

**NASPE Nomination:** Innovative State Human Resource Management Program

**Program Title:** Compensation Overhaul Program

**State:** Utah

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**Summary:**

For many years, the State of Utah's Department of Human Resource Management Office's (DHRM) historical compensation practices have prohibited it from providing sufficient compensation services to the agencies that it supports. In the 2015 calendar year, DHRM organized a team to formalize and implement three major initiatives to help DHRM become a better strategic partner with its support agencies. The initiatives included overhauling the state's benchmark jobs, establishing a Targeted Funding process, and establishing a Structure Adjustment process. These initiatives have enabled Field HR Directors to use compensation tools to help their agencies remove compensation barriers that have until now prohibited them from realizing the full potential of their strategic mission and vision.

In realizing success, DHRM charted new territories that have never before been explored within the State of Utah's world of compensation. Accomplishments are realized in DHRM's robust compensation FY17 Targeted Funding recommendations to the Governor's Office. These recommendations now include powerful data indicators that diagnose the most significant compensation problems that our agencies face instead of focusing on one data indicator that does little to target critical areas. This is efficiency, fiscal responsibility, and strategic focus at its greatest.

DHRM's accomplishments have also been realized in a new Structure Adjustment program. Since July of 2015, the DHRM compensation team has evaluated over 25 mission critical jobs that have been struggling for years to attract and retain talent. These jobs have experienced salary range constraints that are now more competitive in the market and are successful in attracting and retaining quality employees

## **1. Program Description:**

DHRM's compensation overhaul initiative resulted in two new programs: The Targeted Funding program and the Structure Adjustment program. For the Targeted Funding program, DHRM evaluates its state agencies' requests for compensation funding that is justified under market standards showing that salary is an inhibiting factor in the ability to attract and retain quality talent. DHRM makes Targeted Funding job recommendations to be included annually in the Governor's Budget.

For the Structure Adjustment program, DHRM evaluates an agency's request to adjust a salary range that is justified under the same market standard as the Targeted Funding program. Under the Structure Adjustment program the salary range is evaluated for its failure to attract and retain quality talent. The Structure Adjustment request can result in an adjustment to the salary range; however, it cannot include a budgetary impact on an agency.

Both programs require justification under a market standard. In March 2015, DHRM surveyed agencies to gain insight regarding the most significant market constraints that the agencies face. This included identifying indicators that best represent jobs experiencing the most significant challenges attracting and retaining talent because of salary. Using data from this survey, and with the assistance of an outside compensation consultant, DHRM developed the following 10 market standard indicators:

- Below market position on salary surveys
- Abnormal length of time to fill a job
- Unfavorable number of offer declines for salary
- Decreasing number of applicants over the last five years
- New hire measurements where employees are placed in the 4th quartile of the

salary range

- High voluntary turnover
- High involuntary turnover
- Abnormally high number of job level moves internally and externally
- Exit interview data indicating salary is a factor in an employee's choice to leave employment with the State of Utah
- Compression within the 1st and 2nd quartile of the salary range

## **2. How Long Has The Program Been Operational?**

Since July 1, 2015

## **3. Why Was the Program Created?**

The State of Utah, DHRM has made significant strides to be more responsive to the strategic needs of the agencies that it supports. An overhaul of DHRM's compensation practices was necessary in order for it to be able to truly partner with its support agencies.

Because of outdated compensation statutes, DHRM has been restricted in adjusting salary ranges. It was also limited to make salary range adjustment recommendations based on one data indicator; the market position in salary range midpoint. As a result we were mechanically making the same salary range midpoint recommendations to the Governors Office year after year. In the meantime, the salary ranges for our benchmark jobs were falling farther and farther below the market and the State of Utah was not able to attract and retain critical talent in many "hot-spot" jobs. The Structure Adjustment and Targeted Funding programs have enabled DHRM to be more responsive to the strategic compensation needs of its support agencies and to make better more targeted compensation funding recommendations.

#### **4. Why is This Program a New and Creative Method?**

Prior to the release of the Structure Adjustment and Targeted Funding programs, agencies were receiving across the board increases for employees and limited funding to be used at the discretion of the agency. These types of compensation recommendations included very little collaboration between agencies and were not effective in addressing market “hot-spots.” Our new programs enable DHRM to partner with its support agencies in ways that resolve the actual compensation issues that they face.

#### **5. Program Start-Up Costs**

It is estimated that DHRM staff worked 1,191 hours to design and implement these two programs estimated to be \$51,298 in salary and benefits productivity costs. Additionally, DHRM hired a compensation consultant for \$75,000 to assist with design and development work. Total start-up costs are estimated to be \$126,298.

#### **6. Program Operational Costs**

Targeted Funding work occurs one time every year. Costs associated with this work are estimated to be \$1,963 in salary and benefits productivity costs for 52 hours of work. Structure Adjustment work occurs at different times throughout the year as requested by agencies and is estimated to be \$7,087 in productivity costs for 200 annual hours of work.

#### **7. How is the Program Funded?**

Because most of the costs associated with both programs are productivity costs, no additional funding was required. The compensation consultant was funded by existing money that had previously been earmarked for a total compensation study. The total compensation study was postponed in 2015.

**8. Did the Program Originate in Your State?**

Yes

**9. Are you aware of similar programs in other states? If yes, how does this program differ?**

We are aware of other states that targeted areas in their compensation recommendations. The Targeted Funding and Structure Adjustment programs are different within the State of Utah because they are intended to make DHRM a strategic partner with the agencies that they support. Both programs allow DHRM Field Directors to work directly with their agency to solve compensation constraints and to use them as a tool to support the overall mission and vision. Other programs within state governments that we are aware of are managed exclusively at the enterprise office with minimal input gathered from agency leaders.

**10. How do you measure the success of this program?**

Success is measured by the programs ability to influence the mission and the vision of the organization. Specifically, we will evaluate effectiveness by each programs' ability to decrease voluntary turnover, minimize applicant declines for salary, and improve an agency's market position.

**11. How has the program grown and /or changed since its inception?**

DHRM has refined the market indicators to be more responsive to the needs of its agencies. We have allowed additional data that supports an agency's constraints in attracting and retaining talent. For example, market data that is not owned and collected by DHRM has been allowed if it supports trends discovered among the other data indicators.