

Government Services Committee

July 11, 2012

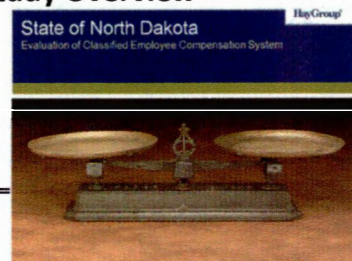
Human Resource Management Services Division
Office of Management & Budget

North Dakota Classified Employee Compensation System Study Overview

- the timelines,
- the legislative study process, &
- the implementation plan

for the new compensation
system for the North Dakota
Classified Service.

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Classification & Compensation Manager



The study was directed in SB2001 (#7) and assigned to the Interim Government Services Committee

Section 7. **LEGISLATIVE COUNCIL STUDY - STATE EMPLOYEE COMPENSATION.** During the 2009-10 interim, the legislative council shall consider studying the classified state employee compensation system, including a review of the development and determination of pay grades and classifications. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-second legislative assembly.

Classified State Employee Compensation Study

- **December 2009** – Issued RFP for a consultant to assist with study.
- **February 2010** – Legislature contracted with the Hay Group to conduct the study
- **March-May 2010** – Hay Group gathered information including interviews with agency heads and HR staff
- **September 2010** – Hay Group presented study findings to Gov't Services Committee

Classified State Employee Compensation Study

- **October 2010** – Hay Group presented final report with recommendations to Gov't Services Committee:
 - Adopt a Compensation Philosophy
 - *Streamline & Simplify the Classification Process*
 - Minimize Salary Inequities Through Job Evaluation Training
 - Appropriate Market Comparisons and Methods Used to Set Pay Grade Minimums, Midpoints, & Maximums
 - Develop Cost Estimates for Fringe Benefit Adjustments
 - Improve Guidelines for Recruitment & Retention Tools (bonuses)
 - Develop a Consistent Long-Term Salary Increase Administration Policy
 - Analyze the Effect of Appropriating Funds for Accrued Annual & Sick Leave and Funding of Vacant Positions

Classified State Employee Compensation Study

- The Interim Government Services Committee accepted the recommendations and introduced them to the 2011 Legislature as **HB 1031** -
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:*
 2. Minimize salary inequities both within an agency and within state government by:
 3. Develop appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints by:
- The Legislature contracted with the Hay Group to work with HRMS to complete implementation of the recommendations by April 2011

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H.B. No. 1031 - Section 2 Item 2, a.- e.		HayGroup®
Initiative	Work to be Done	Work Completed
Minimize salary inequities both within an agency and within state government by:	a. Providing job evaluation training for HRMS job evaluators and classification/reclassification committee members	Formation and training of Job Evaluation Committee consisting of 7 HRMS staff and 8 Agency HR staff Purchase of the Hay Job Evaluation Manager (JEM) technology to enhance the speed and efficiency of the job evaluation process
	b. Evaluating, reviewing, and refining leveling for common/benchmark job classifications to create a framework of classified positions	Evaluation of benchmark classification job evaluations by Hay Group completed by early January Review of benchmark job evaluations and slotting of the remaining classifications by the Job Evaluation Committee
	c. Evaluating, reviewing and refining leveling for unique/non-benchmark job classifications to develop a classification framework that ensures internal equity and that all classifications are appropriate	Review of the job evaluations for all 900+ classifications by Hay Group and the Job Evaluation Committee Development of a new grade structure Allocation of classifications to the new grade structure
	d. Identifying broad compensation system classifications and determining the appropriateness of classification	Plan developed by HRMS to implement the new grade structure effective July 1, 2011; subsequently deferred to July 1, 2012 Ongoing work by HRMS to address classification issues identified during the job evaluation process (e.g. consolidation of selected direct care classifications)
	e. Identifying jobs that are unique to an agency and assessing the appropriateness of these jobs being included in statewide classifications	Ongoing - 'Sore-Thumbing' & resolving agency concerns & issues with original evaluations

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H.B. No. 1031 - Section 2

Item 3, a.- f.

Initiative	Work to Be Done	Work Completed
Develop appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints by:	a. Redesigning the grade structure and reassigning common/benchmark and unique/non-benchmark job classifications	Identification of major sectors of employment and employers in North Dakota for participation in salary survey (112 employers) Selection of salary survey benchmark positions (103 benchmark positions)
	b. Customizing salary surveys and market analyses for the determined relevant labor market	Reviewed survey data from other sources such as: Central States Compensation Survey; Job Service Survey; Hay Group PayNet Database; Healthcare Survey for a total of 162 benchmark positions Analyzed data from all surveys
	c. Identifying job family and occupational groups that require different pay strategies from regular pay classifications	Reviewed benefits analysis (done as part of the 2010 review) for complete total pay competitive comparison
	d. Developing salary ranges for the general pay structure and for job family and occupational group structures	Development of new salary structures options and costing implications of new salary structure options Presentation of impact of costing to SECSOC in April 2011
	e. Decreasing the width of salary ranges and performing cost-to-implement analyses	Legislative decision to not appropriate funds for implementation
	f. Performing statewide, agency, and job family and occupational group internal equity analyses	

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Classified State Employee Compensation Study

- The following slides provide further detail on the actual activity that has occurred leading to full implementation of the new compensation system on July 1, 2012
- HRMS and the Job Evaluation Committee (JEC) have been actively reviewing initial job evaluations to resolve issues identified by agencies
- The Classification/Compensation system is a 'living' process in that individual positions, occupations/job classes, organization structures, and employment market conditions are constantly changing

Classified State Employee Compensation Study

- **January – April 2011** – Hay Group & ND HRMS Focused on Implementation of the Primary Study Recommendations
 - Revised/Modified the Process and Forms used in Job Classification & Analysis
 - Formed Job Evaluation Committee (**7 HRMS & 8 Agency HR Staff**) and received training in the Hay Guide Chart-Profile Method of Job Evaluation
 - **Hay Group & JEC evaluated all 900 ND Job Classifications**
 - Hay Group conducted a Custom Salary Survey to focus market analysis on appropriate employment market
 - Hay Group developed a revised grade structure based on the job evaluations and market-based ranges from the custom salary survey

Classified State Employee Compensation Study

- **April 14, 2011** – Hay Group presented final findings, including fiscal impact, to the Legislative Committee
 - Hay Group offered 2 Options for implementation:
 - Option 1 established ranges with a 'Market Policy Point' at 100% of market, minimums at 80% of MPP, maximums at 125% of MPP
 - Base implementation meeting new range minimums cost = **\$6.4 mill**
 - Full implementation moving employees into ranges cost = **\$39 mill**
 - Option 2 established ranges with a 'Market Policy Point' at 98% of market, minimums at 80% of MPP, maximums at 125% of MPP
 - Base implementation meeting new range minimums cost = **\$4.9 mill**
 - Full implementation moving employees into ranges cost = **\$35 mill**

Classified State Employee Compensation Study

- The Hay Group and HRMS met the timelines directed by the legislature
- ***The Legislature determined that it was not practical to revise salary appropriations to fund implementation in July of 2011.***
- Based on the legislative decision, HRMS continued to work with the Hay Group on alternative plans to implement the study recommendations.

Classified State Employee Compensation Study

The alternate implementation plan provides for:

- Retaining the existing classification grades & range structure through June 30, 2012
- Adopting the revised classification plan, grades, & ranges on July 1, 2012
 - Revised structure will place each salary range 'Market Policy Point' at 100% of market
 - Minimums at 75% of Market Policy Point
 - (vs original recommendation of 80%)
 - Maximums at 125% of Market Policy Point
 - Estimated total cost to meet new range minimums on July 1, 2012 is estimated to be about **\$1.9 mill** (in addition to appropriations for general increases)

Classified State Employee Compensation Study

- Preparation for Full Implementation on July 1, 2012
 - Finalize Ranges for July 1, 2012 – *Hay Group & HRMS*
 - Adjust the ranges from original 2011 implementation plan
 - Based on discussion with the Hay Group, the **ranges were 'aged' by 3.0%** to account for market movement from 2011 to 2012
 - Pay Structure changing from grades 1-20 to grades A-V
 - **There is no direct conversion from grade-to-grade**, all jobs were re-evaluated
- Future plans call for updating the custom salary survey during the budget cycle in 2014 prior to setting the ranges for July 1, 2015

Classified State Employee Compensation Study

- When New Structure is Implemented on July 1, 2012, the Salary Ranges Assigned to Job Classes Will Change, Some Will:
 - **Be significantly higher**
 - **Remain Stable**
 - **Be lower**
- **HRMS & the JEC are Re-Reviewing Job Classes** Based on Agency Concerns
 - **Re-Evaluate Jobs to Quality Check Original Evaluations**
 - **Review Market Data for Pay Grade Exceptions**

Classified State Employee Compensation Study

A significant impact of the new system will be employees whose **salary falls below the new salary range minimum**.

- HRMS, OMB Budget Staff, & affected Agencies have met to review the impact and give agencies time to develop plans to address salaries below the range.

A second, significant impact is more **'compression' of salaries at the low end of the salary ranges**.

- With the more direct market relationship in the salary ranges, HRMS & OMB Budget Staff will be able to **recommend more effective distribution of salary appropriations to address compression**
- The compression issue is significant and **will require several bienniums to address** if funding is provided

Classified State Employee Compensation Study

The new system is a **significant upgrade to the class/comp system** in use since the 1980's

- The concept is similar to what has been in use but the **Hay System of Job Evaluation is constantly reviewed, updated, and validated world-wide in both private and public employment**
 - Job Class relationships resulting from the new system are changing and such change is sometimes hard to accept
- **The Market component of the implementation is a significant system improvement**
 - Previous market included **Job Service ND data for ND employers** and **10 State Governments** for regional data
 - New market includes Job Service and regional state government data but also included data from the **Hay Group compensation database, ND Hospital Association, & a custom survey of 103 benchmark job classes to a broad range of ND employers**

Classified State Employee Compensation Study

- Ranges under the new system are being established at **100% of Market**
 - Ranges will be more competitive but **salaries will remain clustered at the low end of the ranges**
 - More precise information will facilitate **prioritization of salary distribution**
- Hay Group recommendations included tools to help agencies combine **market position and performance in future salary increase decisions**
 - More precise market information will provide more basis to **target competitive salaries in the budget process**

Change in Salary Levels

Change	# of Job Classes	# of Employees
Salary Range Lower	134	1,106
Up Less than 1%	20	125
Up 1.1 - 5%	66	288
Up 5.1 - 10%	311	2,323
Up 10.1 - 15%	36	557
Up 15.2 - 20%	266	2,200
Up 20.1 - 30%	45	391
Up 30.1 - 42.4%	12	53
	890	7,043

Salary Range Change	Job Class - Examples	# Employees
Lower	Licensing Specialist II – III	28
	System Administrator	28
	Computer & Network Spec I – III	54
	Customer Service (JSND)	94
	Communication Specialist I – III	23
	HR Tech I – II	18
	Correctional Officer II – III	228
	Heating Plant Op II	18
Up Less Than 1%	Licensing Specialist I	16
	Activity Assistant II	21
	Drivers License Examiner I	16
Up 1.1 to 5%	Sr Programmer Analyst	35
	Auditor IV	28
	Criminal Investigator III	13
Up 5.1 to 10%	Cook I	35
	Programmer Analyst I & III	80
	Account Technician	59
	Account/Budget Specialist III	39
	Auditor II, III, & V	88
	HR Officer I – II	26
	Engineer Technician II – IV	99
	Activity Therapist II – III	17
	Health Care Facility Surveyor II – III	22
	Juvenile Inst Residence Specialist I – II	33
	Licensed Psychologist I	20
	Juvenile Corrections Specialist	16
	Parole & Probation Officer II – III	62
	Correctional Supervisor I – II	22
	HP Trooper & Sergeant	108
	Game Warden II	29
	Biologist I – III	58
	General Trades Maintenance Worker I – II	20
	Fleet & Equipment Tech I – III	27
	Transportation Technician II – III (Maint Equipment Operators)	239
Up 10.1 to 15%	Office Assistant I – III	196
	Admin Transportation Engineer II	17
	Custodian	42
Up 15.2 to 20%	Administrative Assistant II – III	226
	Account/Budget Specialist II	18
	Legal Assistant I – II	5
	Attorney II	25
	Transportation Engineer II – III	106
	Admin Transportation Engineer I	18
	Environmental Engineer II – III, & Sr	26
	Water Resource Engineer II – III, & Mgr I	20
	Licensed Practical Nurse I – II	54
	Registered Nurse II – III	148
	Epidemiologist II – III	21
	Developmental Disability & Mental Illness Casemgrs	188
	Addiction Counselor II – III	91
	Social Worker I – III	44
	Environmental Scientist III & Administrator I	39
	HP District & Division Commander	13
	Ag Program Inspector	19
Up 20.1 to 30%	Human Service Program Admin IIV – VI	130
	Advanced Clinical Specialist	47
	Physical Plant Director II – III	16
30.1% to 42.4%	Account/Budget Spec I	22
	Claims Adjuster I – WSI	7
	Deputy Fire Marshal II	1
	Maintenance Supervisor I	4

NDCC 54-44.3 establishes the Human Resource Management Services Division of the Office of Management and Budget. The following section 20 defines the positions not included in the classified service of the State. Item 17 removing the Mineral Resources Engineers and Geologists was added by the 61st Legislative Assembly in 2009.

54-44.3-20. Categories of positions in the state service.

All positions in the state service are included in the classified service except:

1. Each official elected by popular vote and each person appointed to fill vacancies in an elective office, one principal assistant, and one private secretary.
 2. Members of boards and commissions required by law.
 3. Administrative heads of departments required by law, other than the superintendent of North Dakota vision services - school for the blind, the superintendent of the school for the deaf, and the state librarian.
 4. Officers and employees of the legislative branch of government.
 5. Members of the judicial branch of government of the state of North Dakota and their employees and jurors.
 6. Persons temporarily employed in a professional or scientific capacity as consultants or to conduct a temporary and special inquiry, investigation, or examination for the legislative branch of government or a department of the state government.
 7. Positions deemed to be inappropriate to the classified service due to the special nature of the position as determined by the division and approved by the board.
 8. Employees of the institutions of higher education under the control of the state board of higher education.
 9. Members and employees of occupational and professional boards.
 10. Officers and employees of the North Dakota mill and elevator association.
 11. The director of the committee on employment of people with disabilities of the department of human services.
 12. Positions referred to under law as serving at the pleasure of or at the will of the appointing authority.
 13. Licensed teachers engaged in teaching at the North Dakota youth correctional center, North Dakota vision services - school for the blind, and the school for the deaf.
 14. Officers of workforce safety and insurance.
 15. Officers and employees of the department of commerce.
 16. Attorneys employed by the insurance commissioner.
 - 17. Engineers and geologists employed by the director of mineral resources.**
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Cost Estimates – Compensation System Implementation

- The cost to bring employees up to the new salary range minimums
 - 745 employees
 - \$1.9 million (total funds) for the July 1, 2012 – June 30, 2013 fiscal year
- The cost to maintain employees at their previous relative range positions
 - \$54.5 million for the 2013-15 biennium (total funds)