.00
012	16.99	35,452.00	21.23	44,315.00	25.48	53,178.00
013	19.19	40,038.00	23.98	50,048.00	28.78	60,058.00
014	22.27	46,475.00	27.83	58,094.50	33.40	69,714.00
015	25.99	54,236.00	32.48	67,795.50	38.98	81,355.00
016	30.47	63,585.00	38.08	79,481.50	45.70	95,378.00
017	35.84	74,785.00	44.79	93,481.50	53.75	112,178.00
018	44.41	92,687.00	55.51	115,859.00	66.61	139,031.00
019	47.24	98,596.00	59.05	123,245.00	70.86	147,894.00
020	50.71	105,827.00	63.38	132,284.50	76.06	158,742.00

### Local Governments – Municipalities

With nearly 39,000 municipal governments it is difficult to paint a simple picture of city compensation practices. This section highlights several approaches taken by municipalities to focus on common practices seen across the United States.

A very common practice among cities, as with other governmental entities, as seen above, is the use of a grade/classification system to structure their compensation practices. However, the number of grades varies dramatically. For example, the City of Houston, Texas has 40 pay grades in their system. The City of Seattle, Washington uses 180 different pay grades, plus then has separate pay scales for other employees, such as senior advisors, managers of business units, magistrates, and others. The City of Boston, Massachusetts has over 50 separate pay plans. The number of grades and steps varies for each of the plans. Some plans, such as the plan for cafeteria workers only has one grade and one step. Others, such as the plan for Mayor's Office Managers has 14 grades and each grade has 8 steps. One of the reasons for having so many plans in Boston is that employees are represented by a large number of unions and each represented group has their own pay plan. The City of Chicago, Illinois has 22 different salary schedules. For employees represented by the American Federation of State, County and Municipal Employees union their schedule has 17 grades and 12 steps. Non-union represented employees working for the City of Chicago have a salary schedule with 21 grades and 12 steps. However, for the top four grades, the number of steps decreases such that grades 18-21 all have a top salary of US\$ 121,188, which is achieved after 11 steps for grade 18 and 7 steps for grade 21. Fire personnel in Chicago are classified into 18 grades with 11 steps. Plumber employees are classified into one of three grades and each grade has 12 steps. Overall, grade and step systems are very common in municipalities across the United States, but the structure in terms of the number of grades/classes of employees and the pay progression (steps) varies significantly by jurisdiction.

How municipalities structure their pay increases varies significantly. The main difference is whether a city has fixed steps in a grade or a pay band for the range. The City of Eugene, Oregon, for example has six steps for some union positions, for non-union employees, there are pay ranges

<sup>15</sup> Grades 8-10 have a functional minimum of US\$ 15.00 per hour because of the county's living wage law, although it is not formally recognised in the pay table.

with a minimum and a maximum for different positions based on their classification. For union positions with 6 steps, the range is on average about 25%. For the non-union position the range varies significantly by position. For example, a police sergeant in Eugene has a potential range of 12%, while a deputy police auditor has a range of 46%. Having different range percentages also occurs in other cities. In Houston, Texas for example, salary ranges vary from 20% to 167%. In Boston, ranges with each grade varies for the different pay plans. For example, in the Mayor's Office Manager, the plan range is from 20% to above 40%. There is no clear pattern in terms of the time between steps, the number of steps, or the total range for a given grade.

Some cities, such as Norfolk, Virginia annually adopt new compensation plans. In adopting the new plan for fiscal year 2023 (1 July 2022 – 30 June 2023), the City of Norfolk increased the base compensation of nearly all employees by 5%, and for public safety officers with more than six years of service by 7.5%. The City has established a minimum wage for full-time city positions of US\$ 18.00 per hour. In general, like is the case in many cities, employee compensation is delineated in a set of pay tables. The City has several (6) unique pay tables for specific departments, such as the Sheriff's Office and the Commonwealth Attorney's Office. The vast majority of employees, however, are covered under the City's primary pay plan (Table 11). This plan classifies positions into 28 grades with a minimum, midpoint, and maximum salary range for each grade. The average range for grade 20 and below is 63.2%. For grades 21-28, the average range is 69.1%. In addition to compensation levels, the compensation plan designates thirteen standard paid holidays, and then provides four days of paid leave for their birthday (1 day), personal wellness (2 days), and a diversity day (1 day) to recognise personal or religious diversity. These are in addition to an employee's earned sick leave. Moreover, for qualifying events, such as the birth or adoption of a child, an employee is eligible for 6 weeks of paid family leave.

**Table 11. City of Norfolk, Pay Plan 1: General Employees (In US\$)**

Grade	Minimum		Midpoint		Maximum	
	Salary	Hourly Rate	Salary	Hourly Rate	Salary	Hourly Rate
1	37,440	18.00	49,234	23.67	61,027	29.34
2	37,440	18.00	49,234	23.67	61,027	29.34
3	37,440	18.00	49,234	23.67	61,027	29.34
4	37,440	18.00	49,234	23.67	61,027	29.34
5	37,440	18.00	49,234	23.67	61,027	29.34
6	37,690	18.12	49,562	23.83	61,435	29.54
7	37,940	18.24	49,891	23.99	61,842	29.73
8	38,190	18.36	50,220	24.14	62,250	29.93
9	38,440	18.48	50,549	24.30	62,657	30.12
10	39,226	18.86	51,582	24.80	63,938	30.74
11	42,870	20.61	56,412	27.12	69,955	33.63
12	46,583	22.40	61,275	29.46	75,967	36.52
13	50,243	24.16	66,083	31.77	81,924	39.39
14	54,652	26.28	72,523	34.87	90,395	43.46
15	59,164	28.44	77,949	37.48	96,734	46.51
16	63,193	30.38	83,112	39.96	103,030	49.53
17	67,512	32.46	88,845	42.71	110,179	52.97
18	72,173	34.70	94,931	45.64	117,688	56.58
19	76,620	36.84	100,614	48.37	124,607	59.91
20	81,443	39.16	107,124	51.50	132,805	63.85
21	85,059	40.89	113,304	54.47	141,549	68.05
22	89,372	42.97	119,833	57.61	150,294	72.26
23	94,232	45.30	127,182	61.14	160,131	76.99
24	99,446	47.81	134,980	64.89	170,515	81.98
25	107,381	51.63	144,413	69.43	181,445	87.23
26	118,145	56.80	161,666	77.72	205,186	98.65
27	129,933	62.47	176,654	84.93	223,375	107.39
28	147,882	71.10	194,176	93.35	240,470	115.61

## Local Governments – Special Districts

There are more than 50,000 Special Districts across the United States.<sup>16</sup> The most common type of special district is the school district. In 2017 there were 12,754 independent school districts in the United States.<sup>17</sup> Many school districts have two different sets of pay plans, one for teachers and one for staff and administrators. This section focuses on independent school districts.

The Nebo School District in Utah has seven “pay grades” for teachers. Each grade is based on the level of education attained. For example, a teacher with a bachelor’s degree would start out at US\$ 50,369, if the teacher did not receive any further education, their pay would increase annually based on their longevity of service. Each additional level of service increases teachers’ pay by between 2.2% and 4.1% based on the level of education attained. The Springfield Public School District in Oregon follows a very similar pay structure for teachers (see Table 12). There are also seven “pay grades”, all based on level of educational attainment. The pattern between the two districts is slightly different. In the Nebo School District, the second level of teachers’ pay is attained with a bachelor’s degree and 20 or more semester hours of additional coursework. In the Springfield District, the second level is attained with a bachelor’s degree and 23 hours.

In the Nebo District, in order to advance to the fourth level, a teacher must attain a master’s degree. In the Springfield District, a teacher can advance to the fourth level either by receiving a master’s degree or completing a total of 68 hours of coursework of a post-bachelor’s degree. A similar difference occurs for the highest level of pay. In the Nebo District, a teacher must attain a doctorate, while in the Springfield District a teacher can either earn a doctorate or complete a master’s degree and 90 additional hours of coursework. The Clarke County School District in Georgia has a teacher pay system with five levels (Associates, Bachelors, Masters, Specialist, and Doctorate). The pay difference between levels in the Clarke County School District varies between 4.7% and 13.2%.

For staff and administrative employees, the Springfield School District has a grade and step system. For staff there are 15 grades, each with 8 steps. Additionally, there are four classes of professional/technical employees (accountant II, wellness specialist, Journeyman, and electrical specialist) that each have their own salary range, also with 8 steps. Administrators and other professional employees have a separate grade and step system with 17 grades, each with six different pay levels (steps). In the Clarke County School District there are two additional salary schedules, one for non-teaching professional/support staff and one for school leadership. In the non-teaching staff schedule, there are 33 grades each with 22 steps. Step increases vary between 1.8% and 2.0% depending on the employees’ grade. Grade to grade increases range from 1.9% to 8.1%. For school leadership there are 5 grades, and each grade has 21 steps. Step increases for leadership personnel are 1.9%, while grade to grade increases range from 1.9% to 9.9%.

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<sup>16</sup> Special Districts are unique in that they often do not match the boundaries of a municipality or a county. The boundaries are driven by the service area for a given service. For example, one type of special district is a Waste Management District. A Waste Management District might construct and operate a landfill that would service a larger geographical area than a single city. This way, the service can achieve economies of scale or overcome service obstacles that would be created by relying on existing government boundaries. Other common types of special districts include public transit, fire protection, water and sewer services, storm drainage, flood prevention, animal shelters, mosquito abatement districts, and recreation. The creation of a special district isolates the revenues and expenditures of the service so that the cost can be attributed to the service users. Compared to general purpose governments, these are often relatively small operations and as such information about compensation practices is not readily available.

<sup>17</sup> Independent School Districts are governed by a school board and have independent taxing authority. There are also dependent school districts; these are essentially a department or an agency within a larger local government, such as a city or a town.

**Table 12. Springfield Public Schools, 2022-2023 Licensed Salary Schedule (In US\$)**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>
<b>Teachers:</b>	<b>Bachelors</b>	<b>B+23</b>	<b>B+45</b>	<b>B+68 or Masters</b>	<b>B+90 or M+22 or B+67 with Masters</b>	<b>B+105 or B+90 w/ Masters or M+45</b>	<b>Masters+90 or PhD</b>
<b>Nurses:</b>	<b>LPN</b>	<b>RN</b>		<b>RN+B</b>	<b>RN+M</b>		
Step 01	40,484	42,002	43,577	45,211	46,907	48,666	50,491
Step 02	42,002	43,577	45,211	46,907	48,666	50,491	52,384
Step 03	43,577	45,211	46,907	48,666	50,491	52,384	54,349
Step 04	45,211	46,907	48,666	50,491	52,384	54,349	56,387
Step 05	46,907	48,666	50,491	52,384	54,349	56,387	58,501
Step 06	48,666	50,491	52,384	54,349	56,387	58,501	60,695
Step 07	50,491	52,384	54,349	56,387	58,501	60,695	62,971
Step 08	52,384	54,349	56,387	58,501	60,695	62,971	65,332
Step 09	54,349	56,387	58,501	60,695	62,971	65,332	67,782
Step 10	56,387	58,501	60,695	62,971	65,332	67,782	70,324
Step 11	58,501	60,695	62,971	65,332	67,782	70,324	72,961
Step 12	60,695	62,971	65,332	67,782	70,324	72,961	75,697
Step 13	62,971	65,332	67,782	70,324	72,961	75,697	78,536
Step 14		67,782	70,324	72,961	75,697	78,536	81,481
Step 15				75,697	78,536	81,481	84,537
Step 16					81,481	84,537	87,707

## Conclusion

The compensation systems for government employees in the United States is complex. The systems cover over 19 million employees working in more than 90,000 unique governmental units. As a result, instead of a single system, there are really over 90,000 systems across the United States. However, there are some patterns that may be observed across all these systems. The most common approach to compensation in governments in the United States are pay and step systems based on job classification to assign employees to pay grades. Then generally based on longevity and adequate performance, employees progress through the pay grade in step increments. There are also common differences among pay systems. For example, the size of the pay range for a given grade varies significantly, from 20% to more than 150%. Another common difference is the amount between grades. Some jurisdictions have grade-to-grade differences as low as 1%, while others have grade-to-grade differences above 20%. Overall, the key observation is that compensation requires careful and unique attention to external labour markets and internal equity to ensure that governments are competitive in the marketplace for labour and equitable internally to ensure that employees are treated fairly based on the relative value of their work within the organisation.

## Recommendations

Governments should strive for internal and external equity in their compensation practices. External equity occurs when governments pay market competitive rates. This allows governments to compete meaningfully for outstanding talent in the labour market. One strategy to evaluate external pay competitiveness is the regular use of salary surveys. Governments should, on a regular basis, examine the compensation levels of alternative employment options of their employees.

Most organisations are giving some level of consideration to total compensation (direct salary and wages, direct benefits, and intangible rewards). However, it can be difficult to accurately capture the value of benefits and rewards since individual employees may value these benefits differently. Therefore, it is recommended to first compare the monetary compensation across jobs. Then compare the set of benefits offered by the government compared to other large and sophisticated employers. This ensures that total compensation is being evaluated but it reduces the complexity of measuring the monetary value of all of the benefits offered to employees.

One common strategy used to criticise government employees as overpaid is to suggest that they receive outsized benefit packages when comparing government employees to all employees. However, when looking at access to benefits, different patterns may be seen based on the size and sophistication of employers, especially in the private sector. Large organisations, even small entities, that have a large share of professional employees tend to offer very rich benefit packages because they recognise that their employees expect these benefits and if they are not offered, their employees, especially professional level employees, have the ability to shift to another employer with very little cost and often significant gain. Therefore, external equity requires analysing the direct monetary compensation of other relevant employers as well as the benefit packages offered by those employers.

Internal equity occurs when governments provide similar levels of compensation for work at similar work levels. This is critical for a number of reasons, not the least of which is to ensure that there are not systematic pay disparities between groups of employees, such as men and women simply based on job titles. A key strategy for strengthening internal equity is to use job classification tools, such as point factor analysis to analyse different jobs to ensure that they are being valued consistently across the organisation.

Additionally, enhancing internal equity and providing accurate assessment of positions requires an accurate understanding of what each position does. Therefore, organisations should, on a regular cycle, revisit all position descriptions to ensure their accuracy. It is not uncommon for

some jobs to change significantly over time. If this happens and it changes the compensable factors of the job, then the previous job analysis will no longer accurately reflect the correct value of the position. This could result in the position being under compensated if the job has become more sophisticated, or in some cases over compensated if the nature of the job has changed and it is now less sophisticated.

Finally, governmental organisations should think strategically about how they structure their pay scales. They need to ensure that within a grade, there is sufficient room for compensation growth over an employee's career in that position, that generally means pay ranges of 50% or more. Also, employers should think carefully about the grade-to-grade differences. For example, if an employee frequently is promoted to the next grade after two or three years, is the pay difference between grades sufficient to be seen as a reward by the employee? Furthermore, particularly for senior management positions, is the pay difference enough to recognise the additional skills necessary in top graded positions that are supervising entire divisions or departments? This highlights the importance of not only thinking carefully about compensation, but also strategically managing career and development opportunities for employees. Governments will need strong compensation systems to attract high quality committed employees to the public service.

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