

# *Primer on the General Schedule Pay Structure*

## **SPEAKERS**

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# Who Does the General Schedule Represent?

Department of  
the Navy

Department of  
Veterans Affairs

Department of  
Energy

Department of  
Labor

Department of  
the Army

Department of  
Justice

Department of  
State

**General Services  
Administration**

Department of  
the Treasury

Department of  
Defense

Department of  
Commerce

**National Aeronautics  
and Space  
Administration**

Department of  
Energy

Department of  
the Air Force

Department of  
Health

Department of  
the Interior

Department of  
Housing and  
Urban  
Development

Department of  
Agriculture

Social Security  
Administration

...and many more



# What Does the General Schedule Look Like?

## 2000 General Schedule Pay Rates (Excluding Locality Pay Rates)

**10 Steps per Grade**

	1	2	3	4	5	6	7	8	9	10
GS-1	13,870	14,332	14,794	15,252	15,715	15,986	16,440	16,900	16,918	17,351
2	15,594	15,964	16,481	16,918	17,107	17,610	18,113	18,616	19,119	19,622
3	17,015	17,582	18,149	18,716	19,283	19,850	20,417	20,984	21,551	22,118
4	19,100	19,737	20,374	21,011	21,648	22,285	22,922	23,559	24,196	24,833
5	21,370	22,082	22,794	23,506	24,218	24,930	25,642	26,354	27,066	27,778
6	23,820	24,614	25,408	26,202	26,996	27,790	28,584	29,378	30,172	30,966
7	26,470	27,352	28,234	29,116	29,998	30,880	31,762	32,644	33,526	34,408
8	29,315	30,292	31,269	32,246	33,223	34,200	35,177	36,154	37,131	38,108
9	32,380	33,459	34,538	35,617	<b>36,696</b>	37,775	38,854	39,933	41,012	42,091
10	35,658	36,847	38,036	39,225	40,414	41,603	42,792	43,981	45,170	46,359
11	39,178	40,484	41,790	43,096	44,402	45,708	47,014	48,320	49,626	50,932
12	46,955	48,520	50,085	51,650	53,215	54,780	56,345	57,910	59,475	61,040
13	55,837	57,698	59,559	61,420	63,281	65,142	67,003	68,864	70,725	72,586
14	65,983	68,182	70,381	72,580	74,779	76,978	79,177	81,376	83,575	85,774
15	77,614	80,201	82,788	85,375	87,962	90,549	93,136	95,723	98,310	100,897

**30% Pay Range per Grade**

# Major Features of the GS Pay System (1)

- Pay Linked to Classification and Contributions

- equal pay for substantially equal work

- variations in rates of pay based on

- difficulty, responsibility, and qualification requirements of the work
- contributions of employees to efficiency and economy in the service

[Classification Policy (5 U.S.C. 5101)]

- appropriate incentives and recognition for excellence in performance

[Merit System Principles (5 U.S.C. 2301(b)(3))]

# Major Features of the GS Pay System (2)

- Single white-collar system covering most employees
  - Separate blue-collar system
  - Separate senior management/senior level system
  - Special systems, special rates
- Single job-grading system
  - 15 grades (formerly 18 grades)
  - Some agencies outside of the General Schedule have more or less than 15 grades [example: the Foreign Service, another statutory pay system, has 9 classes (grades)]

# Major Features of the GS Pay System (3)

- Single pay plan
  - The General Schedule pay plan code is “GS;” other structures may look like GS (e.g. GG), but differences exist.
  - GS covers about 70 percent of the executive branch
  - There are about 160 pay plans in the executive branch

# What Does the General Schedule Accomplish?

Allows Government to deal systematically and fairly with:

A. Internal Equity

B. External Competitiveness

C. Individual Pay Progression

# How Does a Formal Grade Structure Link to Pay? (1)

- The Classification System facilitates all other aspects of personnel management
- The classification structure is fixed
- Pay is variable



# How Does a Formal Grade Structure Link to Pay? (2)

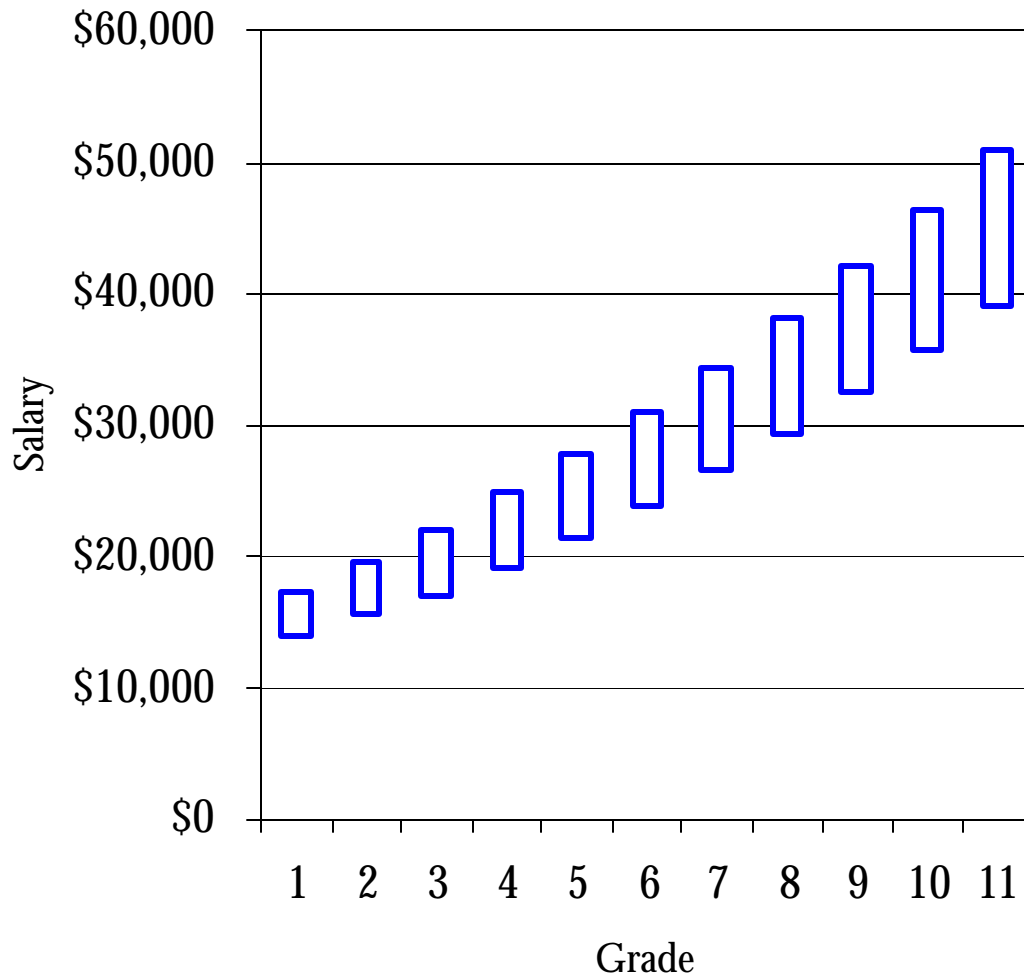
GS Grade	FES Points	2000 GS Pay Range
1	190 - 250	\$13,870 - 17,351
2	255 - 450	\$15,594 - 19,622
3	455 - 650	\$17,015 - 22,118
4	655 - 850	\$19,100 - 24,833
5	855 - 1,100	\$21,370 - 27,778
6	1,105 - 1,350	\$23,820 - 30,966
7	1,355 - 1,600	\$26,470 - 34,408
8	1,605 - 1,850	\$29,315 - 38,108
9	1,855 - 2,100	\$32,380 - 42,091
10	2,105 - 2,350	\$35,658 - 46,359
11	2,355 - 2,750	\$39,178 - 50,932
12	2,755 - 3,150	\$46,955 - 61,040
13	3,155 - 3,600	\$55,837 - 72,586
14	3,605 - 4,050	\$65,983 - 85,774
15	4,055 - 4,480	\$77,614 - 100,897

# General Schedule Pay Structure

- 15 grades (definitions in 5 U.S.C 5104)
- 10 steps per grade
- 30 percent pay range per grade and overlapping pay ranges
- Inter-grade differential
  - Job intervals for one-grade series
  - Job intervals for two-grade series
  - Declining percentage grade differentials
- Shape of pay structure
  - Exponential curve



# Grades: One-Grade Interval Work

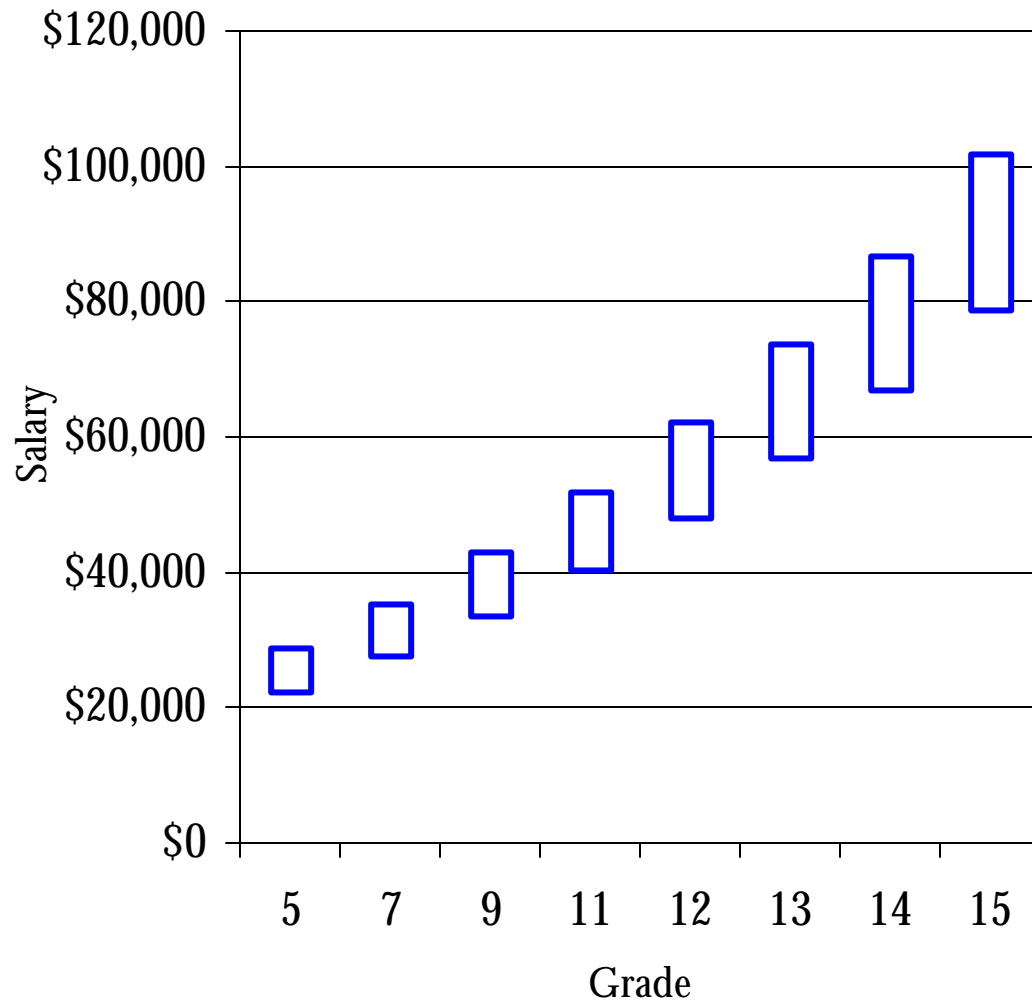


## One-Grade Inter-Grade Differential

From (Midpoint)	To (Midpoint)	Percent
GS-1	GS-2	12.4%
GS-2	GS-3	9.1%
GS-3	GS-4	12.3%
GS-4	GS-5	11.9%
GS-5	GS-6	11.5%
GS-6	GS-7	11.1%
GS-7	GS-8	10.8%
GS-8	GS-9	10.5%
GS-9	GS-10	10.1%
GS-10	GS-11	9.9%



# Grades: Two-Grade Interval Work

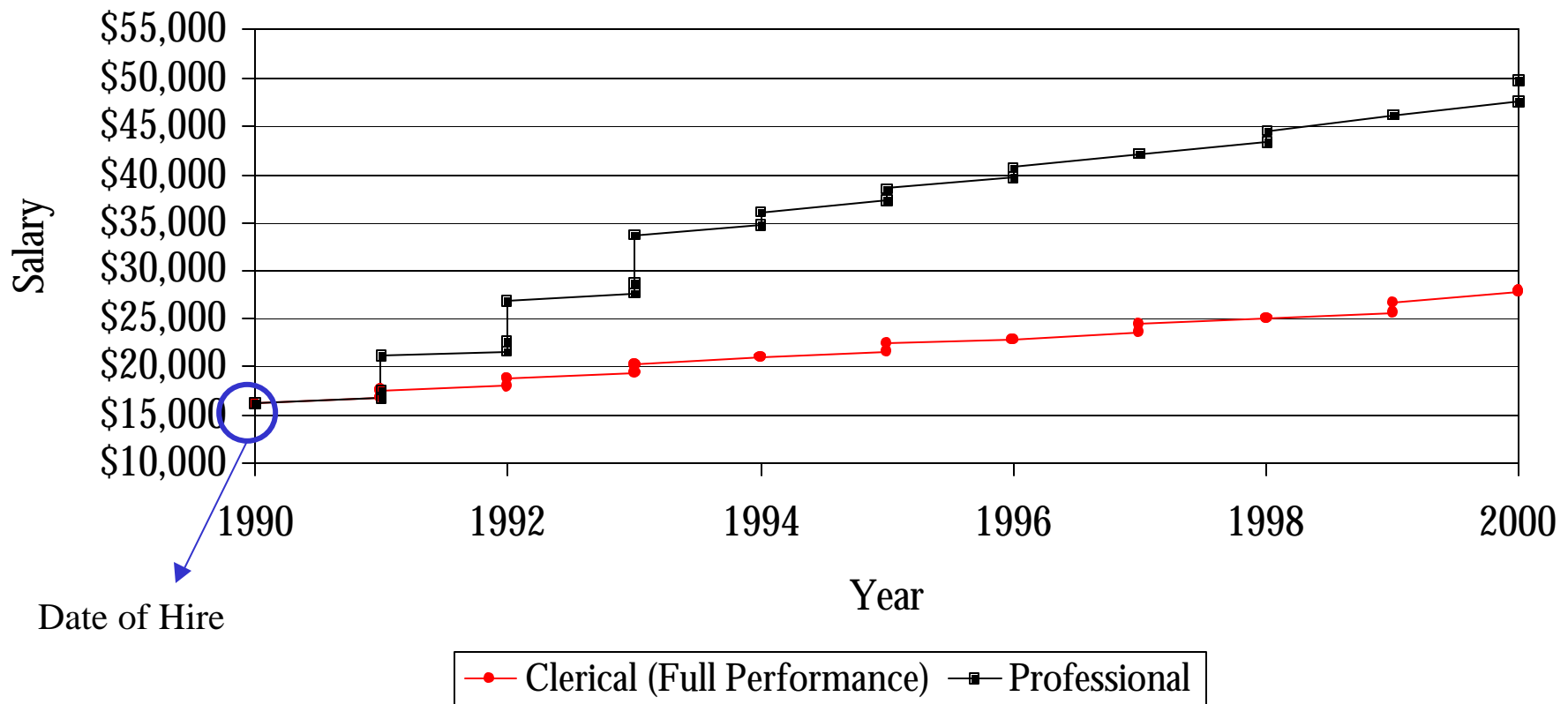


## Two-Grade Inter-Grade Differential

From (Midpoint)	To (Midpoint)	Percent
GS-5	GS-7	23.9%
GS-7	GS-9	22.3%
GS-9	GS-11	21.0%
GS-11	GS-12	19.9%
GS-12	GS-13	18.9%
GS-13	GS-14	18.2%
GS-14	GS-15	17.6%

# Grades: Example of Career Ladder Pay Progression

## GS-5 to GS-11 Professional versus Full Performance GS-5 Clerical

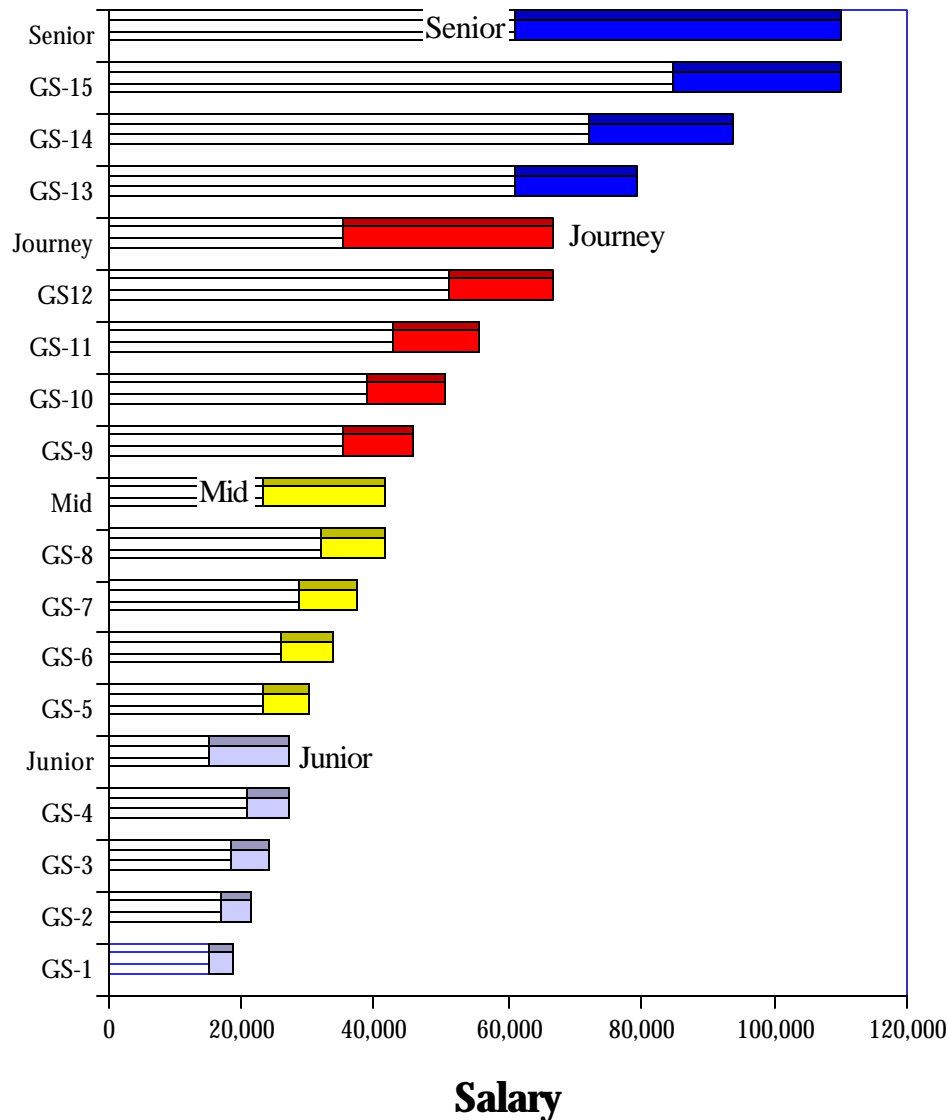


# Pay Range Theory and Practice

- Range spreads usually vary based on the level and sophistication of skills required for a position. Entry-level positions that require skills that are quickly mastered usually have narrower pay ranges than supervisory, managerial, or high-level technical positions.
- Individuals in lower-level positions not only master the requirements of the job sooner, they also have a greater number of opportunities over time to be promoted to higher-level positions. Senior-level positions require a longer learning curve and often have limited opportunities for advancement.

*(WorldatWork)*

# Pay Ranges versus Pay Grades



- Narrow pay ranges and more grades allow for more frequent promotions-and a greater perception of growth and advancement-than wider ranges and fewer grades. *(WorldatWork)*

# Federal Pay Range Patterns

<u>Pay System</u>	<u>Characteristics</u>	<u>Range Spread</u>
Federal Wage System	Nonexempt Production and Maintenance	16.7 percent
General Schedule	Professional, Administrative Technical, Clerical, and Officer	30 percent
Foreign Service	Officers and Support Personnel	47 percent
Demonstration Project- China Lake	Scientific and Engineering and Senior Professional Staff	Band III 55%
Senior Executive Service	Executive Level Management	No Range Rank-in-Person



# Private Sector Pay Range Patterns

<u>Characteristics</u>	<u>Common Pay Range</u>
lower-level service, production, and maintenance	20-25 percent
clerical, technical, paraprofessional	30-40 percent
professional, administrative, and middle management	40-50 percent
higher-level managerial, executive, and technical	50 percent and up

*(WorldatWork)*

# Federal Pay Range Spread (1)

- General Schedule Steps
  - Uniform dollar amount
  - Calculated as 3.33 percent of the step 1 rate
  - Declining percentage

Step 1

plus 3.3 percent = Step 2

plus 3.2 percent = Step 3

plus 3.1 percent = Step 4

plus 3.0 percent = Step 5

plus 2.9 percent = Step 6

plus 2.9 percent = Step 7

plus 2.8 percent = Step 8

plus 2.7 percent = Step 9

plus 2.6 percent = Step 10

# Federal Pay Range Spread (2)

- Foreign Service Steps
  - Uniform percentage amount
  - Calculated as 3 percent of previous step

Step 1

plus 3 percent = Step 2

plus 3 percent = Step 3

plus 3 percent = Step 4

...

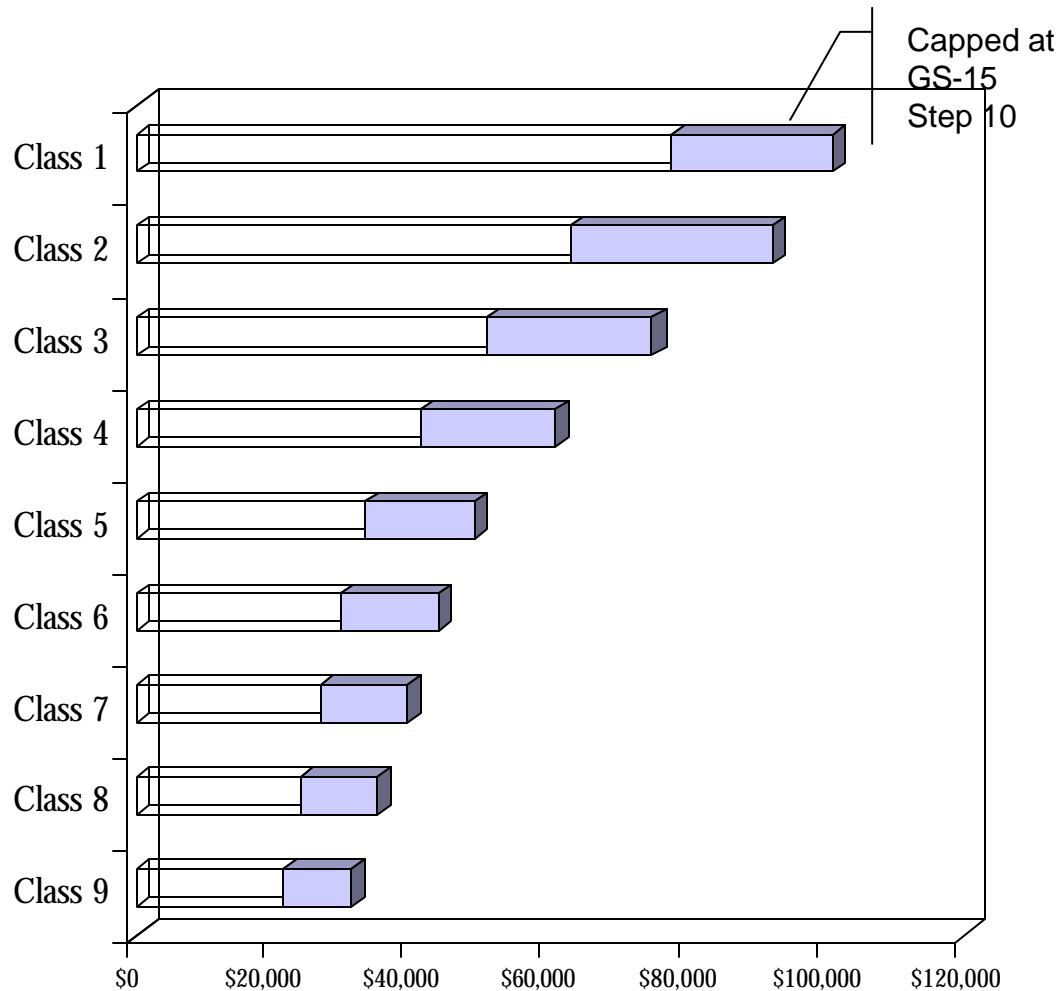
plus 3 percent = Step 12

plus 3 percent = Step 13

plus 3 percent = Step 14

# Federal Pay Range Spread (3)

## Foreign Service Pay Ranges



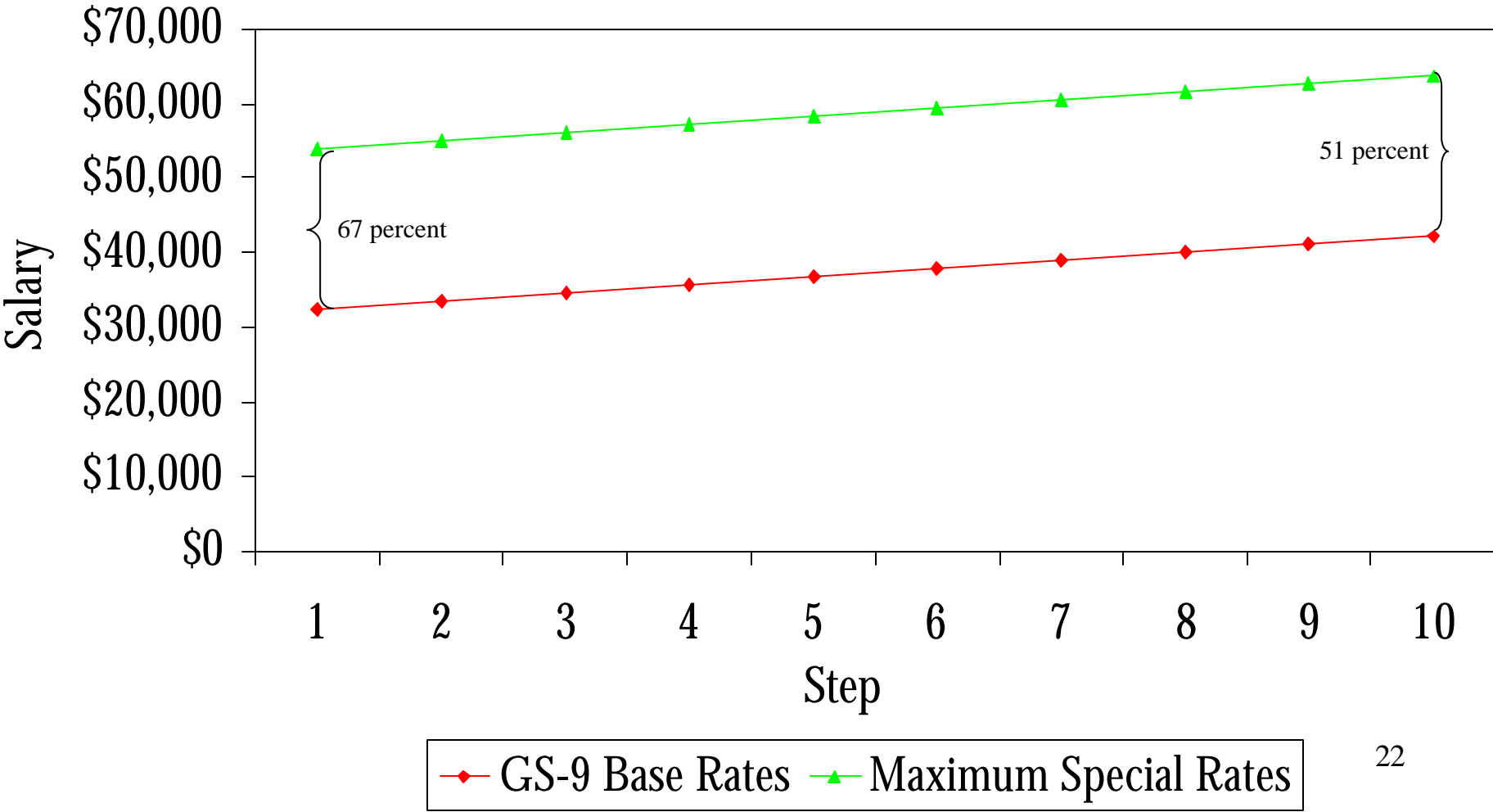
- The Foreign Service pay system has about a 47 percent range with intergrade differentials of 12 percent for class 9 through 5 and 23 percent for classes 5 through 1. There is a great deal of overlap between levels.

# Federal Pay Range Spread (5)

## Special Pay Structures for Special Rate Ranges

- Last resort for staffing problems
- Labor market supply and demand dynamics
- Influenced by non-Federal pay rates
- Links to the GS pay structure

# General Schedule Rates versus Maximum Special Rates



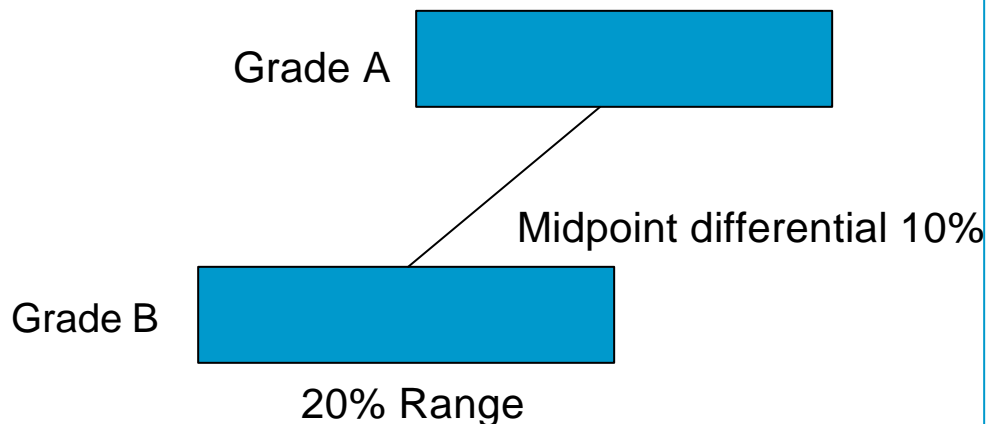
# Analysis of Pay Structures: Comparative Measures

- Measures of Pay Structure
  - Midpoint
  - Compa Ratio
  - Minimum-Maximum
- Measures of Workforce Distribution
  - Step Distribution
  - Weighted Average

# Comparative Measures (1)

- The private sector uses midpoint differentials to construct pay ranges and compa ratios to control costs.

**Midpoint differentials** show the difference in midpoints between two grades.



**Compa ratios** compare individual employee pay to the pay range midpoint.

Example: An employee's pay is \$14,000.

The pay range midpoint is \$15,000.

The ratio between the employee's pay and the midpoint is  $\$14,000/\$15,000$ .

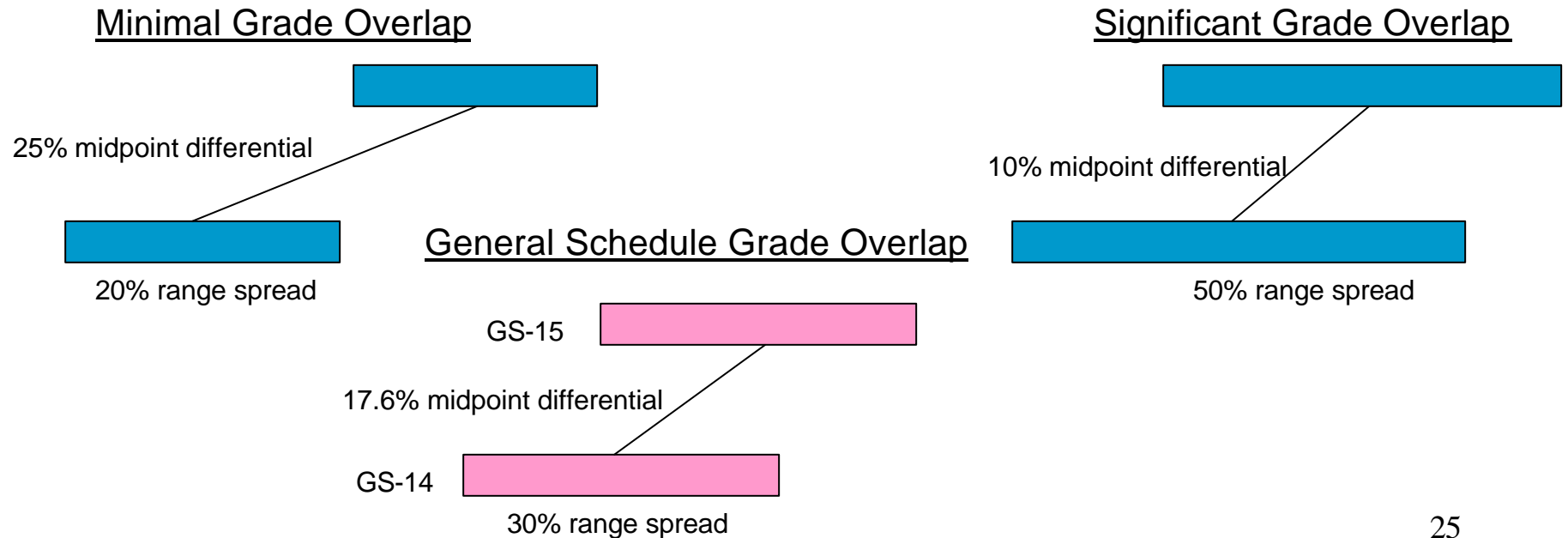
The employee's compa ratio is 93%.



# Comparative Measures (2)

- Grade overlap is the amount by which the pay of one grade overlaps an adjacent grade.
- Grade overlap is minimal when midpoint differentials are large and range widths are small. Grade overlap is significant when midpoint differentials are small and range spread is large.

*(WorldatWork)*





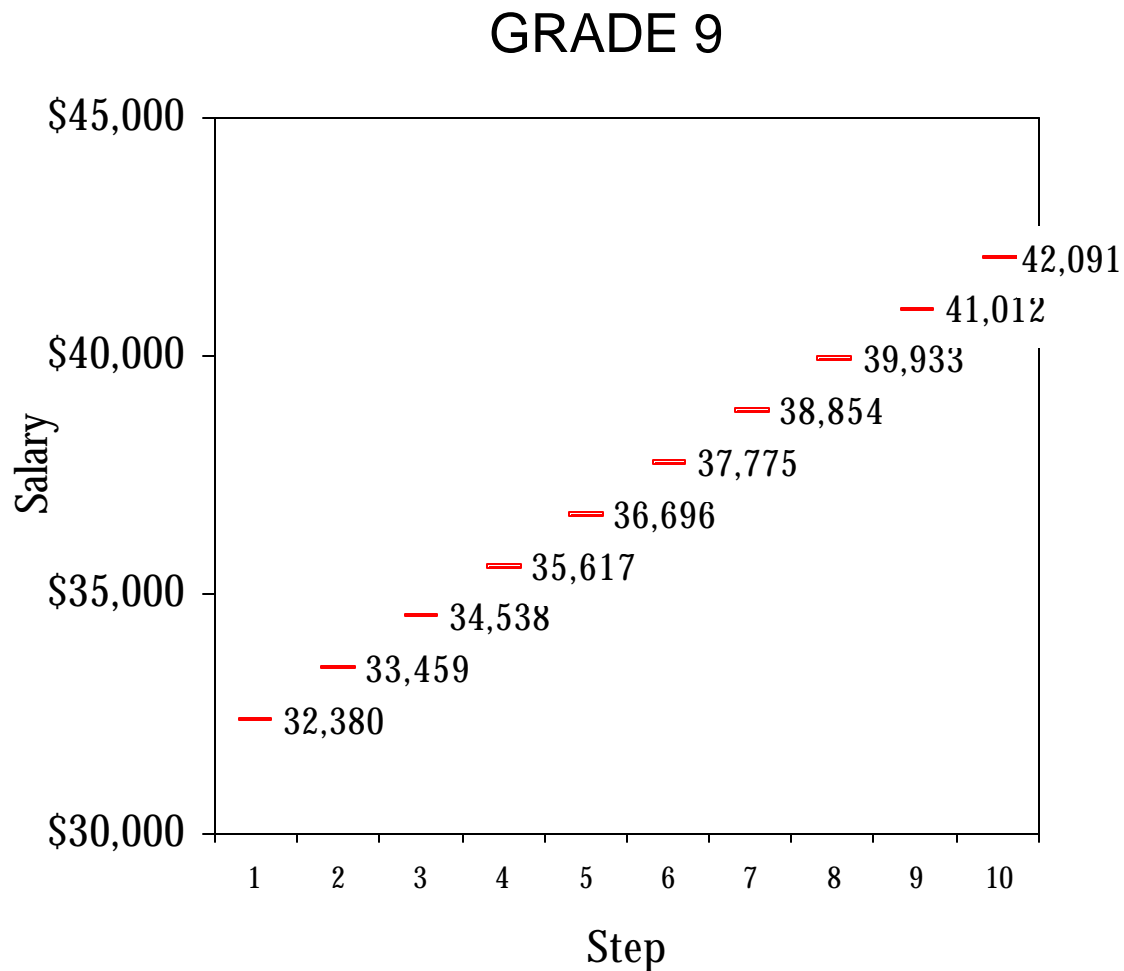
# Comparative Measures (3)

- Since the General Schedule is adjusted by a single uniform percentage (5 U.S.C. 5303), the current intergrade differentials are frozen in place. (See charts for one-and two-grade interval work for GS intergrade differentials.)
- The structural and individual pay mechanisms of the General Schedule do not require Federal managers to calculate compa ratios as part of the pay-setting process.

# How Employees Move Within the GS Pay Structure (1)

- Within-grade increases
  - Time in grade
  - Satisfactory performance (acceptable level of competence)
  - Virtually automatic progression
  - Learning curve theory
- Quality step increases
  - Outstanding performance
  - Not more than once every 52 weeks
  - Does not affect time in grade for next within-grade increase

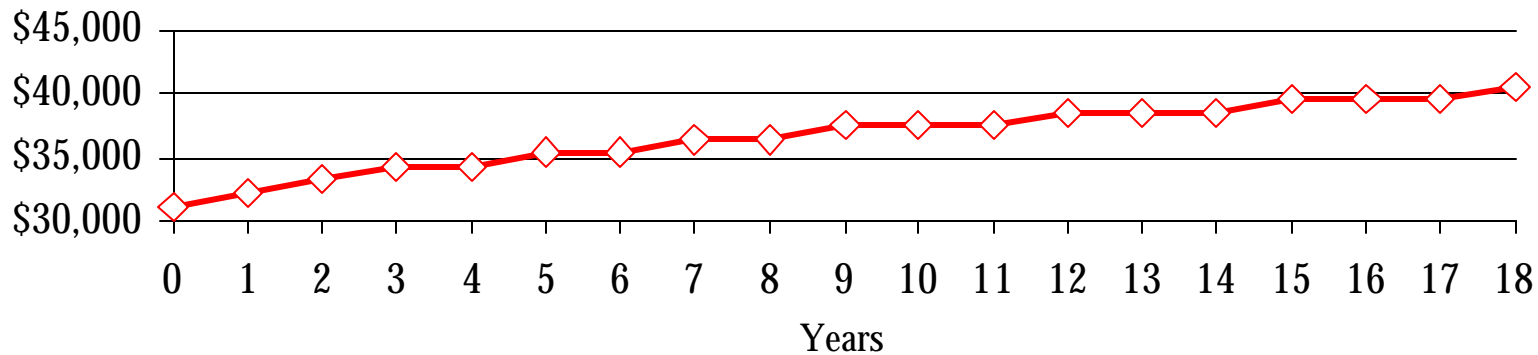
# General Schedule Steps



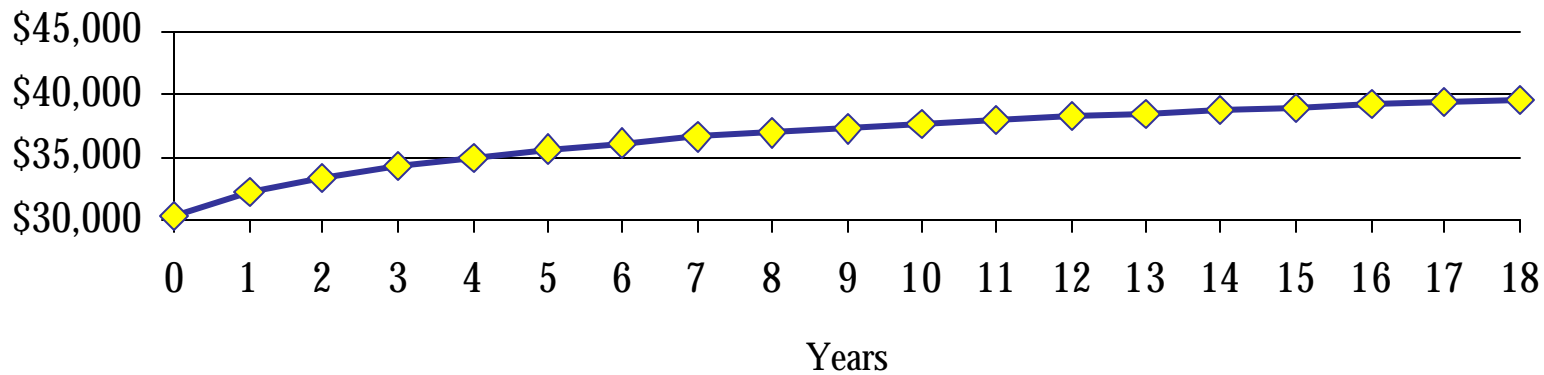
- 30 percent rate range
- Uniform dollar within-grade step increases
  - ▶ 3.3 % of step one rate
  - ▶ 2.6 % of step nine rate
- Grades 1 and 2 out of alignment

# Illustration of General Schedule Step Progression

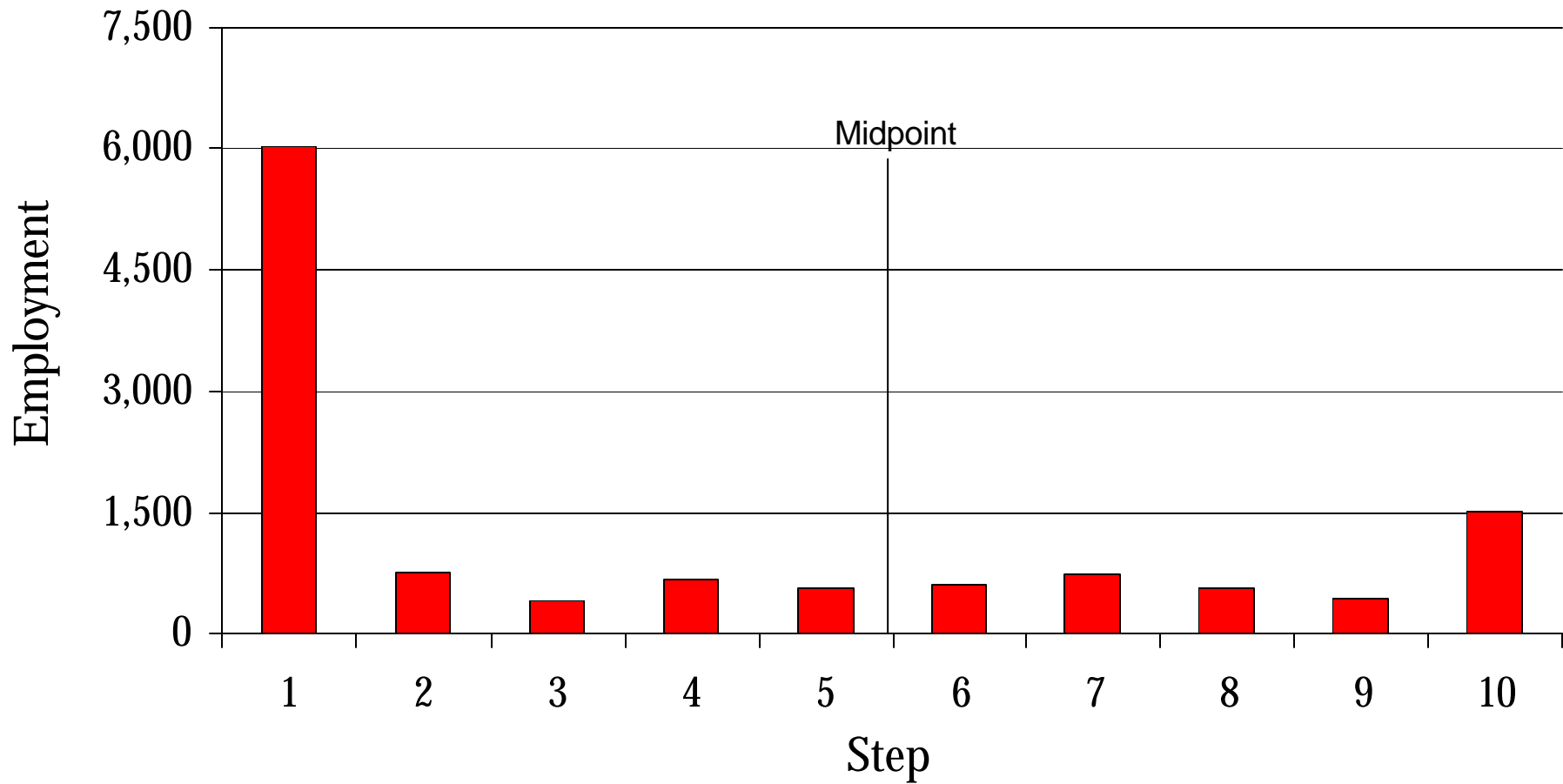
## Grade 9 (Steps)



## Grade 9 (Power Curve)

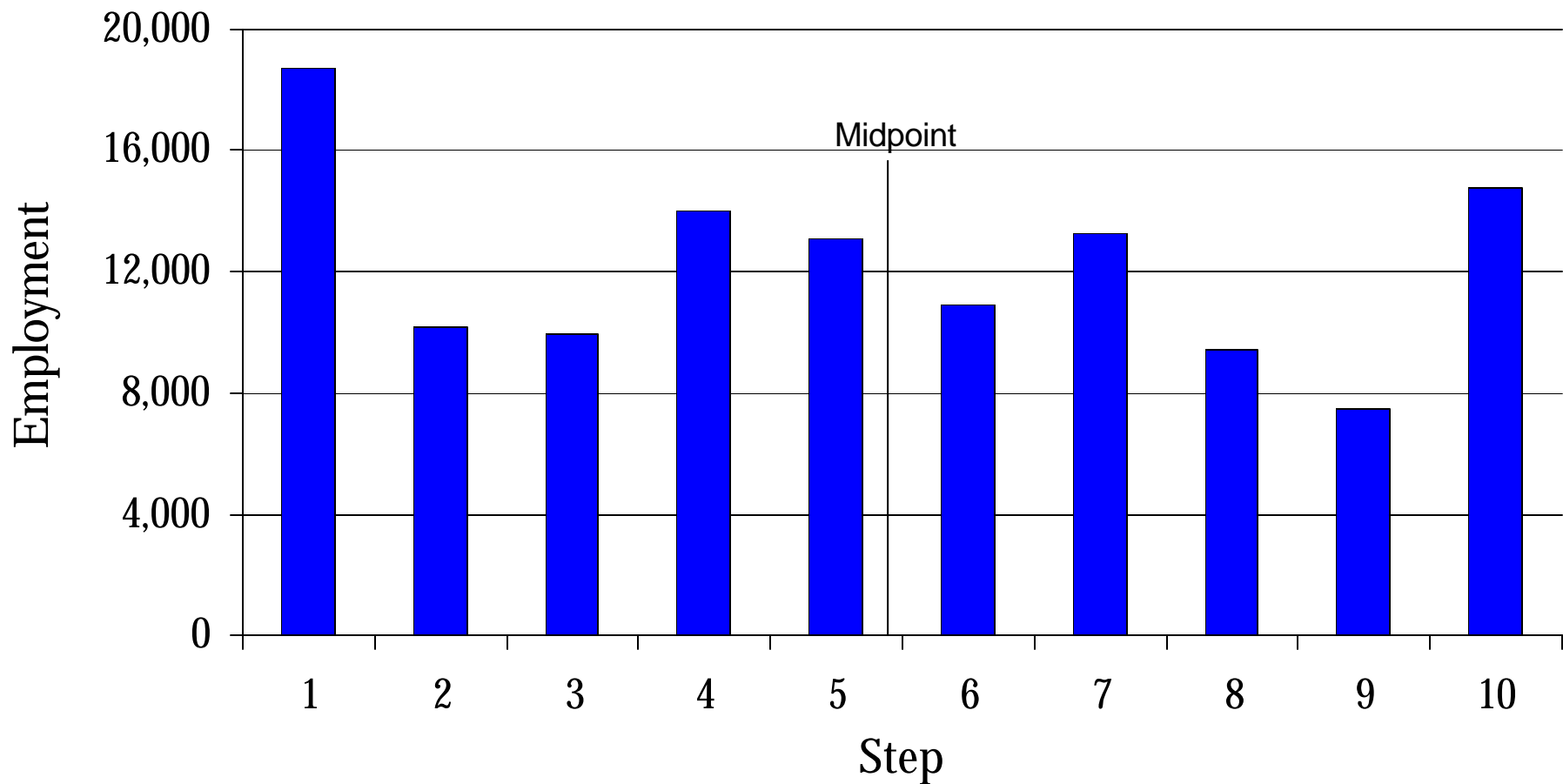


# Employment Distribution by Step GS-3

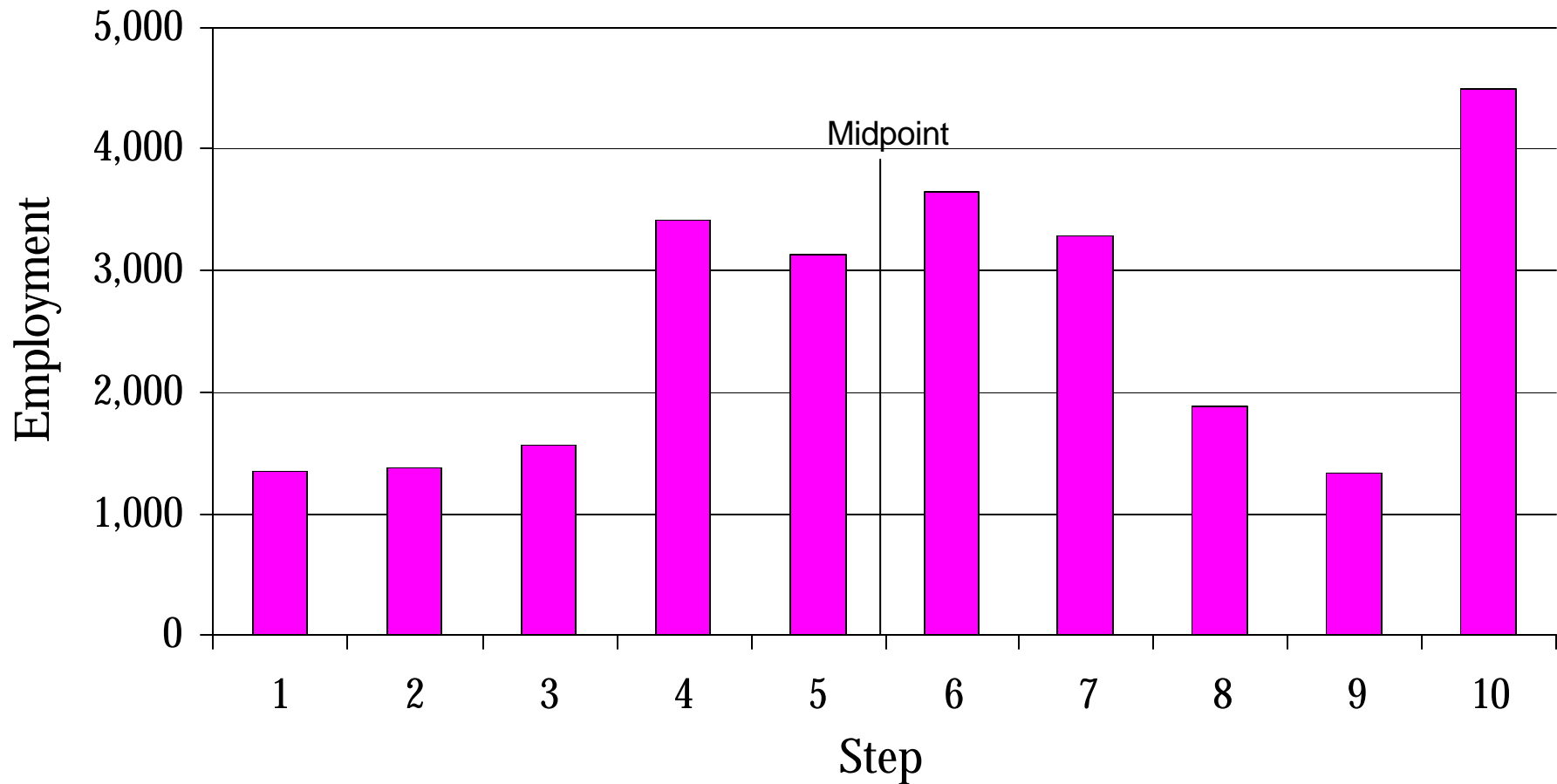


# Employment Distribution by Step

## GS-9



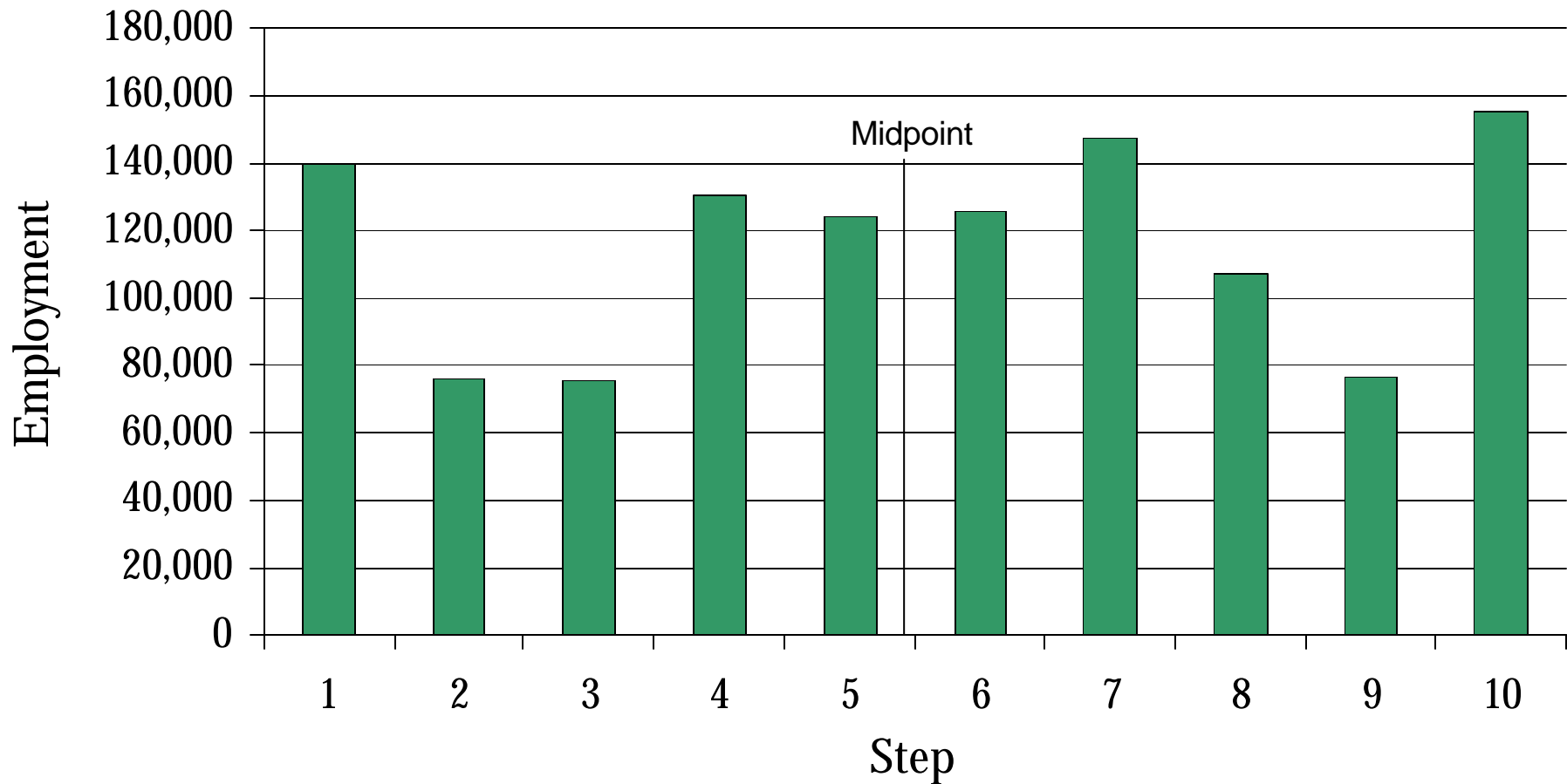
# Employment Distribution by Step GS-15 (Excludes GM)





# Employment Distribution by Step

## All Grades



# How Employees Move Within the GS Pay Structure (2)

- Promotions
  - Career ladder or merit promotion
  - Minimum two-step increase

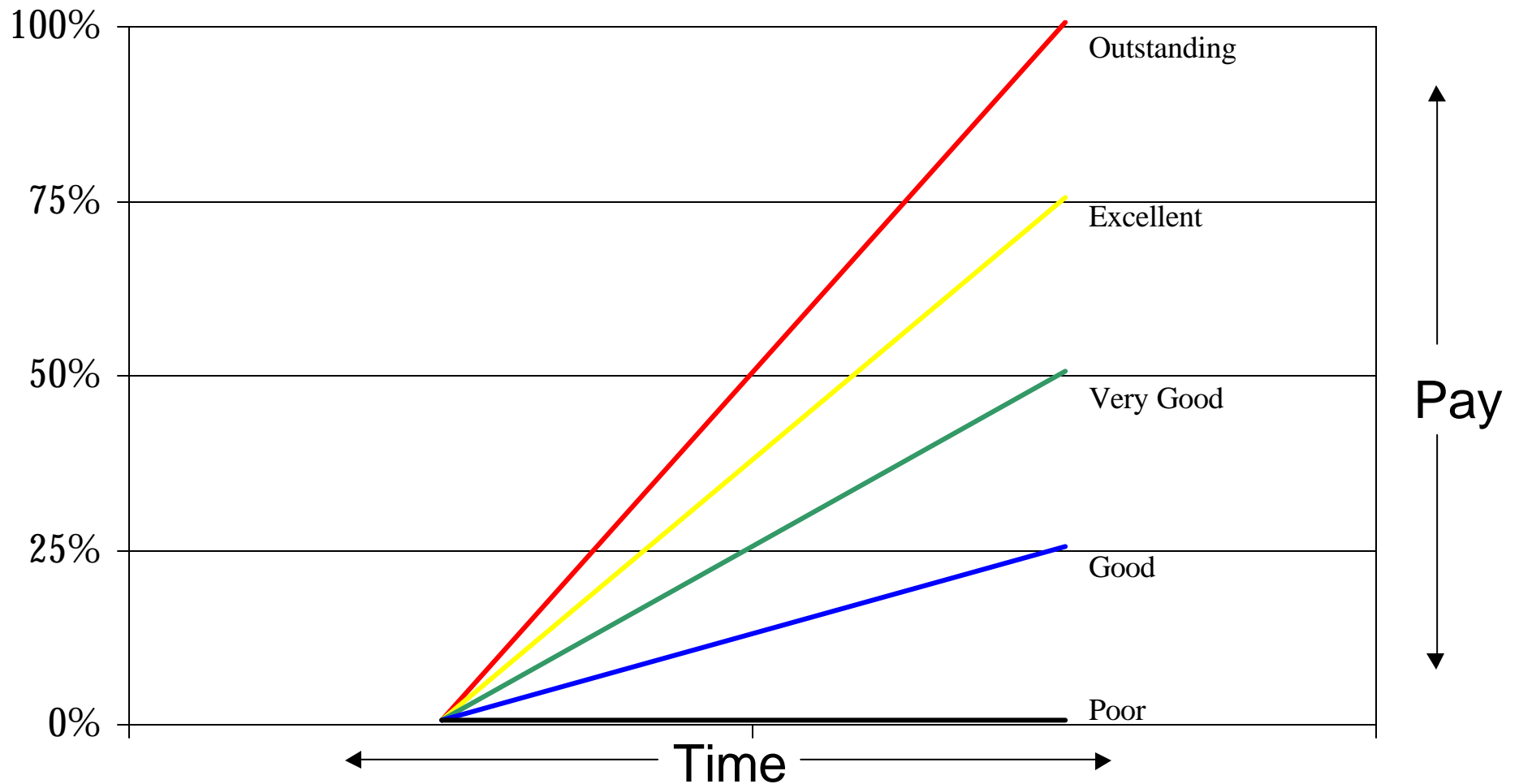
## Examples:

- GS-9, step 1 promoted to GS-11
  - \$32,380  $\Rightarrow$  \$39,178 (GS-11, step 1)  
amount \$ = \$6,798 amount % = 20.99%
- GS-9, step 5 promoted to GS-11
  - \$36,696  $\Rightarrow$  \$39,178 (GS-11, step 1)  
amount \$ = \$2,482 amount % = 6.76%
- GS-9, step 10 promoted to GS-11
  - \$42,091  $\Rightarrow$  \$44,402 (GS-11, step 5)  
amount \$ = \$2,311 amount % = 5.49%

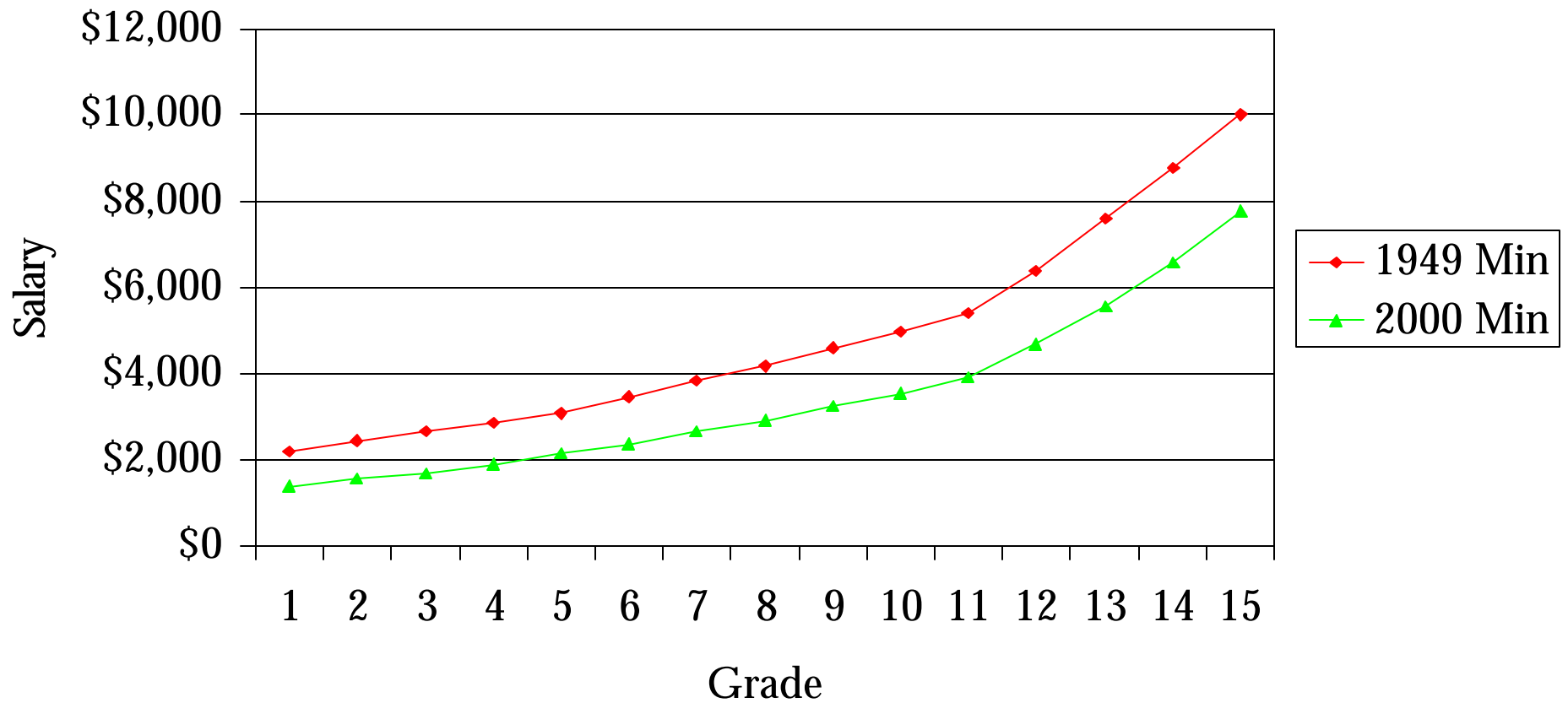
# How Employees Move Within the GS Pay Structure (3)

- Alternative methods for determining individual pay rates and range progression
  - single rate
  - skill-based pay/competencies
  - automatic step rates/longevity
  - performance-based step rates
  - step rate and merit based pay
  - variable merit performance-based pay
  - structural versus individual adjustments
  - uniform or variable timing

# A Private Sector Model for Pay Range Progression and Performance



# Comparison of “Shape” of 1949 and 2000 General Schedule



Note: GS 2000 pay rates are divided by a factor of 10

# Structural Pay Increases

- The “shape” of the 1949 and 2000 General Schedule are similar. However, pay for higher grades has increased somewhat faster than at lower grades.
  - GS-5 increased 689 percent between 1949 and 2000
  - GS-13 increase 734 percent between 1949 and 2000
- Most annual pay adjustments have been a uniform percent across-the-board schedule increase. Intergrade differentials have remained fairly constant.
- Structural pay costs are controlled by the President and Congress, not individual agencies.
- Timing cycle
  - salary survey
  - recommendations
  - approval/Federal budget process
  - implementation

# Current Perspectives (1)

- General Schedule Structural Adjustments
  - General adjustment - based on annual change in employment cost index (ECI) as of September 30 minus 0.5 points
  - Locality adjustments - based on Bureau of Labor Statistics salary surveys in 32 localities
  - Measured, prepared, and analyzed centrally
  - Agencies implement
  - President and Congress make final decisions

# ECI and Locality Pay Increases

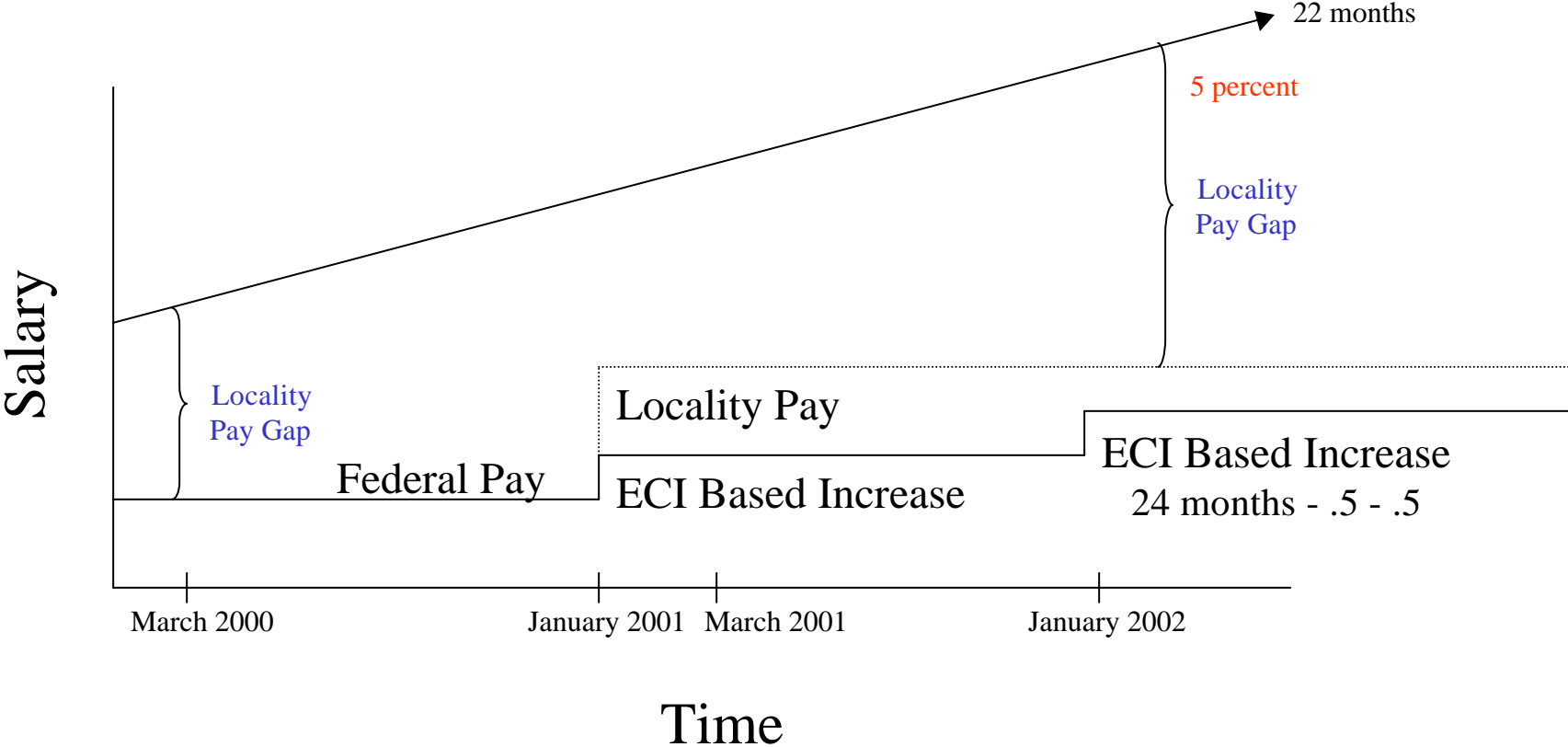
<u>Year</u>	<u>ECI-Based Adjustment</u>	<u>Locality Average Rate</u>
1994	0.00%	3.95%
1995	2.00%	5.05%
1996	2.00%	5.56%
1997	2.30%	6.38%
1998	2.30%	6.93%
1999	3.10%	7.50%
2000	3.80%	8.62%



# Current Perspectives (2)

- Pay Adjustments
  - Employees move with the pay structure (Structural Adjustment)
    - structure adjusted by uniform percentage amount
    - annual frequency (aligned to the calendar year, not fiscal year)
  - Employees move within the pay structure (Individual Adjustment)
    - within-grade increases
    - quality-step increases
    - promotions
- Market strategy
  - FEPCA locality pay phase in
    - actual - 33.5 percent (2000)
    - statutory timetable - 90 percent (2001)
  - 2001 locality pay rates reflect the 1999 recommendation of the Federal Salary Council and President's Pay Agent as adjusted by the President and/or Congress.

# March 2000 Locality Pay Gaps versus Implementation in January 2002



# Pay Administration Notes

- Step 4 of the base General Schedule is the representative rate used for grade and pay retention and certain reduction-in-force determinations.
- “Red Circle Rates” (above step 10)
  - grade retention
  - pay retention
- “Blue Circle” Rates (below step 1)
  - are not permitted in the General Schedule

# For More Information

- Pay Schedules and Compensation Information
  - [www.opm.gov/oca/payrates/index.htm](http://www.opm.gov/oca/payrates/index.htm)
- Federal Classification Systems
  - [www.opm.gov/fedclass/index.htm](http://www.opm.gov/fedclass/index.htm)
- The Fact Book
  - [www.opm.gov/feddata/factbook/index.htm](http://www.opm.gov/feddata/factbook/index.htm)
- Pay Structure of the Federal Government
  - [www.opm.gov/feddata/](http://www.opm.gov/feddata/)
- Annual Reports of the President's Pay Agent
  - email [payleave@opm.gov](mailto:payleave@opm.gov), we will send you a copy.