

Interim Legislative Committee on Change in Employee Compensation
Monday, January 15, 2018
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Chairman Patrick, Representative Anderson, thank you for the opportunity to be here today to talk about the importance of benefits and compensation to the employees of the Idaho Department of Labor.

Idaho's economy is doing very well, but our labor market is tight:

- Idaho's job growth is fifth in the nation with a 2.3 percent year-over-year increase compared to 1.4 percent for the nation.
 - Almost all Idaho industries show job growth, with education, health services, construction and information services leading the way.
 - According to department analysts, Idaho job growth is expected to continue over the next two years, but at a more moderate annual rate of 1.3 percent.
- Unemployment is 2.9 percent (December's rate will be released January 19); the sixth lowest unemployment rate in the nation compared to a national average of 4.1 percent.
- Thinking about unemployment another way, is it any wonder Idaho has a labor shortage when 97 percent of our available labor market is currently employed?
- Our current unemployment rate of 2.9 percent indicates the availability of workers to fill jobs in Idaho are extremely scarce and employers will be competing on wages and compensation to attract workers who already have a job with a direct competitor, or someone in another industry with transferable skills.
- These same low rates have had the effect of increasing the average market wage by about 3 percent year-over-year.

During my first few weeks on the job I've toured our local offices and met as many of the department employees as I can. What's clear to me:

- Labor employees are passionate about their work.
- These same employees are smart and savvy when it comes to salaries because that's what they do: help job seekers identify market wages for the jobs they seek.
- They understand market conditions, financial constraints, revenue shortfalls and increased competition.
- They realize state government isn't set up to pay top-of-market salaries which is why it's very important we do all we can to make sure all state employees feel *fairly* compensated compared to the work they perform.
- Once pay is reasonable and fair, other things become more important: recognition, respect, challenging work, opportunities for development and the feeling that their job is more than just a job.
- That's why our efforts to level the playing field and raise wages to market rates are so important.

Today I've been asked to speak on the impact of previous wage increases:

- Anecdotally we know the pay increases of the past several years have been appreciated, however quantitatively:
 - Two employees led an effort to assess current levels of employee engagement and work satisfaction.
 - The goal was to ensure we know what we need to retain our own workforce.

- Worked with BSU Idaho Policy Institute on an employee engagement survey.
- Survey was conducted between May 23 – June 13 of 2017.
- Survey was confidential and anonymous.
- Response rate = 43%.
- Survey questions focused on incentives, job satisfaction, work support, work group, supervision, organization stability and recognition.

Results show Idaho Department of Labor employees across regions, departments and years of service are motivated by:

1. Pay;
2. Flexible schedules;
3. Advancement opportunities;
4. Professional development opportunities;
5. The ability to telecommute; and
6. Team building.

Where we are strong:

- Employee retention. Average department turnover rate is 13%, two full percentage points below the state average of 15%;
- Voluntary separation rates are 7% for Labor compared to 9.5% for the state.
- Retirements account for the majority of our separations over the last five years;
- Employee job satisfaction is very high regardless of years of service, division or region of the state; and
- More than 60% of employees agree: “If given a choice, I would remain with this organization even if a job with similar pay and benefits were available elsewhere.”

Where we need to improve:

- Nearly 50% of these same employees are dissatisfied with their work-to-compensation ratio; and
- 32% do not feel they have “the right number of people in our workgroup to get the job done.”

While higher pay is great the effects are fleeting. Respect, recognition and a sense of real purpose last forever.

- One of my primary goals as director is to address this issue and make sure as an agency, we are doing all we can to show our employees respect, recognition and a sense of purpose by:

1. Develop a Contingency Plan

- 95% of our budget comes from federal funds.
- Department federal funding is counter-cyclical.
- Bad economic times means the department’s federal funds are increased to pay benefits and help people find work.
- A good economy – like we have now – means our federal funding declines.
- That’s why I’ve asked several members of our leadership team to develop a contingency plan for reduced operations.
- This group is:
 - Reviewing workload;
 - Identifying essential functions of the agency;
 - Helping cost center managers decide which functions are essential; and
 - Which functions align with our mission and agency priorities.

2. Increase Training Opportunities

Training is a priority for our employees according to the engagement survey. They want:

- Increased supervisory training;
- A more robust training program / onboarding process for new employees;
- Respectful Workplace Training;
- Preventing Sexual Harassment in the Workplace;
- And more...

3. Improve Morale by Improving our Surroundings

- a. Lightening up our offices;
- b. Creating an air of positive energy; and
- c. Use historical Idaho images to remind ourselves of our mission as Idaho's state workforce agency.

4. Implement a Health and Wellness Initiative

- Health and Wellness has a huge impact on morale.
- It's critical for helping employees cope with stress on the job.
- That's why Executive Leadership is developing a health and wellness initiative which includes personal health and wellness coaching.
- Tips for healthy eating and snacks.
- Cost Center Managers are working with staff to brainstorm ideas for improving health and wellness in their area.

Thank you!