



KANSAS

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MEMORANDUM

TO: The HR Community
FROM: Jack Rickerson
DATE: July 22, 2005
SUBJECT: Compensation Issues

One of the first items on our agenda for the HR conference on July 29 is a work session on compensation. Our work/discussion will cover two issues: Establishing a compensation philosophy and options for pay action(s) for FY2007. In preparation for those discussions, I thought it would be helpful to give you more information for your consideration.

The Compensation Team that was in place a couple years ago developed several proposals for a compensation philosophy. We would like to pick up where they left off and use their proposals as a basis for our discussion at the conference. Attached is a copy of those materials for your consideration. Please do not feel limited by these proposals; we are just using them as a starting point.

The second pay issue involves options for potential action(s) in FY2007. We don't know at this point what we will have to work with, or if any dollars will be available for pay increases, in FY 2007. However, we need to be prepared to advise Leadership as to how we would recommend distribution of whatever is available for state employee pay. Options we would like to discuss include 1) a general increase; 2) action to relieve the salary compression that has resulted from the moratorium on step movement; 3) some type of pay bump for those whose take home pay is reduced as they begin to contribute to the Retirement System; 4) discretionary pay, for performance; and 5) making monies available for study action(s).

We are sending this information/material in advance to give you time to reflect on the issues so we can make the most of our discussion time. We look forward to your thoughts. Thanks.

Attachments

Compensation Team's Goals and Objectives to Consider in Developing an Employee Compensation Philosophy

Total Compensation Package for the State that is competitive – as an option

- Paradigm Shift across the country - changing the focus of compensation from value of job alone to value of the job and employee (recognize the value of the employee)
 1. We need to consider the value of the job and the employee in developing and administering compensation
- We are “the State” – we need to have safeguards in place to ensure accountability and some overall consistency
 1. The compensation programs and administration must be accountable
 2. Must be cost effective
 3. Must be administered within available funding
 4. Must be legally compliant
 5. Programs and administration must be accountable to taxpayers
- Reward employees
 1. Retain good employees and steady performers
 2. Maintain longevity reward
 3. Allow rewards for skills
 4. Allow rewards for credentials
 5. Allow rewards for performance
- Need to provide competitive wages to recruit applicants and retain qualified employees
 1. Need to provide wage rates that are competitive within relevant labor markets
 2. Provide for the use of geographical wage differentials when needed
 3. Provide compensation rewards for unique working conditions
- Need competitive benefits programs to meet the needs of both job applicants and employees
- Need to recognize the job's contribution to the mission of the agency
- Need to be both internally equitable and externally competitive
 1. Equal pay for equal work
 2. Competitive compensation programs and rates
- Need to meet the diverse needs of the State
 1. Compensation programs will be designed and administered to balance the overall needs of the State
 2. Programs need to provide flexibility to recognize and address the unique needs of agencies
- Need to recognize the tenure of employees
 1. Design and administer employee compensation programs to encourage and recognize career employees
 2. Need to control turnover

Initial Drafts of the Compensation Team for an Employee Compensation Philosophy

1. The State of Kansas shall provide a total compensation package focused on competitiveness of benefits that attract and retain employees based on the administration's set priorities, yet provides an identifiable level of flexibility to agencies to recognize individual performance, and holds agencies accountable for proper administration. Provide a total compensation system that competitively pays employees based on the relevant labor market, yet provides an identifiable level of flexibility to agencies to recognize individual performance, and holds agencies accountable for proper administration.
2. The State of Kansas shall design and administer an employee compensation program which effectively enables the State to attract, retain and reward qualified employees to meet the diverse needs of the citizens in an effective manner. Employees' wages shall provide competitive rates for the diverse relevant labor markets in which agencies compete. The employee benefits programs shall consist of programs designed to meet the diverse needs of employees and serve as an effective incentive in attracting qualified job applicants. The employee compensation program shall provide for the effective and equitable compensation of employees while recognizing the need for flexibility to address economic change and differences among labor markets. Individuals responsible for the design and administration of employee programs are accountable to the citizens of the State to providing cost effective and efficient programs.
3. The State of Kansas can succeed in attracting, retaining and motivating a qualified workforce in achieving its diverse missions by providing competitive compensation programs. The State shall provide competitive wage rates in recognizing and rewarding state employees. Wage and salary programs shall provide flexibility while ensuring equal pay for equal work. The benefits programs shall provide for to meet the needs of employees and serve as an incentive individual to work for the State. All employee compensation programs are to be designed and administered to ensure accountability and efficiency for the tax payers of the state.
4. It is the policy of the State of Kansas, in recruiting, retaining and rewarding a qualified and competent work force, to provide prevailing total compensation to officers and employees in the state personnel system. "Prevailing total compensation" means the salary, benefits, including retirement benefits and premium pay practices comparable to those found by the state personnel director in similar kinds of employment in appropriate markets of public and private employment. To determine comparable rates for salaries, benefits, including retirement benefits, and premium pay practices prevailing in other places of public and private employment, the state personnel director shall periodically conduct a survey of the rates provided by appropriate public and private employers and may supplement such surveys as deemed necessary by the director to determine and maintain comparable total compensation for the work force.
5. The public employees of the State of Kansas provide services desired by the public which provide a benefit or service to the citizens of the State. As such, the providers of these service should be compensated at a level comparable to the relevant labor market and which will provide employees a reasonable level of benefits.

The compensation package should recognize that certain services provided by state employees require skills, education, and training that should be valued at different levels of compensation. In addition, employees who achieve certain levels of tenure should be recognized for their commitment in providing public services. The compensation package provided by the State should be sure that applicants for state

service should receive appropriate pay and incentives which will encourage such applicants to consider public service as a career.

The pay philosophy for the State should provide managers and supervisors with options to assure that public employees provide the services that are intended and to reward employees who improve their skills or provide meritorious services. This should also include measures to hold managers and supervisors accountable for the services provided by the organizational unit for which they are responsible.

6. The classified and pay system must provide the flexibility to create the work culture desired and move employees through the pay ranges, develop clear career paths so employees see opportunities within their organization, and provide for salary increase additives and lump-sum bonuses.

The classified compensation and classification system will group similar positions with similar responsibility into same pay ranges; remain competitive with similar positions with organizations of similar size and client base; offer better than average benefits that may result in paying less for base salaries; and be flexible in creating the work culture that the state desires.