



Presentation to Executive Appropriations Committee

November 15, 2016



Classification Overview

- DHRM is statutorily responsible for classification of the State's "classified" workforce
- DHRM controls these functions to assure consistency in application, provide the appropriate expertise, and to reduce liability
 - Equal Pay for Equal Work, FLSA, Discrimination
- Classification is assignment of employees to the appropriate job title and salary range for the work actually being performed

Compensation Overview

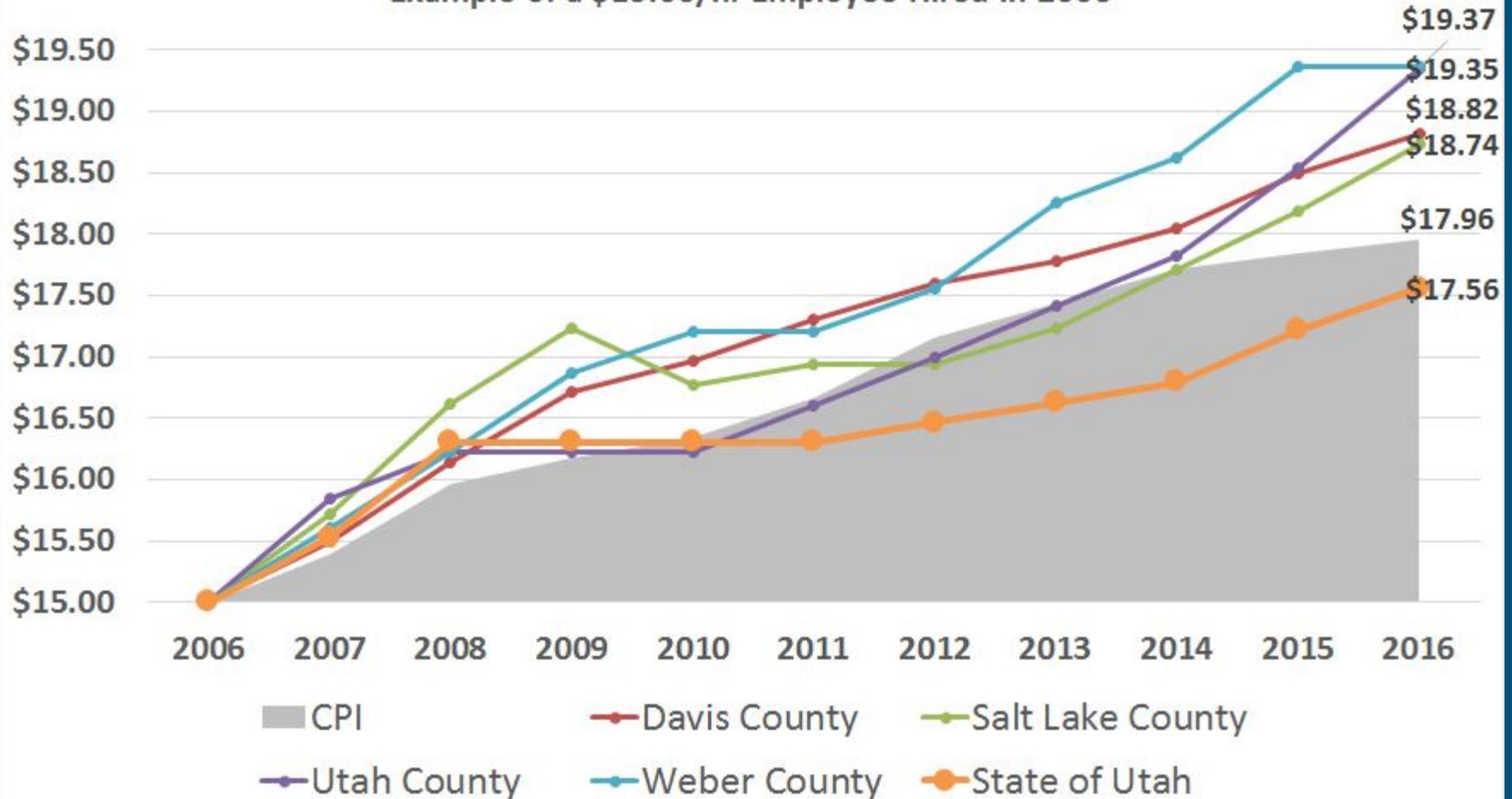
- DHRM is statutorily responsible to conduct an annual salary survey
- DHRM compiles data, analyzes our position against the market and other factors, researches market trends, and makes recommendations on employee compensation to the Governor each year
 - Market position, turnover, difficulty to hire, etc.
- Recommendations usually include a mix of across the board increases and targeted funding

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)
- **Cost-of-Living Adjustment** - Provides a salary increase to employees and increases the salary range itself (designed to keep up with inflation)
- **Labor Market Increase** - Provides a salary increase to employees and increases the salary range itself (designed to keep up with what the labor market is doing rather than the rising cost of goods/services)
- **Merit Increase** - Provides a salary increase to employees with successful or better performance ratings within an existing salary range (designed to reward performance)

General Salary Increase History for Select Public Sector Entities Example of a \$15.00/hr Employee Hired in 2006



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
- 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

- Targeted Funding increases are 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

Why Targeted Funding?

- State jobs have vastly different characteristics, hiring pools, labor market trends, 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.
 - An across-the-board increase for a job -39% below market has little to no impact
- Recommendations for FY 2018 include the equivalent of a 1% COLA (\$14M total funding) in targeted funding.

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
- 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 request

Questions?

