

MINUTES OF THE HOUSE KANSAS 2000 SELECT COMMITTEE.

The meeting was called to order by Chairperson Kenny Wilk at 1:30 p.m. on February 2, 1999 in Room 526-S of the Capitol.

All members were present except: Representative Larry Campbell - excused
Representative Tim Carmody - excused
Representative Gwen Welshimer - excused

Committee staff present: Alan Conroy, Legislative Research Department
Gordon Self, Revisor of Statutes
Janet Mosser, Committee Secretary

Conferees appearing before the committee: Jim Fox, Fox Lawson & Associates

Others attending: See attached list

Chairperson Wilk brought to the attention of the Committee a letter received from Bobbi Mariani, Assistant Director, Division of Personnel Services, Department of Administration, in response to the request for additional information made by the members at the January 25, 1999 meeting relating to participation in the Benefits Program (**Attachment 1**).

Jim Fox, Fox Lawson & Associates, gave an overview of the revised final report "Diagnostic Review and Draft Philosophy and Strategies for the State's Classification and Compensation Systems" (**Attachment 2**).

Chairperson Wilk requested the conceptional introduction of a bill which would reorganize the state executive department to create a Division of Professional Regulation within the Department of Health and Environment. Rep. Sloan moved the Committee introduce the bill and Rep. Horst seconded the motion. The motion carried.

Chairperson Wilk reminded the Committee that on Thursday, February 4, 1999 there will be a meeting of the Joint Committee on Pension, Investments and Benefits at which there will be a presentation on the Third Interim Report on Retirement Plan Design Alternatives submitted by the consultant. All committee members are invited to attend. The meeting will begin at 12:30 p.m. in Room 123-S. The consultant will come to the Kansas 2000 Select Committee meeting at 1:30 p.m. to continue the discussion.

Minutes for January 20, 21, and 25 were distributed. Rep. Alldritt made a motion and Rep. Sharp seconded the motion to approve the minutes. The motion carried.

Chairperson Wilk adjourned the meeting at 2:33 p.m.

The next meeting is scheduled for February 4, 1999.



DEPARTMENT OF ADMINISTRATION

Division of Personnel Services

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Governor

DAN STANLEY
Secretary of Administration

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February 1, 1999

The Honorable Kenny Wilk
Room 180-W
Capitol Building
Topeka, KS 66612

Dear Representative Wilk:

This letter is in response to the request for additional information made by the committee members during the Hearing on Monday, January 25, 1999 relating to participation in the Benefits Program.

Question: What are the fees paid to Blue Cross under the administrative services agreement?

Answer: The current Administrative Services fee paid to Blue Cross is \$13.85 per employee per month. The fee paid to Delta Dental is \$1.24 per employee per month. The fee paid to Advanced Paradigm is \$.76 per employee per month. The administrative fees are not dependent upon they type of coverage elected i.e. single vs. full family.

Question: What is the current balance of the reserves held by the Health Care Commission?

Answer: Reserve accounts were established for each year there was a minimum premium funding arrangement with Blue cross beginning January 1, 1989. Currently, only two accounts remain which contain reserve funds. The reserve fund from contract year 1994 has a current balance of \$22,021,237.33. The reserve fund from contract year 1995 has a current balance of \$16,695,845.99. This money has been used to offset the need for the legislature to provide any "new" money to finance premium increases since 1996. This reserve draw down is scheduled to be completed no later than the end of Fiscal Year 2001. The final reserve balance estimates are continually modified based upon the annual increase in premium costs and utilization trends.

Question: What insurance plans are being selected by state employees and the level of coverage?

Kansas 2000 Select Committee
Meeting Date 2-2-99
Attachment 1

Answer: Please refer to the attached exhibits. Exhibit A, entitled 1999 Group Health Insurance Enrollment By Medical Insurance Provider, and Exhibit B, 1999 Group Health Insurance Enrollment by Medical Coverage Level. These tables provide a break down of the plans and type of coverage selected by state employees and direct bill participants as of January 1999. These numbers do not reflect individuals currently employed by the University of Kansas Hospital Authority, or individuals enrolled under the provisions of Title X of the Consolidated Omnibus Reconciliation Act of 1985. We estimate that there are approximately 1,800 individuals at the University of Kansas Hospital Authority, and approximately, 417 COBRA participants.

Question: How many individuals participate in the flexible spending accounts under the cafeteria benefits program?

Answer: Currently there are 5,060 employees participating in some combination of medical spending accounts and/or dependent care spending accounts. There are 934 participants in the dependent care program and 4,648 in the medical spending account program. Some individuals participate in both.

Question: What is the administrative cost for the flexible spending accounts under the cafeteria benefits program? If more people participated, would administrative costs go down?

Answer: The current administrative rate for the dependent care and health care spending accounts is \$1.55 per participant per month. Total administrative expenditures to ASI to administer the spending accounts was \$91,200 for contract year 1998. Since the cost is variable based on the number of participants, additional members will not significantly reduce the cost per member of the program.

Question: How does the State of Kansas compare to other employers regarding the structure of the cafeteria benefits program?

Answer: It is important to note that flexible benefit plans sometimes referred to as cafeteria benefits plans generally fall into two categories. Some are contributory programs that consist of a series of benefit options that the employee may select, which require some level of employee contribution or payment. These programs may be partially or completely employee paid. However, employees usually have the option to pay pre-tax for these programs.

The other type of program is referred to as a credit program. In a credit program, the employer provides the employee with a fixed amount of credits or dollars. These credits can then be used to purchase various levels of benefits such as buying extra vacation days, additional life or disability coverage, or vision benefits.

In either case, the employer may designate a series of core benefits that are not optional, such as mandatory participation in the health benefit or short-term disability program.

This is to avoid the potential of adverse selection against some benefits, which would increase cost, or threaten program stability.

The 1997 Mercer /Foster Higgins National Survey shows that flexible benefits programs were offered most frequently by employers with over 20,000 employees.

Large Employers Over 500 Employees	Midwest Employers	Government Employers	Employers Over 20,000 Employees
28.00%	25.00%	28.00%	47.00%

Of those employers who offer flexible benefit plans, the following options are provided the most often:

	Employers Over 500 Employees	Midwest Employers Employees	Government Employers	Employers Over 20,000 Employees
Medical Plan	79.00%	77.00%	62.00%	98.00%
Dental Plan	82.00%	83.00%	56.00%	96.00%
Term Life	83.00%	88.00%	86.00%	75.00%
Dependent Life	70.00%	73.00%	62.00%	69.00%
Short Term Disab.	51.00%	46.00%	44.00%	47.00%
Long Term Disab.	75.00%	72.00%	51.00%	89.00%
Acc. Death & Dismb.	77.00%	79.00%	72.00%	73.00%
401K/457K Retiremt.	29.00%	18.00%	20.00%	13.00%
Vision Plan	41.00%	39.00%	33.00%	29.00%
Vacation Buy/Sell	20.00%	17.00%	2.00%	28.00%

Of those employers that offer flexible benefit plans, programs which offered some type of credits to use for benefit purchases were the most common.

Employers Offering Credit Programs	Employers Over 500 Employees	Midwest Employers Employees	Government Employers	Employers Over 20,000 Employees
	65.00%	76.00%	85.00%	89.00%

The Honorable Kenny Wilk
February 1, 1999
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If you have other questions or would like additional information, please contact Terry Bernatis at 296-6280.

Sincerely,



Bobbi Mariani, Assistant Director
Division of Personnel Services

Department of Administration
Division of Personnel Services
2/1/99

cc: Kansas 2000 Select Committee
Terry Bernatis

STATE OF KANSAS

1999 GROUP HEALTH INSURANCE ENROLLMENT BY MEDICAL INSURANCE PROVIDER

Active Benefits Eligible State Employees*			Direct Bill **	
Health Plan Provider	Jan 99	Percent	Jan 99	Percent
Blue Cross Traditional	247	0.66%	7,826	80.84%
Blue Cross Blue Select	22,492	60.47%	1,225	12.65%
CIGNA (HMO)	1,608	4.32%	84	0.87%
Community Health (HMO)	170	0.46%	9	0.09%
HealthNet Excel (HMO)	443	1.19%	25	0.26%
Kaiser Permanente (HMO)	426	1.15%	15	0.15%
Preferred Health Systems	499	1.34%	11	0.11%
Preferred Plus (HMO)	1,926	5.18%	166	1.71%
Premier Blue (HMO)	5,230	14.06%	246	2.54%
Principal Gold 10 (HMO)	1,539	4.14%	74	0.76%
Waive Coverage	1,908	5.13%		
No Coverage ***	708	1.90%		
Total	37,196	100.00%	9,681	100%

*Does not include University of Kansas Hospital Authority

**Retiree, Early Retiree, and Other Direct Bill Categories, Excluding COBRA

*** Individuals awaiting coverage
(60 day waiting period)

Department of Administration
Division of Personnel Services
1/27/99

STATE OF KANSAS

1999 GROUP HEALTH INSURANCE ENROLLMENT BY MEDICAL COVERAGE CATEGORY

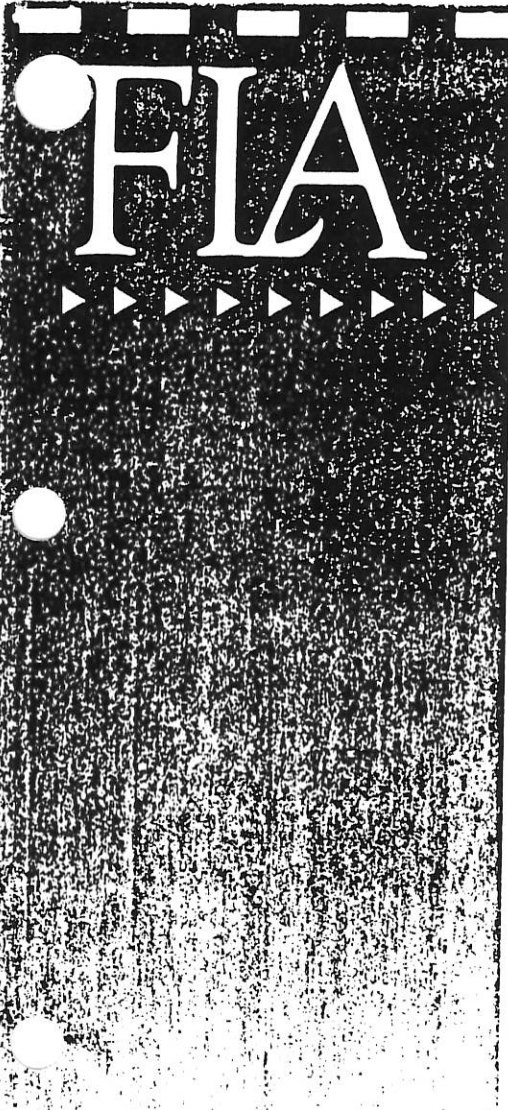
Active Benefits Eligible State Employees*			Direct Bill **	
Medical Coverage Category	Jan 99	Percent	Jan 99	Percent
Member Only	16,861	45.33%	1,161	11.99%
Member and Spouse	4,142	11.14%	444	4.59%
Member and Children	5,132	13.80%	58	0.60%
Member and Family	6,634	17.84%	47	0.49%
Special Member/Children	905	2.43%		
Special Member/Only	900	2.42%		
Other	6	0.02%		
Waive Coverage	1,908	5.13%		
No Coverage ***	708	1.90%		
Medicare Member Only			5,358	55.35%
Medicare Member - Spouse & Family			5	0.05%
Medicare Member - Spouse & Family			25	0.26%
Medicare Member - Medicare Spouse			2,044	21.11%
Medicare Member - Medicare Spouse & Family			9	0.09%
Medicare Member & Spouse			413	4.27%
Medicare Member & Children			21	0.22%
Member & One Medicare Dependent			92	0.95%
Medicare Member & Family			4	0.04%
Total	37,196	100.00%	9,681	100%

*Does not include University of Kansas Hospital Authority

**Retiree, Early Retiree, and Other Direct Bill Categories, Excluding COBRA

*** Individuals awaiting coverage (60 day waiting period)

Department of Administration
Division of Personnel Services
1/27/99



State of Kansas

REVISED FINAL REPORT

DIAGNOSTIC REVIEW AND DRAFT PHILOSOPHY AND STRATEGIES FOR THE STATE'S CLASSIFICATION AND COMPENSATION SYSTEMS

Kansas 2000 Select Committee
Meeting Date 2-2-99
Attachment 2





FOX LAWSON & ASSOCIATES LLC
COMPENSATION AND HUMAN RESOURCES SPECIALISTS

P.O. Box 32985
Phoenix, AZ 85064-2985
Phone 602 ■ 840 ■ 1070
Fax 602 ■ 840 ■ 1071

July 25, 1997

Mr. Gary Stotts
Project Manager
Room 554 Landon State Office Building
900 SW Jackson Street
Topeka, KS 66612

Dear Mr. Stotts:

Re: Revised Final Report

Enclosed is the final report covering our diagnostic review and draft philosophy and strategies for the State's classification and compensation systems. The report covers our project methodology; findings, conclusions and recommendations; and an outline of next steps in the overall process of reforming the State's classification and compensation systems. The report fulfills our contractual obligations related to this diagnostic study.

We would like to thank you, the members of the project steering committee, the Legislative Coordinating Council, the staff within the Division of Personnel Services, the members of the strategy advisory group, and all of the employees who participated in employee focus groups and completed survey forms for their cooperation and assistance in conducting this study.

We appreciate having the opportunity to assist the State of Kansas in developing a new classification and compensation philosophy and strategies for the State and look forward to working with the State to complete the Phase II activities. Should you have any questions regarding the final report, please call either me at (602) 840-1070 or Jim Fox at (612) 635-0954.

Very truly yours;

Bruce G. Lawson, CCP
President

Enclosure

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I. Executive Summary

Performance 2000 puts forth the purpose, goals, and objectives for the classification and compensation system(s) for the classified employees within the executive branch and non judicial employees in the judicial branch as well as the strategies to be followed in order to fulfill the stated goals and objectives.

Within the strategic plan document, the specific goals are as follows:

- The classification and compensation system(s) should facilitate internal equity across positions within all departments, agencies and applicable branches of Kansas state government. The classification structure(s) should also reflect meaningful differences in the level of work within each occupational group.
- The compensation system(s) should reflect both internal equity and external parity within the various labor markets in which the State must compete. The system(s) should also reward employees who perform at above standard levels within their respective job class.
- The performance appraisal system shall be used to facilitate two-way communication between supervisors and employees regarding expected levels of performance.

A copy of the Focus Framework will be found in Appendix A.

II. Project Methodology

Reviewed Laws and Regulations

The current method for classifying and compensating employees has been largely in effect since 1941. It is a whole job ranking method. Although the classification plan has recently been updated, including reducing the total number of job classifications to approximately 750, the classification structure still focuses on relatively narrow job classifications. Thus, meaningful differences between adjacent classes are difficult to discern. In such an environment, it is difficult to justify and rationalize either classification or compensation differences.

The current personnel rules and regulations are sufficient to allow many of the changes that are desired and outlined in the Performance 2000 plan. However, statutory changes that cover the State's civil service system and impede the successful implementation of Performance 2000 may be required. However, questions regarding employee and management rights relative to work assignments or individual positions were outside the scope of this study. Accordingly, we have recommended that those issues be included in Phase II of the study of the State's classification and compensation program.

One issue that has already been addressed by the Legislature is group incentives. Provision for group incentives was approved in 1996.

Conducted Employee Focus Groups

To assist in understanding the State's needs, we conducted 18 focus group meetings with employees, managers, legislators, and other stakeholders, to obtain perceptions of the strengths and weaknesses of the current classification and compensation system and identify issues and concerns regarding the current system. Stakeholder groups are those with an interest in, or are affected by, the State personnel systems. Each focus group included 10 to 15 participants. In this way, we were able to gain detailed input from approximately 300 people.

The purpose of each focus group was to mutually explore the strengths and weaknesses of the current system and to identify specific objectives for the State's classification and compensation system. The information generated through the focus group process also provides a foundation for the employee and manager surveys (next task). Each session lasted approximately 90 minutes.

In general, state employees do not believe that they are paid competitively with other similar jobs in the market nor do they believe they paid are fairly in comparison to other similar jobs in State government. Most are supportive of changes to a more flexible, performance based compensation program. Although some employees believe that years of service (i.e., longevity) should be more important than performance when determining pay increases, most do not. In fact, a majority believe that performance evaluations should be used to support pay increases and many believe that bonuses or lump sum payments should be used to recognize outstanding performers: (Less than half of the employees believe that poor performers should receive a pay increase simply to keep

pace with the market or cost of living). Of the pay system factors that employees would like to see in a new pay system, a competitive base pay rate and a pay system that recognizes and rewards above average performance are among the top five factors.

Detailed findings from the employee and stakeholder meetings and our review of the present systems were documented and their implications for classification and compensation system design discussed with the Strategy Advisory Group. A summary of the employee focus group findings has been included in Appendix C at the back of this report.

Conducted Employee and Management Surveys

Using the issues that were identified during the review of documents and the employee / stakeholder focus groups, we developed an employee attitude questionnaire and identified 3,000 target participants in the survey. A separate, but similar, survey was prepared and distributed to 100 managers to obtain their perceptions regarding the classified personnel system. A total of 1,180 survey responses were received from employees. Although the response rate was less than 50%, the response rate represented approximately 5% of the State's classified workforce. A total of 49 manager surveys were returned. This response rate was consistent with the survey objective. This represents an adequate response rate from which valid conclusions regarding employee and manager concerns can be made.

The survey results (contained in a separate 300+ page report dated May 1997) were reported to the Strategy Advisory Group for their use in developing the philosophy and

goals for the State's classification and compensation systems. A summary of the survey results has been included in Appendix B at the back of this report.

Conducted Research Regarding Best Practices

As requested by the Legislative Coordinating Committee, we identified best practices in the field of public sector classification and compensation. That information was provided to the Strategy Advisory Group for their consideration in developing the Philosophy, Goals, Objectives and Strategies.

Following are key findings from this research:

- Most states' classification and compensation programs have gone without significant change, on the average 23 years.
- Most states which have employee recognition programs see them as being worthwhile.
- Most states want to try other classification and compensation programs such as Broadbanding, Competency Based Pay, Decision Band, Performance-Based Pay or Point Factor.
- States and school districts are the most frequent users of broadbanding.

- The most frequent alternative award programs are recognition programs, employee suggestion programs and employee involvement programs.
- Use of non cash awards is up 15% from 1991.
- Many public sector organizations surveyed have indicated they are either using or planning to implement a broadband pay structure.
- Usage of skill based pay is high among cities, counties and states.
- Some organizations are beginning to adopt open ranges and steps or open ranges alone in order to tie pay to demonstrated performance.
- Many organizations are beginning to use multi-rater performance assessment tools.

A summary of best practices has been included as Appendix B at the back of this report.

Developed Proposed Philosophy, Goals, Objective and Strategies

This task focused on the assessment of the State's compensation philosophy and strategy. The intent of this task was to secure consensus and support for basic conceptual and policy matters that are critical to compensation program design and effectiveness. To conduct this task, we utilized Fox Lawson & Associates LLC's proprietary strategic planning methodology (FOCUS) which we have used in a variety of settings to establish compensation philosophy and strategy.

This approach differs from the more traditional planning process in the degree and extent to which the diverse interests/stakeholders are involved and the need for consensus or guidance prior to going forward with the project. The advantage of this process is that by reaching broad level consensus about system design issues, the existing system can be evaluated in tangible and meaningful terms. Simply stated - *Does the classification and compensation plan achieve what the State wants it to achieve?* FOCUS is a strategic management process that is designed to build a consensus on future direction and a commitment for implementation. The strategy development process involved the following activities:

1. - Established Strategy Advisory Group

A fundamental premise of the FOCUS process is that shared vision and consensus are critical. There must be a common understanding of available resources, the environment, and the constraints and opportunities affecting change. Participation by representatives of the "stakeholders" and those responsible for implementation are essential to success of

the plan. Stakeholders are those individuals for whom the plan(s) will "make a difference." In addition, there must be high level input and involvement by organizational leadership.

The first step involved formation of a "Strategy Advisory Group," consisting of people within the State who have a "stake" in the design and operation of the classification and compensation system."

The Strategy Advisory Group consisted of the following individuals:

- Policy Makers
 - Henry Helgerson, Representative
 - Robin Jennison, Representative
 - Gerald Karr, Senator
 - David Kerr, Senator

- The Governor or his/her designee
 - Clyde Graeber

- The State's Chief Financial Officer
 - Gloria Timmer, Director of the Budget

Department Directors

- Alice Devine, Secretary of Agriculture
- Charles Simmons, Secretary of Corrections
- Roger Lowe, Vice President for Administration & Finance, Wichita State University

The Judiciary

- John White, District Court Judge
- Howard Schwartz, Judicial Administrator

Employees

- Mike Auchard, Mason, University of Kansas
- Shirley Burnett, Office Supervisor, Dep't. of Social & Rehabilitation Svcs.
- Nancy Guthrie, Program Services Manager II, Dep't. of Human Resources
- Jamie Morgan, Collector II, Department of Revenue

The Personnel Director

- William McGlasson, Personnel Director

2. - Conducted FOCUS Foundation Stage

The FOCUS foundation stage consisted of a one-half day meeting of the Strategy Advisory Group. In this initial meeting, we explained and confirmed the strategy assessment process to be employed. We then establish a collective diagnosis of the current plans and identify issues and opportunities that must be addressed. In addition, an assessment and prioritization of issues was carried out. The result of this process was the identification of six major issues, as follows:

- Fiscal support of any compensation plan
- The current “lock step” pay plan
- Performance based compensation
- Paying individuals versus paying for the job
- Training of managers to properly administer a performance management system
- Actual compensation levels relative to the labor market

These issues became the foundation for work during the Strategy Stage (next task).

3. - Conducted FOCUS Strategy Stage

A second all-day meeting of the Strategy Advisory Group focused on the confirmation of the philosophy and strategic excellence positions previously defined during the first meeting. The group then moved on to discuss goals and specific objectives. "Gap analysis" was used to identify the level of disparity between what is being sought in the classification and compensation system and the present conditions. Information generated through the focus groups and attitude survey were also used during this process. In addition, feasibility was discussed to address the likelihood that the goals and objectives are achievable.

This process resulted in confirmation of goals and objectives and the development of specific strategies to achieve them. The outcome is a strategic plan for the State's classification and compensation system. A copy of the draft plan, entitled Performance 2000, is attached as Appendix A.

Prepared and Delivered Final Report

We have prepared a final report describing the project approach, results obtained from each project step and our firm's recommendations as to how the State of Kansas should proceed to determine the overall feasibility of implementing the Performance 200 plan. We also met with the Project Steering Committee and the Legislative Coordinating Council to review our findings and recommendations.

III. Findings, Conclusions, and Recommendations

Current Pay Plan

Finding and Conclusion

The current methodology for classifying and compensating employees is the whole job ranking method which has been largely in effect since 1941. However, we have been unable to identify any clearly defined philosophy, goals or objectives for the systems. Consequently, we conclude that the current system has evolved without any clear sense of purpose.

Although the classification plan has been updated, including reducing the total number of job classifications to approximately 750, the classification structure still focuses on relatively narrow job classifications and the whole job ranking method is still in use. Thus, meaningful differences between adjacent classes are difficult to discern. In such an environment, it is often difficult to justify and rationalize either classification and compensation differences.

The compensation system is a single system of 36 effective grades each with 15 steps which advance from the minimum of the salary grade to the maximum of the salary grade. The differences between the steps are 2.5% and the differences between the salary grades is approximately 5%. Employees are typically hired into a job at the minimum of the salary grade. Each year thereafter, until the employee reaches the maximum of the

salary grade, the employee receives a step increase plus a general adjustment (if granted by the Legislature). In addition, the employee may receive a longevity payment based on his/her years of service (minimum of 10 years).

The State currently conducts periodic market studies and attempts to equate State compensation levels with compensation levels within states in the central region of the United States. However, the legislature must grant a general increase when State compensation levels fall behind the market. The effect of this practice is that the State's compensation levels will generally lag the market by at least 12 months. Most organizations, including some states that are adjacent to Kansas, try to lead the market for 6 months of the year and lag the market for the remaining 6 months. Such a practice means that, on average, employees will be paid comparably to the market average.

As outlined above, it appears that the changes that have occurred over the past 56 years have largely been reactive to immediate concerns rather than through any pre-established philosophy regarding the purpose, goals and objectives of a classification and compensation system.

The agency and department heads who need to manage personnel to meet the mission of their agency believe that the current compensation and classification system is overly restrictive and limiting. It does not allow them to manage their agencies in the most efficient and effective manner because it limits the manner in which classes are defined and managed.

Recommendation

Develop a model classification structure using the existing class specifications as a foundation. The model structure should focus on consolidating current classes into broad classifications within each occupational group. The model structure can then be used to assess the potential cost to implement such a system. At such time as the model structure is adopted by the State, then new class specifications will need to be developed for each generic class within the structure.

Goals and Objectives for a New Pay Plan

As a result of the work done by the Strategy Advisory Group, the following goals and objectives have been recommended for a new State of Kansas Classification and Compensation Plan:

PURPOSE

The State of Kansas values its employees as the means of providing efficient, effective, responsive and creative public services to its citizenry.

The purpose of the classification and compensation system is to support the recruitment, motivation and retention of well qualified and productive employees. The classification and compensation system should support the employees of the executive and judicial branches by encouraging them to be responsive to its customers/taxpayers while being fiscally sound and cost effective in order to obtain continued taxpayer support.

GOAL 1

To provide for a simplified, broad based classification system that defines the general scope and complexity of the work required.

OBJECTIVE 1

To establish a classification structure that reflects different levels of work.

OBJECTIVE 2

The classification plan should meet the current needs of operating departments while providing managers with maximum flexibility to manage and organize the work in a changing environment.

OBJECTIVE 3

The classification system should be responsive to organizational and environmental change through the creation of new classes and redefinition of job responsibilities as defined by the agency or branch of government.

GOAL 2

The compensation system should reflect economic conditions of the various occupational labor markets in which the State must compete. The system should also reward employees who perform at above-standard levels within their respective job class.

OBJECTIVE 1

Compensation levels should reflect the multiple labor markets covering State classes.

OBJECTIVE 2

Pay grade midpoints should approximate the actual average salaries paid to positions in the relevant labor market(s) as reported in salary survey results. Pay range minimums and maximums should be established from survey results.

OBJECTIVE 3

Classifications for which there is no available market data or are not used in development of the salary structure (e.g., specialized jobs without peers in the marketplace) should be placed in the salary structure based upon their internal relationship with other classes within the occupational group as determined through a standardized job evaluation process.

OBJECTIVE 4

Salary advancement up to the job rate shall be based on competent performance in the job class.

OBJECTIVE 5

To keep employees informed regarding their compensation and benefits.

GOAL 3

A performance management system (PMS) shall be used to review performance, communicate performance expectations and support the employee in helping the organization achieve a superior level of performance.

OBJECTIVE 1

The performance management system shall be used constructively to promote achievement of organizational goals.

<p>GOAL 4</p> <p>The Classification and Compensation System shall be administered in an efficient, cost effective, responsive, fair and equitable manner to meet the needs of both the State and its employees.</p>
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In order for these goals and objectives to be achieved, further work will be needed. We also recommend that the Legislature, Governor, Supreme Court and Division of Personnel Services make no changes to either the classification or compensation systems without first articulating why the changes are being made and the anticipated benefit(s) to the State of Kansas. Should the State ultimately adopt the recommended philosophy, any changes to the classification or compensation systems should be linked directly to achievement of the philosophy, goals and objectives as set forth in the Performance 2000 strategic plan.

Related Personnel System Issues

Finding and Conclusion

A classification and compensation plan does not exist in isolation. Employment issues for classified employees are governed by civil service rules. The rules and regulations of civil service restrict both employees and managers in their ability to respond to the needs of the agency and the citizens of the State of Kansas. Such restrictions can increase the cost of services provided by government. For example, cross training of individuals in different job classifications can create questions about what the appropriate work is for

specific classes. In addition, conversion to alternative compensation systems, such as skill based pay in certain occupational groups, will require some changes in the way work is described and the opportunities and procedures governing how employees are paid. Most organizations that have adopted skill based pay programs have reduced the number of different classes in a job series and/or occupational group and eliminated the need for testing for a promotional position vacancy. Thus, the process has been streamlined and the organization has been able to more effectively utilize employee skills. Employees also receive pay increases that are commensurate with their newly acquired skills.

Recommendation

Because of the impact that the civil service system has on the State's ability to achieve the intended goals and objectives outlined in Performance 2000, any areas of conflict should be identified, and the potential impact defined. Such a review should recognize the protective value of civil service rules while identifying those rules that are unduly restrictive in a changing environment. Accordingly, we recommend that an analysis of the State's civil service rules and regulations be conducted as part of the Phase II study.

Barriers and Enablers to Cultural Change in Kansas

Along with examination of the other structural personnel and management issues that surround the classification and compensation system, (as outlined above) there are several cultural issues that may present obstacles to the adoption of the recommended

classification and compensation strategy. There are aspects of the current organizational culture that will serve to enable the State to implement the recommended changes.

The barriers to change are as follows:

1. Employee and manager resistance to a pay plan that does not guarantee an automatic increase in pay each year.
2. Supervisor and manager skills in developing meaningful performance appraisal standards and conducting effective performance appraisals.
3. Legislative and union resistance to granting flexibility regarding the management of personnel systems.
4. Manager and supervisor capability to manage in a less structured environment.
5. The potential cost to implement any new system that changes the manner in which personnel are managed.
6. The unknown, long-term, costs (both culturally and economically) regarding the effects of a new management system.
7. The State's past history of effective follow-through relative to significant change within the organization.

8. Potential misconceptions by employees, legislators, managers, and unions regarding the effects of the Performance 2000 plan.

The enablers for change are:

1. A performance appraisal system currently exists and the process is generally viewed positively by employees and managers.
2. Employees and managers are accustomed to an evaluation process.
3. The majority of employees like the work they do, find it challenging, and proud to work for the State of Kansas.
4. Most employees feel that agencies have not historically promoted individuals who are the best qualified. As a result, they appear to be receptive to new approaches that would alter this practice.
5. A majority of employees and managers believe that the classification system does not represent meaningful differences in level of work performed.
6. Most employees and managers believe that performance should outweigh years of service in determining annual pay increases. However, few believe that there are systems available to reward performance. Less than one-half of the

employees and very few managers believe that poor performers should receive pay increases to keep pace with the labor market and/or cost of living.

7. The majority of employees and managers believe that individual departments/agencies should be given the opportunity to develop specific incentives to improve performance.
8. The majority of employees and supervisors believe that performance appraisals are effective if done properly.

Based on the above barriers and enablers, we believe that the conditions exist for the State of Kansas to successfully implement the changes outlined in the Performance 2000 strategic plan. While there are definite barriers to change, the enablers provide a unique opportunity to overcome the barriers.

IV. Next Steps - Phase II

This section outlines the activities that will need to be accomplished during Phase II of the study of the State of Kansas Classification and Compensation System. These tasks are necessary given the philosophy and strategies that were identified for a new classification and compensation system in order to determine whether the new system is feasible, practical and affordable. As specified in our contract for Phase I, we have developed a specific, step-by-step work plan that includes time frames and estimated cost in terms of dollars and other resources for each activity. We have also prioritized each activity based on the philosophy and strategy document entitled Performance 2000, a copy of which is included in Appendix A of this report. Completion of these tasks should take 12 to 15 months from the effective start date.

Following are the tasks which needed to be completed in the sequence specified by the order of their presentation.

A. Conduct Diagnostic Review of Civil Service System

This task will involve an in-depth review of existing State of Kansas statutes governing the State's civil service system. The outcome from this task will be an identification of statutory changes needed to support the new pay plan.

Specific activities to be performed include:

- Detailed review of all applicable statutes and labor agreements
- Review of preliminary findings with the Division of Personnel Services, the Project Steering Committee, and others as necessary.
- Preparation of a detailed report to the Legislative Coordinating Committee regarding the statutory changes needed, as well as a summary of the potential implications of each statutory change.

This task could be performed by either the State or an independent third party. If conducted externally, this task will take one month to complete at an estimated cost will be \$30,000.

B. DPS Selects Job Evaluation Method for Slotting Jobs Where Market Data is Unavailable

The objective of this task is to systematically explore and select the most appropriate method for examining and determining the relative value of each job under study (i.e., job evaluation).

There are a wide range of job evaluation methods available. Each evaluation method is designed to meet clients' differing needs. The range of choices in job evaluation methods includes:

- Market Pricing
- Whole Job Ranking
- Classification Method
- Point Factor
- Factor Comparison
- Scored Questionnaires
- The Decision Band™ Method (DBM)

Selection of the job evaluation system should be based upon insight and understanding of the types and levels of work performed by the jobs covered in the project, the capability of the State to maintain the system, and the information about the specifics of the jobs acquired in the previous steps. An outside party should assist the Division of Personnel Services in evaluating and choosing the system that is best suited for the State of Kansas considering these and other functions.

An outside party should compare and contrast the alternative job evaluation approaches to help the Division of Personnel Services determine which approach best meets the needs of the State

In selecting the system for the State of Kansas, the outside party should make sure that the following technical and administrative criteria are met:

- Documented and capable of outside verification
- Equitable and can be applied consistently to the full range of jobs being evaluated
- Provides for a logical and objective ranking of jobs
- Easily understood by the personnel who will administer the program
- Flexible in responding to changes in job functions, technology, and organizational design
- Facilitates periodic auditing
- Requires minimum outside maintenance on an ongoing basis

The outside party should also conduct a one day training program for up to 20 people designated by the Division of Personnel Services so that the State will be able to utilize the selected job evaluation methodology in the future.

Unless the Division of Personnel Services has sufficient knowledge of the alternative approaches to job evaluation we believe that this task would most effectively be performed by an outside party since the focus is on selection of a job

evaluation method. This task will take one week and will cost approximately \$10,000.

C. Review Current Classification Structure and Plan for Consistency with Performance 2000

This task will involve development of a conceptual outline of new class structure. The following specific activities should be completed:

An outside party should review the existing class specifications that have been adopted by the Division of Personnel Services. The outside party should then develop a model broad classification structure. This model structure should be reviewed with the Director of Personnel Services. Based on his comments and suggestions, the model structure will be revised and then presented to the Project Steering Committee for review and approval. The model structure should focus on consolidating current classes into broad classifications within each occupational group. The model structure can then be used to assess the potential cost to implement such a system. At such time as the model structure is adopted by the State, then new class specifications will need to be developed for each generic class within the structure.

This task could be performed either by the Division of Personnel Services and/or outside party. Development of the model structure will take approximately 320

hours (two months) and cost approximately \$50,000 if performed by an outside consultant.

D. Review and Assess Adequacy of Current Market Compensation Data

This task will involve reviewing currently available market compensation data and collection of additional market compensation data, as needed, to assess the potential impact of the new pay plan philosophy, goals and objectives. Job classes from the model structure developed in the previous task will serve as the basis of the market compensation study.

From a technical standpoint, this task could be performed either by the Division of Personnel Services or an outside party. This task will take eight to ten weeks to complete at a cost of approximately \$30,000 if conducted by an outside consultant.

E. Develop Model Compensation Structures for Classified and Unclassified Pay Structures Consistent with Performance 2000

Using the available market compensation data (as outlined in the previous task), we will develop model compensation structures that are consistent with the Performance 2000 philosophy, goals, objectives, and strategies.

From a technical standpoint, this task could be performed either by the Division of Personnel Services or and outside party. This task will take two weeks and cost approximately \$25,000 if conducted by an outside consultant.

F. Estimate Initial and On-going Employment Costs

Using the model compensation structures developed in the previous task, and utilizing the State's current actual compensation levels, we will develop cost estimates to implement and maintain a new pay program consistent with the Performance 2000 plan. This activity will require extensive computer analysis of pay data and necessitate access to current State pay data. Given the size of the State workforce, this task could be completed using sample data and then projecting a total cost or we could use actual data to determine exact costs. Accordingly, the process could take from 30 to 60 days and cost from \$25,000 to \$50,000 if done by an outside consultant.

From a technical standpoint, this task could be performed either by the Division of Personnel Services or and outside party. This process will also allow the State to determine how much it would cost to repair or modify the current system, rather than replacing it with a new system.

G. Review and Assess Effectiveness of Current Performance Appraisal System to Support Performance 2000

Although the State has a current performance appraisal system, employees expressed concern about the effectiveness of the current system and its ability to support a performance based compensation system. This task will assess and examine the specific strengths and weaknesses of the current system and identify the changes necessary in order to have an effective performance appraisal system that will support pay change decisions. This task will take approximately six to eight weeks and will cost approximately \$30,000. While this task could be performed technically by the Division of Personnel Services, we believe that an outside party should conduct this review to facilitate acceptance of the study results by affected parties.

V. Next Steps - Phase III

A. Make Statutory and Regulatory Changes to Implement New System

Changes in the civil service rules and regulations, along with statutory changes, should be addressed at this time. Except for limited independent review and counsel, this task will need to be completed by the Division of Personnel Services, the State Legislature and the Governor. Estimated cost for external resources for advice and counsel should not exceed \$50,000.

B. Develop New or Revised Performance Management System (if needed)

Based on the results of the task above, a new performance management system may be required. Because the degree of change cannot be determined at the present time, this task is identified for planning purposes only. Given the size and complexity of the State organization and the variety of work that is performed, this effort could range from \$50,000 to \$500,000 depending on the flexibility and variety of performance systems that will be needed. For example, in addition to a model that increases an individual's base pay, the State should consider skill based pay programs or gainsharing programs that may be more appropriate for some occupational groups than a base pay increase model.

From a technical perspective, this task could be performed by the Division of Personnel Services. However, we believe that an outside party should conduct this review to facilitate acceptance of the study results by affected parties.

C. Train Managers and Employees

Following development of a new performance management/appraisal system and prior to implementation, the affected parties, including raters and ratees will need to be trained in the use and consistent application of the new system. Since this process involves a significant change, and given the employee comments gathered during the Focus Group process conducted during Phase I, this task becomes an essential and on-going requirement to assure success of Performance 2000. Given the size and complexity of the State organization, this effort could range from \$100,000 to \$250,000 depending on the use of internal resources to conduct the training and maintain it in the future. A bordering State has recently contracted with an outside vendor to assist in implementing their training requirements for a pay for performance system. The first year cost for that contract is \$250,000.

While training is essential to the success of any performance management/appraisal program, it is imperative that the training be geared to the philosophy, goals and objectives of the performance management/appraisal system. Consequently, we believe that it would be premature to begin training raters and ratees until such time as the philosophy for the performance management/appraisal system is established. In the interim, training could focus on basic communication and supervisory skills.

APPENDIX A: PERFORMANCE 2000 DRAFT PLAN

STATE OF KANSAS CLASSIFIED CIVIL SERVICE AND UNCLASSIFIED NON JUDICIAL EMPLOYEES OF THE JUDICIAL BRANCH CLASSIFICATION AND COMPENSATION PHILOSOPHY AND STRATEGIES Revised Draft: Kansas Performance 2000 May 29, 1997

PURPOSE

The State of Kansas values its employees as the key to providing efficient, effective, responsive and creative public services to its citizenry.

The purpose of a classification and compensation system is to support the recruitment, motivation and retention of well qualified and productive employees. In order to obtain and maintain taxpayer support, the classification and compensation systems managed by executive and judicial branches of State government should be fiscally sound and cost effective while supporting the employees of the State by encouraging them to be responsive to its customers/taxpayers.

GOAL 1

To provide for a simplified, broad based classification systems within the executive and judicial branches of government that define the general scope and complexity of the work required by the State of Kansas.

OBJECTIVE 1

To establish classification structures that reflects different levels of work.

STRATEGIES

- a) The classification system(s) should consist of broad classes that reflect the essential duties and responsibilities of jobs within the executive and judicial branches of government, agencies, departments, and institutions.
- b) Sub-classes may be defined to reflect specialized knowledge and skill requirements.

- c) Within each occupational group, there should be an opportunity for career development where practical and feasible, and the differences in job levels can be clearly and legally defined and defensible.
- d) The classification plan(s) should provide sufficient flexibility for career advancement without requiring movement into supervisory or management positions.

OBJECTIVE 2

Classification plans should meet the current needs of operating departments and institutions while providing managers with maximum flexibility to manage and organize the work in a changing environment.

STRATEGIES

- a) The existing civil service system and other statutory systems should be reviewed to identify current requirements which may inhibit and/or assist management flexibility and recommendations made to make it consistent with the purpose, goals and objectives of Kansas Performance 2000.
- b) The class descriptions, including the statements of essential duties, should reflect the current needs of each branch of government and ensure that new hires and incumbents are qualified to perform the work required.
- c) Opportunities will be provided for incumbents to learn and enhance their job related skills within budgetary limitations of the agency, department, institution or branch of government.

OBJECTIVE 3

The classification system should be responsive to organizational and environmental change through the creation of new classes and redefinition of job responsibilities as defined by the agency or branch of government.

STRATEGIES

- a) The classification descriptions shall be reviewed by the operating departments on an annual basis to ensure that they meet current needs. The Division of Personnel Services or their designee shall facilitate the review process for the Executive Branch. The Kansas Supreme Court or their designee shall facilitate the review process for the Judicial Branch.
- b) The Division of Personnel Services or their designee will respond to departmental requests for individual reclassification, revision of class specifications, or development of new class specifications, as necessary to meet the on-going operational requirements of the State of Kansas Executive Branch, subject to approval of funding by the Legislature. The Kansas Supreme Court or their designee will respond to judicial district and departmental requests for individual reclassification, revision of class

specifications, as necessary, to meet the on-going operational requirements of the State of Kansas Judicial Branch, subject to approval of funding by the Legislature.

GOAL 2

The compensation system should reflect economic conditions of the various occupational labor markets in which the State must compete. The system should also reward employees who perform at above-standard levels within their respective job class.

OBJECTIVE 1

Compensation levels should reflect the multiple labor markets covering job classes of each branch of government.

STRATEGIES

- a) For unclassified and classified jobs, the labor market should include large public and private sector employers within the State of Kansas with whom the State competes for such employees. For selected unclassified jobs, the labor market should include state governments within the central region of the United States. The states should be similar in population and character as the State of Kansas. Salary comparisons shall reflect cost of living differences in each geographic location.
- b) The compensation structure should be sufficiently flexible to recognize economic and market differentials throughout the State of Kansas.

OBJECTIVE 2

Pay grade midpoints should approximate the actual average salaries paid to positions in the relevant labor market(s) as reported in salary survey results. Pay range minimums and maximums should be established from survey results.

STRATEGIES

- a) Job range spans should be based on the level of the job classification and market information. The salary structure should provide sufficient depth to achieve midpoint progression between salary ranges of at least five to ten percent.
- b) Salary ranges should increase in width as jobs move up the salary grade structure(s). Progression above the mid point of the salary range shall be based solely on performance that is above standard. Merit compensation may be added to an employees base compensation level.
- c) For performance that exceeds established standards, employees should be eligible to receive compensation increases that exceed the norm for employees within that branch of government. Such increases may be either added to base pay for sustained performance for a minimum of two years at an above-standard level or on a one-time-only (OTO) basis for performance that exceeds standard in a

single year (in order to ensure that increases to base pay above the mid-point of the salary range are only granted for sustained performance that exceeds the norm and also to provide for a longer growth cycle for employees).

- d) Performance shall be both qualitative as well as quantitative.. Increasing skills, as well as quantitative increases in group or individual performance may be considered.
- e) Department directors, agency heads or branch of government shall have authority to adjust individual compensation within an established salary range for individual employees within budgetary limitations of their agency, department or branch of government.
- f) Each classification should have a job rate (midpoint) set at a percentage of the actual average salary paid incumbents occupying like positions in the relevant labor market. Funding for all positions shall be at the midpoint of the established salary grade for the classification.
- g) The hiring range should be from the range minimum for minimally acceptable qualified candidates to the job rate for exceptionally well qualified individuals. Appointment above the job rate (mid-point) should be at the discretion of the agency/department head, or branch of government within their budgetary limitations.
- h) Reclassification/promotion policies should be administered so that resulting salaries are competitive with average salaries in the relevant labor market.

OBJECTIVE 3

Classifications for which there is no available market data or are not used in development of the salary structure (e.g., specialized jobs without peers in the marketplace) should be placed in the relevant salary structure based upon their internal relationship with other classes within the occupational group as determined through a standardized job evaluation process.

STRATEGY

- a) Compensation structure(s) will be based on market salary data for benchmark job classifications compiled through a salary survey. Placement of individual job classifications within the overall salary grade structure will be based on their relative internal value using a standardized method of job evaluation.
- b) The Division of Personnel Services for the Executive Branch or the State Supreme Court or their designee for the Judicial Branch shall select a job evaluation methodology that is appropriate for use with broad classifications as outlined in Goal 1.

OBJECTIVE 4

Salary advancement up to the job rate shall be based on competent performance in the job class.

STRATEGIES

- a) Employees may receive a salary increase following completion of their probationary period. All subsequent salary increases up to the midpoint of the salary grade may be granted at one year intervals, assuming 12 months of continuous full-time equivalent service.
- b) Advancement beyond the salary grade mid-point should be based solely on performance that exceeds a standard performance level for incumbents in the job class.
- c) Employees who perform at less than standard performance shall not receive any salary increase for that period.

OBJECTIVE 5

Because compensation includes base pay, employee benefits, and variable compensation, employees need to be fully informed regarding their compensation and benefits.

STRATEGY

The Division of Personnel Services for the Executive Branch and the Kansas Supreme Court or their designee for the Judicial Branch shall annually issue a statement to all employees reflecting the total value of the compensation and benefits package.

GOAL 3

A performance management system (PMS) shall be used to review performance, communicate performance expectations and support the employee in helping the organization achieve a superior level of performance.

OBJECTIVE 1

The performance management system shall be used constructively to promote achievement of organizational goals.

STRATEGIES

- a) The performance management system shall require two-way communication between supervisors and employees.
- b) Supervisors and employees shall be trained for their respective roles in the performance management system.

- c) The Director of Personnel Services shall have overall responsibility for effectively implementing and monitoring the performance management system and the required training within the Executive Branch.
- d) The Kansas Supreme Court or their designee shall have the overall responsibility for effectively implementing and monitoring the performance management system and the required training within Judicial Branch.
- e) The performance management system should provide for fair and equitable treatment of employees.

GOAL 4

The Classification and Compensation System shall be administered in an efficient, cost effective, responsive, fair and equitable manner to meet the needs of all stakeholders including, elected officials, managers, employees and citizens of the State of Kansas.

Note: The goals, objectives and strategies set forth in this plan are subject to budgetary limitations. Nothing contained herein is to be construed as a binding contract.

APPENDIX B: BEST PRACTICES SUMMARY AND EMPLOYEE/MANAGER SURVEY RESULTS

Best Practices

- More than one half of state governments are not satisfied with their classification and compensation programs as they currently exist.
- Most states believe they have far too many classes with 1803 being the average and 6113 being the highest.
- Most state's classification and compensation programs have gone without significant change, on the average 23 years.
- Most states which have employee recognition programs see them as being well worthwhile.
- Most states want to try other classification and compensation programs such as Broadbanding, Competency Based Pay, Decision Band, Performance-Based Pay or Point Factor.
- States and school districts are the most frequent users of broadbanding.

- The most frequent alternative award programs are recognition programs, employee suggestion programs and employee involvement programs.
- Use of non cash awards is up 15% from 1991.
- Many public sector organizations surveyed have indicated they are either using or planning to implement a broadband pay structure.
- Usage of skill based pay is high among cities, counties and states.
- Some organizations are beginning to adopt standard pay ranges such as open ranges and steps plus open ranges in order to tie pay to demonstrated performance.
- Many organizations are beginning to use multi-rater performance assessment tools.

Sources:

Price Waterhouse, 1996

Risher, 1997

Center for Personnel Research, 1996

FLA Solutions, Vol. 2, No's. 1-4

FLA Solutions, Vol. 3, No. 1

Broad vs. Narrow Classes and Pay Ranges
(Broadbanding: Class/Comp Practice that involves the consolidation of two or more classes/pay grades into broad classes/salary bands.)

Pros:

- Allows greater flexibility of job assignments
- Flattens organizational structures
- Reduces grades and titles
- Provides dual career track options
- Provides wider salary ranges
- Assists with moving toward market pay
- Improves lateral movement within organizations

Cons:

- Time consuming due to the need for management and employee participation

Required Environment:

- Willingness to change traditional class/comp structures
- Value employee input

Prevalence In:

- Management classes
- Trades and maintenance classes
- Technical/professional classes
- Clerical/administrative

Sources:

Center for Personnel Research, 1994
FLA Solutions, Vol. 2, No. 1

Pay Plans

Variable Pay Alternatives

(Variable Pay: Pay used in addition to base pay which allows flexibility in meeting organization and/or employee needs.)

Pros:

- Allows partnerships to form between the employees and the organization
- Allows organizations to vary pay costs with performance
- Allows high levels of teamwork and collaboration
- Supports quality and customer oriented goals
- Supports cultural change

Cons:

- Organizations must be willing to change
- Time consuming as may need to change the culture of the organization

Types of Direct Variable Pay:

- Special Recognition Awards
- Individual Variable Pay
- Group Variable Pay
- Lump-Sum Awards
- Gainsharing/Goalsharing
- Discretionary Bonuses
- Paid Days Off

Nonmonetary Rewards and Programs:

- Parking spaces
- Recognition Awards
- Activities (picnics)
- Employee Suggestion Programs
- Employee Involvement Programs

Required Environment:

- Willingness to change from traditional pay plans
- The need to simplify existing class/comp plans

Prevalence in:

- Organizations focusing on improving performance
- Organizations focusing on simplifying pay plans

Sources:
Schuster, 1996

Pay for Performance

Pros:

- Money can serve as an effective motivator for performance
- Superior employees may resent automatic and indiscriminate pay increases
- Increases the clarity of employee goals
- Superior performers receive a greater share
- Conducive to a “no-surprise” performance evaluation
- Employees can track their own performance through pre-established targets
- Good pay-for-performance programs decrease the subjectivity of performance reviews

Cons:

- Tying pay to tasks may diminish the inherent attractiveness of the task (intrinsic vs. extrinsic motivators)
- Difficult to make fine distinctions between performance levels
- Employees may feel is unfair as the majority of employees consider themselves above average
- Employees prefer the security of automatic step increases

Required Environment:

- Where groups or individual may compete without causing the organization to be dysfunctional

Prevalence in:

- Organizations that are not predominantly professionals holding advanced degrees in high demand areas

Skill Based Pay

(Skill Based Pay: Comp system in which pay or salary is determined by the jobs or sets of skills that the person is capable of performing.)

Pros:

- Allows greater workforce flexibility
- Allows flexibility in job assignments
- Increases effectiveness
- Reduces labor costs
- Increases employee versatility
- Supports new technologies

Cons:

- Difficult to certify when employees have achieved satisfactory, proficient skill levels
- Increases training costs
- Increases payroll administration costs
- Difficult to make market place comparisons

Required Environment:

- Strong value for teamwork, learning and quality

- Non-competitive

Prevalence in:

- Classes which have tasks and responsibilities which can be broken into smaller, learnable skill blocks (e.g., manufacturing, technical, fire, police, public works classes and information system professionals)
- Service organizations such as telecommunications

Sources:
Rollins

Multi-Source Assessments

Pros:

- Allows feedback from team members and/or peers
- Allows feedback from the customer (internal and external)
- Allows feedback from subordinates
- Allows feedback from superiors

Cons:

- Managers may feel threatened
- Does not work well in strict hierarchical cultures
- Requires extra resources, time and training

Sources:
Rock, 1991
FLA Solutions, Vol. 3, No. 1

Environment

- Value of teamwork

Prevalence in:

- Service driven organizations
- Organizations using teams
- Organizations with empowered employees

Sources:
Center for Personnel Research

Characteristics of Kansas State's Pay System

Statistics

- Majority of terminations of Kansas State employees are because they resign
- Few Kansas State employees receive unsatisfactory performance evaluations

- On average, jobs below grade 20 are paid below the pay in other states
- On average, jobs above grade 20 are paid above the pay in other states.

Focus Group Highlights

- About half believe a major advantage for working for the state is job security.
- Majority feel employees believe types and levels of benefits are as attractive and competitive with other organizations.
- Overall, few strengths were identified concerning the classification system.
- Many believe that employee morale is low.
- Management and leadership styles were difficult to assess; many could not articulate a management style.
- Difficult to identify the culture from the group meetings alone; appears to be “risk adverse”.
- Many are dissatisfied with the new payroll system, “SHARPS.”
- About half believe performance to be a major problem.
- Majority believe the current class/comp system has internal equity problems.
- Many believe starting salaries are competitive, but that over time they lose ground in relation to the market.

- Many feel compensation should be better linked to the market place.

SURVEY RESULTS:

Job Satisfaction

Employees	Managers
<ul style="list-style-type: none"> • The majority like the work they do, find their job challenging and are proud to work for the state. • About one half feel they are treated with dignity and respect and feel there is a climate of cooperation and mutual trust. • About one half believe morale is generally good in their unit. 	<ul style="list-style-type: none"> • Majority believe employees like the work and are proud to work for the state. • Majority feel employees are treated with dignity and respect. • Most feel employee morale is good. • <i>Few believe employees would take a different State</i>

<ul style="list-style-type: none"> • <i>About one half, given the opportunity, would take a job with another state agency.</i> 	<p><i>job.</i></p>
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Communication:

Employees	Managers
<ul style="list-style-type: none"> • About one half believe communication is accurate, complete and timely. • About one half believe supervisor explains reasons for decisions made affecting their work. • Most believe communication received is relevant to their job. 	<p>N/A</p>

Management Support

Employees	Managers
<ul style="list-style-type: none"> • <i>Less than half feel they are given the opportunity to advance to a higher level.</i> • <i>Less than half feel the agency promotes individuals with high potential.</i> • About half believe the agency fills vacant positions with qualified individuals. • Less than half have confidence in the leadership of the agency. • Majority feel they are personally responsible for the work they do. • Most feel their supervisor 	<ul style="list-style-type: none"> • <i>Many believe employees are given the opportunity to advance to a higher level.</i> • <i>Majority believe the agency promotes individuals with high potential.</i> • Many believe vacant positions are filled with qualified individuals. • Majority believe employees feel personally responsible for the work they do. • Majority feel they support employee decisions.

supports their decisions.

Teamwork:

Employees	Managers
<ul style="list-style-type: none"> • About one half believe their work depends on the work of others. • Most believe their supervisors empower them to act in the organization's best interest. 	<ul style="list-style-type: none"> • Many believe employees' work depends on others. • Many believe they empower employees to act in the organization's best interest.

Pay:

Employees	Managers
<ul style="list-style-type: none"> • Less than half believe they are paid fairly when compared to other similar jobs in organizations within 	<ul style="list-style-type: none"> • Less than half believe employees are paid fairly when compared to other similar jobs in organizations

<p>the same geographic area.</p> <ul style="list-style-type: none"> • <i>Less than half believe they are paid fairly when compared to other people who do the same type of work.</i> • Less than half believe pay grade differences between job classes represent real differences in skills and responsibility. 	<p>within the same geographic area.</p> <ul style="list-style-type: none"> • <i>Many believe employees are paid fairly when compared to others who do the same type of work.</i> • Less than half believe pay grade differences between job classes represent real differences in skills and responsibility.
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Performance:

Employees	Managers
<ul style="list-style-type: none"> • <i>About half feel they could be more productive in performing their job.</i> • Less than half feel supervising is more important than technical skills where pay is 	<ul style="list-style-type: none"> • <i>Majority feel employees could be more productive.</i> • Less than half feel supervising is more important than technical skills where pay is

Employees

Managers

concerned.

- Most feel they are working harder than three years ago.
- *Less than half feel employees are held accountable for how well they perform.*

concerned.

- Most feel employees are working harder than three years ago.
- *All feel employees should be held accountable for how well they perform.*

Rewards:

Employees

Managers

- *Few believe there are rewards such as recognition and a chance to get ahead for outstanding performers.*
- *Few believe years of service should be more important than performance when determining annual pay increases.*

- *About half believe there are rewards such as recognition and a chance to get ahead for out-standing performers.*
- *Many believe years of service is currently more important than performance when determining annual pay increases.*

- The majority believe each agency should be given the opportunity to develop specific incentives to improve performance.

- The majority believe each agency should be given the opportunity to develop specific incentives to improve performance.

Performance Evaluations:

Employees

Managers

- Many believe there is a tendency for supervisors to give the same ratings regardless of how well people perform.
- Less than half believe supervisors take appropriate action when employees fail to perform satisfactorily.
- The majority believe when done properly, performance evaluations are valuable.

- Most believe managers have a tendency to give the same ratings regardless of how well people perform.
- About one half believe supervisors take appropriate action when employees fail to perform satisfactorily.
- The majority believe when done properly, performance evaluations are valuable.
- *Very few believe their*

Employees

Managers

- *Many do not know whether they are doing well or poorly.*
- Majority believe supervisors should be measured in part on how well they manage people.

- *employees do not know how they are performing.*
- All believe both managers and supervisors should be measured on how well they manage their people.

Employees

Managers

- About half believe feedback from co-workers should be considered.
- Less than half believe supervisors receive adequate training on coaching employee performance.
- Majority believe performance evaluations should be used to support a

- Less than half believe they receive adequate training on coaching employees' performance.
- Majority believe performance evaluations should be used to support a

pay increase, to document poor performance and to discipline.

pay increase, to document poor performance and to discipline.

- About half believe they should be evaluated by their subordinates.
- Very few believe they do not know enough about what their employees do in order to evaluate performance fairly.

Pay and Performance:

Employees

Managers

- Less than half believe poor performers should receive pay increases to keep pace with the market and cost of living.
- Less than half believe they are paid fairly based on their performance.

- Very few believe poor performers should receive pay increases to keep pace with the market and cost of living.
- Few believe pay increases should be based on performance in some

<ul style="list-style-type: none">• Few believe pay is proportionate to levels of improvement.• Many believe favoritism would be a problem if pay for performance were implemented.• Many believe bonuses or lump sums should be used to recognize outstanding performers.• Few believe money will be available for good performers.	<p>agencies and years of service in others.</p> <ul style="list-style-type: none">• None believe pay is proportionate to levels of employee improvement.• About half believe favoritism would be a problem if pay for performance were implemented.• Many believe bonuses or lump sums should be used to recognize outstanding performers.• Few believe money will be available for good performers.
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APPENDIX C: FOCUS GROUP FINDINGS

CURRENT STRENGTHS

A. General Strengths:

A.1. General Organizational Characteristics:

- 48% of the employee focus groups indicated or made statements which suggested that a major advantage for working for the State involved some measure of job security over other employers. Several groups discussed the issue of job security but felt that this has been an advantage in the past but not at the present. Several groups indicated that the State is currently trying to down size operations and employees no longer feel employment is as secure (assuming satisfactory performance).
- Many employees indicated that the work itself is rewarding and is a major reason that they work for the State. In about 40% of the focus group meetings, the consensus was that the work itself was rewarding and the work environment with co-workers was satisfactory and seen as a strength.
- Because legislators are removed from the general work environment and characteristics of the work place within the various state departments and agencies, there was no clear consensus pertaining to this area of inquiry.

A.2. Compensation Program:

- In 90% of the employee focus groups, employees perceived the types and levels of benefits provided by the State as attractive and competitive with other organizations, particularly private entities. Benefits discussed as attractive included:
 - Retirement
 - Sick Leave
 - Vacation
 - Pre-Tax spending accounts
 - Flexibility in choosing benefit offerings
 - Medical/Dental Coverage

- Shared Leave Provisions

This is not to say that many employees did not offer comments or concerns about specific benefit offerings and recommendations for changes in benefit features. Rather, almost all groups viewed the overall benefits plan as one of the major reasons keeping them at the State.

- The general consensus in 43% of the meetings indicated that the starting wage for a job seems to be competitive in many of the positions in the State and was seen as competitive for them when they accepted the position.
- General compensation seems to be viewed as particularly attractive in rural communities and in areas where the cost of living is not as high as Kansas City or other urban areas within the State.
- The vast majority of employees perceive step increases as a fair way to administer pay and view this as a strength in the current system. The general perception is that step increases recognize seniority, work experience and skill levels of longer term employees.
- The majority of employees viewed the State's practice of providing annual lump sum longevity bonuses to employee's (Flat \$ amount per additional yr.) as an attractive feature which recognized the contribution of the longer term State employee.

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A.3. Classification Program:

- Employees believe that a the classification system and rules governing the classification system provide a general framework for departments to operate under.
- Employees seem to believe that the current classification system permits transfer and promotion within a department into similar or higher level positions within the agency.
- Overall, few strengths were identified by either management, employees or legislators concerning the classification system.

CURRENT WEAKNESSES

B. General Weaknesses:

B.1. General Organizational Characteristics:

- In approximately 76% of the focus group meetings, employees expressed the general consensus that employee morale is low. Among the reasons most commonly expressed for this morale problem were:
 - Employee perceptions that the typical citizen and legislator views the state employee as unproductive.
 - A work environment which many employees believe is requiring longer work hours and increased work demands while staffing levels are being reduced and downsizing is occurring with no additional incentive or recognition.
- In approximately 22% of the focus group, employees perceived turnover as a problem and an issue. The reasons for turnover are varied but the general theme(s) were:
 - Pay is not keeping pace with market
 - The State is a training ground for other organizations
 - The State encourages turnover by not recognizing the more skilled and experienced worker
- The general consensus from the majority of the meetings was that there exists some degree of cooperation within operating units and across units in departments.
- Management and leadership style was difficult to assess in the focus group meetings. Only 22% of the focus groups described leadership and management style as autocratic. The remaining 75% of the groups couldn't clearly articulate a management style.
- The culture of the State is difficult to summarize on the basis of employee focus group meetings alone. However, it is our belief that the culture can be described as "risk adverse" and resistive to organizational change. Examples include:
 - The state has undertaken an extensive quality improvement initiative and employee involvement teams. It appears that this process is in place in many agencies, hasn't yet been implemented in others, and has already been eliminated in others.
 - Employees feel managers should be dealing with employee performance problems but do not feel managers can effectively evaluate their performance.

- 72% of the groups expressed dissatisfaction with the new payroll system called "SHARPS". The major complaint with the system was that it changed the payroll cycle from monthly to every two weeks. While the change did not result in any changes in pay, the perception of most employees in the groups was that the change was implemented to reduce pay and save money.
- 50% of the focus groups perceive performance problems to be a major problem in the state. Most feel that managers do not have the methods or means available to them to deal with performance problems.
- With respect to general human resource issues and programs, managers expressed frustration over the current system as a whole. Most perceive the system as unduly restrictive, rigid and incompatible with the needs of individual agencies. There appears to be a consensus among managers that greater latitude should be afforded managers in managing their business units including determining greater freedom to determine the levels of jobs needed, types of jobs needed, and dealing with market pressures. Examples of statements included:
 - I am not permitted to replace the job of.....because of staffing reduction policies but I can hire this job...
 - Let me submit a budget and then let me operate within that approved budget in a manner which best meets the needs of my program and the demands of...
 - The personnel department should be decentralized to permit greater autonomy, flexibility and control within operating departments.
- In approximately 40% of the focus group meetings, employees indicated that managers should be given supervisory training to improve their ability to deal with employee issues/problems.

B.2 Classification System:

- 83% of the focus groups perceived the current classification as having internal equity problems. Typical problems with internal equity include:
 - clerical/secretarial positions across the state are not allocated fairly on the basis of responsibility level
 - similar positions in different agencies are assigned to different salary grades
 - a belief that there is not adequate emphasis placed on degrees and that many non-degreed positions are placed at significantly higher grade levels than degree required positions

- None of the employee/manager focus groups could articulate the criteria used in determining and evaluating the relative responsibility level of positions. There is a general belief that there is a list of “keywords” which drive where a job falls and those that know the words can manipulate the outcome and system.
- There is a perceived lack of promotional opportunity within the State. This is particularly true for employees located in smaller communities. 45% of the focus groups discussed the need for career ladders/paths being available. They indicated that the current system encourages and rewards supervision. Many of the groups felt this approach is incompatible with the downsizing efforts of the state. What is needed is fewer managerial/supervisory levels and a greater number of levels to recognize staff experts or technical expert type of classifications.
- Employees feel classification policies and procedures must be too restrictive and cumbersome. They indicate that classification audits, reviews and job studies take too long to perform and by the time they are implemented the problems are different or the reasons for the study may have changed.
- Departments and employees perceive that the departments which have the resources, budget and influence receive the attention and obtain the audits from the Division of Personnel Services.
- There is a perceived lack of uniformity in the personnel rules, policies or practices implemented across the state and across employee groups (i.e. classified, non-classified, non-classified university, etc.). Employees perceive this lack of uniformity as unfair. Many of these issues also appear to involve a clear lack of understanding or poor communication of rules and policies of the state. Examples include:
 - Classified employees feel they receive smaller increases than non-classified however they do not mention that step increases are 2.5% and non-classified do not receive steps
 - Many employees are unclear about the provisions for training opportunities, college reimbursement, etc. In the course of our focus group meetings, many employees were surprised about differences across the groups or to find out that others had received training denied to them or told that they were not eligible
 - Opportunities for flex-time vary between employee groups
- A general theme in 44% of the focus group meetings was that there is a lack of communication or general communication problem between the Department of Personnel Services and departments/employees concerning procedures, rules, and policies governing classification and compensation.
- The current SHARP system uses a skills inventory to determine candidates with the skills for openings across the state. The inventory is completed by the employee and is “self reporting”. The perception of employees is that because it is self reporting it is subjective, leads to political choices and manipulation. This may be another example of

communication difficulties and the general resistance of employees to change because this process appears to be just the initial screening tool to identify applicants. Employees still have to demonstrate qualifications and capabilities in order to be selected.

B.3 Compensation Program

- In approximately 80% of the focus groups, the general consensus is that starting salaries are competitive but over time, employees feel they loose ground in relation to the market place. Employees believe that the COLA increases are insufficient to keep pace with market.
- 38% of the focus groups view pay compression as a serious problem with the compensation system. Pay compression exists between levels within job series (i.e. corporal/sergeant/lieutenants), between supervisory and non-supervisory employees, and minimal pay differences between long term employees and relatively new employees.
- There is a lack of flexibility in the current system to deal with labor market issues. In at least 45% of the groups, employees indicated that there needs to be a greater linkage to the market and flexibility to deal with market issues. This is also tied to geographic differences. For example, it is difficult to attract a psychologist to a rural area and is also difficult to attract data processing professionals in Kansas City due to market pressures.
- Approximately 27% of the focus groups talked about the need for geographic differentials to help over come various COLA or recruitment problems. However, the general consensus from the meetings was "mixed" at best concerning paying for geographic differentials. Most felt there should be one rate for a job.
- With the staffing levels being reduced, employees are working harder and assuming duties and tasks above and beyond the expectations of their current job classifications. The current compensation system does not address this issue but should. According to employees, there is no mechanism in the rules to permit out-of-class pay. Payment for work performed at a higher classification level is granted when an employee is appointed to fill a higher level position on an interim basis.
- Fiscal constraints have impacted many departments and employees question how the compensation program can be redesigned or changed if the money is not set aside by the legislature.
- Many of the groups commented on the need to better link the compensation program with the market place. Several groups question the process of identifying comparable organizations in that it appears that many comparisons are made with smaller and lower paying organizations. This issue is being specifically addressed as part of this study.
- Almost all focus groups want the State to annually adjust ranges for COLA and to maintain some form of longevity recognition, bonus or reward.

- About 44% percent of the focus groups felt that some portion of pay should be based on performance but past efforts and manager skills in this area are lacking and question whether this can be done. However, the vast majority of the focus groups feel the program should be mixed and include Steps, longevity, COLA, and then some other form of pay such as pay for performance, added skills, employee recognition, etc.
- The general consensus from employee meetings is that performance pay should be based on individual performance measures vs. group measures. Although some groups thought there may be some merit in this concept.
- Approximately 50% of the groups thought skill based pay might have some merit for some occupational groups but could not be applied across the state. In addition, the majority of the groups thought the concept had merit but only if in addition to other types of pay (i.e. steps and longevity).
- Only 16% of the focus groups thought that the concept of gainsharing or goalsharing had merit. However, of those that thought gainsharing or goalsharing had merit, the degree of managerial involvement and skills to implement the system lead some groups to doubt the potential for success given the State's experience with quality improvement.
- It is difficult to communicate a consensus of legislator views concerning the system due to their varied experience and the limited number legislator participants in focus groups. However, the major theme of legislators is that the current system fosters "entitlement" not efficiency and productivity. Of the legislators who attended the focus group meetings, it would appear that most would endorse a system where pay is based on meaningful performance standards and demonstrated achievements. In addition, the legislators who attended the focus group meetings seemed to feel that the idea of giving greater flexibility and control to departments had some appeal provide proper safeguards and procedures could be installed or worked out.

The above represents our assessment of the significant issues and concerns presented by employees during the course of the focus group meetings. The information developed through the focus group meetings be used as a foundation for development of an employee attitude survey that will be distributed to approximately 3,000 randomly selected state employees. The attitude survey will be used to assess the degree to which state employees concur with the results of the focus groups. The combined results of the focus groups and the employee survey will provide a basis for discussion and further review by the Strategic Advisory Committee charged with developing the classification and compensation philosophy.