

Michael L. Parson
Governor



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September 8, 2020

The Honorable Michael Parson
Governor, State of Missouri
State Capitol Building
Jefferson City, MO 65101

Dear Governor Parson:

The Personnel Advisory Board (PAB) respectfully submits the attached pay plan recommendations for fiscal year 2022 for your review and consideration. As you know, on July 1, 2020, the classification and compensation structures used by Uniform Classification and Pay (UCP) agencies were updated to align with a more modern approach. Due to financial realities from the loss of revenue associated with the COVID-19 pandemic, adjustments to the minimum salaries of the new compensation structures were not possible.

As a result, the PAB recommends that consideration be given to investing resources to realize the minimum salaries as presented in the compensation study. This would result in a plan that is competitive with the labor market and recognizes the contributions and career growth of team members. We have also provided data in the recommendations to assist in determining a General Structure Adjustment that will bring UCP pay in line with labor trends.

The PAB and/or Division of Personnel staff are available to provide additional information regarding these pay plan recommendations.

Sincerely,

Gary M. O'Bannon

Gary M. O'Bannon
Chair, Personnel Advisory Board

cc: Representative Elijah Haahr, Speaker of the House
Senator Dave Schatz, Senate Pro Tem
Senator Dan Hegeman, Senate Appropriations Chair
Representative Cody Smith, House of Representatives Budget Chair
Representative Rob Vescovo, Majority Floor Leader
Senator Caleb Rowden, Majority Floor Leader
Sarah Steelman, OA Commissioner
Dan Haug, OA Budget Director
Casey Osterkamp, OA Personnel Director

FY 2022 PAY PLAN RECOMMENDATIONS

Classification and Compensation Modernization

In 2019, a comprehensive compensation study was completed for the State of Missouri. Recommendations from that study included updating our job classification and compensation structures. By doing so, we would remain competitive, and support State agencies in the recruitment and retention of quality team members.

The State engaged an external consultant to modernize our classification and compensation structures and develop flexible career paths. The new system was implemented July 1, 2020.

The new classification structure consists of 22 occupational groups (broad categories), 122 job families (sub-categories), and 472 job classifications (levels). The new job classifications are assigned typical qualifications making hiring more flexible and improving team members' ability for career advancement.

To encompass the monetary values for various types of work in the State of Missouri, it was necessary to develop multiple compensation structures. The compensation plan now consists of four (4) salary structures – General, Information Technology, Medical, and Nursing.

The minimum salaries recommended by the consultant for each of these structures were lowered to reduce the cost of implementation. The hope was to gradually adjust the structures over several years until each was in-line with the consultant's recommendation. Unfortunately, the compensation structures were further impacted by budget realities caused by the COVID-19 pandemic. The minimum salaries were lowered even more to ensure that there was no cost associated with the implementation.

Adjustments to minimum salaries are anticipated each year in order for the State of Missouri to keep pace with Missouri's minimum wage. The minimum wage rate will increase by 85 cents annually through 2023.

As the State's economy recovers from the effects of the pandemic, the recommendation for future consideration will be funding to adjust the compensation structures making them closer aligned with the consultant's recommendations.

The consultant also provided a Pay Delivery Guide which we aspire to fully utilize. The guide was developed to aid Human Resources staff with pay administration. Taking into account a variety of factors, this tool enables agencies to determine the appropriate starting salary for new hires and how to adjust the pay of existing team members. A summary of the new pay delivery principles are provided on page 2.

Additional funding would be used to better recognize quality team members who grow in their position or State career. Meaningful salary advancement could be given to team members who take on added responsibilities, earn new job-related certifications, or otherwise contribute to the overall success of the State of Missouri.

Summary of New Pay Delivery Principles

Compensation Delivery Mechanism	Recommendations	Considerations
Hiring Salary Dependent upon level of knowledge, education, skills, and experience the employee being hired brings to the State and the position.	<ul style="list-style-type: none"> . 1st Zone of Assigned Pay Range . 2nd Zone of Assigned Pay Range . 3rd Zone of Assigned Pay Range . 4th Zone of Assigned Pay Range 	Entry level, meets minimum qualifications with little or no previous related experience. Requires additional training to build knowledge and skills. Previous related experience with demonstrated ability to perform duties. May need additional training to perform duties independently. Seasoned experience, exhibits broad and deep knowledge of position and related areas. Recognized position expertise. Hiring above midpoint should be RARE--Difficult to recruit, highly qualified, exceptional expertise, experience and performance significantly exceeds requirements.
Progression A move from one classification to another with greater job content, responsibility, and accountability. Typically occurs within job family classification series.	5% to 15% increase	Level of skill, amount of increase between salary ranges, current salary, most recent performance rating, salaries of other incumbents within classification, hiring salary considerations.
Promotion A move from one classification to another with greater job content, responsibility, and accountability. Achieved through posting and filling of the promotional position.	5% to 15% increase	Level of skill, amount of increase between salary ranges, current salary, most recent performance rating, salaries of other incumbents within classification, hiring salary considerations.
In-Range Adjustments <ul style="list-style-type: none"> . Job Changes . Equity . Labor Market Changes 	Not to exceed 10% in a 12-month period	Job Changes-significant changes in duties and responsibilities which are at a higher level and/or increase the variety and scope of duties but not substantial enough to justify reclassification. Equity-considers relationship of employee's salary to salary of other employees with comparable education, experience, performance, and same or similar duties. Labor Market Changes-responds to labor market changes that may affect retention. Work performed is critical, difficulty in recruiting.
Demotions A move from one role to another with lesser job content, responsibility, and accountability.	<ul style="list-style-type: none"> . Voluntary-within 12 months of promotion/appointment . Voluntary-beyond 12 months of promotion/appointment . Due to reassignment of duties or reorganization . Involuntary-due to performance or disciplinary reasons 	<ul style="list-style-type: none"> . Reduce pay by amount of promotional increase received . Reduce pay to appropriate position in range . No reduction in salary . Reduce pay to appropriate position in range Relevancy of qualifications and experience to new classification.
Pay for Performance Merit/Performance-based increases	Dependent upon annual funds available for salary increases-guidelines will be issued.	Employee's level of performance, current pay relative to market policy position, and time in position.

General Structure Adjustment

An important compensation component relates to the ability to maintain the overall competitiveness of the pay plan. This is primarily accomplished through the use of the General Structure Adjustment (GSA). The GSA is often described as a “cost of living” adjustment. While the cost of living is a factor in determining the amount of the GSA, the adjustment should not be considered solely as a cost of living increase. The primary purpose of the GSA is to maintain the competitiveness of the pay plan relative to other employers.

Virtually all employees benefit from the GSA salary increase. Only temporary and seasonal workers are not automatically included. Their increases, if any, will be determined by each agency.

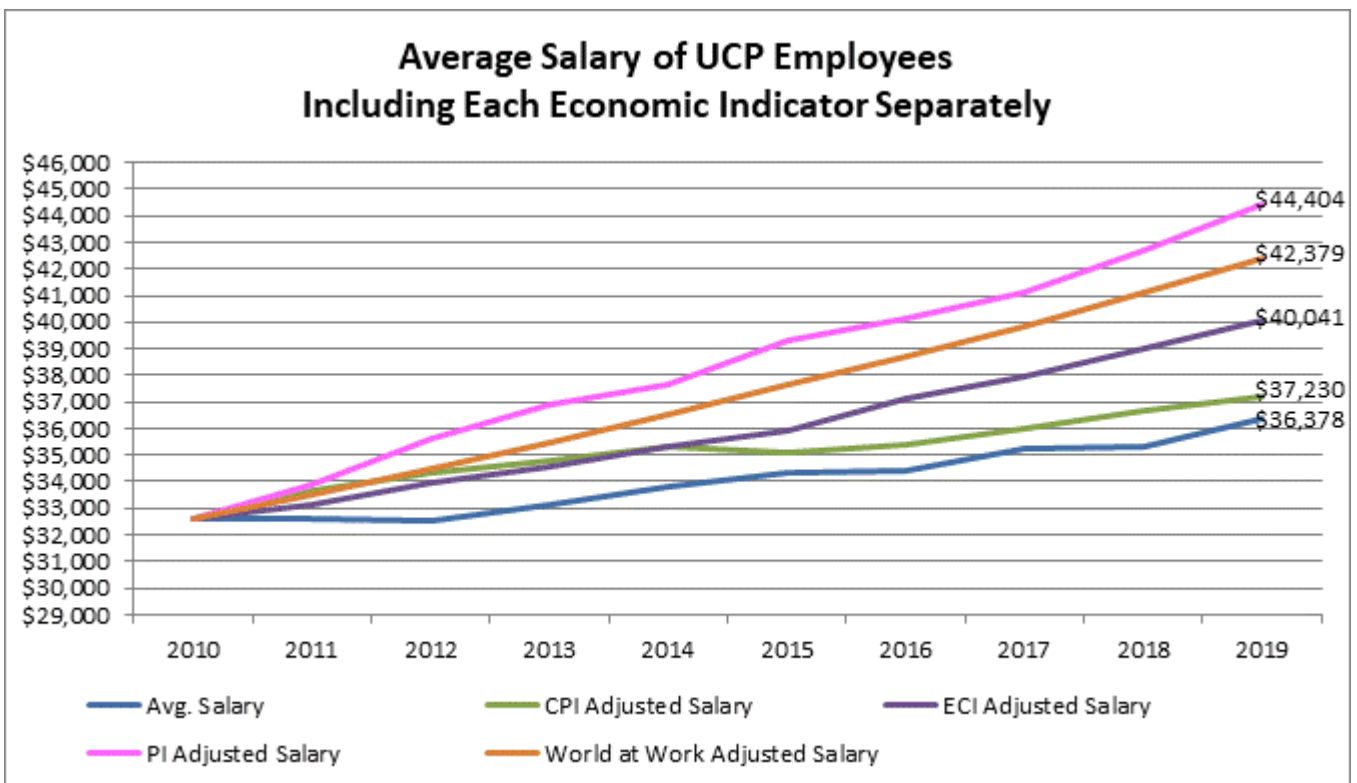
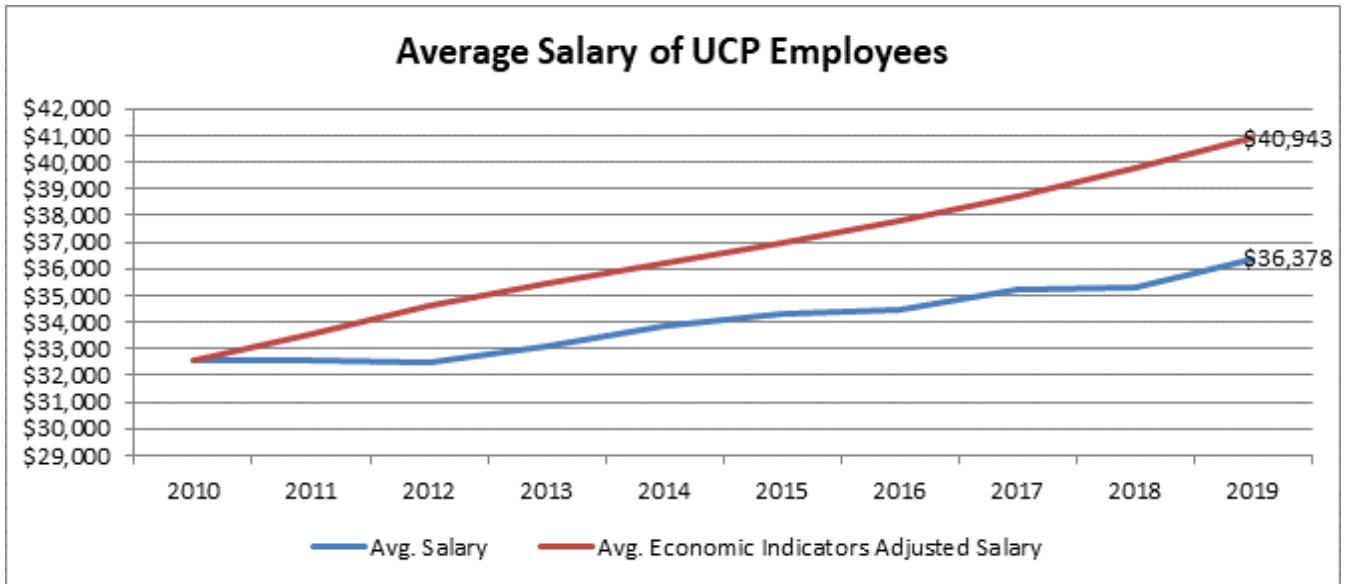
The recommended GSA adjustment is an average of four consistent indicators. These indicators include: the Consumer Price Index (CPI), the Employment Cost Index (ECI), the World at Work Salary Budget Survey and Personal Income (PI) data for the State of Missouri. The following table represents the most current data from these indicators:

General Structure Adjustment Economic Indicators	Percentage
<u>Consumer Price Index (CPI-U)</u> Source: U.S. Department of Labor, Bureau of Labor Statistics All Urban Region Consumers (Midwest) Index Increase between July 2020 and July 2019 index	0.6%
<u>Employment Cost Index (ECI)</u> Source: U.S. Department of Labor, Bureau of Labor Statistics Midwest (West North Central) Region for Private Industry Workers Wages and Salaries (excludes Benefits) Increase for quarter ending June 2020	3.0%
<u>World at Work Salary Budget Increases</u> Source: World at Work Actual Average for 2020 for Non-Exempt Salaried Workers August 2020 Salary Budget Survey (United States results)	2.9%
<u>Personal Income (PI)</u> Source: U.S. Department of Commerce, Bureau of Economic Analysis in State of Missouri Increase between March 2020 and March 2019 income	3.2%
Average of the indicators listed (Rounded to the nearest tenth)	2.4%

As shown in the following charts, the average salary of Uniform Classification and Pay (UCP) employees has not kept pace recently with the average of these economic indicators, nor with any of these four economic indicators separately.

The first chart plotted the average salary of the UCP employees against the average salary of the UCP employees adjusted with the average of the four economic indicators applied to it.

The second chart plotted the average salary of the UCP employees against the average salary of the UCP employees adjusted with each of the economic indicator applied to it separately.



The Division of Personnel contracted an external consultant to modernize the UCP classification and compensation structures. Unfortunately, budget issues related to the COVID-19 pandemic impacted the minimum salaries of the new compensation structures.

The average salary of Missouri UCP state employees is not keeping pace with labor markets as shown by the economic indicators and graphs. The Personnel Advisory Board recommends funding compensation structure adjustments to move closer in alignment with the consultant’s recommendations. In addition, the Board supports additional funding to allow agencies to utilize the new pay administration tools and to recognize quality employees who continue to grow in their career with the State of Missouri.

These basic recommendations are necessary to meet the compensation philosophy of the UCP and improve the recruitment and retention of a talented workforce.