

Update on Implementation and Discussion of Salary Surveys

**Before the State Employee Pay Plan Oversight Committee
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**By Kraig Knowlton and Ken Otte,
Department of Administration,
Division of Personnel Services**

Thank you for the opportunity to speak to you today about the efforts to date with respect to the implementation of the new pay plans and the new performance management process as well as the plans for the salary surveys that are to be conducted this summer.

FY2009 Market Adjustments

Market adjustments were provided to approximately 7,800 employees in 181 classifications in FY2009. These employees received at least a 5% increase in addition to the 2.5% general increase received by all classified employees. Market adjustments were accomplished through a combination of pay grade adjustments, in-grade increases and class consolidation. The specific details of the FY2009 market adjustments are set out in Executive Directive 08-388, which we understand has been provided to the Committee.

The same methodology utilized by the Legislature in providing market adjustments in FY2008 was used to determine which classifications would receive market adjustments in FY2009, so market position as identified in the Hay Group's survey (*see Attachment I*) was the primary basis. In general, market adjustments were provided to classifications identified as being at least 10% or more behind market, although there were some exceptions due to issues of internal equity within occupational groups or between related occupational groups.

Overall, we have received very positive feedback regarding the FY2009 market adjustments and we believe they were an excellent start to the implementation process for this historic initiative.

Performance Management

Since January, two teams of employees have been working with staff from the Hay Group and the Division of Personnel Services (DPS) to design a new performance management process for the State of Kansas. The first team, consisting of employees from different agencies, roles, levels of responsibility and representing classifications assigned to all five of the new pay plans, have worked to design a new process, form and resource guide for the new system. The second team acted as a Steering Committee, and is made up of senior management level positions from throughout State Government.

We are in the process of meeting individually with all members of the Steering Committee and have convened the Design Team one last time to discuss changes, so we are very close to moving to the next phase of the process. Once the design of the new process is complete, staff from the Hay Group and DPS will conduct train-the-trainer sessions on the new process with State of Kansas trainers. Following these classes, State of Kansas trainers will begin

delivering training to employees on the new process. We are hopeful that we can complete this effort by this Fall, but we may not be able to complete all of the training until the end of the year.

Given the diverse array of employees and managers who have helped to design and finalize the new process, we believe that this new performance management process will serve as an effective method for the on-going communication between employees and management staff. This will ensure employee's focus is properly aligned with the organizational needs of the agency and will provide the employee a clear method for advancing in their career.

Salary Surveys

This summer, the Department of Administration will begin conducting salary surveys on one-third of the classified workforce in accordance with Senate Substitute for H.B. 2916. This survey will be somewhat different in design than the Hay Group's 2006 salary survey. That survey was designed to cover a broad spectrum of the State's classified workforce and provide data to demonstrate our overall market position with respect to our relevant market. Therefore, the Hay Group's survey was sent to 100 employers and each employer received the same set of 232 benchmarks to compare with positions in their own organization.

Our primary goal with respect to this summer's survey will be to gather data for use in developing the recommendations for FY 2010, where we will be seeking to bring the wages of employees in Group 1 as close to market as possible as well as to begin the development of the Basic Vocational Pay Plan, the General Classified Pay Plan and the Professional Individual Contributor Pay Plan for the classifications in Group 1. At latest count, we are planning to send surveys to between 350 to 400 employers, and each employer will receive the benchmarks that they are likely to have positions with which to compare with those of the State.

In developing the survey for this summer, we have asked agencies and employee organizations to provide us with the names and contact information of employers who should be included in the survey. This step was taken to help ensure that we are comparing with employers with whom we compete in attracting and retaining employees.

We hope to be able to send out the survey instruments by the end of next week and we will ask that they be returned by the employers no later than August 6, 2008. This will allow us time to compile and analyze the data so that projections and recommendations can be made to this Committee and the Division of Budget for FY2010. However, before we finalize our plans, we would like to obtain the Committee's input on five specific issues with respect to the surveys this summer.

1 – Survey by Group

The first point on which we would like to obtain the Committee's guidance has to do with the survey schedule. As established by the Legislature, we are required to survey one-third of the classified workforce annually. Since the workforce has been divided into three Groups for the purposes of implementation, we would propose surveying according to these Groups. This will follow the implementation schedule set out by the Oversight Commission and adopted by the Legislature and will also help to clarify exactly which classifications are being surveyed in which year. If the Committee is in agreement with this proposal, the salary

survey conducted this summer will focus exclusively on those classifications assigned to Group I.

2 – Comparator Group

The next issue has to do with the size of the comparator group to which the State should compare for the purposes of establishing market. While private and public employers within the State of Kansas are our primary competitors for employees, we believe that it is also important to include other states in our surveys. There are some types of positions which do not exist outside of state government, and if we want to compare our salaries with another employer, we can only do so with other states.

For the Hay Group's survey, it was determined that only the eight surrounding states should be used as comparisons. However, the State of Kansas is a founding member of the Central States Compensation Association (CSCA) and participates in annual salary surveys with the 25 other states that make up the CSCA as well (*see Attachment II*).

Based on a request from the Kansas Organization of State Employees (KOSE), we would propose that the entire CSCA be included for comparative purposes. We would request the Committee's approval of this expansion.

3 – Industry/Relevant Market

Regardless of whether the comparator group is expanded to include the entire CSCA or just the eight states utilized in the Hay Group's survey, it is important that we distinguish between the relevant labor market and the industry labor market. As stated above, private and public employers within the State of Kansas are the State's primary competition for employees, so we would consider them to be our **relevant** labor market while we would consider other states to be our **industry** labor market.

Where job matches can only be found in other states, the market rates for such positions would be based on data exclusively from other state governments. However, where job matches are obtained from both in-state employers and other state governments, we believe that the data should be weighted to reflect the fact that the relevant labor market is the State's primary competition so we would recommend that the data be weighted 75/25 to in-state employers. This policy will ensure that the data from other state governments does not overwhelm the data from the in-state employers with whom the State of Kansas actually and regularly competes.

In addition, the value of data from other states is questionable for those jobs which command lower wage rates and where recruitment and retention efforts are very geographically limited. Jobs such as these include such occupations as custodial workers, food service workers and laundry workers and are to be assigned to the Basic Vocational Pay Plan. Therefore, we would also recommend that market comparisons for jobs assigned to the Basic Vocational Pay Plan be limited to in-state employers, who constitute the relevant labor market.

We believe that these policies will help to ensure that we are obtaining relevant, reliable data from employers with whom we actually compete. We would like to make sure that the Committee approves of these policies so that our methodology reflects the intent of the Committee.

4 – Basis for Adjustments

The next point which we would like to raise for the Committee today is essentially a confirmation of the intent of these surveys. One of the primary reasons for commissioning the Hay Group to conduct a salary survey in 2006 was to obtain a single source of data on which compensation decisions would be based. Given the multitude of different sources of data available, we believe that is a very important concept.

Therefore, we would like to confirm with the Committee that the only surveys on which compensation decisions for classified employees in the State of Kansas will be based will be the Hay Group's 2006 survey, any surveys conducted by the Department of Administration (in accordance with the Committee's decision on issue #2 above) and any other survey authorized by this Committee. We believe this is important to establish at the beginning of this process and will avoid a great deal of confusion and conflict as we move forward with implementation.

5 – Data from Private Employers

Finally, private employers represent a major component of the relevant labor market with which the State of Kansas competes for employees. We believe that it is imperative that we receive data from these employers in order to have an accurate understanding of the market. The Hay Group's survey included 45 private employers (including healthcare facilities) in its survey and 33 of those private employers responded.

One of the reasons that the Hay Group was able to obtain such a good response rate from private employers is that the Hay Group assures the confidentiality of the salary data that employers provide, and that results of the survey will only be published in aggregate form. While wage data from public sector employers may be a matter of open record, many private employers go to great lengths to ensure wage data for their employees is held in the strictest of confidence.

Due to the historic nature of this initiative and the importance of the survey data in making decisions, we anticipate receiving requests under the Open Records Act to publicize the individual rates of private employers. We are very concerned that if that were to happen, many private employers would not participate in our salary surveys. While we believe that this process should be as open as possible, we do not wish for that openness to prevent us from obtaining data from employers with whom we compete for employees, and potentially skewing the market data that we receive. We are open to suggestions from the Committee on how to address this issue.

Once again, we would like to thank the Committee for the opportunity to present this information today and we would be happy to stand for any questions.