State Employee Compensation and Turnover

Evaluation Report
January 2013

Office of Performance Evaluations
Idaho Legislature

Report 13-03

Created in 1994, the legislative Office of Performance Evaluations operates under the authority of Idaho Code §§ 67-457 through 67-464. Its mission is to promote confidence and accountability in state government through professional and independent assessment of state agencies and activities, consistent with legislative intent.

The eight-member, bipartisan Joint Legislative Oversight Committee approves evaluation topics and receives completed reports. Evaluations are conducted by Office of Performance Evaluations staff. The findings, conclusions, and recommendations in the reports do not necessarily reflect the views of the committee or its individual members.

2013–2014 Joint Legislative Oversight Committee

Senate	House of Representatives
Dean M. Mortimer, cochair	Shirley G. Ringo, cochair
Clifford R. Bayer	Maxine T. Bell
Elliot Werk	Gayle L. Batt
Les Bock	Elaine Smith

Rakesh Mohan, Director
Office of Performance Evaluations

State Employee Compensation and Turnover

January 2013

Report 13-03

Office of Performance Evaluations
954 W. Jefferson St., 2nd Fl.
P.O. Box 83720, Boise, Idaho 83720-0055

Office of Performance Evaluations
Idaho Legislature

Rakesh Mohan
Director

Joint Legislative Oversight Committee

Senators
Dean M. Mortimer, cochair
Clifford R. Bayer
Elliot Werk
Les Bock

Representatives
Shirley G. Ringo, cochair
Maxine T. Bell
Gayle L. Batt
Elaine Smith

January 28, 2013

Members
Joint Legislative Oversight Committee
Idaho Legislature

In this evaluation we found that a disproportionate number (90 percent) of classified employees earn a wage that is less than their policy rate. Approximately 45 percent of these employees earn more than 20–32 percent *less* than their policy pay rate. Policy pay rates for each pay grade in the state's compensation schedule are intended to be competitive with market wages for comparable jobs.

In our survey of more than 17,000 state employees in Idaho, we learned that poor pay is the number one reason that contributes to employees' intentions to leave for a new job. About one-fourth of our survey respondents said that they are likely to leave their current employment within the next two years.

In light of these findings, we ask policymakers to consider two key questions about employee compensation:

- What would be an acceptable number of classified employees who earn less than their policy pay rate?
- How evenly should these employees be distributed below their policy pay rate?

Responses to our evaluation from the Governor, the State Controller, and the Division of Human Resources are included at the end of the report. We hope policymakers will use this report to inform their discussions about employee compensation and turnover.

Sincerely,

Rakesh Mohan

954 W. Jefferson St. PO Box 83720 Boise, ID 83720-0055
Phone: 208-332-1470 Website: www.legislature.idaho.gov/ope

Contents

		Page
Executive Summary		ix
Glossary		xiii
Introduction		1
	Legislative Interest and Study Focus	1
	State Workforce Profile	2
	Evaluation Approach	4
	Report Organization	8
Chapter 1	**State Compensation Policies**	9
	Idaho Code Provides a Framework for Employee Compensation	9
	The Compensation System Is Dependent on Accurate Job Classifications	10
	Idaho Code Outlines Compensation Strategies for Recruitment	13
	Idaho Code Outlines Options for Salary Increases	14
Chapter 2	**The Implementation of Compensation Policies**	19
	Several Compensation Options Are Available to Agencies	19
	The Compensation Schedule Is Outdated and Does Not Reflect Current Market Data	20
	A Disproportionate Number of Classified Employees Earn a Wage Less Than Their Policy Pay Rate	21
	Bringing Classified Employees Closer to Policy Pay Rates Presents a Significant Ongoing Cost to the State	25
	The Intent Behind Compensation Policies Should Be Reviewed	26

Page

Chapter 3 **Employee Turnover** 29

About One-Fourth of Respondents Said Their Intention Is to Find New Employment Within the Next Two Years 29

Compensation, Job Satisfaction, and Career Advancement Are Major Factors Influencing Turnover 31

Declining Rates in Voluntary Turnover Are Likely Caused by the Economy .. 33

Job Classifications Experiencing the Highest Turnover Represent a Small Number of Employees 38

Consistent Changes in Employee Compensation May Be the Most Effective Way to Reduce Turnover 38

Management Can Affect Turnover 40

Measuring Turnover Reasons Is Inconsistent and Incomplete 41

Chapter 4 **Next Steps** 45

Recommendations for the Division of Human Resources 45

Considerations for Policymakers 46

Appendix A Survey of Agency Human Resources Staff 49

Appendix B Survey of State Employees 61

Appendix C Annual Costs to Move Agency Average Comparative Ratios Closer to Policy Pay Rates 73

Appendix D Voluntary Separations and Turnover Rates by Agency, Fiscal Years 2005–2012 75

Responses to the Evaluation

Office of the Governor 87

Division of Human Resources 89

Office of the State Controller 95

Exhibits

		Page
Exhibit I.1	State Employee Population by Gender and Age in 2012	3
Exhibit 1.1	Compensation Schedule for Classified Employees, Fiscal Year 2013	12
Exhibit 1.2	Change in Employee Compensation (CEC), Fiscal Years 2004–2013	15
Exhibit 1.3	Change in Employee Compensation (CEC) Compared to the Consumer Price Index (CPI), Fiscal Years 2003–2012	17
Exhibit 2.1	Pay Rate Analysis of Classified Employees by Pay Grade in 2012	22
Exhibit 2.2	Analysis of Classified Employees Who Earn a Wage Less Than Their Policy Pay Rate in 2012	24
Exhibit 3.1	Most Common Factors for Why Employees Have Intention to Leave or Have Left State Jobs	32
Exhibit 3.2	Voluntary Separations and Corresponding Turnover Rates for Classified and Nonclassified Employees, Fiscal Years 2005–2012	35
Exhibit 3.3	Historical Count of Retirements Statewide, Fiscal Years 2004–2012	37
Exhibit 3.4	Projected Number of Employees Reaching Retirement Eligibility Per Fiscal Year	37
Exhibit 3.5	Voluntary Separations by Job Classification for Classified Employees, Fiscal Year 2012	39
Exhibit 3.6	Current and Past Separation Codes	42

Executive Summary

State Employee Compensation and Turnover

During the 2012 legislative session, four members of the Joint Finance-Appropriations Committee asked for a study about state employee compensation and turnover. They relayed concerns that agencies were losing highly skilled employees and were having difficulty recruiting qualified employees because the current pay rates were not competitive. In this study, we examined the challenges of implementing statewide compensation policies and sought to understand why employees leave their jobs.

As outlined in Idaho Code, legislative intent is to fund a competitive employee compensation and benefits package that attracts qualified applicants and retains employees who have a commitment to public service excellence.[1] However, policy pay rates in the state's current compensation schedule for classified employees, established in 2009, were set at 4 percent below relevant market comparisons.[2] The schedule consists of minimum, policy, and maximum pay rates for each pay grade.

We found that 90 percent of classified employees are paid less than their policy pay rate. More than 45 percent of these employees earn between 20 and 32 percent less than their policy rate. On average, classified employees earn 85 percent of their current policy pay rate. Several factors have contributed to this wage gap:

- The recent economic decline, both nationally and in Idaho, led to state budget shortfalls.
- CEC increases (change in employee compensation) were not appropriated for fiscal years 2010, 2011, and 2012.
- CEC increases during the past ten years have been less than inflation.

---

[1] IDAHO CODE § 67-5309A.

[2] Sometimes referred to as the market average, policy pay rates are used in the compensation schedule for classified employees and are intended to represent a competitive market average for the amount that external job markets compensate similar job classifications. Policy pay rates are determined by the Division of Human Resources through salary surveys. In its recent report, *Fiscal Year 2014 State Employee Compensation and Benefits Report*, the Division of Human Resources notes that the policy pay rates in the compensation schedule are now, on average, 7 percent below relevant market comparisons.

National research shows a strong link between compensation and turnover. In our survey of more than 17,000 classified and nonclassified state employees in Idaho, we learned that poor pay followed by a lack of opportunities for career advancement are two top reasons that contribute to an employee's intention to leave state employment. Furthermore, about one-fourth of our survey respondents said that they are likely to leave their current employment within the next two years. Current efforts to collect turnover data does not provide enough detail to answer policymakers' questions about why employees leave state employment.

Considerations for Policymakers and Recommendations for the Division of Human Resources

In addition to providing a broad range of detailed analyses of compensation and turnover data in this report, we offer considerations for policymakers as well as recommendations for the Division of Human Resources to strengthen compensation policies and develop strategies to reduce employee turnover. Policymakers should consider answering two key questions about employee compensation:

- What would be an acceptable number of classified employees who earn less than their policy pay rate? (Currently 90 percent of classified employees earn less than their policy pay rate.)

- How evenly should these employees be distributed below their policy pay rate? (Of the employees who are below their policy pay rate, approximately 45 percent are paid more than 20–32 percent *less* than their policy rate.)

The recommendations for the Division of Human Resources focus in two key areas:

- Updating the compensation schedule to better reflect current and relevant market comparisons

- Improving efforts for collecting statewide turnover data to ensure that agencies are collecting the type of data necessary to answer policymakers' questions about turnover

Acknowledgements

We appreciate the cooperation and assistance we received from the Division of Human Resources, the Office of the State Controller, and legislative Budget and Policy Analysis. We also acknowledge the expertise and input of human

resources staff in state agencies and thank the more than 11,000 employees who responded to our survey.

Brad Foltman and Darrell Manning, former administrators of the Division of Financial Management, provided valuable insight into issues of compensation and turnover.

Bryon Welch of the Office of Performance Evaluations conducted this study with assistance from Hannah Crumrine. Margaret Campbell copy edited and desktop published the report.

Dr. Tedd McDonald, professor and director of the Master of Health Sciences Program at Boise State University, assisted in survey design and conducted a quality control review.

Dr. Kathleen Sullivan, visiting professor and former director of the Center for Educational Research and Evaluation at the University of Mississippi, conducted a quality control review.

Glossary

Definitions are based on information in Idaho Code, Idaho Administrative Code, and reports and other documents from the Division of Human Resources.

Agency compensation plan: A salary administration plan and corresponding budget plan prepared by each agency that supports the core mission of the agency and is consistent with Idaho Code § 67-5309A.

Classified employee: State employees who are subject to merit examination, selection, retention, promotion, and dismissal requirements of Idaho Code § 67-53.

Comparative ratio: Also referred to as compa ratio, the comparative ratio is a measure of the relationship between an employee's pay rate and the policy pay rate of his or her job. It is calculated by dividing the employee's pay rate by the policy pay rate of his or her assigned pay grade. The resulting percentage is a measure of how far the employee's pay rate is from external, relevant market comparisons. The higher the percentage, the closer the employee's pay rate is to the average pay for similar jobs in relevant external markets.

Compensation schedule: Established by the Division of Human Resources, a list of all pay grades and their associated rates of pay for classified employees. The schedule consists of minimum, policy, and maximum pay rates for each pay grade, as well as ranges of corresponding Hay points.

Hay methodology: A tool developed by the Hay Group to evaluate jobs using a set of common factors that measure know how (inputs), problem solving (throughputs), and accountability (outputs). Job classifications are assigned a numerical point value (**Hay Point**) that the state uses in the compensation schedule.

Job classification: The designation given to a group of positions performing similar work within the same pay grade.

Nonclassified employee: State employees holding a position which is exempt from classified service in Idaho Code § 67-5303. Nonclassified employees are not subject to the classified provisions of merit examination, selection, retention, promotion, and dismissal.

Pay grade: An alphabetical indicator of the pay range assigned to each job classification in the compensation schedule. Established by the Division of Human Resources using market data and the Hay point method, Idaho has 19 pay grades consisting of a minimum, policy, and maximum pay rate.

Policy pay rate: Sometimes referred to as the market average, policy pay rates are used in the compensation schedule and are intended to represent a competitive market average for the amount that external job markets compensate similar job classifications. Policy pay rates are determined by the Division of Human Resources through salary surveys.

Salary compression: A situation that occurs when employees, regardless of their skills or experience, receive similar pay. Salary compression is the result of a market pay rate for a given job outpacing the increases historically given by the organization to high-performing employees or employees with longevity.

Salary savings: Savings in personnel funds as a result of a temporary vacancy or filling a position at a lower pay rate than what the position was budgeted to receive.

State compensation plan: The overall system of salary administration governing classified service including Idaho Code, the classification and compensation schedules, Division of Human Resources and Idaho Personnel Commission rules and policies, and agency policies governing employee pay.

Total compensation: A complete pay package for employees consisting of salary, benefits (e.g., retirement, insurance), employee services (e.g., flexible schedules), and perks (e.g., paid time off).

Introduction

Legislative Interest and Study Focus

Last session four members of the Joint Finance-Appropriations Committee requested that we study compensation and turnover of state employees. The Joint Legislative Oversight Committee approved the request at its March 2012 meeting and asked that the study be completed in time for budget considerations during the 2013 legislative session.

The study requestors raised questions based on information they heard from agency directors during the 2012 budget hearings about compensation and turnover of state employees. Recent budget constraints caused by the national economic recession have understandably limited the amount of funding available for increases in employee compensation. The requestors were concerned that employee pay had fallen below the pay rates of comparable external labor markets.

The requestors were also concerned that turnover in some agencies may cause the loss of valuable, skilled employees who would be difficult to replace. This loss of specialized and technical skills for some job classifications can present a significant cost to agencies in recruitment and training, as well as continuity of services.

We were asked to study how compensation has affected turnover. In particular, how many employees have left state employment for higher paying jobs and whether any state compensation policies can be changed to keep some of those employees.

Study Scope

Our study scope primarily focuses on identifying factors associated with implementing compensation policies and mitigating turnover. We developed our study objectives within these two areas:

- **Compensation**: Identify factors that influence how employees are compensated including how different agencies compensate their staff, what compensation options are available for agencies, and what options are available to improve the compensation structure.

- **Turnover**: Identify factors that influence employee longevity and turnover including how turnover affects state agencies, why employees leave state government, and what options are available to reduce unwanted turnover.

State Workforce Profile

Idaho's state government workforce consists of more than 24,000 employees, including more than 12,500 classified employees.[1] These classified employees, most of whom are full time, work in more than 80 state agencies and provide services ranging from higher education to public safety. Detailed information about the workforce is published annually by the Office of the State Controller in a publication called the *Legislative Handbook.*

After reviewing national research, we found that Idaho's state workforce is similar to the general profiles of state employees in other states. The following sections describe Idaho's workforce and compares it with national statistics when available.

Gender and Age Demographics

The gender profile of Idaho's state government workforce is evenly divided between males (49.9 percent) and females (50.1 percent). Idaho's female percentage is not as large as it is nationally, where researchers observed that as many as 59 percent of the nation's state workers are female.

We examined the age of state employees in Idaho and found a significant number approaching retirement age in the next ten years—57 percent of employees are at least 45 years old and 32 percent are at least 55 years old. These percentages are slightly disproportionate to the general population of Idaho. In 2010 the US Census reported that 48 percent of Idahoans are 45 years and older, and 31 percent are 55 years and older.[2]

Exhibit I.1 shows the age and gender breakdown for classified and nonclassified state employees. The exhibit highlights the significant number of employees of both genders who are nearing retirement age.

Longevity

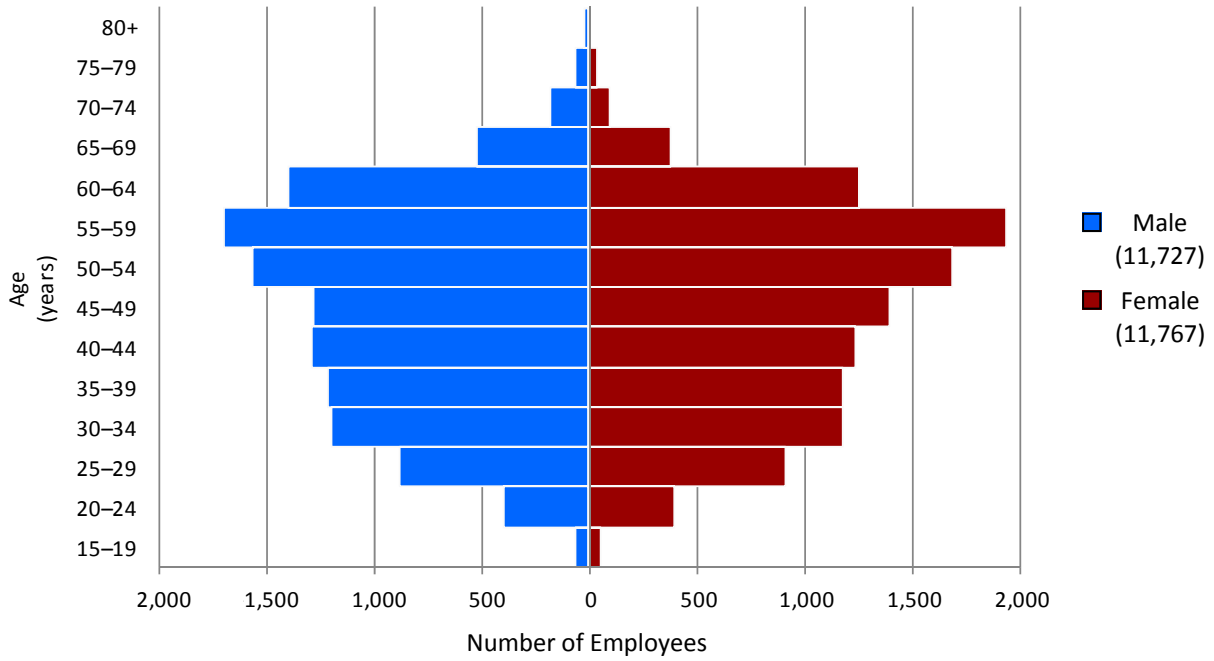
Overall, state employees have worked at their *current* agency an average of eight years. Classified employees have worked an average of about ten years at their current agency; nonclassified employees have worked an average of six years.

---

[1] Total employee counts as of August 6, 2012.

[2] Percentages reflect the ages of Idahoans who are 15 years and older to more closely align with the ages of state employees.

EXHIBIT I.1 STATE EMPLOYEE POPULATION BY GENDER AND AGE IN 2012



Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, June 4, 2012.

Note: The chart represents both classified and nonclassified employees. It excludes employees who work in multiple positions within the *same agency* but includes employees who work in *multiple agencies*.

Many state employees have worked at other state agencies before their current agency. When we calculated the length of time employees have worked for the state in multiple agencies, the average is approximately nine years; classified employees averaged eleven years and nonclassified employees averaged seven years.

Education

We wanted to describe state employees by their educational level, but this information is not currently being kept in the statewide personnel database. We developed a state employee survey and asked respondents to report their educational attainment.[3]

The majority of survey respondents reported having a postsecondary degree. Of the 11,518 respondents who self-reported their educational level, 61 percent indicated they had earned an associate's degree or higher.

[3] We excluded instructional staff at higher education institutions and elected officials.

What is the highest degree or level of education you have completed? (N=11,518)

Less than a high school diploma or equivalent	0.2%
High school diploma or equivalent	9.5%
Some college credit, no degree	23.0%
Postsecondary certificate (less than an associate's degree)	4.9%
Associate's degree	10.5%
Bachelor's degree	31.8%
Graduate or professional degree	16.5%
Doctorate degree	1.7%
Other or prefer not to answer	2.0%

In comparison, the 2011 American Community Survey conducted by the US Census reports that 34 percent of Idahoans age 25 and older have an associate's degree or higher.

Evaluation Approach

This study examines the challenges of implementing compensation policies and seeks to understand why employees leave their jobs. We offer policy considerations for policymakers and recommendations for the Division of Human Resources to strengthen compensation policies and develop strategies to reduce employee turnover. These policy considerations and recommendations are practical and can be implemented either individually or collectively as part of comprehensive reform.

This study did not examine compensation and turnover issues at Idaho's public schools.[4] We also excluded instructional staff at higher education institutions because of differences in the way they are compensated.

To avoid a duplication of efforts, we did not analyze data that the Division of Human Resources and the Office of the State Controller provide in their annual reports. Our report will complement these annual reports when making policy decisions on compensation and turnover.[5]

The Public Employee Retirement System of Idaho (PERSI), the Office of Group Insurance, and the Division of Human Resources are conducting another study

---

[4] For information on public school teacher compensation and turnover, see our report *Workforce Issues Affecting Public School Teachers* 13-01 (January 2013).

[5] The two reports are *State Employee Compensation and Benefits Report* by the Division of Human Resources and *Legislative Handbook* by the Office of the State Controller.

that will complement information in our report. These agencies are analyzing Idaho's total compensation package and how it compares with other public and private employers in the state and neighboring states. In light of the upcoming release of their study, we did not compare state wages and benefits with private sector wages and benefits.

Methodology

To better understand Idaho's state employee compensation structure and factors that influence compensation and turnover, we used a variety of research methods including interviews, document reviews, data analyses, surveys, and a review of relevant research in scholarly literature.

Interviews

- Interviewed the study requestors, the chairs of the Senate and House Commerce and Human Resources committees, and the cochairs of the Joint Finance-Appropriations Committee to better understand the context of the evaluation request.

- Interviewed directors and staff from the Division of Human Resources, the Division of Financial Management, and the Legislative Services Office about Idaho's compensation structure and the role each agency plays in determining employee compensation.

- Met with directors and staff from the Department of Labor to discuss factors to consider when reviewing employee compensation data and making external market comparisons.

- Interviewed past administrators of the Division of Financial Management to discuss the historical efforts taken by the executive and legislative branches to address compensation issues.

- Interviewed directors and managers of human resources from 14 agencies to discuss challenges and successes of addressing compensation and turnover issues in their respective agencies.

  - Administration, Dept. of
  - Commerce, Dept. of
  - Controller, Office of State
  - Correction, Dept. of
  - Environmental Quality, Dept. of
  - Finance, Dept. of
  - Fish and Game, Dept. of
  - Health and Welfare, Dept. of
  - Juvenile Corrections, Dept. of
  - Labor, Dept. of
  - PERSI
  - Public Utilities Commission
  - Police, State
  - Transportation Dept.

- Interviewed staff from the Idaho Public Employee Association, a public employee advocacy group, to discuss their interests and efforts in state employee compensation.

Document Reviews

- Reviewed compensation and turnover in Idaho Code § 67-53 and § 59-16 and Idaho Administrative Code, IDAPA 15.04.01.

- Reviewed the historical proceedings and legislation of the Change in Employee Compensation (CEC) Legislative Committee archived at the Legislative Research Library.

- Reviewed the evaluation factors of the Hay Group methodology. Although we did not analyze the criteria used by the Hay Group for assessing job scores, we reviewed Idaho's use of Hay points for setting pay grades in the compensation schedule.

- Reviewed the historical change in employee compensation and benefits from reports published by the Division of Human Resources. We reviewed current and previous recommendations to the Governor and the Legislature, the results of salary surveys, and other information on compensation and turnover.

Surveys

- Conducted a survey of human resources staff in 77 agencies to examine issues raised in our interviews with agency directors and managers of human resources. We sent surveys to 106 human resources staff and received 78 responses for a response rate of 73.6 percent. Respondents represented 63 state agencies. The survey results are in appendix A.

- Conducted a survey of all Idaho classified and nonclassified state government employees with e-mail addresses on file with the Office of the State Controller; we excluded instructional staff at higher education institutions. The primary purpose of this survey was to measure turnover intentions and employee satisfaction. We sent surveys to 17,334 employees and received responses from 11,541 for a response rate of 66.6 percent. Respondents were from 82 state agencies.[6] The survey results are in appendix B.

[6] We provided a paper survey for employees who did not have a state e-mail address or Internet access. Five employees from three state agencies completed paper surveys.

Data Analyses

This report includes information for both classified and nonclassified employees, although we excluded nonclassified employees from some analyses because of resource constraints. Our compensation analysis focused on current classified employees and pay comparisons within the state compensation schedule. We did not conduct a compensation analysis for nonclassified employees because their pay is not based on a formal pay schedule. Our turnover analysis includes nonclassified employees when data was available.

The majority of the data used in our analyses came from the Office of the State Controller. Agency staff input personnel data into the Idaho Paperless Online Personnel Payroll System (IPOPS), which feeds into the state data warehouse, Idaho Business Intelligence System (IBIS). We used IBIS to retrieve the following datasets:

- Turnover statistics by agency
- Retirement statistics by agency
- Pay rates for classified employees
- Employee count by agency
- Employee demographics, such as age and gender statistics
- Reasons for voluntary separation

These data sources were used to calculate the number of voluntary separations and turnover rates, historical and projected employee retirements, the proximity of employee pay rates to policy pay rates (by agency and by pay grade), costs to the state to increase agencies' average comparative ratios, and reasons why employees have recently left state employment.

Literature Review

We reviewed national research and scholarly articles on employee compensation and turnover. To help guide the development of our statewide staff survey and to identify trends in turnover and compensation practices, we used the following list of selected citations in our literature review:

- Caillier, "I Want to Quit: A Closer Look at Factors That Contribute to the Turnover Intentions of State Government Employees," *State and Local Government Review* 43, no. 2 (2011): 110–122.

- Gittleman and Pierce, "Compensation for State and Local Government Workers," *The Journal of Economic Perspectives* 26, no. 1 (2011): 217–242.

- Keefe, "Are Public Employees Overpaid?" *Labor Studies Journal* 37, no. 1 (2011): 104–126.

- Llorens, "Uncovering the Determinants of Competitive State Government Wages," *Review of Public Personnel Administration* 28, no. 4 (2008): 308–326.

- Llorens and Stazyk, "How Important Are Competitive Wages? Exploring the Impact of Relative Wage Rates on Employee turnover in State Government," *Review of Public Personnel Administration* 31, no. 2 (2011): 111–127.

- Moynihan and Landuyt, "Explaining Turnover Intention in State Government," *Review of Public Personnel Administration* 28, no. 2 (2008): 120–143.

- Schmitt, "The Wage Penalty for State and Local Government Employees," *Center for Economic and Policy Research* (2010).

Report Organization

The report is organized into the following chapters:

- Chapter 1 is an overview of compensation policies and processes, including information on the statutory framework for compensation. The chapter describes the roles of policymakers and agencies, such as the Division of Human Resources and the Division of Financial Management, who make compensation decisions.

- Chapter 2 discusses the implementation of compensation policies and the discrepancies that may exist between the intent of those policies and their actual implementation. The chapter also includes an analysis of employee pay rates and how they compare with policy pay rates.

- Chapter 3 discusses one of the potential consequences of not reconciling discrepancies between the intent of compensation policies and their actual implementation. The chapter includes information on current and historical turnover trends as well as current efforts in collecting and measuring turnover data.

- Chapter 4 provides recommendations for the Division of Human Resources and considerations for policymakers. These recommendations and considerations will help reduce unwanted turnover and improve compensation practices.

Chapter 1
State Compensation Policies

In fiscal year 2013 the state appropriated more than $550 million from the general fund to personnel costs for state employees.[1] Each year the Legislature considers recommendations from the Governor's budget proposal, as well as recommendations from the Division of Human Resources, for compensating employees. This chapter discusses Idaho's compensation system and the roles of several key agencies that administer the system.

Idaho Code Provides a Framework for Employee Compensation

Idaho's compensation system is guided by Idaho Code, Idaho Administrative Code, and agency policies and procedures detailing how employee salaries and benefits should be administered. Statute also designates the Division of Human Resources (DHR) as the administrator of the personnel system, encompassing several tasks including the recruitment and training of Idaho's classified employees.

As stated in Idaho Code § 67-5301, the purpose of the compensation system is to "provide a means whereby classified employees of the [S]tate of Idaho shall be examined, selected, retained and promoted on the basis of merit and their performance of duties, thus effecting economy and efficiency in the administration of state government."

Additionally, Idaho Code § 67-5309A explains legislative intent for the state's compensation system, focusing on the recruitment, retention, and motivation of qualified public employees:

> It is hereby declared to be the intent of the legislature of the [S]tate of Idaho that the goal of a total compensation system for state employees shall be to fund a competitive employee compensation and benefit package that will attract qualified applicants to the work force; retain employees who have a commitment to public service excellence; motivate employees to maintain high standards of productivity; and reward employees for outstanding performance.

[1] Excludes funds appropriated for K–12 public schools.

Ensuring market competitiveness is a frequently repeated theme throughout statute. For instance, Idaho Code § 67-5309A(3) explains that during difficult economic conditions, policymakers may need to fund necessary annual compensation adjustments by increasing revenues, prioritizing and eliminating certain functions in state government, reducing the overall number of state employees in a given year, or combining any of these. Making these annual compensation adjustments may allow agencies to retain employees with compensation packages that are competitive with other markets or employers.

Idaho Code § 67-5309A(2)a–d defines four major compensation standards intended to guide policies of the state's compensation system:

- The state's overall compensation system, which includes both a salary and a benefit component, when taken as a whole shall be competitive with relevant labor market averages.
- Advancement in pay shall be based on job performance and market changes.
- Pay for performance shall provide faster salary advancement for higher performers based on a merit-increase matrix developed by DHR.
- All employees whose pay rate is less than their policy pay rate and who are meeting expectations in the performance of their job shall move through the pay range toward the policy pay rate.

Using Idaho Code and Idaho Administrative Code, DHR has created a set of policies to recruit, develop, and retain a qualified state workforce. Compensation plans developed at the agencies outline strategies, policies, and regulations to facilitate an equitable pay system and achieve the standards set in Idaho Code and Administrative Code.

The Compensation System Is Dependent on Accurate Job Classifications

The compensation policies direct several agencies to implement Idaho's compensation system. The Division of Human Resources (DHR), the Division of Financial Management, the Governor, and the Legislature all have key roles in the development and maintenance of job classifications and the compensation schedule.

Job Classifications

Through requests from state agencies, DHR develops and approves new or revised job classifications that establish uniform job duties and responsibilities.

When a new or revised job classification creates a fiscal impact, Financial Management becomes involved in the approval process to ensure adequate funds are available. Accurate position classifications are the foundation for providing equal pay for similar work, identifying actual work performed, employing fair practices, and promoting equal employment.[2]

After it defines a job classification, DHR establishes a specific pay grade for the classification. It determines the pay grade by evaluating job classifications using a methodology developed by the Hay Group as directed in Idaho Code § 67-5309B(1).[3] The Hay methodology measures inputs (required knowledge, skills, and capabilities), throughputs (problem-solving skills), and outputs (expected results from constructively applying inputs). DHR analyzes the content of each job using the Hay methodology and assigns a numerical point value to the classification. It then assigns similar job classifications to a specific pay grade on the compensation schedule.

In our interviews with human resources staff in different agencies, we heard that some agencies have made changes in job responsibilities in the last few years to adjust for decreased funding. For example, some agencies had to downsize their workforce, resulting in increased job responsibilities for some employees. These changes may have changed the numerical value for affected job classifications. The additional job duties and responsibilities may not have been updated in the job descriptions and provided to DHR. One human resources staff we surveyed described this situation:

> "The real issue is completing classification reviews periodically. For example, the IT and office support positions have not been updated much less reviewed against market data in more than nine years."

If an agency has reassigned job duties among several classifications, DHR may need to re-evaluate those classifications using the Hay methodology to ensure that employees are assigned to the proper pay grade.

Compensation Schedule

The current compensation schedule is shown in exhibit 1.1. The schedule has 19 alphabetical pay grades lettered D–V, and each pay grade consists of multiple job classifications. For each pay grade, the schedule lists a range of Hay numerical values or points that correspond to a range of pay rates. The pay rates are listed as minimum, policy, and maximum. Agencies may compensate employees in each pay grade at a rate no less than the minimum and no more than the maximum. A policy pay rate represents a benchmark wage that can be

---

[2] IDAHO CODE § 67-5309 B(1) and Idaho Administrative Code, IDAPA 15.04.01.68.

[3] The Hay Group is a global, private human resources consulting firm that specializes in evaluating job skills and requirements against a set of common factors.

used to determine how closely a state employee is paid compared with an employee in a similar job outside of Idaho state government.

DHR publishes an annual report on employee compensation that provides the Governor and the Legislature with recommendations for any needed changes to the compensation system.[4] DHR's issuance of this report meets the statutory requirements of Idaho Code § 67-5309(C). The report must include the results of the annual salary and benefit surveys and an estimated cost for the

EXHIBIT 1.1 COMPENSATION SCHEDULE FOR CLASSIFIED EMPLOYEES, FISCAL YEAR 2013

				Hourly Pay Rate			Annual Pay Rate		
Pay Grade	Minimum Points[a]	Grade Points[a]	Maximum Points[a]	Minimum ($)	Policy ($)	Maximum ($)	Minimum ($)	Policy ($)	Maximum ($)
D	Less Than 110 Points			7.25	10.06	12.58	15,080	20,925	26,166
E	110	119	130	7.64	11.24	14.05	15,891	23,379	29,224
F	131	142	154	8.60	12.65	15.81	17,888	26,312	32,885
G	155	169	184	9.77	14.37	17.96	20,322	29,890	37,357
H	185	201	219	11.24	16.54	20.68	23,379	34,403	43,014
I	220	240	262	13.14	19.33	24.16	27,331	40,206	50,253
J	263	286	312	14.81	21.79	27.24	30,805	45,323	56,659
K	313	341	372	16.59	24.41	30.51	34,507	50,773	63,461
L	373	406	443	18.73	27.55	34.44	38,958	57,304	71,635
M	444	485	528	21.17	31.15	38.94	44,034	64,792	80,995
N	529	578	630	23.39	34.42	43.03	48,651	71,594	89,502
O	631	688	750	25.35	37.30	46.63	52,728	77,584	96,990
P	751	828	904	27.71	40.78	50.98	57,637	84,822	106,038
Q	905	998	1,090	30.51	44.89	56.11	63,461	93,371	116,709
R	1,091	1,176	1,292	33.85	49.80	62.25	70,408	103,584	129,480
S	1,293	1,399	1,531	37.96	55.86	69.83	78,957	116,189	145,246
T	1,532	1,665	1,822	42.88	63.09	78.86	89,190	131,227	164,029
U	1,823	1,980	2,166	48.72	71.69	89.61	101,338	149,115	186,389
V	2,167	2,354	2,575	55.69	81.95	102.44	115,835	170,456	213,075

Source: Division of Human Resources.

Note: This compensation schedule has been in place since fiscal year 2010 when the policy and maximum pay rates were increased by 3 percent from the fiscal year 2009 schedule. Minimum pay rates are set at 68 percent of their policy pay rates, and maximum pay rates are set at 125 percent of their policy pay rates. The minimum pay rate for pay grade D matches the federal minimum wage and is not set at 68 percent of policy.

[a] Job evaluation points established by the Hay Group.

[4] In the past, DHR has referred to this report as the change in employee compensation (CEC) report. The report is now called the State Employee Compensation (SEC) and Benefits Report.

implementation of any recommendations. Recommendations from DHR must address the state's four major compensation standards:

- Pay rates are adjusted to stay competitive with relevant labor markets. These adjustments may include pay rate increases for all eligible employees or increases to the compensation schedule to avoid salary compression.[5]

- Pay rates are adjusted for occupational inequities. These adjustments may include allowing a limited number of job classifications to be reassigned to a higher pay grade to better align with comparable pay rates in external labor markets.

- Merit increases are granted to recognize and reward state employees in their performance of public service.

- Changes are made to the employee benefit package, including any adjustments to the overall design of the benefit package or employee contributions.

After receiving the annual report, the Governor develops a compensation recommendation that must also address the four compensation standards, and submits it to the Legislature. The Legislature considers the recommendation and elects what, if any, compensation legislation is necessary. This legislation is commonly known as the change in employee compensation (CEC). DHR administers changes to the compensation system, the Department of Administration administers changes to the employee group benefits, and the Public Employee Retirement System of Idaho administers changes to the retirement benefits.

Idaho Code Outlines Compensation Strategies for Recruitment

Some agencies have difficulty recruiting qualified applicants for a specific job classification. Human resources staff in different agencies told us about job classifications that require a very specific skill set, which sometimes makes vacancies hard to fill. For example, staff at the Public Utilities Commission said that the skills and experience required for their accountants and engineers make recruiting difficult when looking for qualified employees at a starting wage that

[5] Salary compression occurs when employees, regardless of their skills or experience, receive similar pay. Salary compression is the result of a market pay rate for a given job that outpaces the increases historically given by an agency to high-performing employees or employees with longevity.

The most common factors that restrict an agency's ability to recruit qualified employees relate to compensation.

the commission can offer. In our survey of human resources staff, we asked: What are the primary factors that restrict your agency's ability to recruit qualified employees? The five most common responses were low entry-level wages, potential salary compression between new and existing employees, limited potential for future earnings, the lack of potential for career advancement and the state's total compensation package. All of these factors relate to compensation.

Idaho Code and Administrative Code offer flexible solutions to agencies when pay is a barrier to hiring employees.[6] If salaries on the compensation schedule are not competitive with external job markets, the agency may request DHR to temporarily assign a job classification to a higher pay grade for purposes of recruitment or retention. Referred to as payline exceptions, these assignments apply to all employees in the classification and are reviewed annually by DHR to determine the need for continuance. As of October 2012, DHR reported that 509 classified employees in 25 job classifications are currently on payline exception.[7] Recruitment bonuses and underfill positions are also tools that agencies use for recruitment strategies. Recruitment bonuses are awarded to newly hired employees. Underfill positions are a form of job apprenticeship; an employee is hired at a lower classification for training, and once training is complete, the employee is moved to a higher classification with a higher pay rate.

Idaho Code Outlines Options for Salary Increases

In our review of state compensation policies, we found that employees may receive salary increases primarily in two ways. First, an agency may provide a salary increase to reward positive employee performance or to keep pace with changes in comparative market rates. Second, the Legislature may pass CEC legislation for a percentage increase in agencies' personnel funds.

Increases Initiated by the Agency

Idaho Code § 67-5309B details several options that agencies may use when compensating employees, including ongoing, temporary, and market-related increases. All increases in pay should be based on employee performance. Other compensation options available to agencies are outlined in Idaho Code. These options include performance bonuses, employee suggestion awards, retention bonuses, and in unusual circumstances, nonperformance pay increases.

---

[6] IDAHO CODE § 67-5309D and Idaho Administrative Code, IDAPA 15.04.01.072.03.

[7] DHR has recommended that all job classifications currently on payline exception continue in fiscal year 2014.

Agencies must consider several factors when determining an employee's initial pay rate: pay equity, comparison to incumbents, and perhaps most important, the available budget for the position. DHR examines all pay equity requests to ensure that a pay inequity exists. The Division of Financial Management reviews all agency budget requests and advises agencies about the proper use of appropriated funds marked for personnel use. Financial Management also reviews and approves agency compensation plans, ensuring that budget requests align with policies established by agencies in their compensation plans.

Compensation increases are based on employee performance.

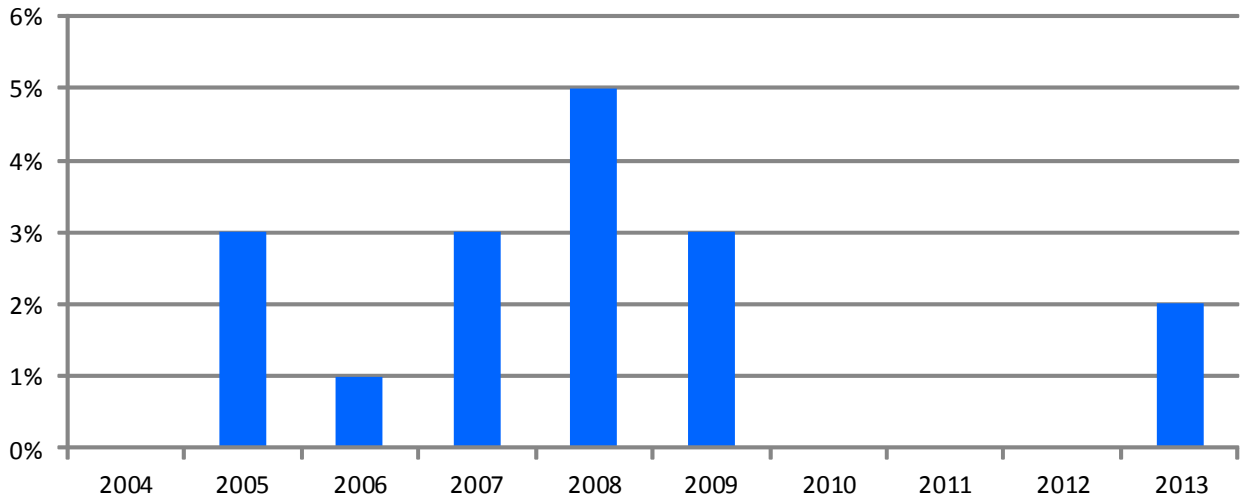
Agencies rarely have enough funds available to provide across-the-board increases for all employees. In instances where agencies are able to exercise salary savings, Financial Management approves the distribution of savings to employees who meet specific performance criteria or to entire job classifications identified in the agencies' compensation plans.

Increases Initiated by the Legislature

The Legislature can pass legislation for CEC as outlined in Idaho Code §67-5309C(4). The CEC legislation is an appropriation that provides a percentage increase to employees' pay upon meeting performance criteria. As a result, the CEC increase might not apply to all state employees. Exhibit 1.2 shows the percentage of CEC increases over the past ten fiscal years.

CEC increases are not keeping pace with inflation as measured by the Consumer Price Index.

EXHIBIT 1.2 CHANGE IN EMPLOYEE COMPENSATION (CEC), FISCAL YEARS 2004–2013



Source: Legislative Budget and Policy Analysis, *Fiscal Facts*, 2012.

Note: Individual pay increases for employees may have been more or less than the CEC amount in a given year, depending on performance.

We found that over the past ten years, the CEC amount was slightly less than the Consumer Price Index. In exhibit 1.3, we provide a scenario of an employee who receives an increase equal to the percentage of CEC appropriated each year (illustrated by the red line) compared with an employee whose salary is adjusted to the Consumer Price Index (illustrated by the blue line). The exhibit shows that inflationary increases alone outpace the CEC amount awarded in each year from fiscal year 2003–2012. The gap was almost closed in fiscal year 2009. However, immediately following fiscal year 2009, the state had three years (fiscal years 2010–2012) where no CEC was awarded and the gap increased.

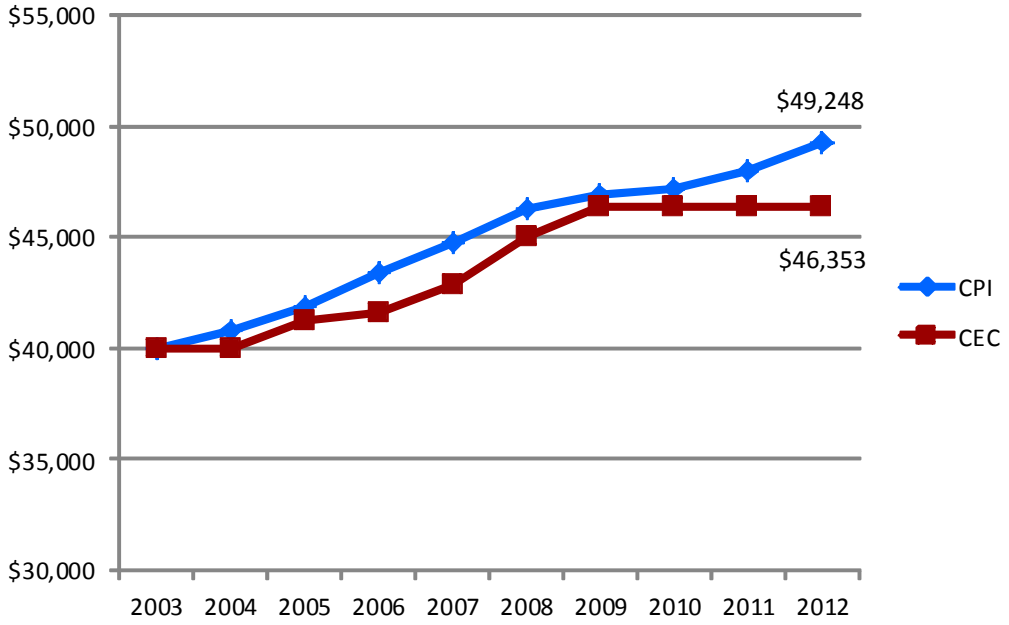
CEC Committee

In the past, a joint legislative committee with members from the Senate and House Commerce and Human Resources committees have met to make recommendations to the Legislature on how much to appropriate, if any, for a CEC increase. The joint committee considered recommendations of the Governor and of DHR, and it then recommended compensation legislation to the full Legislature.

In our review of past committee meeting minutes, we found detailed discussions about some of the challenges associated with compensation including salary compression, high turnover and its costs to agencies, pay equity, the compensation schedule, and benefits. The committee often heard testimony from agency officials and employees on specific compensation challenges. The committee last convened during the 2008 legislative session.

In the 2012 legislative session, the state took a slightly different approach to the appropriation for a compensation increase. For the fiscal year 2013 budget, the Legislature appropriated a 2 percent “across-the-board” ongoing increase for state employees performing satisfactorily. Agencies were also directed to use salary savings, if available, for additional merit increases for permanent and temporary employees. The Joint Finance-Appropriations Committee built this amount into each agency budget. In the past, a bill originating from the joint CEC committee or either the Senate or House Commerce and Human Resources Committee made changes to compensation increases.

EXHIBIT 1.3 CHANGE IN EMPLOYEE COMPENSATION (CEC) COMPARED TO THE CONSUMER PRICE INDEX (CPI), FISCAL YEARS 2003–2012



Source: Office of Performance Evaluations' analysis of data from the *Fiscal Year 2013 Legislative Budget Book* and the US Department of Labor, Bureau of Labor Statistics, Consumer Price Index, October 2012.

Note: The CPI was calculated using the US Consumer Price Index-Urban: West Region (CPI-U), all items. The base year is fiscal year 2003 and begins with an annual salary of $40,000. The graph represents a scenario of how much the base pay increases in nominal dollars for the CEC amount and the CPI over the same time period. We chose 2003 as the base year to coincide with the average number of years classified employees have been employed at their agencies.

By the end of fiscal year 2012, an employee whose base pay of $40,000 increased by the percentage change of the CPI would earn $49,248. If an employee whose base pay was $40,000 and received only the percentage increases of the annual CEC would earn $46,353. Therefore, the employee who received wage increases equal to only the CEC amount has less purchasing power in 2012 than he or she had in 2003 based on inflationary increases.

Chapter 2
The Implementation of Compensation Policies

In chapter 1 we discussed the legislative intent behind the state's compensation policies—specifically that employee compensation should reflect the overall market in order to recruit and retain a qualified workforce. In this chapter we examine the implementation of the compensation policies, including which compensation options are available to agencies. This chapter also provides a snapshot of data for the current compensation of state employees, such as how actual pay rates compare with policy pay rates.

Several Compensation Options Are Available to Agencies

In our survey of agency human resources staff, respondents identified five of the most commonly used compensation options.

What compensation options does your agency use most frequently? (Select up to three.) (N=78)

Merit increases for performance	55.1%
Early implementation of CEC increase	41.0%
Salary equity adjustment (within your agency)	30.8%
Short-term merit increase	25.6%
Awards and bonuses	20.5%

As demonstrated by our survey results, agencies most often increase employee pay with merit increases for performance and are able to reward high-performing employees when funds are available.[1] Agencies work with the Division of Financial Management when they have personnel funds available, ensuring that implementation strategies align with their compensation plan. According to data from the Office of the State Controller, in fiscal year 2012 the most common reasons why an employee's pay changed were the CEC distribution and merit increases for performance.

[1] Appendix A has a complete list of the survey questions and responses.

In addition to CEC and merit increases, updates to the compensation schedule could increase the minimum, policy, or maximum pay rates within pay ranges—possibly resulting in a pay increase for some employees.[2] For example, if minimum pay rates were to be increased, the pay rate of employees who make less than the new minimum would need to be increased. This increase must occur because, by law, no employee can earn less than the minimum rate for a pay grade within an assigned classification. In its fiscal year 2014 annual report, the Division of Human Resources (DHR) estimated the costs associated with increasing the minimum pay rate for each grade.

Estimated Cost to Increase the Minimum Pay Rate for All Pay Grades

Pay Rate Increase	Additional Funds Needed
1 percent	$80,000
2 percent	$162,000
3 percent	$518,000

Agencies use salary equity adjustments when salary compression is a problem. Salary compression refers to the small difference in pay among employees regardless of their skills or experience. This compression occurs when the market rate for a given job outpaces the increases historically given by an organization to high-performing employees or employees with longevity. In fiscal year 2012, salary equity adjustments were used to increase pay in 356 cases.

Some agencies offer creative nonwage benefits to employees in place of pay increases. For example, through both interviews and survey responses, human resources staff indicated that in the absence of funding increases for pay, some agencies are able to offer flexible work schedules, professional training, cross-training, and telecommuting as employee nonwage benefits. We heard from some human resources staff that these types of benefits can go a long way in recruiting and retaining valuable employees.

The Compensation Schedule Is Outdated and Does Not Reflect Current Market Data

The primary tool used by the state to compensate classified employees is the compensation schedule (see exhibit 1.1 on page 14). For fiscal year 2009 the schedule was updated by calculating policy pay rates at 96 percent of external

[2] Sometimes referred to as the market average, policy pay rates are used in the compensation schedule for classified employees and are intended to represent a competitive market average for the amount that external job markets compensate similar job classifications.

market comparisons (wages for similar jobs outside of Idaho state government). DHR stated in its fiscal year 2009 report to the Governor that policy pay rates would require at least a 5 percent increase annually to maintain 96 percent of the relevant external market.

The current compensation schedule was approved in fiscal year 2010 and is very similar to the schedule of fiscal year 2009. The maximum and policy pay rates for each pay grade were increased by 3 percent to better align with external market comparisons. The minimum pay rates remained the same, with one exception—the minimum pay rate for pay grade D, the lowest pay grade, increased slightly to align with the new federal minimum wage. These changes fell short, however, of the 5 percent needed to maintain the goal for the state compensation schedule to be 96 percent of the relevant external market.

The fiscal year 2010 adjustments were the most recent changes to the compensation schedule. Given that no other adjustments have been made to the compensation schedule since fiscal year 2010, the compensation schedule has fallen farther behind the relevant external market. In its fiscal year 2014 report, DHR noted that based on salary surveys conducted in 2012, policy pay rates were, on average, 7 percent below the external job market. Only adjusting the policy pay rates, however, will not bring employees' pay closer to the external markets. Employee pay rates will need to be increased accordingly.

Changes to the maximum pay rates are not probably necessary; as shown in exhibit 2.1, only ten employees statewide earn a salary equal to the maximum pay rates. However, changes to the number of pay grades could be considered. As shown in exhibit 2.1, pay grades S, T, and U do not have any employees and pay grade D has only one employee. Pay grades R and V also have only a few employees per pay grade.

A Disproportionate Number of Classified Employees Earn a Wage Less Than Their Policy Pay Rate

We were asked to assess how agencies compensate their employees in relation to their policy pay rate. Our assessment required us to determine how many employees are compensated at or above their assigned policy pay rate. For those employees who earn less than their assigned policy pay rate, we calculated how close their current pay rate is to the policy pay rate.

Comparative Ratio

The comparative ratio, referred to as compa ratio, is a standard measure used to determine how close employees' compensation is to their policy pay rate. The ratio is calculated by dividing the employee's pay rate by the policy pay rate of his or her assigned pay grade. The resulting percentage is a measure of how far

EXHIBIT 2.1 PAY RATE ANALYSIS OF CLASSIFIED EMPLOYEES BY PAY GRADE IN 2012

Pay Grade	Employees in Pay Grade	Mean Pay Rate ($)	Median Pay Rate ($)	Average Compa Ratio[a] (%)	Employees Below Policy Pay Rate	Percentage of Employees Below Policy Pay Rate (%)	Employees at or Above Policy Pay Rate	Employees at Minimum Pay Rate	Employees at Maximum Pay Rate
D	1	10.88	–	108.2	0	0.0	1	0	0
E	262	9.78	9.65	87.0	250	95.4	12	0	0
F	272	10.74	10.49	84.9	255	93.8	17	0	0
G	844	12.24	11.91	85.2	760	90.0	84	15	2
H	1,885	14.23	14.14	86.0	1,661	88.1	224	25	1
I	1,949	15.67	15.02	81.1	1,797	92.2	152	106	0
J	1,685	18.01	17.20	82.6	1,551	92.0	134	17	0
K	1,653	20.61	19.77	84.4	1,465	88.6	188	10	3
L	1,833	23.17	22.77	84.1	1,692	92.3	141	2	0
M	1,268	26.68	26.06	85.6	1,114	87.9	154	6	3
N	551	30.89	30.35	89.7	453	82.2	98	0	1
O	215	34.41	34.48	92.3	166	77.2	49	0	0
P	153	37.38	36.83	91.7	120	78.4	33	0	0
Q	21	47.27	47.00	105.3	6	28.6	15	0	0
R	3	48.43	47.90	97.3	2	66.7	1	0	0
S	–	–	–	–	–	–	–	–	–
T	–	–	–	–	–	–	–	–	–
U	–	–	–	–	–	–	–	–	–
V	9	82.48	83.59	100.6	2	22.2	7	0	0
Total	12,604[b]	19.51	18.31	84.6	11,294	89.6	1,310	181	10

Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, August 3, 2012.

Note: Pay grades S, T, and U do not have any employees.

[a] Compa ratio, short for comparative ratio, is the percentage difference between an individual pay rate and the policy pay rate.
[b] Of classified employees, 12,071 (95.8%) are full time.

the employee's pay rate is from relevant market comparisons. The lower the percentage, the farther an employee is from the market pay rate, assuming the policy pay rate is an accurate measure of external market pay rates.

DHR frequently reports the comparative ratio for each agency and for the statewide average in its annual report to the Governor and the Legislature. DHR reported in its fiscal year 2014 report that the statewide comparative ratio for all classified employees is 84.8 percent.[3] This comparison means that, on average, classified employees earn 85 percent of their current policy pay rate.[4]

> On average, classified employees earn 85 percent of their policy pay rate.

We also calculated the average pay rate within each pay grade and found that nearly every pay grade had an average pay rate less than the policy pay rate. Of the 16 pay grades that had employees assigned to them, only three grades (D, Q, and V) had average comparative ratios of more than 100 percent, meaning that average pay rates of employees in those grades exceed policy pay rates. However, these three pay grades represent only 31 employees. Exhibit 2.1 highlights statewide totals and averages of employee pay rates by pay grade.

As of August 2012 the state employed 12,604 classified employees. We found that 11,294 of these employees—90 percent—were paid less than their assigned policy pay rate. Of this 90 percent, approximately 45 percent are paid more than 20–32 percent *less* than their policy rate.

> Ninety percent of employees are paid less than their assigned policy pay rate.

Not all employees are expected to earn a pay rate equal to the policy pay rate. By definition, policy rates are the average pay rates for a group of similar jobs in relevant external markets. Assuming that employee pay rates were distributed equally either above or below the policy rate, we would expect to see around 50 percent of employees earning a pay rate less than the policy rate.

We found that employees earning equal to or more than their policy pay rate have worked much longer than other employees. On average, these employees have been employed at their current agencies for 19 years, as opposed to 9 years for those who earn less than their policy pay rate. Exhibit 2.2 further analyzes the number and percentage of employee pay rates in relation to policy pay rates.

---

[3] We calculated the average comparative ratio independently and found that for all classified employees statewide, the ratio is 84.6 percent. The small difference between our calculation and the ratio reported by DHR is attributed to the different timeframes in which the comparative ratios were calculated.

[4] The average (mean) rate of pay for all classified employees is $19.51 per hour or $40,580 annually.

EXHIBIT 2.2 ANALYSIS OF CLASSIFIED EMPLOYEES WHO EARN A WAGE LESS THAN THEIR POLICY PAY RATE IN 2012

Pay Grade	Up to 10% Less Than the Policy Pay Rate		>10–20% Less Than the Policy Pay Rate		>20–32% Less Than the Policy Pay Rate[a]	
	(#)	(%)	(#)	(%)	(#)	(%)
D	0	0.0	0	0.0	0	0.0
E	50	20.0	182	72.8	18	7.2
F	42	16.5	141	55.3	72	28.2
G	125	16.4	333	43.8	302	39.7
H	339	20.4	661	39.8	661	39.8
I	248	13.8	449	25.0	1,100	61.2
J	245	15.8	422	27.2	884	57.0
K	260	17.7	425	29.0	780	53.2
L	315	18.6	664	39.2	713	42.1
M	235	21.1	422	37.9	457	41.0
N	144	31.8	208	45.9	101	22.3
O	81	48.8	58	34.9	27	16.3
P	44	36.7	51	42.5	25	20.8
Q	5	83.3	1	16.7	0	0
R	2	100.0	0	0.0	0	0
S	–	–	–	–	–	–
T	–	–	–	–	–	–
U	–	–	–	–	–	–
V	2	100.0	0	0.0	0	0
Total	2,137	18.9	4,017	35.6	5,140	45.5

Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, August 3, 2012.

Note: Pay grades S, T, and U do not have any employees. The only employee in pay grade D earns a wage above his or her policy pay rate.

[a] The minimum pay rate in each pay grade is set at 68 percent of the policy pay rate except for pay grade D where the minimum pay rate is set to the federal minimum wage.

Employee Performance Evaluations

Many employees earn a pay rate less than their policy pay rate despite positive performance evaluations.

Idaho Code 67-5309A(2)(d) requires all employees who meet performance expectations and earn a pay rate less than their policy pay rate shall move through the pay range toward their policy pay rate. Statute does not provide further direction for how the movement of pay should occur nor does it provide a timeframe for movement. Of the classified employees with a performance evaluation on file, we found that 78 percent

received either an "exemplary" or a "solid sustained" on their most recent performance evaluation.[5]

Bringing Classified Employees Closer to Policy Pay Rates Presents a Significant Ongoing Cost to the State

We were asked to determine the costs associated with bringing average comparative ratios for each agency to a minimum threshold—80 or 90 percent of the policy pay rates. Appendix C lists the comparative ratios for each agency and the additional dollar amount needed in annual pay increases for each agency to reach an average comparative ratio of 80 and 90 percent of policy pay rates.[6]

Agencies with a low average comparative ratio and many employees who earn a pay rate less than their policy pay rate would require the most additional money to increase the ratio to either 80 or 90 percent. For example, the Department of Commerce and the Office of the State Board of Education have similar average comparative ratios. However, Commerce has more employees and would require more money to increase its average comparative ratio.

Increasing Agency Average Comparative Ratios

In exhibit 2.1 we show that all *pay grades* have average comparative ratios more than 80 percent; however, some *agencies* have average comparative ratios less than 80 percent. We found seven agencies with an average comparative ratio less than 80 percent of the policy pay rates and 48 agencies with an average comparative ratio less than 90 percent. Appendix C shows our estimated agency costs in pay rate increases to bring the average comparative ratios closer to policy rates.

These estimates do not include the additional costs of employee benefits or other employer costs such as workers' compensation, FICA taxes, and state unemployment insurance taxes, which are calculated on a percentage of wages. If policymakers decide to provide agencies with additional funding to increase average comparative ratios to a standard benchmark, such as 80 or 90 percent of policy pay rates, additional analysis would be needed to determine how those increases would affect total agency costs. Even without additional benefit costs, our analysis shows that the Legislature would have to commit a significant amount of ongoing funds toward increasing average comparative ratios.

When increasing agency average comparative ratios, policymakers will need to look at the different sources where agencies receive funding. Some agencies are

---

[5] The remaining 22 percent of classified employees received an "achieves" performance rating and less than 1 percent received a "does not achieve."

[6] Our calculation of increases represents ongoing pay-rate costs.

primarily funded by the general fund, while others are primarily funded by dedicated or federal funds. Ongoing increases for employees in agencies primarily funded by dedicated or federal funds may require an analysis of available funds. Policymakers will have to examine agencies differently based on their funding source to determine appropriations for compensation increases.

Additional Salary Increases

Increasing the average comparative ratios for an agency does not ensure that all employees within an agency would have a comparative that is equal to the agency average. By definition, some employees will have a comparative ratio below the agency average and some will have a ratio above. Any supplemental money allocated to agencies in appendix C is not enough to increase the pay rates of all employees currently earning a wage less than their policy pay rate.

When allocating any supplemental personnel funds, the Legislature and agencies would need to prioritize whether those funds should be distributed equally across the board or targeted to employees who are farthest below their policy pay rate.

The Intent Behind Compensation Policies Should Be Reviewed

Moving employees' pay closer to their policy pay rate will increase ongoing costs for the state. As outlined in Idaho Code 67-5309A(3), the Legislature would have to decide where to allocate additional funding—by either reallocating current funds, increasing tax revenues, or reducing the size of the workforce.

In moving forward, policymakers should decide how to address discrepancies between what policies direct and what is being implemented. Policymakers should consider whether changes need to be made to existing compensation policies or whether the implementation of compensation policies need to more strictly adhere to the statutory guidelines.

Another consideration for policymakers is whether the state should adopt a plan for performing employees to earn a wage equal to their policy pay rate over a defined period and after meeting certain performance metrics. Policymakers may also want to consider what constitutes an acceptable percentage of employees who earn a rate less than policy. Because all employees will not earn a rate equal to their policy pay rate, policymakers should determine how far below policy employees' rates should be.

Changes to the compensation philosophy in Idaho Code may also be necessary to reflect current budgetary practices. Budget constraints affect how personnel funds are appropriated, which was evident during the most recent economic

recession. Understandably, the Legislature did not appropriate CEC increases for three fiscal years. The Legislature should consider whether legislative intent in Idaho Code should be changed to reflect the realities of current and future economic conditions.

In our survey of human resources staff in agencies, we asked respondents to select the most effective strategies to improve the state compensation system. Their most common response was increasing personnel appropriations.

What do you think are the most effective strategies to improve the compensation structure? (Select up to three.) (N=78)

Increase appropriations for personnel	57.7%
Increase personnel funding to bring more employees closer to their policy rate	52.6%
Relieve salary compression (increasing the pay difference among new hires, existing employees, and hierarchical classifications)	41.0%
In addition to merit, create additional criteria for increases (e.g., longevity, skill-based pay)	39.7%
Address pay equity both within the agency and among other state agencies	25.6%

Chapter 3
Employee Turnover

In their request for this study, legislators indicated that agency directors had voiced concerns about employee turnover during the 2012 budget hearings. Directors spoke about the loss of employees with technical skills who left for higher paying jobs outside of state government. We found that compensation plays a major role in influencing employees' intention to leave, as well as a major factor in why recent exiting employees have chosen to leave state government.

About One-Fourth of Respondents Said Their Intention Is to Find New Employment Within the Next Two Years

We conducted a survey of more than 17,000 state employees to assess turnover intentions and employee satisfaction. We received more than 11,500 responses, representing employees in 82 agencies for a response rate of about 67 percent. Appendix B lists the complete results of the survey.

Turnover Intentions of State Employees

We designed our survey to measure turnover intention and asked employees whether they planned to retire with their current agency. Approximately half of the respondents indicated that they intend to retire with their current agency.

Do you plan to retire with your current agency? (N=11,538)

Yes	51.4%
No	11.0%
Don't know	37.6%

Of survey respondents who indicated that they either were not planning on retiring with their current agency or did not know, 50 percent indicated that they were either very likely or somewhat likely to leave their current job within the next two years for one in another organization.

Within the next two years, how likely are you to leave your current job for one in another organization? (N=5,607)

Very likely	21.4%
Somewhat likely	28.9%
Not very likely	14.5%
Very unlikely	11.3%
Prefer not to answer	4.2%
Don't know	19.6%

Of respondents who either indicated they were likely to leave their current job within the next two years or who indicated they did not know, 39 percent said they would look for a job in the private sector.

Where would you primarily intend to look for another job? (Choose up to three responses.) (N=4,159)

Anywhere. I am open to all options.	41.6%
Private sector	39.4%
Federal government	28.2%
Different state agency	25.6%
Local government (e.g., city, county)	19.5%
Out-of-state position	16.1%
Self-employment	11.6%
Don't know	7.2%
Nonprofit organization	7.0%
Prefer not to answer	2.7%
Other	3.4%

Nearly 40 percent of employees who intend to leave their current job said they would likely look for work in the private sector.

When analyzing employee characteristics, we found that turnover intentions decreased with age. For instance, turnover intention rates were highest (46 percent) among 18–24 year olds and lowest (approximately 10 percent) among 55–64 year olds. Turnover intentions were highest among respondents with the highest levels of education. Female respondents reported a lower turnover intention than male respondents. These findings mirror national research, which also found lower turnover intention among women and older employees.

Turnover intention is only a proxy for actual employee separations and is not actual turnover. However, research supports a strong relationship between turnover intention and actual turnover behavior. As such, turnover intention remains one of the best predictive measures of turnover.

Compensation, Job Satisfaction, and Career Advancement Are Major Factors Influencing Turnover

National research has found compensation to be a powerful predictor of turnover for state and federal employees. Furthermore, employee wages have been found to be a more powerful predictor than nonwage benefits, such as health insurance, retirement, and paid leave.

Of respondents who indicated they were likely to leave their current job within the next two years, we asked them which factors primarily contributed to their intention to find other employment. Respondents were allowed to select up to three factors. As shown in exhibit 3.1, 59 percent of respondents selected poor pay.

According to national research, employee job satisfaction is also a reliable predictor of turnover and turnover intention. In many cases, employees who have expressed high levels of job satisfaction are less likely to leave their organizations. Additionally, strong organizational commitment has been linked to low turnover. Often, commitment to an organization is highly related to job satisfaction. National research also indicates that managers and human resources practices influence turnover levels.

Nonwage Benefits

In our survey of employees, very few respondents indicated that nonwage benefits factored into their decision to leave. However, nonwage benefits influenced respondents' initial decision to work for an agency or continue employment. Respondents identified insurance benefits, retirement benefits, and the potential for career advancement as the three most common factors affecting their initial decision to work at their current agency.

> Nonwage benefits attract and retain workers to state government.

Which primary factors influenced your initial decision to work for your current agency? (Choose up to three responses.) (N=11,516)

Insurance benefits	41.7%
Retirement benefits	36.4%
Potential for career advancement	26.5%
Work schedule	24.4%
Motivated to engage in public service	21.1%
Mission of agency	20.5%

Exhibit 3.1 Most Common Factors for Why Employees Have Intention to Leave or Have Left State Jobs

Survey of State Employees

Which factors would primarily contribute to your intention to leave employment with your current agency? (Choose up to three responses.) (N=4,166)

	Responses	Percentage of Respondents
Poor pay	2,455	58.9
Lack of career advancement	1,496	35.9
Poor morale	913	21.9
Negative organizational changes	766	18.4
Lack of recognition for my work	690	16.6

Which factors primarily contributed to you leaving your last state agency? (Choose up to three responses.) (N=2,655)

	Responses	Percentage of Respondents
Wanted an increase in pay	795	29.9
Wanted better opportunities for advancement	664	25.0
Wanted more professional challenges	560	21.1
Low morale within agency	521	19.6
Wanted better quality of supervision	376	14.2

Survey of Agency Human Resources Staff

In general, what factors do you think primarily contributed to the voluntary separation of employees who left your agency over the past five years? (Select up to three.) (N=77)

	Responses	Percentage of Respondents
Wanted an increase in pay	51	66.2
Retired	40	51.9
Wanted better opportunities for career advancement	35	45.5
Had personal or family reasons	16	20.8
Had low morale within agency	12	15.6
Wanted more professional challenges	12	15.6

Source: Office of Performance Evaluations' survey of state employees and agency human resources staff, summer 2012.

Respondents who indicated they are not likely to leave their jobs within the next two years identified nonwage benefits such as insurance and retirement benefits as reasons they intend to stay.

Which factors would primarily contribute to your intention to continue employment with your current agency (Choose up to three responses.) (N=8,727)

Good retirement benefits	39.2%
Good insurance benefits	32.7%
High satisfaction with my job	28.1%
Good pay	27.5%
Like my work schedule	24.9%

When asked what factors might contribute to their likelihood to leave their current job, 36 percent of respondents who said they intend to leave indicated a lack of career advancement—the second most commonly identified factor, as shown in exhibit 3.1. More respondents indicated that career advancement was a factor in leaving their job than those who said it was a factor that initially convinced them to work for their current agency. In contrast, only 10 percent of respondents indicated that career advancement was a factor in their decision to stay at their current job.

More than half of all respondents (61 percent) either agreed or strongly agreed that they were satisfied in their current job. Additionally, we found that for employees who intend to stay in their current jobs, 28 percent reported high job satisfaction as a reason why they stay. This finding aligns with what we found in national research.

> Sixty-one percent of respondents said they were satisfied in their current jobs.

When we analyzed job satisfaction in conjunction with turnover intention, we found that turnover intention was lowest among respondents who were the most satisfied and was highest for respondents who were the most dissatisfied in their current jobs.

Declining Rates in Voluntary Turnover Are Likely Caused by the Economy

Using separation codes in the Idaho Paperless Online Personnel Payroll System (IPOPS), we calculated the number of voluntary separations over a number of years to identify state and agency trends. We also examined turnover data before the most recent economic recession to see if or how turnover trends were affected.

In general, statewide turnover rates have declined over the past several years. Exhibit 3.2 shows an eight-year turnover trend for classified and nonclassified employees. According to data from the Office of the State Controller, the number of voluntary separations and corresponding turnover rates decreased for both classified and nonclassified employees in fiscal years 2008–2011, which coincides with the economic recession and instability of the job market. National research indicates that external economic conditions play a role in shaping turnover and turnover intention. Employees in areas with weak economic conditions and few attractive job opportunities are less likely to leave their current position.

External economic conditions play a role in affecting turnover and turnover intention.

The exhibit also shows that voluntary turnover rates for nonclassified employees were significantly higher than rates for classified employees. In many years, the turnover rate for nonclassified employees is up to three times greater. The difference may be explained in part by the large number of temporary, nonclassified employees that worked only a few months of the year.

Agency Turnover Trends

Turnover rates within agencies vary much more than statewide rates. Appendix D shows the voluntary turnover rates for all state agencies in fiscal years 2005–2012. For some agencies, variation was extreme from year to year, especially if the agency had a small staff. Smaller agencies that lose just a few people will reflect a high turnover rate. For example, in fiscal year 2011 the Office of Energy Resources had five voluntary separations of nonclassified employees representing a 42 percent turnover rate.

For the most part, voluntary turnover rates for classified employees in larger agencies such as the Idaho Transportation Department and the Department of Health and Welfare have been relatively consistent over the past eight years. Some of the statewide turnover trends, such as lower turnover rates during the most recent economic recession, also played out for some agencies. Specifically, in fiscal years 2009 and 2010, many agencies had lower turnover rates than in previous years.

Appendix D shows the differences between classified and nonclassified turnover rates among state agencies. Most agencies have few nonclassified employees, so if only a few nonclassified employees leave in a year, turnover rates in the nonclassified category will be high. An example is the nonclassified turnover rate for the Commission for the Blind and Visually Impaired. In 2006, six voluntary separations resulted in a 48 percent turnover rate.

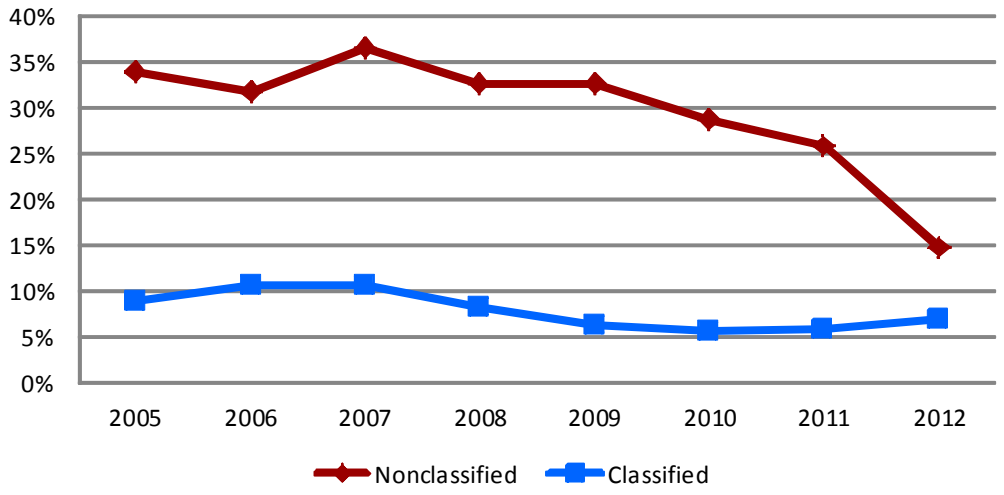
Exhibit 3.2 Voluntary Separations and Corresponding Turnover Rates for Classified and Nonclassified Employees, Fiscal Years 2005–2012

Classified Employees

	2005	2006	2007	2008	2009	2010	2011	2012
Number of voluntary separations	1,152	1,371	1,378	1,097	836	731	723	875
Turnover rate (%)	8.9	10.6	10.5	8.3	6.3	5.6	5.7	6.9

Nonclassified Employees

	2005	2006	2007	2008	2009	2010	2011	2012
Number of voluntary separations	3,801	3,617	4,305	3,933	3,922	3,442	3,054	1,769
Turnover rate (%)	34.0	31.8	36.5	32.6	32.6	28.8	25.9	14.7



Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, September 18, 2012.

Note: Voluntary separations include the following separation codes: better job, city job, compensation, county job, dissatisfied, federal job, personal, private sector job, other, school district job, state job (excluding Idaho), and transfer to another agency. Turnover data was available starting in 2005.

The following tables list agencies that experienced the highest turnover of classified employees in fiscal year 2012. One table lists agencies by the number of voluntary separations and the other lists agencies by percentage.

Classified Employees: Highest Agency Turnover Number for Voluntary Separations in Fiscal Year 2012

	Voluntary Separations (#)
Health and Welfare, Department of	220
Correction, Department of	132
Transportation, Department of	68
Idaho State University	48
Boise State University	47

Classified Employees: Highest Agency Turnover Percentage for Voluntary Separations in Fiscal Year 2012

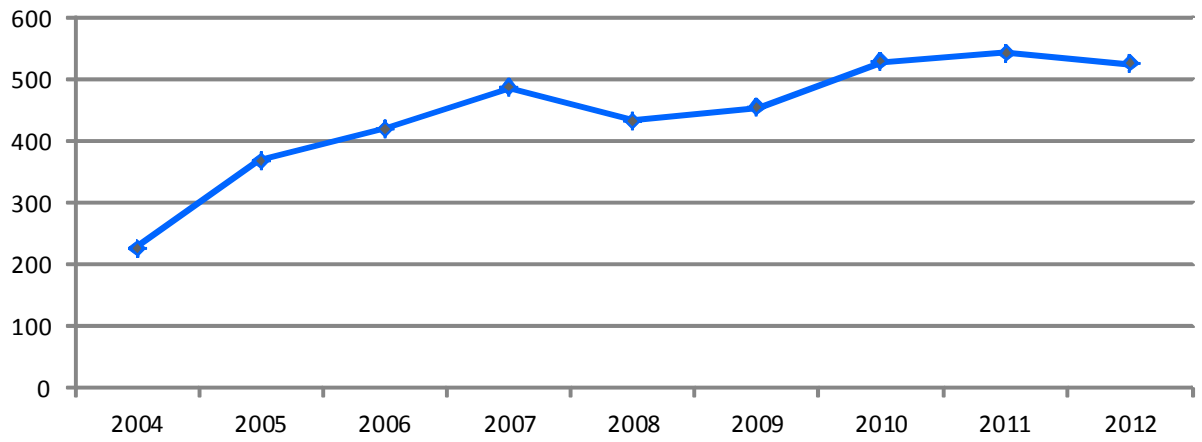
	Turnover Rate (%)
Energy Resources, Office of	200.0
Financial Management, Division of	66.7
Human Resources, Division of	37.5
Tax Appeals, State Board of	33.3
Independent Living Council, State	33.3

Retirements

We interviewed human resources staff who said that future turnover rates might be affected by employees who had elected to delay retirement during the most recent recession. Exhibit 3.3 shows the number of retirements statewide over the past nine years. The state saw a drop in the number of retirements in fiscal years 2008 and 2009, perhaps due to some employees delaying retirement.

Looking ahead, projections show an increase in the number of retirements statewide over the next 15 years. Exhibit 3.4 projects the number of employees who will be eligible to retire through 2028. From 2 to 4 percent of the current state workforce is projected to retire each year over the next decade. With an aging workforce becoming eligible to retire, Idaho can expect that some agencies will experience a significant loss of skilled and knowledgeable employees over the next decade. The loss of retiring employees could be a problem for agencies that do not have a well-developed succession plan or for agencies that consistently experience high turnover.

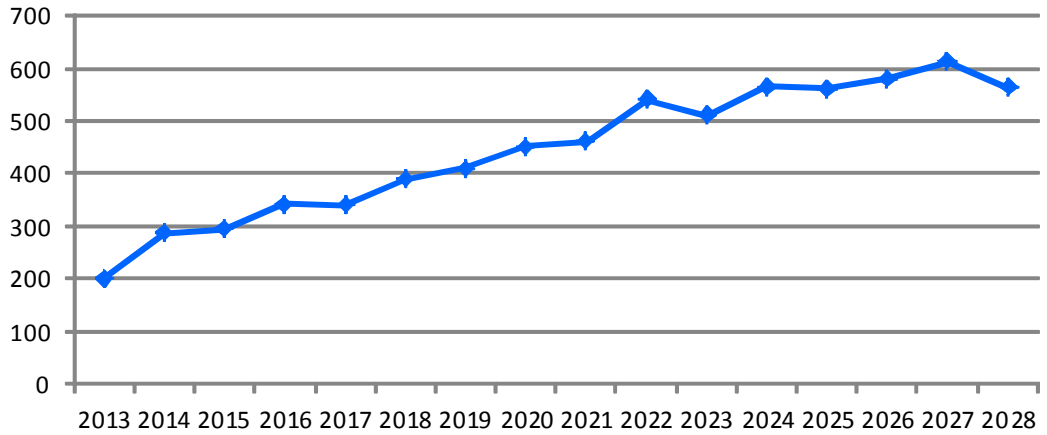
Exhibit 3.3 Historical Count of Retirements Statewide, Fiscal Years 2004–2012



Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, August 2, 2012.

Note: Includes early retirements. Retirement data was available starting in 2004.

Exhibit 3.4 Projected Number of Employees Reaching Retirement Eligibility Per Fiscal Year



Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, October 9, 2012.

Note: Retirement year is calculated using the Controller's Office credited state service (CSS) hours, which may not equal PERSI numbers because of differences in how the two organizations calculate longevity. Actual retirement figures will also vary because of other factors, including early retirements. The projections are based on the current state employee population and do not account for changes in the demographics of employees.

Job Classifications Experiencing the Highest Turnover Represent a Small Number of Employees

One of the concerns raised by the study requestors was that agencies are frequently losing highly skilled employees. Often these employees are in specialized job classifications that have recruiting challenges. In our interviews with human resources staff in agencies, many discussed the challenge of finding applicants with the appropriate education, skills, or training who meet the job requirements of specific classifications. A few staff noted that even when qualified candidates are available, the agency is unable to offer them a competitive wage.

The study requestors said that some of the agencies experiencing these problems include the Department of Environmental Quality, the Department of Transportation, the Department of Finance, and the Public Utilities Commission. We examined which job classifications are experiencing the most turnover, both by turnover rates and the number of voluntary separations, particularly in these agencies.

In fiscal year 2012 we found 74 job classifications of classified employees that had a turnover rate of 100 percent or greater. Of these 74 classifications, 82 employees voluntary separated, which is less than 10 percent of the total voluntary separations statewide for the fiscal year.

If we count the number of separations in job classifications that have turnover rates of 50 percent or greater, the total number of voluntary separations increases to 142, or approximately 16 percent of total voluntary separations in fiscal year 2012. These job classifications represent many different agencies across state government.

The ten job classifications of classified employees with the greatest number of voluntary separations are shown in exhibit 3.5. Not surprisingly, many of these job classifications are found in some of the largest agencies, including Correction, Health and Welfare, and Transportation. Turnover rates among job classifications in the exhibit vary considerably.

Consistent Changes in Employee Compensation May Be the Most Effective Way to Reduce Turnover

National research indicates that compensation influences organizational turnover. Our survey findings from employees and human resources staff align with national research—pay was indicated as the most common reason why employees intend to leave their jobs or why they eventually left previous jobs in other state agencies (see exhibit 3.1 on page 32).

EXHIBIT 3.5 VOLUNTARY SEPARATIONS BY JOB CLASSIFICATION FOR CLASSIFIED EMPLOYEES, FISCAL YEAR 2012

Job Classification Title	Agency	Voluntary Separations	Turnover Rate (%)
Correctional Officer	Correction, Department of	64	11.1
Self-Reliance Specialist	Health and Welfare, Department of	26	7.1
Transportation Technician	Transportation, Department of	22	6.6
Child Welfare Social Worker 2	Health and Welfare, Department of	19	13.1
Workforce Consultant, Senior	Labor, Department of	14	5.7
Regional Communications Officer	Police, State	11	38.6
Clinician	Health and Welfare, Department of	11	6.3
Vocational Rehabilitation Assistant	Vocational Rehabilitation, Division of	10	21.7
Rehabilitation Technician	Juvenile Corrections	10	8.8
Nursing Assistant, Certified	Veterans Services, Division of	9	12.2

Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, December 29, 2012.

Note: Classifications do not represent those with the greatest turnover rates. Rather they represent the ten job classifications with the greatest number of voluntary separations within an agency. Classifications may be found in more than one agency.

Human resources staff in agencies reported that a lack of competitive wages, inconsistent wage increases, and stagnant wages all limit their agency's ability to prevent turnover. One of the respondents of the human resources staff survey provided this example:

> "Salary and wages are just too low to compete with the private sector, especially for skilled... or high level (chief of staff) types of positions. Even with the PERSI retirement benefits, the total compensation someone can get in the private sector eclipses the total compensation package of the state."

Respondents were asked identify strategies that would most effectively reduce turnover. Above all other strategies, respondents identified compensation issues—noting consistent wage increases (CEC increases), funding increases for salary adjustments, and an updated pay structure such as pay grades and benchmark classifications.

A lack of competitive wages, inconsistent wage increases, and stagnant wages all contribute to turnover.

What do you think are the most effective strategies to reduce turnover? (Select up to three.) (N=77)

Consistent CEC increases	58.4%
Increase funding for salary adjustments	53.2%
Update pay structure (pay grades, benchmark classifications)	28.6%
Additional manager or supervisor trainings	20.8%
Increase entry-level wages	19.5%
Increase training opportunities	15.6%
Flexible schedules	14.3%

Management Can Affect Turnover

In both our surveys of human resources staff and state employees, management was frequently cited as a positive and negative factor influencing turnover. When asked about strategies to reduce turnover, human resources staff responded with these comments:

> "Most people leave because of bad supervisors and managers, so training people when they are promoted is critical."

> "Employees don't leave the organization, they leave their boss. We try to focus on that first and foremost. The better we treat our employees and recognize what they do, the less likely they are to use pay as the reason to start looking and leave us. You have to assess where they are on Maslow's Hierarchy because sometimes pay is the only thing that matters, but that is really not the highest reason for most who leave. It is how they are treated."

Management and supervisory issues were also a common theme among the comments we received in our survey of employees—second only to compensation. Of more than 4,000 open-ended comments, 2,536 were about compensation and 610 were about management. Out of the 610 management comments, 514 were negative. Appendix B includes a summary of themes for the open-ended comments. Examples of employee comments include:

> "A lack of training for new hires is one of the big reasons often stated for leaving or getting hurt on the job. Poor supervision of training new staff to the dangers of work environment have and will cause a high turnover rate."

> "I feel that the morale in our department is strongly affected by the management in our office. I think that my department is in grave danger of losing several employees."

> "I believe the turnover at our institution would be less if two things were changed. Our leadership needs be more open to bringing us together as a whole team so we can all get on the same page. We seem to be working separately. Also, there needs to be more communication and openness to ideas with the leadership. Again, there appears to be a missing component of comradery and teamwork to make us more effective in our jobs."

Some employees cited management as positive reasons for why they are satisfied and continue to stay in their current jobs:

> "One of the reasons I stay despite other offers (lateral pay move) is that the supervisory and admin team [are] so strong and supportive."

> "Tangible recognition and job satisfaction help retain staff in the public sector where pay and compensation always lag behind the private sector. Confidence in our administration to lead our department through difficult times has been a primary factor in retention of employees and continuing to provide quality service to our customers."

> "I have an excellent supervisor, which results in good morale and job satisfaction. Compensation levels are reportedly low, but I have not looked elsewhere since I came here 15 years ago."

Based on our survey comments, we encourage agencies to develop management training programs to help mitigate the loss of employees who leave because of management.

Measuring Turnover Reasons Is Inconsistent and Incomplete

So far we have presented information on turnover intentions and the reasons why employees intend to leave their current jobs. We had hoped to report on the reasons why employees have recently left state employment; however, we found that the data on exiting employees varies by agency and the statewide data lacks a level of detail to make meaningful conclusions.

Separation Codes

The Division of Human Resources (DHR) administers the collection of data on employee turnover using standardized separation codes. Staff within each agency inputs a separation code into the statewide personnel and payroll system for each exiting employee.[1] Voluntary separation codes are meant to describe

[1] Idaho Paperless Online Personnel/Payroll System (IPOPS).

separations with a level of detail. Involuntary separations and transfers to other agencies are also recorded with a code. The exiting employee is assigned one separation code from a list of 19 possibilities.

In 2011 DHR reviewed the separation codes to streamline data collection and reporting. It removed eight codes and added five new codes. Exhibit 3.6 shows which separation codes were eliminated and which were added. Mandatory use of the updated separation codes became effective in January 2012.

According to DHR officials, codes that did not provide useful turnover information were removed. For example, DHR found that *other* was selected for 35 percent of all employee separations in calendar year 2011. However, the code

EXHIBIT 3.6 CURRENT AND PAST SEPARATION CODES

Separation Code	Current Status
Better job	Eliminated
Compensation	Eliminated
Dissatisfied	Eliminated
Early retirement	Eliminated
Health	Eliminated
Moving	Eliminated
Other	Eliminated
School	Eliminated
Appointment expires/temporary	In Use
Death	In Use
Entrance probation/RIF	In Use
Failure to complete probation	In Use
Layoff/budget restriction	In Use
Layoff/medical	In Use
Layoff/shortage of work	In Use
Medical retirement	In Use
Military	In Use
Personal	In Use
Retirement	In Use
Termination-dismissal	In Use
Transfer to other agency	In Use
City job	New
County job	New
Federal job	New
Private sector job	New
School district job	New
State job (excluding Idaho)	New

Source: Office of Performance Evaluations' analysis of information from the Office of the State Controller and the Division of Human Resources.

Note: New and eliminated separation codes went into effect on January 1, 2012.

other did not provide DHR with useful information about employee turnover and was removed from the code options. Our analysis of the separation codes also found that *other* was reported most frequently (40.8 percent) in fiscal years 2008–2012.

Our review of the updated separation codes found that the recent changes help streamline data collection, particularly by eliminating the nondescriptive code *other*. Our review also found that DHR shifted the focus of the separation codes from *why* employees left to *where* employees found other jobs. When asked about this shift, DHR officials reported they were interested in learning where exiting employees were finding new jobs to identify trends and perhaps identify what made those new employers more appealing. In our survey of human resources staff, we asked what turnover information is most useful to their agencies. An overwhelming 80 percent of respondents indicated that knowing *why* employees leave is most useful.

Recent changes shifted the focus of separation codes from *why* employees leave to *where* employees find other jobs.

Human resources staff in agencies also noted that employees almost never leave for one reason but rather for multiple reasons. Because only one separation code can be assigned to each voluntary separation, the data does not reflect the many issues that influence why employees leave their job.

Exit Interviews

With separation codes being used to track where employees find new employment, exit interviews may be considered the best source to understand why employees leave. Through our interviews with and surveys of human resources staff in the agencies, we learned that some agencies collect detailed turnover data for exiting employees while others do not.

Twenty-eight percent of human resources respondents indicated their agency does not do anything with the turnover data they collect.

For agencies that collect turnover data, most interview the exiting employees and ask them to provide feedback about reasons for leaving, job satisfaction, and employment experience. These interviews are typically conducted by the agency's human resources staff or the director.

Many human resources staff point to exit interviews as a valuable tool to gather turnover data; however, interviews have some inherent limitations. For some exiting employees, providing honest feedback in an exit interview may not be beneficial to the employee. If exiting employees need a positive recommendation from their supervisor, they may not mention negative aspects of the agency or its employees.

Many agencies use turnover data to make internal policy decisions and guide recruitment and compensation planning. For example, the Department of Health

and Welfare produces an annual employee separation and turnover report detailing department trends, classifications with high turnover, and exit interview summaries. This report also highlights trends in the length of state service, job performance evaluations, and divisions and locations within the department for exiting employees.

In January 2012 DHR asked all state agencies to collect turnover data from exiting employees using standard exit interview questions. Agencies report their findings to DHR so that the results can be combined and reported at the state level. By the close of fiscal year 2012, DHR had collected exit interview data for 34 percent of the total statewide separations. DHR began reporting the statewide results of the exit interviews in their most recent annual report to the Governor and the Legislature. It reports that after retirement, the most common reason employees left their job in fiscal year 2012 was for better pay.

The Cost of Turnover

Excessive turnover can be disruptive and costly to an organization. The result of talented and skilled employees leaving an organization is frequently a decrease in productivity and an increase in organizational costs until new employees are trained. Organizations have to account for hiring costs, training costs, and lag time between when an exiting employee leaves and a new employee is hired. According to national research, in some cases turnover costs could be as high as 200 percent of an employee's annual wage depending on the skills and responsibilities lost when an employee leaves.

We were not able to find any calculations for the total cost to the state associated with the turnover of employees. In our discussions with human resources staff, most were not able to quantify the cost associated with turnover. Nevertheless, almost all staff we spoke with noted a cost to the agency to recruit and train new employees. We did find one agency, Idaho State Police, that attempted to calculate the costs associated with turnover.

As agencies continue to gather useful information on exiting employees, they will be better able to identify turnover trends within their agencies. Using turnover data collected through exit interviews, agencies can develop strategies and plans to reduce turnover of valuable employees. Measuring the appropriate type of turnover data and explaining why employees leave their jobs will be most useful in developing these strategies.

Chapter 4
Next Steps

The situation in which Idaho finds itself today—paying lower wages than comparable external job markets—has evolved over the course of many years. Although the most recent economic recession and accompanying budget constraints have not improved this situation, they are not the sole reasons. The Division of Human Resources (DHR) has been reporting for a number of years that salaries for classified employees in Idaho are less than relevant market comparisons. In its recent report, DHR estimates that the average pay for classified employees is 19 percent less than the market.[1]

In chapter 2 we discuss that the average pay for classified employees is 85 percent of the state's policy pay rate. We found that 90 percent of classified employees are paid less than their policy pay rate. Approximately 45 percent of these employees are paid more than 20–32 percent *less* than their policy rate.

To address employee compensation and turnover issues discussed in this report, we provide recommendations for the DHR and considerations for policymakers.

Recommendations for the Division of Human Resources

1. Update the Compensation Schedule

The Division of Human Resources should update the compensation schedule for classified state employees to better reflect current and relevant market comparisons. The update should specifically adjust the minimum and policy pay rate for each pay grade compared with external labor markets.

According to the fiscal year 2014 DHR report, the schedule is 7 percent below external markets.

[1] Idaho Division of Human Resources, *Fiscal Year 2014 State Employee Compensation and Benefits Report*.

2. Evaluate the Number of Pay Grades

The Division of Human Resources should evaluate the number of pay grades in the compensation schedule and consider consolidating pay grades that have few or no employees.

There are currently 19 pay grades, but three grades do not have any employees.

3. Evaluate Job Classifications

The Division of Human Resources should evaluate all job classifications to ensure job descriptions and their corresponding job evaluation points align with the current duties performed. The Hay methodology should be used as prescribed in Idaho Code.

4. Improve the Tracking and Reporting of Turnover Data

The Division of Human Resources should expand or revise data collection efforts for statewide turnover to ensure that agencies are collecting the type of data necessary to answer policymakers' questions about turnover. DHR should work closely with policymakers and human resources staff in agencies to identify what and how turnover data should be collected.

Expanded data collections could include allowing for more than one separation code per exiting employee that will provide information on where an employee took new employment and why an employee left state government. Exit interview data could also be collected through an automated statewide database, perhaps through the Office of the State Controller, for statewide reporting purposes.

Considerations for Policymakers

1. Evaluate State Compensation Policies

Review the intent of state compensation policies to correct discrepancies that exist between what is currently stated in the policies and how those policies are implemented.

The current legislative intent in Idaho Code § 67-5309A is to fund a competitive employee compensation and benefit package that will attract qualified applicants to the workforce, retain employees who have a commitment to public service excellence, motivate employees to maintain high standards of productivity, and reward employees for outstanding performance.

2. Bring Employee Pay Rates Closer to Current Policy Pay Rates

Consider increasing the pay rates of employees with the lowest comparative ratios when allocating additional personnel funding. Also consider determining the appropriate proportion of employees who earn a wage less than their policy pay rate. While not all employees should earn a wage equal to their policy pay rate, establishing a benchmark for the proportion of employees that policymakers expect to earn a wage less than the policy pay rate will help in forming future compensation policies. Job performance should continue to be a qualifying factor for any pay increase.

Ninety percent of state employees are below their policy pay rate, and approximately 45 percent of these employees are paid more than 20–32 percent *less* than their policy rate.

3. Evaluate the Relevance and Practicality of Setting the Compensation Schedule at 96 Percent of Market Comparisons

Determine whether the goal of having the compensation schedule set to 96 percent of market comparisons is still desirable, and if so, provide a long-term plan for ongoing funding to ensure the compensation schedule remains updated. If the 96 percent goal is no longer relevant, establish a new goal and update the compensation schedule to reflect the new goal.

4. Appoint a Task Force

To facilitate the implementation of our recommendations, the Governor or the Legislature may wish to appoint a task force to further study some of the issues outlined in the report. Such a task force could include members from the Legislature, the Office of the State Controller, the Division of Human Resources, the Division of Financial Management, legislative Budget and Policy Analysis, the Department of Labor, and human resources staff in different agencies. We also suggest that the task force have representation from subject matter experts in the private sector. The task force could benefit from reviewing recommendations made by the Hay Group in a 2006 study and assessing the relevance of those recommendations today.

Appendix A
Survey of Agency Human Resources Staff

Purpose and Methodology

We interviewed human resources staff at 14 state agencies to better understand the compensation and turnover concerns mentioned in the evaluation request. These interviews helped us identify key issues that we further explored in our survey of all human resources staff working in state agencies.

We informed agency directors that we would be sending a survey to their human resources staff. We pilot tested the survey with human resources staff at six agencies who we had previously interviewed. Staff in these six agencies were knowledgeable and collectively had many years of experience as human resources personnel across state government. Their feedback was valuable in improving the survey.

In September and October 2012, we surveyed 106 human resources staff in each state agency via e-mail. Personnel at the Division of Human Resources (DHR) helped us identify human resources staff at each agency and distribute the survey. The survey was open for two weeks and after the survey was initially distributed, we sent two reminder e-mails to encourage participation. The survey included 24 multiple-choice questions. We also allowed respondents to provide open-ended comments on several questions.

We received survey responses from 78 individuals in 63 state agencies, for a response rate of 73.6 percent. We provided unique passwords to each participant, which ensured that no one individual was able to take the survey more than once. We were also able to verify that all individuals who took the survey were indeed human resources personnel.

Survey Limitations

We did not have an exhaustive list of all human resources staff across all state agencies. DHR provided us with primary contacts of human resources staff in each agency, and we asked those primary contacts to forward the survey to other human resources staff in their agencies. Because we cannot determine exactly how many people actually received the survey, the response rate is not precise.

Percentages within the reporting tables may not sum to 100 because of rounding or because respondents could select multiple options.

What factors do you think make your agency competitive? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Mission of the agency	42	53.8
Retirement benefits	31	39.7
Insurance benefits	26	33.3
Work schedule	23	29.5
Physical work environment	21	26.9
Quality of state or agency employees	20	25.6
Total compensation (wages plus insurance and retirement benefits)	19	24.4
Potential for career advancement	8	10.3
I do not think my agency is a competitive employer	7	9.0
Equipment used to complete duties	3	3.8
Wages	1	1.3
Don't know	0	0.0
Other	4	5.1

Since fiscal year 2008, which budgetary restrictions has your agency experienced? (Select all that apply.) (N=78)

	Responses	Percentage of Respondents
Positions left opened or unfilled	62	79.5
Reduction in number of positions	50	64.1
Holdbacks	42	53.8
Furloughs	33	42.3
Salary decreases	6	7.7
None	4	5.1
Don't know	0	0.0
Other	10	12.8

What are the primary factors that restrict your agency's ability to recruit qualified employees? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Low entry-level wages	41	52.6
Salary compression, which is a limited pay difference between new hires and existing employees regardless of performance, skills, classification, or experience	37	47.4
Limited potential for future earnings	33	42.3
Lack of potential for career advancement	26	33.3
Total compensation (wages plus insurance and retirement benefits)	14	17.9
Shortage of qualified applicants	11	14.1
Limited pool of candidates	8	10.3
Negative public perception of state employment	8	10.3
Work schedule	4	5.1
None	3	3.8
Job duties and responsibilities	2	2.6
Lack of professional certification (e.g., CPA, PE)	0	0.0
Poor insurance benefits	0	0.0
Poor retirement benefits	0	0.0
Don't know	0	0.0
Other	8	10.3

In general, do you think the policy rates assigned to your agency's classifications are comparable with market rates? (N=78)

	Responses	Percentage of Respondents
Primarily yes	7	9.0
Yes for some; no for others	31	39.7
Primarily no	26	33.3
Don't work with classified employees	10	12.8
Don't know	4	5.1

When funds are available, do you think the current pay ranges for classified employees are generally adequate to compensate the employees in your agency? (N=78)

	Responses	Percentage of Respondents
Yes	14	17.9
Yes for some; no for others	38	48.7
No	17	21.8
Don't work with classified employees	8	10.3
Don't know	1	1.3

What compensation options does your agency use most frequently? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Merit increase for performance	43	55.1
Early implementation of CEC increase	32	41.0
Salary equity adjustment (within your agency)	24	30.8
Short-term merit increase	20	25.6
Awards and bonuses	16	20.5
Reclassification	14	17.9
Additional CEC increase above what the Legislature appropriates	14	17.9
Underfill (temporarily filling a position with an employee of a lower pay grade to accommodate a training period)	10	12.8
Pay line exception (temporary assignment to a new pay grade for the purpose of recruitment or retention)	2	2.6
None	2	2.6
Salary equity adjustment (among other state agencies)	1	1.3
Employee suggestion award (cost-saving bonuses)	0	0.0
Don't know	0	0.0
Other	6	7.7

Does your agency offer any of the following options to employees? (Select all that apply.) (N=77)

	Responses	Percentage of Respondents
Flexible schedules	62	80.5
Conference attendance	59	76.6
Professional training	53	68.8
Cross-training	41	53.2
Employee recognition	41	53.2
Membership in professional organizations	32	41.6
Telecommuting	31	40.3
None	3	3.9
Don't know	0	0.0
Other	4	5.2

In addition to merit, what do you think are the most effective ways to determine compensation increases? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Additional responsibilities	50	64.1
Relieve compression (increasing the pay difference among new hires, existing employees, and hierarchical classifications)	38	48.7
Relation to policy rate (comparative ratio)	33	42.3
Completion of additional training or education	33	42.3
Career advancement	20	25.6
Longevity	15	19.2
None	2	2.6
Don't know	0	0.0
Other	3	3.8

What factors do you think most limit your agency's ability to adequately compensate employees? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Insufficient appropriations for personnel	47	60.3
Inconsistent CEC increases	39	50.0
Inability to move employees closer to their policy rate	25	32.1
Negative public perception of salary increases	20	25.6
Lack of competitive wages	19	24.4
Classified policy pay rates and benchmarks that do not align with market rates	17	21.8
Low entry-level wages	16	20.5
Classifications that are not properly assessed using the Hay method	6	7.7
Approval process (both within agency and outside of agency)	6	7.7
Requirements based primarily on merit	5	6.4
Outdated or inadequate agency compensation plan	3	3.8
Lack of knowledge about which compensation options are available (e.g., cost-saving bonuses)	2	2.6
Don't know	1	1.3
None	0	0.0
Other	5	6.4

What do you think are the most effective strategies to improve the compensation structure? (Select up to three.) (N=78)

	Responses	Percentage of Respondents
Increase appropriations for personnel	45	57.7
Increase personnel funding to bring more employees closer to their policy rate	41	52.6
Relieve salary compression (increasing the pay difference among new hires, existing employees, and hierarchical classifications)	32	41.0
In addition to merit, create additional criteria for increases (e.g., longevity, skill-based pay)	31	39.7
Address pay equity both within the agency and among other state agencies	20	25.6
Increase minimum pay rates for classified pay grades	15	19.2
Increase policy pay rates for classified employees	9	11.5
Improve insurance benefits	4	5.1
Improve retirement benefits	1	1.3
I do not think the current compensation structure needs to be improved	1	1.3
Don't know	1	1.3
Other	6	7.7

Please indicate the level of assistance your agency seeks from the Division of Human Resources for the following services:
(1=no assistance, 3=moderate assistance, 5=significant amount of assistance)

	N	1	2	3	4	5
Compensation information	76	37	17	17	3	2
Employee relations	76	37	15	19	3	2
Establishment of position classifications	77	24	18	19	10	6
Idaho Paperless Online Personnel/Payroll System (IPOPS) guidance	76	31	16	18	7	4
Development or assistance with job announcements or exams	76	18	19	17	10	12
Policy implementation	77	42	21	13	0	1
Promotions guidance	76	48	13	11	4	0
Development of agency compensation plans	76	42	19	12	2	1
Reclassification information	77	29	14	20	10	4
Recruitment guidance	76	40	17	10	6	3
Exit interview analysis	76	55	12	9	0	0
Statute and administrative code guidance	76	29	24	16	7	0
Human resources training	76	38	19	11	4	4

Which additional services do you think the Division of Human Resources could provide to your agency? (Select all that apply.) (N=75)

	Responses	Percentage of Respondents
Statewide online training resources (learning management system)	44	58.7
Supervisor or manager training	40	53.3
Training on developing HR policies (e.g., Family Medical Leave Act (FMLA) and Fair Labor Standards Act (FLSA))	28	37.3
Professional legal advice on personnel issues	25	33.3
Regular statewide employee surveys	18	24.0
Development of policy and procedures guidelines	16	21.3
Don't know	7	9.3
None	5	6.7
Other	5	6.7

In general, what factors do you think primarily contributed to the voluntary separation of employees who left your agency over the past five years? (Select up to three.) (N=77)

	Responses	Percentage of Respondents
Wanted an increase in pay	51	66.2
Retired	40	51.9
Wanted better opportunities for career advancement	35	45.5
Had personal or family reasons	16	20.8
Had low morale within agency	12	15.6
Wanted more professional challenges	12	15.6
Thought workload was too heavy	7	9.1
Relocated for spouse's job	4	5.2
Disliked interaction with coworkers	4	5.2
Lacked recognition by supervisors or management	3	3.9
Wanted better insurance benefits	2	2.6
Wanted a better work schedule	2	2.6
Wanted better retirement benefits	1	1.3
Wanted better quality of supervision	1	1.3
Disliked the physical work environment	1	1.3
Didn't like the equipment used on the job	0	0.0
Thought workload was too light	0	0.0
Don't know	0	0.0
Other	8	10.4

Of the employees who have voluntarily separated from your agency (excluding retirements) over the past five years, what was their average length of employment? (N=75)

	Responses	Percentage of Respondents
Less than 1 year	2	2.7
1–2 years	11	14.7
3–4 years	21	28.0
5–10 years	21	28.0
11–15 years	5	6.7
16–20 years	2	2.7
21 or more years	1	1.3
Don't know	12	16.0

Do competitors actively recruit current employees from your agency? (N=78)

	Responses	Percentage of Respondents
Yes	34	43.6
No	28	35.9
Don't know	16	20.5

If yes, primarily which sector actively recruits your current employees? (N=34)

	Responses	Percentage of Respondents
Private	15	44.1
Other Idaho state government agencies	11	32.4
Federal government	2	5.9
City or county government	2	5.9
Other states' government	1	2.9
Nonprofit	0	0.0
Don't know	0	0.0
Other	3	8.8

How does your agency primarily conduct exit interviews? (N=77)

	Responses	Percentage of Respondents
In person	45	58.4
My agency does not conduct exit interviews	12	15.6
Online	8	10.4
By phone	3	3.9
Don't know	2	2.6
Other	7	9.1

Who primarily conducts exit interviews at your agency? (N=76)

	Responses	Percentage of Respondents
HR staff	34	44.7
Agency administrator/director	16	21.1
My agency does not conduct exit interviews	10	13.2
Exiting employee's direct supervisor/manager	5	6.6
Don't know	4	5.3
Another supervisor/manager	2	2.6
Other	5	6.6

What turnover information does your agency document? (Select all that apply.) (N=78)

	Responses	Percentage of Respondents
Separation codes or reasons	48	61.5
Exit interviews	43	55.1
Involuntary turnover information (e.g., separation reasons, trends)	27	34.6
Open position (vacancy) analysis	26	33.3
None	8	10.3
Don't know	6	7.7
Other	2	2.6

What does your agency regularly do with the turnover information it collects?

	Responses	Percentage of Respondents
Use as a guide for recruitment and compensation planning	29	38.7
Make internal policy changes based on exit interview feedback	26	34.7
Nothing	21	28.0
Publish reports (e.g., monthly, quarterly, annually)	14	18.7
Don't know	9	12.0
Other	7	9.3

In addition to the information your agency may be required to provide to the Division of Human Resources and the Idaho Paperless Online Personnel/Payroll System (IPOPS), what types of retention and turnover information does your agency collect?
(Select all that apply.) (N=75)

	Responses	Percentage of Respondents
No additional information	37	49.3
Additional exit interview questions	22	29.3
General workplace conditions (e.g., supervision, communication, work environment)	21	28.0
In-house separation codes, different from the separation codes developed by the Division of Human Resources and IPOPS	8	10.7
Don't know	8	10.7
Other	1	1.3

What separation information is most useful to your agency? (Select up to three.) (N=75)

	Responses	Percentage of Respondents
Employee's reasons for leaving	60	80.0
Recommendations from exiting employees for unit or agency improvement	39	52.0
Any preventive measures the agency could have taken to keep the employee from leaving	25	33.3
Employee's salary at the new job	24	32.0
Cost incurred to the agency as a result of the turnover	16	21.3
Sector or firm where an employee found new work	11	14.7
Length of employment before separation	8	10.7
None	1	1.3
Don't know	1	1.3
Other	0	0.0

What factors most limit your agency's ability to prevent turnover?
(Select up to three.) (N=76)

	Responses	Percentage of Respondents
Lack of competitive wages	39	51.3
Inconsistent CEC increases	32	42.1
Stagnant wages	31	40.8
Inability to reward employees beyond merit-based increases	19	25.0
Lack of flexible compensation options	15	19.7
Inability to get classified employees closer to their policy rate	14	18.4
Low entry-level wages	10	13.2
None	6	7.9
Inadequate agency compensation plan	5	6.6
Total compensation (wages plus insurance and retirement benefits)	5	6.6
Lack of retention strategies	3	3.9
Decreased insurance benefits	3	3.9
Don't know	2	2.6
Poor data in tracking or analyzing turnover reasons by agency	1	1.3
Poor retirement benefits	0	0.0
Other	6	7.9

What do you think are the most effective strategies to reduce turnover?

	Responses	Percentage of Respondents
Consistent CEC increases	45	58.4
Increase funding for salary adjustments	41	53.2
Update pay structure (e.g., pay grades, benchmark classifications)	22	28.6
Additional manager or supervisor trainings	16	20.8
Increase entry-level wages	15	19.5
Increase training opportunities	12	15.6
Flexible schedules	11	14.3
Comprehensive agency compensation plan	5	6.5
I do not think turnover can be reduced	4	5.2
Enhance insurance benefits	3	3.9
Don't know	3	3.9
Workload adjustments	2	2.6
Comprehensive agency turnover plan	2	2.6
Enhance retirement benefits	2	2.6
Other	12	15.6

Appendix B
Survey of State Employees

Purpose and Methodology

Early in the development of our study, we decided to conduct a survey of state employees to understand compensation and turnover from their perspective. We found several employee surveys in national literature that were useful in helping us develop a similar survey. We pilot tested the survey functionality among our staff and consultants.

Instead of distributing the survey to a sample population, we decided to survey all state employees to provide them an opportunity for input on compensation and turnover. We contacted agency directors before sending out the survey and asked them to inform their employees about our survey and to contact us if their employees did not receive a survey.

The Office of the State Controller processes payroll for almost all state agencies and has employee contact information for most employees. Using data from the Controllers' statewide database, Idaho Business Intelligence System (IBIS), we constructed an e-mail distribution list and sent an invitation to employees requesting their participation.

Not all employees had e-mail addresses recorded in the database. In some cases, entire agencies did not have e-mail addresses on file. We contacted these agencies and asked them to provide us with a list of their current employees and e-mail addresses. These employees were also included in our survey. In addition, some employees did not have e-mail or Internet access. We sent paper surveys to these employees.

The survey had 17 multiple-choice questions and a space for open-ended comments. We collected responses over a three-week period in July and August 2012, sending two reminder e-mails to encourage participation.

We identified 25,766 current state employees as of July 20, 2012, and distributed surveys to 17,334. The survey was sent to full-time, part-time, and temporary and seasonal state employees. We received responses from 11,541 employees for a response rate of 66.6 percent. The survey was sent to 82 state agencies and responses were received from all of these agencies.

We intentionally excluded elected officials and instructional staff at higher education institutions from this survey (the latter group because of their unique compensation and tenure structure). Employees of school districts and community colleges are not considered state employees and were not included in the survey.

Survey Limitations

We did not authenticate the identity of the survey respondents; they were anonymous. To prevent duplication, we used some technical methods to limit respondents from taking the survey multiple times. These methods included tracking and removing responses with duplicate computer IP addresses as well limiting ‘cookies’ recorded by web browsers.

The survey concluded with an open-ended question for which respondents could comment on turnover and compensation. Because we distributed the survey to more than 17,000 individuals, we limited the open-ended responses to 100 words so that we could analyze those responses in the time we had available.

The results of the survey are provided on the following pages. Percentages within the reporting tables may not sum to 100 because of rounding or because respondents could select multiple options.

Which state agency do you currently work for? If you work at more than one state agency, please select the one you have worked at the longest. (N=11,486)

	Responses	Percentage of Agency Employees[a]
Accountancy, State Board of	3	27.3
Administration, Department of	102	73.4
Aging, Idaho Commission on	12	60.0
Agriculture, Department of	144	39.2
Appellate Public Defender, State	17	73.9
Arts, Commission on the	10	100.0
Attorney General, Office of the	126	67.7
Blind and Visually Impaired, Commission for the	28	62.2
Boise State University	370	16.6
Brand Inspection Board	2	3.4
Building Safety, Division of	90	58.1
Central Health District IV	70	41.4
Commerce, Department of	33	60.0
Controller, Office of the State	61	71.8
Correction, Department of	1,097	70.6
Correctional Industries	31	100.0
Dentistry, State Board of	4	30.8
Drug Policy, Office of	2	66.7
Eastern Idaho Health District	57	48.3
Eastern Idaho Technical College	15	3.0
Education, Department of	124	91.2
Education, Office of the Board of	24	72.7
Endowment Fund Investment Board	4	40.0
Energy Resources, Office of	7	77.8
Engineers and Land Surveyors, Board of Professional	4	36.4
Environmental Quality, Department of	312	80.2
Finance, Department of	54	90.0
Financial Management, Division of	13	92.9
Fish and Game, Department of	434	46.7
Governor, Office of the	10	52.6
Health and Welfare, Department of	2,187	76.4

(continued)

	Responses	Percentage of Agency Employees[a]
Hispanic Commission	2	66.7
Historical Society, State	39	55.7
Human Resources, Division of	10	66.7
Idaho State University	317	18.1
Independent Living Council, Idaho State	4	100.0
Industrial Commission	106	79.1
Insurance Fund, State	3	1.4
Insurance, Department of	53	75.7
Judicial Branch	75	22.1
Juvenile Corrections, Department of	253	65.7
Labor, Department of	538	76.6
Lands, Department of	225	45.6
Lava Hot Springs Foundation	12	13.2
Legislative Services Office	57	80.3
Lewis-Clark State College	83	8.1
Libraries, Idaho Commission for	32	80.0
Lieutenant Governor	1	25.0
Liquor Division, State	223	59.6
Lottery, Idaho State	42	75.0
Medicine, State Board of	15	34.1
Military Division	56	18.7
North Central Health District II	28	45.9
Nursing, State Board of	10	52.6
Occupational Licenses, Bureau of	24	15.1
Outfitters and Guides Licensing Board	3	17.6
Panhandle Health District I	109	79.6
Pardons and Parole, Commission of	26	81.3
Parks and Recreation, Department of	100	22.4
Pharmacy, State Board of	8	47.1
Professional-Technical Education, Division of	29	87.9
Public Employee Retirement System	56	86.2
Public Television, Idaho	31	30.7
Public Utilities Commission	39	83.0

(continued)

	Responses	Percentage of Agency Employees[a]
Racing Commission, Idaho State	2	13.3
Real Estate Commission	9	56.3
Secretary of State	22	88.0
Soil and Water Conservation Commission	16	72.7
South Central Public Health District V	64	65.3
Southeast Health District VI	57	56.4
Southwest Health District III	84	74.3
Species Conservation, Office of	8	72.7
State Police, Idaho	337	68.1
Tax Appeals, State Board of	3	37.5
Tax Commission, State	372	77.2
Transportation Department, Idaho	1,398	79.6
Treasurer, State	14	46.7
University of Idaho	681	21.8
Veterans Services, Division of	135	38.6
Veterinary Medicine, Board of	1	7.1
Vocational Rehabilitation, Division of	108	75.5
Water Resources, Department of	109	67.7
Other	10	–

[a] Agency employee counts as of August 6, 2012.

Please indicate what type of employee you are. If you work in more than one position, please select the one you have worked in the longest. (N=11,467)

	Responses	Percentage of Respondents
Classified full-time	8,975	78.3
Nonclassified full-time	1,321	11.5
Temporary employee	308	2.7
Classified part-time	266	2.3
Don't know	254	2.2
Nonclassified part-time	108	0.9
Prefer not to answer	71	0.6
Agency head	43	0.4
Appointed board member	41	0.4
Other	80	0.7

How many years have you worked for the state? (N=11,430)

	Responses	Percentage of Respondents
0–1 years	1,732	15.2
2–5 years	2,877	25.2
6–10 years	2,295	20.1
11–15 years	1,670	14.6
16+ years	2,856	25.0

Do you manage other employees? (N=11,458)

	Responses	Percentage of Respondents
No	7,702	67.2
Yes	3,432	30.0
Prefer not to answer	324	2.8

Which primary factors influenced your initial decision to work for your current agency? (Choose up to three responses.) (N=11,516)

	Responses	Percentage of Respondents
Insurance benefits	4,797	41.7
Retirement benefits	4,196	36.4
Potential for career advancement	3,049	26.5
Work schedule	2,812	24.4
Motivated to engage in public service	2,425	21.1
Mission of agency	2,360	20.5
Pay	2,045	17.8
Needed work experience	1,093	9.5
Physical work environment	980	8.5
Equipment used to complete job duties	241	2.1
Prefer not to answer	153	1.3
Don't know	103	0.9
Other	2,157	18.7

Have you worked for more than one Idaho state agency? (N=11,534)

	Responses	Percentage of Respondents
Yes	2,660	23.1
No	8,874	76.9

Which factors primarily contributed to you leaving your last state agency? (Choose up to three responses.) (N=2,655)

	Responses	Percentage of Respondents
Wanted an increase in pay	795	29.9
Wanted better opportunities for advancement	664	25.0
Wanted more professional challenges	560	21.1
Low morale within agency	521	19.6
Wanted better quality of supervision	376	14.2
Personal or family reasons	264	9.9
Moved	206	7.8
Lack of recognition	206	7.8
Wanted a better work schedule	163	6.1
Disliked interaction with coworkers	140	5.3
Workload was too much	90	3.4
Disliked the physical work environment	63	2.4
Terminated/fired	49	1.8
Retired	15	0.6
Didn't like the equipment I used on the job	4	0.2
Other	867	32.7

Do you plan to retire with your current agency? (N=11,538)

	Responses	Percentage of Respondents
Yes	5,931	51.4
No	1,272	11.0
Don't know	4,335	37.6

Within the next two years, how likely are you to leave your current job for one in another organization? (N=5,607)

	Responses	Percentage of Respondents
Very likely	1,200	21.4
Somewhat likely	1,621	28.9
Not very likely	814	14.5
Very unlikely	635	11.3
Prefer not to answer	238	4.2
Don't know	1,099	19.6

Where would you primarily intend to look for another job?
(Choose up to three responses.) (N=4,159)

	Responses	Percentage of Respondents
Anywhere. I am open to all options.	1,732	41.6
Private sector	1,639	39.4
Federal government	1,173	28.2
Different state agency	1,066	25.6
Local government (city, county)	809	19.5
Out-of-state position	669	16.1
Self-employment	483	11.6
Don't know	299	7.2
Nonprofit organization	290	7.0
Prefer not to answer	112	2.7
Other	140	3.4

Which factors would primarily contribute to your intention to leave employment with your current agency? (Choose up to three responses.) (N=4,166)

	Responses	Percentage of Respondents
Poor pay	2,455	58.9
Lack of career advancement	1,496	35.9
Poor morale	913	21.9
Negative organizational changes	766	18.4
Lack of recognition for my work	690	16.6
Want more professional challenges	674	16.2
Poor quality of supervision	635	15.2
Low satisfaction with my job	544	13.1
Workload is too heavy	528	12.7
Personal or family reasons	439	10.5
Poor coworker interaction	260	6.2
Poor insurance benefits	258	6.2
Lack of supervisory feedback	164	3.9
Dislike my work schedule	145	3.5
Poor retirement benefits	97	2.3
Prefer not to answer	63	1.5
Don't know	57	1.4
Dislike equipment used to complete job duties	51	1.2
Poor physical work environment	50	1.2
Other	455	10.9

Which factors would primarily contribute to your intention to continue employment with your current agency? (Choose up to three responses.) (N=8,727)

	Responses	Percentage of Respondents
Good retirement benefits	3,419	39.2
Good insurance benefits	2,851	32.7
High satisfaction with my job	2,448	28.1
Good pay	2,403	27.5
Like my work schedule	2,171	24.9
Good coworker interaction	2,020	23.1
Personal or family reasons	1,285	14.7
Good quality of supervision	1,127	12.9
Motivated to engage in public service	1,001	11.5
Good level of recognition for my work	966	11.1
Good morale	864	9.9
Good career advancement	849	9.7
Positive organizational changes	786	9.0
Good physical work environment	455	5.2
Good workload	401	4.6
Consistent supervisor feedback	263	3.0
Like the equipment used to complete duties	126	1.4
Prefer not to answer	88	1.0
Don't know	62	0.7
Other	450	5.2

Overall, I am satisfied at my job. (N=11,505)

	Responses	Percentage of Respondents
Strongly agree	1,842	16.0
Agree	5,198	45.2
Neither agree nor disagree	2,497	21.7
Disagree	1,236	10.7
Strongly disagree	526	4.6
Prefer not to answer	206	1.8

During the recent economic downturn, many agencies experienced furloughs, holdbacks, and layoffs. How have these changes affected your work experience?
(Choose up to three responses.) (N=11,510)

	Responses	Percentage of Respondents
Reduced morale	6,529	56.7
Decreased compensation	3,559	30.9
Reduced job satisfaction	3,083	26.8
Loss of valuable employees	3,073	26.7
Unsustainable workload levels	2,586	22.5
Decreased promotional opportunities	1,568	13.6
No effect	1,555	13.5
Loss of institutional knowledge	917	8.0
Decreased work productivity	817	7.1
Increased work productivity	789	6.9
Don't know	449	3.9
Harmed physical work environment	353	3.1
Prefer not to answer	200	1.7
Increased compensation	158	1.4
Improved job satisfaction	133	1.2
Increased promotional opportunities	98	0.9
Improved morale	78	0.7
Improved physical work environment	38	0.3
Other	638	5.5

What is your age? (N=11,516)

	Responses	Percentage of Respondents
17 and under	3	0.0
18–24	201	1.7
25–34	1,822	15.8
35–44	2,545	22.1
45–54	3,226	28.0
55–64	3,097	26.9
65 and over	278	2.4
Prefer not to answer	344	3.0

What is your gender? (N=11,457)

	Responses	Percentage of Respondents
Female	5,999	52.4
Male	5,002	43.6
Prefer not to answer	456	4.0

What is the highest degree or level of education have you completed? (N=11,518)

	Responses	Percentage of Respondents
Less than high school	19	0.2
High school diploma or equivalent	1,092	9.5
Some college credit, no degree	2,652	23.0
Postsecondary certificate (less than an associate's degree)	561	4.9
Associate's degree	1,207	10.5
Bachelor's degree	3,661	31.8
Graduate or professional degree	1,897	16.5
Doctorate degree	201	1.7
Prefer not to answer	196	1.7
Other	32	0.3

Subject of open-ended comments (N=4,167)

	Negative Responses and Suggested Changes	Positive Responses	Total Responses
Pay/compensation	2,476	60	2,536
Management	559	51	610
Workload/amount of work	514	0	514
CEC/cost of living	369	4	373
Career advancement/promotional opportunities	354	11	365
Feeling (under) appreciated	298	11	309
Work schedule	261	36	297
Insurance benefits	253	27	280
Overtime	214	2	216
Turnover	175	5	180
Retirement benefits	85	44	129
Coworkers	77	36	113
Work equipment	48	1	49

Note: Totals do not sum to 4,167 because comments could be placed into as many as three categories. Some comments included both negative and positive feedback.

Appendix C

Annual Costs to Move Agency Average Comparative Ratios Closer to Policy Pay Rates

Agency	Classified Employees	Average Compa Ratio[a] (%)	To 80 Percent ($)	To 90 Percent ($)	To Policy ($)
Accountancy, State Board of	3	87.7		2,544	13,746
Administration, Department of	120	90.7			529,466
Aging, Idaho Commission on	12	88.9		7,191	75,248
Agriculture, Department of	164	83.2		629,782	1,552,326
Blind and Visually Impaired, Commission for the	39	89.0		18,906	203,691
Boise State University	577	81.0		1,823,041	3,855,983
Brand Inspection Board	27	85.1		52,755	160,666
Building Safety, Division of	94	89.8		9,357	473,929
Central Health District IV	109	91.2			438,435
Commerce, Department of	38	79.6	8,782	210,418	412,053
Correction, Department of	1,512	76.9	2,210,879	9,336,673	16,462,468
Dentistry, State Board of	1	101.7			
Eastern Idaho Health District VII	87	85.9		163,478	566,297
Eastern Idaho Technical College	38	88.3		22,129	154,650
Education, Office of the Board of	2	79.2	682	8,724	16,765
Endowment Fund Investment Board	2	103.9			
Engineers and Land Surveyors, Board of Professional	2	103.8			
Environmental Quality, Department of	325	81.7		1,694,686	3,736,373
Finance, Department of	58	88.8		42,198	393,403
Financial Management, Division of	1	123.8			
Fish and Game, Department of	529	85.4		1,351,714	4,273,072
Health and Welfare, Department of	2,632	83.3		9,116,764	22,749,186
Hispanic Affairs, Commission on	1	80.1		3,987	8,008
Historical Society, State	40	83.6		123,112	315,951
Human Resources, Division of	7	82.5		32,354	75,236
Idaho State University	611	82.2		1,677,378	3,816,831
Independent Living Council, Idaho State	3	79.7	420	15,823	31,226
Industrial Commission	75	85.8		123,265	413,592
Insurance, Department of	60	86.2		111,268	404,896

(continued)

Agency	Classified Employees	Average Compa Ratio[a] (%)	To 80 Percent ($)	To 90 Percent ($)	To Policy ($)
Juvenile Corrections, Department of	377	82.0		1,364,259	3,066,936
Labor, Department of	602	84.0		1,874,635	5,015,621
Lands, Department of	241	83.8		834,407	2,182,026
Lava Hot Springs Foundation	12	94.0			21,966
Lewis-Clark State College	130	82.1		346,508	782,536
Libraries, Idaho Commission for	33	85.0		78,074	233,613
Liquor Division, State	193	87.1		196,714	872,329
Lottery, Idaho State	11	94.1			22,479
Medicine, State Board of	8	83.3		18,524	46,226
North Central Health District II	41	91.0			167,937
Nursing, State Board of	7	93.0			16,987
Occupational Licenses, Bureau of	32	81.6		112,030	245,608
Outfitters and Guides Licensing Board	4	85.5		5,906	18,920
Panhandle Health District I	109	87.5		128,329	641,954
Pardons and Parole, Commission of	25	75.0	63,649	189,988	316,327
Parks and Recreation, Department of	135	79.5	34,860	697,465	1,360,070
Pharmacy, State Board of	9	88.9		4,296	42,412
Police, Idaho State	454	100.6			
Professional-Technical Education, Division of	12	93.5			26,318
Public Employee Retirement System	56	82.4		196,820	454,531
Public Television, Idaho	50	84.5		129,764	364,882
Public Utilities Commission	35	87.8		43,163	237,999
Racing Commission, Idaho State	2	89.3		545	8,699
Real Estate Commission	10	83.2		32,218	79,432
Soil and Water Conservation Commission	15	84.7		43,154	125,086
South Central Public Health District V	72	90.8			293,213
Southeast Health District VI	76	91.8			276,743
Southwest Health District III	89	91.2			332,629
Tax Appeals, State Board of	3	80.9		16,399	34,371
Tax Commission, State	434	81.3		1,899,138	4,093,763
Transportation Department, Idaho	1,673	91.2			6,912,027
Veterans Services, Division of	286	84.5		602,360	1,698,268
Veterinary Medicine, Board of	1	72.8	2,879	6,899	10,920
Vocational Rehabilitation, Division of	53	80.4		205,737	419,097
Water Resources, Department of	145	84.1		505,036	1,354,993

Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, August 3, 2012.

Note: Costs only include pay rate increases; the analysis does not include increases in benefit costs or other costs resulting from an increase.

[a] Comparative (compa) ratio is the pay rate divided by the policy pay rate.

Appendix D

Voluntary Separations and Turnover Rates by Agency, Fiscal Years 2005–2012

		2005	2006	2007	2008	2009	2010	2011	2012
		# (%)	# (%)	# (%)	# (%)	# (%)	# (%)	# (%)	# (%)
Accountancy, State Board of	Classified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	1 (12.5)	0 (0.0)	0 (0.0)	0 (0.0)
Administration, Department of	Classified	12 (8.6)	16 (11.7)	40 (32.0)	6 (5.1)	4 (3.2)	5 (4.0)	4 (3.3)	7 (5.9)
	Nonclassified	1 (3.9)	5 (18.9)	7 (30.4)	4 (18.2)	4 (16.3)	2 (7.7)	2 (8.3)	4 (18.2)
Aging, Commission on	Classified	1 (7.7)	0 (0.0)	1 (7.4)	2 (15.4)	0 (0.0)	2 (19.1)	3 (30.0)	3 (31.6)
	Nonclassified	1 (8.7)	1 (8.0)	2 (16.7)	1 (9.1)	0 (0.0)	0 (0.0)	3 (27.3)	2 (22.2)
Agriculture, Department of	Classified	12 (6.5)	15 (7.7)	13 (6.5)	19 (9.4)	21 (11.0)	21 (12.3)	8 (5.0)	8 (5.0)
	Nonclassified	22 (9.9)	28 (12.7)	14 (6.0)	15 (6.7)	9 (4.4)	28 (13.1)	11 (5.3)	16 (7.5)
Appellate Public Defender, State	Nonclassified	1 (6.5)	3 (15.4)	6 (27.3)	1 (4.6)	2 (8.9)	1 (4.6)	2 (8.7)	5 (21.3)
Arts, Commission on the	Nonclassified	0 (0.0)	2 (18.2)	2 (19.1)	1 (9.5)	0 (0.0)	0 (0.0)	1 (10.0)	0 (0.0)
Attorney General, Office of the	Nonclassified	22 (12.2)	29 (15.9)	23 (12.2)	30 (14.9)	22 (10.9)	11 (5.6)	18 (9.8)	17 (9.2)
Blind and Visually Impaired, Commission for the	Classified	1 (2.6)	3 (7.7)	6 (15.2)	2 (4.9)	1 (2.5)	2 (5.0)	1 (2.6)	2 (5.1)
	Nonclassified	5 (35.7)	6 (48.0)	2 (21.1)	2 (25.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

(continued)		2005 # (%)	2006 # (%)	2007 # (%)	2008 # (%)	2009 # (%)	2010 # (%)	2011 # (%)	2012 # (%)
Boise State University	Classified	62 (9.7)	100 (15.6)	88 (13.5)	55 (8.3)	76 (11.9)	32 (5.2)	32 (5.5)	47 (8.1)
	Nonclassified	91 (7.3)	130 (9.9)	140 (10.0)	116 (7.9)	152 (10.3)	159 (10.4)	96 (6.3)	128 (7.9)
Brand Inspection Board	Classified	2 (5.6)	2 (6.0)	2 (6.1)	4 (12.9)	0 (0.0)	0 (0.0)	4 (14.0)	0 (0.0)
	Nonclassified	1 (3.6)	2 (7.3)	1 (3.5)	0 (0.0)	0 (0.0)	0 (0.0)	1 (3.1)	1 (3.1)
Building Safety	Classified	7 (5.7)	12 (9.0)	18 (13.0)	7 (5.2)	6 (4.7)	7 (5.8)	6 (5.5)	7 (7.0)
	Nonclassified	4 (8.0)	0 (0.0)	6 (11.0)	4 (6.9)	0 (0.0)	5 (8.6)	1 (1.8)	0 (0.0)
Central Health District IV	Classified	13 (9.9)	15 (11.0)	27 (19.5)	21 (15.1)	26 (19.7)	10 (8.8)	5 (4.5)	15 (13.6)
	Nonclassified	12 (17.5)	6 (10.1)	12 (19.1)	13 (20.3)	5 (8.5)	6 (10.7)	3 (4.9)	3 (4.9)
Code Commission	Nonclassified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Commerce, Department of	Classified	–	–	–	4 (9.4)	3 (7.0)	1 (2.4)	4 (9.5)	0 (0.0)
	Nonclassified	–	–	–	8 (34.0)	4 (19.5)	4 (22.2)	0 (0.0)	4 (21.6)
Controller, Office of the State	Nonclassified	4 (4.3)	11 (12.0)	12 (13.1)	2 (2.1)	6 (6.5)	4 (4.3)	3 (3.5)	2 (2.4)
Correction, Department of	Classified	173 (12.2)	239 (16.7)	192 (13.1)	160 (10.4)	113 (7.3)	120 (7.8)	125 (8.4)	132 (8.7)
	Nonclassified	16 (25.8)	50 (73.5)	48 (65.8)	24 (28.6)	16 (28.1)	17 (33.7)	4 (9.5)	3 (6.8)
Correctional Industries	Nonclassified	7 (23.3)	4 (12.5)	3 (9.1)	3 (9.1)	3 (9.2)	3 (9.8)	6 (19.7)	5 (15.2)

Dentistry, State Board of	Classified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	0 (0.0)	1 (9.1)	0 (0.0)	1 (8.0)	0 (0.0)	1 (7.1)	2 (15.4)
Drug Policy, Office of	Nonclassified	–	–	–	1 (33.3)	1 (33.3)	0 (0.0)	3 (100.0)	0 (0.0)
Eastern Idaho Health District VII	Classified	7 (7.9)	2 (2.2)	8 (8.8)	5 (5.5)	7 (7.9)	5 (5.8)	3 (3.7)	2 (2.4)
	Nonclassified	5 (11.5)	8 (17.4)	7 (15.6)	1 (2.3)	0 (0.0)	2 (4.9)	2 (4.7)	2 (5.1)
Eastern Idaho Technical College	Classified	0 (0.0)	3 (9.7)	3 (9.1)	4 (12.1)	1 (2.9)	1 (2.8)	1 (2.6)	3 (7.7)
	Nonclassified	11 (4.9)	17 (7.6)	12 (4.6)	10 (2.9)	5 (1.5)	22 (7.0)	19 (4.9)	18 (3.9)
Education, Department of	Classified	7 (14.6)	1 (4.3)	–	–	–	–	–	–
	Nonclassified	12 (9.3)	13 (9.9)	25 (18.5)	22 (18.7)	9 (7.7)	8 (6.2)	15 (12)	11 (8.6)
Education, Office of the State Board of	Classified	1 (100.0)	2 (133.3)	0 (0.0)	2 (57.1)	0 (0.0)	1 (33.3)	1 (40.0)	0 (0.0)
	Nonclassified	2 (6.6)	3 (8.6)	12 (33.3)	6 (16.9)	7 (22.6)	1 (3.3)	3 (9.2)	4 (12.5)
Endowment Fund Investment Board	Classified	1 (50.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	1 (10.5)	2 (23.5)	1 (11.8)	0 (0.0)	1 (11.1)	0 (0.0)	0 (0.0)	1 (11.8)
Energy Resources, Office of	Classified	–	–	–	–	0 (0.0)	0 (0.0)	1 (33.3)	1 (200.0)
	Nonclassified	–	–	–	–	0 (0.0)	2 (15.4)	5 (41.7)	1 (9.5)
Engineers and Land Surveyors	Classified	1 (50.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)

(continued)		2005 # (%)	2006 # (%)	2007 # (%)	2008 # (%)	2009 # (%)	2010 # (%)	2011 # (%)	2012 # (%)
Environmental Quality, Department of	Classified	18 (5.2)	30 (8.8)	30 (8.9)	17 (5.0)	14 (4.1)	11 (3.3)	13 (4.0)	21 (6.5)
	Nonclassified	14 (17.4)	7 (10.1)	8 (11.0)	7 (8.5)	9 (13.6)	3 (6.9)	4 (8.3)	5 (8.3)
Finance, Department of	Classified	2 (5.1)	6 (13.6)	0 (0.0)	4 (8.3)	1 (2.1)	2 (4.0)	3 (5.8)	4 (7.3)
	Nonclassified	0 (0.0)	2 (57.1)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Financial Management, Division of	Classified	0 (0.0)	0 (0.0)	1 (18.2)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	1 (66.7)
	Nonclassified	1 (6.3)	1 (6.3)	10 (69.0)	3 (22.2)	2 (14.8)	1 (8.0)	4 (32.0)	0 (0.0)
Fish and Game, Department of	Classified	15 (3.0)	15 (3.0)	14 (2.8)	23 (4.6)	10 (2.0)	11 (2.2)	16 (3.1)	19 (3.6)
	Nonclassified	98 (21.9)	97 (21.5)	64 (14.1)	40 (8.6)	37 (8.0)	35 (8.1)	25 (6.1)	23 (5.7)
Governor, Office of the	Nonclassified	8 (28.6)	9 (34.6)	8 (29.1)	4 (12.5)	6 (20.0)	4 (16.3)	1 (4.4)	3 (14.0)
Health and Welfare, Department of	Classified	299 (10.9)	324 (11.5)	301 (10.3)	270 (9.1)	193 (6.5)	189 (6.7)	180 (6.7)	220 (8.3)
	Nonclassified	135 (28.1)	130 (23.9)	163 (29.2)	101 (19.6)	196 (50.4)	47 (15.3)	17 (7.5)	27 (12.1)
Hispanic Affairs, Commission on	Classified	0 (0.0)	0 (0.0)	0 (0.0)	1 (50.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	2 (133.3)	1 (66.7)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Historical Society, State	Classified	1 (2.5)	2 (5.0)	5 (11.8)	6 (13.6)	6 (13.5)	2 (4.6)	2 (4.7)	5 (12.1)
	Nonclassified	8 (29.6)	9 (34.6)	16 (57.1)	11 (33.9)	18 (57.1)	7 (23.7)	5 (15.9)	11 (34.4)

Human Resources, Division of	Classified	5 (14.9)	4 (11.8)	16 (60.4)	5 (32.3)	0 (0.0)	2 (18.2)	1 (10.5)	3 (37.5)
	Nonclassified	0 (0.0)	0 (0.0)	1 (16.7)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Human Rights, Commission on	Classified	1 (10.0)	1 (10.0)	1 (10.0)	2 (21.1)	0 (0.0)	10 (200.0)	–	–
	Nonclassified	0 (0.0)	0 (0.0)	5 (50.0)	0 (0.0)	0 (0.0)	10 (166.7)	–	–
Idaho State University	Classified	72 (11.6)	68 (10.8)	70 (10.8)	72 (10.9)	59 (9.0)	49 (7.9)	47 (7.8)	48 (7.9)
	Nonclassified	66 (6.3)	90 (8.3)	132 (11.6)	121 (10.3)	86 (7.3)	56 (4.8)	64 (5.7)	49 (4.3)
Independent Living Council, State	Classified	0 (0.0)	1 (100.0)	1 (50.0)	0 (0.0)	0 (0.0)	0 (0.0)	4 (100.0)	1 (33.3)
	Nonclassified	0 (0.0)	1 (40.0)	0 (0.0)	1 (25.0)	2 (20.0)	5 (37.0)	3 (24.0)	12 (171.4)
Industrial Commission	Classified	12 (16.4)	10 (14.1)	12 (16.8)	10 (13.4)	8 (10.6)	11 (14.5)	6 (8.1)	6 (8.0)
	Nonclassified	6 (9.8)	6 (9.8)	9 (14.8)	8 (13.2)	1 (1.7)	3 (4.8)	4 (6.7)	6 (10.3)
Insurance, Department of	Classified	5 (8.3)	4 (6.8)	8 (13.3)	8 (12.5)	6 (9.8)	5 (8.3)	6 (10.3)	6 (10.3)
	Nonclassified	1 (8.0)	4 (38.1)	0 (0.0)	5 (45.5)	0 (0.0)	0 (0.0)	0 (0.0)	1 (10.0)
Judicial Branch	Nonclassified	25 (8.7)	25 (8.4)	26 (8.5)	34 (10.5)	46 (14.4)	13 (4.1)	13 (4.0)	23 (7.0)
Juvenile Corrections	Classified	38 (11.8)	40 (12.2)	37 (10.9)	35 (9.6)	32 (8.4)	36 (9.4)	36 (9.5)	28 (7.4)
	Nonclassified	8 (43.2)	1 (4.7)	16 (86.5)	13 (83.9)	3 (33.3)	2 (19.1)	0 (0.0)	1 (13.3)
Labor, Department of	Classified	49 (7.5)	52 (8.3)	84 (14.2)	29 (5.2)	21 (3.7)	15 (2.4)	17 (2.6)	36 (5.8)
	Nonclassified	43 (29.0)	49 (36.3)	53 (48.2)	25 (26.7)	13 (12.2)	6 (4.5)	13 (11.7)	14 (13.5)

(continued)		2005 # (%)	2006 # (%)	2007 # (%)	2008 # (%)	2009 # (%)	2010 # (%)	2011 # (%)	2012 # (%)
Lands, Department of	Classified	20 (8.7)	19 (8.0)	16 (6.6)	12 (5.0)	13 (5.6)	10 (4.2)	8 (3.5)	14 (5.9)
	Nonclassified	57 (21.1)	103 (40.4)	25 (9.7)	128 (37.2)	62 (21.4)	61 (22.9)	18 (7.0)	11 (4.2)
Lava Hot Springs Foundation	Classified	0 (0.0)	1 (12.5)	0 (0.0)	0 (0.0)	0 (0.0)	1 (9.5)	0 (0.0)	2 (16.7)
	Nonclassified	2 (3.5)	2 (3.6)	0 (0.0)	1 (1.7)	1 (1.4)	0 (0.0)	1 (1.3)	1 (1.2)
Legislative Services Office	Nonclassified	12 (17.7)	19 (28.2)	15 (21.4)	8 (10.4)	1 (1.3)	7 (9.5)	5 (6.7)	7 (9.7)
Lewis-Clark State College	Classified	15 (12.1)	16 (12.3)	22 (16.5)	11 (8.2)	16 (12.4)	11 (8.6)	6 (4.7)	7 (5.3)
	Nonclassified	818 (94.8)	814 (93.5)	717 (82.2)	792 (95.8)	737 (88.5)	518 (57.8)	537 (57.6)	269 (29.1)
Libraries, Idaho Commission for	Classified	2 (5.2)	5 (13.7)	2 (5.3)	3 (7.5)	5 (13.0)	3 (7.8)	2 (5.5)	1 (2.8)
	Nonclassified	0 (0.0)	5 (45.5)	1 (10.5)	2 (26.7)	1 (15.4)	0 (0.0)	0 (0.0)	0 (0.0)
Lieutenant Governor, Office of	Nonclassified	1 (18.2)	5 (100.0)	1 (22.2)	1 (25.0)	2 (66.7)	0 (0.0)	0 (0.0)	0 (0.0)
Liquor Division, State	Classified	14 (8.9)	8 (4.9)	11 (6.3)	8 (4.2)	4 (2.1)	5 (2.6)	7 (3.6)	8 (4.1)
	Nonclassified	71 (68.9)	64 (55.7)	122 (94.9)	156 (98.1)	124 (73.8)	81 (50.5)	95 (59.9)	95 (54.6)
Lottery, State	Classified	1 (7.4)	2 (14.3)	2 (16.0)	0 (0.0)	1 (9.1)	0 (0.0)	0 (0.0)	1 (9.1)
	Nonclassified	1 (2.7)	5 (13.9)	7 (17.3)	2 (4.4)	3 (6.7)	2 (4.7)	1 (2.4)	3 (6.9)
Medicine, State Board of	Classified	1 (11.8)	1 (12.5)	3 (40.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	1 (3.3)	5 (15.2)	1 (2.8)	0 (0.0)	3 (8.2)	5 (14.3)	1 (2.7)	0 (0.0)

Military Division	Nonclassified	13 (5.6)	26 (11.3)	16 (6.8)	221 (66.4)	20 (7.7)	14 (5.4)	16 (6.1)	19 (6.6)
North Central Health District II	Classified	2 (3.7)	7 (13.3)	5 (10.1)	4 (8.4)	3 (6.6)	5 (11.5)	3 (7.4)	5 (12.8)
	Nonclassified	4 (17.0)	3 (11.8)	3 (11.5)	5 (20.0)	1 (4.4)	17 (66.7)	13 (51.0)	2 (8.9)
Nursing, State Board of	Classified	0 (0.0)	1 (18.2)	0 (0.0)	0 (0.0)	1 (20.0)	0 (0.0)	0 (0.0)	1 (16.7)
	Nonclassified	2 (14.3)	3 (22.2)	0 (0.0)	6 (40.0)	1 (7.4)	0 (0.0)	0 (0.0)	0 (0.0)
Occupational Licenses, Bureau of	Classified	5 (25.6)	7 (29.2)	0 (0.0)	2 (6.9)	1 (3.4)	2 (6.5)	1 (3.2)	2 (6.4)
	Nonclassified	0 (0.0)	7 (7.6)	14 (14.1)	2 (1.9)	6 (5.6)	2 (1.8)	0 (0.0)	0 (0.0)
Outfitters and Guides Licensing Board	Classified	0 (0.0)	2 (57.1)	2 (66.7)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	1 (4.4)	5 (24.4)	4 (20.5)	0 (0.0)	2 (9.3)	10 (58.8)	1 (7.1)	0 (0.0)
Panhandle Health District I	Classified	16 (11.5)	16 (11.9)	9 (6.7)	20 (15.6)	12 (10.5)	10 (9.3)	8 (7.4)	9 (8.4)
	Nonclassified	16 (40.0)	8 (23.2)	16 (44.4)	13 (41.3)	6 (19.7)	3 (8.8)	6 (20.0)	3 (10.2)
Pardons and Parole, Commission of	Classified	–	–	–	–	–	–	3 (11.1)	2 (7.3)
	Nonclassified	–	–	–	–	–	–	0 (0.0)	0 (0.0)
Parks and Recreation, Department of	Classified	11 (7.7)	8 (5.4)	21 (14.4)	7 (4.7)	3 (2.0)	15 (10.4)	6 (4.5)	9 (6.6)
	Nonclassified	38 (14.3)	35 (13.0)	24 (7.8)	15 (4.3)	25 (7.9)	21 (7.5)	11 (3.7)	26 (8.4)
Pharmacy, State Board of	Classified	1 (10.5)	0 (0.0)	3 (33.3)	1 (11.8)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	0 (0.0)	1 (15.4)	1 (14.3)	0 (0.0)	1 (12.5)	1 (13.3)	0 (0.0)

(continued)		2005 # (%)	2006 # (%)	2007 # (%)	2008 # (%)	2009 # (%)	2010 # (%)	2011 # (%)	2012 # (%)
Police, State	Classified	26 (5.6)	29 (6.2)	28 (6.0)	27 (5.6)	21 (4.4)	11 (2.4)	13 (2.8)	20 (4.4)
	Nonclassified	14 (24.8)	8 (13.3)	7 (13.5)	2 (3.9)	9 (19.0)	2 (4.3)	0 (0.0)	0 (0.0)
Professional-Technical Education	Classified	1 (7.1)	1 (7.4)	1 (7.4)	0 (0.0)	3 (17.1)	0 (0.0)	0 (0.0)	2 (14.8)
	Nonclassified	1 (3.5)	0 (0.0)	0 (0.0)	8 (30.2)	5 (22.7)	1 (5.1)	4 (21.1)	2 (10.3)
Public Employee Retirement System	Classified	1 (1.8)	6 (11.0)	3 (5.3)	4 (7.1)	1 (1.8)	3 (5.3)	6 (10.5)	2 (3.7)
	Nonclassified	3 (37.5)	2 (22.2)	2 (20.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Public Television	Classified	4 (8.4)	6 (13.0)	5 (10.8)	1 (2.0)	1 (2.0)	1 (2.1)	2 (4.3)	2 (4.1)
	Nonclassified	36 (69.9)	32 (55.2)	32 (44.4)	38 (49.7)	24 (32.4)	32 (46.7)	24 (40.7)	10 (18.5)
Public Utilities Commission	Classified	4 (11.6)	1 (2.9)	5 (14.5)	1 (2.9)	0 (0.0)	0 (0.0)	3 (8.5)	3 (8.7)
	Nonclassified	0 (0.0)	1 (7.4)	1 (7.7)	3 (24.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Racing Commission, State	Classified	0 (0.0)	0 (0.0)	1 (40.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
	Nonclassified	9 (69.2)	0 (0.0)	0 (0.0)	4 (32.0)	1 (9.1)	0 (0.0)	0 (0.0)	0 (0.0)
Real Estate Commission	Classified	7 (60.9)	1 (8.3)	6 (42.9)	3 (20.0)	0 (0.0)	1 (7.1)	1 (7.7)	2 (19.1)
	Nonclassified	1 (22.2)	1 (20.0)	3 (54.6)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Secretary of State, Office of the	Nonclassified	1 (3.4)	3 (9.8)	4 (12.9)	4 (13.1)	1 (3.5)	1 (3.6)	0 (0.0)	0 (0.0)

Soil and Water Conservation Commission	Classified	–	–	–	–	–	–	2 (16.0)	3 (23.1)
	Nonclassified	–	–	–	–	–	–	2 (23.5)	2 (26.7)
South Central Public Health District V	Classified	7 (8.8)	7 (8.6)	4 (4.9)	6 (7.5)	9 (11.7)	7 (9.3)	4 (5.4)	9 (12.2)
	Nonclassified	4 (20.0)	2 (10.0)	2 (8.2)	8 (27.1)	9 (32.1)	76 (292.3)	14 (58.3)	4 (15.4)
Southeast Health District VI	Classified	11 (8.8)	8 (6.7)	11 (9.4)	13 (12.5)	4 (4.5)	5 (5.8)	1 (1.2)	6 (7.7)
	Nonclassified	7 (21.5)	9 (30.0)	4 (16.0)	8 (33.3)	3 (12.5)	3 (12.8)	6 (26.1)	3 (12.2)
Southwest Health District III	Classified	9 (9.5)	13 (13.6)	17 (17.6)	6 (6.2)	3 (3.1)	6 (6.6)	6 (6.8)	7 (8.0)
	Nonclassified	9 (37.5)	7 (26.4)	5 (17.0)	10 (35.1)	11 (42.3)	27 (94.7)	9 (33.3)	2 (8.9)
Species Conservation, Office of	Nonclassified	2 (40.0)	0 (0.0)	0 (0.0)	2 (33.3)	1 (15.4)	0 (0.0)	3 (26.1)	0 (0.0)
Tax Appeals, State Board of	Classified	0 (0.0)	1 (50.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	1 (33.3)
	Nonclassified	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Tax Commission, State	Classified	26 (6.6)	39 (10.1)	34 (8.9)	18 (4.7)	15 (3.9)	20 (5.3)	15 (4.0)	29 (7.1)
	Nonclassified	10 (10.0)	26 (24.6)	24 (21.9)	19 (18.6)	5 (7.4)	12 (22.4)	7 (11.2)	6 (9.2)
Transportation, Department of	Classified	84 (4.8)	107 (6.2)	89 (5.2)	85 (5.0)	54 (3.1)	34 (2.0)	58 (3.4)	68 (4.0)
	Nonclassified	41 (18.5)	34 (16.8)	28 (15.2)	44 (22.7)	13 (7.4)	12 (7.5)	13 (9.3)	5 (4.7)
Treasurer, Office of the State	Nonclassified	1 (6.1)	5 (29.4)	0 (0.0)	0 (0.0)	0 (0.0)	1 (4.3)	2 (6.8)	1 (3.2)

(continued)		2005 # (%)	2006 # (%)	2007 # (%)	2008 # (%)	2009 # (%)	2010 # (%)	2011 # (%)	2012 # (%)
University of Idaho	Nonclassified	1,755 (68.3)	1,293 (49.8)	1,815 (69.2)	1,493 (56.7)	1,700 (65.4)	1,711 (59.5)	1,870 (60.9)	846 (27.5)
Veterans Services, Division of	Classified	44 (17.0)	50 (18.7)	56 (20.8)	49 (18.1)	33 (12.3)	26 (9.8)	29 (10.8)	21 (7.5)
	Nonclassified	100 (98.5)	106 (117.8)	102 (110.9)	61 (59.8)	40 (41.9)	38 (34.4)	30 (37.0)	29 (43.3)
Veterinary Medicine, Board of	Classified	0 (0.0)	–	0 (0.0)	0 (0.0)	2 (400.0)	–	0 (0.0)	0 (0.0)
	Nonclassified	0 (0.0)	0 (0.0)	1 (9.5)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)	0 (0.0)
Vocational Rehabilitation, Division of	Classified	14 (25.2)	14 (25.5)	12 (21.4)	8 (14.2)	8 (14.7)	2 (3.7)	3 (5.5)	11 (20.2)
	Nonclassified	12 (13.3)	13 (14.2)	13 (14)	13 (14.1)	8 (8.7)	7 (7.5)	7 (7.7)	12 (13.2)
Water Resources, Department of	Classified	7 (4.3)	21 (12.8)	23 (13.9)	27 (16.6)	7 (4.5)	3 (2.0)	7 (4.9)	3 (2.1)
	Nonclassified	9 (18.8)	12 (23.5)	24 (50.0)	11 (24.2)	3 (7.9)	1 (3.7)	1 (6.3)	1 (6.7)

Source: Office of Performance Evaluations' analysis of data from the Idaho Business Intelligence System, Office of the State Controller, September 18, 2012.

Note: A dash indicates that no data was available.

Responses to the Evaluation

C.L. "BUTCH" OTTER
GOVERNOR

January 24, 2013

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson St., 2nd Fl.
P.O. Box 83720
Boise, ID 83720-0055

Dear Rakesh,

Thank you for the opportunity to comment on the State Employee Compensation and Turnover report.

I want to express my sincere appreciation to the Legislature for acknowledging the importance of appropriate compensation for employees and for having the wisdom to study this topic. Capable, motivated employees are critical to the success of State government. It is important that we reward them for their dedication and performance.

During my first term, my plan was to increase employees' cash compensation and balance the employer's and employees' cost share of benefits. In a collaborative effort with the Legislature, we were successful in increasing employees' salaries for two years. Unfortunately, we were unable to continue providing cash compensation increases for employees during the Great Recession. And while I was grateful for the opportunity to once again advocate for salary increases in fiscal year 2013, I was unable to do so in my FY 2014 budget recommendation to the Legislature.

In compliance with a Governor's Executive Order, I now have asked Division of Human Resources Administrator Vicki Tokita to form and lead an advisory task force to discuss various human resources issues, including employee compensation.

I look forward to collaborating with the task force and the Legislature on this critical topic.

As Always – Idaho, "Esto Perpetua"

C.L. "Butch" Otter
Governor of Idaho

CLO/mw

STATE CAPITOL • BOISE, IDAHO 83720 • (208) 334-2100

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

C.L. "BUTCH" OTTER
Governor
VICKI TOKITA
Administrator

Idaho Personnel Commission
Mike Brassey, Chair
Pete Black
John Cowden
Mark J. Holubar

January 24, 2013

Rakesh Mohan, Director
Office of Performance Evaluations
954 W. Jefferson Street
Boise, ID 83720

Dear Director Mohan,

Thank you for the opportunity to respond to the Office of Performance Evaluation's (OPE) final report on state employee compensation and turnover. I would also like to extend my appreciation to Senator Hagedorn, Representative Ringo, and former legislators, Senator Broadsword and Representative Jacquet, and the Joint Legislative Oversight Committee for their interest in this very important topic. In addition, I would like to thank the employees, agency directors, and HR staff that provided input for this report. Finally, I would like to acknowledge Bryon Welch and your staff on their professionalism and all their work.

The Division of Human Resources (DHR) is committed to collaborating with the various shareholders involved in the policymaking decisions for employee compensation as our employees are key to Idaho's success.

Respectfully, DHR provides the following comments to the recommendations:

Recommendation 1: Update the Compensation Schedule

The Division of Human Resources should update the compensation schedule for classified state employees to better reflect current and relevant market comparisons. The update should specifically adjust the minimum and policy pay rates for each pay grade comparable to external labor markets.

DHR Comments:

The compensation structure needs to be adjusted to reflect current and relevant market comparisons. However, adjusting the minimum pay rate may create further salary compression. If funding is provided to move those employees' pay that is below the new adjusted rate, there should also be funding to address the salary compression that will result in the adjustment.

Recommendation 2: Evaluate the Number of Pay Grades

The Division of Human Resources should evaluate the number of pay grades in the compensation schedule for classified employees and consider consolidating pay grades that have few or no employees.

DHR Comments:

While there may be few or no employees in some pay grades, the following factors should be considered:

- All classified jobs are evaluated using the Hay job evaluation methodology which consists of three factors: know-how, problem solving, and accountability. Jobs are then compared to each other to establish internal equity. If this recommendation is implemented, the internal equity is disrupted between and among the many job classifications in state service.

- Another important aspect of using the Hay job evaluation methodology is to support the State's value of equal pay for equal work. Consolidating the pay grades based on number of employees would be contrary to this philosophy.

- Consideration should be given for the future and the ability to accommodate new jobs that are created, evaluated, and assigned to pay grades.

Recommendation 3: Evaluate Job Classifications

The Division of Human Resources should evaluate all job classifications to ensure job descriptions and their corresponding job evaluation points align with the current duties performed. The Hay job evaluation methodology should be used as prescribed in Idaho Code.

DHR Comments:

This analysis was completed in 2007 and DHR collaborated with agency HR staff and two Hay Group consultants. The cost for 1,045 job classifications was $132,500. The preliminary estimated cost to conduct a similar analysis is $275,000 for the current 1,012 job classifications.

Recommendation 4: Improve the Tracking and Reporting of Turnover Data

The Division of Human Resources should expand or revise data collection efforts for statewide turnover to ensure that agencies are collecting the type of data necessary to answer policymakers' questions about turnover. The division should work closely with human resources staff in agencies and policymakers to identify what and how turnover data should be collected.

Expanded data collections could include allowing for more than one separation code per exiting employee. Multiple separation codes should document where an employee took new employment and why an employee left state government. Exit interview data could also be collected through an automated statewide database, perhaps through the Office of the State Controller, for statewide reporting purposes.

304 N. 8th Street · P.O Box 83720 · Boise, ID 83720 · Phone Number: (208) 334-2263 · Fax: (208) 854-3088 · www.dhr.idaho.gov

DHR Comments:

DHR is meeting with agency HR staff to discuss the current interview questions and will collaborate with legislators on data that will be useful to them in their policymaking decisions. Also, we are exploring various systems to collect this information. Meanwhile, we have temporarily invested in a survey tool to collect exit interview information.

In FY 2009, DHR collaborated with Department of Labor in using their exit interview system. We asked agencies to refer separating employees to DHR and DHR would email the link to the exit interview. Unfortunately, we did not receive a very successful response rate:

- FY 2009 – there were 668 voluntary separations with a 8.2% exit survey response rate
- FY 2010 - there were 625 voluntary separations with a 5.8% exit survey response rate
- FY 2011 - there were 591 voluntary separations with a 6.9% exit survey response rate
- FY 2012 - there were 731 voluntary separations with a 2.3% exit survey response rate

This instrument was only used for half of the fiscal year because in January 2012 we went to the new survey questionnaire

In the spring of 2011, DHR asked some agency directors and legislators what information would be useful to them in addressing retention and compensation issues. This information was used to develop the current exit interview questions that were implemented in January 2012.

January - June 2012 - there were 745 voluntary separations with a 34% exit survey response.

One of the reasons for the low response rate may be employees are hesitant to share information with their agency for fear it may impact future State employment. This is one of the considerations we have in mind as we look for a system to collect turnover information.

Currently, the personnel/payroll system only allows one separation code to be used per exiting employee. If multiple separation codes are to be used (we don't know if this is possible with IPOPS), it would involve major programming by the State Controller's Office. The current programming charge is $75.00 per hour and would require a cost estimate from SCO for this request and its feasibility.

Thank you for the opportunity to respond to the Considerations for Policymakers portion of the report.

Consideration 1: Evaluate State Compensation Policies

Review the intent of state compensation policies to correct discrepancies that exist between what is currently stated in the policies and how those policies are implemented.

DHR Comments:

If the Legislature chooses to act on this consideration, DHR is happy to collaborate and offer our assistance to this effort.

304 N. 8th Street · P.O Box 83720 · Boise, ID 83720 · Phone Number: (208) 334-2263 · Fax: (208) 854-3088 · www.dhr.idaho.gov

Consideration 2: Bring Employee Pay Rates Closer to Current Policy Pay Rates

Consider increasing the pay rates of employees with the lowest comparative ratios when allocating additional personnel funding. Also consider legislative priorities when determining the appropriate proportion of employees who earn a wage below the policy pay rate. While not all employees should earn a wage equal to the policy pay rate, establishing a benchmark for the proportion of employees policymakers expect to earn a wage below the policy pay rate will help in forming compensation policies in the future. Job performance should continue to be a qualifying factor for any pay increase.

DHR Comments:

While DHR supports the additional funding of personnel costs and bringing employees' pay closer to policy, we also suggest that a balanced approach be considered. The sole focus of moving pay closer to policy does not address the other compensation challenges such as salary compression, salary inequities, and retention. On the contrary, it will only create more salary compression and inequity issues.

We suggest a comprehensive compensation plan be developed to address bringing pay closer to policy (based on performance) and other compensation issues.

Consideration 3: Evaluate the Relevance and Practicality of Setting the Compensation Schedule at 96 Percent of Policy

Determine whether the goal of having the compensation schedule set to 96 percent of policy is still desirable, and if so, provide a long-term plan for ongoing funding to ensure the compensation schedule remains updated. If the 96 percent goal is no longer relevant, establish a new goal and update the compensation schedule to reflect the new goal.

DHR Comments:

As noted in DHR's comments to Consideration 2, a comprehensive compensation plan could address many issues.

Consideration 4: Appoint a Task Force

To facilitate the implementation of our recommendations, the Governor or the Legislature may wish to appoint a task force to further study some of the issues outlined in the report. Such a task force could comprise members from the Legislature, the Office of the State Controller, the Division of Human Resources, the Division of Financial Management, legislative Budget and Policy Analysis, the Department of Labor, and human resources staff in different agencies. We also suggest that the task force have representation from subject matter experts in the private sector.

The task force could benefit from reviewing recommendations made by the Hay Group in a 2006 study and assessing the relevance of those recommendations today. In particular, the Hay Group recommended that policymakers review its findings in relation to legislative intent to determine

304 N. 8th Street · P.O Box 83720 · Boise, ID 83720 · Phone Number: (208) 334-2263 · Fax: (208) 854-3088 · www.dhr.idaho.gov

whether current practices are reflective of legislative intent and whether any statutory changes are needed, which would assist the Legislature in implementing recommendation 1.

DHR Comments:

We welcome a collaborative effort to discuss and address employee compensation.

Thank you again for the opportunity to comment on the final report. State employees are our greatest asset and it is critical that we retain them, acknowledge and compensate them for their efforts, and continue to recruit the best to serve Idaho citizens.

Sincerely,

Vicki Tokita

Vicki Tokita, Administrator
Division of Human Resources

304 N. 8th Street · P.O Box 83720 · Boise, ID 83720 · Phone Number: (208) 334-2263 · Fax: (208) 854-3088 · www.dhr.idaho.gov

STATE OF IDAHO
OFFICE OF THE STATE CONTROLLER
BRANDON D WOOLF

January 25, 2013

Mr. Rakesh Mohan
Director
Office of Performance Evaluations
954 W. Jefferson St.
Boise, ID 83720

Dear Mr. Mohan,

Thank you for the invitation to respond to the Office of Performance Evaluation's study on State Employee Compensation and Turnover. My office greatly appreciated the opportunity to assist your staff with the technical aspects of utilizing the state's data warehouse, the Idaho Business Intelligence System (IBIS), to provide data for your analysis.

Under the heading Recommendations for the Division of Human Resources includes Recommendation 4: Improve the Tracking and Reporting of Turnover Data. This recommendation specifically calls for utilizing multiple separation codes to document where a former employee took new employment and why he or she left state government, as well as the centralized collection of exit interview data. The State Controller's Office would be pleased to offer our assistance and expertise in developing these data collection tools for the Division of Human Resources in the most cost effective manner possible. Additionally, providing this type of programmatic support for the Division of Human Resources would dovetail neatly with the other payroll applications we have built and support, namely the Idaho Paperless Online Personnel System (IPOPS).

Under the heading Considerations for Policy Makers includes Consideration 4: Appoint a Task Force. This consideration recommends appointing a task force, which includes the State Controller's Office, and other members. Given my agency's custodial role over the state's employment data, and subject matter expertise, it makes a great deal of sense for the State Controller's Office to participate in a technical advisory capacity on such a task force. We are uniquely positioned to provide policy makers the data they require to make informed decisions.

Before closing I wish to reiterate an important point, one also echoed throughout your report. Key points of analysis in the study excluded non-classified employees, which make up approximately half of Idaho's workforce. As an administrator overseeing an agency comprised

P.O. Box 83720, Boise, Idaho 83720-0011
Telephone: (208) 334-3100, e-mail: scoinfo@sco.idaho.gov, Fax: (208) 334-2671
Located at 700 W. State Street, 5th Floor

entirely of non-classified personnel, I'm keenly aware of the retention and compensation challenges that apply equally to non-classified state employees as well.

Mr. Mohan, it was our pleasure to work with you and your staff once again, sharing our technical expertise to ensure your analysts had access to the data they required to complete this study. Thank you for your ever-present professionalism and commitment to improving state government operations through carefully planned and well executed studies, and thoughtful and practical recommendations.

Sincerely,

Brando D Woolf
Idaho State Controller

P.O. Box 83720, Boise, Idaho 83720-0011
Telephone: (208) 334-3100, e-mail: scoinfo@sco.idaho.gov, Fax: (208) 334-2671
Located at 700 W. State Street, 5th Floor

Office of Performance Evaluations Reports, 2010–Present

Publication numbers ending with "F" are follow-up reports of previous evaluations. Publication numbers ending with three letters are federal mandate reviews—the letters indicate the legislative committee that requested the report.

Pub. #	Report Title	Date Released
10-01	Operational Efficiencies in Idaho's Prison System	January 2010
10-02	Increasing Efficiencies in Idaho's Parole Process	February 2010
10-03F	Use of Average Daily Attendance in Public Education	March 2010
10-04	Governance of EMS Agencies in Idaho	November 2010
10-05F	Governance of Information Technology and Public Safety Communications	November 2010
11-01	Distribution and Sale of Liquor in Idaho	January 2011
11-02	Coordination and Delivery of Senior Services in Idaho	February 2011
11-03F	Increasing Efficiencies in Idaho's Parole Process	February 2011
11-04F	Idaho Transportation Department Performance Audit	March 2011
11-05	Delays in Medicaid Claims Processing	March 2011
11-06	Equity in Higher Education Funding	November 2011
11-07	Idaho's End-Stage Renal Disease Program	November 2011
11-08F	Distribution and Sale of Liquor in Idaho	November 2011
12-01	Reducing Barriers to Postsecondary Education	January 2012
12-02F	Delays in Medicaid Claims Processing	January 2012
12-03	Lottery Operations and Charitable Gaming	February 2012
12-04	Establishing an Efficiency Commission	February 2012
12-05F	Coordination and Delivery of Senior Services in Idaho	February 2012
12-06F	Operational Efficiencies in Idaho's Prison System	February 2012
12-07F	Idaho's End-Stage Renal Disease Program	March 2012
12-08F	Idaho Transportation Department Performance Audit	March 2012
12-09F	Delays in Medicaid Claims Processing	November 2012
12-10F	Increasing Efficiencies in Idaho's Parole Process	November 2012
13-01	Workforce Issues Affecting Public School Teachers	January 2013
13-02	Strengthening Contract Management in Idaho	January 2013
13-03	State Employee Compensation and Turnover	January 2013

Reports are available from the OPE website at www.legislature.idaho.gov/ope/
Office of Performance Evaluations PO Box 83720 Boise, ID 83720-0055
Phone: (208) 332-1470 Fax: (208) 332-1471