

**COMMISSION FOR ECONOMY IN
GOVERNMENTAL EXPENDITURES**

**REPORT ON
STUDY OF PERSONNEL ADMINISTRATION
OF THE COMMONWEALTH OF VIRGINIA**



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PERSONNEL ADMINISTRATION OF THE COMMONWEALTH
OF VIRGINIA

REPORT OF THE
COMMISSION FOR ECONOMY IN GOVERNMENTAL
EXPENDITURES TO THE GOVERNOR
AND
THE GENERAL ASSEMBLY OF VIRGINIA

Richmond, Virginia, October 8, 1963

To:

His Excellency Albertis S. Harrison, Jr., Governor of Virginia
and
THE GENERAL ASSEMBLY OF VIRGINIA

By authority of Chapter 18 of Title 2 of the Code of Virginia of 1950, the Commission for Economy in Governmental Expenditures has completed a study and submits herewith its report of the personnel administration of the Commonwealth of Virginia. This study is one of a series included in the Commission's long-range plan.

The primary purpose of this study was to ascertain the adequacy of the policies, practices and procedures of the Virginia personnel system. Secondly, we have attempted to point out those areas in which improvement appears possible.

We present in the following report our findings, conclusions and recommendations towards these objectives. We co-ordinated our studies of the several areas of personnel administration with a number of agencies and with the Division of Personnel.

In the conduct of this study, the Commission had the advice, counsel and assistance of Messrs. Wesley R. Ellms and Albert C. Krempa of the firm of Worden & Risberg, Management Consultants, whom we engaged to aid in our study. The Commission also is grateful for the participation in this study of its Advisory Committee, The Honorables Landon R. Wyatt, from the Senate, and Shirley T. Holland and Felix E. Edmunds, from the House of Delegates.

The Commission and its executive secretary, the Auditor of Public Accounts, and the consultants wish to acknowledge the splendid co-operation of the Division of Personnel and the several State agencies during the course of the study.

Respectfully submitted,

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I—GENERAL

A. Brief History of the Virginia Personnel System

As early as 1918, a Commission on Economy and Efficiency recommended a central personnel function. At that time, most of the agencies were separately financed from various revenues and were nearly autonomous in respect to their personnel policies. The Commission's study stated that there was complete lack of consistency with regard to position titles, responsibilities, and salary rates. There were variations of as much as 100% in the pay scales of jobs involving essentially the same work in different agencies.

In 1920, the then recently created Division of the Budget studied over 3,000 positions in the various agencies. These positions were classified under about 900 separate payroll titles. No specific action resulted from this study.

A Commission on Simplification in Economy of State and Local Government made a new review in 1922-24 which reiterated the confusion existing in titles and inequalities in pay. It recommended the creation of an organization under the Governor headed by a Personnel Director and responsible for establishing comprehensive position classification and compensation plans as well as for other aspects of a personnel program. At the request of the General Assembly, still another personnel study was conducted in 1924-25, and, as a result, the State's first uniform classification of positions was established, but no staff was provided for its administration.

In 1926, the General Assembly enacted legislation requiring the Governor to give approval for all changes in rates of pay where the monthly rate was in excess of \$100. This action established the first real control over agency salary practices.

In 1927, a study made for the Governor and his Committee on Consolidation and Simplification of the Organization and Management of the State Government devoted attention to the subject of personnel administration. Although important changes in organization resulted from this study, its recommendations relative to personnel administration were not effected.

During the depression years, salaries were reduced 20%. By 1936, pressure had built up to restore salary levels and, in view of the degeneration of the classification and compensation plans initiated before the depression, it was considered necessary to make a complete review of the situation. On the recommendation of the Governor, funds were provided to survey the entire State personnel administration and to propose classification and compensation plans. The resulting report included a recommendation to institute a more or less standard civil service system of the type intended to guard against the development of a "spoils system" which in other states had been receiving much unfavorable publicity. This recommendation received little support in the General Assembly because it was felt that Virginia was virtually free of such abuses and that the proposal was too restrictive to the agencies. Nevertheless, the 1939 General Assembly requested the Virginia Advisory Legislative Council to determine the "advisability of providing for either a merit system or civil service."

In the meantime, the classification plan proposed in the 1936 study was put into effect with approximately 700 classes of positions. These were

found to be too detailed and awkward to administer with the limited staff available, so in 1939 the Governor directed the Division of the Budget to simplify the system. Classes were combined and reduced to a total of 180.

The report submitted by the VALC recommended a Personnel Act incorporating certain features of a compensation and merit plan. This was again rejected by the 1940 General Assembly because of concern over the limitation on agency authority and responsibility. The Governor then referred the matter back to the VALC for adjustment of the controversial issues. The resulting bill was enacted as Chapter 370 of the Acts of Assembly of 1942 and became known as the Virginia Personnel Act.

The Social Security Act required in 1940 that participating states conform to personnel standards to qualify for Federal funds in support of the Social Security program. The participating agencies were the Department of Health, the Department of Public Welfare, the Commission for the Blind, and the Unemployment Compensation Commission. Each of these agencies had therefore established merit system programs, personnel rules, and merit system supervisors prior to 1942, so that they would conform with the Federal requirements.

The Virginia Personnel Act of 1942 remains the basis of the present personnel system. When the Act became law, the Governor created a personnel section in his office and made the Director of the Budget the concurrent Director of Personnel. Also in 1942, the staff of the personnel section was increased sufficiently to make it possible to revise the overly simplified class-salary structure of 1939, and, with some modifications and revisions, the classification and compensation plans were returned to their 1937 form embodying about 700 classifications. The staff, however, was still insufficient to maintain an effective plan.

During World War II, the shortage of personnel resulted in even greater strains upon the classification and compensation plans. A twelve-salary-grade system was established. Although simple, it was greatly abused. The various agencies, confronted with loss of personnel, simply pressed for application of the next higher grade on a position-by-position basis without regard to the fact that in many instances duties had not changed significantly. A Commission on Reorganization of State Government (the Burch Commission) of 1946 commented on the widespread confusion and inequities and recommended that a central personnel division be established under the Governor having equal status with the Division of the Budget. In the following year, the VALC observed the same conditions and supported the recommendation of the Burch Commission. Also in 1947, funds were provided for augmenting the staff of the personnel section, and it became possible to begin some detailed analysis of the classification system.

The Governor followed the recommendations of the Burch Commission in 1948 and established the personnel function as a Division of Personnel. He also named a full-time Director of Personnel.

In the period following 1947, the augmented staff of the Division of Personnel gradually rewrote most of the class descriptions. These were combined and amplified as required and pay scales were adjusted in the process. However, pay scales in general for State service had remained lower than competitive rates, and in 1951 a general increase was made, scaled according to the amount of annual salary. The twelve-grade pay scale system, with steps which varied in number and percentage, was abandoned, and in its place some 55 separate salary grades were established with uniform increments of approximately 5%. Also, each grade was given

a minimum and maximum range divided, in most instances, into five or six steps of 5%.

Uniform personnel rules were developed and established in January, 1943, as provided for in the Virginia Personnel Act of 1942. These rules have remained essentially the same with the exception of amendments and clarifications which have been issued from time to time.

B. Brief Description of Present Personnel System

The personnel system today reflects much of the thinking that came from the several studies made through the years as well as many policies and practices that have developed to cope with practical administrative problems. The result is a system adapted to the realities of the particular circumstances and conditions of Virginia State government.

Although salaries and qualifications are carefully administered by the Division of Personnel, agencies are permitted to select employees by their own methods and judgment provided the Division of Personnel concurs as regards the minimum qualifications and salaries. Agencies subject to Federal personnel regulations (i.e., those partly supported by Federal funds) are required to select their personnel from employment registers of persons who have achieved prescribed scores in standard tests. In these agencies, any of those receiving the five highest scores may be appointed.

Employees are generally promoted on the basis of their performance as judged by the agency management. Competitive examinations for promotions *may* be utilized by agency managements, but this is seldom done. In effect, then, employment and promotions are based upon "merit and fitness" as prescribed by the Personnel Act, but these are determined more by interviews and performance than by tests and examinations, as is often the case in governmental jurisdiction.

The Virginia plan also allows more than usual latitude to agency managements in disciplining, demoting, or dismissing employees. The agency head is not obligated to justify such actions except that a dismissed employee may appeal to the Governor. The Personnel Act stipulates that the several agencies "... shall establish and maintain within their agencies such methods of administration relating to the establishment and maintenance of personnel standards on a merit basis as are approved by the Governor for the proper and efficient enforcement of this act; provided the Governor shall exercise no authority with respect to the selection or tenure of office of any individual employed in accordance with such methods, except where the Governor is the appointing authority." In the relatively few cases that have been appealed, the Governor's decision has been accepted by both employee and agency head. In most instances of appeal, the Division of Personnel acts in a staff capacity to the Governor in assembling and analyzing the pertinent facts.

Some agencies have not established effective disciplinary procedures. At the same time, the latitude given the agencies permits them to exercise effective discipline without the encumbrance of the complicated processing of employee grievances associated with the majority of "civil service" systems. Virginia's appointment, promotion, and disciplinary practices have been effective in developing a State service of high caliber and motivation. The stultifying effects of entrenched and "protected" employees have been largely avoided as has the disruption caused by wholesale dismissals when administrations change in states having a large proportion of "patronage" positions.

It is interesting to note that an extensive nationwide study by the Municipal Manpower Commission, under the sponsorship of the Ford Foundation, has recently stated in its final report* that among the greatest needs of local government personnel systems are: (1) advancement based solely on merit, (2) clear-cut personnel administration responsibility to the chief executive, and (3) *abolishment* of independent civil service boards. Virginia deserves commendation because, unlike many states, its personnel administration has traditionally been in conformance with these recommendations.

The Virginia system has a merit rating plan (referred to in the Personnel Act as a "system of service ratings") whereby each employee's performance is evaluated annually by his superior. The salary of each class of position is arranged with an entrance date, a maximum rate, and several increments of about 5% between these. An employee's salary is not increased to a higher step unless he receives a satisfactory merit rating. Advancement is further limited to specific time intervals.

Virginia agencies and institutions employ over 38,000 persons. The Personnel Act exempts about 9,000 of these from its provisions. The exempt personnel include the presidents as well as teaching and research staffs of educational institutions; employees and officers of the General Assembly; members and certain employees of boards and commissions; and some other specific categories of employees including temporary and hourly paid workers.

A functional breakdown of employees is shown in the following table:

State Employees by Function and Type
(Taken from July 1, 1962, Employment Report)

	Employees		Total
	Full Time	Part Time	
Legislative	18	2	20
General Administration and Finance	777	143	920
Judiciary	49	3	52
Police	973		973
Other Protection and Regulation	1,278	71	1,349
Highway	7,282	3,188	10,470
Development and Conservation	2,399	557	2,956
Health	1,188	24	1,212
Hospitals and Institutions	9,346	373	9,719
Welfare and Corrections	1,572	65	1,637
Department of Education	377	15	392
Libraries	79	4	83
Recreation, Parks	198	107	305
Employment Service	638	65	703
Alcoholic Beverage Control	1,555	85	1,640
Institutions of Higher Learning	5,133	1,106	6,239
Total	32,862	5,808	38,670

The salaries of many of the employees included in these figures are supported, in whole or in part, by funds of the Federal or local governments. On the other hand, the State supports, in whole or in part, some employees of local governments—notably public school teachers—that are not included in the above figures.

**Governmental Manpower for Tomorrow's Cities*—A Report of the Municipal Manpower Commission—McGraw-Hill, 1962.

Although employees who are exempt from the Personnel Act are not subject to its detailed controls, the Governor, by virtue of his authority as Chief Executive, is enabled to exercise general controls over most such employees, particularly with respect to salary levels. The Governor delegates much of his authority in this area to the Director of Personnel who is thus in a position to encourage reasonable uniformity and control over exempt personnel.

The principal difference in the personnel administration of exempt employees compared to nonexempt employees is that the Division of Personnel exercises no formal control with regard to (1) the minimum qualifications of new employees, (2) the time between salary increases, (3) the suitability of an employee to his position, and (4) the creation of new classes of positions. Salary levels of exempt positions are reviewed and evaluated by the Division of Personnel when requested by the Governor, but if requested increases are out of alignment with similar positions in the nonexempt (classified) service, this fact may not have much force or effect.

All nonexempt employees are appointed to specific positions that are described and listed in "Establishment Lists" maintained by each agency and by the Division of Personnel. These lists are kept up to date by administrative procedures establishing or abolishing positions with the approval of the Director of the Budget.

All positions are arranged into about 1,550 classes. Uniform qualifications and salary ranges apply to each class. The Division of Personnel approves the allocation of each position to a particular class and also approves the appointment of each person to a particular position. The latter approval is limited largely to examination of the written qualifications with respect to experience and education.

The salary scales of classes are reviewed more or less continually to determine their comparability with the salary scales of competing employers as well as to determine the equitability of their internal relationships. There is no formal policy stating standards of external comparability or internal equitability. Instead, when the affected agencies and the Director of Personnel determine that there is need for a revision in salary scales, a recommendation is made to the Governor provided the Director of the Budget agrees that sufficient funds are available. The Governor, if he agrees with the recommendations of the Directors of Personnel and of the Budget, effects the revision by executive directive.

Funds for salary increases come from agency surpluses or from a salary equalization fund controlled by the Governor. The General Assembly does not exercise control over salary scales except indirectly by means of its appropriations to the agencies and by the "salary equalization fund." Inasmuch as appropriations are not restrictive as to salaries, the management of the salary structure is clearly the responsibility of the executive branch.

II—CALIBER AND PERFORMANCE OF PERSONNEL

A. Public Opinion

Recent nationwide studies have shown that the public generally has a poor opinion of the competence of governmental employees. The present study did not attempt a formal survey of public opinion but discussed the matter with a number of private citizens having contact with State employees. In contrast with the attitudes in the national study, our interviews

revealed little if any unfavorable opinion of State employees as a group. The Executive Director of one citizens' organization stated, for example, that he considers Virginia as being probably unique among the states in the caliber of its personnel.

B. Agency Management Opinion

An organization is no better than its people. High-quality employees can do a reasonably effective job despite poor organization, frustrating conditions, or even poor methods. Incompetent employees are likely to be ineffective, no matter how excellent their working conditions.

No one is more aware of the caliber of an organization's personnel than competent management. The various agencies of the Commonwealth have increasingly complex and difficult tasks to perform, requiring an ever-increasing degree of skill and competence on the part of their employees. In such circumstances, it might be expected that management would find itself dissatisfied with a good many of its employees.

We found, on the contrary, that of the eight agencies whose managements were questioned only one believed that its operations were seriously affected by incompetent employees. Even in this instance, the condition was confined to relatively few classes of employees.

Judging from the sample opinions, it appeared to be the consensus that the factors making State employment less attractive were reflected in increased difficulty of recruiting rather than reduced standards of qualification and performance. Although these factors added to management's problems and work load, they did not seriously impair the quality of public service. In general, the agencies questioned believed their employees compared favorably with employees in similar positions in other organizations.

C. Performance Data

1. Number of Employees Required

The overall effectiveness of the employees of an organization is best measured by the number required to perform a service or group of services. Ideally, this measurement is done by comparisons based upon definite and accurate standards of performance, but these were not available in this study except for a few specific operations. Reasonably valid indications can be determined, however, by making comparisons with other states.

Each state has a different distribution of services between itself and its local governments and authorities such as counties, municipalities, school and sanitary districts, etc. Therefore, the most meaningful comparison is of the *combined* total of state and local governmental employees. In addition, comparisons among states should make allowance for the difference in size of population by expressing the numbers of employees in terms of their proportion to the population. The following table shows such proportions for Virginia, North Carolina, and Maryland, as well as the average of all the states combined, and for the Federal government. Also, the table provides a comparison of changes in employee-population ratios during the last nine years by showing the ratios for 1953 as well as for 1961.

*Equivalent Full-Time
Government Employees Per 10,000 Population**

	1953		1961		Change From 1953
	Employees Per 10,000 Population	Proportion In Relation To Virginia	Employees Per 10,000 Population	Proportion In Relation To Virginia	
		%		%	
Virginia					
State	83	100 (base)	92	100 (base)	+ 11
Local	155	100 (base)	193	100 (base)	+ 25
Total	238	100 (base)	285	100 (base)	+ 20
North Carolina					
State	54	65	78	85	+ 44
Local	169	109	201	104	+ 19
Total	223	94	279	98	+ 25
Maryland					
State	67	81	82	89	+ 22
Local	172	111	226	117	+ 31
Total	239	100	308	108	+ 29
All States					
State	64	77	79	86	+ 23
Local	197	127	240	124	+ 22
Total	261	110	319	112	+ 22
Federal Government	161	68	133	47	— 17

Analysis of this data indicates that Virginia's *State* employees have increased in proportion to population by 11% in the nine-year period. This is about half the composite average increase of all states, one quarter the increase of North Carolina, and one half that of Maryland.

*Adapted from Statistical Abstract of United States—1953 and 1962.

Despite this lesser rate of growth, Virginia still has a greater number of State (not local) employees than either of the two comparison states or the average of all states. This is, of course, because its proportion of State employees was even greater in 1953.

Since responsibility for various services has changed between states and localities, however, it is more meaningful to compare the trends of *combined* local and state employees. Here we see that Virginia has increased 20% in this period (the increase having been much greater for localities) as compared to 25% for North Carolina, 29% for Maryland, and 22% for all states combined. We can thus conclude that Virginia not only is presently employing substantially fewer public employees (State and local) in relation to its population than the great majority of states, but also that it has been increasing its proportion at a slightly lower rate during the last decade. Although this comparison is meaningful only if it is assumed that the combined public services of the states are equal, it seems reasonable to conclude that Virginia has been conservative in adding to its public servants.

It is interesting to note that while state and local employment has increased in relation to population, Federal employment has dropped significantly. This is explained largely by the fact that most Federal increases in public services have been arranged through grants to states and localities rather than through additional Federal employees. Much of the increase in state and local employees has been encouraged through partial financing by Federal funds.

2. Turnover of Personnel

By turnover of personnel is meant the proportion (in %) of employee separations per year compared to the total number of employees. Only complete separations from State service are included. Promotions or transfers among agencies are not included.

Turnover is a useful indicator in personnel administration. An abnormally high proportion may reflect the effects of low salaries, poor working conditions, lack of opportunities for advancement, and similar factors which would induce an employee to leave. Abnormally low proportions may reflect the opposite or the absence of these factors. Managements usually become concerned when turnover rates grow continually higher because of the loss of efficiency brought about by a large proportion of inexperienced employees and also because the expense of recruiting and training becomes excessive. However, interpretation of the turnover rates must be used with great discretion. For example, if layoffs are included in the separations, this fraction of the separations should be discounted when the rate is being used as an indicator of employee morale. Average turnover of diverse activities and types of positions must also be interpreted with discretion because a high turnover in some may have relatively little effect as compared to others. Abnormally high turnover in some categories may offset unusually low rates in others.

Despite these limitations to their use, turnover rates, when carefully analyzed, serve a useful purpose and deserve the careful attention of agency managements. The Division of Personnel does not calculate nor evaluate turnover except in special cases. It wisely leaves this function to the agencies because the latter are better acquainted with the various local factors which might affect or be affected by turnover of personnel in particular activities or classes.

When an agency believes its turnover rate in a particular class of positions has become seriously high, it may then be presented as substantiating data to the Division of Personnel in support of arguments that higher salaries are necessary to attract and retain personnel. However, agencies tend to determine their turnover rates only after their operations have been noticeably affected. Although this is not an unusual practice and occurs in many private organizations, it may, nevertheless, sometimes result in the loss of highly trained employees because these are usually the first to leave when pay scales drop below those of competing employers.

The table below compares the turnover of Virginia State government employees to that of the Virginia and United States manufacturing industries:

*Number of Separations Per 100 Employees**

Reason for Separation	1960		
	Virginia State Government	Manufacturing Industry United States	Virginia
Resignations	12.0	15.6	15.6
Other			
Deaths	.4		
Retirements	1.0		
Discharges	2.6		
Total Other	4.0	7.2	7.2
Total	16.0	22.8	22.8

* The manufacturing industry turnover ratios are taken from Employment and Earnings—Annual Supplement, June, 1962, Bureau of Labor Statistics, U. S. Department of Labor.

This data indicates identical turnover rates (22.8%) for the manufacturing industry in Virginia and in the United States as a whole. The rate for Virginia State government (16.0%) is considerably less. About half of the difference is accounted for by the lower rate of resignations of Virginia State government employees. The lower rate is understandable because it applies only to salaried employees, while the industry rate includes hourly production workers who are usually much more inclined to change employers.

Although comparable data is not available for deaths, retirements, and discharges, the total of these for the manufacturing industry is nearly twice that of Virginia State government (7.2 versus 4.0). Inasmuch as deaths and retirements are almost certain to be higher for State employees (whose average age is higher), it seems reasonable to suppose that the principal difference between the two rates is accounted for by a considerably higher proportion of discharges in the manufacturing industry. Looking at the overall turnover rate, it is apparent that the State employee is less likely to change employers either by or against his own volition.

Layoffs are not included in the above rates but, if they were, the average turnover would appear even higher proportionately for the manufacturing industry, which has a layoff rate of 28.8% in the country as a whole against 18.0% in Virginia. These rates compare with only 1.4% for State permanent employees. All things considered, the job security of the average State employee is probably twice that of his counterpart in the manufacturing industry.

It is interesting to note that Virginia has an average of 2.6% employees discharged for cause. Considering that there are undoubtedly other discharges disguised as "resignations," it is apparent that agency managements not only have the authority to discharge employees but exercise that authority. This is a much healthier condition than exists in many governmental jurisdictions where employees can seldom be discharged except for actions and conduct bordering on felonies or moral turpitude.*

3. Absenteeism

Most agencies do not closely review nor compile statistical data on absenteeism. An analysis of the leave records of four agencies showed that the average annual number of sick days per employee ranged from 5.6 to 7.8. A more detailed review of one agency showed that the average sick days varied from 4.0 to 13.5 in various activities. This seems to indicate that State employees in general are not abusing the rather generous sick leave allowance of 15 days per year.

4. Age Distribution of Employees

The distribution of permanent salaried State employees as compared to the total work force in the country is shown below:

	Virginia State Employees	Total National Work Force**
	(%)	(%)
Under 45 years	56.2	62.4
45 to 64 years	40.7	33.2
65 years and over	3.1	4.4

*The Municipal Manpower Commission found one jurisdiction in which not one decision to dismiss had been sustained in 11 years.

**From Statistical Abstract of the United States—1962 Page 216.

This indicates that the average age of State employees is somewhat greater than usual. This is to be expected in the public service, however, and is not considered to be a serious condition in itself.

About 44 percent of State employees are under forty years of age so there is a reasonably good reservoir of younger people. The retirement plan provides for full benefits at age 65 and retirement is mandatory at 70.

A number of agencies have pointed out the difficulty of attracting and retaining younger people of special aptitudes or leadership potential. All too often, the salary and/or promotional prospects of such individuals appear to be insufficient to keep them in State service.

D. Conclusions and Recommendations

1. Employees of the Commonwealth compare favorably in ability and performance with those of other states as well as those of other competing employers. The favorable comparison is recognized by agency managements and by the public.
2. Accurate performance measures are not used extensively in Virginia State operations. The favorable comparison mentioned in (1) above is, therefore, necessarily based on opinions and general comparisons.
3. A serious need exists for the development of practical performance standards that can be applied at the agency level. Such standards would permit more accurate measurement of performance improvement in the future as well as of current personnel needs. Initial applications of performance standards in some Virginia agency operations have shown excellent results and give confidence that they furnish a practical means for improving efficiency and operating economy.

Although it is of some comfort to observe that Virginia operations compare favorably with the average of other states, we should provide for more positive measurement. This can best be accomplished by comparison with standards developed by Virginia agencies for their own objectives and conditions.

4. The rate of employee turnover is generally much lower than that of private business. From time to time, however, some classes develop serious turnover.
5. Absenteeism is no worse than in private organizations. Although procedures for recording sick leave time vary from agency to agency, they appear to be generally effective. Employees do not appear to be abusing sick leave privileges.
6. Although the average age of employees is higher than in the private economy, the younger age groups are sufficient to provide a reservoir of trained employees.
7. General State-wide indicators of employee competence and performance, such as those discussed above, are inadequate working tools for individual agency managements. Agency managements should be encouraged to give greater attention to such indicators in their own operations. For example, some agencies do not have sufficient backup people to support their own specialist or top management positions. They should make a personnel inventory to determine where additional training and job exchanging should take place.
8. Assuring effective personnel performance is a management function and should be emphasized as an agency responsibility. However, the Division of Personnel and other *staff* agencies should *assist* the *operating* agencies in providing means for measuring personnel performance and in implementing programs for improving personal performance.

III—SALARY ADMINISTRATION

A. *Classification Plan*

To obtain a clear understanding of the manner in which salaries are administered, it may be helpful to first review in more detail the way State employees are classified. The main purpose of the classification plan is to arrange positions in a manner that facilitates the administration of a uniform and equitable compensation plan.

As previously mentioned, about 9,000 employees are exempted by the Personnel Act from classification. These will be discussed in a later section. The remaining employees (referred to as classified employees) are all appointed to specific designated positions. Each agency maintains a list of these (called an "establishment list"), and the Division of Personnel maintains a duplicate for each agency. The list is added to as new positions are authorized or reduced as positions are abolished.

The structure of the classification system can be visualized by reference to Figure 1, *Clerical and Related Occupation Group*. In the left column are shown some typical titles by which positions may be designated within an agency organization. Regardless of how these are called by the agency, however, they are placed in one of the established State "classes" shown in the middle column. Determination of the appropriate class is called "allocation," and is one of the major functions of the Division of Personnel.

The various classes are, in turn, arranged in "series." As shown in Figure 1, the four classes of clerk positions constitute the single series designated "clerk." In addition to this series, the clerical and related group also includes the 18 series listed at the bottom, each of which is similarly subdivided into classes (not shown). In all, there are 71 classes included in the 19 series. There are about 6,000 positions included in the 71 classes of this particular group.

To complete the picture of the classification system, bear in mind that the group depicted is only one of about 40 groups into which all classes fall. All told, there are about 1,550 classes arranged in 530 series.

The occupational groups are not permanently composed of the same series and classes because they have been developed only for convenience in analyzing salary levels. Series which presently may be considered in one group may next year be included in another, or even in none at all. For example, the clerical and related group, shown in Figure 1, includes the "accounting machine operation" series. The latter, at another time, might be included in a group called "auditing, accounting and fiscal management." The main factors determining the group in which such borderline series fall are the compensation, organization, and supply-demand relationships existing at any particular time when salary revisions are being considered.

CLERICAL AND RELATED OCCUPATION GROUP

<i>Typical Agency Position Titles</i>	<i>State Class Title</i>	<i>State Series Title</i>
File Clerk Records Clerk Grounds Clerk	Clerk A	Clerk
Time Clerk Inventory Clerk Purchasing Clerk	Clerk B	
Accounting Clerk Engineering Clerk Calculation Clerk	Clerk C	
Clerical Supervisor Chief Clerk Estimator	Clerk D	

In addition to the "Clerk" series above, this occupational group has the following series, most of which are also subdivided in the same manner:

Clerk-Typist
Clerk-Stenographer
Confidential Secretary
Hearings Secretary
Clerk-Messenger
Duplicating Services
Bookkeeping Machine Operator
Library Clerk
Switchboard Operation
Cashier
Accountant A
Calculating Machine Operation
Accounting Machine Operation
Storekeeper
Store Sales
Warehouse Superintendent
Criminal Records
Buyer Assistant

Despite the occasional changes in the composition of occupational groups, they remain reasonably constant from year to year. Usually, but not always, the classes composing a particular group receive the same salary adjustments. Often, several groups are combined in a salary revision. The most common denominator of each group is that a change in one series will be reason for considering changes in the remaining series. The positions in a group are usually closely related functionally or organizationally. Among the 40 occupational groups, the following are prominent and representative:

Clerical and related
Food service
Buildings and grounds
Housekeeping and laundry
Engineering

Laboratory
Nursing
Accounting
Law enforcement
Agricultural
Correctional

To facilitate the allocation of positions to classes, the latter are described in careful language. The descriptions include three sections—(1) distinguishing features of the work, (2) typical kinds of work or duties, and (3) qualification standards. As will be noted in the following examples, these sections are carefully worded so that distinctions between classes in the same series are as clear as possible. Nevertheless there are, as would be expected, many situations where the distinction is mainly in the degree of emphasis placed on a certain type of duty. In such instances, there are sometimes differences of opinion between the incumbent and his superior or between the agency and the Division of Personnel. All positions in a particular class have certain common characteristics, features, and qualification requirements. All have the same salary range.

A series consists of a number of classes that perform similar duties of varying degrees of difficulty and responsibility. For example, there are four classes in the "clerk" series, ranging from the lowest level, Clerk A, to the highest, Clerk D, each class having a salary range as shown below:

Class Title	Salary Range (Dollars)				
Clerk A	2,400	2,520	2,640	2,760	
Clerk B	2,640	2,760	2,880	3,024	3,168
Clerk C	3,168	3,312	3,456	3,600	3,744
Clerk D	3,936	4,128	4,320	4,512	4,704

The salaries shown between the minimum (or entrance) and maximum salary are called "steps." Employees advance to the next higher step after having completed a stipulated period of satisfactory service.

CLERK SERIES

Distinguishing Features of the Series

This series includes all classes of positions, the duties of which involve routine tasks in connection with the establishment and maintenance of records and the preparation of reports not requiring any specialized technical knowledge in the interpretation of data.

Classes in the Series

Class Title	Salary Range	Class Code
Clerk A	2520-2640-2760-2880-3024	21202
Clerk B	2760-2880-3024-3168-3312-3456	21203
Clerk C	3312-3456-3600-3744-3936-4128	21204
Clerk D	4128-4320-4512-4704-4920-5160	21205

A. S. HARRISON, JR.

Governor

Effective: 7-1-47

Revised: 1-1-49; 3-1-51; 9-1-52; 8-1-55; 7-1-57; 7-1-60; 10-1-63

CLERK A

Distinguishing Features of the Work

An employee in this class performs simple, clerical tasks which require little discretion in execution. Assignments are characterized by their simplicity and by the presence of controls over the accuracy and completeness of all operations. The data dealt with require a minimum of interpretation. The work is closely supervised by the restriction of duties to recurring tasks, approaching mechanical routine, in which the results desired are specified in detail and can be readily checked for compliance with instructions. The duties may be restricted to a few constantly recurring related operations, or may include several unrelated repetitive operations which require no special knowledge of skill. Public contacts, if present at all, involve relatively little responsibility.

An employee in this class performs one or a combination of the following kinds of work:

1. *Filing*: Prepares standard forms for filing and maintains files according to agency standards. The items to be filed are coded correspondence, standard report forms, records, or cards. The filing system used is either alphabetic, numeric, or a combination of these. Preparation for filing involves simple coding and indexing, the preparation of cross references, folders, and labels but does not include the interpretation of varying of difficult subject matter for filing by subjects.
2. *Verification of Records and Reports*: Verifies or checks the completeness and accuracy of factual data contained in routine records and reports. This involves simple computations for extensions, and the comparison of items with established records, charts, or predetermined controls but does not include a determination of the acceptability of irregular or non-routine reports or of data submitted.
3. *Preparation of Records and Reports*: Makes predetermined entries on record forms, prepares simple statements and reports involving determinations only on detailed procedures; makes computations of a simple nature and combines individual reports into summary reports. Information to be recorded is taken from standard forms, memoranda, and occasionally directly from individuals. Such information requires no interpretation in order to follow established procedures.
4. *Mail, Supply*: Receives and prepares for distribution mail, supplies and stock items according to well-established methods, keeps stock arranged, and maintains simple records of distribution and inventory. Employees in this class whose duty is in stock rooms work under close supervision or handle only non-technical supplies with no discretion as to their issuance. In some instances operates an addressograph or duplicating (excepting offset) machine and keeps current mailing lists.
5. *Reception*: Greets visitors and gives general information about the personnel and functions of a small local office of a State agency. The public contacts involve giving information of a purely factual nature, and of referring visitors to persons within the office according to established procedures.

Qualification Standards

Completion of high school or equivalent. Experience as clerk may be substituted for education on an equivalent time basis.

Mental alertness; clerical aptitude; general knowledge of business English and mathematics and of filing systems and principles; ability to understand and follow oral and written instructions.

CLERK B

Distinguishing Features of the Work

An employee in this class performs routine clerical operations involving a number of different actions and procedures.

This class of position is distinguished from the class Clerk A primarily by the responsibility for complete and accurate work by methods which must be varied according to varying situations. Completed work is carefully reviewed only on non-routine assignments. The duties require close attention to details. Work methods are well established and comparatively easy to follow. Decisions are based on precedents and clearly applicable procedures. Relatively few situations require special instructions. The exercise of good memory rather than judgment or initiative is essential. In some instances functional supervision is exercised over one or two assistants. Public contacts involve the giving of general information about unit operations.

An employee in this class performs one or a combination of the following kinds of work:

1. *Filing*: The filing duties of an employee in this class include operating responsibility for active files. The indexing or coding in preparation for filing is frequently a full-time assignment requiring special induction training in the system used. Compiling or making available information from the files involves thorough searching and an interpretation of the appropriateness and completeness of records. In a large filing unit, the assignment is generally restricted to a section of files and carries responsibility for making complete and accurate information readily available.
2. *Verification of Records and Reports*: In addition to routine checking for completeness and accuracy, the verification duties performed by an employee in this class involve references to related information, and initial decisions as to the acceptability of factual data in routine reports, statements, and applications for services. Verification of financial data involves mathematical corrections on the basis of supplementary statements and predetermined controls or totals.
3. *Posting*: Manually or with the aid of a typewriter, posts financial and statistical data to individual and to cumulative records, and, when appropriate, totals and proves entries by reference to predetermined controls and makes extensions involving computations according to established procedures.
4. *Preparation of Reports and Statements*: Performs the routine operations necessary in the preparation of such statements and reports as payrolls for an organization sub-unit, equipment rental reports, sales reports, cash receipts reports, reports of admissions to and discharges from hospitals and other institutions, travel expense accounts, vouchers, personal accounts, requisitions, purchase orders, time sheets for personal services, copies of official records, and form reports to reflect services rendered.

Operations of this type performed by a Clerk B are of a constantly recurring nature and tend to become a mechanical routine requiring good memory of precedents and frequent references to other records.

5. *Reception and Registration:* Greets visitors and gives general information and performs routine clerical details related to registrations, admission requirements and services rendered by medical clinics, hospitals, educational and correctional institutions or other State agencies. The duties involve public contacts of minor responsibility by telephone and in person, the completion of prescribed forms on the basis of information furnished by applicants, the explanation of registration of admission requirements, and the maintenance of census, attendance, and service records.
6. *Mail, Supply:* Performs routine duties related to the collecting and distribution of mail and supplies, involving responsibility for the maintenance of inventory records. An employee in this class whose work is in stock rooms handles only non-technical supplies with no discretion as to their issuance. Operates offset duplicating machines.

Qualification Standards

Completion of high school or equivalent and at least one year of clerical experience. Education may be substituted for experience or related experience may be substituted for education on an equivalent time basis.

Mental alertness; clerical aptitude; general knowledge of business English and mathematics; general knowledge of office principles and practices and of filing systems and principles; ability to understand and follow office procedures.

Not all classes fall in a group. Some are relatively unique and have little relationship to any particular group. Of the 530 series, 130 include only one position and 64 include only two positions. Of the 1,550 classes, 830 include only one or two positions.

Effective administration of the Compensation Plan depends upon the clarity of the data contained in the class descriptions. In comparing one description with another, almost complete reliance must be placed upon the verbal distinctions appearing in the descriptions. As will be noted in the examples on the following pages, no matter how carefully or detailed the class descriptions are worded, the distinction may be quite difficult to discern accurately. Very often, the difference between one class and another will depend upon the interpretation given to such words or phrases as "routine procedures," "considerable discretion," and "public contacts." Since evaluating the relative worth of positions depends upon the relative worth assigned to such vague terms, there is a tendency to place more weight on qualification standards because these can be expressed quantitatively—e.g., two years of college, four years' experience, etc. Also, when an agency believes a particular class is inadequately compensated, long lists of duties are sometimes submitted in the hope of magnifying its importance or difficulty.

In the more common classes which embrace positions in many agencies, the development of a class description tends to be more general and more accurate. This is because the Division of Personnel is not put in the position of having to satisfy a particular agency. If all, or nearly all, of

the positions in a definite class occur in one agency, it is difficult to dispute the statement of the agency as to the duties, responsibilities, and qualifications.

Many of the classes having only one or two positions are so tailored to the work methods and performance of the incumbent that they tend to be, in effect, position descriptions. Many of these are kept on memorandum records only.

In some agencies, each of the higher supervisory positions may have a separate class title and description, even though the supervisory responsibilities differ mainly in the nature of the work performed. Having special classes for these positions makes it easy for the agency management to revise salaries on an individual basis. Nevertheless, the practice of preparing individual class descriptions and revising these from time to time is an awkward method of adjusting salaries in respect to individual performance. Although the great diversity of positions in the State service makes a classification plan unavoidably complex, the number of classes could be reduced substantially by modifying these agency practices.

Definite procedures and forms are prescribed for agencies in requesting the establishment or allocation of positions. The duties and responsibilities of the positions are described in detail. The minimum qualifications, in terms of education, experience, and certification, are stated. Upon receipt of allocation requests, the Division of Personnel reviews them carefully and, if circumstances warrant, discusses with appropriate agency people the specific details of the position. If the Division is satisfied that the nature and qualifications of the position warrant allocation to the class requested by the agency, the request is approved. The allocation, reallocation, or establishment of a position is not finally approved, however, until the Division of the Budget is satisfied that the position can be financed within approved budget limitations.

The reasons advanced for the Personnel Act exempting certain employees from its provisions are based on the following—(1) to assure academic freedom, teaching and research positions of educational institutions should be free of the possibility of political or financial pressure; (2) judicial, quasi-judicial, and legislative officers and employees are exempt because of the constitutional division of power; (3) officials elected by popular vote or by the General Assembly accept office at an established compensation rate which should not be revised during the term of office; and (4) the inclusion of temporary and hourly paid employees would pose cumbersome administrative problems if not exempted.

The possibility of the abridgment of academic freedom through the provisions of the Personnel Act seems remote. Moreover, the exemption of teaching and research staffs from the Act would not prevent the exertion of strong pressure in other ways. Nevertheless, the present arrangement, whereby the Governor as Chief Personnel Officer delegates the administrative and technical responsibility to the Director of Personnel, is working reasonably well. The exemption of teaching and research personnel is an established practice in most states. Any advantages in rescinding the exemption in Virginia would not appear to warrant the unfavorable reaction which would occur in academic circles.

The case for exempting judicial, legislative, and elected officials is much the same as that for teaching and research. Although there is not much likelihood of undue pressure being brought to bear, the exemption nevertheless contributes to the assurance against improper influence. The

weakest argument for exemption applies to the *employees* of the exempted officials. Where they are not included, there is the possibility that common office positions may be incorrectly described and allocated with resulting discontent among employees performing similar duties in other agencies.

Hourly paid workers are intended to be employed only in circumstances where the need for their services fluctuates so much that it would be uneconomical to hire them on a permanent salaried basis. Therefore, the high turnover would make for an extremely heavy administrative burden if they were subject to the approval procedures required for nonexempt employees.

B. *Management of Salary Revisions*

The Virginia Compensation Plan is simple in its principles and formal mechanics. It has two basic objectives:

1. To maintain salaries at levels sufficiently comparable with competing employers to support reasonably effective recruitment and retention of competent employees.
2. To maintain internal salary relationships that are sufficiently equitable to prevent serious deterioration of employee morale.

These objectives frequently conflict with one another. When the salaries of a class or group of classes are revised to establish comparability with those of competing employers, the revised salaries may become misaligned with the salaries of closely related classes that would not otherwise require revision. However, if the salaries of the closely related classes are not adjusted, serious morale problems may arise. When, for example, journeyman trades class salaries are increased because of higher competitive salaries, the salaries of trades foreman classes may also have to be increased, even though they have not presented serious recruitment or retention problems.

Thus, the initial action toward salary revision is nearly always to establish comparability with competing employers. The usual steps leading to such revisions are:

1. One or more agencies inform the Division of Personnel that they are experiencing difficulty in recruiting and/or retaining qualified employees in a given class or classes.
2. The Division of Personnel determines that agency recruiting efforts, though adequate, have been ineffective and that a serious number of employees have left because of low salaries.
3. If agency recruiting efforts appear to have been inadequate, the Division of Personnel may itself attempt to recruit.
If this recruiting does not produce results and if a serious turnover does exist, the Division conducts a survey to compare State pay scales to those of competing employers.
5. If the pay scales of competing employers are found to be seriously higher than State pay scales, the Division makes an economic study to determine the financial effect of bringing the State pay scales into reasonable relation to those of competing employers.
6. If the Division of the Budget is satisfied that the necessary funds can be provided, a recommendation is made to the Governor to increase the applicable pay scales.

These steps represent the *usual* procedure of the Division of Personnel in controlling salary revisions. The great variety of activities included in the State service, however, causes many situations to arise where these exact steps are not practicable. For example, some classes include very few (frequently only one) positions. Many of these are hard-to-fill specialist positions. Waiting for turnover actually to occur is likely to result in false economy because of the difficulty in securing and training new incumbents. In other instances, the unique character of the position makes external salary comparisons difficult and not very meaningful.

The second objective—internal equity of salaries—is usually a part of the revision procedure outlined above and might be considered as the last step before determining the total cost and submitting a recommendation to the Governor. The process of determining the internal equity of salaries is necessarily quite informal and relies heavily on the judgment of the specialists of the Division of Personnel as well as the managements of the agencies.

Increasing all classes of an occupational group when only one or two have been driven up by competitive pressure would obviously be unnecessary and uneconomic. The Division, therefore, reviews all *related* classes and adjusts only those that would otherwise be drastically out of line. Sometimes, but by no means always, this review does result in a revision of an entire occupational group. At other times, all of one group and part of another are adjusted, and frequently several groups and parts of groups are revised together. There has been only one occasion in recent years when all classes were given a concurrent or “across-the-board” increase.

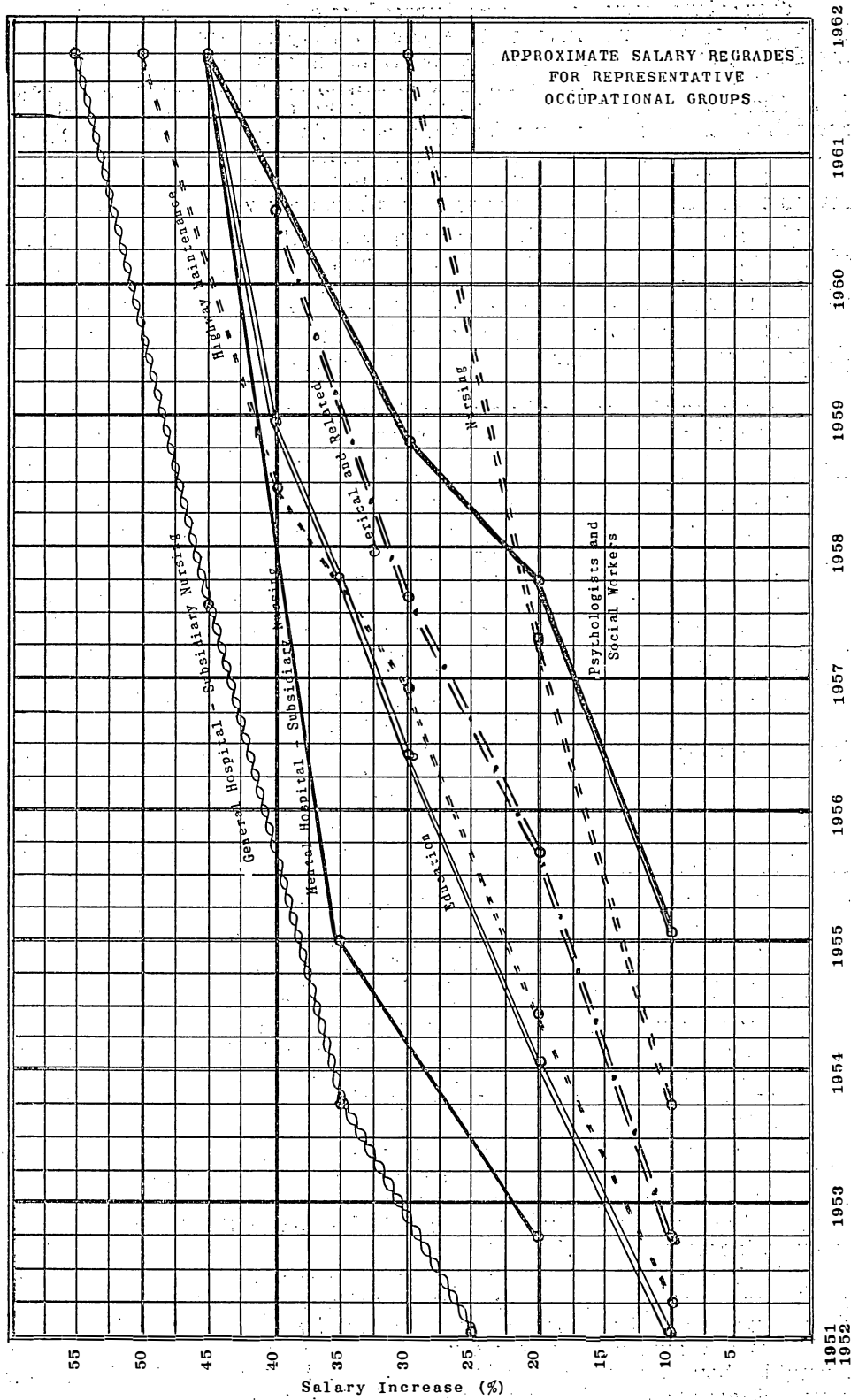
The net effect of this method of salary revision results in the salary structure’s being constantly adjusted to meet current conditions of supply and demand in the “labor market.” In addition, some revisions come about because of other pressures. For example, public demand may develop for improvement in specific services that, in turn, instigate agency demands for higher salaries in the affected classes.

An indication of the relationship of changes in the salaries of representative occupational groups is given in Figure 2. It will be noticed that, although the general rate of increase is about the same over a period of several years, the relative positions of the separate groups tend to vary considerably from year to year.

It should be borne in mind that Figure 2 is a very simplified depiction of the pattern of salary changes. The seven occupational groups shown are only a representative sample of the forty-group total. Within each group, the relationships are not static. Supply conditions, technical qualifications, organizational patterns, program emphasis, and other considerations may change for specific classes, so that the salaries for these then change in varying degree. All such conditions must be given due consideration as circumstances require. Thus, in addition to the broad group revisions, there have been a great many intervening actions in respect to specific *classes* of positions.

An analysis of all major group salary regrades from 1951 through 1961 shows intervals ranging from less than one year to as long as six years. The amount of individual increases ranged from 5% to 20%. In general, the average interval appeared to be nearly three years and the average increase about 10%.

The Virginia salary management process is rather unique in governmental organizations. It is far more realistic and practical, for instance, than increasing all salaries a given percent by legislative action. With the Virginia system, the rapidly changing occupational relationships brought about by our dynamic society can be accommodated as new circumstances arise. Personnel administration specialists can maintain



constant surveillance over the salary structure, detecting inequities within the service as well as with competing employers.

Although more practical and effective than most governmental compensation plans, there are a number of inherent disadvantages to the Virginia plan as present policy requires that it be administered. Perhaps the most significant of these is the fact that the initial impetus to adjust salaries often comes *after* serious problems of turnover or recruiting occur. The more ambitious and capable employees, particularly the younger ones, are thus likely to leave the service *before* salaries are adjusted. The extent to which this condition exists cannot be determined statistically, but it is a complaint frequently voiced by agency managements.

A closely related problem is the lack of a definite policy as to what relationship should exist between State salary scales and those of competing employers. Lacking such a policy, the Division of Personnel must weigh many factors and conflicting viewpoints. It is forced to make difficult decisions without definite policy guidelines and hence is sometimes forced to delay revisions until a situation becomes so serious that operating efficiency is seriously impaired.

The intervals between adjustments are longer and the amount of adjustment is greater than is typical in private business. The present pattern of increases is not planned but, rather, is the result of salary adjustments not being initiated until serious consequences become evident. Typically, when turnover or similar conditions become so serious that action appears essential, the time elapsed plus the time to determine salary scales of competing employers, the effect on related classes, the availability of funds, and other considerations result in a delay that then requires a two-step (or greater) increase to bring State scales into line.

There is sometimes a tendency for classes having fewer numbers of positions to receive less prompt adjustment to the salaries of competing employers, but this often depends upon the responsiveness of the employing agency. Although the employees of many heavily occupied classes, such as clerks, typists, and stenographers, are in great demand by other employers, their salaries may not be promptly adjusted because replacement does not often pose difficult problems and the cost of increase is high. There are also some populous classes with minimum skill and educational qualifications where the supply is consistently good and the effects of turnover not serious. The incumbents of small specialized classes are frequently reluctant to make their dissatisfaction known until they suddenly announce their decision to accept employment elsewhere. These classes, therefore, tend to be overlooked by agency managements until serious trouble has already developed.

In addition to the problem of keeping salaries in proper relationship to those of competing employers, the internal equity of salaries must be considered at all times. Lack of internal equity may go undetected by agency managements. The duties and responsibilities of positions often increase or decrease significantly over a period of time and eventually may result in a position's being substantially over or underpaid. If the position is overpaid and the incumbent is of long service, agency management is likely not to be aware of the fact or, if aware, may choose not to take action. Positions which gradually become underpaid may go undetected through failure of the incumbent or his superior to raise the issue. In either type of situation, the effect on the morale of the incumbent or his associates may result in seriously deteriorated efficiency.

To avoid this condition, the Personnel Rules state (§ 5.7) that "The Director . . . shall amend the allocation of positions in effect as he deems warranted. Such reviews shall cover all included positions at intervals of not more than two years." In 1946, the Division of Personnel staff was insufficient to accommodate this provision, and the then Governor suspended the rule. It has not been reinstated. The present staff is still inadequate to perform such a service and, except in very rare instances, evaluates for allocation purposes only new positions when an agency requests an upgrading or when related positions are affected by a new or reallocated position.

C. *Analysis of Salary Increases*

An analysis of the effectiveness of salary administration requires detailed knowledge of the rate at which salaries have increased as well as of the factors causing the increases. The most important factors are:

1. *Regrading*

This is the basic adjustment of salaries for existing classes of positions. The procedures by which such increases are effected were discussed in the previous section.

2. *Merit Increases*

Increases granted to *employees* after stipulated periods of service.

3. *Promotions*

4. *Reallocations*

Placing existing *positions* in new classes paying higher salaries.

5. *Changing Composition of Work Force*

The increasingly complex nature of the services rendered by the State causes a greater proportion of higher-paid *positions* to be created.

6. *Miscellaneous*

These include increases for added duties, advancement of employees hired below the minimum salary for the class, increased work periods, and specially approved increases for individual key employees who intend to accept offers from a competing employer.

The average salaries and wages of State full-time employees have increased as shown in the following table:

Year	Total Full-Time Pay Per Month* (Thousands)	Total Full-Time Employees	Average Monthly Pay**	Proportionate Increase Over 1952 (%)	Over Previous Year (%)
1952	\$ 5,357	26,610	\$201	(Base)	
1953	6,298	28,087	224	11.1	11.1
1954	6,758	29,035	233	15.9	4.0
1955	7,163	29,481	243	20.9	4.3
1956	7,653	30,435	251	24.9	3.3
1957	8,769	31,336	280	39.3	11.6
1958	9,875	32,808	301	49.8	7.5
1959	9,830	32,339	304	51.2	1.0
1960	10,489	33,243	316	57.2	3.9
1961	11,489	35,660	322	60.2	1.9

* This data is for the month of July in each year. The information was taken from the semiannual Employment Report prepared by the Division of Personnel.

** Derived by dividing total pay by total number of employees.

The average annual increase as calculated above amounts to 5.4% compounded annually. That is to say, if the average monthly pay of \$201 for 1952 were increased 5.4% to obtain a monthly pay figure for 1953 and each year this in turn were similarly increased 5.4% over the previous year, the monthly salary thus developed for 1961 would be \$322.

The extent to which each of the previously listed factors contributed to this increase cannot be calculated exactly for various technical reasons that will be explained in the following paragraphs. Some of the factors, though substantial, affect the overall increase rate only under unusual conditions that will also be discussed below. Other factors have a definite effect on the overall pay scale, but are of very minor consequence. In any event, it is necessary to understand the nature and effect of these factors before making comparisons with the rates of increase of other employers. Each factor is estimated from the available data in the analyses which follow.*

1. *Regrading of Salaries*

It is not practical with existing data to determine the exact payroll effect of salary regradings for any given year. If, for example, a class is regraded on April 1 of a particular year, the effect of the increase in that *fiscal* year would apply only to the months of April, May, and June. Moreover, the number of employees in the class might change during that period, thus adding another variable factor which would be difficult to account for exactly.

In the subsequent fiscal years, however, the full amount of the increase would be applied to the extent that the authorized positions in that class were filled. To obtain the approximate proportion of regrading increases compared to total payroll, we have therefore assumed that the regrading applied to the full calendar year in which it was first authorized. Next, having determined that authorized positions were filled an average of 93.6% of the time, we have adjusted the increases to this proportion. Finally, we have assumed that the total calendar year payroll was midway between the previous and subsequent fiscal years' total payrolls and compared the adjusted regrading increases to it. The result of this analysis is given in the following table:

Year	Number of Authorized Positions Regraded	Regrading Increases to Authorized Positions (Annualized)	Regrading Increases Adjusted for Vacant Positions (93.6% of Col. 2)	Estimated Total Salaries for Calendar Year	Proportion of Regarding Increases to Total Salaries
1956	10,325	\$3,594,660	\$ 3,364,602	\$ 85,542,000	3.93%
1957	14,931	4,339,737	4,061,994	95,405,000	4.26
1958	9,879	3,574,107	3,345,364	105,710,000	3.16
1959	1,434	631,685	591,257	114,260,000	.52
1960	14,574	4,190,803	3,922,592	123,181,000	3.18
		Total	\$15,285,809	\$524,098,000	
		Average	3,057,162	104,820,000	2.92%

* Data on number and amount of increases is based on *Analysis of Transactions* prepared by Division of Personnel. Estimated total salaries for calendar year are based on fiscal year total salaries in Comptroller's Report.

2. Merit Increases

Merit increases are granted according to the length of time an employee has been employed at a given salary step. They therefore occur throughout the year. Since they are granted to employees rather than positions, the number of such increases does not need adjusting for vacant positions. The merit increases granted in relation to the total payroll are shown in the following table.

Year	Number of Authorized Merit Increases	Amount of Authorized Merit Increases (Annualized)	Estimated Total Salaries for Calendar Year	Proportion of Merit Increases to Total Salaries
1956	12,736	\$1,858,000	\$ 85,542,000	2.17%
1957	11,708	1,861,000	95,405,000	1.95
1958	12,298	2,043,000	105,710,000	1.93
1959	12,121	2,028,000	114,260,000	1.77
1960	12,346	2,122,000	123,181,000	1.72
	Total	\$9,912,000	\$524,098,000	
	Average	1,982,400	104,820,000	1.89%

The number of merit increases granted each year has been quite constant at about 12,000—somewhat more than one third of the total full-time employees. This constancy is to be expected because the increase is granted after specific periods of service up to the maximum salary of the particular class. The proportion of employees receiving merit increases would be greater at times when there were more new employees either because of greater turnover or an expanding work force.

The effect of merit increases on general salary levels would be significant only under such conditions. When turnover and total employment are relatively stable, the merit increases are largely “recirculating” in the sense that for each new employee starting at the lowest step of the salary range, there is likely to be another reaching the maximum. Such a condition appears to have existed during the years shown, and we may therefore consider that merit increases have not tended to raise average salaries during the last several years.

3. Promotions

Day-to-day organization changes result in employees’ being continuously promoted to positions in classes having higher salaries. Since most of such positions have been recently vacated by other employees who themselves have been promoted or who have left the service, the net effect on general salary levels is very small. Promotions, like merit increases, are therefore largely “recirculating.” Nevertheless, it is interesting to observe the number of employees promoted and the average increase in salary they receive. This is shown in the following table:

Year	Number of Employees Promoted	Salary Increases for Promotions (Annualized)	Estimated Total Salaries for Calendar Year	Proportion of Promotional Increases to Total Salaries
1956	1,600	\$ 444,000	\$ 85,542,000	0.52%
1957	1,898	608,000	95,405,000	0.64
1958	1,934	653,000	105,710,000	0.62
1959	1,948	621,000	114,260,000	0.54
1960	1,996	663,000	123,181,000	0.54
	Total	\$2,989,000	\$524,098,000	
	Average	597,800	104,820,000	0.57%

4. *Reallocations of Positions*

The duties and responsibilities of positions sometimes increase (or decrease) in importance for various reasons. When this occurs, the Division of Personnel may be requested to re-examine a position and may then authorize it to be placed in a class having a higher or lower salary. This is called reallocation. As will be noticed in the table on the following page, the number of positions involved and the salary increases granted for this reason are quite small.

Year	Number of Positions Reallocated	Salary Increases for Reallocations (Annualized)	Estimated Total Salaries at End of Calendar Year	Proportion of Reallocation Increases to Total Salaries
1956	550	\$108,000	\$ 85,542,000	0.12%
1957	587	125,000	95,405,000	0.13
1958	713	190,000	105,710,000	0.18
1959	488	162,000	114,260,000	0.14
1960	390	98,000	123,181,000	0.08
	Total	\$683,000	\$524,098,000	
	Average	136,600	104,820,000	0.13%

Although a very minor factor, these increases have a *direct* effect upon the general salary level.

5. *Changing Composition of Work Force*

Changing services and organizational patterns of agencies result in positions being constantly abolished or created. There is a tendency for the newly created positions to require on the average higher skills, educational and other qualifications than those that are abolished. There is thus an important *direct* effect on the general salary level.

The data to make a direct determination of the effect on salary levels is not available. An estimated value will be calculated in the Summary below.

6. *Miscellaneous*

The values for the significant items included in this category are:

	Average Annual Increases 1956 Through 1960	Proportion of Estimated Total Salaries
Increased work load or duties	\$170,700	0.16%
Advancement to minimum salary	120,860	0.11
Competitive increases	24,400	0.02
Total.....	\$315,960	0.29%

None of these types of increases should tend to increase general salary levels. All of them constitute special treatment for certain *employees*, not positions. All are allowed only for special conditions that are reviewed and approved by the Division of Personnel.

Summary

We can classify the several kinds of increases into those that have a *direct* effect on the salary structure and those that *primarily* affect individuals only. The latter tend to be self-compensating (e.g., promotions, merit increases) or adjusting (e.g., advancement to minimum salary, increased work load).

The increases *directly* and significantly affecting the salary structure (and therefore the overall increase) are shown in the table below.

Type	Proportion of Estimated Total Salaries
Regradings (Factor 1)	2.92%
Reallocations of positions (Factor 4)	0.13
Changing composition of work force (Factor 5)	(not yet calculated)

To determine the amount of annual increases resulting from the changing composition of the work force, we subtract the sum of regrading and re-allocation increases from the total. The latter is determined by taking the average overall increase for the years 1956 through 1960* from the table on Page 22. It will be remembered that the overall increase was found to be 5.4% for the years 1952 through 1961. The increase for the years 1956 through 1960, calculated by the same method, is found also to be 5.4%.

The sum of regradings (2.92%) and reallocations (0.13%) is 3.05%. Rounding this to 3.0% and subtracting from the total rate of increase of 5.4% gives 2.4% as being due to the changing composition of the work force. The average annual payroll for the five-year period was estimated to be \$104,820,000 and, therefore, the average annual increase due to the changing composition of the work force is 2.4% of this, or \$2,515,680.

We can now summarize the estimated average annual increases as shown in the table below.

Description	Amount	Proportion of Estimated Total Annual Salaries
Not Affecting General Salary Levels		
Merit increases	\$1,982,400	1.89%
Promotions	597,800	0.57
Increased work load or duties	170,700	0.16
Advancement to minimum salary	120,860	0.11
Competitive increases	24,400	0.02
Total.....	\$2,896,160	2.75%
Affecting General Salary Levels		
Regradings	\$3,057,160	2.9%
Reallocations of Positions	136,600	.1
Changing composition of work force	2,515,680	2.4
Total.....	\$5,709,440	5.4%

This breakdown of salary revisions permits us to obtain a clearer concept of the interrelationship of the various actions that occur within the salary adjustment process. First, we note that regradings, estimated in accordance with the assumptions stated earlier in this section, account for approximately a 3% average annual increase. This compares reasonably with the pattern of such increases noted in the previous section—approximately 10% each three years.

* Only the five-year period was used in analyzing the increase factors because of the laborious detail required in developing the data.

Next, we note that an almost equally important amount of increase (2.4%) is brought about simply by the changing composition of the work force, and this does not affect the person already employed. Finally, we note that the average employee receives approximately the same amount of annual increase (2.75%) by virtue of promotions, merit increases, and other actions which do not affect—and are not affected by—the basic salary structure. We should bear in mind, however, that the latter type of increase does *not* affect a large proportion of the employees who are already at the top of their salary range and who are not promoted. Note should also be taken of the extremely small increase (about half of one percent) that results from promotions.

D. *Comparative Salary Scales*

1. *Competitive Employers*

To recruit and retain competent employees, the State must maintain its salary scales within reasonable comparability of competing employers. Comparability is more essential now than formerly because the increased variety and complexity of services require more highly trained employees who are in greater demand by private as well as public organizations. Competing employers include the Federal government, local governments, other state governments, similar private or public institutions, and many private enterprises. The greatly increased mobility of nearly all elements of the employed population has expanded the area from which competing employers recruit. In fact, for the more specialized classes of positions, the entire country must be considered to be in competition with Virginia. The increased competition for well-trained employees has made the determination of comparable salaries much more critical and difficult in recent years. A local survey may still be adequate for certain classes of clerical positions, but for the more specialized classes, surveys must be much more extensive if they are to cover all important competitive employers.

2. *Comparison with Other States*

One of the best measures of the general comparability of salary scales is comparison with other state governments. Even though relatively few employees are exposed to the employment competition of other states, an interstate comparison is useful because it shows the relative average level of the entire range of positions.

The comparison of salaries among states, however, is subject to the same difficulty that was previously encountered in comparing the proportion of state employees to population—the different distributions of positions between state and local governments. For example, one state may have many highly paid positions under local jurisdiction which in another state are under state jurisdiction. The effects of such differences in distribution can be largely neutralized by comparing the *composite* average salaries of *both* local and state employees. The same type of data is also reasonably applicable and valid in comparing one period with another.

The following table shows the comparative earnings of state and local government employees for the years 1953 and 1961.

**Average Monthly Earnings of Equivalent Full-Time
Employees of State and Local Employees***

	1953		1961		
	Average Monthly Earnings	Proportion in Relation to Virginia	Average Monthly Earnings	Proportion in Relation to Virginia	Proportionate Increase over 1953
	(\$)	(%)	(\$)	(%)	(%)
Virginia	239	100(base)	355	100(base)	49
North Carolina	268	112	380	107	42
Maryland	290	121	427	120	47
Average of all States	295	123	415	117	41

* Adapted from Statistical Abstract of the United States, 1953 and 1962 editions.

From this we can see that in 1953 state and local public servants in all states were paid an average rate 23% greater than those in Virginia. During the intervening years, Virginia employees' salaries increased 49% as compared to the national average of 41%. Thus, by 1961, the national average had been reduced to 17% greater than that of Virginia. Since these figures represent the composite of state and local government employees, the question is raised as to whether the improvement in Virginia's relationship is due to the effect of local government salaries, State government salaries, or both.

It is not possible to establish a precise relationship between the relative salary scales of Virginia's local and State employees. However, it seems logical to assume that they have remained in a quite constant relationship over the years. Whenever a serious disparity develops, there is considerable pressure to effect the necessary adjustments. For example, a sampling of salaries of specific positions showed that in 1953 the salaries of the City of Norfolk were 2.8% above comparable State salaries. In 1961, a similar sampling showed that the salaries of the City of Richmond were 0.9% above comparable State salaries. Also, on Page 22 we showed the average State salary as being \$224 per month in 1953 and \$322 in 1961. This is an increase of 44% compared with 49% for State and local combined.

We conclude, therefore, that although Virginia's public salaries have improved in relation to national averages and the adjacent States of North Carolina and Maryland, there is still an unfavorable disparity.

Although it is possible to make comparisons of the salaries of specific positions with those of other states, such comparisons may be misleading. The relative salaries of specific positions often change radically in a short period, and the great number of classes of positions makes it dangerous to assume that overall salary scales are reflected in the sample positions. We have, therefore, not conducted an interstate survey of specific positions as part of this study. Such surveys are conducted at intervals by the Division of Personnel and are used in determining the need for revising the salaries of specific positions.

3. Comparison with Federal Pay Scales

Federal pay scales tend to be higher for white-collar workers than those of most states and localities. Blue-collar pay scales are adapted to the community rates where the employees are based. On the following page is a tabulation of salaries of positions selected at random showing specific comparisons of Federal salaries with those of corresponding state positions.

**Comparison of Typical Positions
Between Virginia and U. S. Civil Service***

	U.S. Civil Service		Virginia		North Carolina		Maryland	
	Max. Rate	Pro-portion	Max. Rate	Pro-portion	Max. Rate	Pro-portion	Max. Rate	Pro-portion
Class Title	(\$/Hr.)	(%)	(\$/Hr.)	(%)	(\$/Hr.)	(%)	(\$/Hr.)	(%)
General Clerk C	1.98	100(base)	1.32	67	1.50	76	1.76	89
General Clerk B	2.10	100	1.52	72	1.91	91	1.94	92
Steno. Clerk A	2.24	100	1.89	84	2.33	104	2.24	100
Acctg. Clerk B	2.10	100	1.52	72	1.91	91	2.13	101
Accountant III	3.56	100	3.85	108	4.39	123	4.03	113
Engineering Draftsman	2.24	100	2.70	121	2.70	121	2.89	129
Highway Construction Inspector	2.24	100	3.17	142	2.97	133	2.57	115
Rodman	2.10	100	1.56	74	1.74	83	2.13	101
Chemist III	4.24	100	4.02	95	3.44	81	4.24	100
Graduate Nurse	2.56	100	2.16	84	2.22	87	2.42	95
Psychiatric Social Work Supervisor	3.82	100	4.02	105	4.18	109	4.24	111
Buyer IV	4.24	100	3.37	79	4.84	114	4.49	106
Public Health Nurse Consultant	4.91	100	3.37	69	3.61	74	4.49	91
Average	2.94	100(base)	2.65	90	2.90	99	3.04	103
Proportionate to Virginia		111		<u>100</u> (base)		109		115

* Adapted from Salary Survey Report—Michigan Civil Service Commission. Rates are those in effect in September, 1962. Subsequent analysis showed that the positions Accountant III, Engineering Draftsman, Highway Construction Inspector, and Psychiatric Social Work Supervisor were inaccurately compared in the survey and should have been assigned a higher hourly rate for the U. S. Civil Service. The net effect would increase the Federal level several percentage points over the states with which it is compared.

This tabulation of salaries of positions selected at random indicates that Virginia's State salaries were about 10% less than Federal scales. North Carolina and Maryland exceed Virginia by about 9% and 15%, respectively. These state relationships correspond to the 7% and 20% determined on Page 28 for combined state and local salaries in 1961. Since these two analysis were developed from entirely different sets of data, their rather close correlation tends to support their accuracy.

The above table also shows the substantial variation among the listed employers in the salaries of some positions. This is because supply-demand factors vary considerably among the states, internal inequities exist in some state salary structures, and in other instances the work content of positions having the same title is different. The gap between the Federal Civil Service rates and those of the states has widened substantially as a result of the Federal pay increases effective October 1, 1962. Although State scales were also subsequently adjusted, the increase was less than the Federal increase and the gap is now greater (1963).

4. Comparison with Private Employers

In 1953, the average monthly pay of all employees in Virginia manufacturing industries was \$264 per month. In 1961, this average had increased 37% to \$361. The relationship between these rates of pay and the State average salaries for Virginia is shown below.

	1953		1961		
	Average Monthly Pay	Pro- portion	Average Monthly Pay	Proportionate Increase From 1953	Pro- portion
	(\$)	(%)	(\$)	(%)	(%)
State Government					
Employees*	224	100	322	44	100
Average of All					
Manufacturing					
Employees**	264	118	361	37	112

* From Page 22 of this report.

** Supplied by Virginia Department of Labor and Industry.

On an *overall* basis, Virginia State government pay rates appear to have improved in relation to those of Virginia *manufacturing industries*, but in 1961 were still not equal. These comparisons must be viewed with the precaution that changes in the composition of the work force in State service may have a strong bearing on the average rates. It should also be borne in mind that the manufacturing industries as a whole employ a larger proportion of unskilled persons and that this tends to make the comparison of current average pay inaccurate as an indicator of relative equity.

Another view is obtained by comparing the median salaries of typical positions with community rates. A survey in October, 1962, of the Richmond area gives the results shown in the table on the following page.

**Comparison of Annual Salaries of Typical State Positions
with Similar Private Employer Positions
in the Richmond Area—October, 1962**

Position	Richmond Area Median*	Virginia State Median**	Difference	
	(\$)	(\$)	(\$)	(%)
Accounting Machine Operator A	3,760	3,312	—448	—12
Accounting Machine Operator B	4,200	4,128	—72	—2
Switchboard Operator	3,312	3,024	—288	—9
Clerk A	2,736	2,520	—216	—8
Clerk B	3,180	2,880	—300	—9
Clerk-Typist A	2,964	2,640	—324	—11
Clerk-Typist B	3,312	3,024	—288	—9
Clerk-Stenographer A	3,288	2,880	—408	—12
Clerk-Stenographer B	3,962	3,168	—794	—20
Registered General Duty Nurse	4,056	3,936	—120	—3
Hospital Practical Nurse	2,760	2,520	—240	—9
Occupational Therapist	5,885	4,920	—965	—16
Physical Therapist	4,718	4,920	+202	+4
Highway Equipment Mechanic A	4,846	3,744	—1102	—23
Janitor B	2,834	2,112	—722	—25
Stationary Boiler Fireman A	3,600	3,168	—432	—12
Watchman A	2,865	2,640	—225	—8
Average	3,663	3,267	—396	—11

* Adapted from survey conducted by Personnel Division of the City of Richmond. Participants were predominantly private employers.

** Median of salary range, not of salaries paid.

This sampling indicates that in representative office and technical positions, the State was paying about 11% less than competing employers in the Richmond area. Against this must be considered the fact that in rural and smaller localities there would probably be a much smaller gap or even a reverse relationship.

This was made apparent by a sampling of the salaries of representative office positions in commercial establishments in various areas of the State.¹ The composite of these salaries showed the following relationships.

Area	Relative Salary (%)
Richmond	100 (base)
Roanoke-Salem	90
Lynchburg	88
Hampton Roads	93
Danville	85
Fredericksburg	90
Petersburg	93
Staunton	83
Pulaski	84

¹ This was a private and confidential survey.

These relationships were determined only for office positions, and it is known that other types of positions have wide salary variations in different areas. However, all salary variations do not necessarily occur according to the same pattern. Crafts and trades positions may be relatively high in the same area where office positions tend to be lower. The variations in most instances are *as much the result of supply-demand factors as the cost of living*.

In the technical, professional, and administrative classes, the comparison of salaries with local private employers becomes in many instances

less important than with national norms. Here the demand is frequently so great that competing employers offer to pay moving and/or resettlement expenses, thus overcoming a major deterrent to employees' accepting positions with distant employers.

It is in the upper levels of these classes that private employment competes most strongly with State and other governments. This is illustrated in the table on the following page, showing comparative median salaries of engineering college graduates employed by various types of competing employers.

Who Graduated in 1950*

Type of Employer	Number of Engineers Covered in Survey...	Median Salary	Relative Position
		(\$)	%
State Highway Commissions**	10,601	8,375	100 (base)
Engineering College***	5,336	9,100	109
Local Governments	1,238	9,000	107
Federal Government (Civilians Only)	8,652	9,375	112
Utilities	12,806	8,750	104
Railroads	943	8,425	101
Mining	1,347	9,050	108
Instrument Manufacturing	2,286	9,825	117
Construction	2,885	9,600	115
Electrical Machinery and Electronics	47,583	10,550	126
Aircraft and Parts	25,961	10,850	130
All Industries	164,657	9,975	119
All Governments	20,491	8,750	104

* Adapted from Professional Income of Engineers, 1961 report of Engineering Manpower Commission on behalf of Engineers Joint Council.

** Highway Commissions usually employ most of the engineers in state service.

*** Total professional income, of which \$6,950 was the basic teaching salary.

For the ambitious individual, the greater potential top earning power available in private business is even more important than the median salary. Such individuals soon become aware that the upper 10% in Highway Commissions earn an average of \$10,625 after ten years as compared with \$11,200 for railroads and \$13,000 for all industries combined. The average railroad apparently does not offer much attraction, but the average industry is able to offer the probability of 22% greater top earnings to the ten-year veteran.

On the other hand, industry does not usually offer as great security of steady employment, as liberal vacation time, or as many holidays as the Commonwealth of Virginia. Thus, employment may be made somewhat more attractive even though pay scales are not comparable. Comparability of fringe benefits will be dealt with in a subsequent section of this report.

The difficulty of comparing State pay scales with those of competing employers is apparent from the preceding analysis. Each occupational group, and even individual classes, must be compared with the more significant of its competing employers. These may be confined to the immediate locality, to a section of the State, to the entire State, to nearby states, or, in some instances, to the whole United States. They may be private employers, local governments, Federal agencies, other institutions, or any combination of these.

E. Conclusions and Recommendations

1. The following principle should be given foremost consideration when formulating policies and practices of salary administration: *Economy is best served by the effective utilization of competent employees.* The application of this principle implies a salary structure liberal enough to attract and retain competent employees. It also implies that salaries need *not* be so liberal as to eliminate the necessity for diligent recruiting efforts and maintaining effective employee motivation. Most importantly, this principle emphasizes the need for effective *utilization* of personnel—*primarily an agency management function.*
2. The State's overall salary structure has improved somewhat in relation to competing employers in the past several years. The average State salary is still significantly less, *in general*, than that of competing employers. The effect of fringe benefits and working conditions does not appear great enough to overcome many compensation differentials. (*Note: Fringe benefits will be analyzed more fully in a later section.*)
3. The principle, presently employed, of balancing salary levels in relation to competing employers *and* related positions in the State service is fair, practical, and as nearly equitable as possible. The principle should be continued and further recommendations deal with its implementation rather than modification.
4. The great variety of classes of positions and the changing relationships in respect to competing employers make impractical a categorical quantitative statement of the relationship that State salaries should have with those of competing employers.
5. Pay scales should be maintained at levels *competitive* with those of *competing* employers. A more definite or comprehensive statement of policy than the above would not be practical or conducive to operating economy. Judgment must be exercised in light of the particular conditions existing at the time of a salary review. The use of judgment cannot be eliminated by setting simple standards of comparison.

For example, it would be confusing to require, as is sometimes done, that salaries be maintained at the average of the community for equivalent work. Many classes are not comparable with community rates but with national rates. Variations among the several communities of the State would require that "community" be defined—an impractical task.

Some organizations state their compensation policy as "equal pay for equal work." Here again, an oversimplified statement sounds well but is not easily administered in such a broad range of positions as that of the State service. Equal work is not readily determinable. It is not, for instance, indicated by similar class titles or even by similar class descriptions. Equal pay must take into consideration non-financial factors, such as job security and fringe benefits like vacations and sick leave.

The compensation policy statement recommended above requires the exercise of judgment as to what is a *competitive* salary and what is a *competing* employer. Although these vary from class to class, area to area, and time to time, they can usually be easily identified for a particular class in a particular area at a particular

time. A competitive salary is one which, all other job conditions being equal, is reasonably attractive in comparison with those of competitive employers. If some job conditions are not equal, then the salary should take these into account.

A competitive employer is one who is *currently* attracting the employees, or candidates for employment, of the State for the same type of work.

The recommended policy statement avoids the question as to whether pay scales should be equivalent to national, mid-Atlantic, private, public, or any other specific class of employers. It avoids stating whether pay scales should be "*equal* to the median," "*not more* than the median," or any other quantitative criterion.

6. Salary reviews and surveys should be conducted more frequently and periodically than at present. They should not be delayed until agencies report serious turnover. The latter practice has resulted in an average period of about three years between increases that averaged about 10%. Arguments may be presented that smaller, more frequent increases are not appreciated. The fact remains, however, that the great majority of employees in private business is accustomed to annual adjustments. When State employees have received no adjustment for three years, a 10% increase may have less psychological impact than the fact that they have been waiting a long time while the comparable private employee was forging ahead economically. Moreover, during such a three-year period, the employees who have separated are likely to have been the more aggressive and ambitious.
7. Agencies should, with the assistance and cooperation of the Division of Personnel, attempt to keep in close touch with the salary trends of their key administrative, technical, and specialist positions. These trends should be reported to the Division of Personnel even though the agency does not currently request salary regrading. The great majority of State positions and the many types of competing employers make it extremely difficult for the Division of Personnel to stay abreast of them all. The Division should, however, make periodic wage surveys for the more common types of positions. Adjustments in salaries should be made promptly, once a definite trend is determined.
8. The number of position classes should be reduced. Institutions having unique classes of one or two positions should attempt to combine these with other classes in their own and/or other agencies. For example, many supervisory classes are described in terms of one employee's specialized duties. These could in many instances be included in a more broadly defined series such as Section Head, Division Head, Unit Supervisor, etc. Each of these series could then be divided into classes such as A. B. C., etc.

This practice should tend to cause agency managements to make more direct comparisons among supervisors and to place greater emphasis on evaluation of the common factors that determine the relative worth of management positions.

9. Positions should be reviewed periodically to assure that they are properly allocated. The Division of Personnel should carry out the original intentions of the Personnel Act in respect to performing this function. The maintenance of uniform and equitable salary relationships requires review. The Personnel Rules stipulation that

every position should be reviewed every two years is probably too heavy a burden to be discharged economically. A random sample review of the positions in each agency, however, appears to be practical and desirable at two or three-year intervals.

No doubt this would be resented by some agencies. However, the damage that is done to morale when positions drift out of proper allocation requires positive measures of review and a definite fixing of responsibility for the function. This matter is, in fact, so important to effective operations that agency managements should make their own reviews on a continuous, if less formal, basis.

10. The allocation and/or regrading of critical positions should be done with greater emphasis on the equity of internal salary relationships. A formal evaluation plan to achieve this end was prepared and utilized on a trial basis in connection with this study. The method and results are contained in a separate working report "Evaluation of Salaries for Regrading and Reallocation of Positions," prepared for and made available to the Division of Personnel during this study.

Agencies should be encouraged to employ the technique described in the above report to evaluate their own key positions. The Division of Personnel should always assist in this activity and must continue to have approval authority for any resulting salary revisions.

11. The Personnel Act should be amended to provide for the inclusion of administrative employees affiliated with judicial bodies but who are not a part of the judicial function.

The exemption of such employees does not presently provide an additional safeguard against interference by the Governor or his deputies inasmuch as the Governor is prevented by the Personnel Act from exercising any authority "with respect to the selection or tenure of any individual . . . except where the Governor is the appointing authority" (§ 2-83). The exemption of such employees tends to defeat the objectives of the Personnel Act to assure uniform compensation and other Statewide personnel standards.

IV—ADMINISTRATIVE POLICIES AND PRACTICES

A. *Area Salary Differentials*

1. *Findings*

In the previous section, the differences in the salaries paid for the identical positions in different areas of Virginia were noted as a complicating factor in determining the most equitable salary level for State government employees. Variations as great as 18% were noted between Richmond and other areas.

This condition would seem to indicate a need for establishing a schedule of salary differentials for the various geographical areas of the State. However, there are other important considerations.

Area differentials were employed by the State for a period during World War II and found to have some serious disadvantages. Administrative problems were formidable, but, in addition, there were many morale problems that tended to accentuate the very conditions the practice was intended to alleviate.

Salary differential areas must be delineated exactly. This leads to problems when work places are near to each other but on opposite sides of

an area boundary. Because average community salaries do not remain constant nor even in the same relationship to each other, frequent surveys must be conducted to determine current levels. If cost of living (consumer price index) were to be used as the differential index, the State would be required to make this determination also, inasmuch as the Federal Department of Labor surveys cover only the larger cities. The use of cost of living as an index also raises the question as to whether it should be applied to the work location or to the place of residence. Quite large cost-of-living differences are often found between small-sized cities and the nearby rural areas to which many employees commute. This then raises the further question as to whether an employee commuting from a low-index to a higher-index area should be allowed something to offset his commuting cost.

Regardless of the index used, however, the area differential is likely to leave many salary disparities unresolved. As noted in an earlier section of the report, the community salaries of individual classes of positions are more likely to vary in accordance with the supply-demand relationship than with either index. Determining the median community salary for all classes for all communities, however, would obviously be very expensive and subject to many administrative problems.

Even though the salaries of all positions were adjusted to suit community levels, agencies would continue to have problems of salary administration. Those agencies having certain positions scattered throughout the State have sometimes found that employees trained in the metropolitan area are reluctant to move to a remote place of employment. In such instances, the lower-cost-of-living level of the remote area serves as a sort of financial incentive to transfer. Nevertheless, the fact remains that State salaries run significantly higher than average for some positions in certain communities. When these positions are common to local private and governmental employers, complaints of unfair competition may be expected from the former.

Some agencies or institutions have on occasion declined to take advantage of the upward regrading of certain classes, because the salaries were already competitive in their area. This has been permitted by the Division of Personnel despite the Personnel Act's stipulation that salaries "shall be uniform." This practice indicates a commendable concern for economy and the maintenance of an equitable relationship with local salary scales. However, the complexity of the various circumstances under which this practice would be justifiable and equitable precludes making it an established and comprehensive policy. Latitude should exist for individual agencies and institutions to adjust to local circumstances and conditions.

2. Conclusions and Recommendations

- a. There should be no comprehensive Statewide plan of area salary differentials.
- b. Agencies and institutions should be encouraged to modify salary scales downward wherever the State scales appear out of line with local ones. Institutions located in given areas should consult one another with a view to establishing uniform rates for common positions in that area. The Personnel Act stipulation that salaries shall be uniform should be modified to accommodate this recommendation. The Division of Personnel should take the initiative in calling the attention of institutions to disparities between State and local rates. If necessary, the Division should arrange for interagency conferences to consider the modifications that seem

practicable in a given area. If conditions warrant, the institutions concerned should make arrangements for making periodic local salary surveys and maintaining continuing coordination with local business and political employers.

- c. The present practice of paying local "going" rates for hourly paid, temporary employees should be continued. If the pay is higher than the regular State salaries, the duration of employment should be truly temporary but *not* necessarily tied to a particular work project as now required. "Temporary" should also cover periods of excessive competitive demand for a particular type of employee. Temporary payment at above-normal wage scales should continue to be approved in advance by the Division of Personnel.

Under no circumstances should the interagency conferences mentioned in b. above be allowed to increase permanent salary or wage scales. Where increases seem warranted the conferences should advise the Division of Personnel, so that the latter may consider the necessity for Statewide action. Allowing particular areas to increase permanent rates would result in a chaotic condition. Nothing in this recommendation should be construed as justifying the augmentation of State compensation by that of other jurisdictions or private sources except as presently provided by statute and in conformance with Recommendation IV C 2. b. on p. 39 of this report.

B. *Overtime*

1. *Findings*

The regulation of overtime payment is covered by Personnel Rule 8.3(g):

"No additional compensation shall be paid for overtime, or in lieu of annual or compensatory leave earned, except that the Director may, upon application of the appointing authority made in advance of, or concurrent with, an emergency situation and with the written concurrence of the Director of the Division of the Budget, allow such payments therefor as he considers advisable. This section does not apply to payments made under the provisions of Rule 10.12."

Rule 10.12 refers to the payment for accrued compensatory leave upon separation of an employee.

Rule 8.3(g) is administered by the Division of Personnel through the medium of a special form—Authorization for Unit of Work Rate (Form P-14). This form requires the agency to specify the specific conditions under which overtime (or other extraordinary compensation) is to be paid, the period during which it is to be paid, and the positions that are included. Approval of the authorization stipulates that the agency must report quarterly the amount paid to each employee covered. This information is made part of the employee's record in the file maintained by the Division of Personnel. When it appears that an employee is being paid an unusual amount or is paid overtime for an extended period, the Division requests justification from the agency.

The total amount of overtime paid by the State is not known because there is presently no accounting arrangement for identifying such compensation. The information furnished by agencies to the Division of Per-

sonnel is itemized and would not be practical to summarize. A review of the agency quarterly reports indicates that the overtime compensation is quite a small portion of the total payroll. A few agencies, however, find it necessary to expend significant sums for this purpose. In fiscal 1962, for example, the Department of Highways had overtime payments of approximately \$1,284,000 out of a total payroll of \$36,621,000. Other agencies making significant overtime payments are the University of Virginia and the Medical College of Virginia. The latter institutions find overtime payment necessary mainly because of the service requirements of their hospitals and to a lesser extent for making building alterations or repairs on an accelerated basis.

In none of the agencies did overtime payment appear to be abused, nor is there any indication that its use is an unnecessary cost. The principal problem is to provide assurance that overtime payment does not introduce inequities in the compensation of individual employees and that it does not become a means for paying unjustified supplementary compensation.

Except in a few isolated instances, overtime is paid at straight time. Inasmuch as normal workweeks vary among agencies, overtime commences in some instances after forty hours and in others after forty-four, forty-five, or some greater number of hours.

There is no official rule as to what type of position is entitled to overtime payment. Most of the higher-level specialist and administrative positions are expected to work whatever overtime is necessary without additional compensation, but in a few instances where subordinates would otherwise receive equal or greater compensation by virtue of overtime pay, supervisory positions also receive such payment. In every case, however, justification for granting overtime compensation is required of the agency.

2. Conclusions and Recommendations

- a. Although consistency is a very definite virtue in regulating the conditions under which overtime compensation is granted, the great diversity of circumstances under which overtime may be required does not favor the establishment of definite comprehensive limiting rules. Too strict a policy might well result in more expensive operations in some circumstances. The managements of agencies show good evidence of being careful not to pay for overtime when compensatory leave is practical, or to pay unnecessary overtime as a means of supplementing ordinary pay. There were no instances found where it would have been more economical to employ additional people rather than to pay occasional overtime. The Division of Personnel maintains an effective review of overtime compensation and brings apparent excesses to the attention of the agencies.
- b. The present requirement for agencies to report all overtime quarterly to the Division of Personnel should be continued. The Division is presently working out smoother and more effective reporting procedures with the agencies. This effort is commendable and should be continued.
- c. The State chart of accounts should be revised to include a subaccount for overtime compensation. This would permit the reporting of overtime payments by established mechanized data processing equipment in the larger agencies or through the Comptroller's office. In turn, this might permit the automatic listing of overtime by each employee with the accumulated total of the preceding

quarters. This would make it unnecessary to hand post or file each quarterly report in the Division of Personnel and, in addition, would facilitate the preparation of agency overtime reports. The latter could be used internally in the larger agencies to control departmental overtime as well as for submitting such information to the Division of Personnel.

C. Salary Supplements

1. Findings

Salary supplements are defined here as additional monetary compensation given to employees by non-State agencies (or even private citizens) for performing their normal duties. Although this practice is known to occur and is in apparent violation of Personnel Rule 8.3f, its extent is not known because there is no legal requirement for such compensation to be reported by the employee or by the donor. The additional compensation may be provided by endowment funds of institutions, by private associations, or by citizens. Usually, such supplements are intended to augment a particular employee's income that would otherwise be considered inadequate, to prevent a particular employee from leaving his position, or to compensate for an employee's extraordinary efforts or unfavorable working conditions.

We do not define salary supplements as including supplementary income received for services rendered to other agencies or organizations who pay for such services on a fee, honorarium, or salary basis. This type of compensation will be considered later.

2. Conclusions and Recommendations

- a. It is understandable that in certain circumstances private persons or organizations may wish to supplement the income of certain employees. There could be situations, however, where an employee (or employees) might receive supplemental compensation of this kind that would disturb internal salary relationships. If supplementary compensation is employed simply for the purpose of increasing the compensation of employees that an agency believes are underpaid, the practice becomes a device for circumventing the established means of assuring equity. Personnel Rule 8.3f should be revised to permit supplementary payments in accordance with these recommendations and certain statutory requirements.
- b. All salary supplements should be reported by the employee to his agency, who should then report to the Division of Personnel. The Personnel Rules should be modified to include such a requirement. The Division of Personnel should control all salary supplements but should not approve salary supplements that:
 - ... permit an employee to receive greater compensation for performance or working conditions that are substantially the same as those of other employees receiving a regular State salary, except as provided in c. below; or
 - ... are for additional duties or responsibilities that are likely to reduce the effectiveness of the employee in his regular position.
- c. Upon presentation of satisfactory evidence to the Division of Personnel that the incumbent of a position may leave the service unless his compensation is increased, and that if he were to leave a criti-

cal situation would ensue, approval should be granted on a temporary basis for privately supplied supplementary compensation.

- d. In the event supplementary compensation is paid for duties or responsibilities which will reduce an employee's effectiveness in his regular position, the employee should be allowed to accept such supplementary compensation, provided his regular compensation is adjusted accordingly or his position is reallocated so as to account for his reduced duties and/or responsibilities.

D. *Employment by a Non-State Agency*

1. *Findings*

A sizeable proportion of State employees receive compensation from other employers. Such compensation may be in the form of salaries, wages, honoraria, or fees. There is a broad range of arrangements under which State employees obtain such compensation, among which the more prominent are:

- a. Part-time State employees who also work elsewhere on a full-time or part-time basis. Typical of those included in this category are janitors and maids who work a few hours in the evenings on an hourly or part-time salary basis; evening school faculty members; temporary research workers. Also included are temporary employees, both hourly and salary, who are engaged for special occasions or on a periodic basis. Students, summer employees, crafts employees, and many other categories are employed on this basis.
- b. Full-time State employees who perform part-time (or possibly even full-time) service for other employers or clients. This category includes faculty and research employees who do consulting work, other employees who work in the evenings, on weekends, during annual leaves, and on holidays.

Institutions of higher learning have formal arrangements, in some instances, which permit faculty members (notably in the medical field) to engage in limited private practice, using the facilities of the institution. In some instances the fees charged by such employees are paid into a special fund of the institution, which in turn reimburses the employee up to a stipulated amount determined by the institution. A more common arrangement is for faculty and research employees to be allowed to engage in consulting work on their own time and, in some instances, a portion of their normal working hours.

Policies governing the supplementary compensation received by faculty and research staffs have received a great amount of attention in educational circles throughout the country. Proponents of the practice cite the advantages of having teaching personnel kept in close contact with practical problems; the services made available to business and other interests; the expanded opportunities for presenting students with real working problems; and, finally, the necessity of augmenting institutional salaries if first-rate professionals are to be attracted and retained.

On the other hand, there has been increasing alarm among educators that the demands of consulting on the time of faculty and research personnel may seriously dilute the quality of instruction. Some institutions attempt to limit by formal or informal understandings the amount of outside work performed. Northeastern

University in Boston, for example, has a limit of one day a week. In Virginia, Virginia Polytechnic Institute and the University have a similar policy.

The practice of outside consulting tends to cause internal friction among the faculties of some institutions. Engineering faculties nationally averaged in 1960 about \$2,500 in outside income on top of an average salary of \$8,500. Social science and humanities teachers are rarely able to avail themselves of such supplementary income.

2. Conclusions and Recommendations

- a. The institutions of higher learning should establish definite rules governing the amount of outside time faculty members devote to income-producing activities. This matter should be resolved through the Council of College Presidents working in cooperation with the Division of Personnel.
- b. All institutions and agencies should cover the subject of outside employment in their own personnel rules. Some agencies have already established clear-cut policies and procedures for enforcing them. Other agencies have never defined the problem.
- c. The wide variations in circumstances among agencies and institutions make a single Statewide policy regarding outside employment impractical. The Division of Personnel should require, as authorized by the Personnel Rules, that each institution and agency establish reasonable and effective policies and procedures covering outside employment and compensation.
- d. The agency rules covering outside employment should be in conformance with the section covering this matter in the Personnel Rules (§ 9.4). The latter should be amended by the addition of a clause prohibiting an employee from utilizing for compensation data or special information connected with his State position that is not available to the public.

E. Compensation from More Than One State Source

1. Findings

Three types of circumstances where employees receive compensation from more than one State source are discussed below.

- a. *Employees of one State agency who render service to another State agency for a fee.* Sometimes the fee is paid directly to the employee. More often, the fee is paid to the employing agency which then reimburses the employee.

Note: There are, of course, many interagency purchases of personal services for which the employee receives no special compensation. We are not concerned with such transactions here.

In some instances, the employee appears to be merely discharging his normal duties at the second agency, and, as far as he is concerned, the only change from his regular work is the location. Sometimes, but not always, the work at the second agency is in addition to the regular work of the employee in the first agency.

Where the employee is not performing service clearly beyond that expected of him by the employer agency, he is in effect being paid supplementary compensation. Where the employee is definite-

ly performing additional service, he is in effect being paid for overtime. However, such additional work, if performed for a non-State agency, would be unquestionably compensable under present policy—in fact, it would not be reported in most agencies. Also, it should be noted that in some cases, if the fee-paying agency were required to purchase the service elsewhere, the cost would probably be substantially greater.

If some specialist employees (the cases brought to light in this study were all in faculty or medical positions) are allowed to be compensated by a second agency, then a questionable precedent is established. Many other classes of employees presently perform services for States agencies other than their employer. Most of these classes are not considered eligible for overtime compensation or compensatory leave. Many of these employees spend considerable time working with other States agencies, giving lectures or talks on subjects in their field of interest, serving on interagency or other professional committees, and similar activities. These tasks are seldom compensable either in money or compensatory leave.

- b. *Employees who receive fees for services rendered their employing agency.* This study noted a few instances where employees have provided, for a fee, services closely related to those of their own position. The service was performed during nonbusiness hours and was of a type which is often purchased from outside consultants. Nevertheless, the work was comparable to that which other similarly classified employees provide as a normal part of their jobs even though overtime is required.

Although there are some justifying factors, this type of compensation arrangement establishes an undesirable precedent. The distinction between professional and nonprofessional work is necessarily vague. By progressively more liberal interpretations, one could, for example, reach a point where almost any State employee could charge fees for work done at home at night or on weekends.

- c. *Employees of more than one State agency.* An unknown but probably small number of individuals are employees of more than one agency. For example, a faculty member may perform summer work in a different agency, or a specialist employee may also hold an evening school instructor position. No instances were found where such employees were not performing the duties of both positions satisfactorily nor where one position appeared to be a part of the other.

2. *Conclusions and Recommendations*

- a. When employees of one State agency perform services for another State agency, or another department of the same State agency, they should receive no payment for these services unless the Division of Personnel is given written notice in advance.
- b. Employees should not receive fees from their employer agency for performing services related to their position. If very unusual circumstances seem to warrant supplementary compensation, special approval should be obtained, in advance, from the Division of Personnel.
- c. Agencies should be required to report all employees who are on the payroll of more than one agency, either hourly or salary. The Director of Personnel should ascertain that the combined salaries

of such individual employees do not exceed an amount which is appropriate for the combined duties when evaluated in relation to similar positions in the State service.

F. *Compensatory Leave*

1. *Findings*

Compensatory leave is granted for overtime and for holidays or rest days worked. The leave must be taken within twelve months of the period compensated. The accounting for compensatory leave varies widely among agencies. Leave accounting also varies within agencies for different classes of employees. Frequently, the employees in supervisory, administrative, and consultative positions do not account accurately or formally for compensatory time because agency managements recognize that the same employees may spend considerable time outside of scheduled work hours for which it is not practicable to account.

The preciseness with which employee leave balances are maintained also varies. In some instances, all time is recorded to the nearest fifteen minutes; in other instances, to the nearest hour or the nearest half day. Leave balance records also vary widely. Some are kept informally by a clerk or secretary who has many other duties, while others are maintained formally on carefully designed forms. Circumstances require that many employees, particularly those who service a wide geographical area, report their overtime and leave time without any check on their accuracy.

Some agencies require strict conformance to the established work hours and allow no compensatory time unless holiday, rest day, or overtime work is specifically required and scheduled. Other agencies permit time to be taken off during the day for doctors' appointments and similar purposes, with the time deducted from unscheduled overtime work which the employee performs at his convenience. In rare instances, compensatory time has been anticipated—i.e., less than a regular workweek has been worked with the understanding that future compensatory time will be undertaken.

2. *Conclusions and Recommendations*

- a. Above a certain level of management, determined by the agency appointing authority, compensatory leave should be granted for holidays and rest days worked, but not for overtime. Leave earned and leave taken should be reckoned by the same time units—i.e., half a holiday worked should entitle the employee to half a day off.

Exact attendance records are not considered necessary for employees above this level. Such employees should be made responsible for keeping their own time records. Compensatory leave in excess of five days should be waived.

- b. Below the level considered above, employees should be subject to accurate accounting for their compensatory leave. Practical clerical procedures should be employed and definite responsibilities established for implementing them. They should be combined with timekeeping, annual, and sick leave accounting procedures.
- c. Lower-level employees should be allowed time off for legitimate reasons (stipulated by the agency) when requested in advance. Unscheduled tardiness and early quitting should not be offset by compensatory leave or overtime, but by corresponding reduction of annual leave. Compensatory leave should not be given for overtime except when the latter is scheduled in advance as provided for in the Personnel Rules (§ 10.6(b)).

- d. Inasmuch as working conditions vary widely, agencies should formulate their own written rules in respect to Items (a) through (c) above, subject to the approval of the Division of Personnel.

G. *Payment in Lieu of Compensatory Leave*

1. *Findings*

Present policy is to compensate terminating employees for compensatory time accrued within the twelve months prior to termination. The Division of Personnel must approve all such transactions.

2. *Conclusions and Recommendations*

The present policy should be continued but should be clarified to include a maximum of five days for higher-level employees (defined according to IV-F 2(a)).

H. *Hours of Work*

1. *Findings*

The Personnel Rules require that full-time employees shall work at least forty hours per week. Agencies are allowed to set their own workweeks, and these vary from forty to forty-eight hours. Some agencies have certain employees work long weeks during periods when this is required, then allow compensatory leave in slack periods. Some classes work different hours in different agencies at the same salaries.

2. *Conclusions and Recommendations*

Although some employees are required to work longer hours than others at the same job for the same salary, there are usually mitigating circumstances and, therefore, no change in policy is recommended. Usually, the longer hours are worked in communities where this is more customary. Frequently, the longer hours tend to compensate for the relatively higher State pay scales in smaller and more remote communities.

I. *Use of Wage Rates*

1. *Findings*

Compensation by hourly rates instead of by salaries is intended to be only for temporary employees hired for specific projects. Hourly employees are not subject to the provisions of the Personnel Act. They are not eligible for the benefits of the Retirement Act. The principal effect of these two exemptions is that hourly employees may be hired without approval of the Division of Personnel; they are ineligible for sick leave, vacations, and holidays; and, of course, they do not participate in the retirement plan. To compensate, they are often paid at higher hourly rates than salaried employees. Many are hired seasonally and temporarily, but others have been employed continuously for years.

Although there is no real difference in the seniority right of hourly and salaried employees, the salaried person on the "permanent" payroll roster is often considered to have a sort of vested right to his job. Actually, he can be discharged for the same causes as the hourly employee—including lack of work.

Although State positions tend to be of a more "permanent" nature than those of most private businesses, there are many positions with work loads that vary during the year. Those in private business would often be subject to layoffs and short workweeks.

Although, as stated above, many such positions are filled on an hourly, temporary basis, probably more should be filled in this manner. For example, an institution may have a period of expansion that lasts for several years and have a tendency to place individuals on the permanent payroll who will be needed only during the expansion. In fact, the present Personnel Rules require that temporary employees must be employed for specific projects and not for more than six months.

By the time such an expansion period is over, however, the permanent employee has acquired retirement rights that are nullified or lessened by his termination. There is thus a natural reluctance to face the fact that a reduced work load calls for a reduced work force.

2. Conclusions and Recommendations

- a. Greater use should be made of temporary employees. The present Personnel Rules state (§ 7.2) that temporary employees shall be appointed only for "temporary . . . periods not exceeding six months to provide for specific, defined projects, for peak work loads, and for short-time replacements of permanent employees on leave of absence." This wording should be revised to encourage agencies to use temporary and restricted employees whenever and as long as it is advantageous to do so. The Division of Personnel should continue to have authority to approve wage rates.

J. Discipline and Grievance Procedures

1. Findings

Few agencies have definite written procedures governing the disciplining of employees and the employees' appeal from a disciplinary action. There were only twelve appeals from agency disciplinary actions in the three years 1959, 1960, and 1961. The Division of Personnel has no authority to insist upon the disciplining of an employee except in its own organization. It has recently issued a suggested procedure to the agencies as to how discipline should be administered and how appeals should be made. The Personnel Rules (§ 1.6) require agencies to establish their own rules governing disciplinary action. The Director of Personnel is responsible for seeing that this is done and that the rules conform to the provisions of the Personnel Act and the Personnel Rules.

If an individual agency is confronted with an appeal by a disciplined individual, the agency deals with it according to its established procedure or as it sees fit. The Personnel Act, however, does grant a dismissed employee the right to appeal over the head of his agency director to the Director of Personnel. If the Director determines that the employee's dismissal is not justified, he usually advises the agency head and, if the latter disagrees with the Director of Personnel, the matter may be referred to the Governor. There is no appeal from the Governor's opinion. Neither of these situations happens with any frequency. Only one or two cases were remembered by the Director of Personnel.

Some agencies have established fairly formal procedures for the handling of appeals. Other agencies have no fixed procedure. Field surveys indicated that there was a need for agency appeal procedures and for a clear understanding on the part of supervisors as to their right to initiate disciplinary actions. The absence of definite disciplinary procedures at the agency level tends to cause supervisors to be uncertain of their responsibility and authority in such matters and to permit the occurrence of situations where pure judgment is required of supervisors who may then be

overruled by their superiors. Such circumstances result in lowered discipline and employee effectiveness.

2. Conclusions and Recommendations

- a. Agencies generally should tighten up their disciplinary procedures. The Director of Personnel should follow up on agencies' action in regard to the recently issued detailed rules and procedures for discipline and other personnel matters as required by Personnel Rules 1.5 and 1.6.

K. *Standby and On-Call Pay*

1. Findings

No employees were found to be paid specifically for standby or on-call time. In some instances, employees who are frequently called to duty at odd hours are given some extra time off to compensate for their additional travel costs and their inconvenience. In other instances, the need to be on call or standby is taken into account in determining the allocation of a position or the salary grade of a class.

2. Conclusions and Recommendations

- a. The granting of some overtime in special cases of standby and on-call employees is considered to be necessary. This practice presents no serious problems as long as it is carefully controlled, limited, and identified. General rules should be applied, but each case considered on its own merits.
- b. Whenever the need for standing by or being on call is a usual condition of a class of positions, it should be included as a consideration in the evaluation. Similarly, the allocation of positions should make allowance for these requirements. The proposed technique *Evaluation of Salaries for Regrading and Reallocation of Positions*, submitted in connection with this study for the Division of Personnel, recommends inclusion of these requirements in the formal evaluation.

V—FRINGE BENEFITS

A. *Definition*

Fringe benefits have various connotations. Many discrepancies in definition arise among the managements of different organizations, as well as between the typical employee and his employer. Consideration of fringe benefits, therefore, requires that there be a clear understanding of their nature, the reasons for them, their characteristics, and the manner of determining their cost. In general, they fall into four definite categories: (1) extra payments for time worked, (2) pay for time not worked, (3) payments for employee health and security benefits, and (4) payments for employee services.

Generally, fringe benefits have the following definitive characteristics:

1. They all cost the employer money beyond the straight-time wages or salary of employees. They are not correlated to any definite additional service or output of the employee (e.g., incentive payments or bonuses for above-normal output are not considered fringe benefits).
2. They all add to the employee's pay or provide some benefit for which he would otherwise have to pay.

3. They are available to all or to most of the employees.
4. Their cost goes up or down as the size of the work force changes. That is, they are truly part of the cost of personal services and not overhead.

These definitive characteristics still do not provide a completely clear, recognized test accepted by all employers and employees. For example, night-shift premiums are considered by some employers to be supplemental compensation (and, therefore, a fringe benefit) because no extra service is rendered by the employee. Other employers consider night-shift premiums to be payment for the less desirable working conditions and the sometimes greater responsibility of night duty. Therefore, that which is included as a fringe benefit depends upon the purpose of the evaluation.

The reason for considering fringe benefits in this study is to determine whether the State as an employer is providing them to a significantly greater or lesser extent than competing employers and what bearing this has on total comparable compensation.

In comparing fringe benefits with those of other employers, we must also consider some items which, although not considered fringe benefits by many employers, are also not often thought of as compensation when making salary comparisons. In this category, the most notable items are overtime and rest day premiums which, for certain classes of employees, are substantial in private employment but rarely available to State employees.

Another necessary fact to consider is that fringe benefits sometimes vary substantially in their nature and value among the several levels of occupations in a given private organization. Frequently, the upper levels of management receive much greater individual benefits than do the lower levels of employees. The most meaningful comparisons are, therefore, those that are made among specific comparable positions. Such reviews permit an item-by-item comparison with an actual or typical competing employer. In this broad study, however, we are primarily concerned with the relationship between the State and a spectrum of its competing employers.

Each of the four previously mentioned categories of fringe benefits is discussed in the following sections.

B. Findings

1. *Extra Payments for Time Worked.*

Overtime premium—this is a significant item of value to many private employees. It varies greatly with business conditions, occupational groups, and industries. Nonexempt employees* receive a 50% premium for work time over forty hours per week and frequently, by union agreement, for time over eight hours per day. Sometimes a 100% premium is paid for holidays and the seventh consecutive working day. Exempt supervisory, administrative, and technical employees also sometimes receive overtime premiums in lesser amounts. State employees have received such premiums only in extremely rare emergencies where they have been employed on an hourly basis in direct association with private employees who were paid similarly.

Although not a fringe benefit, straight pay for overtime is sometimes considered to be a significant advantage for private employees in some

* Those subject to the Fair Labor Standards Act.

exempt occupations. Supervisory and middle-management employees in private industry are paid for scheduled overtime work in a majority of companies.** The State pays for overtime only when compensatory leave is not practicable. On the other hand, lower-level private employees are more frequently required to work *less* than full time and are paid proportionately.

Shift differentials—a majority of private employees receive a supplemental payment for working on second or third shifts. State employees receive such differentials in only a few instances where this appears necessary to retain an adequate staff.

2. Pay for Time Not Worked

Holidays—the State allows the following eleven holidays with pay:

January 1	New Year's Day
January 19	Lee-Jackson Day
February 22	Washington's Birthday
April 13	Jefferson's Birthday
May 30	Confederate Memorial Day
July 4	Independence Day
First Monday in September	Labor Day
November 11	Veterans' Day
Fourth Thursday in November	Thanksgiving Day
December 25	Christmas
	General Election Day

In addition, State holidays are granted from time to time by directive of the Governor. In the last four years, the average annual number of holidays has been thirteen. In contrast, a confidential survey has shown that over 95% of private Virginia employees receive eight or less paid holidays.

Federal employees receive eight paid holidays, and most local government employees receive about this same number.

The cost of holidays is more difficult to compute in governmental operations than in private enterprises where the immediate effect on production or on sales is apparent. The fact that the government cost is obscure, however, does not mean that it is not real. For some positions, to be sure, a holiday simply means that the omitted duties or work tasks will be "made up" at a later date or that a public service will be omitted for a day. With most positions, however, provision must be made for continuous service. This is true, for example, in hospitals, correctional institutions, for State Troopers, and many positions in educational institutions. In these types of operations, relief employees are provided by various work schedule arrangements, but usually additional employees or overtime is required nevertheless. Other types of agencies must furnish a given "output" in a specified period of time. Here again, reductions in the productive time of employees must be compensated by utilizing additional people.

The fact that holidays are established without any "price tag," such as a directly related appropriation, probably contributes to the State's generosity in respect to this benefit. If we assume, however, that three-fourths of the State's permanent employees must have their holiday time compensated by the employment of relief people or by overtime, the State's cost is roughly \$540,000 per holiday. Reduction of holidays to nine per year

** Sixty percent of respondent companies in a confidential nationwide survey reported some form of overtime payment for exempt management personnel.

would still leave the State employee enjoying a more generous benefit than most private employees and yet save about \$2,160,000 per year, or make this amount available for other benefits where the State compares unfavorably with competitive employers.

Although expensive, holidays are a benefit that is apparently not appreciated as much as many less costly ones. A survey conducted at the Medical College of Virginia reflected this opinion among newer employees. A majority of the agency heads interviewed in connection with this study expressed the same opinion.

Annual leave (vacation)—State employees receive annual leave at the rate of one work day for each month of service during the first year of employment. After one year, through the fifth year, twelve work days per year are allowed. From completion of the fifth year to completion of the tenth year, fifteen work days are allowed. After ten years, eighteen work days are allowed.

This is more liberal than most private employers, the majority of whom require more than ten years' service before allowing fifteen work-day vacations.* The Federal government, on the other hand, allows thirteen days for the first three years, then twenty days through the fifteenth year, and twenty-six days thereafter.

Sick leave—State employees are allowed fifteen work days per year for sickness. Partial years of service are reckoned at one and one-quarter days per month. Unused sick leave may be accumulated up to ninety days.

Comparable average figures for private employers are difficult to establish. Most private employers have separate and different plans for office and plant workers. Many provide sickness insurance in place of sick leave, and most contribute to or share the cost of such insurance with the employee. Other employers have a quite limited sick leave policy, but augment this with company-paid or shared "catastrophe" insurance.

In 1960, 83% of the private employers in the Richmond area provided their office employees and 75% of their plant employees with sickness and accident insurance, or sick leave, or both. For the Hampton Roads area, the corresponding proportions were 69% and 78%.**

Federal employees receive thirteen sick leave days per year, with no limit on the accumulated balance. Local government provisions for sick leave are quite variable. Many such employers have informal sick leave policies, leaving latitude to consider the particular merits of each case.

As pointed out in an earlier section, a sample survey indicates State employees utilize, on the average, about half of their sick leave allowance.

Extraordinary sick leave—the Personnel Rules provide that in cases where the appointing authority and the Director of Personnel are satisfied that sick leave is warranted due to injury or illness caused by State employment but where Workmen's Compensation does not apply, sick leave may be granted as deemed necessary and equitable within specified limits. This allowance is rarely used and is probably matched by private employers even though it may not be included in formal sick leave plans.

In other circumstances where an illness or injury is not caused by performance of duties but where "undue financial hardship would result

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** Data obtained from bulletins of the Bureau of Labor Statistics, U. S. Department of Labor.

from application of the ordinary provision of sick leave with pay," an employee of at least two years' service may, the appointing authority and the Director concurring, be allowed extraordinary sick leave with pay not to exceed one-half working day for each month of service. This provision has caused considerable dispute, mainly as to the definition of "undue hardship."

The test for undue hardship should be uniform for all claimants. Nevertheless, some agencies are willing to take an employee's statement as validation, while others require specific data concerning net worth and liquid assets. The Director does not consider the rule specific enough to permit him to establish and apply his own tests.

Obviously, employee morale is weakened if some employees know that this type of sick leave is more easily obtained in other agencies. Not many instances of this type of sick leave are granted. Roughly eight to ten cases are approved each month, of which five or six are for Highway Department employees. This does not mean that only this number of eligible cases occur. Some agencies refuse to consider hardship requests, and in some instances it is doubtful whether employees are even aware such a benefit exists. For example, one agency of about 4,500 employees had eighteen current sick leaves *without* pay when interviewed, but had, so far as was known, never granted an extraordinary sick leave payment. The extraordinary sick leave provision is *not*, technically speaking, a fringe benefit because it is not available to all or even to most employees. In effect, it is welfare assistance subject to a means test and restricted to permanent State employees. Moreover, it is welfare assistance which may or may not be allowed for employees in identical circumstances, depending upon the attitude of the particular agency.

Excused personal absences—State employees are allowed paid time off not to exceed three days for death in the family and, in certain circumstances, for illness in the family. Such time is deducted from the employee's sick leave balance.

This type of excused absence is compensated by many private employers, particularly for office workers. Federal Civil Service employees are also granted similar benefits.

Rest periods, wash-up time, lunch periods, travel time—these types of circumstances where time is paid for but not worked are not prescribed by the Personnel Rules. Policies are determined by the separate agencies, and there are consequently some variations in the amount of time allowed and the conditions under which it is allowed.

Rest periods are allowed formally or informally by all agencies. These usually are in the form of two "coffee breaks," one before and one after lunch. Most formal breaks are limited to ten or fifteen minutes each. Some employees are required to take their breaks at their desks or duty stations, but most are allowed to go to a rest area or snack bar.

The rest period, in our observations, did not appear to be generally abused. Organization units not having specified rest periods, however, appeared to use more rest time.

The rest period is an established custom in private business and is recognized as being essential to efficient performance. Management's main problem in connection with rest periods is to assure that they are not abused.

Wash-up time is allowed formally or informally by all agencies. Where large numbers of craftsmen are employed, a specific time may be estab-

lished by management as to when work stops and wash-up time begins. In most instances, however, the necessary time is taken at the employee's discretion. We found no significant difference in wash-up practices between State agencies and competing employers.

Lunch periods are not included in the paid time of State employees except in a very few instances where continuous attendance requires three eight-hour shifts per day. In these cases, lunch is really eaten while working and there is no lunch period in the sense that the employee is free of responsibility. We found no significant differences between the State agencies and competing employers in respect to lunch periods.

The time taken to travel to a work assignment is sometimes allowed and sometimes not. Commuting to a regular work place was not found to be allowed as work time in any instance. Pay for travel time to distant and changing assignment places varied among agencies. The distance traveled often determined whether time was allowed. No serious abuses were found, although policy on this question seemed vague in some instances. In general, we found no significant difference between State agencies and competing employers in regard to travel time practices.

Military leave—full pay is continued, not to exceed fifteen calendar days, for State employees who attend National Guard or U. S. armed forces reserve training. A substantial proportion of private employers pay only the difference between company and military pay; a smaller proportion continue full pay.

Civil leave—State employees are paid while serving on juries, as witnesses under subpoena, and are allowed time for voting in elections. Their pay is reduced by the amount of any fees they may receive for such civil duties. The majority of private employers provide for similar compensation.

Severance pay—State employees receive no severance pay other than earned annual leave or compensatory leave. Many private employers provide severance pay in addition to their required contribution to their state's unemployment fund. Virginia State employees are not eligible for unemployment benefits.

Unemployment insurance payments will be discussed in the next section. The frequency and amount of severance pay by private employers are not definitely determinable. Payment is frequently granted according to the prevailing circumstances—including the company's financial condition—but is also sometimes included in union contracts and/or formal policy statements.

Christmas bonus—many private employers provide Christmas or New Year bonuses to some or all employees. Here again, definite figures are not available as the amount varies with prevailing circumstances. The State provides no bonus of any sort.

Education subsidies—the State has a well-defined program providing for the expenses of various types of training and education of employees that are to be borne by the State. In some instances, the training or education may occur during time for which the employee receives full regular compensation. Careful provision is made for the employee receiving educational benefits to continue employment for a reasonable period or to reimburse the State.

The State's educational benefits program is more generous than that provided by most small, nontechnical, private businesses. It is comparable, however, with that provided by the larger companies and by the Federal government.

3. Payments for Health and Security Benefits

Life insurance—the State has a *compulsory* life insurance program for its employees. The insurance is straight term for a coverage equaling the employee's annual salary rounded to the next higher \$1,000 (e.g., an employee earning \$3,400 per annum is insured for \$4,000). The employee is required to pay 60¢ per month per \$1,000 of coverage, while the State contributes 12¢.

Assuming the average coverage to be \$4,000 the State pays \$5.76 per employee per year. This is approximately 0.15% of average salary. To obtain this benefit, the employee is required to pay five times the State contribution, or, for an average salary, about \$28.80 per year.

The majority of private employers provide life insurance coverage either completely paid or more generously shared than the State plan. Again, meaningful, definite figures concerning average cost or value of plans of competing private employers are not feasible. The life insurance available to Federal employees is somewhat less in price than the State's.

Social Security—the State participates in the regular Federal Social Security program. Employee and employer contributions are the same as those of private business, and the employee benefits are the same. The employer (i.e., the State) contribution is presently 3.625% of the first \$4,800 of annual compensation.

Retirement—the State currently contributes an amount equal to approximately 2.24% of the salaries of the participants. A meaningful comparison of the State retirement plan with those of private employers is difficult for the same reason as in other benefit comparisons—to be meaningful, the comparison must weigh the specific salary and benefit of a particular competing employer for a particular class of positions. However, the State retirement plan is not a unique type of benefit. Over 43% of all private employees—hourly and salaried—were covered by some form of private retirement or deferred compensation plan in 1960.* Employees accounted for 17% and employers 83% of the total contributions to these private plans.** The State plan distributes the contributions on an approximately 50-50 basis.

Workmen's Compensation—the State is subject to the same Workmen's Compensation laws as private employers. In the calendar year 1961, total payments—insurance premiums, taxes, and awards—totaled \$387,650. The payroll for fiscal 1962 was \$157,444,000. The estimated cost of Workmen's Compensation, calculated from these figures, was 0.25% of total payroll.

Summary—the significant employer contributions for the health and security benefits of State employees as estimated above are:

	Percent of Pay
Life Insurance (salaried employees only)	.15
Social Security (for first \$4,800 annual compensation of all employees)	3.63
Retirement Plan (salaried employees only)	2.24
Workmen's Compensation	.25
Total Employer Contributions	6.27

* Statistical Abstract of the U.S., 1962 edition, Page 480.

** Statistical Abstract of the U.S., 1962 edition, Page 286.

This estimated contribution by the State can be usefully compared with practices of private employers. First, however, it should be noted that the State makes no provision for unemployment compensation—a legally required benefit for private employers. In addition, many private employers provide or contribute to the cost of health, accident, medical, surgical, or catastrophe insurance—none of which is provided by the State. Also, many companies provide or share the cost of supplemental unemployment compensation and deferred profit-sharing plans.

The latest available data on overall average health and security benefits by U. S. private industry are for the year 1957 when employers contributed approximately 7.82%*** in addition to their payrolls, not counting in-plant medical services, cafeterias, discounts, and similar expenditures. Thus, private industry in 1957 contributed a substantially higher proportion than did the State in 1962 (7.82% to 6.27%). Since industry has tended to make proportionately higher contributions each year, it is reasonable to assume that in 1962 the average contributions were even greater in proportion to the State's. A sampling of several competitive employers in the Richmond area tends to support this conclusion.

4. *Payments for Employee Services*

All employers provide some form of employee services. Many of these are now considered to be part of improved working conditions and are not claimed as fringe benefits. Among them are air conditioning, employee lockers, lounge and recreational facilities, social events, free parking, the furnishing of credit union facilities, uniforms and safety clothing, and similar items that are considered to contribute to employee morale and productivity.

Among the more prominent employee services often specified as fringe benefits are those discussed in the paragraphs that follow.

Medical services—these tend to grow more comprehensive each year among private employers. Some companies provide well staffed in-plant clinics and therapy facilities. Most provide for pre-employment physical examinations, first aid, and voluntary diagnostic service. A growing number provides for periodic physical checkups and psychiatric counseling.

The average State employee receives *little* medical service, although practice varies among agencies.

Employee discounts—many private employers provide for their employees to receive discounts on purchases of the company's product or service. Although this practice is spotty, it is sometimes significant enough to be an influencing factor in a person's choice of employer. The only known discount provided by a State agency is for medicine and hospital charges for its own employees at the Medical College of Virginia.

Cafeteria subsidies—frequently, employers make up losses in cafeteria operations. This is usually a modest cost and is considered worthwhile when other eating facilities are remote or not available and good food served on the premises improves morale and reduces the time lost by employees' cleaning up extra early so as to be ready to dash for the exit or parking lot.

No State agencies provide employees with subsidized food service except for some institutions which furnish kitchen and dining facilities.

*** Adapted from Statistical Abstract of the U.S., 1962 edition, Page 782.

In-plant training—private employers and State agencies provide about the same amount of on-the-job training.

Suggestion awards—many companies have suggestion plans. These vary from unpublicized and usually ineffective plans to comprehensive, well-organized, and publicized ones. Substantial awards are often made to employees. Well-run plans benefit the employer by improved methods and better employee morale. Poorly run plans may have the opposite effect. Federal agencies have long taken advantage of suggestion plans. The State has no provision for them.

Most private employers would say a suggestion plan was a fringe benefit but would not attempt to claim any credit for awards or for administrative costs.

C. *Conclusions and Recommendations*

1. *Extra Pay for Time Worked*

- a. Private employers quite frequently offer some fringe benefits in the form of extra payments for time worked under unusual conditions, whereas the State rarely does so. Federal and local governments follow about the same practice as the State.
- b. The extent of these benefits is so variable in private employment that assigning a quantitative advantage to them is not feasible. Generally, however, it is believed the State does not suffer severely in comparison with competing employers in this category of fringe benefits. Many private employers who do offer significant premium pay must also concede that their employees may, in slack times, receive less than full pay.
- c. No change regarding extra pay for time worked is recommended in present State policy except as applied to wage rates as covered in Section IV-I.

2. *Pay for Time Not Worked*

- a. In this class of benefits, the State offers the most substantial superiority over competing employers. This is probably not a calculated condition but one which has evolved most naturally under the circumstances. Legislation is more easily passed by the General Assembly when it grants "something for nothing." Allowing additional vacations, holidays, and sick leave does not require the enactment of increased appropriations, but leaves the "ways and means" of providing these to the several agencies. There may be a feeling among legislators that the agencies subsequently somehow squeeze additional work out of their employees so that the generous vacations, holidays, and sick leaves are made available from an assumed slack in employee output.

This not only accepts a false premise but, even if the premise were correct, there would be scant possibility that granting additional time off with pay would result in the same output for the same payroll dollar. It is psychologically unsound to assume that year after year the average employee would work above a normal pace because he was aware that he had an unusual amount of "time off with pay."

- b. Although there is little doubt that holidays and vacations represent a real and important cost to the State, it is desirable to consider

some pros and cons of the practice before deciding whether holidays and vacations should be cut back to a level more nearly that of competing employers.

Some desirable potential employees are impressed by liberal time off with pay. Young married women can look forward to having more time available for their families. Older married women, whose children no longer require their constant attention at home, find that they also can work at a State job with less strain on the family ties.

On the other hand, single women, single men, and married men are quite likely to be more impressed with higher pay levels as well as the health and security benefits. To the young person truly interested in making State service a career, there is almost certain to be less appeal in liberal time off than in compensation and health benefits. It might be argued, in fact, that the present composition of fringe benefits tends to attract the less energetic and self-reliant candidates for employment. For this type of individual, the long-term job security and liberal time-off features of the fringe benefit package tend to outweigh the relatively fewer opportunities for advancement and the less rapid pace of merit increases.

- c. There appears to be ample latitude for a downward revision of time off with pay for State employees. Combining holidays and annual leave, the State employee has 25 paid days off after his first year. This compares with a typical 10 days' vacation and 8 holidays for the private employee after one year. After 10 years, the State employee has a total of 31 days compared with a typical private employee's 18 to 23 days, depending upon the employer and type of occupation.

We believe that, all things considered, the fringe benefit package would be more effective for management, for recruiting purposes, and for the security and morale of employees if the number of holidays were reduced from thirteen to nine per year and compensating improvements made in other fringe benefits. Those agencies who find that they benefit from the services of employees who need more time off than would be thus provided could, within the provisions of the Personnel Act and the present Personnel Rules, make it possible for certain employees to be employed less than full time, with a corresponding reduction in compensation and fringe benefits (other than time off with pay).

We recommend that the reduction in time off with pay—we speak here only of the number of holidays—be compensated by bringing health and security benefits into closer alignment with private industry. There would thus be fringe benefits more specifically intended to attract younger candidates for employment. The extent and nature of the additions to the benefit package should be determined by the Division of Personnel after consultation with the agencies. To permit the State to contribute the additional benefits, the agencies should find ways to reduce their personal services budget a corresponding amount through reduction in the number of employees for the same level of service previously rendered. The specific types of increased health and security benefits are recommended in section 3 that follows.

- d. The State allows substantially *more* sick leave than typical private employers, but does *not* provide health or sickness insurance as do

many private employers. In a sense, sick leave is a form of insurance, but, unlike most insurance plans, its benefits become substantial only after a considerable period of employment.

The State's sick leave policy provides continuity of pay, whereas most insurance plans require a waiting period to guard against employees' claiming sickness unnecessarily. The State's sick leave policy also provides for accumulating such leave up to ninety days.

The limiting of sick leave accumulation creates an incentive for employees to use it with less care as they approach the limit. There was no evidence to show this practice occurs, but there is no denying that the policy creates a temptation. Few agencies have provisions for checking on the validity of short-term sicknesses, and indeed such practice is considered poor psychology unless there is evidence of abuse.

Adverse employee reaction to the limiting of sick leave can also develop simply from the way such a policy permits one employee to receive more sick leave compensation than another having the same amount of sickness but in a different pattern. The first employee, for example, might benefit more, over a span of years, if he were to have a series of moderate length sicknesses that kept him from reaching the maximum accumulation, while the second employee was healthy for a long period during which a substantial amount of his accumulated sick leave was relinquished, followed by a period of illness exceeding ninety days.

In view of these circumstances, we recommend that the number of sick days allowed per year be reduced from fifteen to twelve and that the maximum accumulation limit be removed. This revision will provide for the great majority of ordinary illnesses in the early years of service and, at the same time, discourage unnecessary absenteeism both in the early years and later when a large amount of unused sick leave has accumulated.

- e. We recommend the elimination of extraordinary sick leave. We believe that the equitable administration of such a policy is not possible. Further, individual employees should be given the opportunity of obtaining catastrophe insurance at group rates with or without the State sharing a portion of the cost. An equitable and humane disposition of pending cases should be arranged.

3. Payments for Health and Security Benefits

Payments for health and security benefits to State employees (6.27% of payroll) are far below that of the average private employer who, in most instances, pays from 50% to 150% more* than this, depending upon the type of industry. We recommend that the State increase its health and security benefits in the following ways:

a. Life Insurance

The present life insurance plan is listed as a benefit and so presented to potential employees. However, when the employee learns that he must pay five-sixths of the cost, he may well experience a negative reaction.

* This statement is supported by data supplied by the U.S. Chamber of Commerce. An actuarial consultant to prominent Virginia corporations states that many recent client health and security benefits have been in the neighborhood of 20% of payroll.

We recommend, therefore, that the State increase its contribution at least to 33%. This will amount to 24 cents per month per \$1,000 of coverage, or 12 cents more than the present contribution. The total additional cost will amount to about \$250,000 per year. A 50% contribution would be preferred and should be considered if it is found that the net cost of such a contribution, plus that required for medical-hospital insurance is offset by savings from reduced holidays.

b Hospital and Medical Insurance

We recommend that the State provide some form of combined hospital and medical insurance. The exact type of coverage should be developed by the Division of Personnel in cooperation with the State Retirement Board. We believe the following general features should be included in the plan:

- (1) The State should pay in full for the employee's insurance.
- (2) The employee should pay for similar insurance for his dependents, if he so desires.
- (3) The first \$50 (or similar amount) of medical and/or hospital expense should be paid by the employee.
- (4) The plan should include provisions to cover major medical expenses.
- (5) There should be a single plan covering all State employees with no options except the right to include the coverage of dependents at the employee's expense.
- (6) Specifications should be prepared by an actuarial consultant and bids invited from stock and mutual insurance companies as well as Blue Cross and Blue Shield.

A plan incorporating the above features would cost the State about \$1,856,000 per year. This, combined with the recommended additional contribution for life insurance of \$250,000, would total about \$2,106,000 per year. We estimated on page 49 that about \$2,160,000 will be saved in personal services costs by the recommended reduction of holidays. There would thus still be a potential estimated annual savings of over \$50,000, plus a probable additional amount by reducing the sick leave allowance as recommended in V-C., 2., d on page 55.

The above estimated additional insurance contributions of the State amount to an average increase of about 1.33% of gross payroll. This would raise the cost of health and security benefits from 6.27% to about 7.60% of payroll, still well below that of the average private employer.

However, in preparing specifications for the group medical and hospital insurance, the actuarial consultant should consider the cost of premiums for a \$100 deductible policy (or some amount between \$50 and \$100) if it appears necessary to further reduce the cost so as to be offset by the reduction in number of holidays. Other possibilities, such as partial payment by the employee, should also be explored if, in the opinion of the Director of the Supplemental Retirement System and the Director of Personnel this seems necessary and desirable.

We estimate that at least 35% of the cost of the recommended insurance would cover employees compensated out of special funds. The effect on the general fund agencies would therefore be approximately 65% of the total.

4. *Payments for Employee Services*

- a. No major changes are recommended in the medical services rendered employees, even though these tend to be generally less than those of private employers. To provide the same degree of medical service to the employees of all agencies would be impractical.
- b. If the recommendation to provide hospital and medical insurance is implemented, there should be no necessity for any agency or institution to provide a discount on the cost of such services, and such discounts should be completely eliminated.
- c. No major changes are recommended for in-service training. This is an activity which is pursued in various ways by the different agencies and is rightfully considered an agency management function. The degree of effectiveness achieved by the agencies varies considerably but, as a general comment, it seems necessary to say that some agency managements should place much more emphasis on the quality of their in-service training.

We recommend that the Division of Personnel make a rather formal survey to determine whether agency managements would make use of a training specialist on the Division's staff. Such a specialist would be able to conduct supervisory development courses and also train the trainers associated with the agencies.

VI—EMPLOYEE DEVELOPMENT

A. *Recruiting*

The increasing specialization of all types of occupations has greatly intensified the need for careful and thorough recruitment. Today, few employers—public or private—can afford yesterday's custom of concentrating their recruiting efforts on office boys and clerks with the expectation that the better ones will advance to the more critical positions. Promotion from within should, of course, be practiced wherever it is feasible, but today many positions require education, skills, and experience that are not available to the average lower-level employee.

Private employers place great emphasis on carefully planned recruiting. In fact, recruiting has itself become a specialized activity within the personnel administration field. Most of the larger companies further subdivide recruiting into college, technical, administrative, and top management recruiting. There are often specialists in each of these fields. The recruiting activity usually requires a sizable part of the personnel administration budget. Private employers recognize that it is less costly to recruit effectively than to raise compensation and fringe benefit levels to a point where energetic recruiting is not necessary.

Governmental organizations have been much less alert to the need for recruiting. Recent studies have shown this to be a major fault of municipal and Federal as well as State personnel systems. Governmental recruiting often tends to follow the traditional pattern of the armed services—posters, poorly prepared bulletin board notices, and indifferent recruiting agents and interviewers.

Some State recruiting is handled by agencies and some by the Division of Personnel. The agencies are free to utilize the services of the Division to whatever extent they desire. Richmond-based operations tend to make the most use of the Division's services, but primarily for the less specialized positions. Few positions are filled for locations away from Richmond, and most of them are nontechnical and nonprofessional. Responsibility for

recruiting in the Division of Personnel comes under the Merit System Supervisor and is the specific responsibility of the Personnel Technician, who is also responsible for the interviewing performed by an Employment Interviewer.

No employee in the Division or in any agency devotes his full time to recruiting in the sense of actively searching for potential employees. In contrast, one Virginia company with only one-eighth as many employees as the State has a staff of three persons devoted to this type of recruiting. At college recruiting time, this staff trains several additional top-flight management people to augment their campus recruiting efforts.

Responsibility for the agencies' recruiting effort is also divided between the technical, professional, administrative group and the more common types of occupations. Recruiting of the first group is usually handled by the supervisory and management people who are attempting to fill positions. The agency Personnel Director is usually responsible for the other positions. Quite often, the Personnel Director will accompany or cooperate with department heads in campus recruiting, and in some instances the Personnel Director will do the campus recruiting alone but arrange for subsequent interviews with the appropriate agency people.

Agencies advertise in local media and in professional journals as required. Arrangements are made for testing distantly located candidates at various cooperating institutions and foreign state employment services, as well as the Virginia Employment Commission. Private employment agencies are not utilized, except in special instances, as it is considered contrary to public policy to allow an agency to charge a fee for calling attention to a publicly advertised vacancy.

Most of the recruiting for critical technical, professional, and administrative people is carried out by the department heads and other officials who need them. Much of this can best be accomplished at professional meetings, through mutual acquaintances, and by professional correspondence. This type of activity is effectively handled by the administrative people themselves, but frequently they are too busy with regular duties to make as comprehensive a search as would be desirable. In private industry, under such circumstances the search would often be turned over to a recruiting specialist who would have many contacts and sources of his own to add to those of the administrator.

B. Merit System and Testing

The Personnel Act stipulates (§ 2-82 (5)) that the Governor, as chief personnel officer, shall maintain "An open register, or employment file, of the applications of all persons seeking employment . . . Applications shall be rated on the basis of relative merit and . . . suitability for the various classes of positions . . ."

A subsequent provision of the Personnel Act (§ 2-83) provides that agency personnel officers may or may not establish and maintain similar promotion and employment lists rated according to merit and fitness "as they deem desirable." Agency personnel officers may also make use of the employment lists kept by the Governor if they so desire.

The Personnel Rules specify (6.1) simply that "An employment list is a file of names of qualified applicants who have been rated as to their merit and fitness . . ." The Rules further state (6.2) "Applications . . . may be filed at any time by any person who deems himself eligible. Applications may be filed either with the appointing authorities or with the Director."

The rating of applicants is covered in the Personnel Rules by the following (under 6.3): “. . . the appointing authority . . . shall classify all applications received by him in accordance with the suitability of the applicants . . . Merit and fitness shall be determined by such tests, inquiries, and examinations of training and experiences as the Director or the appointing authorities deem appropriate . . .”

A further amplification of the method of classifying applicants is stated: “In classifying applications and rating applicants, the standards or qualifications expressed by the class definitions and by any supplementary specifications . . . shall be observed as minimum qualifications . . .”

From the key excerpts quoted above, it is apparent that neither the Personnel Act nor the Personnel Rules require a formal examination in the rating of applicants. The only specific requirement is that the applicants meet the minimum qualifications of the class description. In virtually all instances, these qualifications are stated in terms of educational attainments and occupational experience. These qualifications are usually given in terms of time and academic attainment.

Although the majority of State positions are thus filled at their discretion, many agency managements use examinations for determining relative qualifications of applicants. Examinations are used most frequently for lower-level office positions where typing, stenographic, or other basic skills are essential, and in highly technical or professional positions where particular skills or knowledge are of critical importance.

Certain of the State agencies are supported by Federal matching funds, and to be eligible for these funds they must maintain a more rigorous merit system. The principal features required by Federal regulations are that all positions be filled through competitive examinations and that appointments be restricted to applicants who have attained a minimum grade.

To conform with the Federal requirements, the Division of Personnel has under it the Virginia Merit System Council which controls the examination and certification of applicants for positions in the Virginia Employment Commission, State Department of Health, Department of Welfare and Institutions, Commission for the Visually Handicapped, Department of Mental Hygiene and Hospitals, and Office of Civil Defense. The appointing authorities of these State agencies have relinquished the privilege of independent employment procedures granted by the Personnel Act and have placed authority and responsibility for applicant certification procedures of many of their positions under a joint Merit System Council.

The Council consists of three members appointed by the heads of the six participating agencies. The members serve in an advisory capacity in the establishment and administration of procedures of the Virginia Merit System. The latter is administered by a Merit System Supervisor who is responsible to the Director of Personnel. In addition to the Virginia Merit System, the Supervisor is responsible for the recruiting, testing, and certifying of all applicants for State positions, whether or not subject to the Virginia Merit System. He is also responsible for the maintenance of the employment lists required by the Personnel Act and the Personnel Rules.

Many of the tests administered under the direction of the Merit System Supervisor are applicable and useful in determining the qualifications of candidates for positions in the general State service as well as those covered by Federal requirements. The tests in most instances have been developed by the Virginia Merit System in cooperation with the State agencies

they service, as well as the corresponding Federal agencies. Some tests have been obtained or adapted from other sources (states, municipalities, etc.), and some professional examinations are administered by private organizations through service contracts.

There are approximately 3,000 positions included in 238 classes in the agencies belonging to the Merit System Council that are, by virtue of their Federal support, subject without exception to the Merit System rules. Each class of positions does not require a specially constructed test. For example, several clerical classes are certified by one comprehensive clerical examination.

On occasion, key administrative, professional, or technical positions must be filled that are not satisfactorily evaluated by written tests. In such instances, the Merit System Supervisor arranges for the convening of a board of experts drawn from outside sources. Such boards evaluate candidates on the basis of criteria which they establish for the occasion. This may involve written examinations, review of experience records, personal references, and detailed oral examinations.

During the year ended June 30, 1961, the Merit System Council received 4,239 applications for positions where certification was mandatory. Of these, 4,156 were accepted; about the same number were examined; and approximately one half of these were certified as to their eligibility. In addition, the Merit System Council for the calendar year 1961 received 2,786 applications for positions where certification was not mandatory. Of these, approximately one half were tested; one half of those tested passed; and about 240 were ultimately employed.

The Merit System Council is authorized and prepared to handle grievances by employees as to dismissals or candidates who believe they have not been treated fairly. The number of grievances brought to the Council, however, is negligible.

The cost of administering the Merit System for the classes having mandatory certification averaged \$10.38 per application received (including those accepted and rejected). This compared to the national average of \$14.00 per application for the fiscal year 1960. It is only fair to note, however, that the Virginia Merit System does not include some services provided by the merit system of other states.

The Virginia Merit System is notably more flexible than those usually found in governmental jurisdictions. Only positions receiving some salary support by the Federal Government are required to be filled by competitive examinations, whereas in most of the so-called Civil Service systems all positions are covered by these requirements. In many states, promotions are also determined by examination.

The positions whose certification by examination is mandatory allow an eligibility list of five persons. Thus, the agency appointing authority is given a wide personal choice and may reject the entire list and request a new one, if he desires. Many Civil Service states require that the choice be made from the top two or three rankings, and in Michigan, as an example, only the highest-ranking candidate may be employed.

The appointing authorities of Virginia agencies, having greater latitude, are seldom called upon to justify their appointments as long as the individual possesses the stipulated basic educational and experience qualifications. Performance appraisals are also entirely a matter of personal judgment, so that discharges or demotions for inadequate performance are seldom appealed.

C. Merit Reviews and Service Ratings

The Virginia Merit System previously discussed should not be confused with the entirely separate system of service ratings provided for in the Personnel Act and the Personnel Rules. The Virginia Merit System is concerned with the testing and certifying of applicants according to merit. The system of service ratings (frequently referred to as merit reviews or the "merit system") is a formal procedure for periodically reviewing the performance of employees. Officially, the procedure is called the Service Rating Plan.

The Personnel Act requires (§ 2-82(4)) "A system of service ratings, for all employees in the service of the Commonwealth, based upon the quality of service rendered." The Personnel Rules implement this requirement of the Act by specifying that "each appointing authority shall designate a rating officer . . . ; he shall notify the Director of the name of the rating officer and the scope of his rating jurisdiction."

A detailed plan for the administration of the Service Rating Plan is included as Schedule D in the Appendix of the Personnel Rules. The purposes of the service ratings (as stated in Rule 12.3) are to facilitate:

- revising the pay of an employee upward or downward within the limits of the pay scale of his position;
- determining the order of layoff and reinstatement of employees in a given class and agency;
- determining the eligibility of employees for promotion;
- determining which employees have such low performance that action is indicated relative to demotion, transfer, or removal.

The original form of the Service Rating Plan was intended only as the beginning of a gradually developing plan which, in future years, would become adapted to the special requirements of the several agencies. Benefits were anticipated that would eventually be more important than the purposes stated above. Among these would be the following:

1. The annual rating of the employee would furnish an opportunity for a frank discussion regarding his strengths and weaknesses. This would furnish the employee with a specific list of things he might do to improve his promotional prospects. At the same time, the supervisor would be given an opportunity to commend the employee for his good qualities and performance. Thus, the employee would be encouraged for outstanding performance, warned of his weaknesses, and told how he could improve.
2. The supervisor's superior would also review the individual ratings and would thus gain an insight into the first-line supervisor's judgment and skill in leadership.
3. If effectively conducted, the merit review would permit the employee to communicate dissatisfaction with the supervisor's management and direction of the organization unit concerned. Working conditions, personal frictions among co-workers, and similar matters could be brought into the open at this time, whereas they might otherwise remain submerged and contribute to poor morale and ineffective group performance.

In practice, the plan has not achieved anything near its potential. The fact that the rules make annual submission of a rating sheet mandatory

for every permanent employee, and that "merit increases" cannot be granted without these, keeps the system alive. There is considerable evidence, however, that the procedure is followed quite mechanically.

The Division of Personnel reviews and records every rating, making certain that unusually low or high scores have been explained in a letter. The Division refers to this record when requests for merit increases are submitted and may hold these up if recent ratings have been low.

Many employees (probably a majority) are not interviewed at the time they are rated. Unless they make special inquiry, they remain uninformed as to their strong and weak points. Many ratings appear to be quite perfunctory. Frequently, employees are discharged for poor performance shortly after receiving a high rating or are recommended for raises or promotions after a poor rating.

The employee is rated by a numerical score that is derived from five levels of verbal descriptions (poor, fair, good, very good, excellent) of six personal characteristics—habits of work, amount of work, quality of work, cooperation, intelligence, initiative. Inasmuch as the verbal evaluation is extremely subjective, careful correlation must be established among the raters or the final numerical rating will be of little significance except where the employees have been evaluated by the same person. For this reason, it is questionable whether ratings are often used in determining order of layoff and reinstatement, eligibility for promotion, or need for transfer, demotion, or approval. Thus, of the four purposes for which the Service Rating Plan was established, only one—revising the pay level through merit increases—is actually served. Even this purpose is accomplished in a largely mechanical fashion because most merit increases are granted almost automatically except where an employee's performance is so poor as to make his continued employment questionable.

D. Training Programs

A wide variety of in-service training programs are conducted by the agencies. These are most often developed and conducted by individual organization units of an agency to suit their particular needs. In some agencies and institutions, the personnel function assists in developing and conducting specialist programs. A few agencies and institutions have a training specialist under the personnel officer. Generally, however, organization units prefer to develop and conduct their own training.

There are very few supervisory or general employee development training programs. Nearly all training is directed toward improvement of specialized skills or toward updating specialists' knowledge in their field. The forms in which the training is presented vary to suit the circumstances. Some programs are conducted in special facilities in the institutions, other are at regional meetings, and still others are conducted informally on the job.

The Division is sometimes called upon to evaluate and recommend organization changes in line with its appraisal of positions in a particular unit. This may involve some training in connection with the realignment of duties and responsibilities. The Division does not, however, have a regular training function or an individual responsible for training.

The Department of Purchases and Supply provides considerable training to institutional housekeeping personnel. The Department conducts seminars in methods and materials at institutions about the State. It employs a specialist for this purpose and also draws upon the services of certain suppliers.

E. *Evaluation of Performance*

The basic State technique for evaluation of performance is by the merit reviews and service ratings previously discussed. These are by their nature general and qualitative. They do not encourage the setting of specific goals of output or quality. Performance is essentially stated in terms of the supervisor's undifferentiated evaluation in respect to the performance of other employees or to the evaluated employee's previous performance. Definite or stated performance standards are rarely used as a basis for comparison.

The evaluation of performance against standards is seldom effective unless the standards are developed in relation to the organizational units' basic goals and objectives. These are also very rarely found in definite or written form.

Management positions seldom have any specifically stated performance standards. The function and objectives of the organization unit are seldom described definitely, and unless this is done, the goals and responsibilities of the top positions are also not subject to meaningful definition.

F. *Review of Responsibilities*

There are many factors causing positions to lose some of their responsibilities over a period of time. Frequently, positions are established and allocated when they are still confronted with beginning problems. As time goes by, the problems become subject to more routine handling. Precedents are established and succeeding situations are found to be very similar to those already resolved.

As services become better established, they also tend to grow in volume. Larger organization units become necessary simply to handle the increased volume. The organization unit may then be revised in such a way as to subdivide the responsibilities initially handled by a single position. Thus, the responsibilities and duties of the first position may gradually become significantly less complex and difficult.

Employees tend to remain for long periods in State positions. As the length of service increases, the mutual dependence between the employing organization and the employee becomes greater. The employee often becomes intimately acquainted with his duties, while his superior and his co-workers remain quite unaware of how details of the position are being handled. The organization thus tends to become so dependent on the employee that if he were to leave, a long and troublesome period of training would be required for his replacement.

The employee also receives progressively more powerful incentives to remain in his position. His sick leave accumulates, his annual leave becomes more generous, and his retirement benefits grow much more valuable—but only if he remains in the service. Thus, there tends to be a "locking in" process that causes both the employee and his employer to be very reluctant to sever the relationship.

This condition, whether in government or industry, has both advantages and disadvantages. The *inefficient* employee tends to be retained simply because the employer is very conscious of the hardship he would suffer if dismissed. The efficient employee may remain on a job which requires far less than his potential because he hesitates to relinquish his security benefits. Thus, both employee and employer may continue a relationship that is not advantageous to either.

On the other hand, the reasonably competent but not outstanding employee is encouraged to remain, and the organization is not confronted with as severe a problem of recruiting and training as might otherwise be the case.

G. *Conclusions and Recommendations*

1. Recruiting efforts should be intensified at the agency level as well as by the Division of Personnel. Large agencies should consider the appointment of recruiting specialists.
2. Recruiting efforts suffer from lack of time devoted to this specific activity. It is likely to receive attention only when a need becomes critical, and this does not allow sufficient time to fully exploit the many sources of recruits.

The Division of Personnel should arrange for conferences of personnel administration people of the agencies and institutions to discuss recruiting methods and ideas. Recruiting can benefit greatly from imaginative thinking in respect to publicity, tapping new sources, utilizing people whose qualifications vary somewhat from traditional ones, and similar matters. At interagency conferences, thinking would be stimulated, ideas tried successfully by one agency could be passed on to the others, and a definite agenda issued in advance would tend to bring new thinking into the meetings from all participants. In the conduct of this study, for example, a number of unusual and effective recruiting techniques were described by individuals which could benefit many other agencies if brought to their attention at a conference.

3. Recruiting specialists of private employers should be invited to address the conference discussed above.
4. Although effective recruiting should not be regarded as a means for overcoming inferior job opportunities, it is even more essential that agencies do not rely too heavily on compensation and working conditions as a means of attracting employees.
5. After the first conference recommended above, the Division of Personnel should consider, in light of the attitudes and information brought out at the conference, whether a recruiting specialist should be employed by the Division. Such a specialist could conduct training courses for part-time recruiters who are needed primarily at campus recruiters time. He could also furnish continuous coordinating and consultative service to the agencies.
6. No changes are recommended in the organization, basic objectives, or plan of operation of the Virginia Merit System.
7. The Service Rating Plan as presently administered is reasonably effective. Perhaps too much attention is devoted to the mechanics of the procedure and too little to the psychological advantages of periodic personal evaluation.
8. The numerical interpretation of service ratings should be discontinued as a mandatory requirement of the plan. If agencies wish to use numerical ratings, they should be allowed.

The numerical rating is not, in most instances, sufficiently informative to serve as a means of ranking or selecting employees for promotion. Whenever there is any consideration for pro-

motion, much more detailed information regarding performance is desired than a composite numerical rating.

9. The service rating forms (G.O. Form P-9) should no longer be submitted to or recorded by the Division of Personnel. The basic advantage of the service rating plan is that it furnishes the agency a medium for personal evaluation of employee performance. There is little value for this information in the Division of Personnel except that the Division may on occasion question why a low-rated employee is being given a merit increase or a high-rated one is being terminated. This is essentially a clerical check. The agencies should be made responsible for their own clerical accuracy as they presently are for their own evaluations.
10. Agencies should be encouraged to show each employee his rating and discuss with him the reasons for the rating.
11. The agencies' requests for merit increases should be accepted as legitimate except as to compliance that the stipulated period between increases has been satisfied.
12. Agencies should be encouraged to develop service rating programs adapted to their own needs. The Division of Personnel should be prepared to assist agencies in this regard.
13. Agencies should develop more effective training programs in many areas of activities and levels of management. The Division of Personnel should attempt to arrange with particular agencies to supply assistance in developing training programs.
14. Training programs generally would benefit by stricter follow-up on progress of trainees, providing for more formal programs which relate classroom and practical training on a scheduled basis.
15. Agencies should establish specific standards of performance for evaluation purposes. Standards such as those developed by the Department of Purchases and Supply should be developed for other types of activity.
16. Employee performance standards should correlate with defined services and objectives of organization units.
17. Management positions should be defined in terms of the performance expected of the incumbent.
18. Position descriptions should be developed by agencies for all key positions. These should be checked against the class descriptions to assure proper allocation.
19. The Division of Personnel should make periodic sample examinations of actual duties and responsibilities to assure proper allocation of positions.

VII—ORGANIZATION OF PERSONNEL ADMINISTRATION

A. *Agency Personnel Administration*

The management function of personnel administration understandably varies greatly in scope and importance among the agencies and institutions. In some State organizations, the function is handled almost completely by management employees as a part of their normal responsibilities. When this is the case, the agency's differentiated personnel administration func-

tion may be merely the part-time responsibility of one management position supported by one clerk. This type of arrangement is not confined to the small agencies and institutions, but may exist in an organization of several hundred persons. At the other end of the spectrum may be found organizations with a personnel administration unit consisting of a dozen or more positions.

The different organization configurations have evolved by adaptation to the peculiar needs of the individual agencies and institutions. Some of them have a large proportion of professional and technical positions whose personnel functions are best handled by their administrators. Others have a heavy concentration of office and/or crafts employees and find a real need for a central personnel unit serving all administrators.

The varied personnel administration requirements of the agencies and institutions make a general analysis and evaluation difficult. Greater benefit results when such an analysis is part of a management study of the individual organization. However, many observations apply to all, or most, State organizations and hence are properly included here.

One of the principal purposes, and in some cases the main purpose, of agency personnel administration units is to act in a liaison capacity with the Division of Personnel. This involves the processing of many forms pertaining to personnel transactions. The personnel unit also represents the agency or institution in discussing and negotiating allocation and reallocation of positions, requests for exceptional actions because of unusual circumstances, and many similar matters.

Judging from the opinions expressed in our interviews, the relations between the agency personnel function and the Division of Personnel appear to be very good. Occasional differences of opinion occur, but, in most instances, the agency personnel people believe that members of the Division of Personnel explain their views objectively, have logical arguments to support their decisions, and understand the agencies' problems. The agency personnel representatives understand the difficulty of applying uniform policies and practices across so many organizations and hence do not expect always to have their own way.

In some instances, agency managements do not share the views of their own personnel specialists. Management people tend to be impatient with the need for justifying their requests for reallocations, waiving of minimum qualifications, and other actions involving judgment. Agency personnel units often take issue with their own agency's administrators and welcome the concurrence and support of the Division of Personnel.

In general, the personnel units in the agencies have far less prestige and influence than their counterparts in private organizations. They are seldom consulted regarding major personnel problems involving higher-level or critical positions. Training, specialist or general, is seldom within their portfolio of responsibilities. Recruiting is usually restricted to low-level positions filled by local applicants. While no evidence was found of abuses, there should be greater emphasis on control of turnover, absenteeism, sick leave, and other factors bearing on employee effectiveness. With a few exceptions, agency personnel units do not prepare periodic personnel reports giving such important data to their managements or making it available for analyzing trends.

Weak emphasis on personnel administration in some of the agencies usually reflects a lack of appreciation on the part of agency management in the ability of personnel specialists to contribute to management effec-

tiveness. In some instances, top management did not appear to have a very clear idea of what is included in personnel administration and, apparently, had little contact with the agency personnel director except as an intermediary in dealing with the Division of Personnel.

Few agencies have effective, up-to-date personnel policy and procedure manuals. Indoctrination and work rule booklets for employees are sometimes unavailable or out of date.

Much local recruiting is accomplished through reference of employees. This includes some nepotism of a sort. We found no instances, however, where kinship caused unqualified persons to be employed or employees to receive preferred treatment.

The large proportion of new employees introduced to State service by friends or relatives does indicate, however, that State employment is favorably viewed by many employees. There were a number of expressions from management officials that the new employees recruited by this means turned out more satisfactorily than others.

Few of the agency or institution personnel units develop or review job descriptions, analyze them for duplication of duties and responsibilities, or are active in organization work. There appears to be too much of a tendency for position descriptions submitted to the Division of Personnel to parallel the descriptions of the classes to which the agency wishes them allocated.

A considerable amount of effort is expended by some agency personnel units in keeping informed as to the pay of competing local employers. Many units also stay in close touch with regional and national trends of the professional and technical classes employed by their agency.

Some units are concerned with safety, public relations, and employee development. In terms of the amount of time allocated, however, the predominant activity is clerical.

Some agencies have a central personnel unit serving several institutions or geographical areas. The central unit may be comprehensive, with little personnel activity, per se, in the field, or, conversely, the emphasis may be on strong decentralization. The nature and extent of decentralization depend upon the nature and philosophy of the agency. The agencies having several institutions as their operating divisions (e.g., Mental Hygiene) tend to decentralize their personnel administration function, while those whose operations are functionally as well as geographically differentiated (e.g., Department of Health and Department of Highways) tend to centralize their personnel function.

B. Division of Personnel

The Division of Personnel is a part of the Governor's Office. The Division is organized in a manner largely prescribed by the requirements of the Personnel Act and other statutes bearing on the Governor's responsibilities respecting personnel administration.

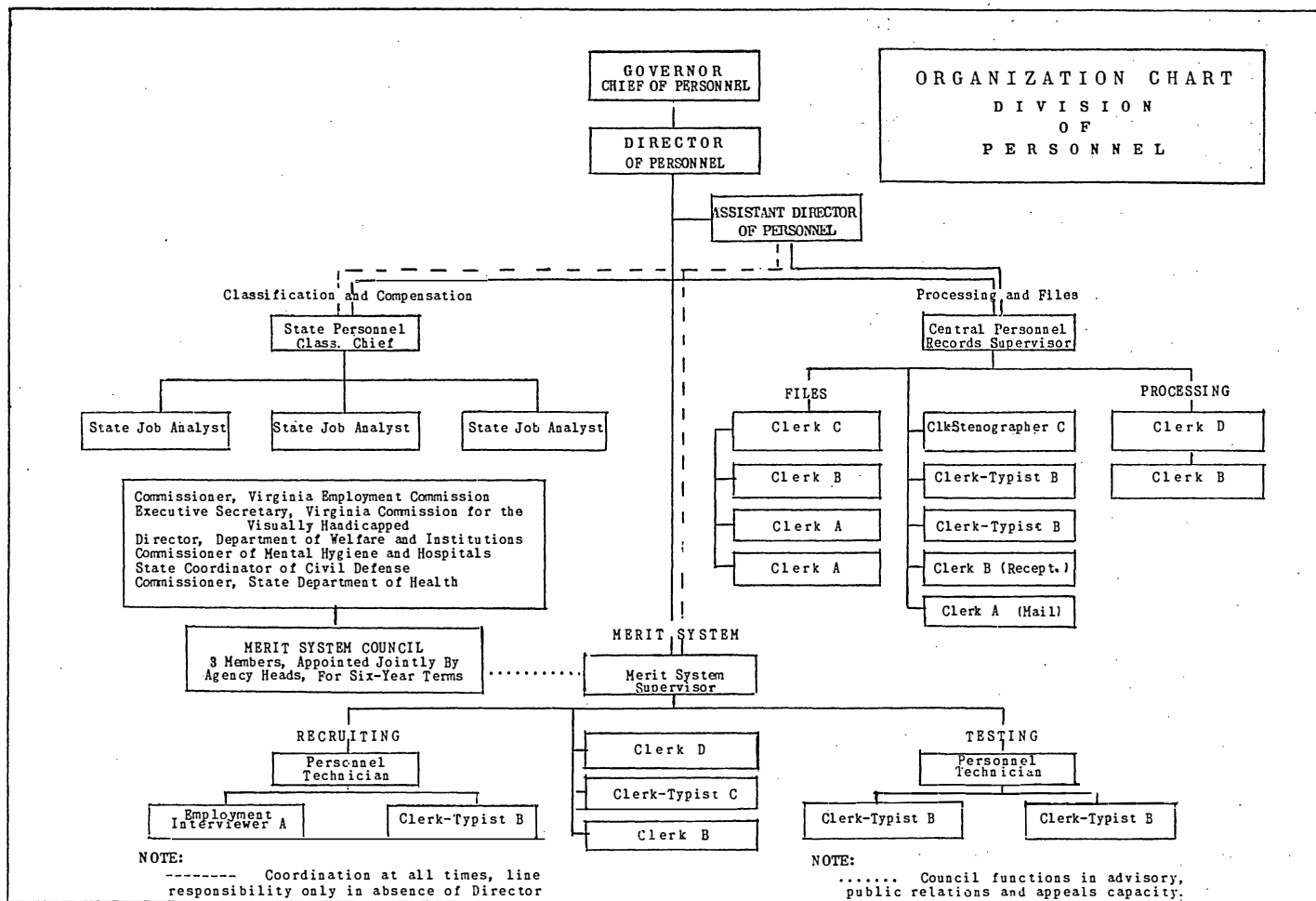
The Division is headed by the Director of Personnel, appointed by and responsible to the Governor. As Chief Personnel Officer of the State, the Governor may delegate to the Director of Personnel as much of his responsibility and authority for personnel administration as he deems desirable. The Governor's responsibilities and authorities respecting the administration of the personnel function are defined in the Virginia Personnel Act.

Although the Governor's authority in respect to personnel administration is strong, the head of each agency is designated as its "appointing authority." Thus, the agency management has much latitude in personnel matters as long as it does not violate the provisions of the Personnel Act or the Personnel Rules approved by the Governor.

The Division of Personnel is effectively organized to accomplish its statutory objectives. The structure is shown on the following page. There are 11 administrative, technical, and professional positions supported by 17 clerical and secretarial positions.

A comparison of this organization with that of a typical private employer would show the latter to have several additional functions. These might include any of the following: safety, health, training, employee relations, organization analysis, and public relations. The fact that these functions are not differentiated or represented by specialist positions in the Division of Personnel indicates that its principal objectives are in the areas of control, coordination, recruiting, and record keeping.

The omitted functions are those that many private employers consider necessary for maximum employee effectiveness. A number of the omitted functions are found to some degree in the personnel function of the agencies. Some of these functions were discussed in Section VI—Employee Development.



C. Conclusions and Recommendations

1. Agencies should be encouraged to review their personnel functions to determine if they are contributing effectively to agency objectives. This recommendation should not be construed as simply an encouragement to expand agency personnel functions. Rather, agencies might, in many cases, find it advantageous merely to give greater consideration and stature to the role the personnel function plays in their organization.
2. Some agencies would profit from a strengthening of their recruiting and training programs. The variety of organization and personnel problems faced by the agencies makes specific recommendations in these areas inappropriate in a general study such as this.
3. The Division of Personnel should explore the possibilities of providing the agencies with services such as those previously discussed. The Division presently acts mainly in a controlling role. Services could be augmented without lessening the effectiveness of control.
4. Agency personnel units should be required to submit periodic reports on personnel matters to agency or institution management with a copy to the Division of Personnel. These reports should include data on turnover, absenteeism, proportion of positions filled, and similar items of interest and utility. Standard definitions and expressions should be formulated by the Division so that consolidated State reports can be prepared. Items of special interest to particular agencies should also be included.
5. The Division of Personnel should also prepare annual personnel reports of a comprehensive nature. These should, with the Governor's approval, be made available to the public.
6. Agencies should review their policy and procedure manuals, bringing them up to date and making sure they cover personnel matters comprehensively. Particular emphasis should be placed on supervisors' duties, responsibilities, and authorities relative to the employees reporting to them.
7. Employees' handbooks should be prepared or updated by the larger agencies and institutions. Such handbooks should include employees' rights, privileges, benefits, work rules, rules covering reporting of absences, and similar matters of interest. Information regarding the organization should also be included for the benefit of new employees.
8. The Division of Personnel should revise the present format of the Personnel Rules to make revisions and additions easier. The rules could be more plainly stated in some instances. An up-to-date index should be included.
9. No change is recommended in the basic organization structure of the Division of Personnel.
10. Agency personnel units should prepare position descriptions covering key positions. These should be reviewed periodically and corrected, if necessary.

VIII—RECORDS AND COMMUNICATIONS

A. Findings

The Personnel Act is specific in its requirements for the maintenance of certain personnel records. In addition, the Act stipulates the application of certain procedures and policies which require forms and records for their implementation. The amount of record keeping, forms processing, and written correspondence generated by these requirements is formidable.

In this study, we have re-examined the Personnel Act to determine whether its objectives may be achieved with less complicated clerical arrangements than those stipulated by the Act.

Although the Act provides more than usual latitude for agencies to select their personnel, the Act also requires an item-by-item approval of the Division of Personnel for nearly all personnel transactions. In addition, many duplicate records are required by agencies and the Division. There are many cases where even triple records are kept—at the institution, the central office of the agency, and in the Division of Personnel.

The necessity for agencies to communicate all personnel transactions to the Division of Personnel is brought about by the following statement in § 2-79 of the Act: "No establishment of a position or rate of pay, and no change in rate of pay shall become effective except on order of the appointing authority and approval by the Governor; . . ." In addition, § 2-82 of the Act requires that "The Governor shall establish and maintain: (1) A roster of all employees in the service of the Commonwealth, in which there shall be set forth as to each employee, the employing agency, the class title, pay and status, and such other data as may be deemed desirable to produce significant facts pertaining to personnel administration." The total effect of these requirements is that all appointments or changes in employment status, except for certain excluded positions, must be reported to the Division of Personnel.

Another requirement necessitating duplicate records is the system of service ratings (§ 2-82 (4)), for which the Personnel Rules require that each rating must be entered annually on the employee's record.

The Act further states (§ 2-83): "Agency personnel officers shall establish and maintain rosters of the employees of their agencies, in which shall be set forth, as to each employee, the class, title, pay, and status and such other data as they may deem desirable to produce significant facts pertaining to personnel administration."

As discussed in a previous section of this report, the so-called merit increases in pay are not allowed by the Division of Personnel unless the last service rating was satisfactory. Thus, each agency request for a merit increase is checked by the Division against the employee's record. In most instances, earlier checks are made by the employee's immediate supervisor, the head of his organization unit, and the agency's personnel unit before it is submitted for approval to the Division of Personnel. Although no comprehensive statistics were available, most persons questioned in this study estimated that less than one percent of merit increases are denied for lack of satisfactory service and that an even smaller proportion would be found to have been requested erroneously.

No changes in payroll are acceptable to the State Comptroller unless authorized by a document approved by the agency head and the Director of Personnel. This requirement is a prudent as well as a legal precaution.

The method or form of document indicating the approval is not prescribed by statute but by the Personnel Rules.

As a further convenience to effective personnel administration, both the operating agencies and the Division of Personnel maintain individual personnel files consisting of folders in which all forms authorizing or explaining changes in status are stored.

As mentioned in the previous section of this report, the agencies do not submit periodic reports to the Division of Personnel. In fact, most of them do not prepare such reports for their own management.

Forms reporting or requesting changes in employee or position status are standardized. The forms, records, and procedures dealing with attendance, leave balances, employee turnover, insurance coverage, etc., are presently used only by the individual agencies and, as a result, there is very little consistency concerning them.

B. Conclusions and Recommendations

1. At the time the Personnel Act came into being in 1942, there were very serious differences in the personnel policies and practices existing among the agencies. The Act needed, therefore, to be precise and strong in its provisions directed toward the development of uniform and equitable policies and practices. Since that time, conditions have improved in many ways: agency managements have become much more conscious of managerial techniques and the necessity for effective personnel administration; relations between the Division of Personnel and the agencies have improved; and practices have become, through the efforts of the Division of Personnel, much more uniform.
2. Considerable clerical detail is reported to the Division of Personnel that does not now appear essential to accomplishing the objectives of the Personnel Act. On the other hand, there seems to be considerable information which would be valuable to the Division in evaluating comparative managerial performance in personnel administration, detecting trends in turnover, and similar important matters that are now available only upon special request and which require much effort to develop.
3. If a carefully devised, periodic personnel report were submitted to the Division of Personnel by the agencies, much of the duplicate record keeping could be eliminated.
4. Justification for the Division of Personnel's receiving or recording the individual service ratings of employees is questionable.
5. Agencies should be made responsible for submitting correct merit increase requests. Merit increase requests could be made by means of a marked-up copy of the previous payroll tabulation record and, if, properly signed, should constitute a prudent and legal authorization for the State Comptroller.
6. The use of a comprehensive and periodic personnel report should make unnecessary the maintenance of establishment lists by the Division of Personnel. Full responsibility for establishment lists should be placed upon the agencies. We believe this would improve the quality of record keeping at the agency level.

(Note: Certain small agencies that do not have an employee well versed in personnel affairs should continue to have their records maintained by the Division of Personnel. The number of employees in these smaller units constitutes a very minor proportion of the total.)

7. In place of the detailed submission of all transactions for approval by the Division of Personnel, it appears that the agencies could more effectively maintain their own records, subject to examination by representatives of the Division of Personnel. This would place responsibility for accurate records unequivocally on agency management.

Some of the Division's employees now largely engaged in checking clerical details could thereby be replaced by higher-level employees who would visit the agencies, examine their record keeping, procedures, and statistical data, and also offer advice in regard to recruiting, interviewing, training, and personnel policies generally.

8. The Division of Personnel should call together representatives of the central control agencies (Comptroller, Auditor, Budget Director) and key "operating" agencies and institutions to develop a plan of simplified reporting and personnel record keeping which would meet modern-day requirements.