State of South Carolina

Classification and Compensation System Study
Project Report

January 4, 2016

Contents

- Why was the project undertaken?

- What are the project objectives?

- How was the project undertaken?

- Executive Summary

- What are the key findings?

  - Interviews

  - Component Analysis

- What are the recommendations?

- What is the game plan to make them happen?

- Appendices

Why was the project undertaken?

- In the 2015-2016 General Appropriations Act, Proviso 93.33 authorized the Division of State Human Resources (DSHR) to seek a qualified contractor to conduct a review of the State's classification and compensation plan.

- RFP # 5400010001 defined the specific components of the plan to be reviewed, which are set out in the project objectives.

- In accordance with the RFP, this report sets out the analysis that has been conducted, the recommendations and a game plan for action to be taken on the recommendations, for presentation to the Classification and Compensation System Study Committee as established in the proviso.

- The report has been prepared with section headings that pose questions that it is expected the members of that Committee are likely to have and the content of the sections set out analysis in response to those questions.

KENNING CONSULTING

What are the project objectives?

The primary objective of this project was to evaluate the following 10 specific areas of the Classified Employee classification and compensation system:

- Methods used to develop and determine position classifications

- Methods used to set pay grade minimum, midpoint and maximum

- Appropriate market comparisons, including the private and public sector

- Methods to minimize salary disparities within an agency and within the State

- Methods of developing and sustaining a consistent long-term salary increase administration policy for state government

- Recruitment and retention tools, including the impact of the TERI program

- A process to address longevity pay deficits that currently exist

- A compensation philosophy statement

- An analysis of merit-based compensation for employees

- An analysis of unnecessary, underutilized and duplicative positions in order to use that pay to increase salaries for existing employees

KENNING CONSULTING

How was the project undertaken?

The following steps have been undertaken since the project commenced in October 2015:

- Meeting with leadership of DSHR for definition and clarification of what was the intent of what was to be studied in the 10 areas stated in the proviso

- Meeting with DSHR leadership for identification of data needed and for gaining understanding of the current Classified Employee classification and compensation plan

- Interviews with a cross section of Agency leadership for purposes of gaining an understanding of "what's working; what's not" in the design, implementation and administration of the Classified Employee compensation plan

- Interviews with staff from the Senate Finance Committee and House Ways and Means Committee to gain their understanding of the intent of the provisos and their expectations of the outcomes

- Interview with staff from the Governor's Office to gain their understanding of the intent of the provisos and their expectations of the outcomes

- Extensive analysis of the data gathered in the 10 areas identified

- Preparation of a preliminary report setting out the results of the analysis

KENNING CONSULTING

How was the project undertaken?

- Meeting with leadership of DSHR to discuss the preliminary report
- Completion of analysis
- Preparation of this project report

Executive Summary

- This report and its appendices provide a detailed analysis of the 10 components, recommendations and a game plan for action to be taken to enhance the classified employee classification and compensation plan.

- The analysis shows that the current plan is experiencing some "signs of age," having been in place for 20 years. Redesign is required and recommended.

- The current plan is administered primarily on a decentralized basis for the majority of employees, with agencies having significant authority for classification and compensation decisions made for employees in Pay Bands 1-6, which is 87.4% of all classified employees.

- This decentralized decision making, coupled with broad banded classifications and very wide salary bands, are contributing factors to the internal equity and salary disparity issues that the analysis shows.

- The overall compa-ratio (actual pay as a percentage of the pay band midpoint) is 91%. That means, on average, the State pays its employees 91% of its midpoints. There are very few occupational categories or job families where employees are paid, on average, at the pay band midpoint.

KENNING CONSULTING

Executive Summary

- The overall compa-ratio of 91%, when viewed in conjunction with a comparison with the market, shows current salaries lagging other States by an average of 15%, lagging the in-State public sector market by 16% and lagging the in-State private sector market by 18%, means that the State's pay band midpoints and actual pay is **uncompetitive.** This creates challenges both in recruitment and retention of qualified employees.

- Unlike in some other States where the overall competitiveness of the benefits package offsets the level of competitiveness of salaries, this is not the case for the State. While annual leave and holidays are above market, the 8.16% employee contribution to the retirement plan is the highest in the Southeastern States and significantly higher than employee contributions to defined benefit plans in the private sector.

- The employee cost sharing of 21.3% for healthcare is above the 7-15% in other State Governments and in line with the 15-29% in the private sector.

- The analysis shows that the level of competitiveness of benefits should not be a distraction from dealing with the main focus of the recommendations, that being a redesign of the classification and compensation plan and a move towards funding of salaries to a more competitive level.

KENNING CONSULTING

Executive Summary

- It is the recommendation of Kenning Consulting that the redesign of components of the current classification and compensation plan occur before there is a significant expenditure in increases in employee compensation. Otherwise, you run the risk of putting "new wine into an old wine skin" and this may exacerbate some of the issues with the current plan highlighted in the analysis in this report. However**, requests for targeted funding to meet critical equity, salary disparity and market competitiveness issues should still be considered. For example, classifications that show high turnover, low compa-ratio and lag the market. General increases should be made to start the process of addressing the overall level of lack of competitiveness.**

- Fourteen recommendations are set out in this report and are followed by a game plan for making the recommendations happen. They will require additional investment in resources for DSHR to gain full value.

- One priority recommendation is the development of a statement of compensation philosophy. This will set the framework with which other recommended actions should be taken and the development and adoption of such a statement should be treated as a priority.

KENNING CONSULTING

Executive Summary

- In addition, this will enable the issue of the appropriate definition of the market and establishment of a targeted market policy position.

- Kenning Consulting places on record our recognition of the support and cooperation that we have received from DSHR leadership and Human Capital Management staff. Such support has enabled Kenning Consulting to conduct this project and meet the timetable for the submission of this report in accordance with the proviso.

KENNING CONSULTING

What are the key findings based on interviews?

Interviews were held with the Agency leadership and HR leadership from a cross section (by size) of agencies. The agencies interviewed were: State Law Enforcement, Housing Authority, Labor Licensing and Regulation, PEBA, Corrections, Mental Health, Health and Human Services and Vocational Rehabilitation. The focus of the interviews was to gain an understanding of "what's working, what's not and what are the areas for improvement" in the classification and compensation plan.

The interview guide focused on the following:

▪ Classification and broad banding

▪ Internal equity and compression

▪ Definition of market

▪ Competitiveness of the pay structure

▪ Ability to attract and retain

▪ Ability to reward

▪ Pay delivery mechanisms and movement of pay mechanisms

Each interview was concluded with the question: "if you were in charge of the classification and compensation plan, what changes would you make to enhance it's effectiveness?"

KENNING CONSULTING

What are the key findings based on interviews? (cont'd)

A summary of the key feedback from the interviews is as follows. This summary has been prepared on a general theme basis, as compared to a "by agency" basis. In addition, it is important to note that these findings may or may not have been supported by the data analysis that was conducted.

- The broad banded approach to classifications was viewed both from a positive and negative perspective. The positive is that it allows flexibility of classification and makes classification work easier.

- However, this is outweighed by having broad banded classifications that are too generic and has led to jobs which are different in job content, have differences in qualifications and have a different value in the market, being placed in the same classification. This is seen as particularly the case in statewide classifications. An example of this is a Paralegal role being classified in the Administrative Coordinator classification, as there is no Paralegal classification. Another example is that for the same classification, in one agency a High School diploma is required and in another agency, a Masters degree is required.

- As classification work is done on a delegated basis by agencies for Bands 1-6, which is 87% of all classified employees, there is the perception that similar work is being classified differently in different agencies.

What are the key findings based on interviews? (cont'd)

- Because classifications were consolidated when broad banding was implemented, this has led to the perception of a lack of career progression. "It is different work but it is still in the same pay band." However, it is acknowledged that career progressions have been created and will continue to be created.

- While the creation of career paths is important, agencies question whether employees see it as a progression when they are still in the same pay band.

- The existence of internal equity issues (pay as compared to another employee) were a common theme; within classifications, across classifications in the same pay band, and between agencies. The last can lead to "agency hopping" to get more pay for a similar job.

- In addition, the lack of competitiveness as compared to the market of the pay band and hiring range has created compression issues between newly recruited employees and longer serving current employees.

- Broad banded classifications are seen as contributing to internal inequity as the pay range is the same for what is seen as different work.

- Agency funding is also seen as contributing to salary disparities for similar jobs in different agencies. "Agencies that have more funds or are self funded can pay more".

KENNING CONSULTING

What are the key findings based on interviews? (cont'd)

- There is a questionable link between salary bands and the external market, affecting the ability to attract talent. This is due to the fact that salary bands only move when there is a General Increase, not in relation to what is the salary market movement.

- "We used to be the employer of choice but that has become increasingly difficult." Minimum requirement statements as set in classifications sometimes means there is a challenge in attracting the level of qualified candidates the agency needs.

- The width of the salary bands is seen as creating non-competitive hiring rates.

- Agencies do not know what is the targeted market policy position or whether midpoint is intended to be the market.

- Because the pay bands are so wide and there is work that is seen as being different within the same classifications, agencies create their own "zones within the bands" to create career progressions and/or provide a basis for pay movement.

- Agencies had difficulty articulating what is the State's definition of the market. They are not aware of regular market surveys being done on a statewide basis and so conduct surveys/gather market data to meet their own specific needs. Currently, agencies strive to recruit the best and most qualified – however due to the salary levels, recruiting and retaining the most qualified is difficult.

KENNING CONSULTING

What are the key findings based on interviews? (cont'd)

- There are inconsistent approaches to pay increases, including performance-based pay, contributing to salary disparities between agencies.

- Apart from General Increases appropriated by the legislature, pay delivery is decentralized and agencies create their own pay delivery mechanisms. The most common pay delivery mechanisms used include: additional duty pay, reclassification pay, promotional pay and in some cases, performance based pay.

- The statewide performance management process (EPMS) is not viewed as effective for managing performance and/or as a link between performance and pay.

- While agencies appreciate the opportunity to have performance based pay plans, the existence of different performance based pay plans in different agencies and the different criteria used in these performance based pay plans is seen as contributing to salary disparities between agencies.

- The way in which performance based pay plans are funded varies across agencies.

KENNING
CONSULTING

What are the key findings based on interviews? (cont'd)

A summary of the key opportunities for improvement, as identified in the interviews, includes:

- Move away from one pay structure for classified employees to having structures that reflect the fact that the market is different for different occupations. Examples include: Sworn law enforcement, nursing, IT, Attorneys etc. This is a common practice in other States.

- Have more competitive pay bands with the potential for more pay ranges with less width between minimum and maximum.

- Move away from generic classifications to creating classifications that can be used for more like kind job content and qualification requirements.

- Continue to build the classification structure based on occupational categories, job families and defined career progressions.

- Have DSHR take a more active role in conducting salary surveys and gathering market data.

- Develop market based pay ranges and move pay ranges in line with market movement, not just move them when there is a general increase.

- Review and enhance the EPMS and create a more consistent approach to performance based pay.

KENNING CONSULTING

What are the key findings based on component analysis?

What are the key findings based on component analysis?

This section of the report sets out analysis of the 10 components of Classified Employee Classification and Compensation plan covered by the scope of the project. It is set out as follows:

- Description of the Component
- What Was Analyzed
- What Was Found

The data that was used for the analysis and findings is contained in the Appendices.

In reviewing this analysis, it is the opinion of Kenning Consulting that the basis of the current plan is important contextually. The current plan, which is known as a broad banded approach, has been in place for 20 years. It has 432 classifications in 10 pay bands, of which 356 have incumbents. The 10 pay bands were created by combining 5 pay grades in the previous pay structure into 1 pay band in the new structure. Multiple classifications in different grades in a 5 pay grade spread were consolidated into one classification. The classification and compensation plan is administered primarily on a decentralized basis within the agencies.

Component Analysis
Methods of Classification

Description of Component

- Methods used to develop and determine classifications
    - The basis of the current classification structure
    - Extent to which current job documentation accurately and succinctly describes current job content
    - Methods and processes by which job classifications decisions are made

What Was Analyzed

- Overall Classification Process
- Process Participant Constituency and Delineation of Responsibilities
- Job Classification documentation

Component Analysis
Methods of Classification

What Was Found

- The current classification structure has as its basis the broad banding approach to classification and compensation that was developed and implemented in 1995.

- Classification consolidation was done in conjunction with the development of 10 pay bands. The 10 pay bands were developed by combining what were previously 5 separate pay grades and associated ranges for each pay band.

- Separate classifications that were in different pay grades within a 5 grade spread were, if in the same occupational group, consolidated into one classification.

- Currently, there are 432 classifications, grouped into 9 occupational categories, with job families within the occupational categories. 104 classifications having 40 or more employees and 76 classifications have 0 incumbents at the time of the analysis.

- DSHR is accountable for the creation and maintenance of all classifications for this plan. There are parts of the State outside of the classification and compensation plan which is the scope of this project. These are Higher Education pay, Non Regulatory agency pay and Agency Head pay.

- Since 1995, there has not been a major review of the overall classification structure for the classified employee pay plan. The last major review of the content of Job Classification documents was in 2006-2007.

KENNING
CONSULTING

Component Analysis
Methods of Classification

What Was Found (continued)

- Classification work for positions in Bands 1-6 is done on a delegated authority basis by agency HR staff. This means classification work for 87% of all classified employees is done on a decentralized basis. This may be a contributing factor towards issues of pay inequities if employees doing similar work are being classified differently in different agencies.

- Classification decisions for positions in Bands 7-10 are done by DSHR staff.

- Classification decisions, whether done by agency or by DSHR staff, are primarily made on a whole job comparison basis. This typically takes into consideration comparison of job content of the position to Job Classification and relativity to other like kind work. The downside of a whole job comparison approach is the perception that it is based on subjectivity, as compared to a classification approach that is based in pre-defined factors for the comparison of job content.

- The broad banded approach has led to examples of content of work that would typically be placed in separate classifications being classified in the same generic classification. Examples of classification series in which this is evident is the Administration occupational group and the Program Management series.

Component Analysis
Methods of Classification

What Was Found (continued)

- For example, in one agency, job content doing administrative coordination and job content doing paralegal work are both classified as Administrative Coordinators. This is because there is no Job Classification for a Paralegal. It is our experience that job content, qualifications and experience, and market value of these two roles are different and the two roles would be separate classifications.

- A review of a sample of Job Classification documents shows that they include the major categories that we typically see in Job Classification documents. We commend DSHR for the documents being succinct and for classifications which are in a job family series, showing the distinguishing characteristic between levels.

- The one area of "disconnect" we observed on the sample documents reviewed is that for some, the Minimum Requirements seem low. For example, the minimum requirements for the HR Director III would typically be more than what is stated in the current Job Classification.

Component Analysis
Internal Equity and Salary Disparities

Description of Component

- Methods to minimize salary disparities both within an agency and within state government
  - Extent to which pay is aligned internally
  - The amount of horizontal and/or vertical dispersion from an appropriate internal alignment of positions that exists within agencies and between agencies

What Was Analyzed

- Salary Dispersion by Band
- Salary Equity by Occupational Category
- Salary Equity by Job Family within an Occupational Category
- Salary Equity within selected Classifications
- Salary Equity by Agency

KENNING CONSULTING

Component Analysis
Internal Equity and Salary Disparities

What was Found

- Internal Equity is an analysis of how positions and employees are paid relative to each other based on a comparison of job content as designated by the salary band to which a classification is allocated.

Statewide Salary Internal Equity

- Set out on page 3 in the Appendices is a chart showing the overall internal equity. Internal equity is positive, meaning, as job content increases, so does the pay.

- Page 4 in the Appendices shows the current compa-ratio by pay band. Compa-ratio is the current pay expressed as a percentage of the midpoint of the pay band. The overall compa-ratio (where pay falls within a salary band) is 91%, which is on the low end of acceptable "distance" to the midpoint. However, the compa-ratio for Bands 2-6, which is the majority of classified employees, is 89%. Even if the current midpoints are aligned with market, this means that average pay for classified employees lags the market. <u>The compa-ratio needs to be considered relative to both midpoint and target market position</u>. This is significant as currently, there is no stated definition of the market or a market policy position.

KENNING CONSULTING

Component Analysis
Internal Equity and Salary Disparities

- As stated in the section on band structure, it is the opinion of Kenning Consulting that the band width is one factor contributing to the low overall compa-ratio.

Occupational Category Salary Equity

- Although the State has one pay band structure for all classified employees, actual pay analysis reveals that there are some pay differences between Occupational Categories. The dispersion is + 8% and – 4% of the overall compa-ratio of 91%. This is shown on pages 6 and 7 in the Appendices. For example, the Technical Services occupational group has a compa-ratio of 99% whereas the Trade Services and Agriculture and Natural Services occupational categories have a compa-ratio of 86% and 87%, respectively. No occupational group has a compa-ratio in excess of 100% of midpoint.

Component Analysis
Internal Equity and Salary Disparities

Job Family within Occupational Category Salary Equity

- While the previous section showed that there is reasonable salary equity between occupational categories, the analysis of salary equity by band within an occupational group and by band within a job family within an occupational group shows more variance.

- Pages 9 to 26 in the Appendices shows salary equity as follows:
  - Overall compa-ratio by occupational group
  - Compa-ratio by job family within an occupational group

- This analysis shows the following 15 **job families** that lag the overall statewide compa-ratio of 91% by 5% or more: Administrative Services, Postal Services, Earth Services, Forestry Services, Recreation and Tourism Services, Library Services, Public Broadcasting, Laboratory Services, Nursing Services, Pastorial Services, Records Management, Health and Safety Regulation, Building Grounds and Laundry Services, Food Services, and Transport Services.

Component Analysis
Internal Equity and Salary Disparities

Salary Equity within Selected Classifications

- There are 104 classifications with 40 or more incumbents. These classifications were used to analyze the following:
  - The average pay by level with a job family
  - The spread of salaries paid within the same classification (highest – lowest)
- Salary data for a sample of the 40 classifications positions by occupational category and job family is shown on pages 28 to 44 in the Appendices.
- This analysis shows the following:
  - There is reasonable pay progression in the majority of job family series as shown by the average actual pay in the next level in a job series being higher than the previous level
  - There is a significant range of pay from low to high pay in the majority of selected classifications. There are examples of the full 85% spread and numerous examples of spreads being 70%+. While this is allowable within the pay band structure, a key question for the State where resources are limited for salary expenditures is whether such a wide spread of salary to a classification within the same pay band is justifiable and defensible.

KENNING
CONSULTING

Component Analysis
Internal Equity and Salary Disparities

Agency Salary Equity

- Set out on pages 46-48 in the Appendices is a summary table showing the compa-ratio for each agency relative to the overall compa-ratio of 91%, listed from high to low compa-ratio. This shows a much greater dispersion as compared to the occupational group compa-ratio.

- There are 3 agencies with compa-ratios in excess of 110%, and 11 with compa-ratios in the range 100%-110%.

- Lagging the overall classified compa-ratio of 91%, there are 17 agencies with a compa-ratio of 85% or less.

- A high compa-ratio can be influenced by some or all of the following factors:
  - Long tenure
  - Market pressures and the need to pay to attract and retain scarce resources
  - Sustained high performance
  - Low turnover
  - Source and availability of funding for salary increases.

KENNING CONSULTING

Component Analysis
Internal Equity and Salary Disparities

Agency Salary Equity

- A low compa-ratio can be influenced by some or all of the following factors:
  - Short tenure
  - Significant availability of resources who meet the minimum qualifications for the position
  - Lack of pay progression in a band
  - High turnover
  - Lack of availability of funding for salary increases
- Detailed "within agency" pay practice showed both significant vertical and horizontal pay dispersion.
  - Vertical pay dispersion is the range of pay within the same pay band
  - Horizontal pay dispersion is the number of pay bands in which the same actual pay is found. It also shows the extent to which an employee in a higher pay band is paid less than an employee in a lower pay band. Significant horizontal dispersion can be a disincentive to aspire to a position of more responsibility.

KENNING CONSULTING

Component Analysis
Pay Ranges

Description of Component

- Methods used to set pay grade minimums, maximums, and midpoints
- Extent to which the State's pay policy sets pay at the appropriate level of the relative market and the pay structure is aligned with the State's pay policy

What Was Analyzed

- Pay Band Structure

Component Analysis
Pay Ranges

What was Found

- As stated previously, the current salary structure is 10 Pay Bands, as set out on page 50 in the Appendices. For bands 2-10, the salary spread from minimum to maximum of the pay band is 85%. For Pay Band 1, the salary spread from minimum to maximum of the pay band is 78%. 87.4% of all classified employees are in Pay Bands 1-6.

- To analyze the current structure, it is important to understand the basis of how the pay bands were first developed in 1995. At that time, 5 pay grades were combined into 1 pay band. The way in which the new pay band minimum and maximums were established was that the new pay band minimum was based on the minimum of lowest pay grade that was rolled into the new pay band, and the new pay band maximum was the maximum of the highest pay grade that was rolled into that new pay band. The midpoint was the mathematical midpoint in the pay band. That method was applied so there would be no cost of implementation for the new pay classification and pay band structure.

- The downside of this approach is that if the pay ranges prior to implementation of the new pay bands were not aligned with market, and there has not been regular market reviews since then, there is a disconnect between the midpoint of the ranges and the concept of range midpoint being a statement of the market policy position.

Component Analysis
Pay Ranges

What Was Found (continued)

- The State is comprised of many, diverse professions. There is no other employer similar to a State in this respect. It is unreasonable to have a salary structure that is a "one size fits all."
    - The healthcare market is a different market than the law enforcement market than the legal market than the general market, etc.
    - A "one size fits all" structure with pay bands 1-6 covering 87.4% of all classified employees, coupled with generic classifications, can limit the State's ability to respond to market pressures. In addition, as the analysis of internal equity shows, it has led to significant salary disparities within the same pay band.
- The State utilizes pay bands that have an 85% spread. There are advantages and downsides to such wide pay bands.
    - If midpoint is the target market policy position (and there is no evidence that this is stated policy position in the design and maintenance of the current pay band structure), it will take employees longer to reach midpoint (the going rate for work being performed by a competent employee). While such pay band structures tend to be more affordable than structures with less width, they can be demotivating as employees who have been good performers and have tenure question "will I ever get to midpoint?"

KENNING
CONSULTING

Component Analysis
Pay Ranges

What Was Found (continued)

- The wider the pay bands, the greater the need for strong processes to move competent employees through the bands so that they can reach a competitive salary for the work performed.

- From a recruitment standpoint, wider bands means the minimums of the bands are that much further from the market, making recruitment more challenging due to the entry rates offered as compared to other public agencies or private companies.

- In addition, particularly for the type of classifications that are in the lower pay bands, unless unemployment rates are high, it is questionable to have such a wide range below the band midpoint. For example, the band midpoint in pay band 2 is $12.10/hour. Based on the assumption that is the going market rate for a typical pay band 2 classification, why would it be expected we could attract qualified candidates at $8.49/hour, which is the pay band minimum?   "We can't" is typically the response. This validates the concern that the pay bands are too wide.

KENNING CONSULTING

Component Analysis
Market Definition and Comparisons

Description of Component

- Appropriate market comparisons

    – Definition of the market

    – Extent to which the State's pay policy sets pay at the appropriate level of the relative market and the pay structure is aligned with the State's pay policy

What Was Analyzed

- Market Definition

- Use of Market Data

- Competitive Comparison

Component Analysis
Market Definition and Comparisons

Survey Data Used

- Based on the current compensation system, there is no requirement for DSHR compensation unit to conduct regular market surveys.

- There is no evidence of a clearly defined market or a statement of a targeted policy level as the basis for the review of the competitiveness of the current pay bands.

- The width of the salary bands from minimum to maximum has falsely masked the need for regular market data and the statement of a targeted policy position.

- DSHR participates in the annual National Compensation Association of State Governments (NCASG) compensation survey and has typically reviewed market relativity to the 14 Southeastern States that formerly constituted the Southeastern States Compensation Association.

- Information gathered in the interviews and from DSHR staff indicates that some agencies conduct their own surveys and/or gather market data from existing published market surveys.

Component Analysis
Market Definition and Comparisons

Survey Data Used (continued)

- While the source used for comparison with other States, the NCASG survey, is appropriate for a comparison to other States, there is a greater need to obtain direct, relevant in-State market data in order to more effectively compete for and retain talent due to the importance of in-State market data for specific job families. Some examples include:

  – Law Enforcement and Public Safety positions

  – Healthcare positions

  – IT positions

- This will be important to determine whether some job families may require a different market definition from the "general" pay positions

KENNING CONSULTING

Component Analysis
Market Definition and Comparisons

Position Relative to Market

- As stated previously, we find no evidence of a defined market or targeted policy position. To meet the requirements of this component, pay band midpoint and actual pay was compared to three market data cuts:
  - The 2015 NCASG survey results based on 114 benchmark positions
  - The 2015 Mercer database for government and not for profit organizations
  - The 2015 Mercer database for in-State South Carolina employers

- These comparisons were done on a job content basis, not a job title match basis. As with any market comparison, there may be outliers based on two reasons:
  - The match was not entirely of similar content. This is more likely a scenario for the State due to the use of generic classification descriptions.
  - The comparator organizations pay significantly more or less than the State for a similar job.

- The market analysis is set out on pages 85-88 in the Appendices.

Component Analysis
Market Definition and Comparisons

Position Relative to Market (continued)

- The analysis shows the following relativity to market on an aggregate basis:
  - Compared to the NCASG market, current midpoints show a variance to market of -9% and actual pay shows a variance to market of -16%. When the outliers are excluded, these variances are -8% and -15%, respectively.
  - Compared to the Mercer government market, current midpoints show a variance to market of -6% and actual pay shows a variance to market of -19%. When the outliers are excluded, these variances are -4% and -16%, respectively.
  - Compared to the Mercer in-State South Carolina market, current midpoints show a variance to market of -21% and actual pay shows a variance to market of -27%. When the outliers are excluded, these variances are -9% and -18%, respectively.
  - This lag to market needs to also be seen in the context of the compa-ratio analysis in a previous section. **The combination of midpoints lagging market and an overall compa-ratio of 91% of the current band midpoints shows an overall lack of competitiveness of both the pay band structure and actual pay.**

Component Analysis
Market Definition and Comparisons

Position Relative to Market (continued)

- While the data on the page shows the overall comparison to market on an aggregate basis, the table on page 85 in the Appendices shows that some occupational categories lag by an even greater amount. These include: Agriculture and Natural Services, Education and Information Services. This is a function of the low compa-ratio as shown in the internal equity analysis.

- **Without a clear compensation philosophy, definition of the market, statement of market policy position and lack of regular gathering of market data, it can be assumed that more emphasis is placed on an internal perspective in the administration of the classified employee pay plan. If this is the case, the internal equity and salary disparity analysis shows that this emphasis is not being achieved**.

- Best practice is to have a balance between internal pay practices and market competitiveness.

Component Analysis
Market Definition and Comparisons

Benefits

- The State provides a comprehensive package of employee benefits that is comparable in its components to that of other State Governments and the private sector.

- Set out on pages 90-94 in the Appendices are tables showing the current provisions of the components of the benefits package that were set out in the proviso for review. These tables show a comparison of the current provisions as compared to other State Government and the private sector.

- In reviewing the level of competitiveness of the benefits package, it is important to understand the difference in the value of salary and benefits. Salary is "known value." If an employee has a salary of $50,000, they know that value to be $50,000. Benefits is "perceived value." Employees do not necessarily know the value of their benefits. In addition, the perceived value of benefits will be different between a 30 years of service employee who is nearing retirement and a 1 year service employee. This is particularly the case in the perception of the value of the retirement benefit.

- DSHR is commended for the statement of employee benefits that is prepared and available to employees, showing the dollar value of their benefits.

Component Analysis
Market Definition and Comparisons

Benefits (cont'd)

- The level of overall competitiveness of benefits is driven by three components of a benefits package: retirement, healthcare and holidays and vacations.

- As compared to other State Governments, with specific emphasis on the Southeastern States, the current benefits package is average to slightly less than average. While the vacation and holidays schedule is above average, the employee contribution cost sharing for healthcare premiums and the employee contribution to the defined benefit, which at 8.16% is the highest of the Southeastern States and over 3% higher than the average for all States, reduces the level of competitiveness.

- However, these two employee contributions should not be viewed as a negative in terms of level of competitiveness. The State is "ahead of the game" in addressing 3 key benefit issues facing States. These are:

  - Increasing contributions that employees make to funding the Defined Benefit plan

  - Offering a Defined Contribution plan

  - Increasing the employee cost sharing for healthcare from the current typical range of 7-15% to between 20-25%

- The State is commended for the initiative it has already taken in these three areas.

KENNING
CONSULTING

Component Analysis
Market Definition and Comparisons

Benefits (cont'd)

- As compared to the private sector, the current benefits package is average to slightly above average. The vacation and holidays schedule is above average, the employee contribution cost sharing for healthcare premiums is in line with the typical practice in the private sector.

- While the retirement benefit formula is more competitive than the private sector, those private sector organizations that still offer a Defined Benefit plan typically do not require an employee contribution.

- Most private sector organizations offer a Defined Contribution plan. A Defined Benefit plan is viewed as influencing the level of competitiveness of the retirement component of a benefits package due to there being less risk to an employee in a Defined Benefit plan than a Defined Contribution plan.

- It is the experience of Kenning Consulting that there is often the perception in State Governments that is expressed as follows: "we don't need to be competitive on base salary as our benefits are more than competitive."

KENNING
CONSULTING

Component Analysis
Market Definition and Comparisons

Benefits (cont'd)

- As one of the main drivers of the level of competitiveness of benefits, that being the retirement benefit, is influenced by salary, if the level of salary is lagging in competitiveness, as is the case for the State, the overall level of competitiveness of benefits will not be high.

- **In summary, the analysis of the level of competitiveness for the State shows that it is not excessive and hence should not be a distraction from the fact that both the salary bands and actual salary practice lag the market.**

Component Analysis
Recruitment and Retention Tools

Description of Component

- Recruitment and retention tools currently in use

What Was Analyzed

- Review of the Teacher and Employee Retention Incentive Program (TERI)
- Healthcare Employees Recruitment and Retention Pilot Program
- Retention Salary Increases

Component Analysis
Recruitment and Retention Tools

What Was Found

TERI

- It is our understanding that the TERI program was first developed as an incentive to retain teachers who were eligible to retire at a time when there was expected to be a spike in retirements. It was then extended to all eligible state employees.

- A participant could retire, return to work and their retirement benefits amount held in trust for up to 5 years.

- Other than being eligible, there were no other criteria for participation.

- Example: an employee who had a salary of $100,000 and an earned benefit of $60,000 could retire on December 31, return to work on January 2 in the same job, earning $100,000 each year for the next 5 years. At the end of that 5 years, they would have earned $500,000 in salary, would receive a lump sum payment of $300,000 and would then have an annual pension of $60,000.

- The State continued to pay the employer contribution into the retirement fund, but that did not add to the participants service benefit.

Component Analysis
Recruitment and Retention Tools

TERI (continued)

- Data provided by the State shows that there are currently 1879 participants in the TERI program with a total annualized salary of nearly $92m. The average salary is just under $49,000.

- It is our understanding that legislation was passed in 2014 which will end the TERI program with effect from June 30, 2018.

- Kenning Consulting endorses the ending of this program for the following reasons:

  – It was a very "rich" program in that it, at a minimum, continued the current compensation costs for a position.

  – As there was no other criteria other than being eligible, you may have had an employee continue in a job for which there were, for example, 100 applicants each time there was a vacancy and a new appointee to the position may have had the potential to be a higher performer than the current employee.

  – The opportunity for continued employment through the TERI program may have been an inhibitor to effective workforce planning, talent management and career progression.

Component Analysis
Recruitment and Retention Tools

Healthcare Employees Recruitment and Retention Bonus Program

- This program was introduced as a pilot program in the late 1990's to help with the recruitment and retention of healthcare workers in specific agencies. 34 classifications in 7 agencies were designated for participation in the pilot.

- The program allows for:
  - A sign-on bonus of up to $3000 for recruitment,
  - A retention bonus of up to $5000 for employees who are employed full time in critical needs or hard-to-fill positions,
  - A referral bonus of up to $2000 to current employees for referring a successful candidate to a critical needs or hard-to-fill position.

- There is a maximum of $10,000 that an employee can receive per year.

- In addition, the program included education initiatives such as:
  - Additional paid educational leave while enrolled in a healthcare degree program
  - Paid practicum
  - Loan repayment
  - Additional tuition assistance

KENNING
CONSULTING

Component Analysis
Recruitment and Retention Tools

Healthcare Employees Recruitment and Retention Bonus Program (continued)

- While initially a pilot program, the program was made permanent via a proviso in 2008-2009

- However, no changes have been made to the classifications or agencies included since the program's inception.

- No specific funding is provided for the program; it has to be self funded by the agency.

- Kenning Consulting commends the State for having a recruitment and retention program. Implementation of such a program was "ahead of its time" in state governments.

Component Analysis
Recruitment and Retention Tools

Retention Salary Increases

- Agencies may give a salary increase of up to 15% of current base salary for the purposes of retaining an employee who has a bona fide job offer. DSHR has the authority to go above the 15% increase if a bona fide job offer outside of State Government.

- The effectiveness of such increases should always be assessed in the context of the "investment in retention" vs. "the cost of replacement."

- Additional factors to be considered in assessing whether to use a retention salary increase include:
  - Internal equity
  - The performance of the incumbent
  - The mission critical nature of the role
  - The turnover in the classification
  - The likely talent pool available, should the employee leave.

- Kenning Consulting commends the State for having this retention tool.

KENNING
CONSULTING

Component Analysis
Long-Term Salary Increase Processes

Description of Component

- Methods of developing and sustaining a consistent long-term salary increase administration policy for state government including, cost-of-living increases, across the board increases, merit increases, equity increases, and performance increases

- The budget appropriation process for providing salary funds for agencies to administer salary increases

What Was Analyzed

- Salary budgeting process

- Salary funding and pay movement mechanisms

Component Analysis
Long-Term Salary Increase Processes

What Was Found

- Unlike in many other States, DSHR plays little role in the salary budgeting process. Salary budgeting accountability rests with the agencies through the Governors budget. In addition, we find no evidence of long term salary budgeting processes.

- The salary budget process may consist of:

  – Legislated general increase. Page 81 in the Appendices shows the legislated general increases from 2007-2008 to present. It shows a total 9% general increase since that time. This is less than both the relevant other state governments and the private sector. Such an increase applies to both the salary band structure and employees pay.

  – Agency requested increases for specific occupational categories, job families or classifications. For these, we can find no consistent template or criteria used for such requests and this can lead to the perception that the "squeaky wheel gets the oil."

Component Analysis
Long-Term Salary Increase Processes

What Was Found

– Eliminating funding for vacant positions. If a position has been vacant for 12 months, the vacant position is eliminated. This has had the impact of agencies losing FTE's, but has seen an increase in the use of temporary positions. Pages 70-79 in the Appendices shows the number of employees and the % of employees by the 5 category types for each agency. While not part of the scope of this project, this data can be a useful tool in analyzing the mix of classified, unclassified, temporary, temporary grant and time limited positions and employees.

Component Analysis
Longevity Pay Deficits

Description of Component

- The extent to which there is a correlation between pay and time in classification for classified employees

What Was Analyzed

- Average pay based on sample of classifications within selected job families. This is the same sample of classifications that were used for the analysis set out on pages 28-44 in the Appendices.

Component Analysis
Longevity Pay Deficits

What Was Found

- In first reading this component, it was the assumption of Kenning Consulting that this was an analysis of longevity pay. However, longevity pay, as it is traditionally defined in other States, was discontinued in the State in 1985. The State is commended for taking this action at that time as longevity pay has grown to be a significant sum in other States and only reinforces tenure. (For example, it is in excess of $50m on an annualized basis in the State of North Carolina.)

- Set out on pages 52-68 of the Appendices are charts showing lines tracking the average pay by years of service in classification for selected job families.

- The analysis shows that for the majority of the classifications analyzed:

  – There is a higher average pay for employees who have greater time in a classification.

  – There is a higher average pay for the classification that is the next higher level in a job family progression.

- In summary, this analysis shows that there is not a significant issue to be resolved in terms of longer serving employees receiving lower pay than employees with less service.

Component Analysis
Compensation Philosophy

Description of Component

- A compensation philosophy statement is intended to provide a foundation for the design and administration of compensation plans.

  – It defines what you pay for and why

  – Written in general terms in order to provide a lasting basis for future compensation design and administration decisions

What Was Analyzed

- Review of current compensation philosophy documentation

- The extent to which a compensation philosophy exists, and if one does, the extent to which it contains component statements typically found in a compensation philosophy.

KENNING CONSULTING

Component Analysis
Compensation Philosophy

What Was Found

- State Human Resources regulations were reviewed. While there are statements of policy in sections 19-702 and 19-705, Kenning Consulting does not find in law or policy any statements that clearly sets out a Compensation Philosophy.

- A Compensation Philosophy should provide the basis upon which all decisions regarding compensation should be made.

- The analysis of the areas that are covered by the scope of this project should have been reviewed within the context of a Compensation Philosophy statement. For example:

  - The level of competitiveness of compensation relative to the market should be done against a philosophy and policy statement of targeted market competitiveness.

  - Salary ranges should be developed based on setting a market policy position as the midpoint or targeted policy position.

KENNING CONSULTING

Component Analysis
Compensation Philosophy

The key components of a Compensation Philosophy statement typically include:

- An umbrella statement that links the compensation to the State's Mission, Vision, Values and its human resources objectives

- Definition of the market

- Definition of compensation

- Definition of how pay ranges will be established

- Definition of how pay will move over time

- Definition of roles and accountabilities

- Definition of what will be stated in law, policy, procedure, etc.

Kenning Consulting has provided to DSHR examples of statements of compensation philosophy from other States.

Component Analysis
Merit Based Compensation

Description of Component

- A review of the basis for salary changes for classified employees

What Was Analyzed

- For 2013-2014 and 2014-2015, the reasons for salary changes, the number of salary actions for each of those reasons, the average increase for each category of salary change.

KENNING CONSULTING

Component Analysis
Merit Based Compensation

What was Found

- Data provided by DSHR for this component listed reasons for a salary action.

- 10 categories were listed. These are as follows:

  - Additional Job Duties
  - Additional Skills and Knowledge
  - Promotion
  - Performance
  - Reallocation
  - Reassignment
  - Reclassification
  - Retention
  - Special Salary Adjustment
  - Transfer

- Set out on pages 82-83 in the Appendices is the number of cases in each category and the average percentage of base salary increase for each category.

Component Analysis
Merit Based Compensation

What was Found

- The data shows that the 3 main reasons for a salary change in 2013-2014 were additional skills/knowledge, reassignment and promotion. While in 2014-2015, the 3 main reasons were special salary adjustment, additional skills/knowledge and promotion.

- The reasons for salary change that delivered the 3 highest average percentage increases in both 2013-2014 and 2014-2015 were promotion, retention and reclassification.

- There were 10,456 cases of a salary change in 2013-2014 and 12,490 cases in 2014-2015. This latter number is 35% of the current number of classified employees.

- The cost of these increases for 2013-2014 was $27,232,912 which is 2.05% of all employee salaries. The cost of these increases for 2014-2015 was $38,457,291 which is 2.89% of all employee salaries.

- As can be seen from the data, there are a wide range of reasons for a salary change for an employee.

Component Analysis
Merit Based Compensation

What was Found

- If the intent of this component is to focus on merit based compensation categorized as performance based compensation, the data shows that 1249 employees received a performance based increase in 2013-2014 and 1649 in 2014-2015. The average performance based increase was 5.53% and 5.61% respectively in those 2 years.

KENNING CONSULTING

Component Analysis
Unnecessary, Underutilized and Duplicative Classifications

Description of Component

- In interviewing leadership in DSHR, the Senate Finance Committee, House Ways and Means Committee and the Governors Office, this was the component where there was the least clarity as to the intent of the component.

- The terms used in the language for this component in the proviso are typically used when doing organization structure and effectiveness studies. However, this project is focused on a review of the classification and compensation plan.

- Accordingly, the focus in this component has been on the extent to which there are classifications which have 0, 1 or 2 incumbents and the extent to which they can be consolidated.

What was Analyzed

- The number of incumbents in each classification

KENNING
CONSULTING

Component Analysis
Unnecessary, Underutilized and Duplicative Positions

What Was Found

- Based on data provided by the State, there are 76 classifications with 0 incumbents, 26 with 1 incumbent and 16 with 2 incumbents.

- The reason for classifications with 0 incumbents can include:

  – Current vacancy

  – Classification no longer used

  – Classification consolidated into another classification

- Compared to other States, the number of classifications with 1 and 2 incumbents is very low. This is most likely a function of the generic broad banded approach taken to classifications.

Recommendations

Recommendations

- Set out in this section are recommendations for changes to enhance the design and effectiveness of the classified employee classification and compensation plan.

- The considerations for action are based on the results of the analysis conducted and the experience gained by Kenning Consulting in partnering with other State Governments in seeing what is effective in other States.

- It is the recommendation of Kenning Consulting that the redesign of components of the current classification and compensation plan occur before there is a significant expenditure in increases in employee compensation. Otherwise, the State runs the risk of putting "new wine into an old wine skin" and this may exacerbate some of the issues with the current plan highlighted in the analysis in this report. However, requests for targeted funding to meet critical equity, salary disparity and market competitiveness issues and general increases should still be considered to start to address the significant lag behind the market of current salaries.

Recommendations

1. Develop a State compensation philosophy to provide a framework within which all classified compensation recommendations can be considered and decisions made. **This should be the first priority.**

2. Review the broad banded approach to classifications with the initial focus being on the generic, statewide classifications. Create classifications which have a stronger linkage between like kind job content and qualification requirements. This will also allow for more accurate matches for salary survey purposes.

3. As an outcome of the development of a compensation philosophy and definition of the market, develop pay structures that are based on the setting of a market policy position. The pay structures will be occupationally based as well as a general pay structure.

4. Redesign the number of pay bands/ranges that are aligned with a new classification structure. The number of bands/ranges should be based on identifiable differences in job content and qualification and experience requirements.

5. DSHR to purchase market survey gathering and data warehouse tool and take accountability for the regular gathering of market data.

KENNING CONSULTING

Recommendations

6. DSHR to prepare an annual compensation report for the Governor, House Ways and Means and Senate Finance to be used as the basis for and justification of appropriation for compensation changes. Annual salary recommendations to be based on relativity to market, performance and requests for targeted funding.

7. As an outcome of the definition of pay delivery mechanisms as part of the compensation philosophy, DSHR to review the current 10 ways in which pay can change and redefine the basis for pay changes, with a heightened emphasis in internal equity, relativity to market, and performance.

8. DSHR to develop statewide criteria as the basis for assessing targeted funding requests. It is recommended that the criteria include some or all of the following: relativity to market, number of applicants, time to fill position, quality of applicants, where in salary band employees are being placed upon hiring, turnover, churn (turnover in the same job within 0-5 years service), compression within a salary band.

9. Redesign/strengthen EPMS as the basis for a statewide consistent approach to performance management.

10. Develop statewide guidelines for the use of performance based pay to minimize different practices within agencies

KENNING
CONSULTING

Recommendations

11. Development statewide guidelines for the use of recruitment and retention bonuses and criteria for the use of such bonuses, not just limited to the current selected healthcare classifications and agencies. Request specific funding for recruitment and retention bonuses so that such tools can be use effectively.

12. Educate key Executive branch and Legislative branch leaders on the importance of requesting and approving salary funds on a dollar basis, not a percentage basis.

13. Educate Legislative branch leadership on using language in appropriation provisos that state that salary monies appropriated will be administered consistently in accordance with the State's compensation philosophy and compensation policies developed by DSHR.

14. Educate Legislative branch leadership on the importance of considering employee compensation early in a legislative session as a means by which to reinforce the importance of the state workforce.

A Game Plan for Action

A Game Plan for Action

- Set out in the previous section are recommendations for changes to enhance the design and effectiveness of the classified employee classification and compensation plan.

- As requested in the proviso that initiated this project, this section sets out a proposed game plan for moving the recommendations from statements of intent to "making them happen." They are grouped by major component and show the Work to be Done, Outcomes, and Estimated Costs (if any).

- Kenning Consulting wants the expected value of the actions to be known, rather than just a series of recommendations. This is shown in the Outcomes column. This will enable Legislative and Executive branch leadership, as well as DSHR to be able to measure the degree of success of the implementation of the recommended actions.

- Kenning Consulting welcomes the opportunity to partner with the State in implementing the game plan.

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Statement of Compensation Philosophy	Develop a Compensation Philosophy that serves as the umbrella statement to link compensation with other human resources objectives. Based on success in other States in developing such a statement, involve key leadership from the Legislative and Executive branches in the development.	Sets the Legislative and Executive intent for the State's compensation plan. Increased consistency across the State as compensation decisions would be made in accordance with the philosophy. Creates a framework within which to consider total reward. Clearly states roles and accountabilities.	$12,000 - $15,000 if use consulting resources.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Classification	Review the current classification structure; continue to build on the concept of occupational categories and job families. More clearly define those jobs that are in generic classifications.	A new classification structure based on redefined occupational categories, job families and distinguishable levels of difference in job content in a career progression. Stronger link between qualification statements and job content. Greater clarity of duties/responsibilities in a classification. More accurate matches for purposes of market surveys.	$35,000 if use consulting resources to facilitate development of new classification structure.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Pay Structure	As an outcome of the development of the compensation philosophy, and the development of the new classification structure, develop new pay structures. Both a general pay structure and occupational structures, if required. Create more appropriate spread of ranges from minimum to maximum.	New pay ranges. More pay ranges but with appropriate spreads. A path towards addressing the issue of the wide salary disparity for employees doing similar work. Reinforcement of the new classification structure. Enhanced internal equity.	$15,000 if consulting resources required.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Market Data	DSHR to purchase a market survey data tool, such as MarketPay or Kenexa, to aid in the gathering of market data, the warehousing of market data and the capability to do salary budget modeling for the purposes of taking a greater role in salary budgeting.	Better market data. More regular gathering of market data. Market based salary budgeting.	Market survey data tools typically in the range of $40,000-$50,000 to purchase. Annual license fee. Purchase of existing salary surveys vary in cost. An annual budget of approximately $20,000 should be sufficient.

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Salary Budgeting	DSHR preparation of annual compensation report to the Governor and Legislature.	More consistent approach to the request for funding of salaries, rather than on an agency by agency basis. Better data on which funding decisions can be made.	DSHR staff resources if insufficient current resources.
	Development of criteria as basis for assessing targeted funding request for salaries for agencies and/or occupations and/or job families and/or classifications. .	Minimize the "squeaky wheel gets the oil." Definition of criteria such as relativity to market, turnover, compression, internal equity, time to fill, number of applicants, quality of applicants etc.	Funding for targeted salary adjustments would be based on the occupations determined to be priorities by the General Assembly based on criteria to be developed by DSHR.

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Salary Budgeting (cont'd)	Fund General Increases as a means by which to address lag to market.	Start on path to address lag to market. This, combined with targeted funding as set out on the previous page, will move the state from an "across the board" general increase approach to one where there are funds for a general increase to reflect the cost of labor and targeted funding to address the specific issues as set out on the previous page.	Funding for general increases based on the movement in the market for the cost of labor, and affordability. Each 1% of funding is currently $13,295,828 of actual pay.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Pay Delivery (Reasons for Changes in Salary)	DSHR to review the application of the current 10 ways in which pay can change and assess the extent to which they should be combined, eliminated or enhanced.	Review of the effectiveness of what in 2014-2015 was a $38,457,291 expenditure. Increased emphasis salary changes for reasons of addressing internal equity, relativity to market and performance.	DSHR staff time. Funding requirements, if any, unknown at this time.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Linkage between Performance and Pay	DSHR to redesign and strengthen the EPMS. DSHR to develop statewide guidelines for the use of performance based pay.	One Statewide consistent approach to performance management. Minimization of different practices between agencies. Consistent basis upon which to consider funding for merit based increases. Strengthens the linkage between performance and pay as one of the factors in pay delivery.	DSHR staff resources.

KENNING CONSULTING

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Recruitment and Retention Bonuses	Develop statewide guidelines for the use of recruitment and retention bonuses beyond the current healthcare plan.	Will build on a well designed plan that will aid in recruitment and retention.	Appropriate funding for the plan. Initial funding to be in the range of $150,000-$200,000.

A Game Plan for Action

Component	Work to be Undertaken	Expected Outcomes	Costs
Communication and Education	Inform and educate key Executive and Legislative branch leaders on the proposed salary budgeting process. Inform and educate key Legislative branch leaders on the importance of language in appropriation provisos on how appropriated compensation funds will be administered. Inform and educate key Legislative leaders on the importance of funding for employee compensation being a legislative priority.	Compensation funding to be by dollar amounts, not expressed as a percentage. Compensation funding to be spent in accordance with the compensation philosophy, policies and priorities. Reinforces the commitment to and value of the State workforce.	$15,000-$20,000 if utilize consulting resources to lead these education sessions.

KENNING CONSULTING

Appendices

Appendices

The appendices referenced in this report are set out in a separate document.

KENNING CONSULTING

Prepared by:

Kenning Consulting

Neville Kenning, President

Email: neville@kenningconsulting.com   **Address:**

Office: 714.242.3812   5 Upper Newport Plaza

Cell: 714.812.9983   Newport Beach, CA 92660