JANET L. LAWSON
DIRECTOR

COMMONWEALTH OF VIRGINIA
Department Of Human Resource Management

January 4, 2024

The Honorable Luke E. Torian, Chairman, House Appropriations Committee
The Honorable L. Louise Lucas, Chair, Senate Finance and Appropriations Committee
The Honorable Margaret Lyn McDermid, Secretary of Administration

Subject: Biennium Compensation Report – 2023

The attached report is pursuant to § 2.2-1202 B. of the Code of Virginia which requires that:

> *B. The Director of the Department shall, on or before September 1 of each odd-numbered year, submit a report on (i) the classified job roles that should receive higher salary increases based on identified recruitment and retention challenges, (ii) the appropriate amount by which the salary of such classified job roles should be increased, and (iii) cost estimates for funding any salary increases to the Governor and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations.*

Deloitte Consulting, LLP in conjunction with DHRM, benchmarked 204 Commonwealth occupations against private and public sector comparators. The population of benchmarked roles selected for the study includes a diverse mix of management, professional, support, and technical positions aligned across the full range of Commonwealth salary bands covering classified roles.

The study demonstrates base salaries of the selected roles in the Commonwealth lag the market average -13% and -9% respectively versus the private and public sector. Recent statewide salary adjustments yielded improvement. Approximately 9% of benchmarked roles are above the private sector market median.

The compensation methodology recommended as part of the 2020 mandated Compensation Workgroup to address these issues was not adopted. Reconsideration of the workgroup's recommendations should be explored as a means to provide relief from the ongoing stress on the compensation infrastructure.

This report presents recommendations, as indicated on page 18 of the attached report, to properly align strategic workforce methodologies that will address increasingly problematic challenges with employee pay, compression, recruitment, and retention.

Sincerely,

Janet L. Lawson

Janet L. Lawson

An Equal Opportunity Employer

Virginia Department of Human Resource Management

Biennial Compensation Report

Occupational Recruitment, Retention, & Market Position Analysis of the Commonwealth's Classified Workforce

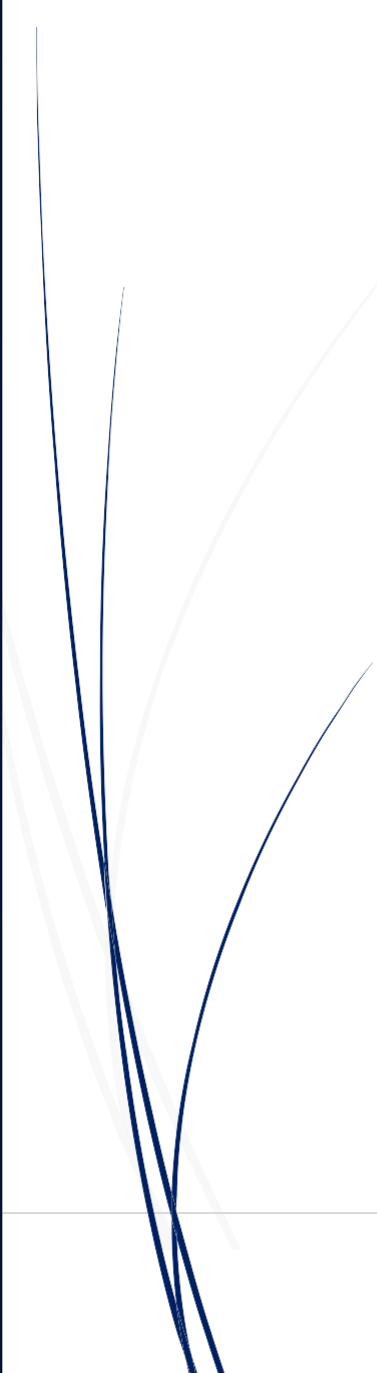**Data as of August 2023**
Report as of November 2023

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Executive Summary

Deloitte Consulting, LLP ("Deloitte") in conjunction with DHRM benchmarked the salaries of 204 roles in Commonwealth occupations against private and public sector comparators. The population of benchmarked roles selected for the study includes a diverse mix of management, professional, support, and technical positions aligned across the full range of Commonwealth salary bands covering classified roles.

As noted above, the study focuses on employee salaries compared to market. The study has not compared the total compensation of classified Commonwealth employees – the value of salaries and benefits – to market.

The 2023 Biennial Compensation Report produced the following findings:
- On average, base salaries in the Commonwealth among the positions benchmarked fall below the market by 13% and 9%, respectively, versus the private and public sectors. Approximately 9% of the benchmarked roles are more than 20% above private sector market median salary.

- Statewide salary adjustments have brought salaries closer to market. However, the salaries of almost 20% of classified employee in benchmarked roles fall below each market 25th percentile.

- On average, when the market data is compared to the Commonwealth salary bands, which generally function as broad bands:
    - The minimums of the Commonwealth salary bands fall 36% and 33% below the private sector and public sector market 25th percentiles, respectively.
    - The midpoints approximate the private sector data and fall 5% above the public sector data.
    - The maximums fall 25% and 31% above the private sector and public sector market 75th percentiles, respectively.

- On average, the salaries of Commonwealth employees generally fall in the second quartile of the Commonwealth salary bands.

In general, inconsistent appropriated salary adjustments have made it difficult for state agencies to build a proactive and sustainable approach to addressing compensation concerns.
- The current classified salary structure has become reactive and critically distressed over time.

- The statewide adjustment method of awarding flat rate increases has continued to put stress on the classified salary structure and has accelerated compression

issues in the lower pay bands.

- Proposed minimum wage increases (in January 2025 and January 2026) may further exacerbate compression in pay bands 1 through 4.

- The compensation methodology recommended as part of the 2020 mandated Compensation Workgroup to address these issues has not been adopted. DHRM is re-recommending this methodology be implemented to help alleviate structural collapse and to enable Commonwealth agencies the autonomy to proactively address recruitment, retention, and compression challenges.

Introduction

Purpose

This report overviews the market position of the Commonwealth's compensation program for classified roles compared to similar jobs in private industry and other public sector organizations. This report also analyzes the impact of several economic conditions affecting the Commonwealth's workforce, including:

- Current salary structure compression in pay bands 1-4,
- Distortion of salary structure ratios in pay bands 5-9, and
- The current employee salary adjustment methodology versus a variable methodology.

The analysis presented in this report is limited to classified salaried Commonwealth roles whose terms and conditions of employment are subject to the Virginia Personnel Act (VPA). The analysis is also limited to data readily available to the Department of Human Resource Management (DHRM) and its central Human Resource Management Systems. Understanding that each individual state agency is in the most advantageous position to analyze and manage its workforce and distinct lines of business, the Commonwealth of Virginia maintains a decentralized salary administration plan and program. This approach delegates authority and accountability to individual agencies.

DHRM is using the data in this report to (i) illustrate the Commonwealth's overall workforce position and (ii) identify market rates of pay for occupations with recruitment and retention issues. It is not intended to identify specific and unique agency workforce challenges.

Background

The Commonwealth's Compensation Philosophy, codified in 2001, states that the "*goal of the Commonwealth to compensate its employees at a rate comparable to the rate of compensation for employees in the private sector of the Commonwealth in similar occupations, and consistently recruit and retain the most suitably qualified employees*."

Pursuant to § 2.2-1202 of the Code of Virginia:

B. The Director of the Department shall, on or before September 1 of each odd-numbered year, submit a report on (i) the classified job roles that should receive higher salary increases based on identified recruitment and retention challenges, (ii) the appropriate amount by which the salary of such classified job roles should be increased, and (iii) cost estimates for funding any salary increases to the Governor and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance.

DHRM, with assistance from Deloitte, has compared the base salaries of a sample of difficult to fill and retain classified Commonwealth roles to benchmark base salary data representing the public and private sectors. This report documents the market study findings and answers these key questions:

- How do base salaries for a sample of classified Commonwealth roles where attraction and retention struggles exist compare to public and private sector salaries?
- What are the projected salary increases for the public and private sectors in 2024?

The market data for this year's compensation study, which includes projections for base salary increases, were gathered from multiple published compensation surveys. Market comparisons were based on an analysis of position duties and responsibilities; comparisons to market were not made solely on a job title basis.

Classification Structure and Position Selection Methodology

The Commonwealth's classified workforce is composed of just over 57,000 employees across 12 agencies.

A Commonwealth classified role or job code title describes a broad group of occupationally related positions that represent different levels of work and career progressions. Roles are further defined by individual agencies through working titles aligned to specific position responsibilities. The current classification structure and the diverse nature of services provided by the Commonwealth's agencies leads to multiple and wide-ranging occupations represented within a single job code.

Table 1 shows how different Commonwealth departments use various position working titles within the same job code title and how the same position working title is used within different job code titles by different departments.

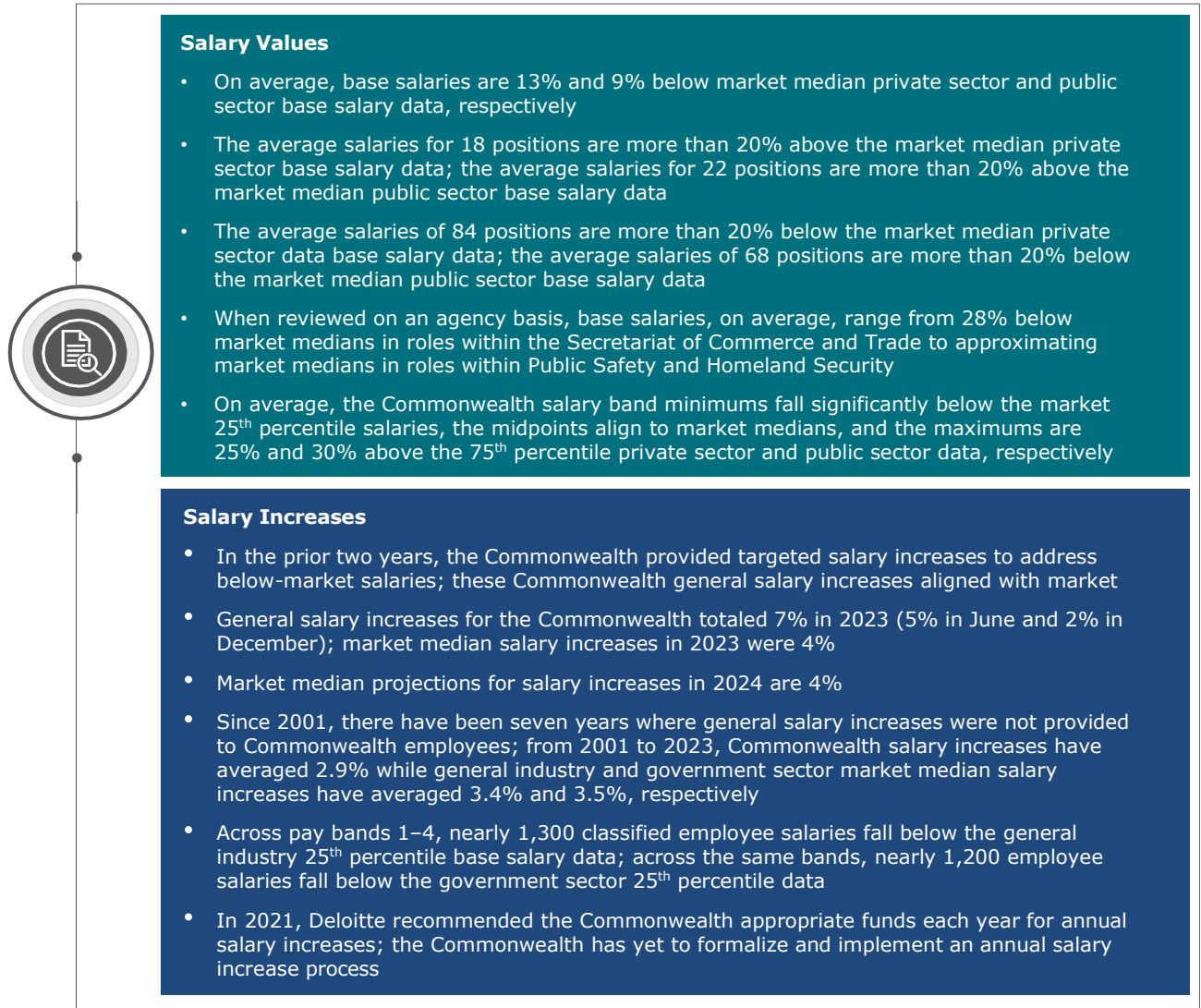| Table 1				
Job Code	Job Code Title	Position Working Title	Department	Grade
19013	Admin and Office Spec III	Assistant Accountant	Fiscal Division	3
19013	Admin and Office Spec III	Accountant	Class, Adm Fac, 12mth Pro Fac	3
19031	Financial Services Spec I	Accountant Senior	Finance and Administration	4
19031	Financial Services Spec I	ACCOUNTANT	OPR Bank Reconciliation	4
19031	Financial Services Spec I	Accountant	FINANCE	4
19031	Financial Services Spec I	Senior Accountant	FINANCE	4
19031	Financial Services Spec I	Accountant	Financial Services	4
19221	Gen Admin Supv I/Coord I	Accountant	Business Office	4
19032	Financial Services Spec II	Senior Accountant	Financial Srvs	5
19032	Financial Services Spec II	Accountant	Financial Management Services	5

The population of benchmarked roles includes a diverse mix of management, professional, support, and technical positions aligned across the full range of Commonwealth salary bands covering classified roles.

Report Findings
Compensation Benchmark Study and Salary Increases

Key findings from the study are shown in Figure 1:

Figure 1

Salary Values

- On average, base salaries are 13% and 9% below market median private sector and public sector base salary data, respectively

- The average salaries for 18 positions are more than 20% above the market median private sector base salary data; the average salaries for 22 positions are more than 20% above the market median public sector base salary data

- The average salaries of 84 positions are more than 20% below the market median private sector data base salary data; the average salaries of 68 positions are more than 20% below the market median public sector base salary data

- When reviewed on an agency basis, base salaries, on average, range from 28% below market medians in roles within the Secretariat of Commerce and Trade to approximating market medians in roles within Public Safety and Homeland Security

- On average, the Commonwealth salary band minimums fall significantly below the market 25th percentile salaries, the midpoints align to market medians, and the maximums are 25% and 30% above the 75th percentile private sector and public sector data, respectively

Salary Increases

- In the prior two years, the Commonwealth provided targeted salary increases to address below-market salaries; these Commonwealth general salary increases aligned with market

- General salary increases for the Commonwealth totaled 7% in 2023 (5% in June and 2% in December); market median salary increases in 2023 were 4%

- Market median projections for salary increases in 2024 are 4%

- Since 2001, there have been seven years where general salary increases were not provided to Commonwealth employees; from 2001 to 2023, Commonwealth salary increases have averaged 2.9% while general industry and government sector market median salary increases have averaged 3.4% and 3.5%, respectively

- Across pay bands 1–4, nearly 1,300 classified employee salaries fall below the general industry 25th percentile base salary data; across the same bands, nearly 1,200 employee salaries fall below the government sector 25th percentile data

- In 2021, Deloitte recommended the Commonwealth appropriate funds each year for annual salary increases; the Commonwealth has yet to formalize and implement an annual salary increase process

Recommendation

This report identifies (i) the classified job roles that should receive higher salary increases based on identified recruitment and retention challenges, and (ii) the appropriate amount by which the salary of such classified job roles should be increased.

To keep pace with market competitors, annual employee increases should be consistent and prioritized. It is recommended that appropriated employee adjustments be included as part of the biennial budget development process based on reported market movement. This will allow the Commonwealth to move to a sustainable and steady methodology to address compression, recruitment, and retention risks.

When considering the wide range of the multi-industry and multi-occupational workforce, it is recommended that the Commonwealth adopt a modern and market-based approach to salary adjustments. Further, empower each agency to award variable increases based on established metrics such as a performance multiplier component and a market variance component (as outlined above). This will give each agency discretion to address unique workforce challenges while protecting the stability, equity, and integrity of overall compensation strategies and structures. This will also support the financial accountability of the Commonwealth's compensation approach as well as maximize the workforce impact of appropriated funding.

Project Methodology

Deloitte used the approach shown in Table 2 to help DHRM identify Commonwealth occupations with recruitment and retention challenges, understand pay program competitiveness, and analyze historical salary increases compared to market.

Table 2	Compensation study	Salary increase analysis guidelines
Inputs	Select jobs to benchmark using: + Commonwealth recruitment and retention data; roles were selected with a long time-to-fill rate [1] + The number of incumbents in each occupation; positions were selected covering a large number of employees [2] + Job levels; positions were selected covering a diverse mix of management, professional, support and technical staff	Use the following to develop salary increase guidelines: + Position recruitment data + The benchmark study results + Salary budget surveys to identify leading market practice for merit and total salary increase budgets
Outputs	**Benchmark study results**	**Salary increase recommendations**

DHRM was helped by Deloitte to:

- Compare the market data findings to (i) classified Commonwealth employee salaries and (ii) the Commonwealth salary bands covering the classified positions benchmarked, and

- Compare historical salary increases for Commonwealth classified employees to market practice salary increase data.

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[1] Commonwealth Time-to-Fill rate is effective as of September 23, 2023. The time-to-fill rate among the positions selected for the benchmark study average 166 days.

[2] The number of employees in the positions selected for the benchmark study is effective as of September 23, 2023; the average number is 39 and the maximum number is nearly 4,400.

Compensation Market Review
Base Salary Findings – Overall Variance to Market: Current

Deloitte compared Commonwealth employee salaries of the benchmarked roles to market data illustrating the 25th, median/50th, and 75th percentiles of public and private sector data.

Deloitte understands that select Commonwealth agencies have historically applied market-based differentials to national market data to recognize differences in the local cost of labor and recruiting difficulties for select occupations in certain locations. Deloitte did not apply differentials to the market data compiled for this analysis.

Table 3 shows base salaries on average:
- Approximate the 25th percentile of the private sector market median data
- Fall between the 25th and 50th percentile public sector market median data

Table 3

Overall Variance to Market Median					
Private Sector Market Data			Public Sector Market Data		
Base Salaries			Base Salaries		
25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
-0.4%	-13.1%	-25.4%	4.5%	-9.1%	-21.7%

Base Salary Findings – Overall Variance to Market: Trend Analysis

Table 4 shows how Commonwealth salaries have compared to market over the past three market studies. In most instances, Commonwealth classified employee salary position relative to market, on average, has increased a few percentage points with each study.

Table 4

Overall Variance to Market Median						
Year	Private Sector Market Data			Public Sector Market Data		
	Base Salaries			Base Salaries		
	25th Percentile	Median	75th Percentile	25th Percentile	Median	75th Percentile
2020	-6.2%	-16.5%	-26.2%	1%	-10.1%	-20.7%
2021	-2.6%	-15%	-25.4%	2.1%	-11.3%	-22.5%
2023	-0.4%	-13.1%	-25.4%	4.5%	-9.1%	-21.7%

Base Salary Findings – Significant Variance to Market

Table 5 shows the number of roles with base salaries significantly greater than or less than market median rates:

- Average salaries for classified employees in one-half of the benchmarked roles are more than 20% below or more than 20% above private sector market median salary
- Average salaries for classified employees in 44% of benchmarked roles are more than 20% below or more than 20% above public sector market median salary

Table 5

Private Sector Market Data				Public Sector Market Data			
Base Salaries				Base Salaries			
More Than 20% Above Market Median	% Of Total Benchmark Roles	More Than 20% Below Market Median	% Of Total Benchmark Roles	More Than 20% Above Market Median	% Of Total Benchmark Roles	More Than 20% Below Market Median	% Of Total Benchmark Roles
18	9%	84	41%	22	11%	68	33%

Base Salary Findings – Salary Band Analysis

Table 6 shows the Commonwealth salary bands are significantly wider than the range of market median salaries.

On average:

- The Commonwealth salary band minimums fall 36% and 33% below private sector and public sector market 25th percentile salaries, respectively
- The midpoints are aligned with the private sector and public sector market median salaries
- The salary bands maximums fall 25% and 31% above private sector and public sector market 75th percentile salaries, respectively

Table 6

COVA Bands vs. Market Data							
Private Sector Market Data				Public Sector Market Data			
Employees Below Market 25th Percentile	Min vs 25th Percentile	Mid vs 50th Percentile	Max vs 75th Percentile	Employees Below Market 25th Percentile	Min vs 25th Percentile	Mid vs 50th Percentile	Max vs 75th Percentile
1144	-36%	0%	25%	998	-33%	5%	31%

Base Salary Findings – Variance by Secretary

Table 7 shows the variance of benchmarked roles to market median salaries when the data is arrayed by Commonwealth Secretary:

- Average classified employee salaries in Administration, Agriculture & Forestry, Commerce & Trade, Finance, and Labor are 20% or more below market median private sector salaries
- Average employee salaries in Agriculture & Forestry, Commerce & Trade, Finance, and Labor are 20% or more below market median public sector salaries
- Average employee salaries in Public Safety & Homeland Security and Veterans & Defense Affairs generally align to the market median private sector and public sector salaries

Table 7

| | | Market Data Variance | |
| | | Private Sector | Public Sector |
SECRETARY NAME	Number of Benchmark Roles	Median Base Salary Data	Median Base Salary Data
Administration	6	-20%	-15%
Agriculture and Forestry	4	-25%	-24%
Commerce and Trade	1	-28%	-22%
Education	30	-13%	-10%
Executive Offices	3	-14%	-13%
Finance	5	-25%	-22%
Health and Human Resources	41	-12%	-9%
Labor	4	-24%	-22%
Natural Resources	9	-12%	-10%
Public Safety & Homeland Security	22	0%	0%
Transportation	19	-18%	-14%
Veterans and Defense Affairs	5	-1%	4%
Positions That Cover Multiple Secretaries	55	-13%	-10%

Base Salary Findings – Targeted Salary Increases to Market

Table 8 lists positions that received targeted salary increases in 2021, 2022 and/or 2023 and the current variance to market median salaries. In select jobs, significant variance to market median salaries still exits.

Table 8

Role Title	Working Title	General Industry Market Median Variance	Government Industry Market Median Variance
Agricultural Manager I	Educational Urban Farm Manager	-51%	-48%
Agricultural Specialist II	Extension Unit Technician, FASA	24%	24%
Direct Service Associate II	Certified Nursing Assistant	30%	38%
Direct Service Associate II	Dental Assistant	-3%	3%
Direct Service Associate II	Healthcare Technician Sr.	-27%	-27%
Direct Service Associate II	Nutritionist Associate	-34%	-34%
Direct Service Associate II	PRN Pharmacy Technician	-48%	-45%
Direct Service Associate III	Barber/Cosmetologist	31%	31%
Direct Service Associate III	Clinical Care Technician	-63%	-63%
Direct Service Associate III	Behavior Technician	-20%	-13%
Direct Service Associate III	Lead Psychiatric Technician	1%	1%
Direct Service Associate III	Pharmacy Technician	-24%	-19%
Environmental Specialist I	Environmental Health Onsite Tech Specialist	-30%	-26%
Natural Resource Manager II	District Forester-Headwaters District	-5%	-5%
Security Officer IV	Corrections Sergeant (Multiple Vacancies): Sussex I and II State Prison Complex	44%	44%
Direct Service Associate II	Dental Assistant	-3%	3%
Direct Service Associate III	Barber/Cosmetologist	31%	31%
Environmental Specialist II	Environmental Engineer	-38%	-35%
Direct Service Associate II	Certified Nursing Assistant	30%	38%
Agricultural Specialist V	Regional Marketing Specialist - Northwest Virginia Region (Charlottesville or Stephens City) #00850	-18%	-18%
Admin and Office Spec II	Postal Assistant	-38%	-38%
Laboratory & Research Spec I	Forensic Laboratory Specialist II - Toxicology - Eastern Laboratory - CF213	-30%	-26%
Laboratory and Research Tech	Laboratory Technician Senior (Hourly): Haynesville Correctional Center	-18%	-13%
Agricultural Specialist III	Poultry Grader (Hourly/No Benefits) Frederick County #W0069	15%	15%
Direct Service Associate II	Healthcare Technician Sr.	-27%	-27%
Agricultural Specialist IV	Plant Protection Inspector (Abingdon) #00431	-4%	-4%
Direct Service Associate III	Pharmacy Technician	-24%	-19%

Role Title	Working Title	General Industry Market Median Variance	Government Industry Market Median Variance
Direct Service Associate II	Nutritionist Associate	-34%	-34%
Probation Manager II	Chief Probation Officer (Probation Director): P&P District #06/Suffolk - #P0601	37%	37%
Law Enforcement Officer I	*Police Officer - Full time	-8%	-2%
Natural Resource Spec III	Area Forester-Five Forks District	-39%	-39%
Natural Resource Spec II	Park Ranger - Law Enforcement - Douthat State Park	-2%	-2%
Probation Officer II	Probation Supervisor	39%	39%
Security Manager I	Corrections Lieutenant	33%	33%
Probation Officer I	Probation Officer - (P&P District #8 South Boston)	7%	7%
Security Officer III	Corrections Officer - Beaumont Correctional Center	-2%	-2%

*These positions are separate from those found in the Virginia State Police.

Salary Increase Guidelines
Historical Background

Deloitte compared the Commonwealth's general salary increases to historical salary increase market data since 1995. [3] Figure 2 shows that annual Commonwealth salary increases have been irregular since the mid-1990s. This includes no general increases for Commonwealth employees in 2001, 2002, 2008, 2009, 2014, 2018, and 2020.
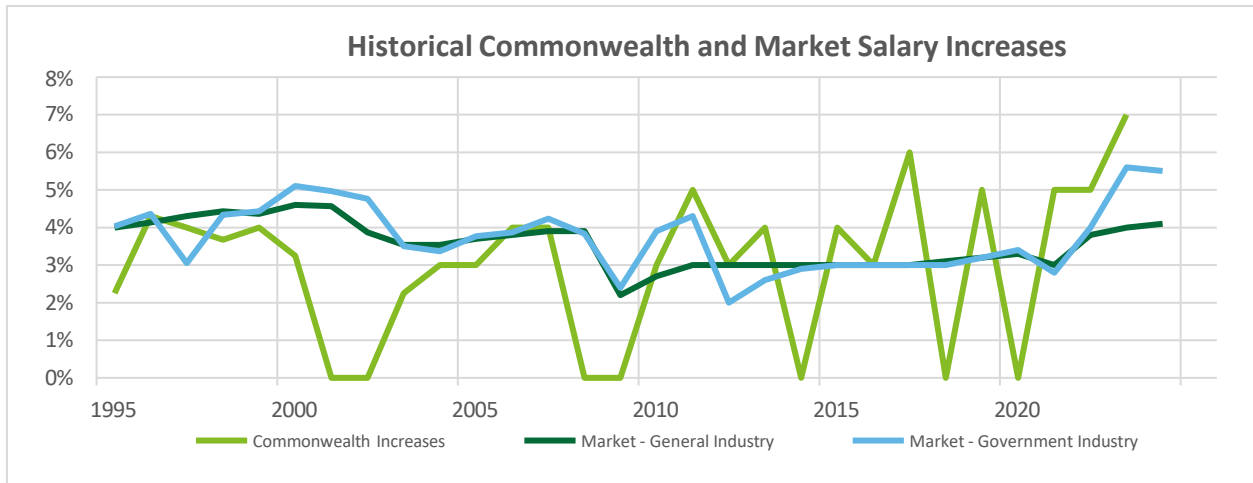

Figure 2

2024 Projections

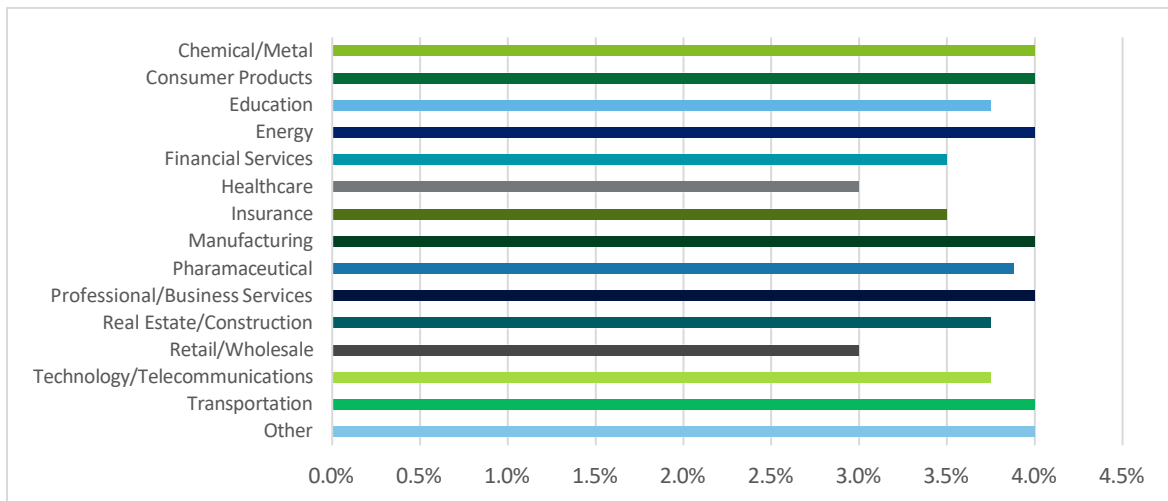Figure 3 shows 2024 projections for merit increase budgets in a range of industries in the private sector. [4]

Figure 3

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[3] Source: Historical WorldatWork Salary Budget Surveys.

[4] Source: Empsight Policies, Practices, and Merit Survey Report (August 2023).
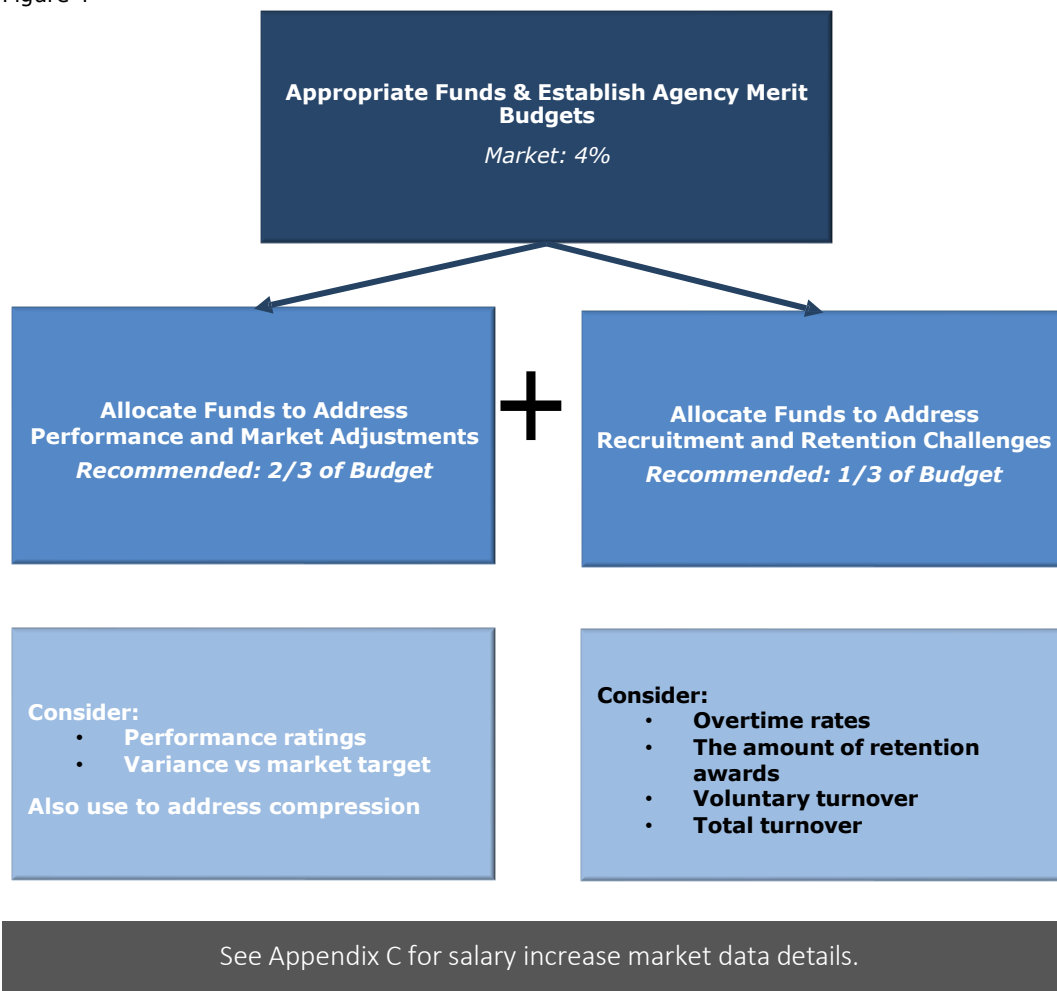
Salary Increase Guidelines (cont.)

Annual Funding Recommendations

Deloitte previously recommended in the 2020 Workgroup Study that the Commonwealth implement an annual salary increase process like the high-level example shown in Figure 4. This process focused on the following:

1. Appropriate funds each year for annual salary increases; use market data for merit budgets to determine the general Commonwealth merit budget.

2. Allocate budgets to each agency.

3. Instruct agencies to award increases based on performance, market position and recruitment and retention considerations.

Figure 4

Appropriate Funds & Establish Agency Merit Budgets
Market: 4%

Allocate Funds to Address Performance and Market Adjustments
Recommended: 2/3 of Budget

+

Allocate Funds to Address Recruitment and Retention Challenges
Recommended: 1/3 of Budget

Consider:
- Performance ratings
- Variance vs market target

Also use to address compression

Consider:
- Overtime rates
- The amount of retention awards
- Voluntary turnover
- Total turnover

See Appendix C for salary increase market data details.

Salary Increase Guidelines (cont.)
Compensation Implementation Recommendations

Individual Commonwealth agencies have the ability to make salary increase decisions on an individual employee basis. Under the proposed recommendations shown in Figure 5, agencies will be instructed to review employee performance, compare employee pay to market, and consider unique recruitment and retention needs to award salary increases.

Figure 5
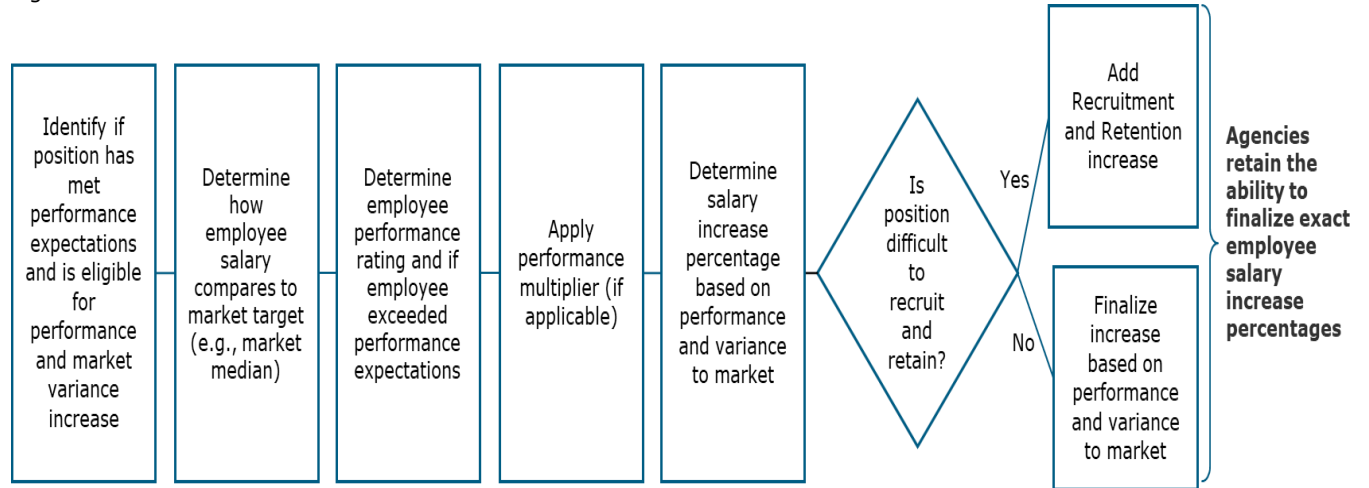
Illustrative Example

Table 9 shows how the salary increase guidelines would work. In this example:
1. An employee is compensated below the market median base salary and met all performance expectations.
2. The employee received the second highest performance rating.
3. The employee's occupation has experienced recruitment and retention challenges.

1

Table 9 Employee Salary versus Market Median Merit Range	
Above	1.0% - 1.95%
Below	**2%**

2

Performance Multiplier	
Performance Rating	**Multiplier**
Highest Rating	1.15x
2nd Highest Rating	**1.05x**
3rd Highest Rating	1.00x
4th Highest Rating	0.95x
Lowest Rating	0.85x

3

Recruitment and Retention Challenge Merit Addition	
No	0%
Yes	**1%**

Proposed Salary Increase: = (2% x 1.05) + 1% = 3.1%

Appendix A: Enacted Amendments

The 2019 Session of the General Assembly of Virginia enacted amendments to the Code of Virginia clarifying the goals and processes of managing the compensation of the Commonwealth's classified workforce. [3]

Be it enacted by the General Assembly of Virginia:

1. That § 2.2-1202 of the Code of Virginia is amended and reenacted as follows:

§ 2.2-1202. Review of employee compensation; biennial report on employee recruitment and retention.

> *A. It is a goal of the Commonwealth to compensate its employees at a rate comparable to the rate of compensation for employees in the private sector of the Commonwealth in similar occupations, and consistently recruit and retain the most suitably qualified employees. To achieve this goal, the Director of the Department (of Human Resource Management) shall annually review (i) recruitment and retention trends, (ii) the functions performed by each classified job role, (iii) the number of employees and distribution of classified job roles across state agencies, and (iv) how the salaries for each classified job role compare to salaries paid by other employers in the Commonwealth and, as appropriate, to comparable salaries at a regional or national level.*

> *B. The Director of the Department shall, on or before September 1 of each odd-numbered year, submit a report on (i) the classified job roles that should receive higher salary increases based on identified recruitment and retention challenges,*
> *(ii) the appropriate amount by which the salary of such classified job roles should be increased, and (iii) cost estimates for funding any salary increases to the Governor and the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance.*

Appendix A: Enacted Amendments (cont.)

Updates to the Appropriation Act also now require DHRM to administer and perform the following activities on an ongoing basis [4] :

Item 81

M.1. The Department of Human Resource Management shall convene a workgroup (the "compensation workgroup") to develop a methodology that can be used to determine (i) the amount of funding that should be appropriated for state employee salary increases each year and (ii) how to distribute that funding to address state agencies' most significant workforce challenges.

> *2. The methodology should be data-driven and include (i) recruitment and retention trends for each job role in the state workforce, (ii) how salaries and total compensation for each job role compare to similar jobs at other employers, (iii) the extent to which recruitment and retention challenges can be addressed by salary increases, and (iv) the impact of recruitment and retention challenges in each job role on state agency operations.*

> *3. In developing the methodology, the workgroup shall incorporate data from the Personnel Management Information System, the Department of Human Resource Management's employee exit survey, and data from Occupationally Based Data Services.*

> *4. The workgroup shall include representatives from the Department of Human Resource Management, the Department of Planning and Budget, House Appropriations Committee staff, Senate Finance Committee staff, and human resources staff from multiple state agencies.*

> *5. The methodology developed by the workgroup shall be used to develop the biennial report required by House Bill 2055 of the 2019 General Assembly Session. [5] Notwithstanding the provisions of House Bill 2055, the first biennial report using this methodology shall be due by December 1, 2019*

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[4] Source: 2019 Session of the General Assembly of Virginia: Budget Bill HB1700 (Chapter 854). (n.d.). Virginia's Legislative Information System. https://budget.lis.virginia.gov/item/2019/1/HB1700/Chapter/1/81/

[5] Source: 2019 Session of the General Assembly of Virginia: Chapter 424. (2019, March 18). Virginia's Legislative Information System. https://lis.virginia.gov/cgi-bin/legp604.exe?191+ful+CHAP0424&191+ful+CHAP0424

Appendix B: Market Review Methodology

- Deloitte identified and confirmed market matches for 204 occupations with DHRM leadership using published compensation surveys and publicly available information on the Commonwealth of Virginia's website that documents the following:

  - Job content,
  - Overall level of responsibility,
  - Supervisory responsibilities,
  - Educational requirements, and
  - Years of experience.

- The Commonwealth's employee headcount and salary data are effective as of October 27, 2023,

- The survey data were aged from the effective date of each to October 1, 2023, at an annual rate of 4% for the public sector and 4% for the private sector, [6]

- With the exclusion of the U.S. Bureau of Labor Statistics ("BLS") data, the market data reflect similarly sized organizations based on the total FY23 annual operating budget of the Commonwealth [7]

- Salary Surveys used include:

  - Economic Research Institute (ERI) Salary Assessor
  - Empsight International, "The Works" Survey
  - Pay Scale Report
  - U.S. Bureau of Labor Statistics Survey
  - Mercer Surveys (Healthcare System Executives; Healthcare Individual Contributors Report; Healthcare Individual Contributors Report; Physician Practices/Clinics Report; Supervisory and Management Report; Executive Report; Finance, Accounting, and Legal Report; Information Technology Report; and Sales, Marketing, and Communications Report)
  - Willis Towers Watson Surveys (Accounting & Finance Compensation Survey; Engineering, Design, and Technical Specialty Compensation Survey; Health Care Clinical and Professional Survey; Healthcare Executive and Management; Information Technology Compensation; and Marketing & Communication Compensation Survey)

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[6] Source: WorldatWork 2023-2024 Salary Budget Survey.

[7] The U.S. BLS data represent a collection of federal, state, and local government organizations of all sizes; the BLS is not scoped based on operating budget.

Appendix C: Salary Increase Market Data

The following shows current market practice information on annual salary increases and salary structure adjustment practices in the public and private sectors to help DHRM develop a salary increase budget for classified positions.

The data represent calendar year 2024 salary increase projections for the government/public sector (Table 5) and the general industry/private sector (Table 6). The data are specific to salary structure adjustments, cost of living adjustments ("COLA"), merit increases, and total increases. [8]

Table 5

Public Sector	Survey Source		
Increase Type	WorldatWork [9]	PayScale [10]	Empsight [11] [12]
Salary Structure Adjustments	N.R.	1.8%	N.R.
General Increases/COLA	N.R.	2.3%	N.R.
Merit Increases	N.R.	2.6%	N.R.
Total Increases [13]	N.R.	4.0%	N.R.

Table 6

Private Sector	Survey Source		
Increase Type	WorldatWork [11]	PayScale [12]	Empsight [13] [14]
Salary Structure Adjustments	3.0%	2.3%	2.9%
General Increases/COLA	3.0%	1.3%	N.R.
Merit Increases	3.5%	3.2%	3.7%
Total Increases [15]	3.8%	3.8%	4.0%

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[8] The data have not been scoped based on number of organization employees or organization annual budget/revenue. Details identifying the specific entities and organizations on which the data are based are not reported in the market surveys.

[9] Market Data Source: WorldatWork's 2023-2024 Salary Budget Survey. WorldatWork includes Public Administration data. All data reflect medians.

[10] Market Data Source: Pay Scale 2023-2024 Salary Budget Survey. All data reflect medians and exempt employees. The survey reports data based on employee-type level (i.e. Exempt, Non-exempt); it does not present data on an overall basis.

[11] Market Data Source: Empsight Policies, Practices, and Merit Survey Report (August 2023). All data reflect medians.

[12] Many of the participants in Empsight's survey are Fortune 500 companies; 80% have annual revenues greater than $3 billion.

[13] Total Increases: The sum of increases granted over the course of the year.