

# State of North Dakota

Implementation of Study Recommendations  
for Classified Employee Compensation System  
Presentation to the State Employee System Oversight Committee

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## Presented by:

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# Introduction

- In February 2010, the Government Services Committee (GSC) of the Legislature of the State of North Dakota contracted with Hay Group to conduct an audit of 10 components of the Classified Employee Compensation plan
- In August 2010, Hay Group presented to the GSC a report setting out the project steps, analysis and findings from an evaluation of the 10 components
- In September 2010, Hay Group presented to the GSC recommendations as a result of this evaluation, guidance on how to implement the recommendations and the benefits to be achieved by actioning the recommendations
- In October 2010, Hay Group provided a final report presentation to the GSC, which adopted the key recommendations made
- In November 2010, the Legislative Council contracted with Hay Group to partner with the State in the work to be done to implement the recommendations made and adopted in the Audit
- The purpose of this presentation is to provide the State Employee Compensation System Oversight Committee with an update on progress to date and next steps

# Work Plan for Redesign and Implementation of Changes to the Classified Employee Compensation System

Project Component	Work to Be Done	Progress	Next Steps
<b>A State compensation philosophy statement</b>	<p>Develop a Compensation Philosophy that serves as an umbrella statement, linking compensation to the State's Mission, Vision, Values and its human resources objectives</p> <p>The Compensation Philosophy statement should include:</p> <ul style="list-style-type: none"> <li>• Definition of the market</li> <li>• Definition of compensation</li> <li>• Definition of how pay ranges will be established</li> <li>• Definition of how pay will move</li> <li>• Definition of roles and accountabilities</li> <li>• Definition of what will be stated in code, policy, procedure, etc.</li> </ul> <p>Involve key leadership from the Legislative and Executive Branches in the development of the Compensation Philosophy</p>	<p>Passed in the House</p> <p>Heard in a Senate Committee</p>	Pending Final Senate Passage

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<b>Methods used to develop and determine classifications</b>	Simplify/Modify the overall Classification/ Reclassification Process (e.g., how decisions are made, constituency of decision-makers, accountability and responsibility of the State Personnel Board)	Preliminary process redesign and forms done by Hay Group in December 2010	Hay to review feedback and determine what changes should be made to the preliminary design
	<ul style="list-style-type: none"> <li>Creation of a classification/reclassification committee that includes agency and HRMS staff. Agency representatives would be comprised of both HR and non-HR staff</li> </ul>	Meeting held with HRMS and Agency HR leaders and classification staff on January 5, 2011	Recommended changes to be finalized by March 18
	Revise/Modify Classification/Reclassification Forms	Feedback from Agencies due January 21, 2011	
	Revise Classification Specifications: <ul style="list-style-type: none"> <li>Duties/responsibilities should increase in complexity within a series. "Duties Performed At All Levels" is at times inaccurate as some of these duties are performed at higher levels</li> <li>Review minimum qualifications for appropriateness</li> <li>Remove "Class Evaluation" section</li> </ul>	Consolidation of feedback from Agencies	
	Communication/education on the new process		

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<b>Methods to minimize salary inequities both within an agency and within State government</b>	Job Evaluation training for HRMS job evaluators and classification/reclassification committee members	Formation of Job Evaluation Committee consisting of 7 HRMS staff and 8 Agency HR staff	Review of the job evaluations for all 900+ Classifications by Hay Group and the Job Evaluation Committee Mar 2-4  Development of a new grade structure to be completed by March 18
	Benchmark job evaluation review and refinement	Training of this Committee plus 11 other Agency HR staff in the Hay method of Job Evaluation done on January 24-25	
	Review of non-benchmark classifications & develop a revised classification schema	Purchase of the Hay Job Evaluation Manager (JEM) technology to enhance the speed and efficiency of the job evaluation process	
	Identify "catch all" classifications to assess appropriateness	Training of HRMS staff in the use of JEM completed January 12-13  Evaluation of Benchmark Classification job evaluations by Hay Group completed by early January	
	Identify jobs that are unique to an agency (a core part of the service they provide) to assess appropriateness of state-wide classifications	Review of Benchmark job evaluations by the Job Evaluation Committee Jan 25-29  Slotting of remaining classifications by the Job Evaluation Committee working as small teams completed Feb 7-18	

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<b>Methods used to set pay grade minimums, maximums, and midpoints</b>  <b>AND</b>  <b>Appropriate market comparisons</b>	Grade structure redesign & grade re-assignment of benchmark and non-benchmark classifications	Identification of Major Sectors of Employment in North Dakota completed December 3  Identification of Employers for participation in Salary Survey completed by December 21 (112 employers in 11 sectors)	Roll in of survey data from other sources such as: 1. Central States Compensation Survey 2. Job Service Survey 3. Hay Paynet Database 4. Healthcare Survey  Analysis of survey data
	Custom salary survey & market analyses for the "local" market	Selection of Salary Survey Benchmark positions completed by December 21 (103 Benchmark positions)	Roll in of analysis done on Benefits as part of the Audit
	<ul style="list-style-type: none"> <li>Discontinue or limit use of the Job Service ND Labor Market Survey</li> </ul>	Design of Survey Instrument completed by December 22, 2010	Preliminary Development of new salary structures March 15, 2011
	Identify Job Family/Occupational groups that require different pay strategies from "general" pay classifications	Distribution of Survey Instrument completed by January 7, 2011	Development of new salary structures to be completed by March 30, 2011
	Develop salary ranges for the "general" pay structure and the Job Family/Occupational group structure(s)	Intensive follow up of targeted participants	Development of preliminary costing implications, if any, of new salary structures
	Decrease width of the salary ranges and perform cost-to-implement analyses	Initial Survey response date of February 4, 2011	
	Perform an State-wide, Agency, and Job Family/Occupational group internal equity analyses against the new pay strategies to develop a more detailed implementation plan	Continued intense follow up of survey participants	

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Fringe benefits	Increase basic life insurance benefit from current level of \$1,300 to 1 times pay (or a flat dollar benefit of at least \$25,000)	Any actions to be taken are to be considered within the context of the total remuneration analysis and the Healthcare and Retirement Plan changes being considered by the Legislature	
	Consider implementing a separate long-term disability benefit outside the pension plan		
	Consider introducing premium contributions toward health care		



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Recruitment and retention tools	Develop more detailed guidelines and amounts for the Recruitment and Retention Bonuses	No action taken on this component to date	Will be done in March - April
	Define the “type” of performance (e.g., performance of core job responsibilities or achievement of specific goals or areas of desired discretionary effort) to be recognized and rewarded through a Performance Bonus		
	Review the dollar cap for the Performance Bonus and consider performance amounts that are commensurate with the job level (classifications with higher requirements for knowledge, complexity and accountability might receive a larger amount than those with lower requirements)		
	HRMS to continue to consult with agencies on the utilization of non-monetary rewards for retention efforts		
	Develop a targeted retention program for those employees that have between 3-5 years of service		

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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	<p>Continue to utilize two key components: performance and equity for movement of pay. However, going forward, fund pay movement through one pot of money rather than two separate allocations of funds. This will allow a greater linkage between relativity to market and performance, it is recommended that the following principles be applied:</p> <ul style="list-style-type: none"> <li>• for positions which are below market target, both a market adjustment and a performance payment be made;</li> <li>• for positions where the incumbent is above market target, a performance payment be made; and</li> <li>• for positions which are high in their salary range, the performance payment may be made with a mix of base salary and lump sum payment</li> </ul>	No action taken on this component to date	<p>Will be done once new grade and salary plans developed</p> <p>Commence work in the period April 1-15 and further refine in the period April 15-June 30, 2011 in preparation for implementation</p>

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<b>A budget and appropriation process for providing funds to agencies to administer the state's salary increase policy</b>	Communicate appropriated funds as a dollar amount rather than a percentage	No action taken on this component to date	Will be done once new grade and salary plans developed  Will be addressed in the period April 1 - June 30, 2011
	Fund employee salary increases at the beginning of the budget and appropriation process		
<b>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</b>	Fund annual/sick leave	No action taken on this component to date	Will be done once new grade and salary plans developed  Will be addressed in the period April 1- June 30, 2011
	Define "vacancy" positions. It is Hay Group's opinion that the period between one employee leaving a position and another employee filling that position constitutes genuine vacancy savings and the Agency should have the flexibility to utilize those salary dollars		

## Key Milestone Dates for this Committee

1. April 5, 2011 – preliminary report on progress to date and preliminary fiscal impact of proposed changes to grade and salary structures
2. April 14, 2011 – further report on fiscal impact to enable the Committee to determine what action the Legislature may need to take in terms of implementation of recommendations that require Legislative action