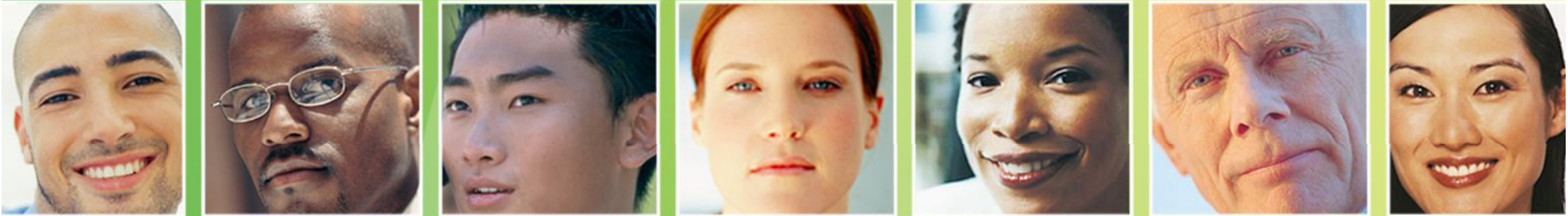




State Personnel Administration



State of Georgia Job Classification and Compensation Structure Forum

September 29, 2011

Sherma Francis – State Personnel Administration
Lori Holsinger, Ph.D. – Mercer



Introduction and Project Update



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Job Classification and Compensation Redesign Project Overview

Issues	Result	Problem Resolution
<ul style="list-style-type: none"> ▪ Employees performing the same or similar function assigned to varying titles and pay grades depending on the employing agency ▪ Many single incumbent titles with no written descriptions or standard qualifications 	<ul style="list-style-type: none"> ▪ Over 3,500 jobs on the state job classification structure ▪ In 2006, 75% of our 80,000 employees occupied only 7% of the existing titles. Simply put, 60,000 employees (75%) occupy only 264 job titles, while the remaining 20,000 state employees (25%) occupy the other 3,417 jobs ▪ Difficult to benchmark/market price jobs against competitive labor markets ▪ Potential equal pay concerns/pay disparities ▪ No clear career paths for current emerging workforce 	<ul style="list-style-type: none"> ▪ Create a sound job classification foundation that allows for effective and efficient delivery of programs that motivate and engage the state's workforce ▪ Align the job classification foundation with market best practices ▪ Continued flexibility at the agency level in position management and salary administration ▪ Build a compensation structure to support the job classification approach ▪ Develop career paths for key jobs



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Job Classification and Compensation Structure

Element	Enterprise	Agency
Job titles, descriptions and competencies	<ul style="list-style-type: none">Statewide job titles and descriptions to be used	<ul style="list-style-type: none">Can supplement with agency-specific position responsibilities and goalsBusiness titlesCan select from pre-defined list of technical competencies based on position requirements
Qualifications	<ul style="list-style-type: none">Validated minimum entry qualifications	<ul style="list-style-type: none">Program-specific and preferred qualifications
Career	<ul style="list-style-type: none">Structured career paths defined	<ul style="list-style-type: none">Career progression
Salary administration	<ul style="list-style-type: none">Board Rules with guidelines for administrationAligned wide market practices, including compensation (grade midpoints and market medians)	<ul style="list-style-type: none">Flexibility within guidelines and Board rules to hire, promote and incent



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Project Phases

Phase I Job Classification System <i>2006 to Early 2011</i> <i>(Completed)</i>	Phase II Compensation Structure <i>July to September 2011</i> <i>(Underway)</i>	Phase III Communication <i>October to December 2011</i>	Phase IV Implementation and transition <i>January – June 2012</i>
<ul style="list-style-type: none">✓ Job titles and descriptions✓ Minimum entry qualifications✓ Technical competencies✓ Career paths (training/entry to management levels)✓ Assign jobs to new structure	<ul style="list-style-type: none">✓ Market benchmarks✓ Salary structure✓ Slot state jobs✓ Cost impact✓ Pay policy and guidelines▪ Agency review, feedback and update▪ PeopleSoft HCM	<ul style="list-style-type: none">▪ Communications strategy▪ Options▪ HR updates (onsite meetings, teleconferences, HR forums)▪ SPA redesign website (HR & employee sections)▪ Team Georgia employee messaging▪ Go live with Phases I-III	<ul style="list-style-type: none">▪ Agencies to determine if and how enterprise guidelines will be customized to their agency



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Survey Feedback Summary

- New pay ranges seem lower, resulting in loss of market position
- Concern that the State pay structure does not reflect up-to-date and appropriate market data
- Concern about flexibility with Board Rules and guidelines
 - Hiring
 - Promotions
 - Demotions
 - Lateral transfers
 - In range adjustments
- Clarification about (who, what, when, where) on new communication strategy

***See separate FAQ
document for additional
details***



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Today's Agenda

- Share market trends
- Outline how to make effective salary administration decisions that align with Board Rules
- Discuss how to successfully communicate new changes



Market Trends



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Trends and Implications Resulting from Today's Challenges in Managing Human Resources

Unstable economic environment for foreseeable future

Shifting pay and employment risk; pay for performance focus

Increasing retirement and health care program risks and cost volatility

Increasing employee self-management

Changing demographics and workforce needs

Expanding workforce segmentation; creating multiple value propositions

Insufficient resources to engage employees

Growing emphasis on career development and brand differentiation

Unsure where to allocate future reward investments

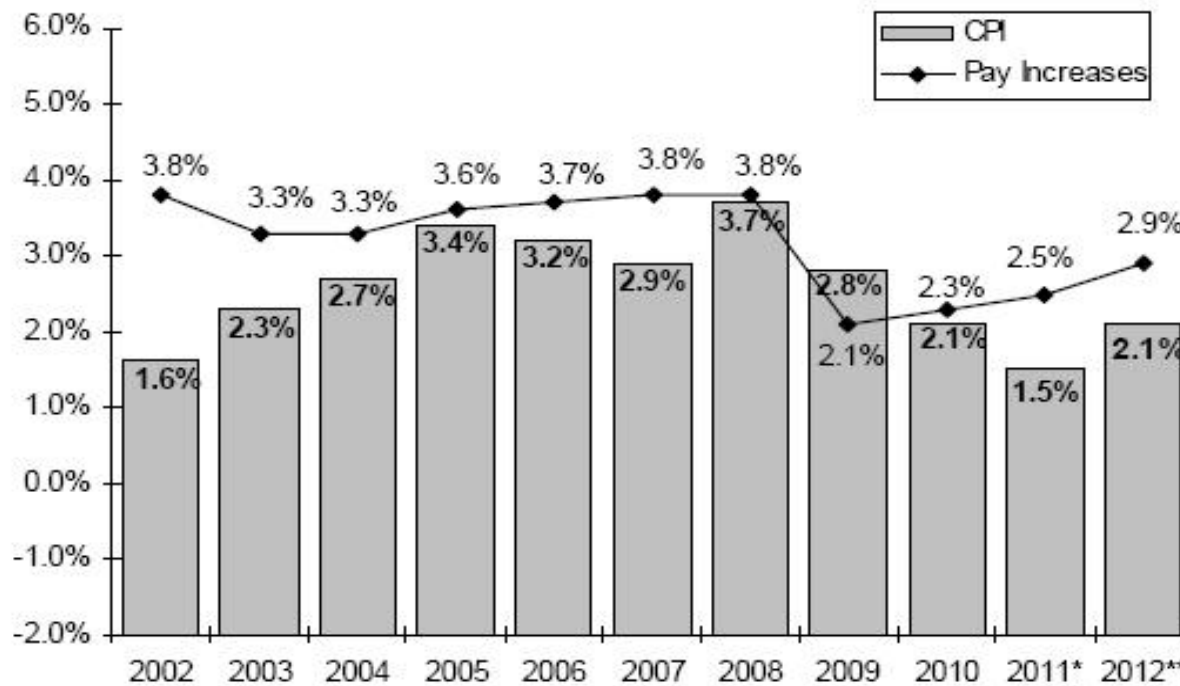
Expanding use of HR analytics to predict future outcomes



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Market Trends *Base Pay Increases*

The CPI is expected to decelerate through 2011 and return to 2010 levels at 2.1%, resulting in a larger gap between pay increases and CPI from 2010



*2011 CPI percentage is as of May, 2011; pay increase percentage includes zeros

**2012 percentages are estimates; pay increase percentage includes zeros



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Base Pay Freezes *The Thaw Has Started...*

- Only 5% of organizations froze salaries for 2011, which is down considerably from 14% in 2010
- Of the organizations that froze pay in 2010, approximately 79% are giving pay increases in 2011
- Organizations in the Public Administration industry will be giving pay increases of approximately 2.1% for 2011



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Insights Come from Mercer's New What's Working™ Survey

- Proprietary research on employee views on work
- More than 100 survey questions covering pay, benefits, careers, leadership, performance, engagement, etc.
- 4Q 2010 sample of 2,400 respondents reflects overall US workforce demographics (age, gender, job level)
- Conjoint analysis to determine what employees value most

What is the BEST thing
the State of Georgia
does to engage
employees?



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The Issues

- An evolving employment deal that employees have viewed as a series of takeaways
- Further actions taken in response to the economic downturn

**Cuts, freezes in
pay and benefits**

**Reduced
training and
promotion
opportunities**

**Layoffs, which
affected
remaining
employees**

- The way employees see it now: Deal has been redefined, but employers aren't delivering on new promises

What has HURT
employee
engagement in the
past 2 years?



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Eroding Loyalty: Workers Less Engaged and Less Committed

In the US:

1

3

are seriously
considering leaving

- Employers face loss of valued talent as economy, job market continue to improve
 - Workers ready to vote with their feet
 - Top performers are most likely to secure new jobs



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Widespread Apathy: Serious Hidden Problem for Employers

In the US:

1

5

won't commit to staying or leaving

- Employers must be concerned with more than retention
- Equally critical issue is disengaged workers who stay, hurting morale and productivity
- 32% are seriously considering leaving and 47% said they are not, but 21% did not commit to either option
 - Employers need plan for dealing with disaffected workers



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Generational Tension: A Difficult Balancing Act for Employers

In the US:

2

5

workers under 35 are considering leaving

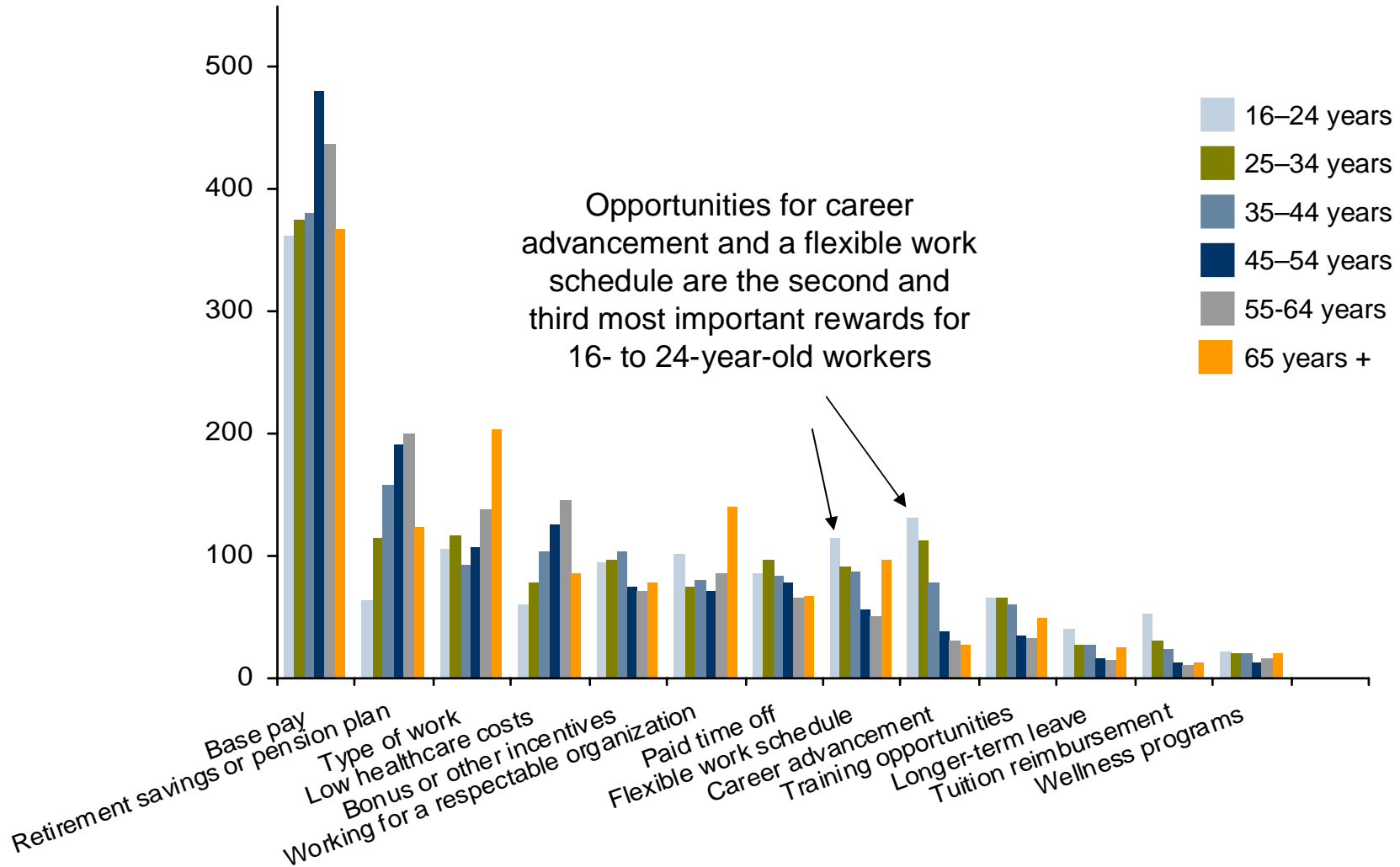
- Employees age 24 and under are more positive about most aspects of work, but:
 - Least likely to go beyond job requirements to help organization
 - Less satisfied with their overall benefits package
 - Much more likely to be seriously considering leaving now
- Employees 55 and older are much less positive about work, less likely to leave
- Benefits importance increases with age



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Most Valued Elements of the 'Deal' Vary Significantly by Age





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Market Predictions *2011 and Beyond*

1. Fresh approaches to job and compensation framework
 - Job code and title consolidation/clean-up
 - Market pricing systemization
 - Job leveling to foster consistency & mobility
2. Rethinking annual increases
3. Use of non-cash reward levers to engage employees
4. Increased importance of variable pay
5. More sophisticated workforce segmentation

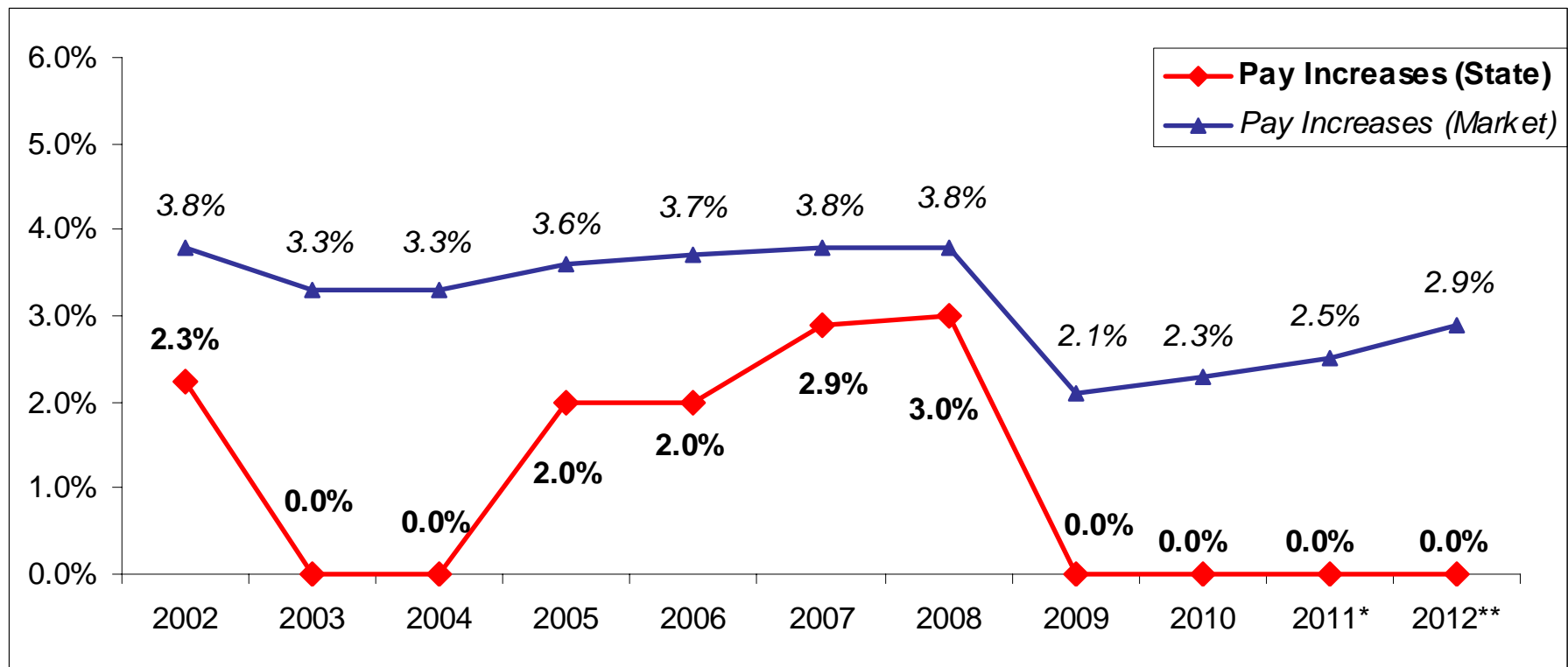


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Base Pay Increases

How State of Georgia Compares to the Market

The State continues to lag behind the market, with no base pay increases since 2009



Source: Mercer's 2011/2012 U.S. Compensation Planning Survey



Implications for State of Georgia
How to engage, motivate and retain employees



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Alternative Strategies to Engage Employees at the State of Georgia

**Increased Job
Opportunity**

**Career
Development**

**Flexible Work
Schedule**

Most organizations (78%) reward and recognize employees through **non-monetary awards**, such as those listed above



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Increased Job Opportunity

As a result of the State's reduction in force, the remaining employees can benefit from:

- Increased scope of work
- Opportunities to work on special projects
- Increased exposure to Agency and State leadership
- Additional training and learning opportunities



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Career Development Overview

- Career development includes:
 - Starting with an employee's career aspirations & self-assessment of capabilities
 - Discussing career development with their manager
 - Exploring of the various learning opportunities

As a manager, your role is to:

- Prepare for and conduct a career development discussion with each of your employees
- Connect the skills/experience gained through proficiency and mastery in the current role with the desired career direction
- Align business needs with activities/assignments that relate to the employee's career goals
- Recommend opportunities for development through on-the-job experiences, training and resources (e.g., books/articles, mentoring etc.)
- Revisit the IDP with the employee throughout the year, reinforcing the importance of career growth and development



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Career Development *Sample Self-Assessment Questions*

1. What are my key strengths at this point in my career?
2. What are my key development needs?
3. What are my short and long-term career goals?
4. What is it about my career goals that interests/appeals to me most?
5. What will it require for me to achieve my career goals?
6. What are the different paths I might take to reach my career destination/goals? Which path do I prefer and why?
7. What challenges or obstacles exist (if any) to attaining your career goals?
Be specific.
8. In what ways could my manager support me in reaching my goals?

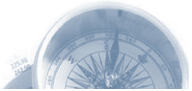


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Career Development

The Manager's Role

Assessing employee capability: Where are they?



Preparing for Career Advancement

- Mastered the experiences and competencies for his or her current role
- Should now focus on broadening activities that prepare him/her for capitalizing on career opportunities that align with desired direction/goals



Establishing Mastery

- Acquired the key experiences for the role and demonstrated proficiency across the critical competencies
- Ready to assume more complex assignments/projects that deliver measurable outputs and show mastery of his/her the career stage



Gaining Proficiency

- Still building a successful track record in completing the core work associated with the role
- Additional and time is required to gain the breadth of key experiences



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Flexible Work Arrangements Overview

Flexible work scheduling: the ability to vary the beginning or end of time of work

- Flexible work arrangement can vary in terms of:
 - Amount of time worked per day or week
 - Place of work performance
 - Formality (workplace policy vs. arrangement with supervisor or other team members)

- Employees like flexible scheduling because it helps them to:
 - Better manage their personal lives
 - Devote more time to family and other personal obligations
 - Attend school or participate in other personally and professionally valuable activities
 - Enjoy more flexibility in their daily or weekly schedule



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Flexible Work Arrangements Overview

- Flexible work arrangements have become popular among employers because they help employers:
 - Attract and retain valuable knowledge workers
 - Attract and retain a diverse workforce in regard to gender and household characteristics
 - Provide a low-cost, highly valued benefit
 - Increase the stability of the workforce
 - Increase employee job and life satisfaction and morale
 - Increase productivity, especially among highly motivated knowledge workers

For more information on the State of Georgia's WorkAway Program please see the TeamGA website or go to the Clean Air Campaign at www.cleanaircampaign.org. The State of Georgia partners with the Clean Air Campaign to support the Work Away Program



Ongoing Compensation Management

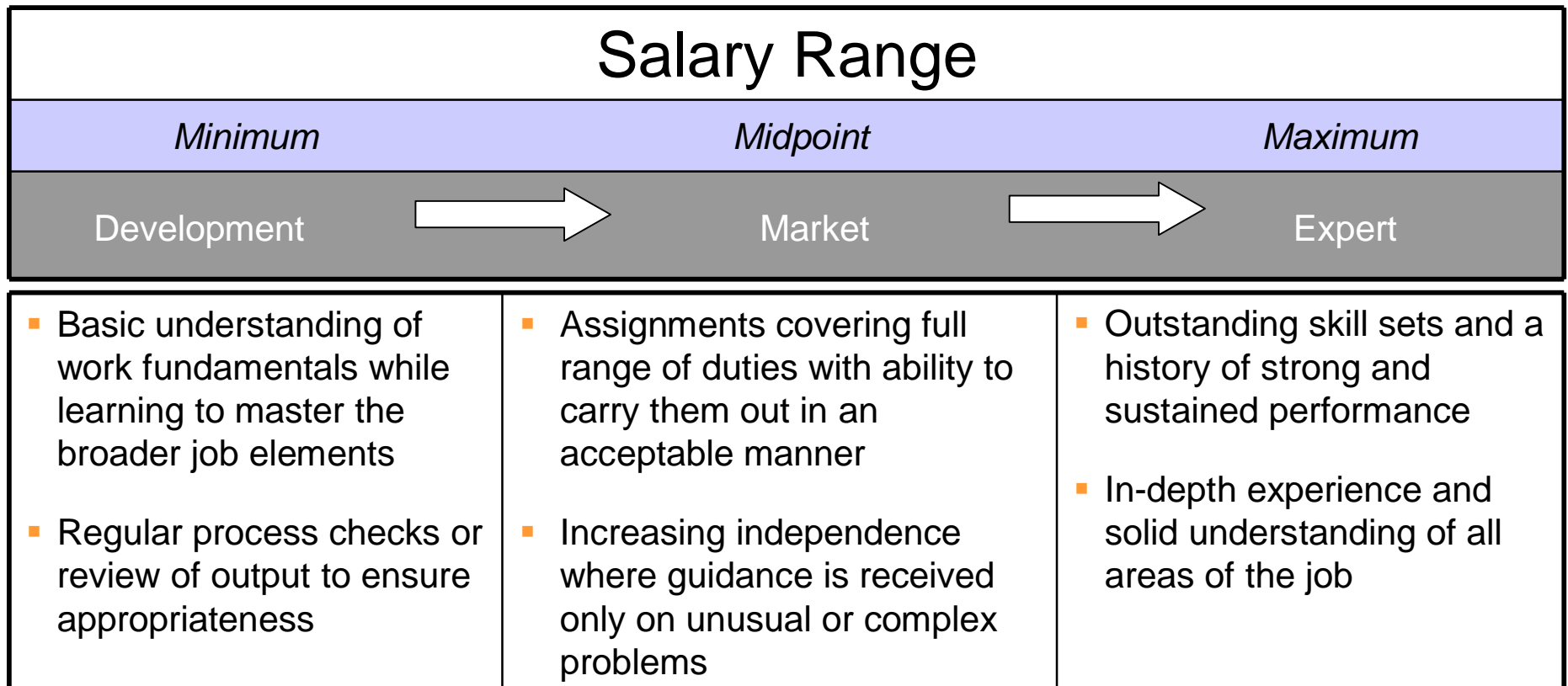


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Salary Progression

- Target managing salaries around the middle third of the range (the competitive reference point for the job)



- Drive movement through the range based on performance as well as knowledge gained through experience and skill acquisition



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Hiring Ranges

BOARD RULES AND GUIDELINES

The State, like the vast majority of organizations, permit flexibility in hiring employees at pay rates above the minimum with the specific amount influenced by market conditions and/or the incumbent's credentials.

Hiring parameters are normally set **between the minimum and midpoint** (competitive market rate), although **exceptions above midpoint** are permitted when the circumstances warrant and appropriate approvals are obtained.

Consider placement of new employee among existing employees.

Administration:

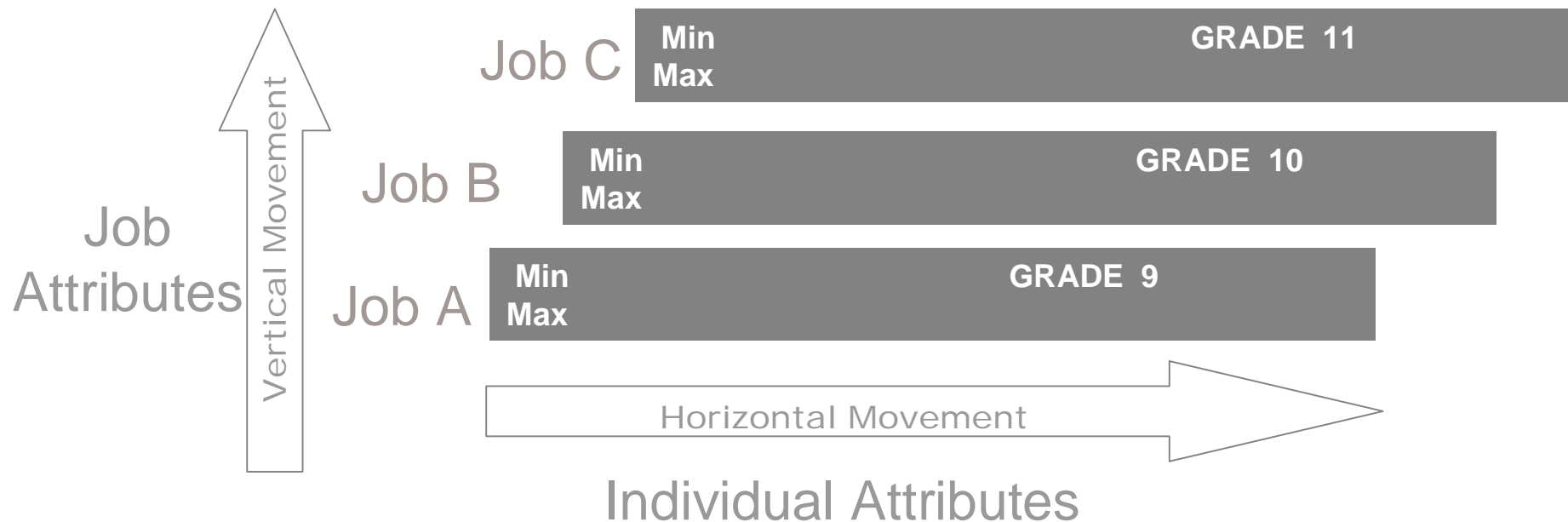
- If the candidate's credentials are directly related and exceed the minimum requirements of the job (such that the candidate is expected to be fully competent after 1 – 3 months) and/or when market conditions necessitate taking such action.
 - Hire at up to 1st quartile with advanced education/ certification, or with 1-2 years of related experience beyond job requirements
 - Hire up to mid-range with advanced education/certification where experience exceeds the minimum by 3-4 years
 - Hire up to 15% above the market mid-range with advanced qualifications (advanced education, extensive experience, special skills or credentials) and/or where talent is in very short supply based on market conditions



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Employee Movement

- **Horizontal movement** through the range (in-range adjustments) should occur to **recognize performance in the job** and knowledge that has been gained through experience
- **Vertical movement** to a higher grade (via promotion or reclassification) should result when **recognizable and substantial changes occur in the duties and responsibilities** that require material increased knowledge, skills and abilities





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Promotion

BOARD RULES AND GUIDELINES

Promotional increases typically average between 5-10% and should be consistently applied to assure equitable treatment.

Salary placement in the new range should be less than that attained in the former grade to recognize the learning curve.

State Personnel Board Rules

478-1-.12(a) Salary Upon Promotion

Administration:

- Budget promotions separately from merit or other increases—deliver separately from merit (or at same time but communicated separately)
- Consider the following salary increase guidelines if an individual is promoted to a higher job and grade
- If the promotion is of one or more grades, consider the following:
 - ❖ A minimum of a 5% increase for a one grade move or the minimum of the new grade (whichever is greater)
 - ❖ Up to a 20% increase for a move of two or more grades or the minimum of the new grade (whichever is greater)



Promotion

- Consider current position in new range before any increase, relationship to midpoint, comparison to peers already in the new job, number of grades to be promoted, and STI/LTI increases. Approach ensures that new pay reflect appropriate market positioning and internal equity. (See sample guidelines below)
- If the employee's pay in the NEW range is already in the top third of the range or above the pay of other employees already in the job, the increase should be minimal (e.g., 0-3%)
- Employee pay should not be over the maximum of the assigned pay grade*

Number of Grades Promoted	If No Increase in Bonus Opportunity *Position in New Range (Taking into Account the Differentials)		
	Bottom Quartile	Middle Q2-Q3	*Top Quartile
1	5-10%	5%	0-3%
2	10-15%	6-10%	0-3%
3+	15-20%	11-15%	0-3%



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Lateral Movement

BOARD RULES AND GUIDELINES

No increase is given on a lateral move.

However, employers who emphasize internal development and knowledge/skill breadth may wish to provide increases on lateral moves, where the move is initiated by the company, and where it broadens the person's skill set in ways valuable to the State.

May deem lateral increases unnecessary if able to budget sufficient funds for other forms of increases.

Potential issues: may be difficult to administer fairly if optional; may encourage job hopping.

State Personnel Board Rules

478-1-.12(5) Salary Adjustments (internal agency)
478-1-.12 (5c) Salary Upon Lateral Transfer (external agency)



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Demotion

BOARD RULES AND GUIDELINES

- If an individual is demoted to a lower grade or if the position's responsibilities are significantly reduced to the point that it would be reassigned to a lower job/grade:
 - **Employee initiated (voluntary)**
 - ❖ Recent promotion? Move back to old role and reduce pay to original level before the promotion
 - ❖ In job more than 12 months? Consider current position in range vs. mid-point. If pay is below mid-point, reduce 5%. If above mid-point, reduce 10% (but at least to range maximum)
 - **Company initiated (involuntary and due to performance)**
 - ❖ Recent promotion? Move back to old role and reduce pay to original level before the promotion
 - ❖ In job more than 12 months? Reduce 10 – 15% (but at least to range maximum)
 - **If company initiated but due to factors beyond employee's control actions may be less severe**
 - **Reorganization (restructuring of the job) or a re-evaluation/re-pricing of the job:**
 - ❖ No change in salary

State Personnel Board Rules
478-1-.12 (5b) Salary Upon Demotion



Salaries at Maximum

BOARD RULES AND GUIDELINES

- If a salary is **at or above the range maximum, there should be no increase.**
- Individuals who exhibit **strong performance** and who are at the maximum should be **awarded a lump-sum performance bonus**, typically the same percentage as the increase to base pay would have been. This approach permits strong performers to continue to be rewarded without allowing their base salaries to increase beyond an unreasonable point.
- Even if a person reaches the maximum, the range may continue to be adjusted to keep pace with inflation. However, typical practice in general industry is to give no increases above maximum.



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Evaluating New Positions

BOARD RULES AND GUIDELINES

It is customary to evaluate newly created or significantly revised jobs based on organizational changes, using the same processes as were used to establish the new plan to include job analysis, validation and evaluation.

A first step in the process is to classify the positions to the appropriate job classification.

The job classification system is used to group positions which have similar duties and the same levels of complexity and responsibility, require similar training and experience at the time of recruitment, and are compensated at the same general levels of pay.

State Personnel Board Rules

478-1-.02c

478-1-10 (8,9,10)

Administration:

- **Position Allocation.** Newly established positions should require documentation detailing the primary duties, responsibilities and minimum requirements
- The new position should then be reviewed for appropriate job classification, which may require a supervisor interview at the discretion of SPA
 - If the position is the same or comparable to another existing position within the organization (same family or sub-family, same career level, with similar requirements), it should be slotted into the same job and grade
 - If the position is not comparable to another existing position within the organization, it should be:
 - ❖ Evaluated against other jobs on the state classification system or submitted for job development
 - ❖ Benchmarked against the market, if possible, and then placed in a grade that best captures the market median salary or slotted to appropriate grade



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Evaluating Revised or Changed Positions

Administration:

- **Position Reallocation:** Requests to review the job classification and grade for revised positions should require documentation detailing how the primary duties, responsibilities and minimum requirements have changed compared to the previous job. Unless there was a change in the actual responsibilities of the job, requests should not typically be made to change qualification requirements
- The position should then be reviewed for appropriate job classification and grade placement, which may entail a supervisor or incumbent interview at the discretion of HR
 - If the position is the same or comparable to another existing position, it should be slotted into the same job classification and grade
 - If the position is not comparable to another existing job, it should be:
 - ❖ Benchmarked against the market, if possible, and then placed in a job and grade that best captures the market median salary
 - ❖ If it cannot be benchmarked, it should be compared to one or more jobs in the same job family or reporting line and slotted to a grade that is internally equitable

State Personnel Board Rules

478-1-.02 (dd) Reallocation



Communicating New Changes



Managing the individual side is considered the "soft stuff," but it is the hardest work of change

The process side of change

40% of the work

- Implementing efficiencies
- Process restructuring

The people side of change

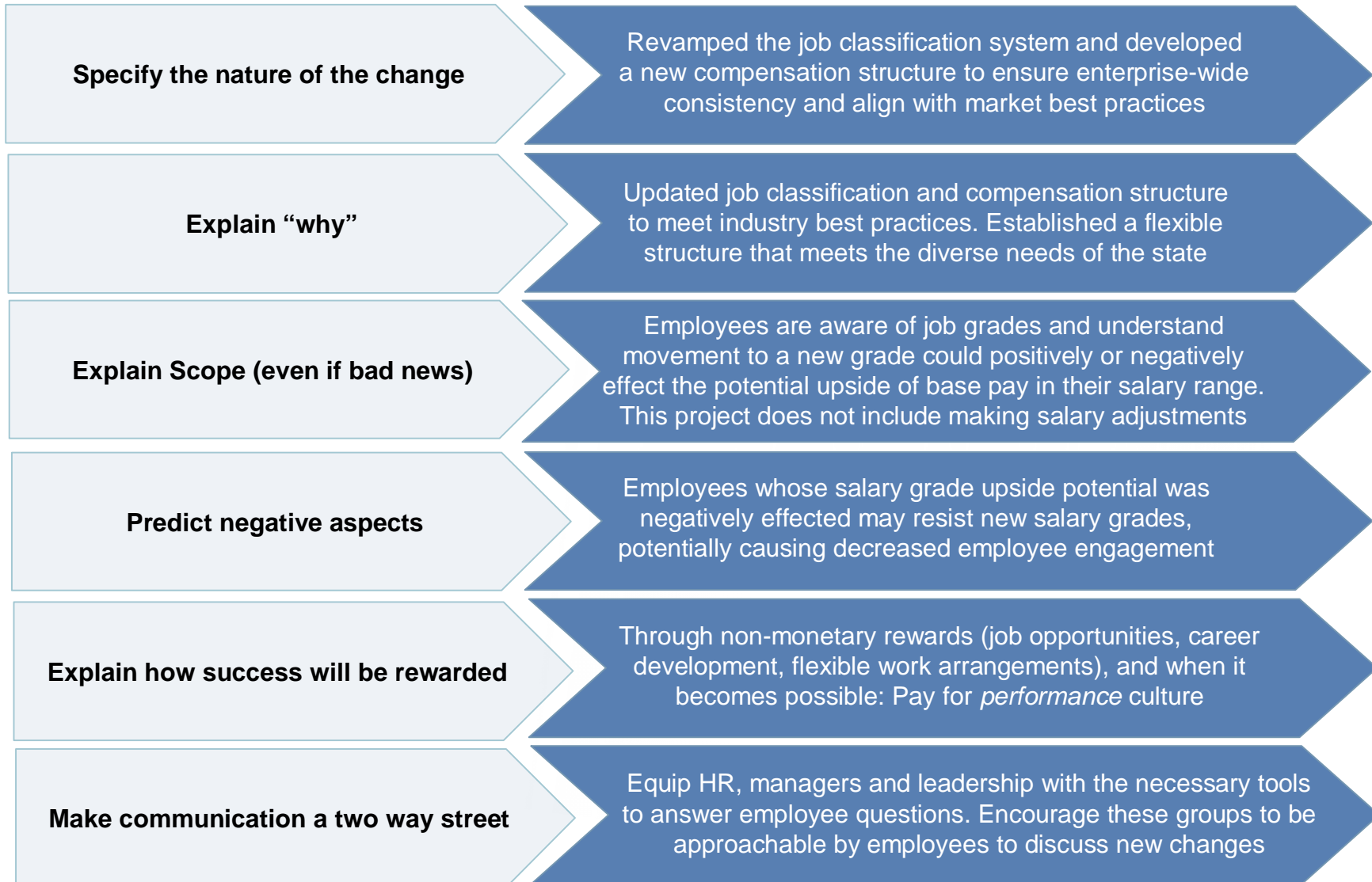
60% of the work

- Setting direction
- Engaging employees and aligning behaviors
- Minimizing distraction and disruption
- Building employee support
- Ensuring consistency in messaging – internally and externally



Change Management Plan

Key Messages





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Change Management Plan

Key Messages

Audience	Suggested Key Messages
Leadership Team, Human Resources Partners and People Managers	<ul style="list-style-type: none">■ Encourage these groups to model the behavior and attitude they would like to see in others around the changes■ The pay grade ranges on the proposed structure are wider than the previous structure. Some job's the new grade minimum and maximums are lower but there will be no change to the employee's current base salary as a result of the structure implementation■ As in the current structure, employees whose salaries are over the maximum range of the job grade assignment remain eligible for incentive awards that do not change base salary■ The Board Rules for promotions, transfers, demotions remain the same



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Communications Roadmap

	What	Why	How	When
Human Resources/ Agency Leadership	Program proposal/agency reports	Structure review and feedback. Final job mapping changes	Onsite meetings/ Teleconferences Additional HR focus meetings	July-Oct
Employees	New compensation structure	Informational	SPA site/Team Georgia/Agency media	Nov-Jan



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Immediate Next Steps

September

- Complete follow up meetings with agencies to finalize outstanding job mapping/classification issues
- Distribute adjusted program components for final feedback:
 - Structure/implementation guidelines
 - Provide updated agency reports (on-line)

October

- Solicit agency feedback on communications (Messaging/FAQs)

November

- Presentation to State Personnel Board