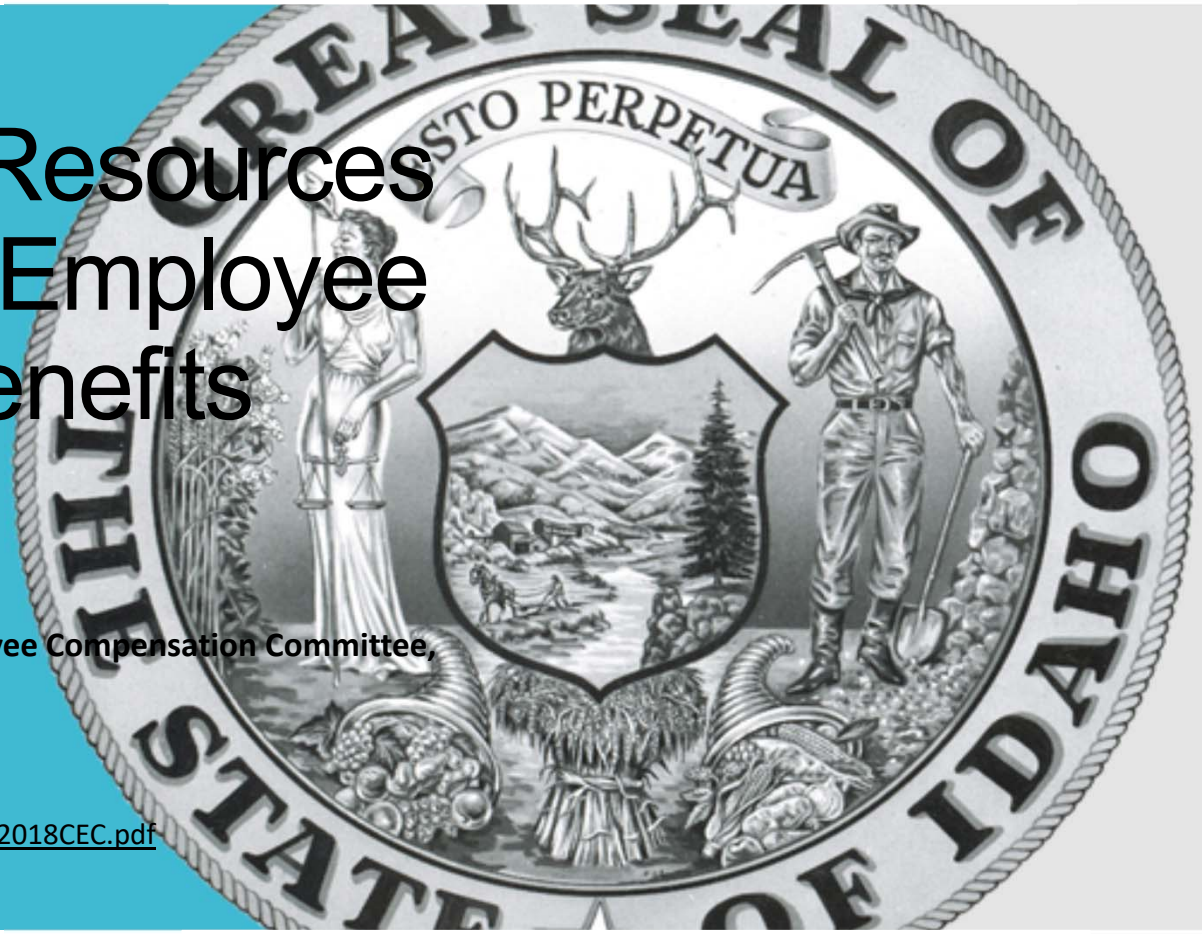
Division of Human Resources FY2018 Change in Employee Compensation & Benefits



Presentation to Idaho State Legislature, Change in Employee Compensation Committee, January 13, 2017

Susan E. Buxton, DHR Administrator

Malinda Riley, Prinicipal - KornFerryHayGroup

FY2018 CEC Report Available online at: dhr.idaho.gov/PDFs/CEC/FY2018CEC.pdf

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Review of CEC Discussion

- The Division of Human Resources (DHR) is required by Statute to provide workforce data and total compensation analysis to the Governor and the Legislature for their consideration on an annual basis.
  - DHR contracts with the Korn Ferry Hay Group (KFHG), a global HR consulting firm, to perform the State's total compensation study.
  - The State's total compensation package is below market average. The State's benefits enhance the overall value of total compensation; however, the value does not offset the less competitive base salary for State employees
- DHR's recommendations ensure compliance with relevant Statute and support efforts to attract and retain a talented State workforce

State Employee Compensation Philosophy

State Employee Compensation Philosophy: Idaho Code 67-5309A.

(1)It is hereby declared to be the intent of the legislature of the State 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.**

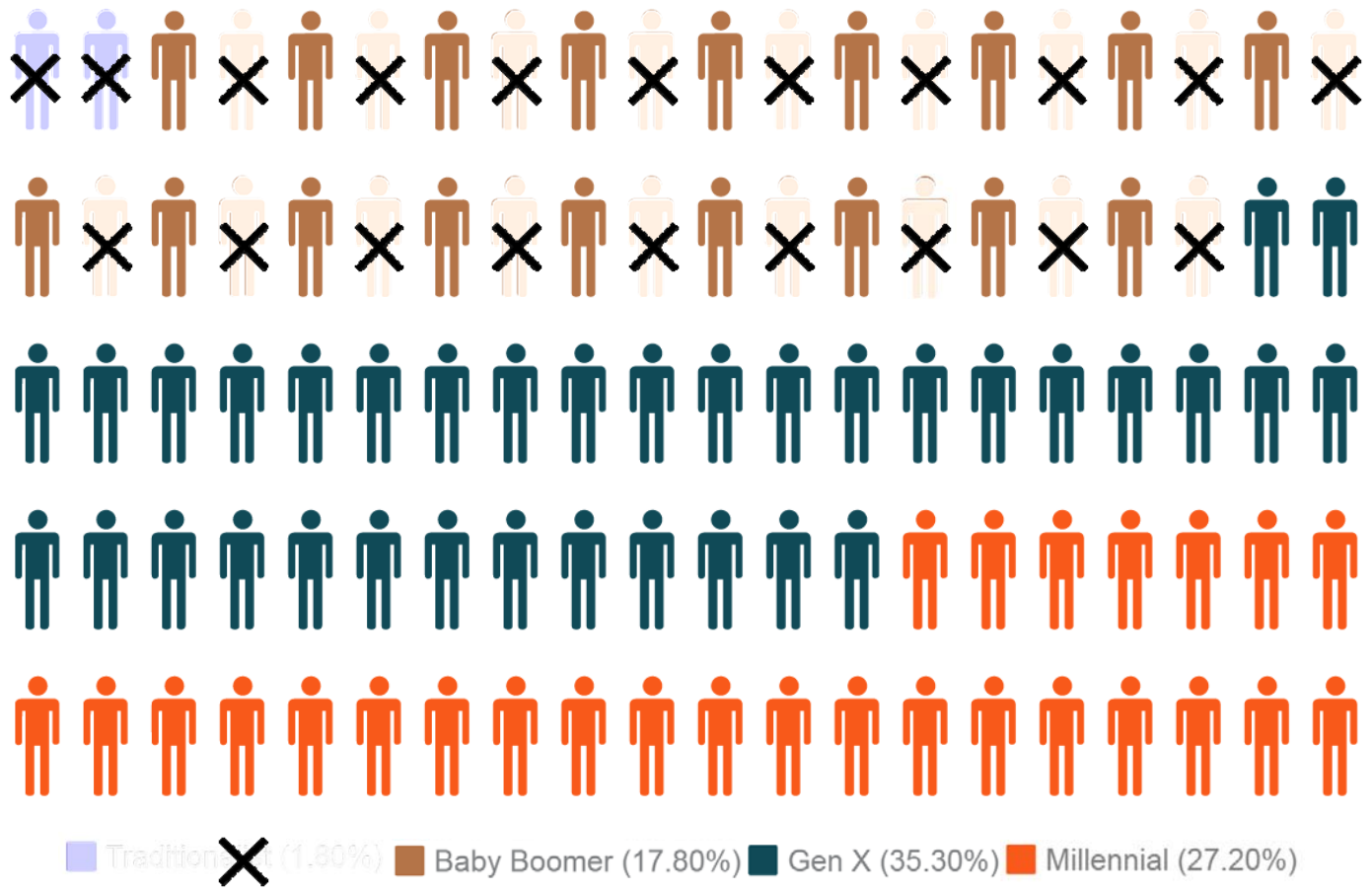
CEC Report Page 6

Total Compensation Market Analysis

- DHR contracts with the Korn Ferry Hay Group (KFHG), a global HR consulting firm, to perform the State's total compensation study.
- The State's total compensation package is below market average when compared to both the private sector (general market) and public sector markets.
- The strength of the benefits program does not offset the salary. The total compensation system, salary and benefits, shall be competitive with relevant labor market averages. Idaho Code 67-5309A (2)(a) - Compensation Philosophy.

CEC Report Page 10

FY 2016 State Workforce and Retirement Rates



A total of 631 employees retired in FY 2016 (2.4% of the workforce)

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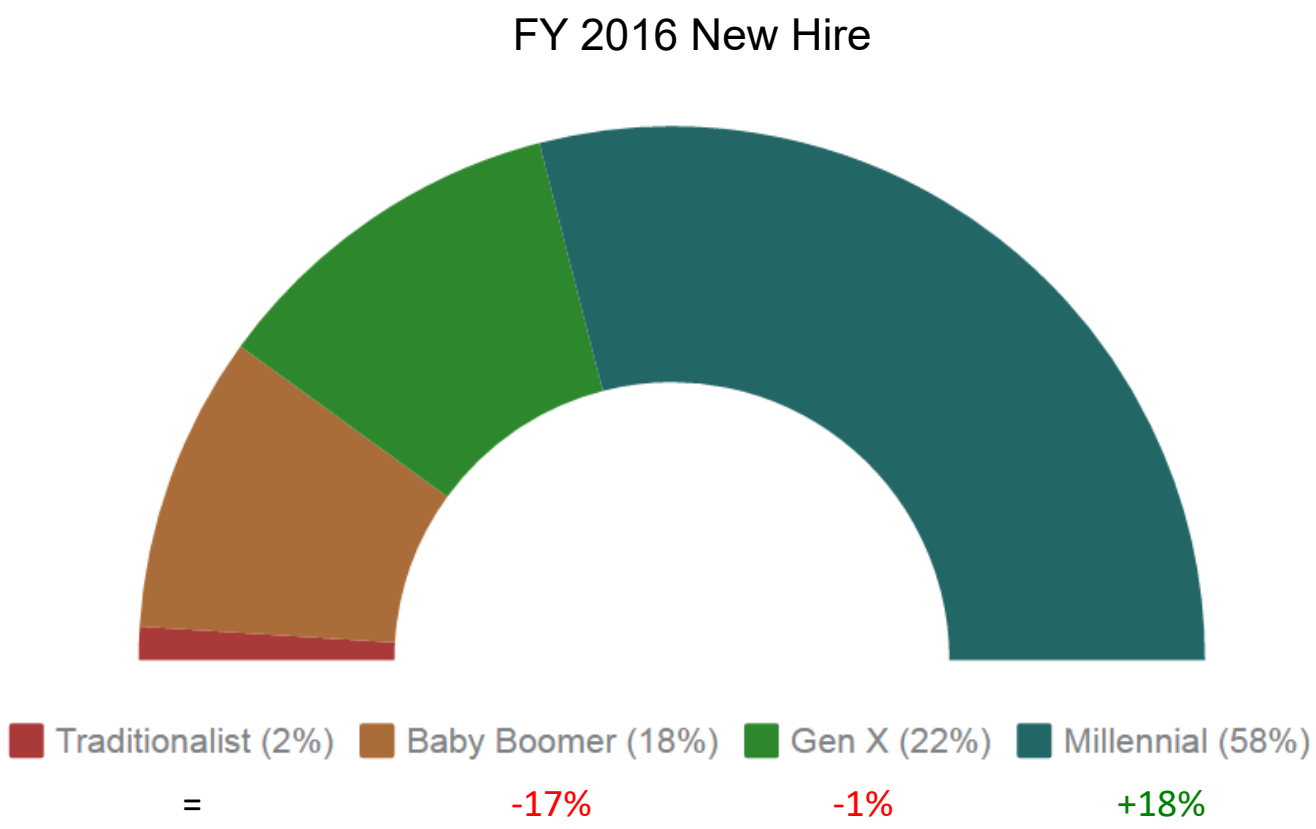
FY 2016 Total Classified Turnover

The FY 2016 classified turnover rate for the State of Idaho was 14.2%, compared to the national turnover rate of 16%.

FY 2016 Voluntary Turnovers and New Hires by Generation



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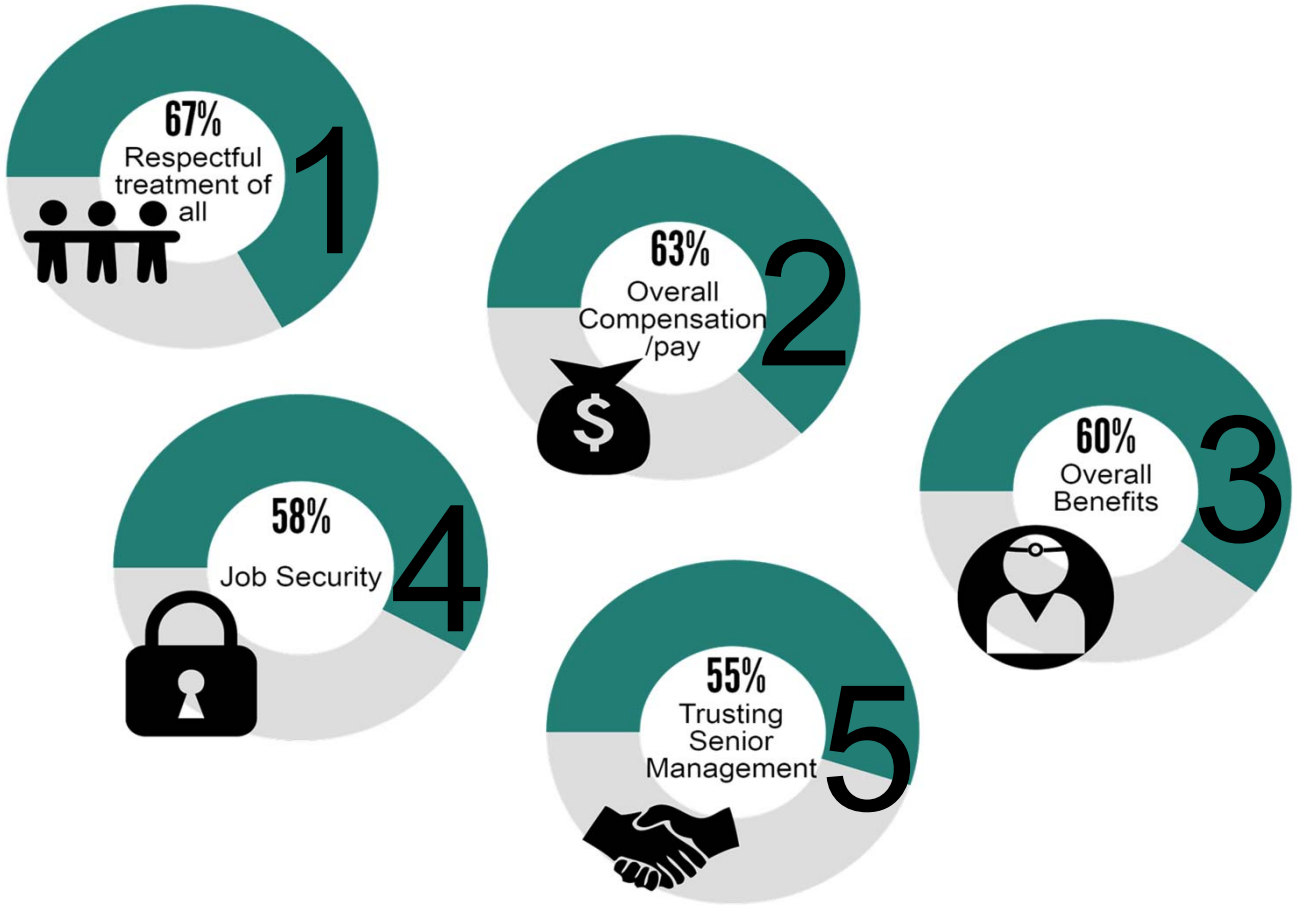
CEC Report Page 11

Top Five Contributors to Employee Job Satisfaction



*Source: 2016 Employee Job Satisfaction and Engagement Report from the Society for Human Resource Management (SHRM)

CEC Report Page 14

Salary Structure Adjustment of 3%

- External Market Impact – Getting the salary structure aligned with the market is the first, important step in ensuring employees are paid competitively relative to the market and following the directive in Idaho Code 67-5309(A). The structures serves as the foundation for managing pay.
- Current Salary Structure DHR recommends entire structure to be increased 3%.
- State's salary structure at the policy rate is 16% behind the average market rate. Adjustments for salary structures and ranges are usually reviewed annually and are based on changes in market rates of pay.
- Fiscal impact to employees at the minimum of the range

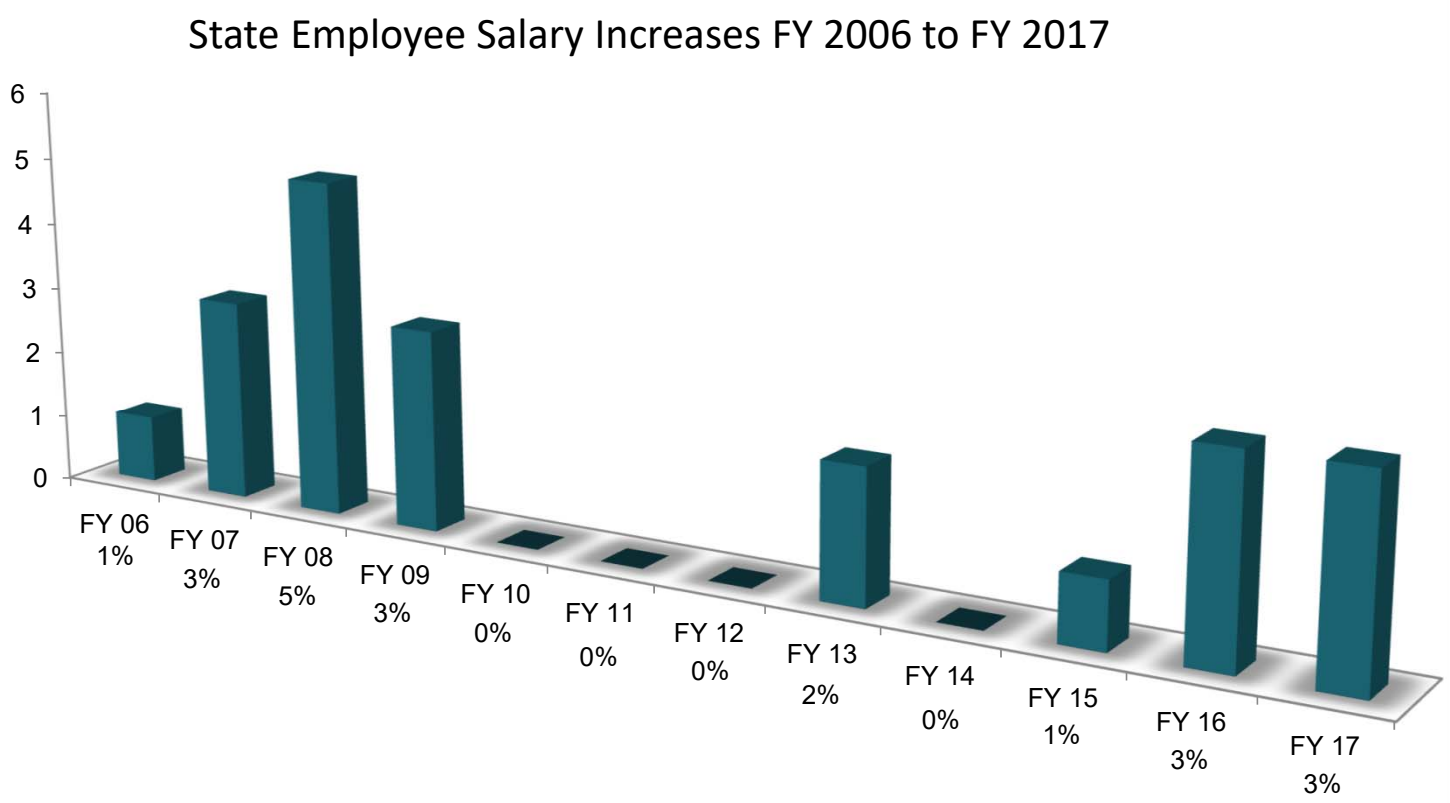
CEC Report Page 14 and
CEC Appendix I (pg.77)

Maintain Specific Occupational Inequity/ Payline Exceptions

- Payline exception requests are submitted by the agency director to the DHR Administrator for review. DFM must verify and approve agency budgets will support the increase.
- Agencies must justify the request by detailing examples of recruitment and retention issues related to pay. Payline exceptions are for the entire classification, not individual employees.
- *"A payline exception occurs when a higher pay grade is assigned to a job class, generally due to recruitment or retention issues. Payline exceptions are approved by the Administrator of the Division of Human Resources in accordance with §67-5309D (5), Idaho Code, which states that "When necessary to obtain or retain qualified personnel in a particular classification, upon petition of the department to the administrator containing acceptable reasons therefore, a higher temporary pay grade may be authorized by the administrator which, if granted, shall be reviewed annually to determine the need for continuance."*

CEC Report Page 14
and Appendix B

Merit Increase Adjustment of 3%



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Maintain Current Employee Benefit Package

- The State's employee benefit package continues to be a key component of the State's total compensation package for employees.
- DHR and Governor Otter recommend the State continue to maintain the current employee benefit package.

CEC Report Page 14

DHR Recommendations

FOUR COMPONENTS OF THE RECOMMENDATION:

1. Salary structure adjustment
   - 3% increase to entire pay structure to move toward target policy rate (Appendix E; pg. 21)
2. Specific occupational inequity/payline exception component
   - Maintain the current payline exceptions (Appendix I; pg.77)
3. Merit increase component
   - 3% salary increase budget
4. Employee benefit package
   - Maintain current benefit package

Requested Information

- Percent of salary behind market history
- Number of Classified vs. Nonclassified history
- Statute 67-5305. Application to State Employees

Thank You

For additional information or
if you have any questions:

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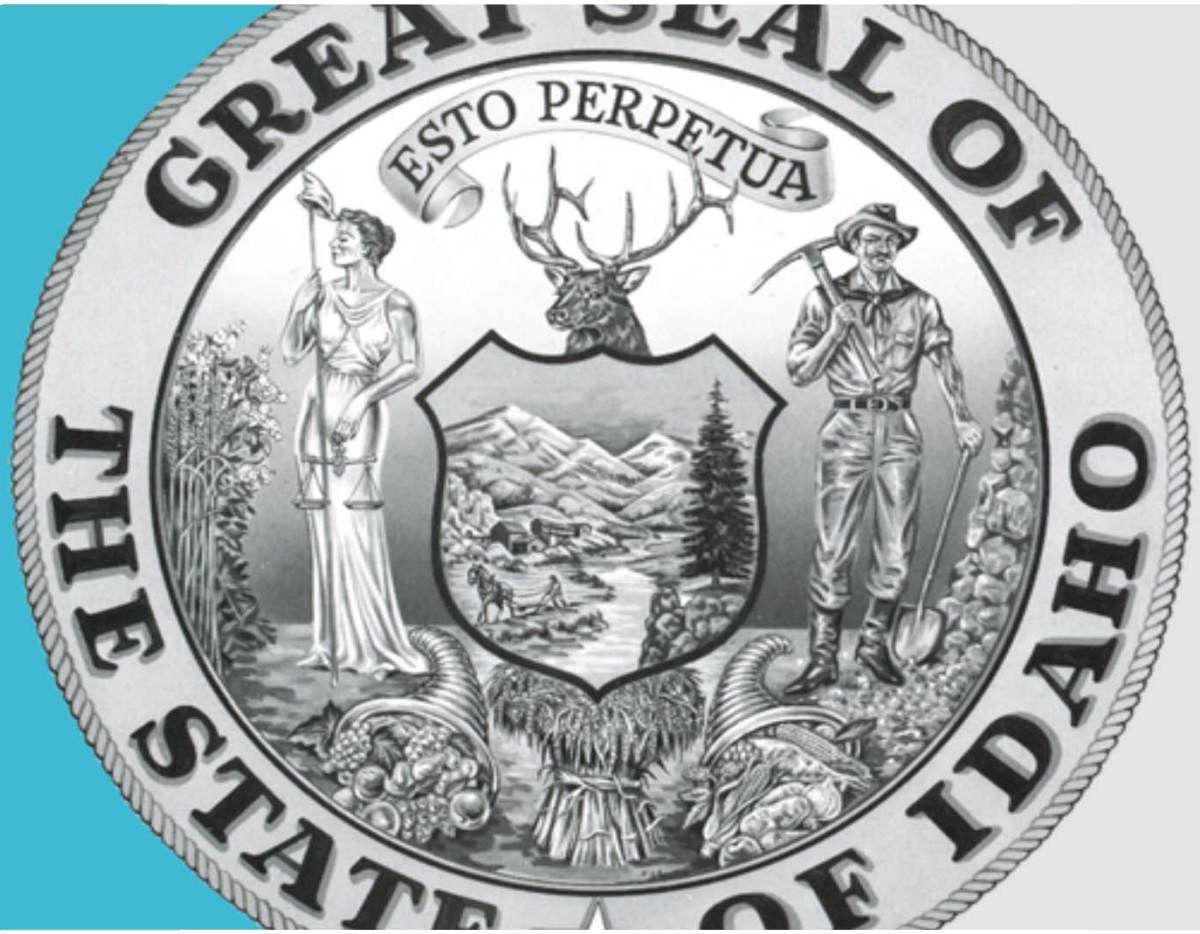

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