FY 2008 State Employee Pay Plan

Conference Committee Agreement Authorize appropriations totaling $86.5 million, including $44.3 million from the State General Fund to finance the FY 2008 state employee plan. 2.0 percent base increase for classified employees. Unclassified employees' appointing authority will receive a salary pool equivalent to the base increase. Increase would apply to temporary employees, justices and judges, legislators, and state-wide elected officials. The increase is effective at the beginning of FY 2008. 5.0 percent targeted base increase for classified employees that are more than 25 percent below market, based on the recent Hay Compensation Study. The increase will move targeted classified employees up one pay grade, while remaining on the same pay step. The increase would apply to 1,533 classified employees. Job classes include: microbiologists, environmental technologists, legal assistants, graphic designers, rehabilitation support workers, storekeepers, grounds maintenance supervisors, power plant operators, plumbers, electricians, lock systems specialists, automotive driver, computer operator, network control technicians, food service workers and supervisors, cooks, custodial workers and supervisors, and utility workers. The targeted increase is effective at the beginning of FY 2008. One-time bonus payment of $860 for all classified employees.

Unclassified employees' appointing authority will receive a salary pool equivalent to the bonus payment. The bonus payment will be made on December 14, 2007. The bonus payment will be included in the employees' retirement calculations. Increase longevity bonus payment $10 a year from $40 a year to $50 a year of service. The minimum years of service remains at ten years, with a maximum of 25 years of service. The payment for the minimum years of service will increase from $400 to $500 and the maximum years of service from $1,000 to $1,250. The requirement that classified employees maintain a satisfactory or better performance evaluation to receive the longevity bonus remains in place. Creation of a State Employee Pay Philosophy Task Force. Create an 11-membertask force that will establish a pay philosophy for the State of Kansas. The pay philosophy will provide the philosophical framework for the development of a new state employee pay plan. The Task Force will be staffed by legislative staff agencies.

The Speaker will appoint the Chairperson of the Task Force and the President will appoint the Vice-Chairperson. The Task Force is required to have its work finalized by June 15, 2007. The 11-member Task Force will be composed of the following members: Three members from the Senate (two members appointed by the Senate President and one member appointed by the Senate Minority Leader); " Three members from the House (two members appointed by the Speaker and one member appointed by the House Minority Leader); " Three members appointed by the Governor.

Appropriations Committee
Date January 25, 2011
Attachment 3

Market Adjustments

Recommendations for market adjustments for jobs within any Group will be part of each year's activities. Market alignment among classes varies substantially at this time and it may take several years of providing adjustments to bring some occupations to market while others may be achieved over a much shorter time period. Employees in some classes which are in Group 2 or 3 will receive market adjustments prior to the first year of their 3-year study cycle. The intent is to bring each class up to market, or as close to market as possible, by the time the class moves to full implementation on the new plan. Once the plan is fully implemented, annual market studies will be conducted on 1/3 of the State's workforce to identify any need for adjustment in order to maintain market alignment.

First Year Activities

The first year of each Group's 3-year cycle will involve a great deal of preparation. The most important component of this year will be a comprehensive review of each classification assigned to the Group which will involve the review of every position description of each class assigned to the Group. Based on the review, reallocations will be made to the proper classification and modifications will be made to recommended to classifications, when necessary. This step is necessary to insure that employees are properly classified as implementation of the new pay plans proceeds, which is crucial to the development of accurate compensation recommendations.

Employees will continue to be compensated under the State's current system during the first year of the 3-year cycle for their Group.

Second Year Activities

The second year of each Group's 3-year cycle will involve a "dry run" of the new system. Employees will be evaluated using the new Performance Management system and agencies will provide the Division of Personnel Services (DPS) with a report detailing the performance evaluation experience, so that any issues or problems can be addressed before being fully implemented. In addition, agencies will also report to DPS how the agency would have allocated their annual classified employee salary budget if the new pay plans were in place, the results of such actions, and any proposed changes to the system they believe are needed. Once again, employees will continue to be paid under the current employee compensation system.

Third Year Activities

The third year of each Group's 3-year cycle will involve full implementation of the new pay plans for the classifications assigned to that Group. Employees will be evaluated using the new Performance Management system and compensation will be provided on the basis of the new pay plans. Agencies will work with DPS to identify areas requiring further modification and actions.

Appropriations Committee
Date January 25, 2011
Attachment 3-2

Beyond the Third Year

After a Group is implemented on the new pay plans, annual market studies will be conducted to identify any need for adjustments to ensure continued market alignment.

The new employee compensation system and Performance Management system will continue to be reviewed and evaluated to identify any needs for change.

The process of providing market adjustments is based on the data provided by salary surveys, and the implementation must therefore reflect the methodology of the salary survey that is being used. In our case, the Hay Group's salary survey was based on the actual average wages of employees and was intended to show how the State of Kansas compared with those of other employers.

By using the average pay as the primary comparison, the data captures the pay of all employees at every level of length of service and performance. This allows for the wide range of different salary levels that occur within the relevant labor market for each job class. For example, using the average means that the salaries of brand new employees are captured as are the salaries of an employer's most seasoned or productive employee. By comparing this data to the average from the State of Kansas, which also includes all employees, the comparison can be made on an "apples to apples" basis.

Since this is a five year implementation, salaries will not be fully aligned until year three for each implementation group. In the interim, since the State is so far behind market in many positions, market adjustments are being proposed for those classes determined to be most in need. This adjustment reduces the current inequity in wages between state employees and non-state employees but it will not bring the employees' wage rates up to the market. The practice of moving entire classes preserves what little distribution we currently have within the system while providing an equal adjustment to employees performing the same or similar work. As the result of this adjustment, all employees in that class, regardless of their current position within the pay grade to which that class is assigned, will receive an increase as part of a market adjustment. This is the same methodology used for the increases provided last year.

It is important to remember that this is only the first phase of aligning to market. As additional salary surveys are completed, and more specific job data is obtained, increases will become more strategic. At this point, it is simply not feasible to provide market adjustments on an individual basis. Not only could this potentially amount to 22,000 separate pay adjustments, but it would also result in even more wage compression as employees would all be grouped around the identified market average. Pay grades and ranges provide for rates on either side of the market rate because it is expected, and in fact desirable, that there will be a natural distribution throughout the range.

Appropriations Committee
Date January 25, 2011
Attachment 3-3

While the term "market rate" is commonly used to refer to the average rate paid, it also includes those wage rates above and below the average which are competitive for both new, less than fully-proficient employees as well as those outstanding, long-term, highly valued employees. If all employees were paid a single wage rate, lower functioning new employees and highly performing long-term employees would receive the same wage rate which would not reflect the value that they bring to the organization and may in fact create high employee turnover among higher performing employees.

FY2009 Market Adjustments

Effective with the beginning of the first payroll period chargeable to FY2009 (starting June 15, 2008) market adjustments were provided to approximately 7,800 employees in181 classifications. Employees in these classifications received at least a 5% increase inaddition to the 2.5% general increase received by all classified employees. Market adjustments were accomplished through a combination of pay grade adjustments, in grade increases and class consolidation. The details of the FY2009 market adjustments can be seen at the following link: http://www.da.ks.gov/newpayplans/marketadj09.pdf

The same methodology utilized by the Legislature in providing market adjustments in FY2008 was used to determine which classifications would receive market adjustments in FY2009, so market position as identified in the Hay Group's salary survey was the primary basis. The results of the Hay Group's survey can be seen at the following link: http://www.da.ks.gov/newpayplans/haysurveyresults.pdf

In general, market adjustments were provided to classifications identified as being at least 10% or more behind market, although there were some exceptions due to issues of internal equity within occupational groups or between related occupational groups.

Internal equity issues must be considered along with market position as the process of implementation moves forward. Fortunately, the Legislature's commitment to a five-year funding plan means that the process can be implemented strategically, rather than reacting piecemeal and creating more problems than they solve. Although this will require some employees to be more patient than others, the State of Kansas did not get into the situation it now faces with respect to employee compensation overnight, so employees must understand that the situation cannot be fixed overnight.

The 2008 Legislature included a provision that provides for five years of funding for market adjustments starting in the bill that authorizes the adoption of the new pay plans and performance management process. This multi-year funding commitment is the first of its kind for State employee compensation and we believe it demonstrates the strong commitment of the Legislature to this project. There is a clear understanding that this new plan will not work without, as the Hay Group put it, "a healthy dose of funding" and we are confident that the Administration and the Legislature will work together to continue to make funding of this initiative a priority.