DEPARTMENT OF
PERSONNEL AND TRAINING
OFFICE OF COMPENSATION
MANAGEMENT SERVICES

Report on Salary Structure Study

TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA

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COMMONWEALTH of VIRGINIA

Department of Personnel and Training

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TO: The Honorable Gerald L. Baliles
Governor of Virginia

and

The General Assembly of Virginia

The 1988 General Assembly, by House Joint Resolution 153, requested the Department of Personnel and Training to conduct a comprehensive study of the Commonwealth's salary structure to determine if any modification or restructuring is necessary to better meet the needs of Virginia in appropriately compensating her employees.

Enclosed for your review and consideration is the report that has been prepared in response to this resolution.

Respectfully submitted,

Chong M. Pak

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EXECUTIVE SUMMARY

House Joint Resolution 153 requested the Department of Personnel and Training (DPT) to conduct a study of the current compensation structure of the Commonwealth to determine if any modification or restructuring is needed. This study is one of several recent reviews of the Commonwealth's methods of compensating its employees.

Each of these studies, in addition to the subject Structure Study, addresses individual components of the overall compensation program for state employees. It is important that they be considered as complementary of each other and not mutually exclusive. The compensation plan of the Commonwealth is dynamic in nature so that the adjustment of one feature directly influences others.

HJR 153 focuses on those employees at the maximum (step eight) of their assigned salary grades. The presence of employees at the maximum is a characteristic of any pay system such as that used by the Commonwealth. It is sometimes perceived as a problem, even though it is a common occurrence in most organizations.

According to analysis conducted by the Department of Personnel and Training, the step eight population includes 30,234 employees, which is 40.9 percent of all employees under the Virginia Personnel Act. Data show that the proportion of step eight employees is fairly evenly distributed through all pay grades, except in the highest grades (grades 20-23). There is no evidence of high turnover among those employees at the maximum of their assigned salary grades. Data indicate that these employees perform no better or worse than other employees. The Commonwealth's classification structure provides significant opportunity for career progression and development for these and other employees.

The current Commonwealth graded salary plan, consisting of 23 salary grades, each with eight steps approximately 4.56 percent apart, was established in 1980. The plan design is similar to many public sector compensation plans and is well understood and accepted by employees. The current range spread between minimum and maximum salary is uniform for each grade. This range spread, 36.6 percent, compares to an average range spread of 52 percent for other states and to approximately 49 percent for the private sector. This difference is further documented by the results of The Annual Salary Survey conducted by DPT.

The pay structures of other state governments, the Federal Government, the private sector, and selected local governments were reviewed. Compensation literature and other professional compensation surveys were also reviewed. They indicate that there is no uniform or "textbook" approach to establishing and administering a compensation structure and plan. There are any number and variety of approaches, depending upon the mission and philosophy of the organization.

Movement of employees through the pay range is also not uniform among organizations. Of those states or organizations that have salary steps to move employees through the range, the 4.56 percent difference between steps which the Commonwealth has established seems to be appropriate. Private sector employers tend to use a system that moves satisfactory performers through the range until the midpoint is reached. Then, advancement beyond the midpoint requires superior or exceptional performance.

The Federal Government moves white collar employees through the range based on satisfactory performance. However, it takes much longer to reach maximum than for employees of the Commonwealth.

Longevity pay, defined broadly as additional pay for time in service, is a varied practice. Such payments are based strictly on time in service regardless of whether employees are at the maximum. Payments are not built into the employee's base salary. In general, the private sector does not employ longevity systems. In the states reviewed, only Georgia has formal longevity steps incorporated into its pay plan. Three states use flat dollar amounts or percentages of base salary, as an annual lump sum payment. There is no longevity provision in the Federal system.

The longevity practices of nine local governments were reviewed. One local government has longevity steps that allow employees at the maximum to advance after a specified number of years of earning an exceptional performance rating, another has proposed a similar system to its governing body. Only four of the local governments reviewed did not have longevity pay.

DPT did not find characteristics of step eight employees to be any different from the rest of the work force. However, if special action for this group is thought to be necessary, there are three major alternatives that can be considered.

A. Adding Steps to the Maximum

There is no uniformity of practice or professional opinion on the correct compensation structure of an organization. The current Commonwealth graded salary plan seems to be functioning well and serving its purpose. Extending the range would place the Commonwealth in an improved competitive position with regard to the range maximum. However, there is no compelling evidence that the Commonwealth is at a competitive disadvantage because of the range length.

B. Granting Longevity Pay to Employees with Extended Lengths of Service

Longevity systems are viewed as retaining employees who have acquired knowledge and expertise that, in many cases, would be difficult to replace. However, compensation literature does indicate that non-performance based longevity systems tend to promote mediocrity and may actually provide a disincentive for top performers in an organization.

C. Revising the Number of Steps or Percentage between Steps in the Existing Salary Grades

Survey data show that the majority of large organizations have 24 or fewer grades in their salary plans. The 4.5 percent difference between steps in a pay grade in the Commonwealth plan is consistent with other comparable organizations. It is also consistent with the 5.0 percent merit increases reported for private organizations. There does not appear to be any compelling reason to redesign the entire structure.

CONCLUSION

Any one issue, such as that of employees at the maximum, is but a single aspect of the overall compensation plan for state employees. The presence of employees at the maximum is a common characteristic of any pay system such as that used by the Commonwealth. It is sometimes perceived as a problem, even though it is a common occurrence in most organizations. Any proposals developed to address this perception must take into consideration the impact on the overall compensation system.

I. INTRODUCTION

The 1988 General Assembly, in House Joint Resolution 153, requested the Department of Personnel and Training to undertake a study of the Commonwealth salary structure to determine if any modification or restructuring is required to better meet the needs of Virginia in appropriately compensating its employees. The Resolution focuses on those employees who are at the maximum of their pay range.

This study is one of several recent reviews of the Commonwealth's methods of compensating its employees. In 1982, a task force evaluated the possible options for a Pay for Performance system to evaluate and reward proficient performance. This was followed in 1985 by a performance award system designed to recognize exceptional performance. This project is presently the subject of a DPT review to assess the impact of its application in pilot agencies. In 1988, the methodology employed by the Department in its Annual Salary Survey was reviewed by the Joint Legislative Audit and Review Commission.

Each of these studies, in addition to the subject Structure Study, addresses individual components of the overall compensation program for state employees. It is important that they be considered as complementary of each other and not mutually exclusive. The compensation plan of the Commonwealth is dynamic in nature so that the adjustment of one feature directly influences others.

Even though HJR 153 emphasizes the issue of employees at the maximum, the Department of Personnel and Training could not limit its review to the issue of employees at the maximum. Instead, it was necessary to examine all facets of the existing salary structure.

In conducting the study, a review was made of compensation literature, professional compensation publications and surveys, local and other state surveys, private sector compensation practices, and Department of Personnel and Training management information reports. In addition, a survey was sent to selected states, primarily in the southeast, requesting current information on pay structures.

The exposure draft of this report has been reviewed by compensation professionals in the private sector and by the Virginia Governmental Employees Association. A summary of their comments is found in Appendix 2.

II. GENERAL BACKGROUND ON SALARY STRUCTURES

Most large organizations, whether public or private, have formal salary structures. Salary structures serve many purposes in an organization. They are used to determine competitiveness in the market, to allow employee progression, to provide flexibility in recruitment, to provide promotional opportunity rewards, and to manage and budget compensation costs. Salary structures share certain general characteristics that, directly or indirectly, influence these factors. The most critical characteristics are· (1) the number of pay ranges or grades, (2) the percentage spread between minimum and maximum salaries in a range, and (3) the rate of progression through the range.

NUMBER OF GRADES

Salary structures normally consist of a set number of pay ranges having a minimum and a maximum rate of pay. The number of pay ranges or pay grades required is determined by evaluating positions, grouping them together into classes and assigning rates of pay based upon comparisons with the labor market. Consideration is also given to internal alignment, or the comparability of classes within the organization.

The number of pay grades in an organization is influenced by many factors, including the pay philosophy of the organization, the organization's competition, the type of industry, the various types of jobs and size of the organization. In general, the number of pay grades in an organization will result from an evaluation that will determine the highest valued job and the lowest valued job. Jobs of like value are then grouped through the classification process and pay grades are established for each grouping. The number of pay grades then, is the result of the organization's philosophy of what it perceives as a real difference in duties and responsibilities between jobs in various salary grades. Also, employees' perception of the pay structure is important, because the difference in pay grade assignments must be recognized as providing adequate promotional rewards.

Compensation literature generally states that salary structures should be designed with as few pay grades as possible in order to recognize and clearly delineate differences between jobs in organizations. The number of pay grades is usually associated with size of an organization and the number of levels of jobs or classes in the organization. There is no optimum number of pay grades for any pay plan.

PERCENTAGE SPREAD WITHIN GRADES

The review of compensation literature indicates that the percentage range spread between minimum and maximum for each pay grade should be wide enough to allow adequate rewards for performance differences, to allow for progression and retention, and to maintain competitiveness. Range spreads are often influenced by the type of job, i.e., whether labor/trades, professional, executive, or exempt (white collar) or non-exempt (clerical and blue collar) from the provisions of the Fair Labor Standards Act. Smaller range spreads are normally found in the lower level and non-exempt jobs since an employee's required abilities and scope of assigned duties are usually limited for such jobs.

In-grade progression systems are generally accepted compensation practices and conform to the theoretical concepts on how people learn their jobs. Employees who begin at the first step are normally the least experienced and have the most to learn. Satisfactory performance and job knowledge acquisition are rewarded periodically, usually each year, as employees become more proficient. At some point, normally near the range maximum, there is negligible additional value or knowledge to be acquired, so that the organization no longer continues to increase the pay to employees for additional years of service.

PROGRESSION THROUGH THE RANGE

The way that employees progress through pay ranges varies among organizations. Some organizations may reward employees for superior performance by means of bonuses, lump sum cash payments, or other performance-based methods. Some in-grade progression systems, like that of the Federal Government, allow employees to progress more rapidly during the first several steps of their grade, with increases gradually reduced as employees near the middle and top steps.

The Bureau of National Affairs' Policy and Practices series on compensation states that employees' positions in salary grades should be a function of two factors: performance and experience. Further, only employees who demonstrate solid or superior performance over a period of years should be allowed to progress beyond the mid-point of the pay range. Ideally, a pay-for-performance plan should ensure that only superior employees are at the top of the pay range, average employees at the middle, and least proficient employees at the bottom.

III. VIRGINIA'S SALARY STRUCTURE

In 1978, the Department of Personnel and Training conducted a comprehensive study of the Commonwealth compensation system. The study resulted in a proposal to establish a graded salary plan. The proposal was approved by Governor Dalton and, in July 1980, the current graded salary plan was established. It consists of 23 pay grades, each grade having 8 pay steps. (The current salary plan is found in Attachment A.)

CURRENT STRUCTURE

The percentage difference between the minimum salary and the maximum salary for each grade (range spread) is approximately 36.6 percent. This range spread was determined by means of a survey and review of compensation practices in use in 1980 of other states, the private sector, and the federal government. The difference between each pay grade is approximately 9.3 percent. This difference was also based upon the results of survey data that indicated normal promotional increases to be approximately 10 percent. The difference between each step in a pay grade is approximately 4.56 percent.

Prior to the establishment of the Graded Salary Plan, there were 211 pay ranges with from 2 to 10 steps per range. The range spread, or difference between minimum and maximum varied from a low of 4.5 percent to a high of 49 percent. The difference between pay levels was 4.5 percent. This percentage was considered to be too small to equitably measure differences in duties and responsibilities between jobs in a hierarchy system such as that used by the Commonwealth. Steps varied from 4.1 percent to 4.9 percent.

Many of the former pay ranges had become non-uniform due to a policy of adding steps to classes to improve competitiveness at the maximum. Conversely, entry steps were deleted without changing the maximum, in order to address recruiting problems with particular classes. This led to complexity in administration of the plan as well as confusion on the part of employees.

The graded salary plan established in 1980 standardized the pay grades and greatly facilitated the administration of the pay system. It is relatively easy to understand and, as a result, is generally accepted by employees. Additionally, the graded salary plan is consistent with other public jurisdictions, and adequately recognizes salary differences between the pay grades.

PROGRESSION OF COMMONWEALTH EMPLOYEES

Employees of the Commonwealth have a number of ways to progress through the compensation system. With satisfactory performance, they may receive 4.56 percent proficiency increases on the anniversary date of their employment as long as they are not at the maximum of the pay grade. Approximately 2 percent of eligible employees do not qualify for this increase, due to poor performance.

All employees, even those at the maximum, may be selected for a promotion of approximately 9.3 percent or more, either within their own organization or with another state agency. They may also receive a pay increase as a result of a reallocation or regrade of their position or class. Subject to approval of the Pay-For-Performance program, they may also earn an Exceptional

Performance Award in their agency. Finally, they may receive any general structure adjustment increase approved by the Governor and the General Assembly.

STEP 8 DEMOGRAPHICS

The focus of HJR 153 is on state employees who are in step 8 of their pay grade and, consequently, are not eligible for proficiency increases. As of July 1, 1988, 41.73 percent of the Commonwealth's employees were at the maximum of their respective salary grades. There has been a steady increase in the number of employees at the maximum over the last several years. The one exception is 1984 where there was a decline. This is likely attributed to the freeze on merit increases in 1983. Retirements and turnover of employees also impact on the number of employees at the maximum. (See Attachment F)

Under a step progression system, such as the Commonwealth's, there will always be a number of employees who reach the salary range maximum after a certain period of time. Assuming satisfactory performance, employees of the Commonwealth will reach maximum for their assigned grades in seven years in most cases, even if they are promoted during that period. (See Attachment H)

The flexible starting pay policy implemented in 1980 allows experienced applicants to be hired at any step in the range. Therefore, some employees may advance to the range maximum in fewer than seven years. Conversely, employees promoted to classes more than one grade above their present grade may take longer than seven years to reach maximum. Also, a longer period of time is required for employees who do not receive step-for-step increases as the result of class regrades.

Of the total at step 8, 14,529 are females and 15,705 are males. A review of employees by race indicates 23.6 percent of Hispanic, 29.8 percent of Oriental, 33.0 percent of Native American, 38.2 percent of Black, and 42.2 percent of white employees are at step 8.

Further analysis of classification, salary, and turnover information does not substantiate several commonly-held perceptions of the Step 8 phenomenon

#1. THE PHENOMENON PRIMARILY AFFECTS EMPLOYEES IN THE LOWEST PAY GRADES.

Data shows that the proportion of Step 8 employees is fairly evenly distributed through the pay grades except in the highest grades (20-23). The majority of individuals in the highest grades are physicians or other credentialed professionals who are often recruited at steps higher than the midpoint. (See Attachment I)

#2. THE PHENOMENON RESULTS IN HIGH TURNOVER AMONG STEP 8 EMPLOYEES.

The Commonwealth's annual turnover rate is not excessive when compared with other states and private industry. The turnover rate for 1987-88 was 10.97%, one of the lowest in the last seven years. Data indicate that turnover in Virginia is high in the first year of an employee's tenure, drops steadily until about 10 years of service, then levels off at 5%. It rises again only after employees begin to reach retirement age. The employees in step 8 are typically these employees with over ten years of service. The Commonwealth's increasing competitiveness with the private sector has kept turnover low, and has reduced the need for employees - including Step 8 employees - to leave the state for better pay. (See Attachments G & H)

#3. EMPLOYEES REMAINING AT STEP 8 FOR SEVERAL YEARS HAVE NO INCENTIVE FOR GOOD PERFORMANCE.

There is no data to indicate that employees in step 8 perform better or worse than other employees. In fact, during the last fiscal year, the average performance score for employees in step 8 was 35.8, while the average for employees in lower steps was 35.2.

#4. OPPORTUNITIES FOR JOB MOBILITY DO NOT EXIST WITHIN THE COMMONWEALTH, SO STEP 8 EMPLOYEES ARE CONFINED.

The Commonwealth's classification structure provides significant opportunity for career progression and development. As data in Attachment J shows, most job series have trainee/apprentice levels, intermediate, and senior level positions. Employees appear to be progressing through these career ladders. As the data shows, the proportion of employees at step 8 is relatively low in the entry-level classes and increases with higher-level classes. Mobility is limited for employees in the higher level classes because further advancement opportunities are found only in other types of jobs.

In recent years, the Commonwealth has taken other steps to encourage and facilitate job mobility 1) the establishment of "bridge classes". An example would be the Administrative Staff Specialist Series, which provides an opportunity for clerical employees to move to professional-level work, and 2) the creation of specialized training courses that develop and strengthen skills that will enhance employees' job mobility, such as supervisory and management skills, communication skills, and data processing and data management skills.

There are several reasons why Step 8 employees may not want to move from their current positions. One reason is job satisfaction. Personnel research indicates that job satisfaction is becoming increasingly important to mature employees. An employee who has progressed through a multi-class job series over 10 or 15 years to the highest position may not want to leave the career track where he/she has been successful and satisfied.

A second reason is the attractiveness of the Commonwealth's retirement program. Mature employees, with 15 or more years of service, may not want to leave the Commonwealth to undertake a new job, which would require earning vesting rights in the new job and could result in reduced retirement benefits.

IV. OTHER GOVERNMENT SALARY STRUCTURES

OTHER STATES

A review was made of the compensation systems of the following states: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee, West Virginia and Maryland. The review placed particular emphasis on salary range spread, longevity pay and policies on pay for employees at salary range maximum.

The results indicate that 11 of the 14 states surveyed have longer range spreads than Virginia, with an average range spread of 52 percent. Three states do not have step increments. Nine (9) of those having increments (steps) for each pay grade had more steps than Virginia. The average percentage difference (4.2 percent) between each step is about on par with Virginia's 4.5 percent. (See Attachment B).

Movement through the range is not standardized among these states. Each of the surveyed states have performance appraisal systems in place. However, the merit/performance pay part in many states has not been funded for several years. Employees receive only a general or across-the-board increase that may be approved by the respective legislatures.

Other systems are also used. For example, Alabama has a system where employees receive 1 step (2.5 percent) for satisfactory performance or 2 steps (5.0 percent) for outstanding performance. Louisiana has a 4 percent merit pay system, but has not had a general increase or structure adjustment since 1981. Respondents indicated that economic conditions impacting on budgets led to the reduced funding of merit pay systems. (It should be noted that Virginia also had a freeze placed on proficiency increases for two years - Fiscal Years 1984 and 1985.)

Of the states surveyed, only Georgia has formal longevity pay steps built into the pay structure. Employees receive a step increase every two years after reaching the maximum, based upon satisfactory performance. Alabama, North Carolina and Tennessee have annual lump sum longevity payments that are not built into base salary. Rather, the amount paid is either a fixed dollar amount or a percentage of salary. Payments are made on the anniversary date of employment at specified intervals. Payments usually begin after 5 years of service and all employees are eligible, not just those at maximum. (See Attachment B).

FEDERAL GOVERNMENT

There are various pay systems used by the Federal Government. The General Schedule (GS) system (white collar workers) is the most similar to the Commonwealth's salary plan. Salaries are based on equal pay for equal work, with differences in pay resulting from differences in work and performance. Salaries are based upon comparability with that which private employers pay for work at the same level of difficulty and responsibility.

The GS system has 18 salary grades, with 10 steps as the standard. The range spread is 30 percent and the difference between steps is 3.3 percent. It takes 18 years to move to the top step of the range. There is no formal longevity system. The system permits annual movement through the first few steps, then slows to two years for the next three steps and finally every four years until maximum. (See Attachment C)

GS pay levels 13 through 15 are generally assigned to managers and supervisors and levels 16 through 18 are for career executives. The latter two groups progress by means of performance based systems, while the first twelve grades are based primarily on time in grade.

There is also a Prevailing Rate Employee system (blue collar workers) with pay rates set by comparability pay analysis in 135 areas of the country. The Prevailing Rate system has 15 pay levels, but only 5 steps within each level.

Excluding the Postal Service, union representation covers 62 percent of the Federal civilian work force - almost 54 percent of the GS employees and over 93 percent of blue collar (wage) employees.

LOCAL GOVERNMENT STRUCTURES

A review of a sample of large Virginia local government pay plans (Roanoke, Arlington, Norfolk, Chesapeake, Fairfax, Henrico, Richmond, Chesterfield County, and Bristol) indicates that the range spread between minimum and maximum is about 40 percent. Step differences are varied from a low of 2.5 percent to a high of 7.3 percent.

Some of the local governments have longevity incorporated into their pay plans. Employees progress annually, based on satisfactory performance, until they reach the maximum. Thereafter, there may be various longevity systems which permit further pay improvement. These systems are based on time in grade, time in service, or some combination of time in grade/service and performance. Amounts paid may be flat dollar amounts, or a percentage of base salary. (See Attachment D)

V. PRIVATE SECTOR STRUCTURE

A review of compensation literature and data from professional publications indicates that most private sector firms strive to pay the market rate, i.e., pay a wage that will treat their employees fairly, yet not raise their costs significantly more than their competitors.

In practice, most of the pay structures are designed and maintained with the mid-point of a salary range as the market rate for control purposes. However, there does not seem to be any set pattern or standard as to how an organization establishes and administers its pay plan. For example, Compensation Administration, by Belcher and Atchinson, states,"...a recent study queried compensation practitioners in 37 organizations on what information they used to design or adjust wage structures in their organizations. Thirty-one kinds of information were reported, some by all firms, some by only one. Although the most-used information involved wage surveys and job evaluation data, the balance was almost too varied to classify."

A review of survey data from professional organizations indicates that salary range spreads are variable depending upon the type of position or job. In some cases, industry practice and labor union agreements dictate range spreads. In the private sector, range spreads are usually more narrow for the lower skilled and routine jobs, with a wider spread for management and executive jobs. For example the Bureau of National Affairs recommends the following pay range spreads

Executives:	50-70%
Mid- Mgt & Professionals:	40-50%
Non-Exempt/Tech/Upper Skilled:	30-40%
Clerical/Blue Collar	25-35%

The American Compensation Association, a national organization of compensation professionals, reports that the majority of its surveyed organizations in the United States have a range spread of approximately 50 percent for their white collar force. The range spread tends to be less for clerical and hourly employees, which the organization states, is consistent with textbook theory for designing salary structures.

Some organizations report using a fixed percentage range spread for all grades. The Executive Compensation Service (ECS), a national compensation firm, reports in their 1988-89 survey that fixed range spreads in use tend to be from 50-59 percent in length for the majority of these organizations.

Other organizations use a variable range spread depending upon the class or position. These organizations have a separate range spread for Executive, Exempt, and Non-exempt employees. For Example:

	Lowest Spread		Highest Spread
Executive Range Spread	52.7%	-	58.6%
Exempt Range Spread·	46.8%	-	54.7%
Non-Exempt Range Spread	38.5%	-	45.7%

Salary range spreads derived from the March, 1988 American Society of Personnel Administrators' Survey of Firms in Virginia (Attachment E) for non-exempt, exempt, and union jobs reveal the following results.

	Range Spread
Non-Exempt.	45.9%
Exempt·	50.8%
Union:	46.2%

Approximately 64 percent of the firms surveyed by ECS have a merit pay system with payments made on the employee's employment anniversary date. The remainder of the firms pay a merit increase to all eligible employees at the same time during the year. The amount of merit increase in recent years has averaged approximately 5 percent of employees' salaries. Sixty-two percent of employers also grant a general increase annually.

In a 1987 survey of member firms, the American Compensation Association reported that over 90 percent of its United States members use merit pay as the basis for granting salary increases to white collar employees. In the majority of organizations, the merit increases are granted on an annual basis. Compensation Administration states that most organizations and their management claim to use a merit progression system. But studies show that up to 80 percent of employees may be at the maximum of their assigned salary ranges.

It is becoming increasingly apparent that organizations do connect performance with pay. This is usually effected by a combination of automatic progression to the mid-point (the market rate) with progression beyond the mid-point based on merit or performance. The rationale for this method of progression is that employees are expected to reach average proficiency within a certain time period and this is reflected by the automatic movement to the mid-point. However, all employees are not expected to perform above average so that movement above the mid-point is based upon above average performance.

The range maximum is established to specify the maximum worth of a job to the organization and to serve as a competitive measure against similar jobs in other organizations. In practice, however, it is most often established to allow progression for outstanding performance, rather than automatic progression based on normal or satisfactory performance.

In some private sector organizations, longtime employees who are at the maximum and who are performing satisfactorily may be given longevity increases above the maximum. Usually, employees become eligible after 5 to 10 years at the maximum. As a rule, however, most private sector organizations have no compensation policy of rewarding employees at the maximum.

The number of salary grades required or used in a compensation plan also seems to be non-uniform. According to Executive Compensation Services surveys, many firms use a salary plan with 15-19 pay grades. Of all firms surveyed, 58.9 percent have salary structures with 24 pay grades or less.

VI. SUMMARY OF THE DATA: VIRGINIA AND ITS COMPARATORS

In summarizing all of the data gathered, it is possible to categorize it under two broad categories. The first is salary structure characteristics and takes into consideration all facets of salary structures. The second can be labeled as longevity systems and focuses primarily upon the specific issue of employees at the maximum.

Salary Structure

- There are no definitive standards nor uniformity of approaches in establishing or administering a compensation structure among either private or public sector organizations.

- The current structure was established in 1980 and seems to be well understood and accepted by employees.

- The Annual Salary Survey conducted by DPT indicates that the Commonwealth is about 12.5 percent behind its comparators at the range maximum. Individual class surveys conducted throughout the years have shown similar results.

- The present range spread of 36.6 percent is approximately 12 percent lower than the average of the range spreads reported in the compensation publications and surveys. Virginia is about 15 percent lower than other states surveyed.

- The current 23 salary grades and 9.3 percent difference between salary grades was established in 1980 based on salary survey data. The survey data at that time showed 9-10 percent to be a reasonable and proper amount for rewarding promotional opportunities. Currently, data indicates that 6-10 percent is the average range for promotional increases. The current 23 grades are consistent with private industry, where most organizations have 19-24 salary grades.

- The current 4.5 percent step difference was set in 1980. Commonwealth employees not at the maximum receive this rate on an annual basis, if their performance is satisfactory. It appears from survey data and pay practices that this rate is appropriate and consistent with industry and other states. Merit increases in the private sector in recent years have averaged 5.0 percent.

- Private sector employers, especially the larger ones, generally have separate pay plans and structures for executive, professional, or management, blue collar, or office/clerical classes. The higher a class is in an organization's structure, the larger the pay range spread for that class.

- Most private employers have some form of merit pay increase plan which is based on satisfactory performance for the majority of their employees. However, in the private sector, progression from the midpoint to the maximum is typically based upon superior performance. Employees of the Commonwealth progress throughout the range based upon satisfactory performance.

Longevity Systems

- Longevity systems, with amounts based on separate flat annual dollar payments or percentage of base pay, are less costly than longevity steps. Since such payments are not usually built into the base salary, there is no compounding effect of future pay raises or structure adjustments, or increased benefit costs.

- Compensation literature indicates that non-performance-based longevity or seniority systems may encourage mediocre performance. Employees realize that they can advance only on the basis of time in grade. Thus, there may be little incentive to strive for higher performance achievements. For employees not at the maximum, there may be the perception of inequity in the organization's pay philosophy of rewarding routine performers the same as top performers. However, such systems are easy to administer, easily understood by employees, may have less inequities, and therefore, fewer grievances or legal challenges, than performance-based systems. Non-performance-based longevity systems are generally favored by unions.

- Only one surveyed state, Georgia, has longevity steps incorporated into the pay plan. Several others have length-of-service annual awards for all employees rather than longevity steps for only those at maximum.

- Some local governments have longevity systems that are based on higher than satisfactory performance. Others have lump sum payments based only on years of service.

- Very few private sector organizations employ longevity systems.

VII. DISCUSSION OF ALTERNATIVES

DPT did not find characteristics of step eight employees to be any different from the rest of the work force. However, if special action for this group is thought to be necessary, there are three major alternatives that can be considered. The following is an overview of the advantages and disadvantages of each of these, including a discussion of related issues.

A. ADDING STEPS TO THE SALARY RANGE

This approach would retain all features of the current salary structure, but would add more steps to each grade range.

Advantages:

- o The range spread becomes more similar to other states and to private industry for exempt jobs;

- o The Commonwealth deviation from the private sector and other states at range maximum is reduced;

- o Salary increases are shifted to experienced, long-term employees whose salaries have stagnated.

Disadvantages:

- o The range spread becomes less similar to local governments, the Federal Government, and private industry non-exempt jobs;

- o Salary dollars are redirected to the 40 percent of employees in step eight, where staffing problems are less severe, at the expense of the remaining 60 percent, where turnover is greater.

- o Salaries stagnate again after the new maximum is reached,

- o Potential salary dollars available for pay-for-performance may be reduced;

- o The learning curve for most jobs has peaked by the end of seven years, which is the period required for most employees to progress through the current range, employees at the maximum are fully proficient, so their increased worth between years is small.

Other Issues Related to Implementing Additional Steps:

- How many steps should the range have?

  - Adding two steps to the current range spread would make the range 49.4 percent, this would be roughly equivalent to the average of other states - 52.0 percent.

- Should all grades have the same range?

  - Private firms typically have narrower ranges for non-exempt jobs - normally those in grades 1-6;

  - Non-exempt jobs often require less time for employees to become fully proficient.

  However,

  - The current plan is uniform among all grades, the plan is easily understood and administered;

  - Morale problems could surface among non-exempt employees if their ranges were retained, while exempt ranges were widened.

- What amount of service should be required between steps?

  - Jobs skills are learned at a decreasing rate by employees who have been on the job for several years, delaying increases beyond one year intervals would reflect this,

  - The length of time could be extended between the existing steps and/or additional steps.

  However,

  - Increases are based on performance evaluations and should be tied to performance cycles,

  - Employees will have difficulty relating increases to performance if the evaluation period is extended.

- What score should be required to move to a higher step?

  - A minimally proficient evaluation score of 20 is currently required to move between steps,

- Requiring higher scores to move to additional steps would reduce the cost of granting additional increases to employees who are already fully proficient.

  However,

- This needs to be coordinated with Pay-For-Performance, if that program is continued.

o What percentage increase should separate steps?

- New steps can be given a smaller spread, which means that more steps can be added to get to the new maximum. This has a similar effect to extending the length of time required to move between steps.

- Several smaller steps can be related to the performance cycle more easily than extended time between steps.

  However,

- Administrative problems will occur because the steps will be different for different pay grades,

- Employees in the higher steps could perceive smaller increases as an indication that they are not valued as much as employees in lower steps, employees would need clarification and explanation of the new system.

B. GRANTING LONGEVITY PAY TO EMPLOYEES WITH PREDETERMINED LENGTHS OF SERVICE

This approach would give additional pay to employees based solely on their tenure with the Commonwealth.

Advantages:

o The timing of payments can be flexible, payments can be lump-sum to maximize impact,

o There is flexibility in determining the amount(s) to be paid,

o Salary increases are shifted to experienced, long-term employees, whose salaries have stagnated,

o Salary stagnation can be avoided over a long period.

Disadvantages:

o Longevity Pay is not consistent with private industry compensation practice,

- o It is more typical of localities than other states or the Federal Government;
- o The Commonwealth deviation from comparators at range maximum is not reduced,
- o There is little relationship between the payment and job performance;
- o Salary dollars are redirected where staffing problems are less severe, turnover is greater for short-term employees,
- o Potential salary dollars available for Pay-For-Performance and structure adjustments may be reduced,
- o The learning curve for most jobs has peaked by the end of seven years, which is the period required for most employees to progress through the current range; employees at the maximum are fully proficient, so their increased worth between years is small.

<u>Other Issues Related to Implementing Longevity Pay:</u>

- o Should steps, percentages of salary, or flat dollar amounts be granted?
  - Percentages of salary allow the greatest flexibility;
  - Percentages provide additional compensation which is related to the grade of the employee, this provides meaningful compensation for all levels of employees and is consistent with other salary increases,

  <u>However,</u>

  - The percentage amount may be perceived as inequitable and not provide an adequate incentive for lower-paid employees because the percentage equals a lower dollar amount for them.
  - A flat dollar amount of longevity pay recognizes the value of service as the same for all employees;

  <u>However,</u>

  - It is difficult to determine an amount which provides an adequate incentive for higher-paid employees, and yet not an excessive amount for lower-paid employees.
  - Step increases would be similar to the percentage increase approach; they would be easily understood by employees;

However,

- Step increases provide the least flexibility in amount;

- There can be implementation problems unless the payment is restricted to employees in particular steps,

- Step increases are cumulative, so they can result in higher costs.

- Step increases become a feature of base pay, so there is limited flexibility if, for example, funds diminish.

o What length of service should be required for each amount of payment and how many distinctions are made?

  - The longer the service requirement for each increase, the fewer increments there will be;

  - Few service distinctions can allow larger increases in amounts, which raises the impact of an employee's attaining any given service plateau,

  - Having few distinctions would be easier to communicate to employees and to administer;

  However,

  - Many distinctions can allow employees to continue receiving increases over a long period; these increases, however, are smaller and have less impact than few increases would.

o Should there be a performance requirement applied?

  - Requiring performance above "proficient" targets salary dollars to those employees who are most valuable to the Commonwealth,

  However,

  - Such payments are more than longevity payments, they are also a form of Pay-For-Performance, which could duplicate or replace the exceptional performance award pilot program's intent,

  - Care must be exercised in defining requirements so that an escalation of performance scores is not caused.

- Should there be a step-in-range requirement?

  - It can be required that long-term employees be at the top step of the salary range for some period before the Longevity Pay is granted;

  - This targets salary dollars where the salary stagnation is greatest,

  - This also reduces the cost of the program;

  However,

  - A relatively small percentage of employees with extended service are not at the range maximum,

  - Those not at the maximum are typically employees who have shown their value to the Commonwealth by being reallocated or promoted to higher level jobs.

C. REVISING THE NUMBER OF STEPS OR PERCENTAGE BETWEEN STEPS IN THE EXISTING SALARY GRADES *

This approach would add a number of steps and decrease the percentage differential between steps, thereby lengthening the time available to progress from step to step through a range.

Advantages:

- Movement to the maximum of the range could be slowed by increasing the number of steps;

- Many smaller steps could allow variable step increases to be provided based on varying levels of performance,

- Many smaller steps would add flexibility in determining the amount of service necessary for employees to reach the range maximum,

- Flexible amounts of salary increases based on performance only could be allowed by removing the salary steps, and budgeting so that the average employee's salary would equal the midpoint.

Disadvantages:

- The current 4.56 percent distinction between steps is consistent with private industry practice, which averages 5 percent. Additional steps would reduce the percentage,

- o Any change other than simply dividing the current steps in half to form 15 steps would be difficult to implement, it would require varying amounts of increase for various employees, which would cause morale problems;

- o Effectively using open ranges requires more discretion and better documentation than the current Pay-For-Performance pilots, it has not yet been demonstrated that they are practical in this regard.

* NOTE A review of the number of grades in the Commonwealth's salary structure does not indicate a need for revisions. The current 9.3 percent distinction between grades is consistent with the practice of private industry. An increased number of grades with less distinction would allow the salary range for individual classes to be more closely matched with the private sector. However, this change would also result in a lessened dollar distinction between grades, thus diminishing the distinction between levels in organizational units.

VIII. EVALUATION OF THE ALTERNATIVES

A. ADDING STEPS TO THE SALARY RANGE

The option of adding steps to existing salary ranges would increase the salary mobility of all employees. It would provide additional proficiency increases to those 40 percent of employees whose salaries are at the range maximum. This approach has limitations because there must be a new maximum established at some point and eventually employees' salaries will reach that point. Also, this option may reduce the salary dollars available for structure adjustments, thus reducing increases available to the remaining 60 percent of employees.

The option of adding steps to the range would bring the Commonwealth more in line with other states surveyed. An additional two steps (9.3 percent) would make the Virginia range spread 49.4 percent. Currently, the average state in the survey has a range of 52.0 percent, so two additional steps would make Virginia roughly equivalent.

Additional steps would also reduce the deviation by which the Commonwealth trails private industry at the range maximum. Based on data from the 1987 Annual Salary Survey, two more steps would reduce the range maximum deviation from -12.6 percent to -3.0 percent.

Additional steps could be added to only those ranges which are assigned to typically exempt jobs. Narrower ranges for non-exempt jobs are often found in the private sector, and the learning curve for non-exempt jobs is often shorter. However, the Annual Salary Survey shows that Virginia trails the private market at range maximum by a greater percentage for non-exempt than exempt jobs. Limiting additional steps to exempt employees could cause serious morale problems among the non-exempt employees.

The current service time between steps is one year. The option of increasing the time required to move to any additional steps would slow the progression of employees to the new range maximum. However, the movement between steps must be related to the employees' performance cycle, which is one year for all employees. Step increases are tied directly to satisfactory performance.

Extending the performance cycle for these employees would lessen the motivational link between performing and being rewarded. It could also be in conflict with pay-for-performance. Annual increases are consistent with current practice in private industry and other states.

The performance level currently required to move between steps is minimally proficient, which is indicated by a score of "20". Requiring higher scores to move into some steps would, essentially, be a form of pay-for-performance, which is being tested through a separate pilot program.

Private industry practice indicates that the current 4.56 percent spread between steps is appropriate. Additional steps could be subdivided into a larger number of smaller steps, but this would reduce the amount of dollar increase for many employees to a level which would provide little motivational value.

B. GRANTING LONGEVITY PAY TO EMPLOYEES WITH PREDETERMINED LENGTHS OF SERVICE

Longevity pay provides a long-term approach to the issue of employees being at the range maximum, because small increases can be spread over an extended number of years. However, longevity pay is not supported by private industry practice or by the concept of pay-for-performance.

Longevity pay can be granted as step increases, flat dollar amounts, or percentages of salary. The percentage approach has many desirable features: it is flexible in terms of the amount to be paid, it is not built into base pay, so it does not compound as steps would, it can provide a realistic incentive for employees at all grade levels, and it is consistent with other increases, such as across-the-board increases, promotions, and proficiency increases.

The amount of percentage increase to be granted should be sufficient enough to motivate employees to continue State service without being excessive. A range such as 1.5 percent to 3.5 percent would meet these requirements.

An option which provides more incentive for lower-paid employees would be a combination of the flat amount and the percentage amount. It would grant higher dollar amounts, but smaller percentages of salary to employees in the higher grades. This approach would be complex to administer and explain to employees.

The number of distinctions in the amounts to be paid should be moderate. One or two distinctions would mean that employees would have to wait many years between increases. A large number of distinctions would mean that the increase in amount for each service level would be small. A moderate number, such as after 15, 20, and 25 years, would be close enough together to appear attainable for most employees, and also separate and distinct enough so that the increment at each level could be significantly motivational to retain long-term employees.

Longevity pay is not essential for employees with less than 15 years of service because many employees spend up to ten years moving to the range maximum. (See Attachment H). This time would increase further if additional steps were added to the salary ranges. Longevity pay can continue for employees after 30 or more years of service, but additional increases should not be necessary after 25. Some turnover of employees with over 30 years is desirable in terms of the continuous development and career-pathing of less senior employees.

Longevity pay, by definition, rewards length of service and does not relate to performance. A limit could be placed on such payments to allow them only to employees who exceed the proficient level, but this would become more than longevity pay. It would be a combination of longevity pay and pay-for-performance. This approach would attempt to target salary dollars to those long-term employees who are providing the best service to the Commonwealth, but this could also lead to an escalation of performance scores.

Longevity pay is typically provided to all employees who meet the service criteria. In addressing the issue of employees at the range maximum, an option would be to grant the payment only to that group of employees. Most long-term employees are at the maximum, although those who are not have probably shown their value to the Commonwealth by being promoted, reallocated, or regraded.

In order to provide consistency and ease administrative problems, it would be advisable to allow longevity payments to continue to any employee who has once become eligible. This would avoid penalizing employees who may later be promoted and no longer be at the range maximum. The payment should be paid as a lump sum amount, probably on the employee's Performance Evaluation Date, so that the impact is maximized. Spreading the payments over the year would result in small dollar amounts and would obscure the fact that the payment is based on completion of a year of service.

C. REVISING THE NUMBER OF STEPS OR PERCENTAGE BETWEEN STEPS ON THE EXISTING SALARY GRADES

The existing salary grades could be revised so that there would be more steps, with a smaller percentage increase between steps. This could slow movement to the range maximum and could allow variable step increases based on performance.

The best approach to increasing the number of steps would be to simply divide existing steps into 15 steps. This would retain the current steps, so that no employee's salary would need to be adjusted to the new steps. Additional steps could be added to the top of the ranges as necessary.

Dividing the current eight steps into 15 steps would result in an increment of 2.25 percent between steps. This amount of increase is not consistent with private industry practice, the current 4.56 percent is more in line with the private sector. The 2.25 percent amount would also provide very limited motivation and recognition for employees as their job skills are developed.

The current 9.3 percent difference between salary grades is also consistent with private industry practice. Increasing the number of grades would reduce this percentage. This, in turn, would lessen the incentive for employees to accept promotions and also lessen the salary distinction between organizational levels. The advantage of being able to more closely match the market does not offset these limitations.

IX. CONCLUSIONS

There have been several recent studies, in addition to the structure study, which address individual components of the overall compensation program for state employees. It is important that they be considered as complementary of each other and not mutually exclusive. The compensation plan of the Commonwealth is dynamic in nature so that the adjustment of one feature directly influences others.

Any one issue, such as that of employees at the maximum, is but a single aspect of the overall compensation plan for state employees. The presence of employees at the maximum is characteristic of any pay system such as that used by the Commonwealth. It is sometimes perceived as a problem, even though it is a common occurrence in most organizations. Any proposals developed to address this perception must take into conmsideration the impact on the overall compensation system.

DPT cautions that any adjustments to the current structure must be viewed in the context of the overall state compensation system. Short-term gains should be weighed against the long-term impact on other components of the compensation system.

ATTACHMENTS AND APPENDICES

ATTACHMENT A

COMMONWEALTH SALARY STRUCTURE
EFFECTIVE JULY 1, 1988

GRADE	STEP_1	STEP_2	STEP_3	STEP_4	STEP_5	STEP_6	STEP_7	STEP_8
1	9718	10161	10619	11105	11609	12137	12699	13277
2	10619	11105	11609	12137	12699	13277	13881	14517
3	11609	12137	12699	13277	13881	14517	15168	15859
4	12699	13277	13881	14517	15168	15859	16586	17338
5	13881	14517	15168	15859	16586	17338	18134	18962
6	15168	15859	16586	17338	18134	18962	19817	20720
7	16586	17338	18134	18962	19817	20720	21666	22655
8	18134	18962	19817	20720	21666	22655	23688	24767
9	19817	20720	21666	22655	23688	24767	25903	27085
10	21666	22655	23688	24767	25903	27085	28310	29595
11	23688	24767	25903	27085	28310	29595	30953	32355
12	25903	27085	28310	29595	30953	32355	33833	353
13	28310	29595	30953	32355	33833	35368	36993	38678
14	30953	32355	33833	35368	36993	38678	40434	42280
15	33833	35368	36993	38678	40434	42280	44200	46209
16	36993	38678	40434	42280	44200	46209	48320	50520
17	40434	42280	44200	46209	48320	50520	52824	55231
18	44200	46209	48320	50520	52824	55231	57742	60385
19	48320	50520	52824	55231	57742	60385	63133	66012
20	52824	55231	57742	60385	63133	66012	69010	72154
21	57742	60385	63133	66012	69010	72154	75449	78873
22	63133	66012	69010	72154	75449	78873	82477	86229
23	69010	72154	75449	78873	82477	86229	90158	94263

ATTACHMENT B

COMPENSATION STRUCTURES - OTHER STATES

	RANGE SPREAD	NO. STEPS	STEP AMOUNT	LONGEVITY STEPS	
ALABAMA	52.0%	15	2.5%	No	(A)
ARKANSAS	58.0%	10	5.5%	No	
FLORIDA	62.5%			No	
GEORGIA	57.1%	12	4.3%	Yes	(B)
KENTUCKY	60.2%			No	
LOUISIANA	65.7%	11		No	
MISSISSIPPI	49.8%			No	
MISSOURI	27.5%	7	5.0%	No	
NORTH CAROLINA	60.0%		4.6%	No	(C)
OKLAHOMA	34.0%	13	2.5%	No	
S. CAROLINA	50.0%			No	
TENNESSEE	52.5%	10	4.5%	No	(D)
W. VIRGINIA	66.7%	12	4.8%	No	
MARYLAND	31.4%	7	4.0%	No	
AVERAGE	52.0%	11	4.2%		

(A) Annual lump sum payment given based on the following schedule:

5 but less than 10 years = $300
10 but less than 15 years = $400
15 but less than 20 years = $500

(B) A 4.3 % increase every two years.

(C) Annual payment after 10 years of qualifying service based on the following schedule:

10 but less than 15 years = 1.50% of annual base salary
15 but less than 20 years = 2.25% of annual base salary
20 but less than 25 years = 3.35% of annual base salary

(D) Annual Longevity payments made to employees after three years of service. Rate of $90.00 per year of service Maximum 18 Years.

ATTACHMENT C

FEDERAL GOVERNMENT GENERAL SCHEDULE [1]

Employees who have not reached the highest step for his/her position are generally advanced to the next step following completion of the required period of satisfactory service.

FROM STEP	TO STEP	WEEKS
1	2	52
2	3	52
3	4	52
4	5	104
5	6	104
6	7	104
7	8	156
8	9	156
9	10	156

These waiting periods apply to all GS employees except supervisors and managers in GS-13 through GS-15 of the General Schedule who do not receive step increases, but are considered under the Performance Management and Recognition System.

1 Tenth Annual Federal Personnel Guide - 1988

ATTACHMENT D

LOCAL GOVERNMENT STRUCTURES

Locality	Range Spread	# Normal Steps	% Between Steps	# Longevity Steps	Merit Increase
Chesapeake [1]	34.5%	13	2.5%	5	2.5%
Norfolk [2]	34.2%	7	5.2%	3	5.2%
Henrico [3]	32.5%	8	4.8%	4	4.8%
Richmond [4]	45.0%	15	2.5%	0	5.0%
Chesterfield [5]	34.5%	-	-	0	7.3%
Arlington [6]	27.0%	6	4.8%	2	4.8%
Fairfax Co. [7]	47.7%	9	5.0%	0	5.0%
Roanoke City [8]	50.0%	-	-	0	5.7%
Bristol [9]	39.0%	11	3.5%	0	3.5%

1 Need 7 years service and at maximum to get annual longevity step

2 Longevity steps at 10, 15, and 20 years of service

3 Can advance to the first two longevity steps on an annual basis with superior or outstanding performance. Then has same performance criteria, but requires 2 years for advancement to each of next two longevity steps.

4 Does not have longevity system

5 Does not have longevity system

6 Advance to first longevity step after two year at maximum and then to 2nd step after three more years. Also has flat dollar amount at 9, 13, 17 years service.

7 Has 5.0 % longevity payment after 20 years service.

8 Does not have longevity system

9 Does not have longevity system

ATTACHMENT E

AMERICAN SOCIETY OF PERSONNEL ADMINISTRATORS - RICHMOND CHAPTER
Survey of 86 Private Employers in Virginia - 173 jobs
Exempt, Non-Exempt, & Union Positions
March 1988

RANGE SPREAD PERCENT

	Non Exempt	Exempt	Union
Accounting Clerk	45.3%		
Artist/Illustrator		50.1%	
Bldg Maint Mechanic	49.8%		
Carpenter	50.7%		
Clerk Typist	45.9%		
Computer Operator	46.7%		
Cook/Baker	47.6%		
Copywriter		50.9%	
Customer Svc Rep	49.8%		
Driver	42.9%		
Electrician			52.4%
Engineering Tech		47.8%	
Food Svc Worker	42.0%		
Groundskeeper			44.9%
Industrial Nurse		49.2%	
Lab Technician	46.1%		
Lead Groundskeeper	46.1%		
Painter	46.0%		
Production Supervisor		50.8%	
Programmer		50.8%	
Programmer/Analyst		51.5%	
Secretary II	46.3%		
Shipping/Receiving Clk			41.4%
Snr Prgrmer Analyst		53.7%	
Software Analyst		52.8%	
Stock Clerk	40.3%		
Truck Driver	43.0%		
AVERAGE:	45.9%	50.8%	46.2%

NOTES: This chart shows the range spread of a sample of survey jobs that are similar to Commonwealth jobs. Data is derived from the mean minimum and maximum salary reported.

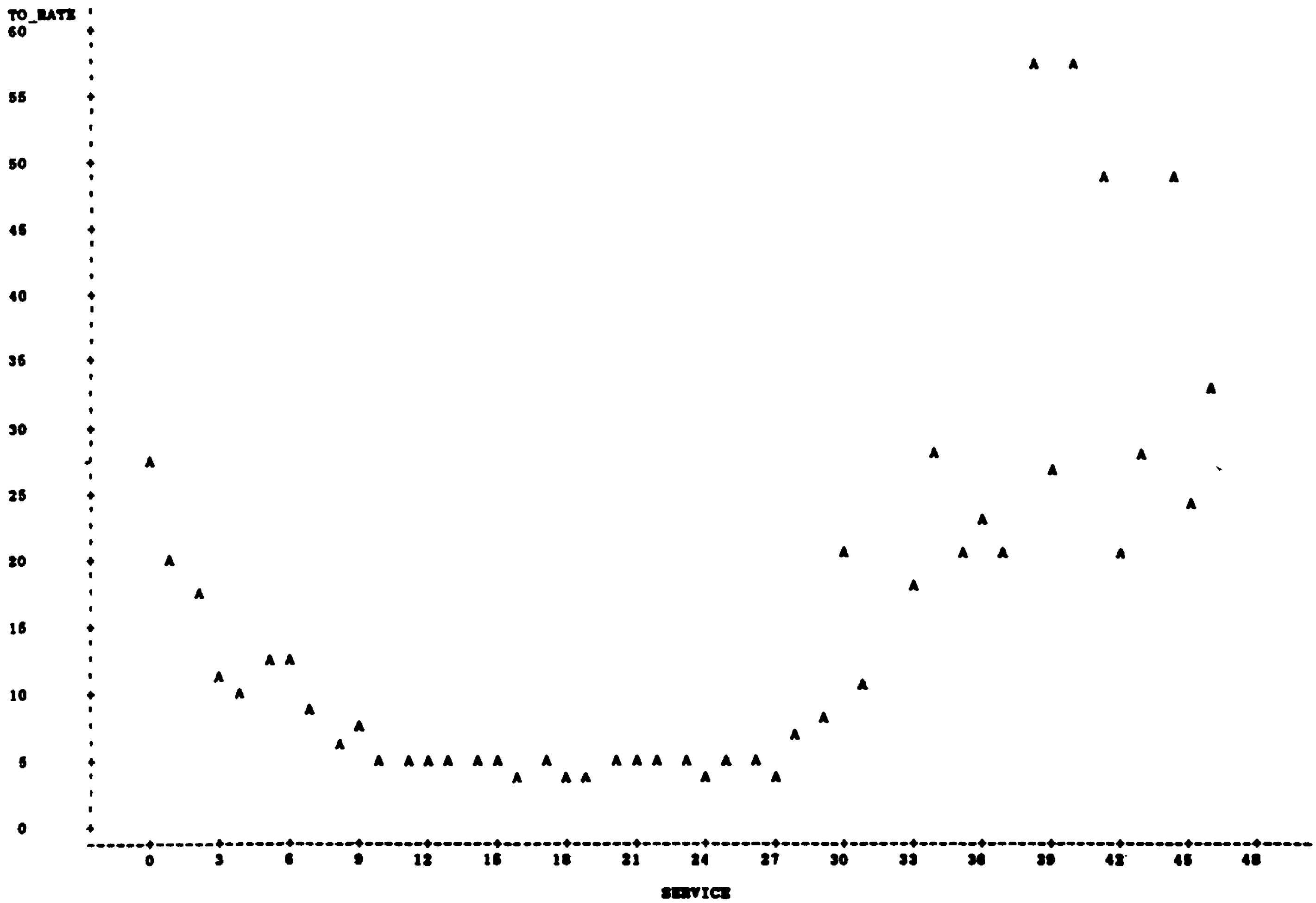
Attachment F

EMPLOYEE DISTRIBUTION BY SALARY STEPS 1984-1988

YEAR	TOTAL EMPLOYEES	STEP 8	7	6	5	4	3	2	1
1984	67877	24037	7587	5573	5309	6892	5934	5324	7221
% In Step:		35.41%	11.18%	8.21%	7.82%	10.15%	8.74%	7.84%	10.64%
1985	68798	22994	6367	5330	5101	6337	5663	5503	11503
% In Step		33.42%	9.25%	7.75%	7.41%	9.21%	8.23%	8.00%	16.72%
1986	70023	26160	5107	5375	5863	5527	4978	9609	7404
% In Step		37.36%	7.29%	7.68%	8.37%	7.89%	7.11%	13.72%	10.57%
1987	70890	28365	5065	6033	5349	4861	8510	6994	5713
% In Step		40.01%	7.14%	8.51%	7.55%	6.86%	12.00%	9.87%	8.06%
1988	71921	30013	6092	5704	4805	7851	6476	5590	5390
% In Step		41.73%	8.47%	7.93%	6.68%	10.92%	9.00%	7.77%	7.49%
AVG # EMP	69902	26314	6044	5603	5285	6294	6312	6604	7446
AVG % IN STEP:		37.64%	8.65%	8.02%	7.56%	9.00%	9.03%	9.45%	10.65%

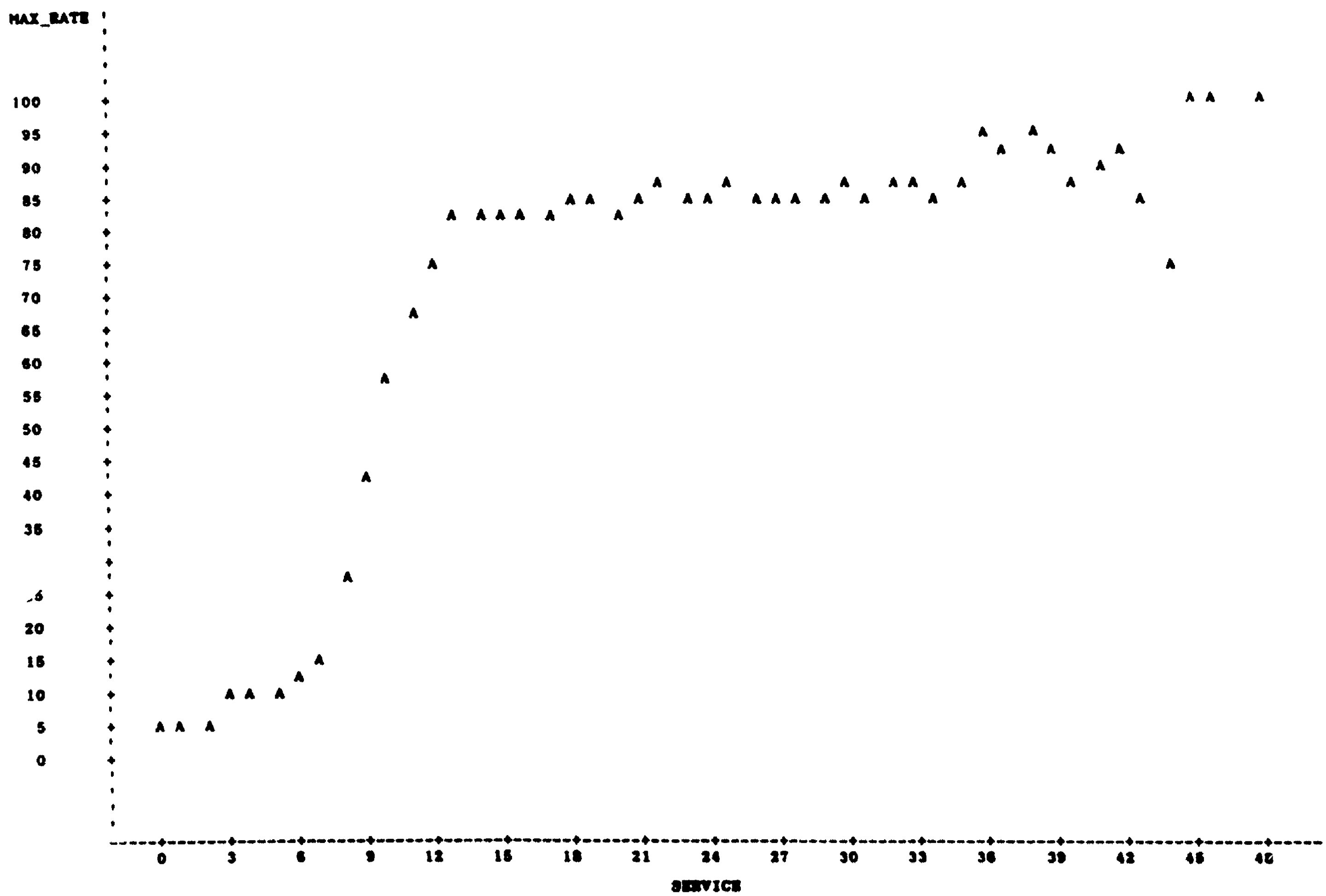
NOTES: 1. The % in step row indicates the percentage of total employees in that step.

ATTACHMENT G
TURNOVER



This graph shows the percent of employees who separated, or turned over, in Fiscal Year 1987-1988, by the years of service they possessed. The graph shows that turnover is high in the first year, drops steadily until about 10 years of service, and then levels off at around 5 percent. It rises again only after employees begin to reach retirement age, with 30 or more years of service.

ATTACHMENT H
EMPLOYEES AT RANGE MAXIMUM BY YEARS OF SERVICE



This graph shows that the percentage of employees in the maximum step of the salary range is low up until employees reach their eigth year. Between 9 an 14 years the percentage at the maximum increases rapidly. It levels off at about 85 percent after 14 years.

ATTACHMENT I

PERCENTAGE OF EMPLOYEES AT RANGE MAXIMUM BY SALARY GRADE

SALARY GRADE	TOTAL EMPLOYEES	EMPLOYEES AT MAXIMUM	PERCENT AT MAXIMUM
1	3065	1578	51.5 %
2	2220	1009	45.5
3	4902	2187	44.6
4	8914	3533	39.6
5	8923	3816	42.8
6	8595	3532	41.1
7	8723	3279	37.6
8	4620	1908	41.3
9	6372	2624	41.2
10	5217	1669	32.0
11	3996	1651	41.3
12	2709	1087	40.1
13	1290	587	45.5
14	1678	657	39.2
15	857	413	48.2
16	498	236	47.4
17	236	138	58.5
18	159	76	47.8
19	80	58	72.5
20	77	54	70.1
21	21	16	76.2
22	44	17	38.6
23	100	58	58.0

ATTACHMENT J

PERCENTAGE OF EMPLOYEES AT RANGE MAXIMUM FOR SELECTED CLASSES

CLASS TITLE	TOTAL EMPLOYEES	EMPLOYEES AT MAXIMUM	PERCENT AT MAXIMUM
OFFICE SERVICES AIDE	416	138	33.17 %
OFFICE SERVICES ASSISTANT	3846	1243	32.32
OFFICE SERVICES SPECIALIST	2376	763	32.11
OFFICE SERVICES SUPERVISOR	424	189	44.58
OFFICE SERVICES SUPV SENIOR	139	74	53.24
COMPUTER SYSTEMS ENGINEER	158	20	12.66
COMPUTER SYSTEMS SR ENGINEER	127	38	29.92
COMPUTER CENTER LEAD ENGINEER	47	22	46.81
COMPUTER SYS CHIEF ENGINEER	42	27	64.29
BUYER	39	5	12.82
BUYER SPECIALIST	36	5	13.89
BUYER SENIOR	36	8	22.22
BUYER MANAGER	6	2	33.33
INFORMATION TECHNICIAN	36	12	33.33
INFORMATION OFFICER A	74	11	14.86
INFORMATION OFFICER B	118	20	16.95
INFORMATION DIRECTOR A	50	17	34.00
INFORMATION DIRECTOR B	33	15	45.45
REGISTERED NURSE	1013	202	19.94
REGISTERED NURSE CLINICIAN A	929	354	38.11
REGISTERED NURSE CLINICIAN B	623	328	52.65
REGISTERED NURSE COORDINATOR	216	163	75.46
REGISTERED NURSE MANAGER A	26	15	57.69
REGISTERED NURSE MANAGER B	14	10	71.43
FORENSIC SCIENTIST	46	15	32.61
FORENSIC SCIENTIST SENIOR	13	8	61.54
FORENSIC SCIENTIST SUPERVISOR	14	6	42.86
FORENSIC SECTION CHIEF	6	5	83.33
CARPENTER ASSISTANT	45	13	28.89
CARPENTER	244	97	39.75
CARPENTER LEAD MAN	71	45	63.38
CARPENTER FOREMAN	54	34	62.96
PROBATION COUNSELOR	836	293	35.05
PROBATION SUPERVISOR	119	84	70.59
PROBATION ADMINISTRATOR A	26	22	84.62
PROBATION ADMINISTRATOR B	28	26	92.86
PROBATION ADMINISTRATOR C	18	13	72.22
PROBATION ADMINISTRATOR D	6	5	83.33

APPENDIX 1

DPT'S ESTIMATED COST OF ALTERNATIVES

(GENERAL AND NON-GENERAL FUNDS)

The estimated cost of increasing the number of steps in the Commonwealth's salary ranges from eight to ten, by adding two steps to the top of each range would be:

FIRST YEAR	SECOND YEAR
$19,268,433	$24,074,950

The estimated cost of longevity payments of 1.5 percent, 2.5 percent, and 3.5 percent for employees who are at the maximum of their salary ranges and who have 15, 20 and 25 or more years of service, respectively, would be:

FIRST YEAR	SECOND YEAR
$ 8,549,074	$10,291,805

ASSUMPTIONS

- o Only employees under the Personnel Act are included.
- o Costs include funds from all sources.
- o Additional benefits costs are not included.
- o Estimates are based on salaries and the distribution of employees as of October 1, 1988.
- o Costs could be partially or fully recovered through reduced structure adjustments because these programs will raise average State salaries, this recovery is ignored.

APPENDIX 2

SUMMARY OF REVIEWS OF EXPOSURE DRAFT

The exposure draft of this report was sent to three private firms and the Virginia Governmental Employees Association for review. Responses were received from Signet Bank, Virginia Power and the Virginia Governmental Employees Association. Their comments are summarized below.

SIGNET BANK

Information conveyed in the report is consistent with the findings Signet encounters in developing its salary programs throughout Virginia, Maryland, and the District of Columbia. Signet found that the report's conclusions properly consider research findings, the advantages and disadvantages of available alternatives, and the expressed concerns of the Commonwealth of Virginia.

VIRGINIA POWER

The Commonwealth is addressing the same compensation issues that Virginia Power has faced. Private industry experiences the situation of employees at the range maximum and Virginia Power offers no satisfactory solution to the concern. They report that state employees are able to move toward the maximum to a much greater extent than is typical in private industry.

VIRGINIA GOVERNMENTAL EMPLOYEES ASSOCIATION

VGEA states that increasing the Commonwealth range spread to 49.4 percent is the cornerstone of structure improvement, in their opinion. They support the addition of at least two steps to current ranges. They also support longevity pay of fixed percentage amounts after the 15th year of service. They further support expanding the Commonwealth salary structure to 46 grade levels with 4.56 percent between grades.

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