Follow-up report 15-07F
December 2015

State Employee Compensation and Turnover

Office of Performance Evaluations
Idaho Legislature

Promoting confidence and accountability in state government

Rakesh Mohan
Director

Senator Cliff Bayer (R) and Representative John Rusche (D) cochair the committee.

Office of Performance Evaluations

Created in 1994, the legislative Office of Performance Evaluations (OPE) 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 programs and policies. The OPE work is guided by professional evaluation and auditing standards.

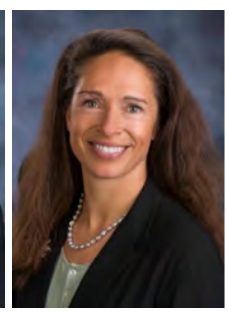
Joint Legislative Oversight Committee 2015–2016

The eight-member, bipartisan Joint Legislative Oversight Committee (JLOC) selects evaluation topics; OPE staff conduct the evaluations. Reports are released in a public meeting of the committee. The findings, conclusions, and recommendations in OPE reports are not intended to reflect the views of the Oversight Committee or its individual members.

Senators

Cliff Bayer

Steve Vick



Michelle Stennett

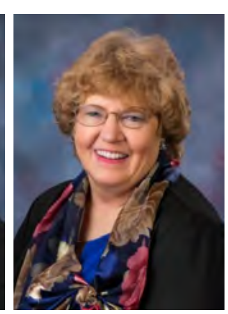
Cherie Buckner-Webb

Representatives

John Rusche

Maxine Bell

Gayle Batt



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Follow-up report

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Overview of evaluation

In 2012, amid concerns that agencies were losing valuable employees or experiencing challenges recruiting qualified applicants, four members of the Joint Finance-Appropriations Committee requested a study of employee compensation and turnover. In our initial report, released in January 2013, we examined the state's classified employee compensation system, including how well the state's implemented compensation policies aligned with legislative intent. We also looked at the challenges of implementing statewide compensation policies and sought to understand why employees left their jobs.

Our report highlighted several key findings:

- Legislative intent is to fund a competitive compensation package for state employees.

- 90 percent of classified employees were paid less than their policy pay rate. Of the 90 percent, approximately 45 percent were paid 20–32 percent less than their policy pay rate.

- According to the Division of Human Resources, policy pay rates used in the compensation schedule for classified employees were at least 4 percent below relevant external market comparisons.

- 25 percent of state employees surveyed indicated they were likely to leave their job within the next two years.[1] Poor pay was cited most frequently as a factor.

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1. We surveyed more than 17,000 state employees and received 11,000 responses.

Bryon Welch conducted the study.

Tony Grange conducted the quality control review.

Margaret Campbell copy edited and desktop published the report.

We offered four recommendations to the Division of Human Resources and four considerations for policymakers. This follow-up report assesses the implementation status of recommendations and summarizes actions policymakers have taken on employee compensation since the release of our evaluation.

Assessment of status

We assessed the status of recommendations within three categories:

Complete: Measurable steps have been taken to meet the intent, or an approach that diverged from the recommendation has been taken that meets the intent.

In process: Measurable steps have been taken that begins to meet the intent.

No change: No measureable steps have been taken to meet the intent.

Agency response

In our review of implementation efforts, we found the Division of Human Resources had addressed our recommendations.

Update the compensation schedule

Recommendation: 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.

Status: In process

Since the release of our report, the division did not recommend changes to the compensation schedule for fiscal years 2015, 2016, or 2017. However, the Legislature made changes to the compensation schedule in fiscal years 2015 and 2016. We provide more information on those changes on page 8.

Evaluate the number of pay grades

Recommendation: 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.

Status: In process

The division reported that it continues to examine the number of pay grades in the compensation schedule. The fiscal year 2016 compensation schedule has 19 pay grades, the same number that was in the compensation schedule during our initial evaluation.

As of October 27, 2015, the schedule had several pay grades, grades S, T, and U, without classified employees. These same pay grades did not have any classified employees in 2012. Consolidating pay grades would simplify the compensation schedule and be more representative of the state's classified employees.

Three pay grades still have no employees.

Evaluate job classifications

Recommendation: 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.

Status: In process

Information technology job classifications are under review.

During our initial evaluation, state employees and human resource staff in agencies told us that over time, many job classifications had taken on additional responsibilities. For example, during the economic recession, some agencies had to leave vacant positions open and reassign responsibilities to other staff. Job classifications are assigned to pay grades based on several factors, including job duties. We recommended the division continue to monitor any changes to job duties that would cause a job classification to be reassigned to a different pay grade.

The division has made some progress on this recommendation. The division contracted with the Hay Group to review state information technology job classifications. The division expects to receive recommendations from the Hay Group within the next several months about updating job classifications and pay grades.

Improve the tracking and reporting of turnover data

Recommendation: 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 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.

Status: Complete

In our initial report, we discussed changes that the division made to separation codes in the state's payroll system. The division had introduced new codes that agencies could assign to an employee's record. The new codes indicated where the exiting employee would be working, such as a county or city job or a private sector job. With its revision, however, the division discontinued several separation codes, such as compensation, dissatisfaction, and moving. We reported that the division's changes shifted the focus of the separation codes from *why* employees left to *where* employees found other jobs.

The new separation codes may not provide agencies with the most useful turnover information. In our survey of human resources staff at state agencies, an overwhelming 80 percent of respondents indicated that knowing why employees left was the most useful information.

The division has since implemented a statewide online exit interview in an effort to collect better turnover data. The survey includes questions such as (1) what the exiting employee liked best about working for the state, (2) what attracted them to work for the state, and (3) reasons *why* the employee ended their employment. The division worked with agency human resources staff to develop the survey and continues to refine the survey questions. In the past two years, the division's annual report to the Legislature has highlighted the results of the survey.

The division's new exit interview asks employees for reasons why they ended their state employment.

Both minimum and policy pay rates have been increased.

Legislative response

We presented four considerations for policymakers in our initial report:

Evaluate state compensation policies and reconcile any discrepancies between legislative intent to current practices.

Bring employee pay rates closer to current policy pay rates.

Evaluate the relevancy of keeping the compensation schedule set below market comparisons.

Appoint a task force to facilitate implementation of our recommendations and further study compensation issues.

Immediately after the release of the evaluation, the Joint Finance-Appropriations Committee added intent language to all agency appropriation bills for fiscal year 2014 that directed agencies to use salary savings for employee compensation in the absence of any statewide decisions to increase employee pay and target employees who were below their policy pay rate.

The Legislature made changes to the compensation schedule for fiscal years 2015–2016. For fiscal year 2015, the Legislature increased policy pay rates by 1 percent in each of the 19 pay grades. For fiscal year 2016, the Legislature increased the minimum pay rates of the pay grades in the compensation schedule.[2]

The minimum pay rates had been set at 68 percent of the policy pay rates. The Legislature changed the minimum pay rates to be set at 70 percent of the policy pay rates. It appropriated $138,600 from general, dedicated, and federal funds for state agencies to raise the minimum pay rates. Legislative budget analysts estimated that approximately 848 employees would have received an increase in pay.

2. The minimum pay rate in pay grade D was not increased; it is equal to the federal minimum wage.

CEC Committee

Our study served as a catalyst for the Legislature to reconvene the Change in Employee Compensation (CEC) Committee in 2014 and 2015. The committee, which recommends pay increases for state employees, had not met since 2008.

After our presentation to the CEC Committee, the committee chair requested we conduct another study on a related topic. In 2015 we released the report *Use of Salary Savings to Fund Employee Compensation* and were asked to present it to the Joint CEC Committee and the Joint Finance-Appropriations Committee.

In 2015, the same fiscal year the CEC Committee increased the minimum pay rates in the compensation structure, the Legislature appropriated a 2 percent increase for state employees (1 percent ongoing and 1 percent one-time). In fiscal year 2016, the Legislature appropriated a 3 percent salary increase to all state agencies for the upcoming fiscal year. The Legislature also appropriated money for increases in employee benefits, such as health insurance and retirement.

After a five-year hiatus, the Change in Employee Compensation Committee met in 2014 and 2015.

Current state of compensation

Since the release of our report, policy pay rates have continued to decline in relation to market comparisons. According to the Division of Human Resources' fiscal year 2014 report, the policy pay rates were, on average, 7 percent below external markets. In its fiscal year 2017 report, the division reported that, on average, the policy pay rates were 16 percent below regional public and private employers.

In 2012, 90 percent of classified employees were paid below their policy pay rate. Now, 86 percent of classified employees are paid below their policy pay rate.[3]

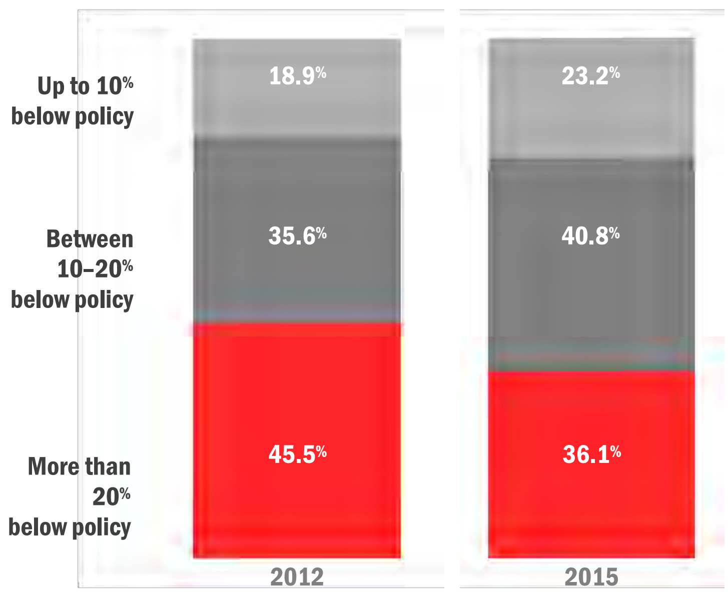
3. As of October 27, 2015.

Of the classified employees who were paid less than the policy pay rate in 2012, 45 percent were paid 20 percent or more below the policy pay rate. Now, 36 percent of employees earning less than the policy pay rate are paid 20 percent or more below the policy rate. Exhibit 1 shows that, proportionally, fewer employees are at the bottom of their pay grade now than in 2012, but a large majority of employees still earn less than their policy pay rate.

The average pay rate in relation to the policy pay rate also increased to 87 percent of policy compared with 85 percent in 2012.

Exhibit 1

Of employees earning less than the policy pay rate, a smaller percentage was near the bottom of the pay grade in 2015 than was in 2012.



Reports of the Office of Performance Evaluations, 2013–present

Publication numbers ending with "F" are follow-up reports from previous evaluations.

Pub. #	Report title	Date released
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
13-04	Policy Differences Between Charter and Traditional Schools	March 2013
13-05F	Coordination and Delivery of Senior Services in Idaho	March 2013
13-06	Guide to Comparing Business Tax Policies	June 2013
13-07F	Lottery Operations and Charitable Gaming	June 2013
13-08F	Governance of EMS Agencies in Idaho	June 2013
13-09F	Equity in Higher Education Funding	June 2013
13-10F	Reducing Barriers to Postsecondary Education	June 2013
13-11	Assessing the Need for Taxpayer Advocacy	December 2013
13-12	The Department of Health and Welfare's Management of Appropriated Funds	December 2013
14-01	Confinement of Juvenile Offenders	February 2014
14-02	Financial Costs of the Death Penalty	March 2014
14-03	Challenges and Approaches to Meeting Water Quality Standards	July 2014
14-04F	Strengthening Contract Management in Idaho	July 2014
15-01	Use of Salary Savings to Fund Employee Compensation	January 2015
15-02	The State's Use of Legal Services	February 2015
15-03	The K-12 Longitudinal Data System (ISEE)	February 2015
15-04	Idaho's Instructional Management System (Schoolnet) Offers Lessons for Future IT Projects	March 2015
15-05	Application of the Holiday Leave Policy	March 2015
15-06	Distribution of State General Fund Dollars to Public Health Districts	December 2015
15-07F	State Employee Compensation and Turnover	December 2015

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