



SATISFACTION WITH PAY

Recent studies comparing public- and private-sector pay are contradictory, with some concluding that federal workers earn more than their private-sector counterparts and others claiming they earn less money.¹ The latest report from the nonpartisan Congressional Budget Office found that highly educated federal employees are underpaid relative to their counterparts in the private sector, and that federal employees with less education tend to be overcompensated.² But what do federal employees themselves think about their pay and how does pay affect their job satisfaction?

The Partnership for Public Service set out to understand these questions as part of its *Best Places to Work in the Federal Government*[®] analysis, which is based on data from the Office of Personnel Management’s (OPM) 2011 Federal Employee Viewpoint Survey.

When federal workers were asked how satisfied they were with their pay, they expressed less contentment with their salaries in 2011 than in 2010, likely reflecting the two-year freeze on comparability pay increases³ imposed by Congress in December 2010, and the concern that further cutbacks might be in the offing. Employee satisfaction with pay was down 6.1 percent, from a *Best Places to Work* score of 63 out of 100 in 2010 to 59.1 in 2011. Pay registered the second largest decrease among workplace categories used in the *Best Places to Work* rankings, with only family friendly culture experiencing a bigger drop off from 2010.

1 U.S. Office of Personnel Management, “Recommendations for Locality Pay in 2013,” Federal Salary Council, <http://www.opm.gov/oca/fsc/> (accessed 14 May 2012).

2 Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees,” <http://www.cbo.gov/publication/42921> (accessed 14 May 2012).

3 U.S. Office of Personnel Management, “Questions and Answers on the Pay Freeze,” http://www.opm.gov/oca/compmemo/2010/2011freeze_attach4.pdf (accessed 14 May 2012).

Pay matters, but leadership matters more

Just how important is pay compared with other aspects of work? Our government-wide analysis found that the primary driver of overall job satisfaction and commitment in the federal workplace is leadership, and in particular, an agency’s senior leaders. This is followed by a belief that employees’ skills are well-suited to their agency’s mission, and then, satisfaction with pay. In our government-wide job satisfaction analysis, leadership was about five times more important, while skills/mission match was roughly three times more important than pay.

In short, pay matters and is a concern for federal employees, but meaningful work and leaders who empower and motivate employees have a bigger impact on overall job satisfaction and commitment.

TABLE 1
Workplace categories percentage change

| | 2011 SCORE | 2010 SCORE | CHANGE |
|-------------------------|------------|------------|--------|
| Skills/Mission Match* | 78.6 | 78.9 | -0.3 |
| Teamwork | 65.3 | 65.3 | 0.0 |
| Training /Development | 60.7 | 61.1 | -0.7 |
| Work/Life Balance | 60.2 | 60.7 | -0.9 |
| Overall Satisfaction | 64.0 | 65.0 | -1.5 |
| Pay* | 59.1 | 63.0 | -6.1 |
| Support for Diversity | 57.8 | 56.9 | 1.5 |
| Strategic Management | 56.8 | 56.4 | 0.8 |
| Effective Leadership* | 54.9 | 54.5 | 0.7 |
| Rewards/Advancement | 45.9 | 46.4 | -1.1 |
| Family Friendly Culture | 33.6 | 36.2 | -7.3 |

* Key driver of overall satisfaction

Higher ranking professionals are most satisfied with pay

Higher ranking professionals in the GS-13 to GS-15 positions were the most satisfied with their pay—74.1 percent of this group responded positively. At the same time, this group still experienced a 6.1 percent decline compared to 2010. In contrast to GS-13 to GS-15 employees, the average satisfaction for workers at all other pay levels was only 58 percent. The highest-level executives in government, members of the Senior Executive Service, Senior Leaders and Scientific Professionals, as well as employees in pay categories outside the GS system, registered the largest decrease in pay satisfaction with a 7.8 percent drop in 2011. Employees in the Federal Wage System (the pay plan that covers most trade, craft, and laboring employees in the executive branch), and GS-1 to GS-12 categories, had smaller decreases compared to 2010 (-2.4 and -4.7 percent, respectively).

Little difference by gender and age, wider gaps by race/ethnicity

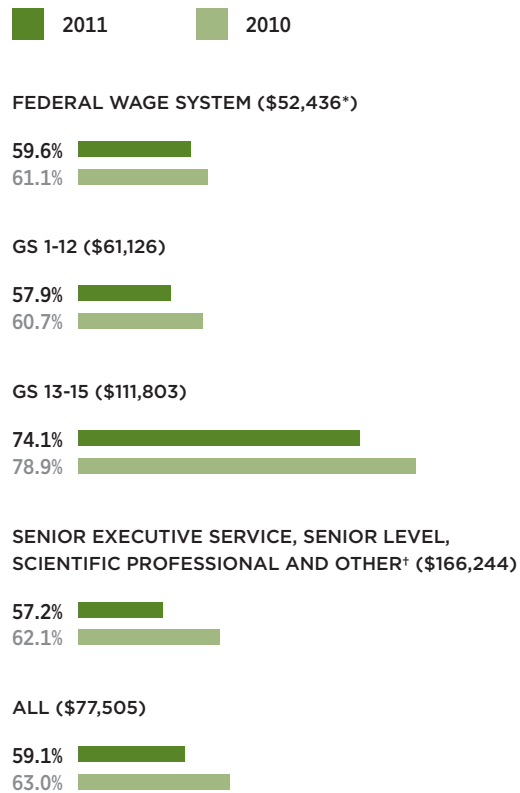
In 2011, OPM reported that in the U.S. workforce, “women are paid an average of 77 cents for every dollar paid to men, and the numbers are even worse for African-American women and Hispanic women. The gap is smaller for federal government employees, but it has not been closed yet.”⁴ Our analysis, however, found that there was no difference in how men and women in the federal workforce viewed the issue of pay, and only a negligible gap between older and younger government employees. But there was a divide based on race/ethnicity, with white employees more satisfied with their salaries than other groups, including black, Asian, American Indian, and multi-racial employees.

Financial regulators offer sharp contrast on pay satisfaction

Employees at the Federal Deposit Insurance Corporation (FDIC), the top-ranked *Best Places to Work* large agency in 2011, also had the highest pay satisfaction with a score of 83.3 out of 100. This was almost nine points higher than the next agency, the Nuclear Regulatory Commission. It may be tempting for many federal agencies to discount the FDIC’s success in this area. The FDIC, funded by fees paid by the banks it regulates, was not subjected to the federal pay freeze and has the ability to pay slightly higher salaries for some jobs compared to other federal agencies. However, the Securities and Exchange Commission (SEC), another financial regulatory agency, is also funded

⁴ U.S. Office Personnel Management and U.S. Equal Employment Opportunity Commission, “Equal Pay in the Federal Government,” http://www.eeoc.gov/federal/memo_eпа.cfm (accessed 14 May 2012).

FIGURE 1
Satisfaction with pay by pay category



* Average salary is from OPM’s FedScope (fiscal 2011) and based on full-time, permanent employees in the category.

† Other is a designation used by OPM in the Federal Employee Viewpoint Survey, and as a result, is not reflected in the average salary figure, which includes Senior Executive Service and those in the Senior Level and Scientific and Professional positions only.

FIGURE 2
Satisfaction with pay by gender, age group and racial/ethnic group

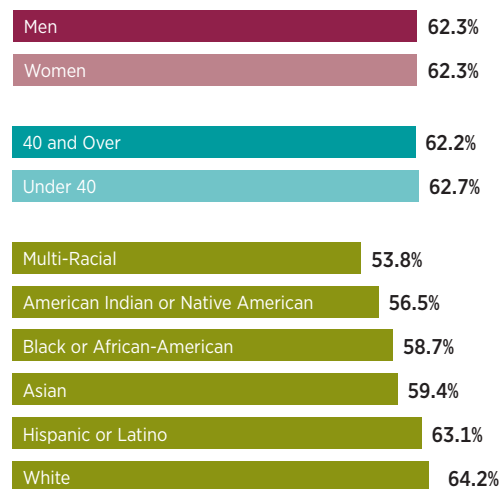


TABLE 2

Pay rankings, scores, change and key drivers for large agencies

| | SATISFACTION WITH PAY | | % CHANGE (2010 TO 2011) | IS PAY A KEY DRIVER? |
|---|-----------------------|------------|----------------------------|-------------------------|
| | RANK | % POSITIVE | | |
| Federal Deposit Insurance Corporation | 1 | 83.3 | — | Yes (2007) |
| Nuclear Regulatory Commission | 2 | 74.6 | -7.7 | Yes |
| National Aeronautics and Space Administration | 3 | 70.7 | -5.4 | No |
| Office of Personnel Management | 4 | 69.2 | -4.9 | Yes |
| Environmental Protection Agency | 5 | 68.0 | -7.1 | Yes |
| General Services Administration | 6 | 66.8 | -10.5 | Yes |
| Department of State | 7 | 65.8 | -7.6 | Yes |
| Small Business Administration | 8 | 65.2 | -7.1 | Yes |
| Social Security Administration | 9 | 64.5 | -10.6 | Yes |
| Department of Education | 10 | 64.4 | -8.1 | Yes |
| Department of Transportation | 10 | 64.4 | -2.0 | Yes |
| Department of Energy | 12 | 64.2 | -9.1 | No |
| Department of Commerce | 13 | 63.7 | -7.3 | Yes |
| Department of Justice | 13 | 63.7 | -4.2 | Yes |
| Department of Housing and Urban Development | 15 | 63.1 | -7.9 | Yes |
| Office of the Secretary of Defense | 16 | 60.5 | — | Yes |
| Department of Labor | 17 | 59.9 | -12.2 | Yes |
| Department of the Interior | 18 | 59.7 | -9.2 | Yes |
| Department of the Treasury | 18 | 59.7 | -6.4 | Yes |
| Department of Health and Human Services | 20 | 59.6 | -8.3 | Yes |
| Government-wide | | 59.1 | -6.1 | Yes |
| Department of Agriculture | 21 | 59.0 | -10.1 | Yes |
| Department of the Army | 22 | 58.6 | -5.1 | Yes |
| Department of the Air Force | 23 | 58.3 | -8.2 | No |
| Department of the Navy | 24 | 58.2 | -6.1 | Yes |
| Equal Employment Opportunity Commission | 24 | 58.2 | -2.8 | Yes |
| U.S. Agency for International Development | 26 | 57.9 | -13.0 | No |
| Securities and Exchange Commission | 27 | 57.8 | -17.6 | No |
| Department of Homeland Security | 28 | 56.8 | -5.7 | Yes |
| National Archives and Records Administration | 29 | 54.7 | -3.3 | Yes |
| Department of Veterans Affairs | 30 | 53.3 | 0.2 | Yes |

by fees, not tax revenues and has special pay flexibilities. Its employees have the highest average salary of any large federal agency, but in contrast to FDIC, the SEC had one of the lowest 2011 pay satisfaction scores (57.8) and recorded the largest decrease on this issue—down 17.6 percent from 2010.

The differing employee attitudes toward pay at the two financial agencies comes against the larger backdrop of the FDIC rising from 21st place in 2007 to first in the 2011 *Best Places to Work* rankings, while the SEC dropped to 27th place in 2011 after having been ranked 24th in 2010, 11th in 2009 and third in 2007. While the FDIC is in the midst of a five-year culture change initiative to improve communications, increase the sense of empowerment and make leadership more responsive to employee concerns, SEC employees have repeatedly given negative responses regarding agency leadership, strategic management and other workplace issues.

All this suggests that pay, while important, will not by itself improve employee satisfaction and commitment unless other factors are present in the workplace, including leadership, a sense of empowerment and a strong connection between worker skills and agency mission.

Labor Department, TSA register big dips in pay satisfaction

Our analysis found that pay was the third most important workplace issue at 25 out of the 30 large agencies included in the *Best Places to Work* rankings.⁵ Among those agencies was the Department of Labor (DOL), which had the biggest decrease in worker satisfaction regarding pay, registering a 12.2 percent drop from 2010 to 2011. A closer look at DOL subcomponents reveals potential red flags for management. For example, pay was a key driver for the Mine Safety and Health Administration, the Employee Benefits Security Administration, and the Occupational Safety and Health Administration (OSHA), and satisfaction with pay dropped at each of these DOL subcomponents by more than 15 percent.

At the Department of Homeland Security, the Transportation Security Administration's (TSA) results were most troubling. Only 35.8 percent of employees were satisfied with their pay. With the latest decline of 15.1 percent in employee attitudes toward their pay, TSA registered the

TABLE 3
Selected subcomponents with pay as key driver, rankings, scores and percent change

| AGENCY | SATISFACTION WITH PAY | | |
|---|-----------------------|------------|-------------------------|
| | RANK (OUT OF 228) | % POSITIVE | % CHANGE (2010 TO 2011) |
| Mine Safety and Health Administration (DOL) | 223 | 50.4 | -16.4 |
| Employee Benefits Security Administration (DOL) | 215 | 52.2 | -16.4 |
| Occupational Safety and Health Administration (DOL) | 124 | 62.2 | -15.2 |
| Transportation Security Administration (DHS) | 228 | 35.8 | -15.1 |

lowest score on this issue of any agency in the *Best Places to Work* rankings.

The bottom line

Federal employees weigh the totality of their job experience, and if they admire the agency leaders, get along well with their supervisor and feel their talents are being used well toward a compelling mission, they may remain engaged and motivated even if they are dissatisfied with pay. Leaders may feel they don't have much control over federal salaries, but they can influence other factors to make sure pay is not the tipping point that discourages workers. Creating a great workplace environment, in spite of tough economic times, matters now more than ever.

Even though pay satisfaction has a relatively small impact on overall job satisfaction, salary can be a big factor in the competition for talent. The federal government must have a compensation system that is in line with the private sector pay. Extended pay freezes in the future or other reductions in compensation could impact employee retention, the ability of federal agencies to recruit high quality candidates—a key ingredient of high-performing organizations.

This Best Places to Work in the Federal Government® snapshot was made possible by generous support from Deloitte.

⁵ The rankings also include three large agencies that do not participate in the OPM survey but instead conducted comparable employee surveys. Key driver analyses are not available for those additional agencies (Government Accountability Office, Smithsonian Institution, and the Intelligence Community). FDIC also conducts a comparable survey. However, in 2007, FDIC participated in the OPM survey, and the key drivers were: effective leadership; skills/mission match; and pay.