



State of Idaho
DIVISION OF HUMAN RESOURCES
Executive Office of the Governor

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Governor
SUSAN E. BUXTON
Administrator

Idaho Personnel Commission
Mike Brassey, Chair
Mark Holubar
Sarah E. Griffin
Amy Manning
Nancy Merrill

January 15, 2019

TO: 2019 Change in Employee Compensation Committee Members:

Senator Jim L. Patrick, Co-Chair	Representative Neil A. Anderson, Co-Chair
Senator Jim Guthrie	Representative James Holtzclaw
Senator Todd M. Lakey	Representative John Gannon
Senator Grant Burgoyne	Representative Mike Kingsley
Senator Jeff Agenbroad	Representative Scott A. Syme

C/O: Robyn Lockett
Principal Budget and Policy Analyst
Legislative Services Office

FROM: Susan E. Buxton
Administrator 
Division of Human Resources

SUBJECT: Responses to the Change in Employee Compensation Committee (CEC) Requests for Information

DHR was requested to provide answers to the following inquiries:

1). Provide the average annual total compensation rate, the turnover rate and the retirement rate of full-time Idaho employees (including state employees) in private and public industries. Comparison to national rates.

The requested information is not collected or reported by either the Idaho nor the U.S. Department of Labor or any other source. The State of Idaho Milliman Custom Compensation Survey Report (See the FY2020 Change in Employee Benefits report, Appendix E, pages 59 to 99), best provides a local perspective on the competitiveness of the state employee's cash compensation, in addition to available market data within relevant labor markets from participating entities. In other words, if an entity does not agree to provide the information, there is no other source where that information would be collected. Participation in survey or sampling, in Idaho and throughout the U.S., are strictly voluntary and confidential.

2). Provide the State's personnel budget, total percentage of the state's budget revenue dedicated to personnel and provide state employee turnover rate by classification.

Per the Division of Financial Management, the FY2019 original budget for personnel costs is \$1,809,580,200 which is 20.5% of the total.

The turnover rate for classified state employees is 15%. Currently, DHR pulls turnover data by agency only. The requested report for the turnover rate by state classifications is being programmed in conjunction with the State Controller's Office. DHR will provide the information as soon as it is received. However, we have provided a chart reflecting the state employee turnover by occupational group. For illustrative purposes, the chart below shows the history of the state's total classified turnover by occupational group for the past ten years.

Occupational Group	FY 2018	FY 2017	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009
ADMINISTRATIVE	16.3	17.0	16.0	17.1	17.1	14.7	13.5	12.3	15.4	13.8
ENGINEERING	10.7	14.2	10.1	10.4	10.5	9.2	9.8	10.1	6.8	7.7
FINANCE AND ACCOUNTING	14.3	12.2	14.7	12.3	11.7	11.4	12.2	7.4	11.0	9.8
HEALTH CARE - MEDICAL	11.8	23.5	37.5	13.3	26.7	33.3	NA	31.6	27.3	33.3
HEALTH CARE - SERVICES	17.3	15.4	13.2	19.7	16.6	14.4	15.5	14.3	16.4	15.7
INFORMATION TECHNOLOGY	14.1	11.1	11.3	12.0	10.8	10.2	12.1	8.1	9.4	10.4
LABOR TRADES AND CRAFTS	18.2	15.5	13.4	14.0	14.2	14.4	15.8	13.2	12.7	15.9
MANAGEMENT SUB GROUP	9.0	15.2	8.1	8.3	8.7	10.8	12.1	9.5	8.9	8.8
NURSES	29.0	34.0	32.0	27.2	27.0	22.9	19.7	20.8	23.5	22.6
PARA-PROFESSIONAL SUB GRP	14.6	14.6	15.0	12.1	16.0	18.2	15.7	12.0	13.5	12.6
PROFESSIONAL SERVICES	11.3	12.1	12.9	12.4	13.0	12.1	10.7	11.5	12.6	9.4
PROTECTIVE SERVICES	18.2	16.7	15.7	20.3	15.3	15.9	13.1	14.4	11.7	12.5
SCIENCE/ENVIRONMENTAL	7.6	10.9	7.7	10.0	8.4	5.5	7.4	7.2	8.0	9.3
STATEWIDE TOTAL TURNOVER	15.1	15.2	14.3	15.4	14.6	13.6	13.0	12.1	12.9	12.4

For additional classified turnover data please refer to the FY2020 CEC report:

Appendix Q / pg. 163 – Classified Turnover by Pay Grade FY 18

Appendix R / pg. 164 – Classified Employees Total Separations by Agency FY 14-18

Appendix S / pg. 168 – Classified Employees Voluntary Separations by Agency FY 14-18

Appendix T / pg. 172 – Classified Employees Involuntary Separations by Agency FY 14-18

Appendix U / pg. 176 – Classified Retirement Turnover by Agency

3). Provide the State of Idaho's market position history.

The chart on the next page illustrates the history of the state's market position for the past ten years. Please note the percentages in the far-right column are salaries only.

State of Idaho vs. Public Sector					State of Idaho vs. Private Sector				State of Idaho vs. Labor Market*	
Year	Policy Rate	Salary	Benefits	Total Comp	Policy Rate	Salary	Benefits	Total Comp	Policy Rate	Salary
2018	-7.2%	-12.9%	-9.6%	-10.7%	-21.6%	-25.6%	7.3%	-12.4%		
2017	-9.9%	-14.1%	-8.5%	-10.9%	-20.2%	-23.9%	8.8%	-12.2%		
2016	-7%	-14%	-9%	-11%	-20%	-24%	14%	-8%		
2015	-7.4%	-13.7%	-9.4%	-11.3%	-19.8%	-24.5%	14.4%	-8.4%		
2014									-9.5%	-19.8%
2013	-2%	-10%			-20%	-29%			-7.7%	-19%
2012									-7.4%	-18.9%
2011										-18.6%
2010										-15.9%
2009										-15%
2008									-8%	-15%

*salary only

4). Provide additional information on why and where ground was lost in the private and public sector markets for total compensation.

The State's premium holiday increased the value of the State's health care benefit program by 2%. Even with the 2% bump due to the premium holiday, the Public Sector market median increased by 8% and the Private Sector market median increased by 7%.

Salary continues to be the primary driver of total compensation. Because most benefits are a function of salary (retirement, disability, life), salary also influences the value of benefits, compounding the impact of salary in the total compensation picture. When compared to the private sector, Idaho's base salary market position is largely unchanged from 2017 to 2018 and is more than 20% below the market average. This results in a total compensation market position that is more than 10% below market average. When compared to the public sector, Idaho's base salary and benefits market positions have also not changed in 2018 over 2017, resulting in a similar total compensation market position in 2018.

The charts on the next page illustrate the public sector, private sector, and Idaho market trends.

	Private Sector Market Trends		Idaho Trends	
Pay Component	Impact	Rationale	Impact	Rationale
Salary	↑	Salaries increased at a higher rate in the market than for Idaho employees	↑	Salaries increased but at lower rate than private sector – Idaho lost 1.7% on the private sector market
Health Care	↑	Private sector trended up year over year by 7% a higher rate than Idaho's 2%	↑	No changes to Idaho's health care program; however, premium holiday boosts value by 2% over last year.
Total Benefits	↔	Impact to total benefits is a 1.5% decrease in market position, but does not change the P75 position	↔	Impact to total benefits is a 1.5% decrease in market position, but does not change the P75 position
Total Compensation	↔	Changes in market year over year result in a minimal change to overall market position	↔	The decrease in salary market position, offsets any benefits gains, resulting in a .2% decrease in Idaho's total compensation market position

	Public Sector Market Trends		Idaho Trends	
Pay Component	Impact	Rationale	Impact	Rationale
Salary	↑	Salaries increased modestly in the market similar to Idaho	↑	Salaries increased slightly more than the public sector market in aggregate – Idaho gained 1.2% on the public sector market
Life Insurance	↓	Increased market prevalence of flat dollar/capped life insurance	↑	Idaho's salary based life insurance benefit compares more favorably to market than in 2017
Health Care	↑	Public sector market trended up since 2017. Increase due in part to changes in composition of market. Value increase 8% over last year	↔	No changes to Idaho's health care program; however, premium holiday boosts value by 2% over last year. Relative to market, value decreases from 7% above median to 1% above median
Total Benefits	↔	Health care impact results in 1% change in market position, but does not change median position	↔	Health care impact results in 1% decrease in market position, but continues to be at market median
Total Compensation	↔	Changes in market year over year result in a minimal change to market position	↔	Salary position increase is largely offset by health care position decrease resulting in a .2% improvement in Idaho's total compensation market position

5). If the Legislature accepts and funds all of DIIR's recommendations, will state employee salaries, benefits and total compensation fall below, meet, equal or exceed market and inflation?

If the Idaho Legislature funds the DHR FY2020 recommendations, the State's total compensation will maintain its position which is still below market. DHR has attached a document entitled Total Compensation Report, Salary Increase Scenarios developed by Korn Ferry to illustrate how the State's market position would change based on four different merit increases (3%, 6%, 8%, and 10%) for pay grade I and pay grade K. Inflation has been factored into the information.

The table on the next page reflects the fiscal impact of a 3%, 6%, 8%, and 10% merit increase.

<i>Merit Increase</i>	<i>General Fund</i>	<i>Total of all Funds</i>
3%	\$20,165,400	\$43,962,000
6%	\$40,330,800	\$87,924,000
8%	\$53,774,400	\$117,232,000
10%	\$67,218,000	\$146,540,000

6). *If the 2% in salary structure was changed to 3%, how much extra would it cost and how would it affect my first and second questions above?*

The adjustment of a 3% increase in the salary structure would cost \$251,000 for 24 agencies and 280 state employees. A 3% increase in the salary structure would not have a significant impact on the overall total compensation scenario.

7). *Appreciative State Workforce.*

In the past year, I have had the opportunity to travel the state meeting with dedicated state employees, agency directors, and board members. In my discussions with these employees, I know they value any increase in their salaries, as well as the maintenance of their benefits. I hope I have relayed this message in my numerous legislative presentations.

With a 65% response return rate on the recent employee benefits survey, comments from state employees reiterate the fact state employees care about their work, they care about the people they work with and they certainly appreciate their total compensation package. Numerous comments emphasized the fact they generally accept a lower wage because of the benefits available to them and their families.

Although the fact remains that state employee wages are below the market, the state is no longer losing ground relative to the market for total compensation. This is a direct result from the Governor's budget and the legislature's appropriations for state employee compensation.

SEB/sb

TOTAL COMPENSATION REPORT

Salary Increase Scenarios

State of Idaho

January 11, 2019



KORN FERRY

Salary Increase Scenarios

The table below shows how the State's market position changes based on four different merit increase scenarios for Pay Grade I:

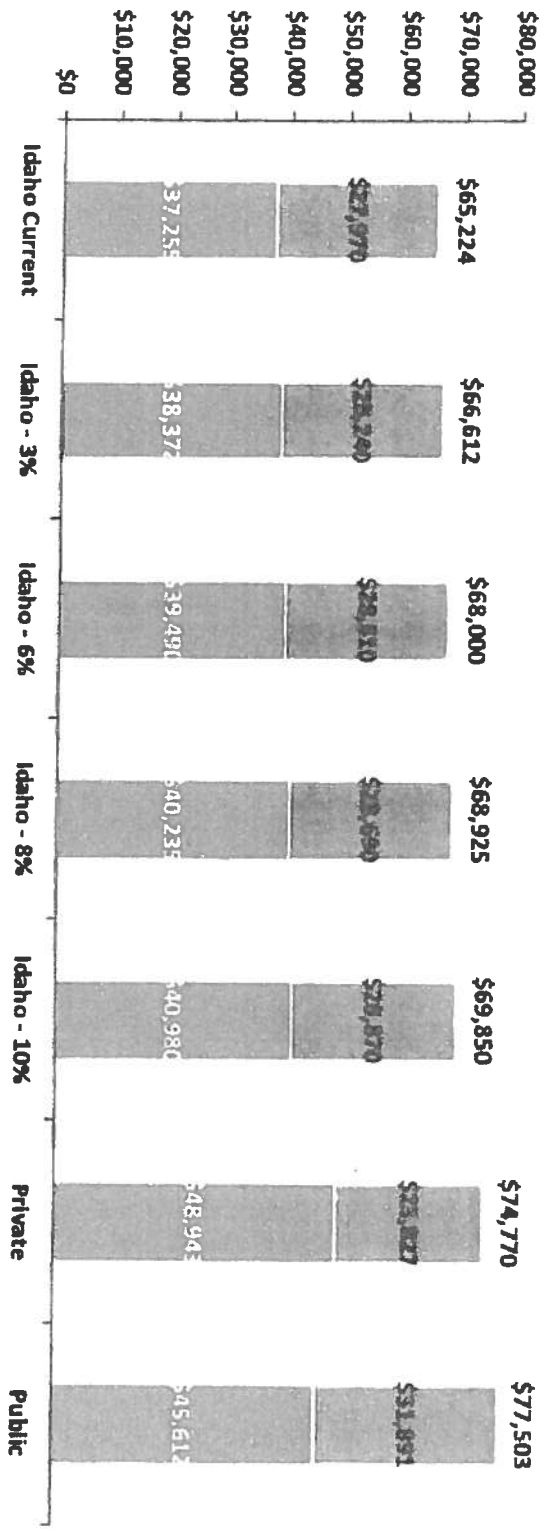
	Idaho		Private		Public		Benefits Values				Total Remuneration				
	Weighted Salary	Weighted Salary	Idaho % Diff	Weighted Salary	Idaho % Diff	Idaho	Private	Idaho % Diff	Public	Idaho % Diff	Idaho	Private	Idaho % Diff	Public	Idaho % Diff
Current	\$37,255	\$48,943	-24%	\$45,612	-18%	\$27,970	\$25,827	8%	\$31,891	-12%	\$65,224	\$74,770	-13%	\$77,503	-16%
3%	\$38,372	\$48,943	-22%	\$45,612	-16%	\$28,240	\$25,827	9%	\$31,891	-11%	\$66,612	\$74,770	-11%	\$77,503	-14%
6%	\$39,490	\$48,943	-19%	\$45,612	-13%	\$28,510	\$25,827	10%	\$31,891	-11%	\$68,000	\$74,770	-9%	\$77,503	-12%
8%	\$40,235	\$48,943	-18%	\$45,612	-12%	\$28,690	\$25,827	11%	\$31,891	-10%	\$68,925	\$74,770	-8%	\$77,503	-11%
10%	\$40,980	\$48,943	-16%	\$45,612	-10%	\$28,870	\$25,827	12%	\$31,891	-9%	\$69,850	\$74,770	-7%	\$77,503	-10%

- Under each salary increase scenario, a 3% increase in pay results in a 1% improvement in the State's benefits market position without making any changes to current programs. This is due to the influence salary has on benefits that are a function of pay (retirement, disability and life insurance)
- For employees in pay grade I, there is an impact of the salary increase on the total compensation market position – 10% increase in pay results in a 6% improvement in total compensation market position.



Salary Increase Scenarios

STATE OF IDAHO VS. PRIVATE & PUBLIC SECTOR – PAY GRADE I



Salary Increase Scenario

	Idaho Current	Idaho - 3%	Idaho - 6%	Idaho - 8%	Idaho - 10%	Private	Public
Base Salary	\$37,255	\$38,372	\$39,490	\$40,235	\$40,980	\$48,943	\$45,612
Benefits	\$27,970	\$28,240	\$28,510	\$28,690	\$28,870	\$25,827	\$31,891
Total Compensation	\$65,224	\$66,612	\$68,000	\$68,925	\$69,850	\$74,770	\$77,503



Salary Increase Scenarios

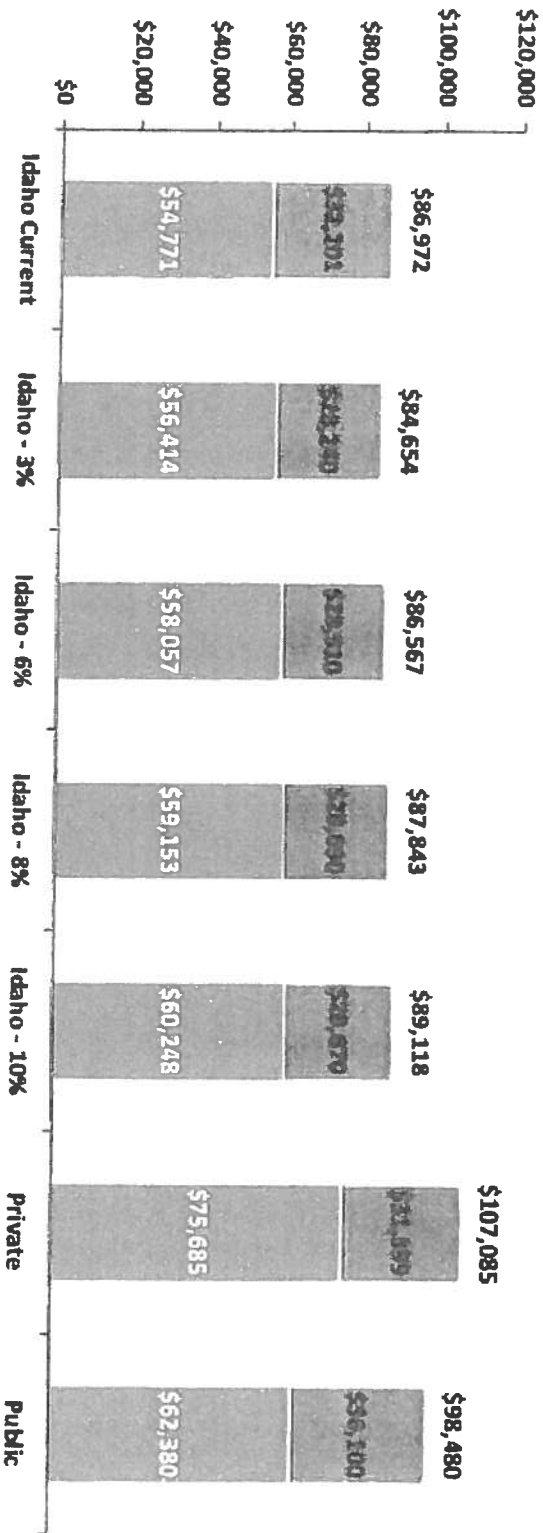
The table below shows how the State's market position changes based on four different merit increase scenarios for Pay Grade L:

	Idaho		Private		Public		Benefits Values				Total Remuneration					
	Weighted Salary	Idaho %	Weighted Salary	Idaho %	Weighted Salary	Idaho %	Idaho	Private	Idaho %	Public	Idaho %	Idaho	Private	Idaho %	Public	Idaho %
Current	\$54,771	-28%	\$75,685	-28%	\$62,380	-12%	\$32,201	\$31,399	3%	\$36,100	-11%	\$86,972	\$107,085	-19%	\$98,480	-12%
3%	\$56,414	-25%	\$75,685	-25%	\$62,380	-10%	\$32,598	\$31,399	4%	\$36,100	-10%	\$89,012	\$107,085	-17%	\$98,480	-10%
6%	\$58,057	-23%	\$75,685	-23%	\$62,380	-7%	\$32,995	\$31,399	5%	\$36,100	-9%	\$91,052	\$107,085	-15%	\$98,480	-8%
8%	\$59,153	-22%	\$75,685	-22%	\$62,380	-5%	\$33,259	\$31,399	6%	\$36,100	-8%	\$92,412	\$107,085	-14%	\$98,480	-6%
10%	\$60,248	-20%	\$75,685	-20%	\$62,380	-3%	\$33,524	\$31,399	7%	\$36,100	-7%	\$93,772	\$107,085	-12%	\$98,480	-5%

- Under each salary increase scenario, a 3% increase in pay results in a 1% improvement in the State's benefits market position without making any changes to current programs. This is due to the influence salary has on benefits that are a function of pay (retirement, disability and life insurance)
- For employees in pay grade L, there is a greater impact of the salary increase on the total compensation market position – 10% increase in pay results in a 7% improvement in total compensation market position.



Salary Increase Scenarios STATE OF IDAHO VS. PRIVATE & PUBLIC SECTOR – PAY GRADE L



Salary Increase Scenario

	Idaho Current	Idaho - 3%	Idaho - 6%	Idaho - 8%	Idaho - 10%	Private	Public
Base Salary	\$54,771	\$56,414	\$58,057	\$59,153	\$60,248	\$75,685	\$62,380
Benefits	\$32,201	\$28,240	\$28,510	\$28,690	\$28,870	\$31,399	\$36,100
Total Compensation	\$86,972	\$84,654	\$86,567	\$87,843	\$89,118	\$107,085	\$98,480

