

# Status of Employee Compensation

Presented to the

## Budget Section

June 21, 2011



**OMB Presentation on the Status of Implementation of  
The Compensation Philosophy and Compensation Initiatives and  
Development of Guidelines for July 2011 Classified Employee Salary Increases**

**Budget Section – June 21, 2011**

**Status of Compensation Initiatives in HB1031**

Additionally, as a result of the interim study of classified employee compensation, Section 2 of HB1031 directed implementation of several initiatives:

- 1. Adjust methods to determine classified state employee classifications.**  
*The Hay Group and HRMS are finalizing position documentation forms and the steps used in the Job Evaluation/Analysis to assign classifications.*
- 2. Minimize salary inequities within agencies and within state government**  
*Through training and guidance from the Hay Group, HRMS has adopted the Hay Guide Chart Job Profile method of job evaluation. Job evaluation has been expanded to use a committee of HRMS and agency HR staff to appropriately value job classes.*
- 3. Develop appropriate market comparisons**  
*The Hay Group conducted a custom salary survey to develop salary ranges for the state classified service. The custom salary survey included data from a North Dakota employer survey conducted by the Hay Group, existing Hay Group database of employers with employees in ND, Central States Salary Survey of regional states, Job Service ND data, ND Hospital & Healthcare Association Survey.*  
  
*#2 & 3; adopting new classification evaluations, new grade structure, and new market-related salary ranges effective July 1, 2012.*
- 4. Develop cost estimates for potential fringe benefits adjustments: life insurance, long-term disability, health insurance premiums**  
*This may fall under the jurisdiction of the legislature's Employee Benefits Programs Committee.*
- 5. Expand Recruitment and Retention Tools.**
- 6. Develop a consistent long-term salary increase administration policy.**
- 7. Analyze the effect of appropriating funds for accrued annual and sick leave and defining 'vacant' positions to reduce long-term vacant positions included in the budget process.**  
*Items 5, 6, & 7 are Hay Group responsibilities. They are currently being finalized.*



**Guidelines for 2011 Classified Employee Salary Increases**

The following guidelines are being provided as directed by SB 2015, Sections 8 & 9.

Effective July 1, 2011 each agency salary appropriation is increased by 3.0%.

- Agencies may distribute their overall appropriations based on performance and equity
- Employees whose performance meets standards should receive a minimum increase of 1.0%
  - Employees whose salaries are above their assigned range maximum may receive the 1.0% minimum increase
  - NOTE: *January 1, 2012 (paid Feb 1) employees will begin contributing 1.0% to NDPERS Retirement*
- An employee whose overall documented performance level does not meet standards is not eligible for a salary increase

Probationary employees are not entitled to the general increase but may be given all or a portion of the increase in July (pd Aug) or upon completion of probation at the discretion of the appointing authority.

**Sixty-second Legislative Assembly of North Dakota  
In Regular Session Commencing Tuesday, January 4, 2011**

HOUSE BILL NO. 1031  
(Legislative Management)  
(Government Services Committee)

AN ACT to create and enact a new section to chapter 54-44.3 of the North Dakota Century Code, relating to a state compensation philosophy statement; to provide for implementation of changes to the classified employee compensation system; to provide for status reports to the sixty-second legislative assembly and to the budget section; and to declare an emergency.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new section to chapter 54-44.3 of the North Dakota Century Code is created and enacted as follows:

**Compensation philosophy statement.**

The compensation program for classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota. For purposes of this section, "compensation" is defined as base salary and related fringe benefits.

The compensation program must:

1. Provide a competitive employee compensation package based on job content evaluation, internal equity, and external competitiveness balanced by the state's fiscal conditions.
2. Be based on principles of fairness and equity.
3. Include a consistent compensation policy which allows for multiple pay structures to address varying occupational specialties.
4. Set the external competitiveness target for salary range midpoints at a competitive level of relevant labor markets. For purposes of this section, "relevant labor markets" is defined as the labor markets from which the state attracts employees in similar positions and the labor markets to which the state loses employees in similar positions.
5. Include a process for providing compensation adjustments that considers a combination of factors, including achievement of performance objectives or results, competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge.
6. Provide funding for compensation adjustments based on the dollar amounts determined necessary to provide competitive compensation in accordance with the state's compensation philosophy. Funding for compensation adjustments may not be provided as a statewide percentage increase attributable to all employees nor as part of a statewide pool of funds designated for addressing equity issues.
7. Consider the needs of the state as an employer and the tax effect on North Dakota citizens.

The office of management and budget shall develop and consistently administer the compensation program for classified state employees and ensure that state agencies adhere to the components of the state's compensation philosophy. The office of management and budget shall regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets.



The legislative assembly recognizes the importance of providing annual compensation adjustments to employees based on performance and equity to maintain the market competitiveness of the compensation system.

**SECTION 2. COMPENSATION SYSTEM INITIATIVES - IMPLEMENTATION.** The office of management and budget shall implement the following initiatives relating to the classified state employee compensation system for the period beginning with the effective date of this Act and ending June 30, 2011:

1. Adjust the methods used to determine classified state employee classifications by:
  - a. Simplifying the classification and reclassification process.
  - b. Revising classification and reclassification forms to collect additional information, including information from the employee.
  - c. Revising classification specifications to ensure duties and responsibilities increase in complexity within a classification series and that minimum qualifications are appropriate.
  - d. Communicating and educating employees on the classification process.
2. Minimize salary inequities both within an agency and within state government by:
  - a. Providing job evaluation training for human resource management services job evaluators.
  - b. Evaluating, reviewing, and refining common job classifications to create a framework of classified positions.
  - c. Reviewing unique job classifications and developing a classification framework that ensures internal equity exists and that all classifications are appropriate.
  - d. Identifying broad compensation system classifications and determining the appropriateness of the classification.
  - e. Identifying jobs that are unique to an agency and assessing the appropriateness of these jobs being included in statewide classifications.
3. Develop appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints by:
  - a. Redesigning the grade structure and reassigning common and unique job classifications.
  - b. Customizing salary surveys and market analyses for the determined relevant labor market.
  - c. Identifying job family and occupational groups that require different pay strategies from regular pay classifications.
  - d. Developing salary ranges for the general pay structure and for job family and occupational group structures.
  - e. Decreasing the width of salary ranges and performing cost-to-implement analyses.
  - f. Performing statewide, agency, and job family and occupational group internal equity analyses.
4. Develop cost estimates for potential fringe benefits adjustments relating to:

- a. Increasing the basic life insurance benefit from the current level of one thousand three hundred dollars to an amount equal to each employee's annual salary level or a benefit level of at least twenty-five thousand dollars.
  - b. Implementing a long-term disability benefit separate from the pension plan.
  - c. Requiring employees to share in the cost of health care insurance premiums.
5. Expand recruitment and retention tools by:
- a. Developing guidelines and amounts for recruitment and retention bonuses.
  - b. Defining the type of performance to be recognized and rewarded through a performance bonus.
  - c. Reviewing the appropriateness of performance bonus maximums.
  - d. Continuing to assist agencies in determining the appropriate utilization of nonmonetary rewards for employee retention efforts.
  - e. Developing a targeted retention program for employees with three to five years of service.
6. Develop a consistent long-term salary increase administration policy by determining the funding request for salary adjustments using a single funding allocation method that includes performance and equity components.
7. Analyze the effect of:
- a. Appropriating funds to agencies for accrued employee annual leave and sick leave.
  - b. Defining "vacant" positions and excluding long-term vacant positions from agency budget requests.

**SECTION 3. OFFICE OF MANAGEMENT AND BUDGET STATUS REPORTS TO JOINT LEGISLATIVE COMMITTEE.** The office of management and budget shall provide periodic reports to a joint committee during the sixty-second legislative assembly on the status of implementation of the compensation system changes in accordance with section 2 of this Act for the period beginning with the effective date of this Act and ending with the adjournment of the sixty-second legislative session. The reports must include information on any estimated cost increases resulting from the changes in future bienniums.

**SECTION 4. OFFICE OF MANAGEMENT AND BUDGET STATUS REPORTS TO BUDGET SECTION.** The office of management and budget shall provide periodic reports to the budget section on the status of implementation of the compensation system changes in accordance with section 2 of this Act during the 2011-12 interim.

**SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure.