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The Honorable S. Chris Jones, Chairman, House Appropriations Committee  
The Honorable Thomas K. Norment, Jr., Co-Chairman, Senate Finance Committee  
The Honorable Emmett W. Hanger, Jr., Co-Chairman, Senate Finance Committee  
The Honorable Keyanna Conner, Secretary of Administration

**Subject: Annual Compensation Comparison Report – 2018**

The attached report is pursuant to § 2.2-1202 of the Code of Virginia.

Please contact me if there are any questions.

Sincerely,

A handwritten signature in cursive script that reads "Emily S. Elliott".

Emily S. Elliott

Enclosures



# Annual Report

Comparison of Compensation between  
the Commonwealth Classified Workforce  
and the Private Sector

A large, three-dimensional graphic of a ribbon or banner, rendered in a light blue color with a subtle gradient and soft shadows. The ribbon is folded and draped across the bottom of the page. The year "2018" is printed in a large, black, serif font on the right-hand side of the ribbon.

2018

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## Introduction & Methodology

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This report compares the compensation of employees in the Commonwealth’s classified workforce with those in private industry for calendar 2018. The Department of Human Resource Management (DHRM) will provide in this report a narrative and information designed to answer these key questions:

- How did the **average salary increases and pay structure adjustments** that private industry reported compare to statewide increases and adjustments provided to the Commonwealth’s classified workforce during 2018?
- How do the **average salary increases** that private industry is projecting compare to the statewide increases estimated for the Commonwealth’s classified workforce during 2019?
- Are there any particular **economic conditions or labor market trends** that impacted the private industry labor market during 2018 that may also impact the Commonwealth’s classified workforce?
- How do the **average base salaries** for a sample of equivalent roles in private industry compare with salaries in the Commonwealth’s classified workforce?

Private sector data for this year’s report was gathered from publicly available reports and projections for base salary increases from national compensation benchmarking organizations. DHRM indexed the average salaries of a sample of Virginia classified state employee roles with salaries paid by private sector employers for comparable roles at the national level using salary survey data compiled by the independent compensation consulting firm Willis Watson Towers.

## Report Findings

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### Statewide Salary Increases and Pay Structure Adjustments

As documented in Table 1 of Appendix A, national compensation consulting firms reported that, as projected in 2017, private industry employers awarded an average three percent salary increase in 2018.

<i>Private Industry Average 2018 Salary Increase</i>	<i>Commonwealth Statewide 2018 Salary Increase</i>
<b>3.00%</b>	<b>0.00%</b>

In calendar 2018, the Commonwealth’s classified workforce received no legislatively appropriated statewide pay increases. The Commonwealth’s classified workforce average statewide salary increase during 2018 was **3.00% below** the average private industry employee increase.

The Commonwealth’s classified pay structures (pay bands) **were not increased** during 2018 while the reported average pay structure adjustment for private industry averaged 2.02% in 2018. Virginia’s classified

pay structure, which went into effect on 7/10/2017, is provided as a reference in Appendix B and the distribution of classified employees by pay band on 6/30/2018 is also provided in Appendix C.

A majority of private organizations **vary their salary increases based on employee performance**. The national Willis Watson Towers Salary Budget survey found that exempt employees who received the highest performance ratings in private industry during 2018 were granted an average salary increase of 4.1%, about 46% higher than the 2.8% increase given to employees receiving an average performance rating.

Private Industry Average 2018 Salary Increase for <i>Above Average Performers (25% of workers)</i>	Private Industry Average 2018 Salary Increase for <i>Average Performers (69% of workers)</i>	Private Industry Average 2018 Salary Increase for <i>Below Average Performers (6% of workers)</i>
<b>4.1%</b>	<b>2.8%</b>	<b>0.6%</b>

As documented in Table 2 of Appendix A, national compensation consulting firms are projecting that private employers will implement an average **3.05% salary increase** during calendar 2019. Based on the salary authorizations in the 2018 Special Session I, Virginia Acts of Assembly (subject to revenue targets), the overall salary increase for the Commonwealth’s classified workforce is **estimated at 3.44%** in 2019. This estimated average salary increase percentage includes the following elements scheduled for June 10, 2019:

- A 2% overall base salary increase for classified employees
- A 1.44% overall increase for the additional 2% merit increase for classified employees with 3 or more years of continuous service

<i>Projected Private Industry Average 2019 Salary Increase</i>	<i>Estimated Commonwealth Classified Average Statewide 2019 Salary Increase</i>
<b>3.05%</b>	<b>3.44%</b>

## Agency Initiated Salary Increases

During calendar 2018 the Commonwealth’s classified workforce received no legislatively appropriated statewide overall pay increases. In calendar 2018 through October, the average full-time classified state salary increase realized through agency actions was **0.56%**. The average salary for all classified full-time employees increased from \$50,452 on January 1, 2018 to \$50,737 on October 31, 2018. The type, frequency, and average percentage of major types of these agency implemented pay actions resulting in a salary increase are provided in the table below as reference.

Pay Action	Frequency	Average Salary Change %
In Band Adjustment (IBA): Internal Alignment	2,467	6.69%
Competitive Voluntary Transfer	2,048	7.46%
IBA: Retention	2,000	4.87%
IBA: Change of Duties	1,725	4.80%
Promotion	1,578	15.70%
IBA: New Knowledge/Skills/Abilities	1,051	7.67%
Non-Competitive Voluntary Transfer	669	0.96%
Upward Role Change	482	7.65%
Lateral Role Change	410	0.93%
Competitive Salary Offer	157	13.08%

## Economic Conditions and Market Trends

### Salary Pressure; Lower-Skilled Workforce Segment

Department of Labor reports showed increasing upward wage pressure in lower-skilled workforce segments during 2018. Average salary increase percentages for lower-skilled workers outpaced average market salary increases by more than 1.00% in 2018. As an example, the wages for non-supervisory warehouse worker wages increased by 4.60% during 2018. Several large high profile employers announced increased minimum pay rates during 2018 further increasing wage pressures in this labor market segment.

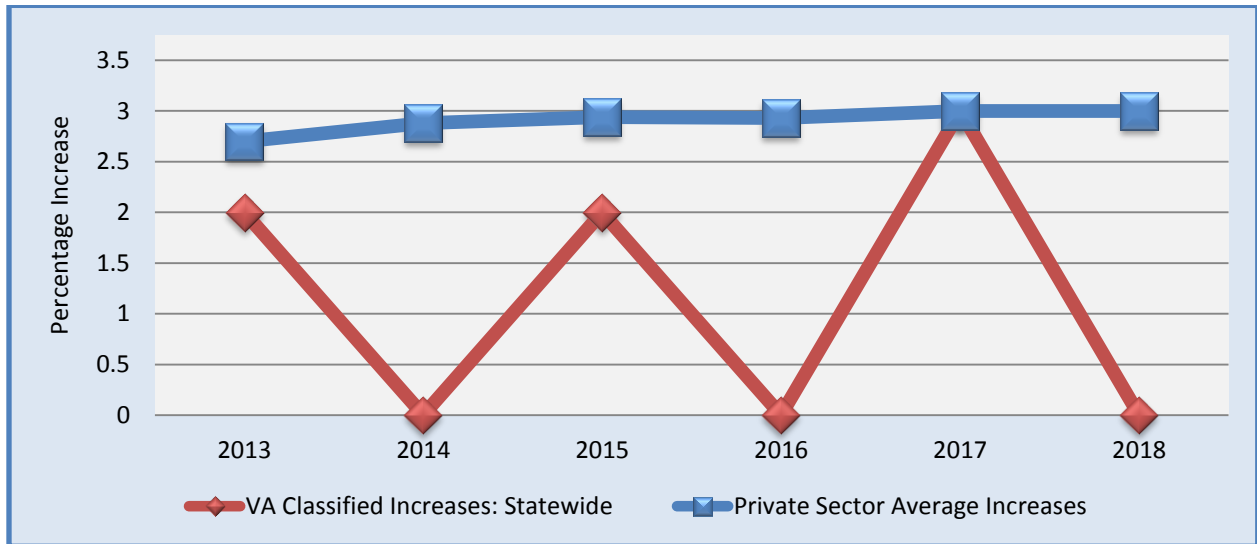
The table below provides a comparison of minimum hourly pay reported by high profile employers with a large number of employees in this labor segment - compared to the Federal/Virginia minimum wage and the Commonwealth classified employee minimum pay rate. The far right columns show the number and percentage of all full time Commonwealth classified employees with a state salary lower than the annual equivalent of the group (data as of 9/30/2018).

	Minimum Hourly Pay	Annual Equivalent	# of FT Classified Employees Below	% of FT Classified Employees Below
<i>Amazon</i>	\$15.00	\$31,200	7,401	12.08%
<i>Costco</i>	\$14.00	\$29,120	4,807	7.84%
<i>Target</i>	\$12.00	\$24,960	1,903	3.10%
<i>Walmart</i>	\$11.00	\$22,800	1,070	1.75%
<i>Commonwealth Classified Min*</i>	\$7.92	\$16,472	0	0.00%
<i>Federal &amp; VA Min. Wage</i>	\$7.25	\$15,080	0	0.00%

*\*Note: does not include the value of Commonwealth classified benefits.*

### Salary Increase Consistency

Another difference between salary administration practices in the private sector as compared to the Commonwealth’s classified state government workforce has been the year over year consistency of broad salary increases. In the private sector, broad salary increases are normally more consistent year over year during non-recessionary economic periods, while statewide increases for the Commonwealth’s classified workforce have tended to vary widely. The line chart below visualizes this inconsistent approach by comparing the average percent increases for the last six calendar years.



This inconsistency in salary increases may be a factor impacting the overall satisfaction with employee rewards in the Commonwealth’s classified workforce. The November 2017 JLARC Report on Total Compensation noted that “...when salary increases are not provided regularly, employees are statistically more likely to leave the state workforce.” The recently implemented statewide employee exit survey contains an item related to pay raise regularity in the rewards survey dimension.

As shown in the bar chart below, the pay raise regularity item had the highest percentage of unfavorable responses of any item in the rewards dimension. It should be noted, that the responses in the chart below include early data from March to September of 2018 and therefore may not yet indicate a valid trend. The responses in this set are from employees who voluntarily resigned from their job and left the Commonwealth workforce (does not include agency to agency transfers). The response set also indicates that about two thirds of those who left felt that they were not being paid fairly for their efforts, although they reported very favorable responses on the value of their benefits package.

	Responses	Overall Fav	Neutral	Overall UnFav
<b>Rewards</b>	113	40%	12%	48%
I was paid fairly for my efforts	113	27%	9	65%
My benefits package was a good value	111	84%	10	6
I got regular pay raises	106	10	16%	74%

## Comparison of Private Industry Salaries

Salary surveys from Willis Watson Towers were used for comparison indexing of Commonwealth classified employee average salaries with average salaries paid by private industry in a sample of equivalent roles. Private industry average salaries indexed in the comparison are at the national geographic level and include for-profit and non-profit organizations. The availability of commercial salary survey data allowed DHRM to again expand the number of roles in the comparison matrix to increase the equivalency and sample size in this year's comparison by 146.3%. In 2017, the comparison had a sample of 8,437 of 62,850 classified employees (13.4%) while this year's comparison includes 20,699 of 62,694 classified employees (33.0%).

The weighted average salary deviation for the 47 occupations in the 2018 comparison indicates that on average the salaries of the forty-seven compared roles is **14.40% below** the average salaries paid in private industry at the national level. The average salary deviation is **14.07% below** the salaries paid in private industry. The salary differences in the comparison roles range from 1.71% below market to 36.50% below market, a detailed table of the indexed comparisons is available in Appendix D of this report.

<i>Private Industry to Commonwealth Comparison: 2018 Weighted Average Salary Deviation</i>	<i>Private Industry to Commonwealth Comparison: 2018 Average Salary Deviation</i>
<b>-14.40%</b>	<b>-14.07%</b>

## Summary of Findings

- ✓ The Commonwealth's classified workforce average statewide salary increase during calendar 2018 was **3.00% below** the average private industry reported employee increase
- ✓ The Commonwealth's classified workforce average statewide salary increase projected for calendar 2019 is **0.39% above** the average projected private industry employee increase
- ✓ On average, state classified employee salaries in the 47 compared sample roles are **14.07% below** the salaries found in private industry
- ✓ Significant **variation** in average salary deviations by role were found in the comparison with 32 of the 47 roles' salaries averaging more than 10% below their private industry equivalents



## Appendix A: Average Private Industry 2018 Salary Increases

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Table 1 – 2018 Reported Private Industry Salary Increases

National Compensation Firms - Reported 2018 Salary Increases		
<i>Firm</i>	<i>Average Increase</i>	<i>Period</i>
<b>Mercer</b>	2.8%	Calendar 2018
<b>Aon</b>	3.0%	Calendar 2018
<b>ERI Economic Research Institute</b>	3.1%	Calendar 2018
<b>The Conference Board</b>	3.0%	Calendar 2018
<b>Korn Ferry (Hay Group)</b>	3.0%	Calendar 2018
<b>Willis Towers Watson</b>	3.0%	Calendar 2018
<b>World at Work</b>	3.1%	Calendar 2018
<b>Average</b>	<b>3.0%</b>	

Table 2 – 2019 Projected Private Industry Salary Increases

National Compensation Firms - Projected 2019 Salary Increases		
<i>Firm</i>	<i>Average Increase</i>	<i>Period</i>
<b>Mercer</b>	2.9%	Calendar 2019
<b>Aon</b>	3.1%	Calendar 2019
<b>The Conference Board</b>	3.0%	Calendar 2019
<b>Korn Ferry (Hay Group)</b>	3.0%	Calendar 2019
<b>Willis Towers Watson</b>	3.1%	Calendar 2019
<b>World at Work</b>	3.2%	Calendar 2019
<b>Average</b>	<b>3.05%</b>	

## Appendix B: Pay Bands and Pay Structure Market Movement

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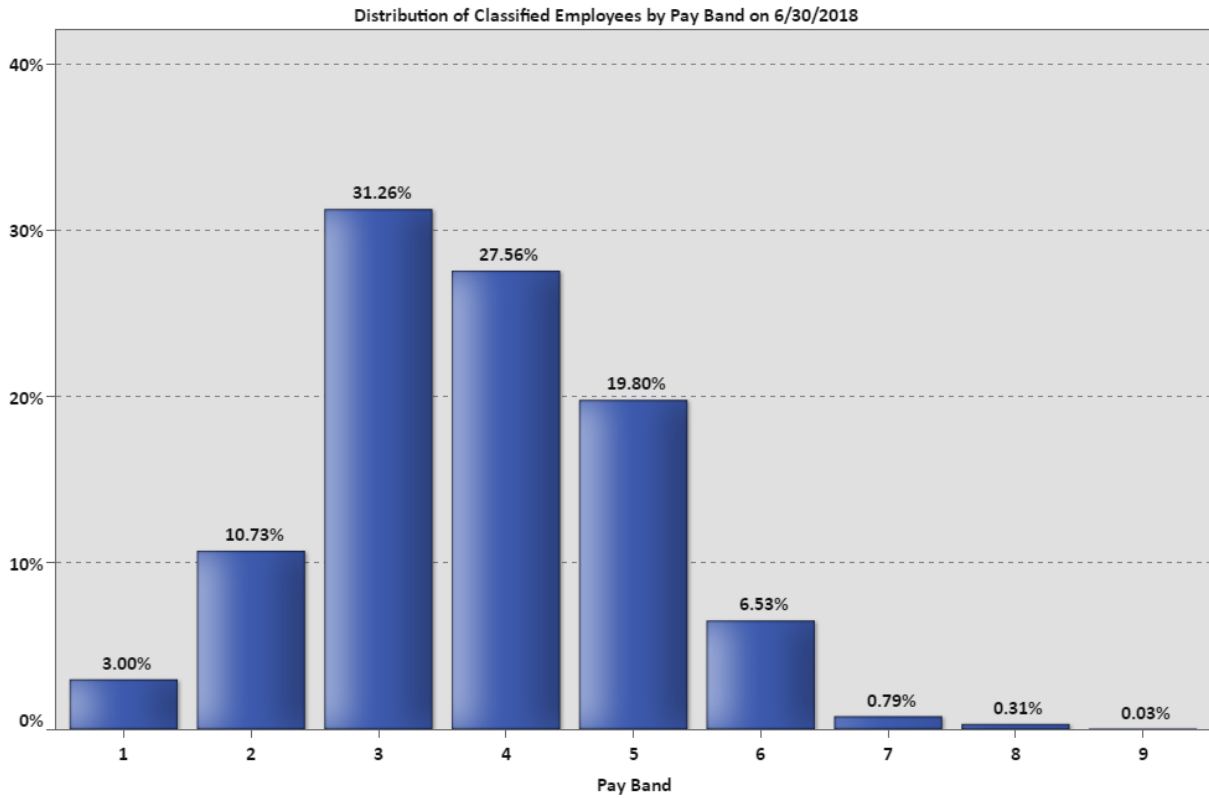
Effective: July 10, 2017

Virginia State-Wide (SW) PAY BANDS - July 10, 2017		
Band	Minimum	Maximum
1	\$16,472	\$46,778
2	\$21,521	\$57,644
3	\$25,718	\$66,683
4	\$33,598	\$83,649
5	\$43,892	\$105,811
6	\$57,342	\$134,764
7	\$74,913	\$172,594
8	\$97,863	\$222,012
9	\$127,852	MARKET

Reported 2018 Average Pay Structure Percentage Adjustment		
Firm	Average Increase	Period
World at Work	2.00%	Calendar 2018
ERI – Economic Research Institute	2.04%	Calendar 2018

Northern Virginia (FP) Expanded Range PAY BANDS - July 10, 2017		
Band	Minimum	Maximum
1	\$16,472	\$58,773
2	\$21,521	\$72,899
3	\$25,718	\$84,651
4	\$33,598	\$106,705
5	\$43,892	\$135,516
6	\$57,342	\$173,156
7	\$74,913	\$205,755
8	\$97,863	\$265,055
9	\$127,852	MARKET

## Appendix C: Distribution of Classified Employees by Pay Band



Distribution of Classified Employees by Pay Band on 6/30/2018		
Band	Frequency	Percent
1	1,881	3.00%
2	6,726	10.73%
3	19,597	31.26%
4	17,277	27.56%
5	12,413	19.80%
6	4,094	6.53%
7	495	0.79%
8	193	0.31%
9	18	0.03%
<b>TOTAL</b>	<b>62,694</b>	<b>100.00%</b>

## Appendix D: Comparison of Private Industry & Virginia Classified Employees' Average Salaries with Percent of Difference

Occupation	Private Industry	State	Difference	Head Count
1. Accountants & Auditors	\$78,500	\$58,678	-25.25%	966
2. Administrative Services Managers	\$87,400	\$66,005	-24.48%	303
3. Bookkeeping, Accounting, & Auditing Clerks	\$41,800	\$40,265	-3.67%	999
4. Budget Analysts	\$66,700	\$64,339	-3.54%	144
5. Carpenters	\$47,500	\$41,199	-13.26%	100
6. Civil Engineers	\$95,900	\$84,187	-12.21%	668
7. Comp, Benefits, & Job Analysis Specialists	\$71,300	\$66,235	-7.10%	101
8. Computer & IS, Managers	\$118,900	\$109,874	-7.59%	189
9. Computer Systems Analysts	\$94,400	\$84,555	-10.43%	247
10. Computer User Support Specialists	\$61,400	\$55,513	-9.59%	520
11. Database Administrators	\$104,600	\$94,999	-9.18%	111
12. Dietetic Technicians	\$32,600	\$32,042	-1.71%	144
13. Dietitians	\$60,900	\$48,304	-20.68%	136
14. Electricians	\$58,700	\$45,483	-22.52%	119
15. Engineering Managers	\$123,500	\$110,101	-10.85%	306
16. Environmental Scientists & Specialists	\$73,900	\$62,934	-14.84%	729
17. Financial Managers	\$114,700	\$92,027	-19.77%	354
18. Food Preparation	\$36,700	\$27,199	-25.89%	167
19. Food Preparation & Serving	\$28,400	\$21,984	-22.59%	127
20. Food Preparation & Serving, Supervisors	\$40,900	\$34,103	-16.62%	266
21. Food Service Managers	\$53,300	\$50,189	-5.84%	121
22. Grounds Laborer/Janitorial Supervisor	\$37,200	\$31,326	-15.79%	240
23. Health & Safety Specialists	\$69,600	\$56,720	-18.51%	282
24. Healthcare Social Workers	\$51,800	\$49,150	-5.12%	222
25. Human Resources & Training Generalist	\$68,200	\$62,710	-8.05%	379
26. Human Resources Assistants	\$46,300	\$42,254	-8.74%	146
27. Human Resources, Managers	\$103,300	\$89,234	-13.62%	134
28. Licensed Practical/Vocational Nurse	\$44,800	\$43,498	-2.91%	452
29. Mail Services	\$37,600	\$29,455	-21.66%	106
30. Maintenance & Repair Workers, General	\$49,900	\$43,531	-12.76%	493
31. Marketing & Public Relations Specialist	\$81,800	\$51,941	-36.50%	492
32. Medical & Clinical Laboratory Technicians	\$51,400	\$46,383	-9.76%	142
33. Mental Health Counselors	\$67,200	\$57,509	-14.42%	116
34. Mental Health Technicians	\$32,600	\$27,701	-15.03%	1,735
35. Nursing Assistant	\$31,500	\$30,218	-4.07%	273
36. Office & Administrative Support	\$45,700	\$38,729	-15.25%	2,711
37. Office Clerks, General	\$36,200	\$31,987	-11.64%	1,410
38. Purchasing Agents	\$66,800	\$57,447	-14.00%	365
39. Purchasing Managers	\$108,000	\$79,364	-26.51%	126

Occupation	Private Industry	State	Difference	Head Count
40. Registered Nurses	\$69,400	\$65,820	-5.16%	962
41. Secretarial/Administrative Executive Assistants	\$56,700	\$44,005	-22.39%	1,225
42. Secretaries & Administrative Assistants	\$49,800	\$37,642	-24.41%	410
43. Security Guards, Unarmed	\$36,700	\$32,741	-10.79%	270
44. Software Developers, Applications	\$98,500	\$83,562	-15.17%	520
45. Stock Clerks & Order Fillers	\$37,200	\$33,369	-10.30%	206
46. Systems Software Developers	\$100,900	\$90,285	-10.52%	280
47. Training & Development Specialists	\$73,300	\$58,353	-20.39%	185
<b>Average Difference:</b>			<b>-14.07%</b>	
<b>Weighted Average Difference:</b>			<b>-14.40%</b>	

**NOTES:**

- Occupations chosen represent a cross-section of comparable state jobs indexed by Standard Occupational Classification (SOC) Code to the Willis Watson Towers salary survey occupations.
- The sample 47 roles include 20,699 (33%) of 62,694 classified Virginia state employees – data is as of September 30, 2018.
- Private industry salaries include data from for-profit and non-profit organizations at the national level.
- The weighted average difference shown above is weighted by the count of employees in each occupation.

