

State of North Dakota

Evaluation of Classified Employee Compensation System
Project Analysis and Preliminary Findings
Feedback to Government Services Committee

AUGUST 17, 2010



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01

Introduction

Introduction

- The primary objective of this project is to evaluate 10 specific areas of the Classified Employee compensation system
- The purpose of today's presentation is to present analysis and preliminary findings of the areas requested for study by the Government Services Committee (GSC)
- It is not the intent of Hay Group (Hay) to present recommendations in this presentation. Recommendations will be made in the final report to be presented to the Committee by September 30, 2010

02

Steps Undertaken

Steps Undertaken

The following steps have been undertaken since the project commenced in March 2010:

- Meeting with the GSC for definition and clarification of what was to be studied in the 10 areas identified by the GSC
- Meeting with Legislative Council Staff for project planning
- Meeting with HRMS staff for identification of data needed and for gaining understanding of the current Classified Employee compensation plan
- Interviews with a cross section of Agency leadership for purposes of gaining an understanding of “what’s working; what’s not” in the design, implementation and administration of the Classified Employee compensation plan
- Extensive analysis in each of the 10 areas identified
- Preparation of this preliminary report

03

Key Interview Findings

Key Interview Findings

At the meeting of the GSC held on April 22, 2010, Hay provided a copy of the Interview Guide. The focus of the interviews was to gain an understanding of each of the 10 components of the plan from a “user” perspective

A summary of the key strengths/issues/challenges from the interviews held with Agency leadership is as follows:

- The areas identified by the legislative committee to be reviewed were validated in our interviews as key focus areas for the compensation program
- The decentralization of compensation provides significant flexibility to agency leaders...when funds are available to allow for equity adjustments, respond to market pressures, and recognize performance
- The reclassification process, in general, is perceived to be long, rigid, and too literal
- It appears that the primary market used to set the salary ranges is not the market from which most of the agencies attract from and lose employees. A number of agencies attract from and lose to local private industries and public entities

Key Interview Findings (cont'd)

- The benefits package is perceived to be the primary recruitment and retention tool. The benefit package is seen to be competitive with any market (state/local/government/private). The retirement program, in particular, is viewed as a strong benefit
- While benefits are used for recruitment and retention, the general consensus is that employees don't understand all the benefits available to them and don't understand the value of those benefits
- There is general concern that if any changes are made to the benefits package, the State will have even more of a difficult time attracting and retaining employees
- Currently, most agencies strive to recruit the best and most qualified – however due to the salary levels, recruiting and retaining the most qualified is difficult. If Agencies are able to recruit qualified employees, they are trained and a lot is invested in their abilities only then to lose them later for better pay
- Agencies seem to be focused on internal equity by recognizing employee performance and distributing dollars accordingly

Key Interview Findings (cont'd)

- Equity pools are a key mechanism for moving employees through the ranges or at least maintain their same compa-ratio as the ranges move – this is also an issue, salary increases have not kept pace with market movement
- Agencies use the salary increase budget to recognize and distinguish performance among employees, however, the equity pools look at compa-ratio resulting in an “undoing” of the work performed to distinguish performance
- Monies for salary increases is highly unpredictable – “riding the wave of the economy,” making it difficult for agency leadership to attract, motivate, and retain employees
- Agencies with federal/special funds are perceived to be in a better position to compete against general fund agencies for talent. This is seen as causing inequity across the agencies, with varying pay for the same level of work
- The ranges appear to be irrelevant as most of the employees are below the midpoint (perception by agencies). 95% of the average of the market is one issue but the bigger issue is being able to pay employees for the work being performed (only half of the range is being utilized – however, midpoint is supposed to represent the going rate for competent work)

Key Interview Findings (cont'd)

- From a first glance perspective there appears to be significant compression of jobs with a relatively small number of grades being utilized for the majority of positions, though this requires further analysis. If this is true it is likely that differences in jobs are not being recognized and there is limited career progression. Most agencies felt strongly that positions in the same grade are not similar in the level of knowledge and complexity

04

Component Analysis

Component Analysis

What are they?

- A State compensation philosophy statement
- Methods of classification
- Salary Inequities
- Methods used to set pay grade minimums, maximums, and midpoints
- Appropriate market comparisons
- Fringe benefits
- Methods of developing and sustaining a consistent long-term salary increase administration policy for state government
- Recruitment and retention tools
- A budget appropriation process for providing funds to agencies to administer the State's salary increase policy
- The appropriate use of funding available within agency budgets from accumulated savings resulting from vacant positions and employee turnover. Focus is only on Salary Savings during the year

Component Analysis

Compensation Philosophy

Description of Component

- A compensation philosophy statement is intended to provide a foundation for the design and administration of compensation plans
 - It defines what you pay for and why
 - Written in general terms in order to provide a lasting basis for future compensation design and administration decisions

What Was Analyzed

- Review of current compensation philosophy documentation
- The extent to which a compensation philosophy exists and if one does, the extent to which it contains component statements typically found in a compensation philosophy

Component Analysis

Compensation Philosophy

What Was Found

- Chapter 54-44.3 of North Dakota Code is the law that sets out the purpose of HRMS and its roles and responsibilities
- Within that, 54-44-3.01.1 makes a statement about compensation relationships – Policy
- Chapter 54 also sets out the roles and responsibilities of the State Employee Compensation Commission
- However, Hay did not find a section of Code that clearly sets out a Compensation Philosophy
- A Compensation Philosophy should provide the basis upon which all decisions regarding compensation should be made
 - Put simply, the analysis of the areas that are covered by the scope of this project should have been reviewed within the context of a Compensation Philosophy statement

Component Analysis

Compensation Philosophy

- The key components of a Compensation Philosophy statement typically include:
 - An umbrella statement that links the compensation to the State's Mission, Vision, Values and its human resources objectives
 - Definition of the market
 - Definition of compensation
 - Definition of how pay ranges will be established
 - Definition of how pay will move
 - Definition of roles and accountabilities
 - Definition of what will be stated in code, policy, procedure etc

Component Analysis

Methods of Classification

Description of Component

- Methods used to develop and determine classifications
 - Extent to which current job documentation accurately and succinctly describes current job content
 - Methods and processes by which position classifications decisions are made
 - Extent to which employees are appropriately classified

What Was Analyzed

- Overall Classification Process
- Process Duration
- Process Participant Constituency and Delineation of Responsibilities
- Position Information Questionnaire
- Classification Specifications
- Leveling Decisions
- Classification Schema

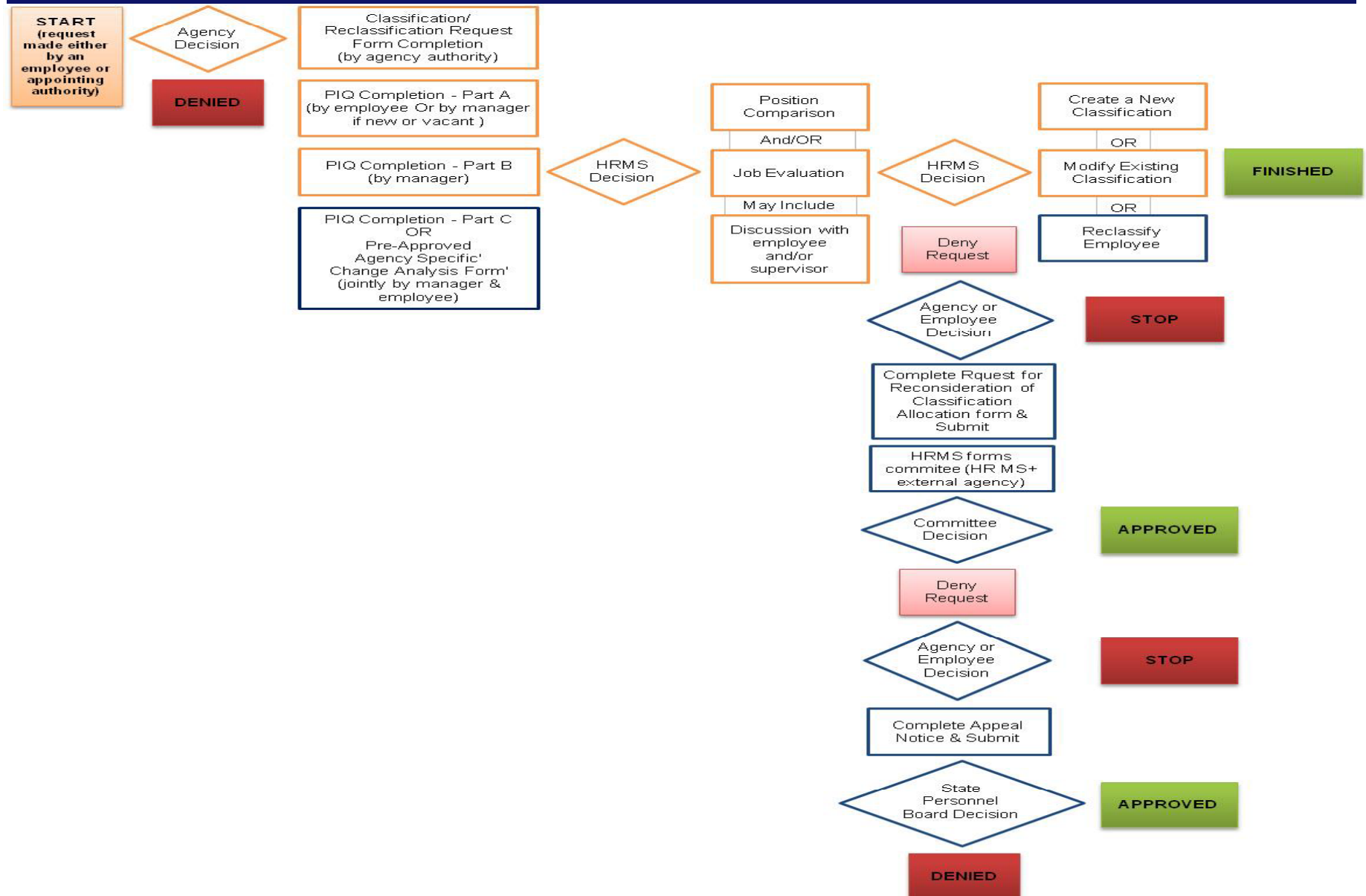
Component Analysis

Methods of Classification

What Was Found

- Hay created a flow chart of the State's classification/reclassification process (refer to the next page). The following observations can be made:
 - There are some potential “extra” steps in the flow of the process that could be modified or eliminated
 - The “type” of forms used to collect job content information are typical and consistent with sound practice
 - However, the forms themselves require improvement
 - Some of the methods used to assess job content and make classification/reclassifications decisions are consistent with best practice while other methods (that are more heavily utilized) are not consistent with sound practice
- There are improvements that can be made to the classification/reclassification steps and decision points in the process
 - However, while improvements can be made, HRMS must also begin to understand and dispel negative perceptions associated with the classification process

State of North Dakota – Classification/Reclassification Process Flow



Component Analysis

Methods of Classification

- **Key Perception: Process Is Too Long**
 - Based on the guidelines: the total time for an employee from when they submit a request to the time they receive a decision is up to 120 days (60 days from the time HRMS received the request). The total time for reconsideration of a classification allocation is up to 60 days and the total time for a final appeal decision will vary
 - The table below displays the results of actual timeframes (analysis is based on approximately 2,783 requests; 77 reconsiderations; and 25 appeals that were received from July 1, 2007 to March 3, 2010)

# of Days From HRMS Receipt to Decision	% of Decisions Achieved		
	Request	Reconsideration	Appeal
10 Days or Less	49%	0%	0%
Add'l 20 Days	17%	0%	64%
Add'l 30 Days	21%	9%	0%
Add'l 30 Days	7%	13%	8%
Add'l 30 Days	3%	9%	28%
121 Days or More	3%	69%	0%

- HRMS is, for the most part, following the guidelines it has set for requests but not for reconsiderations. This suggests that the reconsideration process is an area for improvement

Component Analysis

Methods of Classification

- **Key Perception: Classification/Reclassification Decisions Are Rigid and Suspect**
 - Hay conducted a small sample review of classification requests and found that overall, the classification decisions were appropriate
 - Hay also found that the following practices may be contributing to the perception:
 - Internal comparisons are made to other positions within the same work area and to similar positions across state agencies to support a classification decision. While internal comparisons is a best practice, comparing individual positions within a classification opens up the door to more subjectivity and goes against the concept of a “classification”
 - It appears that both through the sample review and the agency interviews, HRMS utilizes whole job comparisons as the primary basis for a classification decision rather than the job evaluation methodology. Whole classification comparisons tend to lead to perceptions that the system is flawed and is based on subjectivity
 - Providing explanations based on job content differences using the concepts from the job evaluation methodology brings the focus back to the position under review rather than “my job is bigger than that job”

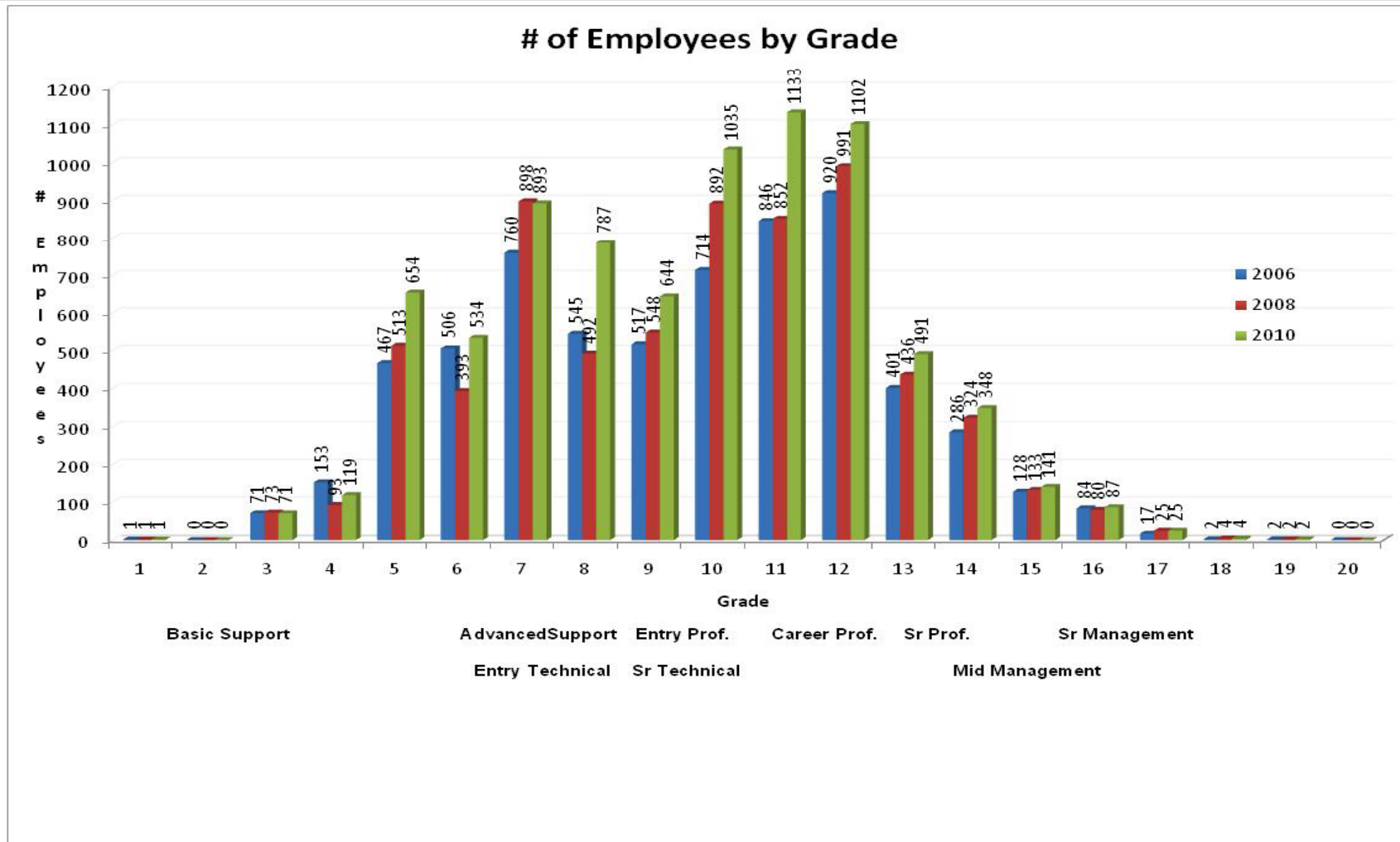
Component Analysis

Methods of Classification

- **Key Perception: Ranking of Classifications Is Not Appropriate**
 - Trend analysis of the number of classification requests, reconsiderations, and appeals suggests that there is significant pressure placed on the classification system
 - When there is significant pressure, it is difficult to maintain the integrity of the process resulting in internal equity issues (i.e., classifications with significant differences in job content are leveled similarly and therefore placed in the same grade)
 - A Classification Schema and an Employee Per Grade Chart (refer to chart on the next page) were created to test our assumptions from the trends:
 - Out of a 20 Grade Structure, only 14 grades are primarily in use
 - Some of the more heavily populated job families tend to have the majority of their positions within a cluster of 4-5 grades
 - The more heavily populated grades consist of entry to mid level professional positions (Grades 10 -12)
 - There appears to be compression moving from individual contributor jobs to management jobs

Component Analysis

Methods of Classification



Component Analysis

Salary Inequities

Description of Component

- Methods to minimize salary inequities both within an agency and within state government
 - Extent to which there is an objective, fair, and defensible means by which to measure and differentiate job content
 - Extent to which pay is aligned internally as based on the job evaluation methodology
 - The amount of horizontal and/or vertical dispersion from an appropriate internal alignment of positions that exists within agencies and between agencies

What Was Analyzed

- Current Leveling Method
- Job Evaluation and Job Ranking
- Internal Equity

Component Analysis

Salary Inequities

What Was Found

Current Leveling Method

- This State utilizes a point factor method to evaluate and level classifications. This method focuses on three main factors: Knowledge & Skill, Complexity, and Accountability
 - According to the ND Class Evaluation System Manual, this method was developed by the HRMS Division in 1982. However, after review, Hay Group has determined that this system is actually a modified copy of the Hay Guide Chart® - Profile Method of Job Evaluation in which Hay Group reserves all rights
- Despite the “unauthorized” use of the Hay Profile Method, the use of this methodology is a strength of the State’s classification process
 - Hay Profile Method is still the most rigorous and time-tested methodology available for the purpose of understanding, comparing and sizing job content and it is the most utilized and universally applicable job evaluation tool available

Component Analysis

Salary Inequities

Ranking of Positions

- Hay conducted a sample review/quality check of existing job evaluations. This review consisted of 160 classifications across the majority of grade levels and job families within the State. The following observations can be made:
 - Several job evaluation concepts are not well understood by HRMS job evaluators
 - Out of the 160 classifications evaluated, over a third resulted in a significant difference in weighting from the current HRMS evaluations
 - This is a good indicator that inequities do exist in the current ranking of positions

Component Analysis

Salary Inequities

Internal Equity is an analysis of how positions and employees are paid relative to each other based on a comparison of job content

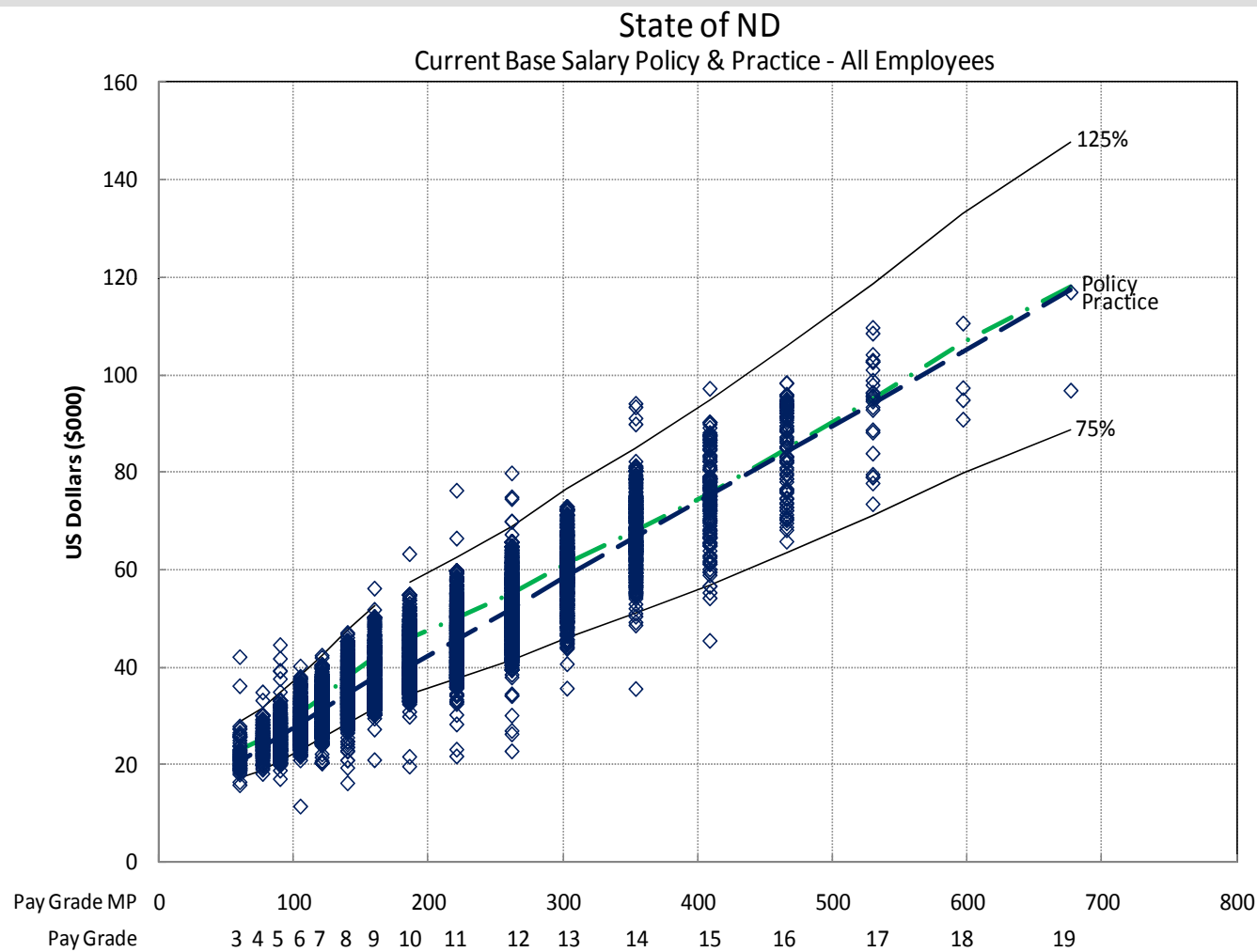
Statewide Internal Equity

- Overall, internal equity is positive, meaning, as job size increases (greater contribution to the state) so does the pay. However, there are pockets of internal equity issues that need to be addressed
- There is a wide range of pay for classifications of similar job size (i.e., similar value contribution to the State as measured through job evaluation)
- Pay for approximately 5% of total classified employees fall below the current salary range minimums
- The overall compa-ratio (where pay falls within a salary range) is 93%, which is on the low end of acceptable “distance” to the midpoint. However, within some grades the pay is low in the range relative to the midpoint (midpoint represents the going market rate for competent performance). **The compa-ratio needs to be considered relative to target market position**

Component Analysis

Salary Inequities

The graph reflects the internal relationship of actual pay to the current salary ranges



Component Analysis

Salary Inequities

The table below shows the current compa-ratio (sum base salary divided by sum of midpoint) by pay grade

Pay Grade	# of EES	Compa-Ratio
19	2	90%
18	4	92%
17	25	98%
16	87	100%
15	141	99%
14	348	100%
13	491	96%
12	1102	93%
11	1133	90%
10	1035	89%
9	644	88%
8	787	93%
7	893	92%
6	534	92%
5	654	90%
4	119	98%
3	71	97%
Overall	8070	93%

Component Analysis

Salary Inequities

Occupational Group/Job Family Internal Equity

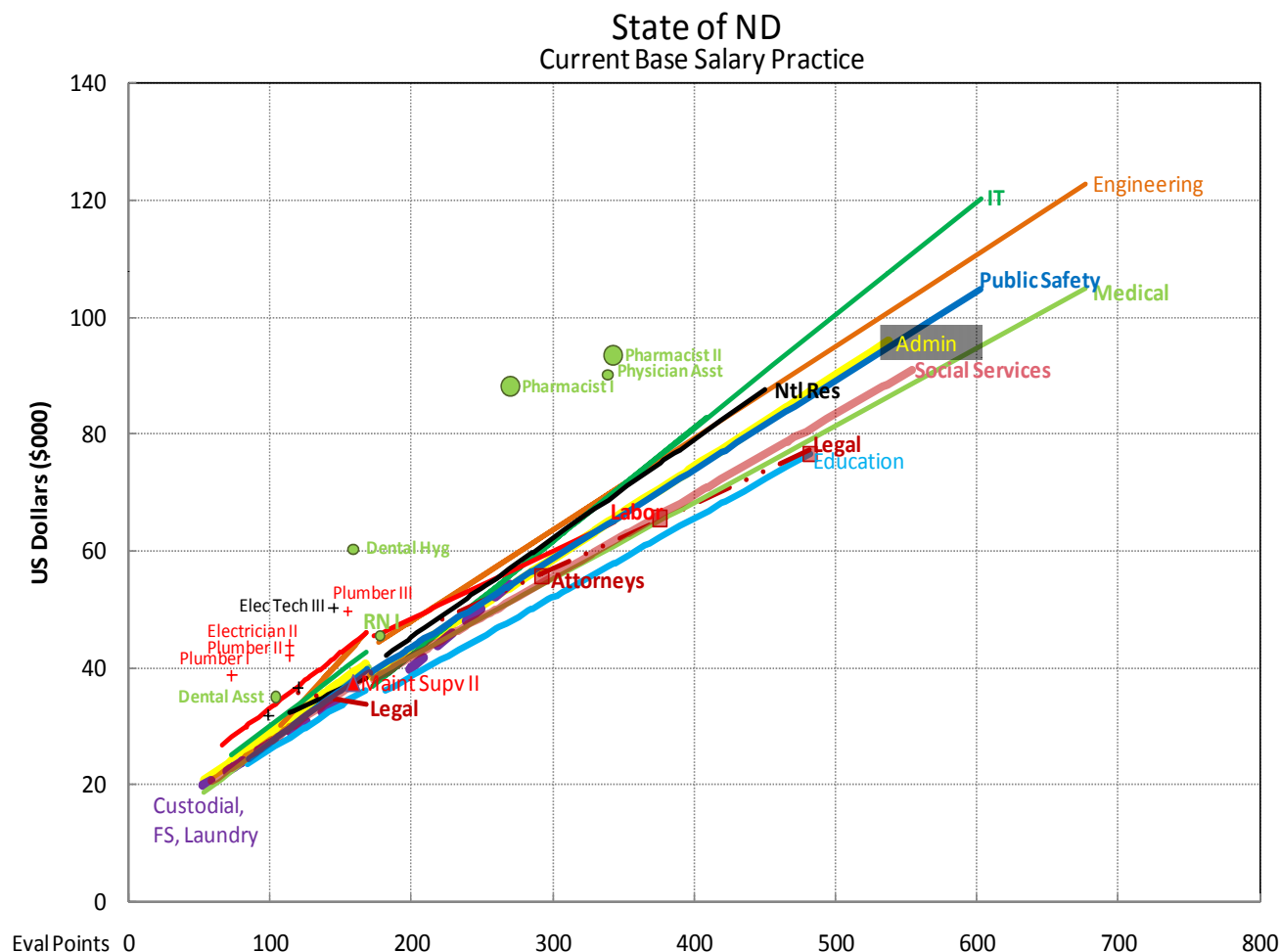
- Although the State has one salary structure that fits all classifications, actual pay analysis reveals that the State does recognize pay differences for some of the occupational groups/job families. For example, larger IT and Engineering classifications tend to be paid higher than Medical or Social Services classifications
- There is a wide range of pay within approximately half of the occupational groups/job families for positions of the same job size. This indicates potential job evaluation/grade assignment or pay administration issues
- The groups that tended to have similar pay for positions of the same job size include: Engineering, Planning, and Allied; Medical and Public Health (excluding Pharmacy, Nursing, Dental, and Physician Assistant); Custodial, Food Service, and Laundry; Labor, Labor Supervision, Equipment Operators & Trades

Component Analysis

Salary Inequities

The graph reflects a linear depiction of State of ND average pay by position within the occupational groups/job families

- Positions paid high, in comparison, are plotted



Component Analysis

Salary Inequities

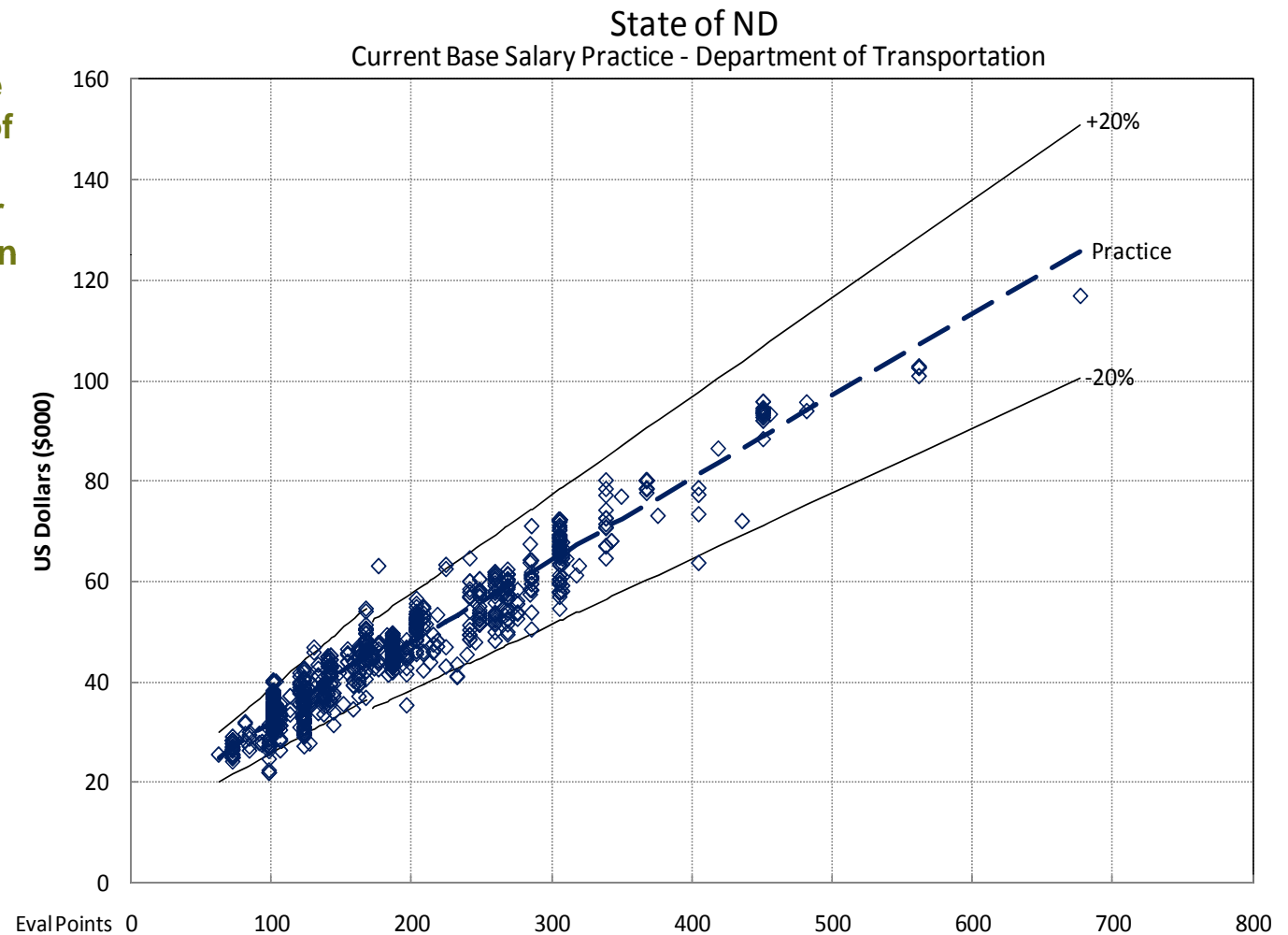
Agency Internal Equity (DOT & Human Services were used as examples)

- DOT has positive internal equity and pay is similar for classifications of the same job size
- Human Services has positive internal equity, however, there is a wide range of pay for classifications of the same job size. The dispersion of pay becomes a greater concern when county positions are added to the analysis

Component Analysis

Salary Inequities

The graph reflects the internal relationship of actual pay to the regressed practice for the 1,047 employees in the Department of Transportation

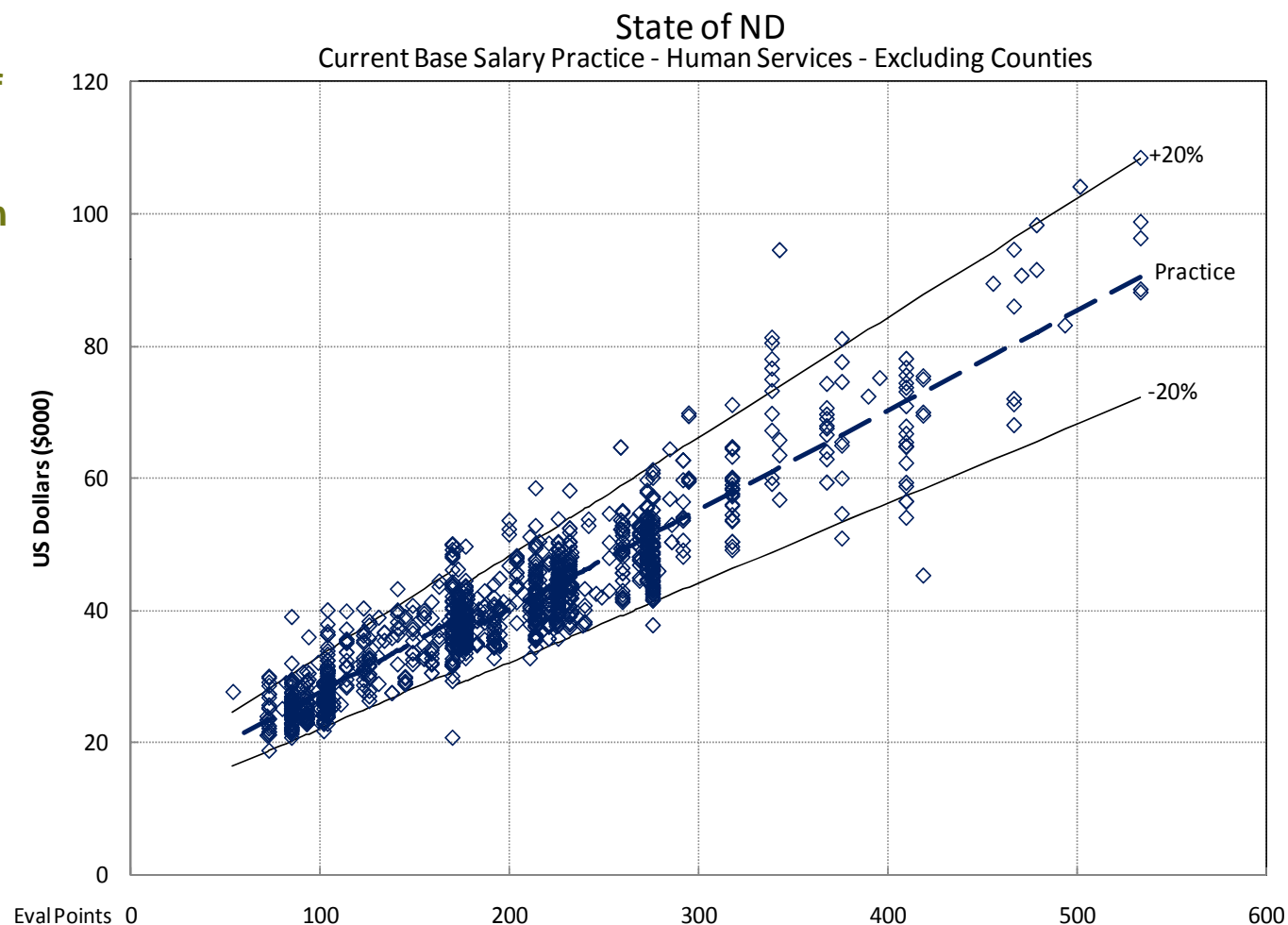


Component Analysis

Salary Inequities

The graph reflects the internal relationship of actual pay to the regressed practice for the 1,283 employees in the Human Services department

- This analysis **excludes** the Human Service department employees located in counties



Component Analysis

Salary Inequities

Same Classification Across the State Internal Equity

7 classifications were analyzed across the State:

- Administrative Assistant I pay has a 65% spread (High: \$36,384 to Low: \$22,020)
- Office Assistant III pay has a 52% spread (High: \$33,464 to Low: \$22,017)
- Account Technician II pay has a 59% spread (High: \$40,030 to Low: \$25,200)
- Programmer Analyst III pay has a 33% spread (High: \$67,104 to Low: \$50,412)
- Maintenance Supv II pay has a 49% spread (High: \$47,279 to Low: \$31,656)
- Registered Nurse II pay has a 24% spread (High: \$52,045 to Low: \$42,012)
- Correctional Officer II pay has a 33% spread (High: \$43,104 to Low: \$32,452)

The more common the classification (i.e., located in a greater number of agencies) the greater the range of pay

Component Analysis

Salary Inequities

The Administrative Assistant I was also compared across agencies. The sample has a 65% spread from high to low

(0041) Administrative Assistant I

Agency	# of Ees	Average Annual Pay
Department of Agriculture	1	\$36,384
Barley Council	1	\$34,068
Secretary of State's Office	1	\$32,280
Department of Transportation	9	\$32,051
Information Technology Department	2	\$31,980
Highway Patrol	12	\$31,573
Land Department	3	\$31,094
Workforce Safety & Insurance	19	\$30,727
Soybean Council	1	\$30,703
Game & Fish Department	8	\$30,213
Water Commission	3	\$30,192
Human Services-Counties	31	\$29,554
Bank of North Dakota	6	\$29,445
Adjutant General/National Guard	2	\$29,106
Historical Society	2	\$29,100
Youth Correctional Center (DOCR)	7	\$29,076
State Hospital (DHS)	6	\$28,902
OMB - Central Services Division	2	\$28,308
Tax Department	2	\$28,224

Agency (cont'd)	# of Ees	Average Annual Pay
Parks & Recreation Department	1	\$28,208
Human Services	99	\$28,134
Developmental Center (DHS)	4	\$27,666
Attorney General's Office	5	\$27,456
Veterans Home	1	\$27,331
Protection & Advocacy Project	1	\$27,228
Job Service	9	\$27,055
Fair Association	1	\$27,039
Department of Public Instruction	3	\$26,924
Veterans Affairs Department	1	\$26,680
Health Department	20	\$26,525
Retirement & Investment Office	1	\$26,484
Department of Corrections & Rehabilitation	1	\$25,740
School for the Blind (DPI)	2	\$24,534
Penitentiary (DOCR)	3	\$24,468
Public Employees Retirement System	3	\$24,228
Housing Finance Agency	1	\$24,156
State Library (DPI)	1	\$22,020

Component Analysis

Salary Inequities

The Registered Nurse II (24% spread) and Correctional Officer II (33% spread) were also compared across agencies

(3062) Registered Nurse II

Agency	# of Ees	Average Annual Pay
Workforce Safety & Insurance	16	\$52,045
Developmental Center (DHS)	5	\$51,616
State Hospital (DHS)	33	\$50,430
Veterans Home	7	\$48,136
Human Services	34	\$44,103
Department of Corrections & Rehabilitation	16	\$43,733
Health Department	1	\$42,012

(5112) Correctional Officer II

Agency	# of Ees	Average Annual Pay
Department of Corrections & Rehabilitation	1	\$43,104
Penitentiary (DOCR)	79	\$35,227
Parole & Probation Department (DOCR)	15	\$35,194
James River Correctional Center (DOCR)	75	\$32,452

Component Analysis

Market Definition and Pay Ranges

Description of Component

- Methods used to set pay grade minimums, maximums, and midpoints
- Appropriate market comparisons
 - Definition of the market
 - Extent to which the State's pay policy sets pay at the appropriate level of the relative market and the pay structure is aligned with the State's pay policy

What Was Analyzed

- Market Definition
- Market Target Level
- Matches to Survey Positions
- Incorporation of Market Data
- Salary Structure
- Process Participation
- Competitive Comparison
- Remote Location/Market Pressures (Work in Progress)

Component Analysis

Market Definition and Pay Ranges

What Was Found

Market Definition

- Current market definition (which is loosely defined) does not align with the competitive needs of the State
- The debate that exists on the relevancy of which States define the market is the wrong focus for a debate. The focus needs to be driven by answering key questions such as “what markets do agencies compete and lose talent”?
 - Based on our interview findings, most of the State’s agencies compete for talent within the state and against other private and public employers
- Some state agencies have different needs and compete for talent against distinct private and public entities. For example, the Veterans’ Home competes against the local medical market while the Highway Patrol competes against the other city/county police departments and federal agencies
 - These two markets have very different pay practices and trends

Component Analysis

Market Definition and Pay Ranges

Survey Data Used

- Current Survey data used to analyze the market
 - Grades 1-10: Job Service ND Labor Market Information (In State Employers)
 - Grades 11-20: 10*State Governments of CO, IA, KS, MN, MO, MT, NE, OK, SD, WY and, most recently, Job Service ND Labor Market Information (In State Employers)
- While the source used for comparison with other States, being the Central States Compensation Association survey is appropriate, Hay has concerns about the use of the Job Service ND Labor Market survey
 - These concerns center around the reliability of the data due to challenges in getting like kind job content matches. This is due to the fact that this survey is done for labor reporting purposes and it aims to include as many employers as possible; employers that would not necessarily be part of the States' definition of its market
- Due to the importance of local market data for specific job families, there is a greater need to obtain direct, relevant market data in order to more effectively compete for and retain talent
 - This means some job families may require a different market definition from the “general” pay positions

* Section 19 of House Bill No. 1015 stated a comparison with only 3 of these States, being MT, SD and WY

Component Analysis

Market Definition and Pay Ranges

Position Relative to Market

- Salary ranges are currently set at 5% below the average of the market (at least this is what is communicated)
 - Based on 2009 salary range development analysis, the informal market target of 5% below the average of the market is an inaccurate statement. The midpoint for the salary ranges are anywhere from 10% below to 3% above the market
- The current market target is not consistent with best practice and sends the wrong message to employees of the State
 - It also gives employees a false sense of competitiveness. For example if an employee's salary is \$32,000 and the midpoint of their salary range is \$32,000 then you could say they are paid at the average of the market, when in reality they are paid 5% below the going rate in the market
- Without a clear compensation philosophy and market target statement, more emphasis is placed on an internal perspective in the creation of the salary ranges rather than what is going on in the market (in terms of what actually gets approved). Best practice is to have a balance between internal pay practices and market competitiveness

Component Analysis

Market Definition and Pay Ranges

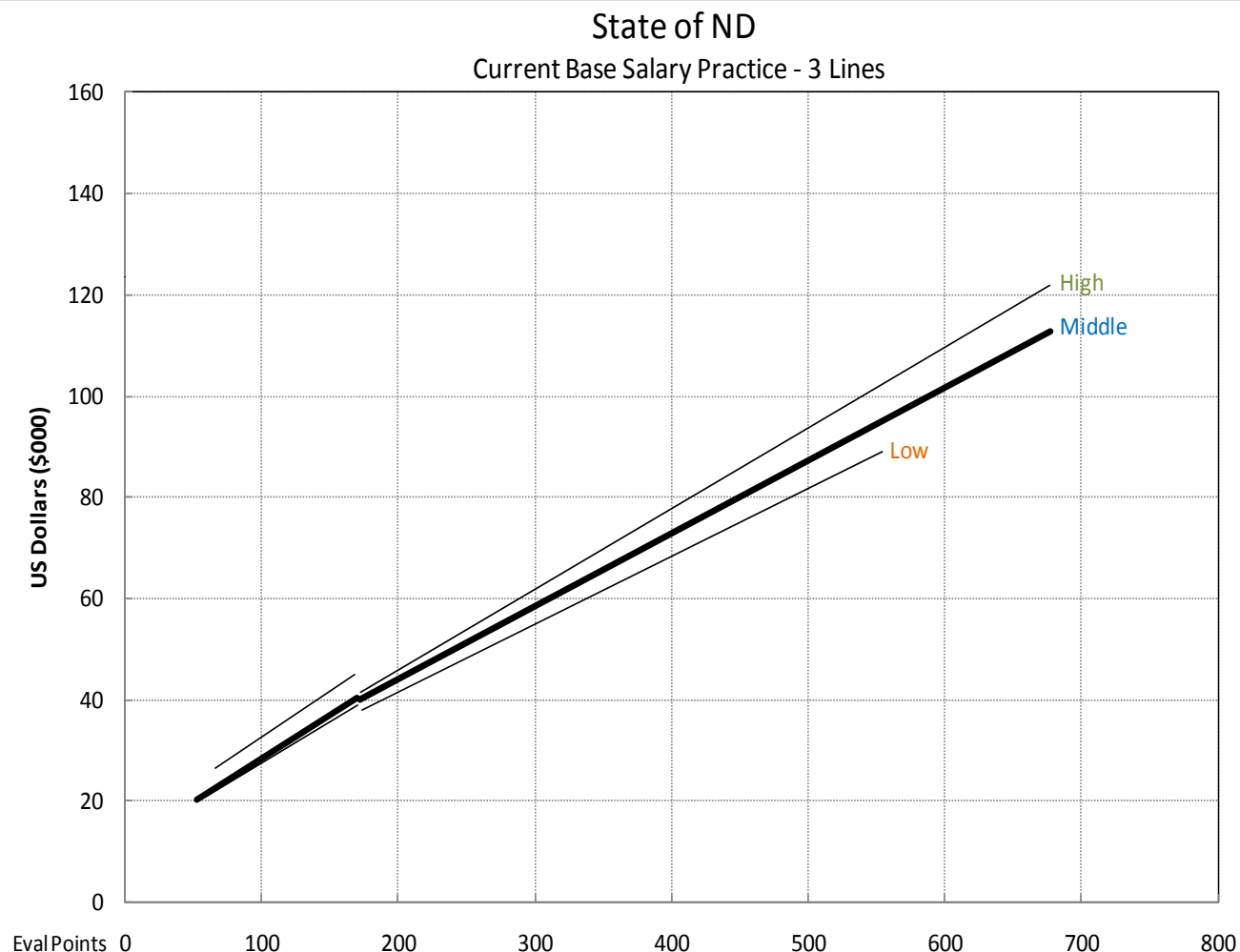
- External market comparison revealed different pay practices exist between the various job families (e.g., engineering, legal, medical, labor etc.).
 - In particular, the local market (as defined by the Job Service Survey) has more market variation among the job families than the central state market
 - State of ND pay practices are more in line with the central state market than the Job Service market, and slightly more in line with the 3 state comparison
 - However, based on our interviews with the agencies, the majority of the agencies compete against and loose to the local market
- Over 45 classifications are more than 15% behind the job service market and 23 classifications are more than 15% behind the central state market
- The majority of the State's current Pay Grade Exceptions are consistent with market practices

Component Analysis

Market Definition and Pay Ranges

Internal pay practices revealed that the State has three distinct pay line groups:

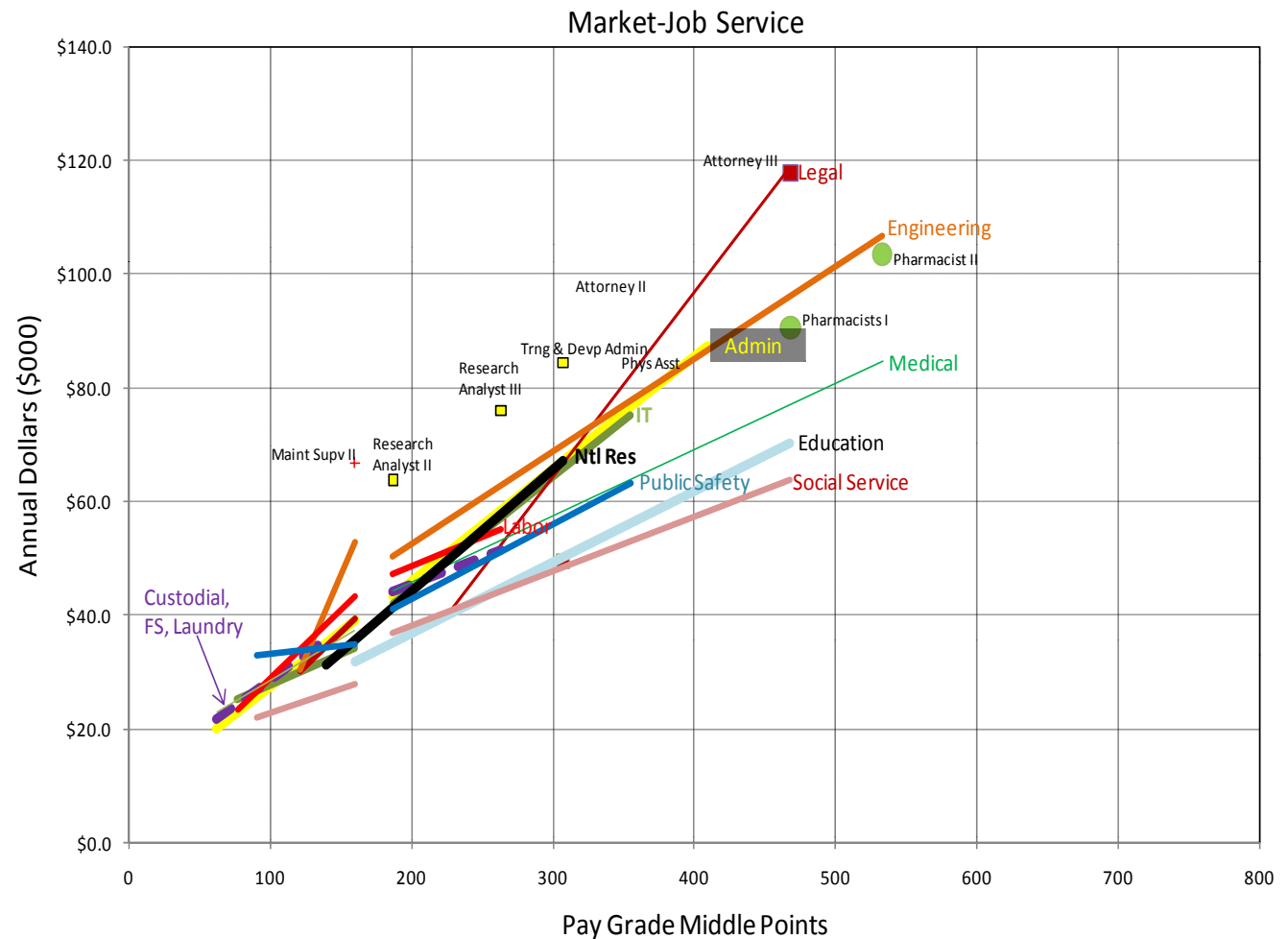
- **Premium pay line:**
 - Job families including IT, Engineering, Legal, Labor, Nursing, and Pharmaceutical were identified as market premium positions (PGE) for at least some grade levels
- **General pay line**
- **Discounted pay line:**
 - Social Services and Education job families show a discounted pay practice



Component Analysis

Market Definition and Pay Ranges

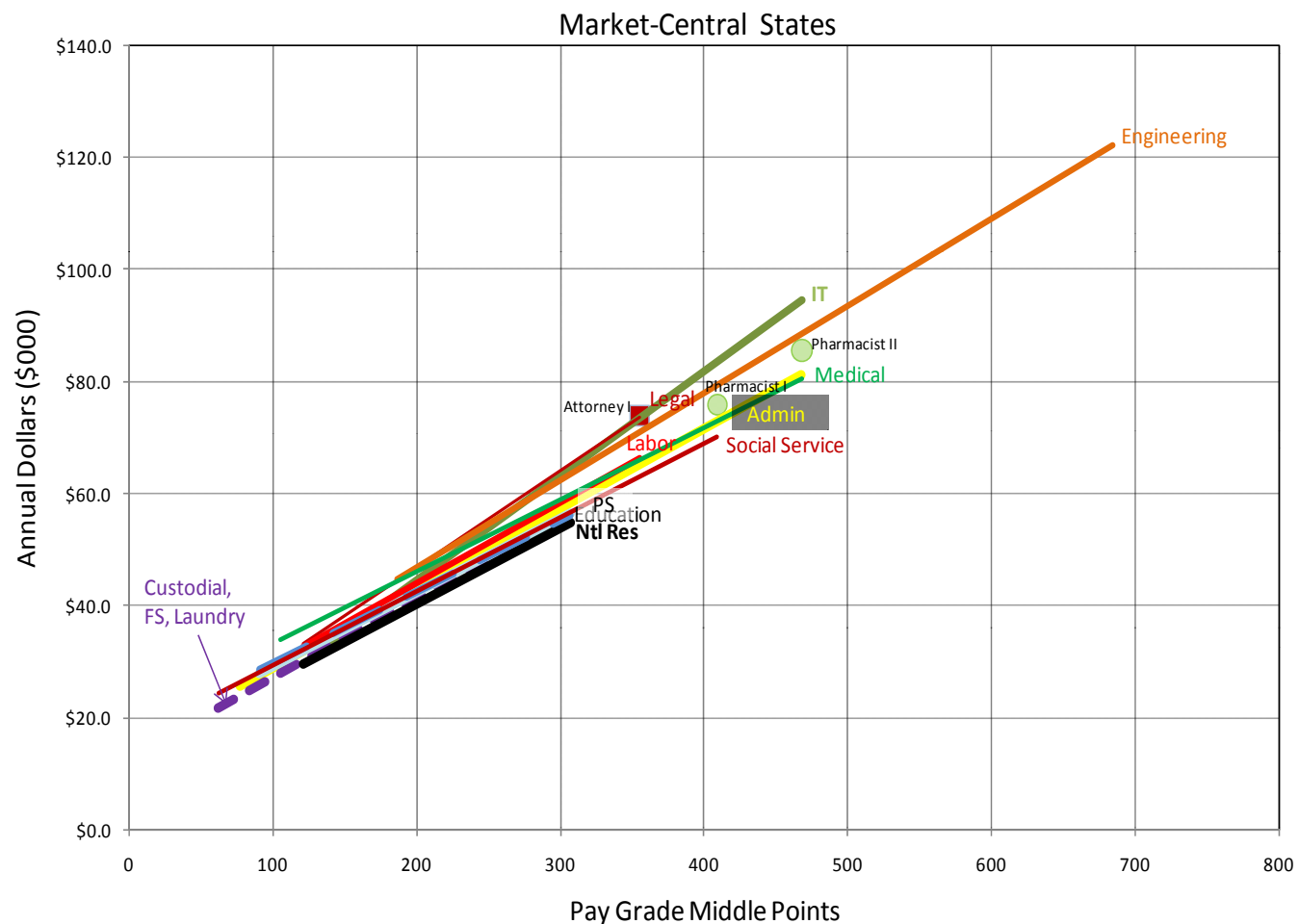
**230 classifications
were matched to the
Job Service market**



Component Analysis

Market Definition and Pay Ranges

179 classifications
were matched to the
Central States markets



Component Analysis

Market Definition and Pay Ranges

State of ND average pay lags the Job Service market for the following classifications or groups of classifications by more than 15%

- Programmer Analyst II and III
- Computer and Network Spec II
- Medical Clms Proc Spc III
- Account/Budget Spec II
- Auditor II and III
- Financial Inst Exmnr II and III
- Purchasing Agent I
- State Procurement Officer I and II
- Attorney II and III
- Human Resource Officer I
- Training & Development Admin
- Research Analyst II and III
- Archivist I
- Transportation Engineer II
- Environmental Engineer II and III
- Hydrologist II and III
- Planner III
- Geologic Map Tech II
- Registered Nurse II
- Physical Therapist
- Occupational Therapist
- Identification Tech I and III
- Correctional Officer I
- Environ Scientist II and III
- Agri Marketing Spec I and II
- Custodial Supervisor I and II
- Heating Plant Operator II
- Maintenance Workers & Supervisors
- Electronics Technician I, II and III
- Printing Equip Op II and III

Component Analysis

Market Definition and Pay Ranges

State of ND average pay lags the Central States 10 State market for the following classifications or groups of classifications by more than 15%

■ Those positions also falling low to the Job Service Market are in bold font

- Systems Administrator III
- Policyholder Clms Invest
- Library Associate II
- Librarian III
- Historic Site Supv III
- **Archivist I**
- **Environmental Engr III**
- **Hydrologist II**
- Public Hlth Nurse Cons I
- **Physical Therapist**
- **Occupational Therapist**
- Forensic Scientist II
- Epidemiologist II
- Veterinarian I
- Human Svc Prgm Admin III
- Behavioral Health Tech I
- Direct Training Tech II
- Human Relations Couns
- Voc Rehab Couns II
- Appeals Referee
- Weights & Measures Insptr
- **Agr Marketing Spec II**
- Cook I

Component Analysis

Market Definition and Pay Ranges

Current Pay Grade Exceptions

ND Job Code	ND Title	Pay Grade	Eval Grade		ND Job Code	ND Title	Pay Grade	Eval Grade
0146	ENTERPRISE SOFTWARE DEV MGR	15	14		8205	BRICKLAYER, MAINTENANCE	10	8
0178	ENTERPRISE IT ARCHITECT	15	14		8209	GEN TRADES MAINT WKR I	8	4
0179	ARCHITECT ASSOCIATE	14	13		8210	GEN TRADES MAINT WKR II	9	6
0180	ENT NETWORK OPERATIONS MGR	14	13		8211	PAINTER I	7	3
0196	ENT INFO SYS SECURITY ADMIN	15	14		8212	PAINTER II	8	4
0404	SUPERVISING EXAMINER	15	13		8213	PAINTER III	9	6
0405	CHIEF EXAMINER	16	15		8221	CARPENTER I	7	4
0468	SENIOR INS CO EXAMINER	12	12		8222	CARPENTER II	8	6
1015	SIGN LANGUAGE COMM FACILITATOR	8	6		8223	CARPENTER III	9	7
1016	SIGN LANG INTERPRETER	9	7		8225	NDSH CONST/MNTNC SUPERVISOR	11	10
3018	PHYSICIAN ASSISTANT	15	14		8231	PLUMBER I	9	4
3020	NURSE PRACTITIONER	15	14		8232	PLUMBER II	10	7
3123	PHYSICAL THERAPIST	14	12		8233	PLUMBER III	12	9
3125	DIR OF PHYSICAL THERAPY	15	14		8241	ELECTRICIAN I	9	4
3133	OCCUPATIONAL THERAPIST	13	12		8242	ELECTRICIAN II	10	7
3135	DIR OF OCC THERAPY	15	14		8243	ELECTRICIAN III	12	9
3261	PHARMACIST I	16	12		8261	SYSTEMS MECHANIC I	8	4
3262	PHARMACIST II	17	14		8262	SYSTEMS MECHANIC II	10	7
3326	DENTAL HYGIENIST	13	9		8263	SYSTEMS MECHANIC III	11	9
8111	HEATING PLANT OPERATOR I	8	5		8291	ELECTRONICS TECHNICIAN I	8	6
8112	HEATING PLANT OPERATOR II	9	7		8292	ELECTRONICS TECHNICIAN II	10	7
8121	HEATING PLANT SUPV I	10	8		8293	ELECTRONICS TECHNICIAN III	12	8
8122	HEATING PLANT SUPV II	12	10		8415	ROTARY DRILL OPERATOR	12	10

Component Analysis

Market Definition and Pay Ranges

Market analysis revealed the following positions experience a market premium compared to other jobs of similar size

- Pharmacist I
- Pharmacist II
- Plumber III
- Plumber II
- Plumber I
- Electrician III
- Electrician II
- Electronics Technician III
- Electronics Technician II
- Electronics Technician I
- Nurse Practitioner
- **Psych Clinical Nurse Spec***
- **Registered Nurses***
- Dental Hygienist
- **Dental Assistant***
- Physician Assistant
- **Administrative Law Judge***
- **Attorney III***
- **Attorney II***
- **Attorney I***

*** These Classifications are not currently included in the State's list of Pay Grade exceptions**

Component Analysis

Market Definition and Pay Ranges

Salary Structure

- The State of ND is comprised of many, diverse professions. There is no other employer similar to a State in this respect, therefore, it unreasonable to have a salary structure that is a “one size fits all”
 - The healthcare market is a different market than the law enforcement market than the legal market than the general market, etc
 - A “one size fits all” structure with only 14 out of 20 grades primarily utilized significantly limits the State’s ability to respond to market pressures
- The State utilizes a salary range that has a 66% spread
 - It will take employees longer to reach midpoint (the going rate for work being performed by a competent employee). As such, these structures tend to be more affordable than the standard structures
 - However, the wider the ranges, the greater the need for strong processes to move competent employees through the ranges so that they can reach a competitive salary for the work performed
 - From a recruitment standpoint, wider ranges means the minimums of the ranges are that much further from the market, making recruitment more challenging due to the entry rates offered as compared to other public agencies or private companies

Component Analysis

Fringe Benefits

Description of Component

- Non-cash benefits provided to employees of the State

What Was Analyzed

- Benefits programs offered to the States employees to determine the level of competitiveness against public sector organizations (10 Central US States) and general market companies (650 general market organizations)
 - Hay Group's review is based on benefits program information provided by North Dakota in July of 2010 for its current FY benefit programs

Component Analysis

Fringe Benefits

Market Comparison Summary

The State provides a comprehensive benefits program with a competitive health care and retirement program; however, the State's life and disability programs are less competitive

Benefit Area	Market Comparison	Key Findings
Total Benefits	At Market	Market position of health care, retirement and time-off weigh heavily in overall benefit program competitiveness.
Death	Below Market	The State's low flat dollar benefit of \$1,300 is well below both market comparator groups. Employee paid supplemental offering does provide employee with higher coverage, but does not enhance value significantly.
Disability	Below Market	Accrual of 12 days per year with no maximum is consistent with other Central US States; however LTD benefit through defined benefit plan is less competitive and less common than stand alone LTD plan.
Health Care	Above Market	No employee contributions and low out of pocket maximums put the State's program above both markets.
Retirement	At Market	High benefit accrual in defined benefit plan offsets lack of employer match in the defined contribution plan.
Time-Off	At Market	The number of paid holidays and vacation schedule is at market for both Central US States and the general market.
Other	Below Market	Limited offering of flexible spending accounts and no employer paid benefits is below both Central US States and general market.

Component Analysis

Recruitment and Retention Tools

Description of Component

- Recruitment and retention tools

What Was Analyzed

- Review of Current Tools
- Other Methods/Tools
- Time to Fill Trends
- Turnover Trends
- Current Focus on Performance

Component Analysis

Recruitment and Retention Tools

What Was Found

Current Recruitment Tools: Recruitment Bonus

- A recruitment bonus can be a very powerful tool to attract and hire talented employees. Given that these bonuses are acceptable by State standards, is a positive aspect to the compensation program. However, the impact these tools can have is limited by available agency funds
- In 2008, 270 employees received a recruitment bonus that ranged from \$50 to \$6,500, with a most common amount of \$250
- In 2009, 180 employees received a recruitment bonus that ranged from \$100 to \$4,187.50, with a most common amount of \$250
 - Those positions that tended to receive bonuses include: Behavioral Health Technicians, Direct Training Technicians, Engineering Technicians, Registered Nurses, Transportation Technicians, and Transportation Engineers

Component Analysis

Recruitment and Retention Tools

Retention Tools: Retention Bonus and Performance Bonus

- Retention Bonus

- Similar to the recruitment bonus, the retention bonus can be a very power tool to retain and motivate employees. However, the impact these tools can have is limited by available agency funds
- In 2008, 170 employees received a retention bonus that ranged from \$50 to \$22,299, with most common amounts of \$250 and \$1,200
 - The higher amount bonuses tend to be offered to petroleum related positions
- In 2009, 132 employees received a retention bonus that ranged from \$1,200 to \$19,686, with a most common amount of \$2,000
 - Those positions that tended to receive bonuses include: Petroleum related positions, Transportation Technicians, Transportation Services Supervisors, Auditors, and Geologists

Component Analysis

Recruitment and Retention Tools

- **Performance Bonus**
 - A performance based bonus is the most common tool of monetary retention in the marketplace. In the private sector, these bonuses have more structure around performance goals are in the form of Short Term Incentives or Long Term Incentives. The State of North Dakota's definition and use of these bonuses is common in the public and non-profit sectors
 - Because administration of performance bonuses is not centralized, there is a recognized need for HRMS to provide limitations and criteria. However, a \$1,000 bonus for professional positions and higher is not motivational and does not contribute to greater employee engagement or discretionary effort
 - The State and the Agencies must be clear about the "type" of performance being rewarded. Typically, monetary increases that move employees through the salary ranges are associated with performance of the core job responsibilities and are a measure of skill/capability acquisition and proficiency. Performance Bonuses are typically focused on achievement of specific goals or areas of desired discretionary effort

Component Analysis

Recruitment and Retention Tools

Focus on Performance

- Hay Group recently conducted a research study on “The Changing Face of Reward” to better understand the factors driving changes in reward strategy, design and implementation, and how organizations are responding to those changes to meet the challenges of the new business environment. The research revealed that the focus on pay for performance has never been greater
 - Public sector organizations have tended to value loyalty and ‘fit’ rather than a performance-focused culture. However, the pressures of the market have prompted the public sector to introduce a greater focus on performance. Variable pay (e.g., performance bonuses), differentiated rewards, and performance metrics are going to play a vital role in reward/compensation programs going forward
 - The first step in a greater focus on performance is ensuring employees understand what performance looks like

Component Analysis

Recruitment and Retention Tools

Focus on Performance

- To assess the performance metrics being utilized by the State, Hay reviewed a sample of evaluation forms from the following agencies: Corrections and Rehabilitation; Department of Health; Human Services; Information Technology Department; Insurance Department; Parks & Recreation; State Auditor; Tax Department; and Workforce Safety & Insurance
 - The metrics used by most of the agencies sampled, were impressive based on what is typically seen utilized by the public sector
 - The stronger performance metrics currently being utilized focus on the key job duties required for the upcoming year or key job duties that have been “leveled” and behavioral related competencies that are important for successful performance in a position
- A common theme across the agency interviews was a real interest in, dedication to, and pride in employee and agency performance. However, because of limited or no available funding, agencies feel they are limited in what they can do to recognize and reward performance

Component Analysis

Budget Appropriation Process

Description of Component

- A budget appropriation process for providing funds to agencies to administer the State's salary increase policy

What Was Analyzed

- Review of How Funds are Appropriated, Being Applied, & Executive Branch Process to the Legislative Committee

Component Analysis

Budget Appropriation Process

What Was Found

- The OMB has a sound and well documented compensation planning process and schedule. It takes into consideration the “current” situation and the “projected” to the end of a biennium. The guiding principle is referred to as “hold even”
- Budgeting is done on both filled positions and vacancies
- However, there is a rigorous process that is in place for any new FTE's, known as the optional package, which has to be approved by the Hiring Council
- The salary budget package takes into consideration various analyses referenced in other sections of this document such as internal equity, relativity to market, market movement, etc
- There is no budgeting for the payment of “leaving costs” such as the payout for annual and sick leave

Component Analysis

Budget Appropriation Process

- Salary recommendations are developed by the State Employee Compensation Commission and then made to the Governor in accordance with Code 54-06-25
- These recommendations are then either adopted or modified by the Governor in preparing the Governor's budget recommendations to the Legislature
- Once budgets and appropriations have been approved by the Legislature, funding is appropriated on what Hay refers to as a "bulk funding" basis. Hay commends this approach as it reinforces the accountability of Agency leadership to manage all their resources

Component Analysis

Long-Term Salary Increase

Description of Component

- Methods of developing and sustaining a consistent long-term salary increase administration policy for state government
 - Including, cost-of-living increases, across the board increases, merit increases, equity increases, and performance increases

What Was Analyzed

- Current Process vs. Best Practice
- Salary Funding and Pay Movement Mechanisms

Component Analysis

Long-Term Salary Increase

What Was Found

- The previous section set out commentary on the salary budgeting process. The analysis in this section focused on how salary dollars are appropriated and applied
- House Bill No, 1015 gives a recent example of such a process
- There are features of the language in that bill that are commendable. These include:
 - Section 11
 - Compensation adjustments are to be based on documented performance and equity and are not necessarily to be the same increase for all employees
 - A performance threshold has to be reached for an employee to be eligible for an increase
 - Section 19
 - An equity pool to address market and internal equity issues
- However, there are some inherent “contradictions” in the wording in Section 19. Statements that are potentially contradictory in terms of their application are:
 - Priority is to be given to market considerations and internal and external inequities
 - Pay comparisons to ND employers and employers in MT, WY and SD
 - Priority to those employees who have been employed greatest length of time and furthest below midpoint

Component Analysis

Long-Term Salary Increase

- Legislative General Increase is the primary mechanism by which employees move through the ranges, with a focus on performance being the primary form of distribution within an agency
 - As the primary mechanism for movement, a lot of internal press and focus is placed on the allocated % increase each biennium. Therefore, how this funding is determined, communicated, and distributed is critical to the success of the compensation system
- The second most common mechanism for employee salary movement is through the Market/Equity Fund
 - This funding is not provided on a consistent basis
 - While addressing equity is important (one half of the employee movement equation), a significant emphasis on equity adjustments in the absence of performance pay/reward does not create a performance based culture. In other words, employee discretionary effort and value added contribution is not rewarded on a consistent basis. If performance/contribution is not recognized on a consistent basis, employees will only perform what is required to get through the day

Component Analysis

Long-Term Salary Increase

- As set out on the previous pages, the two key components of pay movement are performance and equity and the State is to be commended for having these two key components
- However, there are numerous other ways in which pay moves and the tables on the following pages shows a summary of all the different pay delivery mechanism in the period 2003-2010
 - Data Tables show trends State-wide; by Agency; and by Job
- It is the opinion of Hay that the State has in place sound fundamentals for future pay delivery mechanisms
- There is potential for enhancing the linkage between performance, internal equity and market in the application of the equity pool

Component Analysis

Long-Term Salary Increase

Employee Movement Thru Ranges
Trends for 2003-2010

Mechanism	Description	2003	2004	2005	2006	2007	2008	2009	2010	Summary 2003-2010
EQY	Equity Increase per Administrative Rules 4-07-02	229	300	939	540	827	1,269	315	14	4,433
GEN	General Increase - no longer used, replaced by LGE & LGP	7	2	5,119	5,522	2,589	4,680	1,862	1	19,782
LGE	Legislative General Increase Equity - used when the agency prioritizes equity in distribution of a general increase	0	0	0	0	2,254	444	1,225	0	3,923
LGP	Legislative General Increase Performance - used when the agency prioritizes performance in distribution of a general increase	0	0	0	0	2,170	1,589	4,759	2	8,520
MEF	Market/Equity Fund - increases distributed from a Market/Equity Fund	0	0	0	0	5,053	1	4,272	0	9,326
MER	Merit - Performance based increase per Administrative Rules 4-07-02	66	762	424	331	324	316	216	54	2,493
OTH	Other - intended when an increase does not fit another category	214	359	127	151	430	144	211	11	1,647
PRO	Promotion Increase per Administrative Rules 4-07-02	52	63	101	173	191	189	189	21	979
REC	Job Reclassification Increase per Administrative Rules 4-07-02	0	19	90	49	46	49	29	25	307
RED	Reduction in Pay	60	75	82	79	127	115	117	27	682
RES	Responsibility/Workload Increase per Administrative Rules 4-07-02	208	684	565	1,173	386	484	276	58	3,834
TMP	Temporary Increase per Administrative Rules 4-07-02	34	49	74	63	73	103	113	6	515
Total:		870	2,313	7,521	8,081	14,470	9,383	13,584	219	56,441

Component Analysis

Long-Term Salary Increase

Employee Movement Thru Range
Per Agency Trends (2003 - 2010)

Agency	EQY	GEN	LGE	LGP	MEF	MER	OTH	PRO	REC	RED	RES	TMP	Total
Adjutant General	190	474	255	401	113	16	6	11	19	3	9	7	1,504
Aeronautics Commission	-	15	-	-	6	2	-	-	-	-	5	-	28
Attorney General	86	512	1	143	229	-	102	10	26	3	25	3	1,140
Bank of North Dakota	54	251	-	400	97	26	8	2	18	3	26	-	885
Beef Commission	-	1	-	3	-	2	-	-	-	-	-	-	6
Career and Technical Education	1	41	-	70	40	129	4	2	-	-	3	-	290
Corn Council	-	-	-	1	-	-	-	-	-	-	-	-	1
Corrections & Rehab	506	2,336	573	-	1,159	6	49	288	83	136	345	22	5,503
Council on the Arts	5	9	4	4	4	-	-	-	-	1	-	-	27
Department of Agriculture	27	91	-	164	58	15	38	4	3	3	10	-	413
Department of Transportation	920	3,781	1,529	1,109	1,518	862	135	100	5	30	1,733	35	11,757
Dept of Financial Institutions	75	82	1	22	8	-	-	29	-	-	13	-	230
Game and Fish Department	195	564	133	-	134	2	2	-	2	1	11	6	1,050
Highway Patrol	305	652	160	-	253	442	88	18	7	6	101	1	2,033
Historical Society	107	266	-	1	22	6	46	2	5	3	18	15	491
Human Services	720	5,861	15	3,249	3,166	207	755	219	58	302	672	244	15,468
Indian Affairs Commission	-	4	-	8	1	-	-	-	-	-	-	-	13
Industrial Commission	26	92	-	141	82	-	5	4	1	-	66	-	417
Information Technology Dept	43	714	138	463	379	353	32	44	9	15	160	3	2,353
Insurance Department	61	54	-	96	28	50	1	1	2	2	1	-	296
Job Service	22	754	1	507	385	-	55	89	17	19	109	17	1,975
Labor Commissioner	3	14	-	26	16	1	-	1	1	1	8	-	71
Land Department	2	79	-	15	15	17	12	5	-	1	7	-	153
Legal Counsel for Indigents	1	36	-	38	8	-	-	-	-	-	1	-	84
Milk Marketing Board	-	15	6	3	-	4	1	-	-	-	3	-	32

Component Analysis

Long-Term Salary Increase

Agency	EQY	GEN	LGE	LGP	MEF	MER	OTH	PRO	REC	RED	RES	TMP	Total
ND Barley Council	-	2	-	-	-	-	-	-	-	-	-	-	2
ND Department of Health	268	477	892	318	390	-	67	58	-	17	189	20	2,696
ND Horse Racing Commission	-	5	-	-	-	-	-	-	-	-	1	-	6
ND Parks & Recreation	88	130	88	5	44	-	12	1	4	15	16	3	406
ND Soybean Council	2	12	1	-	-	3	1	-	-	-	-	-	19
Office of Admin Hearings	4	24	1	2	3	11	5	-	-	-	1	-	51
Office of Mgmt & Budget	157	228	26	314	165	3	34	10	4	7	90	11	1,049
Protection and Advocacy	19	92	-	26	47	3	2	2	-	-	1	-	192
Public Employees Retire System	49	108	89	-	26	-	10	1	4	3	6	8	304
Public Instruction	103	415	-	-	161	1	29	4	7	60	27	66	873
Public Service Commission	10	95	-	63	44	12	17	1	3	1	12	4	262
School for the Blind	26	85	-	-	29	-	5	-	2	3	3	4	157
School for the Deaf	24	116	-	30	45	-	4	4	4	-	7	-	234
Secretary of State	1	67	-	42	41	43	4	2	-	-	2	-	202
Securities Commissioner	-	21	-	15	13	-	-	1	-	-	-	-	50
Seed Department	15	101	-	31	29	55	2	-	3	-	2	-	238
State Auditor	81	163	-	44	39	41	60	24	-	-	-	-	452
State Fair Association	23	-	-	18	-	56	-	2	-	-	2	-	101
State Library	-	74	-	53	53	-	-	8	-	-	7	-	195
State Retir & Invest Office	14	40	-	29	13	-	-	-	-	17	9	17	139
State Tax Commissioner	17	216	-	346	208	115	32	11	10	18	60	26	1,059
State Treasurer	3	16	-	-	1	-	1	-	-	-	-	-	21
State Wheat Commission	-	18	-	-	-	6	1	-	-	-	-	-	25
Tobacco Prev/Control Committee	-	-	-	-	-	-	-	-	-	-	-	-	0
Veterans Affair Department	-	24	-	-	5	4	-	-	-	-	4	1	38
Veterans' Home	49	348	10	93	106	-	7	-	3	8	25	-	649
Water Commission	129	126	-	227	143	-	14	6	3	3	18	-	669
Workforce Safety & Insurance	-	-	-	-	-	-	-	9	4	1	1	2	17
Other Agencies													
Childrens Serv Coord Committee	-	-	-	-	-	-	-	-	-	-	1	-	1
Emergency Services	2	81	-	-	-	-	1	6	-	-	24	-	114

Component Analysis

Long-Term Salary Increase

Employee Movement Thru Range Per Job Trends (2003 - 2010)

Job*	EQY	GEN	LGE	LGP	MEF	MER	OTH	PRO	REC	RED	RES	TMP	Total
ACCOUNT TECHNICIAN II	26	189	23	107	85	15	3	6	4	4	30	9	501
ACCOUNT/BUDGET SPEC III	17	103	24	45	42	15	9	2	-	11	26	9	303
ADDICTION COUNSELOR II	82	227	5	84	110	11	39	-	1	29	15	24	627
ADMIN ASSISTANT I	68	644	104	216	257	59	45	27	10	26	74	25	1,555
ADMIN ASSISTANT II	66	429	85	184	187	75	29	13	5	12	70	22	1,177
ADMIN ASSISTANT III	58	258	53	106	104	24	21	2	5	12	54	12	709
ADMIN OFR I	17	107	14	75	44	16	12	6	5	2	18	1	317
ADMIN OFR II	14	85	12	39	32	13	5	5	3	5	17	5	235
ADMIN STAFF OFFICER I	27	102	18	42	50	16	3	3	5	12	22	9	309
ADMIN STAFF OFFICER II	18	74	15	23	39	6	3	4	8	3	13	5	211
ADMIN STAFF OFFICER III	9	54	10	18	19	18	3	2	-	-	11	-	144
ADVANCED CLINICAL SPEC	19	143	-	50	71	6	33	3	2	8	6	5	346
AUDITOR I	12	11	1	10	6	6	24	6	1	-	-	-	77
AUDITOR II	32	96	2	34	31	35	38	9	6	1	8	3	295
AUDITOR III	20	83	4	96	75	24	6	11	6	4	10	2	341
AUDITOR IV	28	98	4	44	37	15	12	6	-	2	13	4	263
AUDITOR V	5	31	-	8	12	1	7	1	-	-	-	-	65
BEHAVIORAL HEALTH TECH I	25	30	-	102	36	-	27	1	10	4	29	-	264
BEHAVIORAL HEALTH TECH II	99	218	1	381	249	1	67	7	27	23	82	-	1,155
COOK I	16	102	1	70	67	5	36	-	-	1	2	-	300
CORRECTIONAL CASEWORKER	32	143	37	-	74	-	-	27	-	8	16	1	338
CORRECTIONAL OFFICER I	5	23	3	-	5	-	5	55	26	-	5	-	127
CORRECTIONAL OFFICER II	147	627	157	-	320	-	1	64	23	46	84	2	1,471
CORRECTIONAL OFFICER III	6	84	16	-	55	-	-	22	1	1	6	1	192
CORRECTIONAL OFFICER IV	7	16	5	-	5	-	-	3	-	1	4	-	41

Component Analysis

Long-Term Salary Increase

Job*	EQY	GEN	LGE	LGP	MEF	MER	OTH	PRO	REC	RED	RES	TMP	Total
CUST SERVICE SPEC	10	177	-	123	107	-	10	9	2	6	10	6	460
CUSTODIAN	33	116	9	107	65	1	12	-	-	6	8	6	363
DEV DISABIL CASEMGR II	10	216	1	64	115	7	3	1	-	-	-	-	417
DIRECT TRAINING TECH I	50	368	2	267	245	-	220	7	3	20	17	18	1,217
DIRECT TRAINING TECH II	8	96	-	68	62	-	51	4	-	4	3	3	299
ENGINEERING TECH II	2	43	13	20	7	22	1	3	-	-	19	-	130
ENGINEERING TECH III	42	114	31	45	29	29	5	2	-	1	40	-	338
ENGINEERING TECH IV	47	203	68	63	98	49	7	4	-	-	78	-	617
ENVIRON SCIENTIST II	48	75	132	55	94	1	20	3	-	5	24	3	460
EQUIPMENT OPERATOR II	14	693	240	16	218	176	24	10	-	3	467	1	1,862
EQUIPMENT OPERATOR III	2	245	84	9	78	62	1	2	-	2	148	-	633
HUMAN SVC PRGM ADMIN I	0	25	5	9	11	3	-	-	-	3	1	2	59
HUMAN SVC PRGM ADMIN II	4	31	8	14	18	4	-	2	-	1	8	-	90
HUMAN SVC PRGM ADMIN III	6	165	43	66	83	7	6	12	-	9	31	10	438
HUMAN SVC PRGM ADMIN IV	7	207	15	66	95	11	3	13	-	14	20	13	464
HUMAN SVC PRGM ADMIN V	12	115	20	29	48	6	2	11	-	8	30	9	290
HUMAN SVC PRGM ADMIN VI	11	45	26	21	19	4	-	7	-	6	12	5	156
HWY PATROL OFFICER I	21	18	-	-	14	-	10	0	-	0	53	-	116
HWY PATROL OFFICER II	255	337	87	-	125	263	40	7	-	5	47	1	1,167
HWY PATROL SERGEANT	26	60	13	-	30	32	10	8	-	-	-	-	179
L P NURSE II	37	156	2	115	83	-	3	3	3	-	9	-	411
MI CASEMANAGER II	44	361	-	102	181	8	7	3	0	15	8	19	748
OFFICE ASSISTANT II	28	169	42	89	68	18	7	3	0	3	33	3	463
OFFICE ASSISTANT III	49	509	58	207	209	56	25	9	3	11	80	9	1,225
PAROLE & PROB OFFICER II	29	138	31	-	67	-	14	4	1	11	60	1	356
PAROLE & PROB OFFICER III	19	75	17	-	40	-	-	8	2	-	11	-	172
PAROLE & PROB PRGM MGR	9	47	13	-	25	-	2	4	2	1	10	-	113

Component Analysis

Long-Term Salary Increase

Job*	EQY	GEN	LGE	LGP	MEF	MER	OTH	PRO	REC	RED	RES	TMP	Total
PROGRAMMER ANALYST I	6	54	10	31	23	20	1	4	-	-	17	-	166
PROGRAMMER ANALYST II	8	87	10	72	50	34	8	7	3	-	31	-	310
PROGRAMMER ANALYST III	22	167	23	100	74	66	4	3	2	-	23	-	484
REGISTERED NURSE II	72	244	16	143	89	3	5	9	-	22	25	11	639
REGISTERED NURSE III	14	87	6	71	33	-	-	5	-	1	2	1	220
SOCIAL WORKER II	4	91	8	30	50	1	4	2	-	3	11	1	205
SOCIAL WORKER III	9	116	-	25	48	6	6	2	1	5	11	4	233
SR PROGRAMMER ANALYST	5	105	5	63	63	66	4	-	1	4	13	3	332
TRANSPORATION TECHNICIAN I	234	233	99	218	101	54	1	-	-	3	51	3	997
TRANSPORTATION ENGR I	38	67	13	20	2	52	4	2	-	-	2	-	200
TRANSPORTATION ENGR II	50	113	62	39	44	21	6	5	2	-	65	-	407
TRANSPORTATION ENGR III	62	214	112	71	101	49	5	6	-	3	110	3	736
TRANSPORTATION PROJ MGR	63	130	59	47	67	15	5	9	-	-	42	1	438
TRANSPORTATION SRVCS SUP	73	73	74	74	73	1	-	10	-	-	-	-	378
VOCATIONAL TRNG TECH	4	121	-	83	83	-	50	7	-	-	2	-	350
*Only Jobs with 300+ Occurrences Included in Analysis and Job Series with Significant Occurrence													

Component Analysis

Vacancy Savings

Description of Component

- The appropriate use of funding available within agency budgets from accumulated savings resulting from vacant positions and employee turnover. Focus is only on Salary Savings during the year

What Was Analyzed

- Review of Current Process and Rules
- Review of Current Practice and Trends

Component Analysis

Vacancy Savings

What Was Found

- The primary use of vacancy savings is for the purpose of paying off leave balances (annual/sick leave) for employees who leave and/or retire
- It is also used for:
 - Operational Costs such as vehicles, employee contractor pay, overtime
 - Fund recruiting, retention, and performance bonuses
 - Make market equity adjustments
- While there is a cap on annual leave accumulation, there is no cap on sick leave accumulation
- The use of vacancy savings has been a common practice in the Public Sector for many years. The key issue to be addressed is not so much whether vacancy savings should be used or “returned” but the extent to which a vacancy is a genuine vacancy
- It is the opinion of Hay that vacancy savings that occur in the period between one employee leaving a position and another employee filling that position are genuine vacancy savings and the Agency should have the flexibility to utilize those salary dollars

Component Analysis

Vacancy Savings

What Was Found

- The issue that needs to be addressed in State Governments is the determination of the basis of the funding vacant positions that, in some cases, have been vacant for several years. Hay does not have data from this project to make specific comments on whether this is the case in ND. However, the current economic and budgetary challenges are causing an increased focus on this issue in both the Legislative and Executive Branches
- This should minimize the focus on whether vacancy savings should be “retained or returned,” which is an “after the fact” consideration and put the focus on the funding of the appropriate number of positions, which is a “front end” consideration

Meeting Outcome & Next Steps