Presentation to Retirement and Independent Entities Interim Committee

November 10, 2016

Classification Overview

- DHRM is statutorily responsible for classification of the State's "classified" workforce
- Classified employees are typically also career service
- DHRM controls these functions to assure consistency in application, provide the appropriate expertise, and to reduce liability
- Classification is assignment of employees to the appropriate job title and salary range for the work actually being performed
- Jobs and salary ranges are controlled by DHRM
- Reduces liability in the "equal pay for equal work" and FLSA areas

Compensation Overview

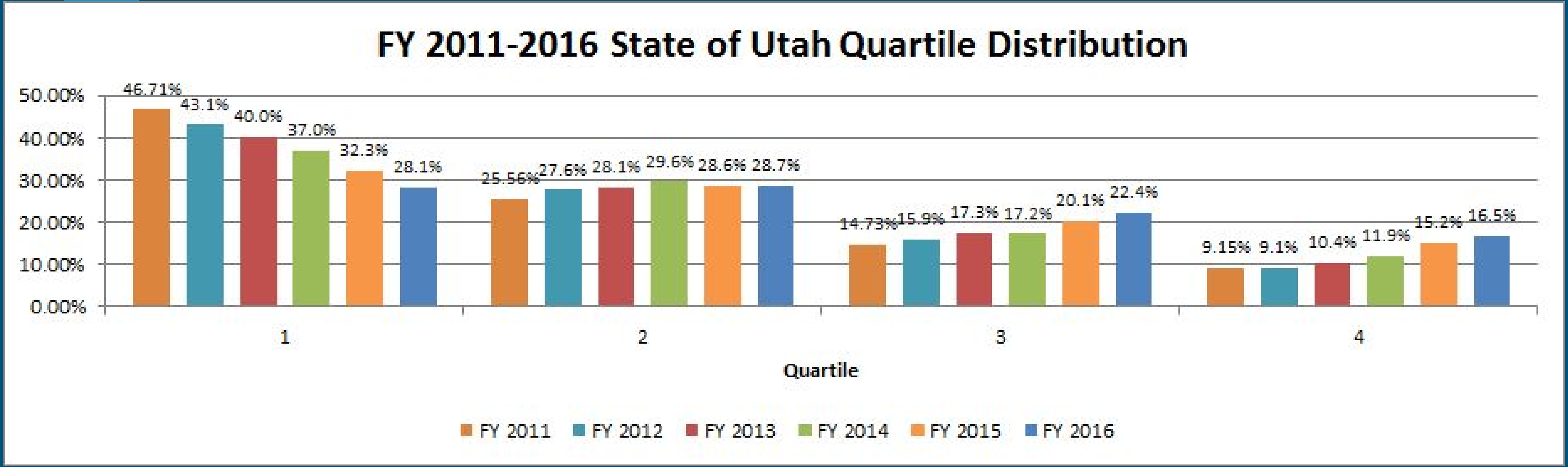
- DHRM is statutorily responsible to conduct an annual salary survey
- DHRM compiles data, analyzes our position against the market and other factors, researches market trends, and makes recommendations on employee compensation to the Governor each year
- HB 239 (2015 General Session) allows DHRM to use all relevant data in our analysis and recommendations
  - Not just salary data but other factors such as turnover and applicant pool #'s, etc.
  - Future data will include quality of hire
- Recommendations usually include a mix of across the board increases and targeted funding
  - Recommendations strategically developed to alleviate current challenges

Types of Compensation Increases

ACROSS THE BOARD INCREASES

- General Increase - Provides a salary increase to employees within an existing salary range (designed to alleviate compression problems, help with recruitment efforts)
    - Salary Range = $10-20/hour
    - Employee moves from $10.00 to $10.25
    - New employees start at $10; gap is created between new and existing employees
    - Employees move through their salary range

General Increase and Effect on Compression



Types of Compensation Increases

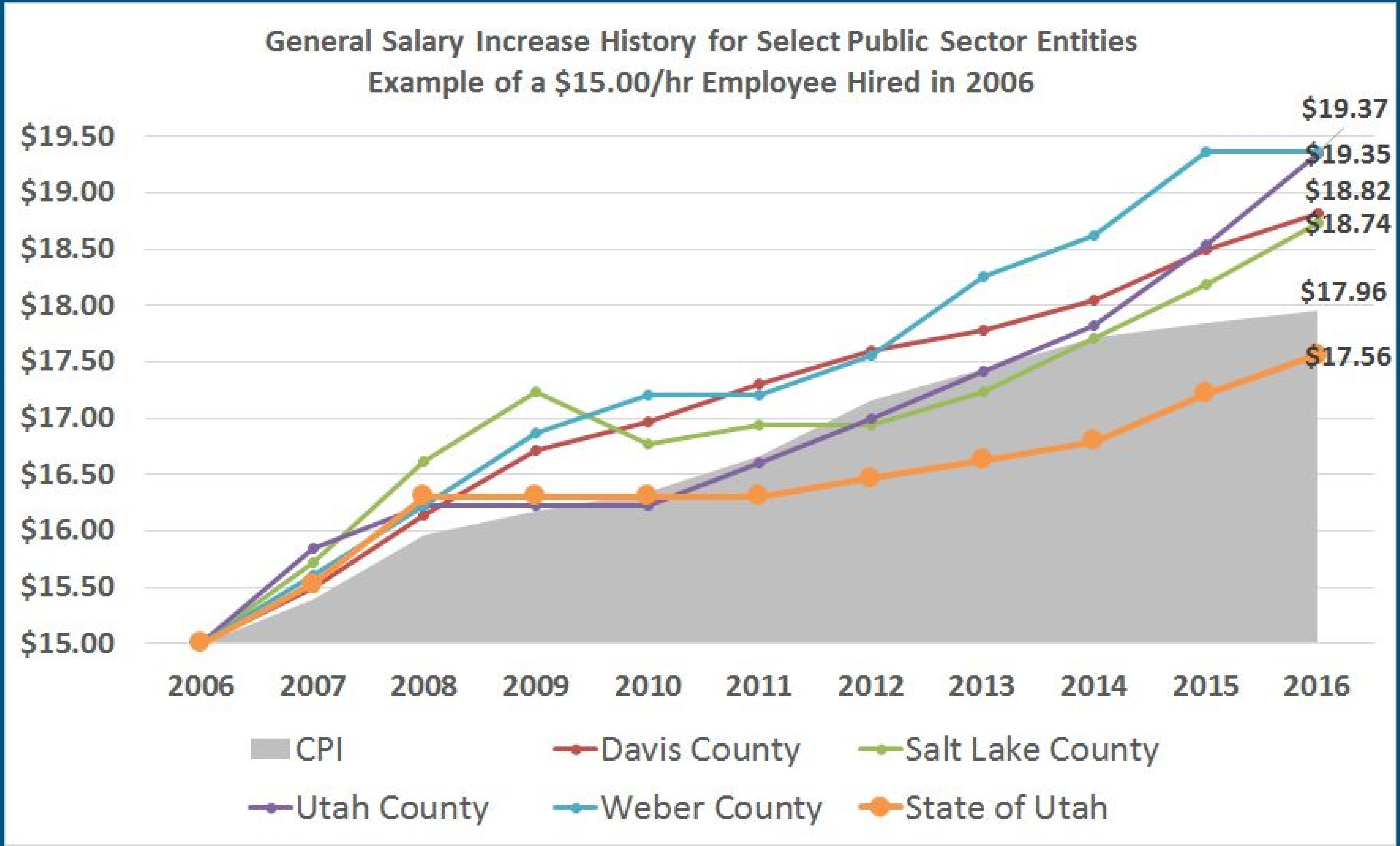
ACROSS THE BOARD INCREASES

- Cost-of-Living Adjustment - Provides a salary increase to employees and increases the salary range itself (designed to keep up with inflation)
  - Salary Range = $10-20/hour, employee moves to $10.25, range moves to $10.25-$20.50/hour
  - Not considered a true “raise”; keeps employee purchasing power stabilized
  - New employees start at $10.25; helps with recruitment
  - New employees making the same as existing employees; employee morale issues, no gap created
  - Usually combined with other types of increases or not used at all because it creates compression

Types of Compensation Increases

ACROSS THE BOARD INCREASES

- Labor Market Increase - Provides a salary increase to employees and increases the salary range itself (designed to keep up with what the market is doing rather than the rising cost of goods/services)
    - Same implementation and effects as a Cost-of-Living Adjustment; employee and range both move
    - Inflation may not be rising but the market is moving salaries
    - Prevents employee pay from falling further behind the market
    - Creates compression


General Salary Increase History for Select Public Sector Entities
Example of a $15.00/hr Employee Hired in 2006
$19.50
$19.00
$18.50
$18.00
$17.50
$17.00
$16.50
$16.00
$15.50
$15.00
$19.37
$19.35
$18.82
$18.74
$17.96
$17.56
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
CPI
Davis County
Salt Lake County
Utah County
Weber County
State of Utah

Types of Compensation Increases

SPECIFIC INCREASES

- Targeted Funding Increases - Provides a salary increase only to jobs that demonstrate real problems that can be attributed to compensation
    - May include a salary range increase if also justified
- Discretionary Increases - Provides a pool of funding for agencies to use at their discretion for things such as high performance, internal compression/equity, retention, etc.

Targeted Funding

- Prior to HB 239 these increases were called Market Comparability Adjustments (MCA) and the ONLY data point we could use was midpoint of range compared to market
- Targeted Funding increases are now based upon the following data points:
  - Market position
  - Abnormal length of time to fill jobs
  - Job offer declines because of low pay
  - Decreasing number of job applicants over the last 5 years
  - New hires consistently being hired towards the top of the salary range
  - High voluntary turnover
  - High involuntary turnover
  - High number of job level moves (within agency or agency to agency)
  - Exit interview data indicating salary as a factor
  - Compression at the bottom of the salary range

Structure Adjustment

- Salary range itself can sometimes be a compensation problem
- Agencies may need to increase salary ranges in order to fill jobs or retain staff
- Compression can exist at the top end of a salary range
- DHRM works jointly with agencies on structure issues to determine justified need
- Must be cost-neutral
- Can happen any time due to no funding requirements

Why Targeted Funding?

- State jobs have vastly different characteristics, hiring pools, and compensation.
- DHRM conducts market surveys and analyzes data indicators to identify what jobs are suffering from compensation-related problems.
- Benchmark jobs range in average actual salary from -39% below market to 25% above market.
- Across the board increases treat everyone equally, but don’t help close this gap or address problem areas.

Targeted Funding Example

Social Worker

- Actual pay is -32% below market
- Ranges are -25% below market
- Applicant numbers are down -46%
- Voluntary turnover is 16%
- Exit interviews have cited pay as a factor for leaving

So What?

- Most hires are new graduates working towards licensure
- Starting wages are -25% less than market
- High training costs
- Many social workers are close to retirement
- New employees take time to orient and assist with patient work
- Quality of care decreases
- Patient length of stay has increased from 272 days to 304 days in the last two years

Wrap Up

- DHRM specifically and strategically makes compensation recommendations annually that address real problems
- Recommendations are built around multiple defensible data points
- Terminology matters
- Targeted increases are important to control the spread of salary ranges against market position
    - It will take many years of baby steps on targeted funding to bring the spread into alignment
- We need your help on understanding and supporting compensation objectives
- Detail on our recommendations for FY 2018 will be in the Governor's budget

Questions?