

**GOVERNOR'S  
MANAGEMENT  
REVIEW  
COMMISSION**

**OPERATIONAL REVIEW  
OF THE  
STATE COMPENSATION SYSTEM**

**Submitted By**

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GOVERNOR'S MANAGEMENT REVIEW COMMISSION

OPERATIONAL REVIEW OF THE

STATE COMPENSATION SYSTEM

EXECUTIVE SUMMARY:

The Compensation Task Force was formed to support the efforts of the Governor's Management Review Commission. The Task Force was chartered to review the current New Jersey Compensation System's effectiveness, with particular emphasis on internal equity and market competitiveness, and viability for the future.

In the early stages of the study it was determined that short term savings (quick fixes) were not feasible and would not be the driving force, nor result of this work. Rather the Task Force would focus on the development of recommendations that would result in long term productivity gains. Cost reductions will only accrue from productivity and quality improvements along with a refocusing of state efforts on services the public demands. In addition, decisions will have to be made as to who can best provide these services; i.e., the state, local governments or the private sector. These last items, although critical, were beyond the scope of this Task Force.

The Task Force concentrated on the Executive Branch of the state which includes 71,000 employees, with a direct compensation cost of \$2.3 billion. Approximately 90% of the employees are represented by various bargaining units or employee relations groups. Chart 1 on the following page provides a breakdown of the workforce.

Date - January 1991

Source - DOP

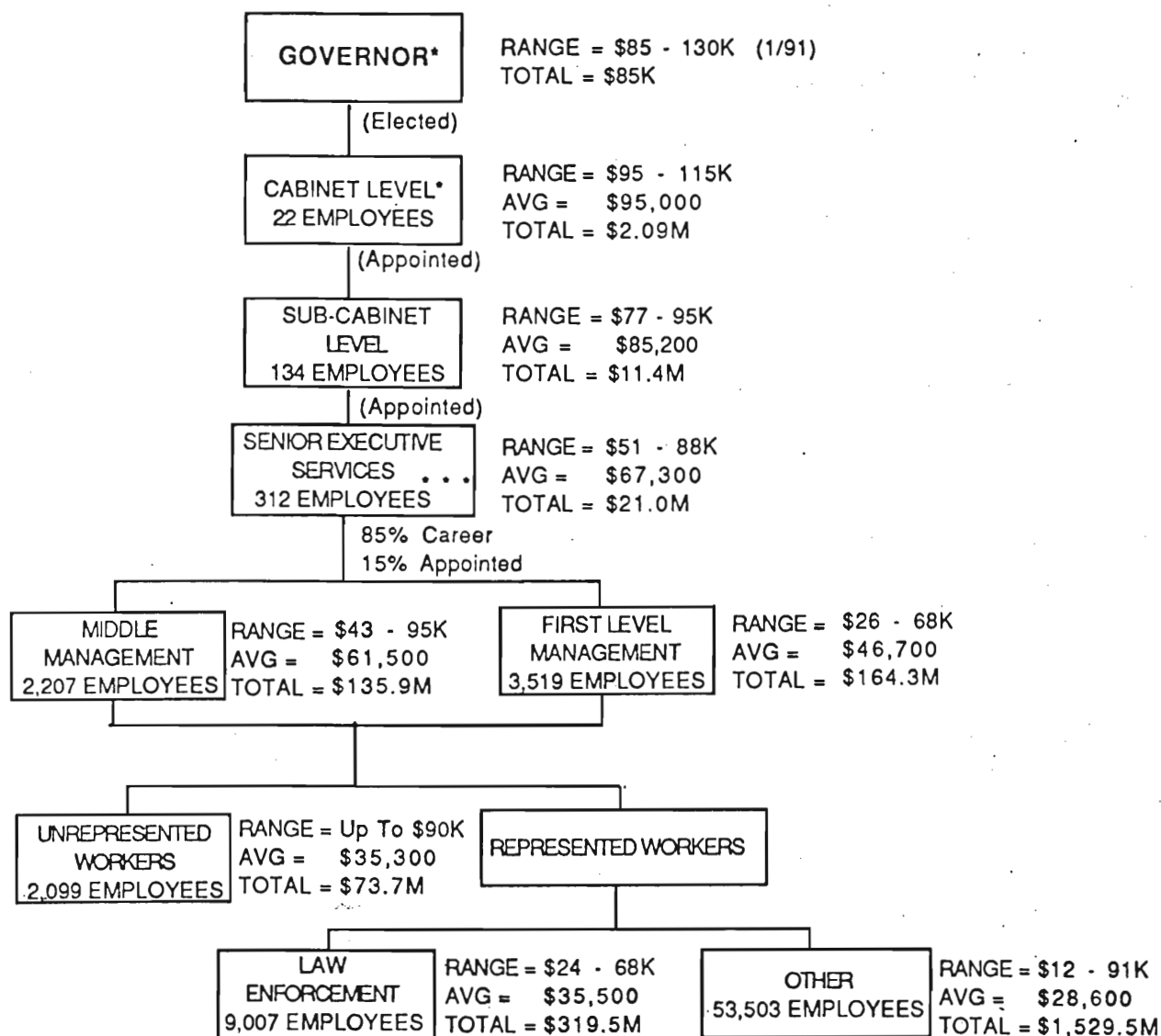
# ORGANIZATIONAL LEVELS

## EXECUTIVE BRANCH

### STATE OF NEW JERSEY

(Excluding State Colleges)

#### SALARY LEVELS



70,804 \*\*  
TOTAL EMPLOYEES

\$2,257,500,000 \*\*  
TOTAL DIRECT LABOR

\*The Governor and Cabinet Level Officials forfeited authorized raises

\*\*Includes: Direct State service funded position \$1.8 Billion; positions funded by appropriated receipts; and positions funded by federal and other than DSS funding

\*\*\*This is an estimate of the SES positions based on an executive order

Our review focused on the following areas:

- Philosophy - The intent of the Compensation Program and its ability/inability to support both the state's view of itself as an employer and its business goals, now and in the future.
- Process - The relationship between compensation planning and administrative processes and the goals of the compensation program. Determine if those individuals responsible for the processes are vested in the results and responsive to all stakeholders.
- Programs - Applicability of the state's compensation programs to the current philosophy, ease of understanding/administration, market competitiveness, internal equitability, and flexibility in meeting varied business conditions and environments.

Our review found issues in each of the above areas requiring attention. However, it is also important to note that we feel we have only touched the surface, due to the extensiveness of the current programs and practices and the limited resources available. Continued, focused work is required in this area.

It became clear during the investigation that measurable short term savings would only accrue by reducing the size of the state workforce. Since we were not looking for immediate quantifiable savings, the recommendations focus on long term strategies. The implementation of our recommendations should result in a total compensation system that will:

- Integrate direct pay and benefits and strengthen the relationship between the pay system and its ability to attract, motivate and retain a high quality workforce for the state.

- Strengthen the relationship between pay and actual work performed.
- Develop a pay system that is more flexible and easier to administer, while meeting the pay objectives for any segment of the workforce it is applied to.
- Reap the long term cost savings resulting from paying appropriately for actual work performed, incenting productivity gains and simplifying administrative processes.

The report will go into greater detail in each of these areas and include statistical data used to support the conclusions of the Task Force. All future work in this area will require clear goals, strong leadership and broad management/employee participation in order to make the desired impacts on the state culture.

The compensation system is only effective when integrated with other well developed human resource systems and strategies. The compensation system will help to reinforce whatever direction the state decides to pursue with respect to its employees and missions. Treating compensation as an isolated entity will not be successful.

We wish to thank the many dedicated state employees we have dealt with during this assignment. We have learned the state has a pool of dedicated people who only need the right systems and the freedom to do their best in order to maximize their effectiveness. Finally, we want to express our appreciation to the staff who directly assisted us during our research, for without them we would not have been able to successfully reach the conclusion of this project.

### **MISSION:**

The mission of the Compensation Task Force of the Governor's Management Review Commission was to perform a review of the state Executive Branch compensation systems with regard to external and internal equity, effectiveness of the programs and potential improvements in the process.

### **OBJECTIVES:**

- Determine if the state compensation levels are competitive.
- Determine if the process for assigning job classifications provides a reasonable balance of internal equity.
- Investigate the state compensation policy and processes to determine if they contribute to the effective use of state resources.
- Recommend changes to policies, processes and programs to make improvements.

### **METHODOLOGY:**

A Task Force was created to conduct the study of the state compensation systems. The team consisted of loaned executives from PSE&G and Digital Equipment Corporation (DEC). In addition, personnel from several state departments, including the Department of Personnel, the Office of Management and Budget, and the staff of the Governor's Management Review Commission supported the effort.

Documents and procedures relating to the state compensation systems were reviewed, along with relevant data and statistics. Interviews were conducted with key executives and policy makers in the state.



The interviewed included both users of the state systems as well as those developing and administering the programs. These executives included the State Treasurer, the Commissioners of the Departments of Personnel (DOP) and Labor (DOL), the Directors of the Office of Employee Relations (OER) and the Office of Management and Budget (OMB), as well as a number of state department human resource and operating executives. A synopsis of relevant interview findings can be found in Appendix 1.

Relevant competitive market compensation data and practice information was obtained from published sources and private sector comparisons. This information, along with state data, was analyzed to develop findings and recommendations.

### **Specific Work Activities**

1. Performed a market compensation analysis of a representative sample of state jobs.
2. Investigated area wage differentials to determine their appropriateness for use by the state compensation system.
3. Surveyed management perceptions of internal equity. Analyzed pay levels vs. Hay points. Determined the appropriateness of the current system to the represented employee population.
4. Investigated the compression of management and subordinates pay.
5. Investigated the process for developing compensation strategy and policy.

6. Reviewed existing state policies and programs and analyzed their effectiveness. Reviewed the history and development of these programs.
7. Interviewed state executives to determine issues and perceptions. Analyzed issues raised.

#### **Task Force Membership**

The Task Force consisted of:

**Gerald W. Clearwater, Manager, Corporate Compensation Programs,  
PSE&G**

**Donald J. Suhocki, Compensation Consultant, DJS Associates**

**Thomas Huban, District Personnel Manager, Digital Equipment  
Corporation**

Support and information was provided by:

**Pamela Hoyt-Young, Personnel Management Analyst, Department  
of Personnel**

**Estavon J. Posey, Administrative Analyst I, Department of  
Personnel**

**Robert J. Conner, Chief of Compensation, Department of  
Personnel**

**James J. Stores, Management Consultant, Office of Management  
and Budget**

**John K.I. Walsh, Management Analyst, Governor's Management  
Review Commission**

## **FINDINGS AND CONCLUSIONS:**

Outlined below are the major findings and conclusions of the Compensation Task Force of the Governor's Management Review Commission. When developing the findings, the Task Force concentrated on those items needing change or improvement.

The reader should be cautioned that there are good compensation practices and programs operating in the state. The state systems and practices, although not optimum, have provided the state with a workforce to carry out the various services the public has demanded. The focus of our study, however, was on maximizing the effectiveness of these systems, therefore the comments tend to be somewhat critical.

### **1. The State Has No Clear Vision As An Employer**

Interviews with state employees and managers revealed there was no easily defined or understood vision of the role the state wants to have as an employer. For example, does the state want to be the employer of last resort in order to provide full employment for its taxpayers? Or does the state want to be a leading edge supplier of public services? Or is there some other role? These roles could vary depending on the "business" the state is in, i.e., health care, prisons, security, etc.

### **2. The State Has No Clear Compensation Philosophy**

Compensation philosophy appears to be fragmented and not clearly defined. Although there are compensation policy statements in the legislation, the understanding and application of these statements is questionable.



**3. The State Does Not Integrate Its Compensation Programs With Other Human Resource Programs and Strategies**

The state's compensation programs are not clearly connected to other human resource programs such as training and development, staffing and succession planning or strategic business plans. In fact, there does not appear to be any significant business planning process. As there is no clear direction where the state is going, most decisions are reactionary with a short term focus.

**4. The Process for Changing Compensation Programs is Not Integrated Nor Easily Understood**

There is no mechanism or process for integrating changes to compensation programs. The programs are not reviewed on a periodic basis to see if they are continuing to meet their original objectives or if the objectives have changed. In many cases the basis for the programs is legislation which tends not to change until conditions become intolerable. The political process involved means the state cannot change basic programs easily to address rapidly changing conditions.

**5. There is No Single Agency Accountable for the Long Term Success of the Compensation Program**

The compensation programs have no one official or agency accountable for their success. The programs almost act as if on "automatic pilot" with a life of their own. The programs are heavily rule and procedure oriented, requiring very little managerial judgment. Managers are not held accountable for their success or failure to motivate and reward employees proportionate to the results produced.

**6. Decisions are Often Made Without Regard to Stakeholders**

Many of those interviewed felt frustration with the inability to influence policy and programs that directly affected the units they manage or consult with. There does not seem to be a process to take these individuals' thoughts into consideration when making decisions on programs or negotiating union contracts.

**7. Salary Issues are Negotiated While Most Benefits are Legislated**

Major employee compensation elements are negotiated for most employees through the union negotiation system. For those not in a represented group, salary programs are determined by the state. In the case of major benefit programs, such as pensions and health care, the benefit program, and therefore cost, is determined through the legislative process. Since these are two very different processes, there is little coordination of salary and benefits into an overall total compensation package.

**8. Most Employees are Represented by Unions**

The enactment of the Public Employer - Employee Relations Act in 1968 paved the way for representation of the state workforce by various unions. Since 1968, representation has been granted to approximately 90% of the states workforce. The Act also sets up an autonomous New Jersey Public Employment Relations Commission (PERC). PERC performs the mediation of state labor disputes and also administers the determination of representation issues.

**9. The State Compensation Systems are Complex and Driven by Numerous Rules and Regulations**

The various elements of the state's compensation program are interwoven into a complicated system of bureaucratic rules and regulations, union contracts and legislation. Many of these rules and regulations are in place because the state operates in a political environment. There have been abuses of the systems in the past which resulted in the rules we see today. The systems that have developed have performed very well in protecting the state workforce from abuses by the political arena. Unfortunately, these systems also prevent positive changes as well. It is questionable whether any new administration can make any significant change in the compensation system without expending significant and possibly excessive political capital to bring about reforms.

**10. There are an Excessive Number of Titles, Salary Ranges and Schedules**

The state's workforce has been classified into numerous titles (over 7000), salary ranges (45), and salary schedules (12). This continued splintering has resulted in an extremely inflexible administration of compensation. Job specifications are defined narrowly making over staffing or excessive overtime a requirement in order to accomplish a work unit's mission.

**11. There are Minimal Rewards for Outstanding Performance**

Most employees are rewarded (salary increased) based upon a nine step salary range system. Progression through the range occurs on an annual basis. Assuming the employee is performing at minimal acceptable levels, they receive a standard incremental raise. A performance rating is done on each employee, however very few (less than 100 in 1990) received a less than satisfactory rating. Therefore most

employees received the same reward, no matter what their performance level. This is not an uncommon system in many unionized organizations.

Those employees not represented also participate in a very similar process up to a salary of \$50,000. Above this level, salary increases are based upon performance rating assigned through the Performance Assessment Review (PAR). In most cases individuals may receive up to the union raise for satisfactory performance. It is possible to go above this level for outstanding performance, however, the procedure is very cumbersome with not many higher raises given out.

**12. One-Third of the State Workforce is Paid at the Maximum of their Salary Range**

Longer service employees who remain in their same positions tend to gravitate to the top of the salary ranges. Over one-third of the state employees are at the top of their salary range. Since the compensation system is driven largely by time in position this result is not unexpected. This fact does pose some problems when introducing a market based, pay-for-performance compensation system. Concern exists regarding how you treat the many individuals who are probably paid over market rates for average performance.

**13. Career Advancement is Through Supervisory Roles**

Many individuals interviewed felt the only way employees could advance their careers was by moving into a supervisory role. Technical expertise did not result in continued advancement with associated compensation increases. There is no technical career path system within the state. If the state flattens their organization, less supervisory roles will be required. Technical expertise in certain fields may be a resource the state wishes to encourage as business becomes more technology driven.



**14. External Comparisons Indicate New Jersey Pay Overall Lags, Private Sector Pay on Average by 4.7%**

The state has not analyzed their pay levels versus the private sector market since 1985. Therefore, a comparison of New Jersey pay levels versus private sector pay was performed using available published surveys. The study revealed for this sample of jobs (147 jobs and 12,000 state employees) New Jersey pay lags on average by 4.7%.

**15. There is a Poor Correlation Between New Jersey Pay and the Private Sector**

New Jersey pay levels for comparable positions in the private sector range from +34.8% to -38.8%. This indicates that there is very little relationship between what is paid to state employees in the job sample and the private market. This causes New Jersey to pay either too much or too little for any one job.

For some positions, the result is difficulties in attracting employees and high turnover, along with associated hidden costs. In some cases, the state simply pays too much and is wasting money which could be reallocated to the below market positions. Since the over pay is in the base salaries, the excess becomes built in or structural. This poor correlation is to be expected with an internally focused classification system.

**16. Pay for Mid-Level Professionals and Managers Lags Private Sector by 3.9%**

In spite of significant dispersion of pay around comparable market data, the overall position of state pay levels for managerial jobs versus the private market (as of 10/1/90) is below by an average of 3.9%. This compares very favorably with a proposed 5% below market position for this group.

**17. Pay for Clerical Positions Lags the Market by 5.6%**

Overall New Jersey clerical pay lags the market by 5.6% on a weighted average basis. Tremendous dispersion from comparable private sector data occurs. The deviation ranges from +33.1% to -28.8%. This indicates there is very little correlation between what New Jersey pays for work and what the market pays.

**18. Pay for Technical Positions Leads the Market by 12.2%**

Our external market comparison for technical jobs was limited to only seven positions, dominated by information systems type positions. These comparisons indicated New Jersey tended to over pay these jobs by an average 12.2%. The sample of jobs was too limited and should be increased to reach more valid conclusions for this group.

**19. The Current Pay of the Governor is the Least Competitive of the Ten Positions Compared to Other State's Pay Levels**

A review of other states' base pay levels for the position of the Governor indicates New Jersey ranks 14 out of the 50 states. Other department head pay levels ranked much higher, ranging from 8 out of 43 for the Commissioner of Education to 2 out of 49 for the Secretary of State.

**20. New Jersey State Trooper Pay Ranged from Competitive to Leading a Sample of Other Northeast States**

Pay for State Trooper positions appears to be inappropriately aggressive at the grades of Trooper, Trooper 1 and Trooper 2 compared to other northeastern states. This practice compresses pay at Sergeant levels diminishing the attractiveness of promotion to these levels.

**21. There are Statistically Significant Differences in Pay Between Northern New Jersey and Central/Southern New Jersey**

Pay differences between different geographic regions in the state are large enough to be statistically significant. Northern New Jersey leads Central and Southern New Jersey pay levels for clerical, technical and craft positions by about 10%.

**22. The Negotiation Process is Frustrating to Many State Executives**

Interviews with state executives indicated a frustration with the union negotiation process. Most felt disconnected from the process, with an inability to influence the outcome. There was no sense of the state's ability to pay carrying any weight in the process. There is no requirement or philosophy of getting something back in exchange for higher wages, i.e., no "quid pro quo".

## **RECOMMENDATIONS:**

Listed below are recommendations of the Compensation Task Force of the Governor's Management Review Commission. The recommendations are based upon the Task Force's analysis of the state compensation system. Analyses included a review of the systems, interviews with key policy makers and major users of the programs. State wage levels were also compared to those found in local and national labor markets. These recommendations, along with associated findings and issues, are summarized beginning on page 83 of this report.

### **1. Develop a State Compensation Vision, Policy and Strategy**

The state must develop a vision of what it wants as an employer of people. Someone in a leadership position will need to articulate the vision and become a sponsor of the changes required.

It was determined there was no clearly stated compensation policy or philosophy that could be described by any of the key managers. There are some statements of policy written into legislation which did not appear to be understood or were not driving the state programs.

A policy or philosophy should include the beliefs of the organization about such items as performance vs. pay/rewards, relative labor market positioning of pay, prominence of pay, variability of pay levels and amount of risk, importance of internal equity, etc.

It is suggested a task group be formed of key policy makers and users of the systems. This group would be responsible to formulate a draft policy based upon input from the stakeholders in the systems.



## **2. Modify or Eliminate the Internal Position Evaluation System (Hay System)**

Analysis of the state wage rates for available benchmark position indicates there is little alignment between state wage levels versus local private sector wages. This lack of alignment results in the state paying too much for certain jobs and not enough for others.

Those jobs that are extremely low compared to market rates make themselves visible by high turnover and difficulty in hiring replacements. The state departments can remedy the problem in several ways. They can use a higher job title for the lower work. They can use temporary or contract workers (often at a greater cost than raising the problem positions salary). Or they can attempt to get the job reevaluated to increase its points and salary range.

Those jobs that are too high compared to market are rarely addressed and continue to receive wages that are above competitive levels. The addition of a market factor into the evaluation process would allow the state to pay competitive wages to attract and retain employees while at the same time not pay excessive wages and therefore burden the taxpayers.

An alternate proposal would be to do away with the use of the Hay evaluation system for all union represented jobs. The wage rates would be negotiated with the appropriate union with the competitive market data used as a guide. Savings would accrue to the state by a reduction in the number of job analysts and other administrative personnel utilized in the process.

**3. Improve the Negotiation Process by Including More Input from Key Managers**

There was a sense of frustration by department managers in the seeming lack of their input during negotiations with the unions. They all felt they should be involved in deciding what the strategies and important issues are for their departments. We suggest setting up an advisory body of major departments who would act as a steering group to guide the Office of Employee Relations during the process. These individuals could also act as members of the negotiating team for department specific issues.

**4. Simplify and Consolidate the Number of Separate Positions and Salary Ranges**

There are an almost bewildering array of job titles and salary ranges. A strategy of consolidating jobs into more generic positions with somewhat wider duties will allow the state flexibility to utilize its workforce in a more efficient manner. Employees will be able to be reassigned to accommodate shifts in priorities and workloads. The current Uniform Job Analysis Questionnaire (UJAQ) project provides an excellent basis to begin the consolidation process.

There are also too many salary ranges (45+) along with 12 different salary schedules. In conjunction with broader work responsibilities, a rationalization of the number of ranges needed should be undertaken. The trend in the private sector is to more flexibility in the workforce to be able to respond quickly to a rapidly changing environment. The current state systems are overly rigid and narrow in their definition of work.

**5. Transition the Department of Personnel into an Integrated Human Resource "Value Added" Organization**

The Department of Personnel appears to originally have been charged with protecting the rights of the employee. The Legislature and union representation have supplanted this role. Therefore, the Department of Personnel could take a leadership role in developing and maximizing the effectiveness of the state's human resources.

**6. Develop a Dual/Technical Career System**

The state should develop a career system to allow recognition of highly competent technical employees without the need to promote them to supervision. This system will allow the state to retain highly qualified talent in productive roles.

**7. Revise the Salary Increase System for Non-Represented Employees/ Eliminate the \$50,000 Salary Cap System**

The current salary cap system has restricted the salary levels of those above \$50,000. It has also had some side effects which include a demoralizing effect on the management and professional employees. In addition, the rush to obtain represented status was driven in part by this overly restricted practice. In some departments there are supervisors and managers earning less than their subordinates. Therefore supervisors see the only way to increase their income is to become represented and escape the \$50,000 cap.

Replace the cap system with a budget for non-represented employees salary increases. The raise should be related to the employees' performance and their position in their salary range.

In conjunction with the budget system, eliminate the time based step system for non-represented employees. All raises should be based upon performance.

Fund the average increases in the above budget by a separate budget item. This is needed to assure the non-represented employees equal treatment to those represented by the unions.

**8. Establish an Independent Review Board to Advise and Audit the State Regarding Compensation Levels and Programs**

The state should establish a non-partisan advisory panel to help it review and develop compensation programs and set levels of compensation for key benchmark positions. This would take some of the political influence out of the process.

**9. Develop an Incentive Program for the Senior Level Managers**

Managers in the Senior Executive Service and other key managers should have some portion of their compensation in a variable form based upon their performance against predetermined goals. This way an individual's pay level will vary in proportion to annual performance.

One method to fund this incentive pool would be to initially fund it through cost/productivity savings. A 1% payroll productivity savings equals \$24 million. A quality of service element should be included as a balance to cost improvements.

**10. Consider Development of Incentive Systems to Reward Employees for Improvements in Productivity and Service**

Once the state becomes familiar with incentives at the individual manager level other groups could be included. There are systems (gainsharing/group incentives) used in the private sector which share the gains in cost and productivity improvements with the employees that help produce them.

**11. Consider Reorganizing to Include the Office of Employee Relations as Part of the Department of Personnel**

This arrangement would have the advantage of coordinating human resource management and programs more effectively. This rearrangement should not be done until the Department of Personnel becomes a true "value added" Human Resource organization.

**12. Establish a Compensation Research Function**

Annual analysis should be performed to assess the state's position in the labor market. This data would be integrated into revisions to the compensation systems and negotiations with the unions. An automated data system will facilitate this analysis along with giving managers information required to run their functions, (i.e, turnover, staff level planning and development information).

The research function would also assist the state in keeping track of trends in compensation practices and new programs and designs. The emphasis should be on making changes to the systems to enhance productivity and improve organizational effectiveness.

**13. Study the Compensation Levels of Top Appointed Officials**

The state should research the compensation levels of other governments for top appointed positions. This would help set competitive levels that are reasonable.



**14. Utilize the Expertise of the Department of Labor as an In House Consultant on Labor Issues**

The state has an in-house consulting resource which could be tapped to assist in the changes needed. The Department of Labor has expertise which is now used to assist the private sector. This same expertise could be utilized inside the state employment system.

**15. Develop a Total Compensation Philosophy and Strategy**

Currently the state does not negotiate or decide the major benefit plans. Most of these plans have been mandated through the legislative process. The cash compensation levels are determined through state programs or through the negotiation process. There does not appear to be any coordination of these two compensation elements.

The lack of coordination between these elements is most likely costing the state through total compensation levels that are beyond the amounts needed to attract and retain the required workforce. In addition, the state does not receive anything in return for increased benefits since they are not dealt with in any coordinating process such as union negotiations.

**16. Revise Compensation Programs to Incorporate a True "Pay For Performance" Philosophy**

The current systems, although purporting to pay for performance, in reality pay on the basis of time in position. The use of the Performance Assessment Review (PAR) process, although good in theory, has been poor in practice. Very few employees (less than 100) receive less than satisfactory ratings. Those that receive high ratings receive in most cases no greater salary than the average employee.

The state must decide if it really wants to pay its employees based upon the results they produce. If there is resolve to do this then one step that could be taken is to revise the salary increase system for non-represented employees, eliminating the time based step system. The new system should be adequately funded and communicated to reduce any downsides from the new program.

**17. Develop a Training and Education Program for Managers and Employees About the State Compensation Programs**

Whatever policies and programs the state eventually decides to implement, it is clear they should be communicated well. Managers who have responsibility for implementing the programs must be trained in their application and the underlying principles. If the programs and processes are a mystery to those involved it is doubtful the desired outcomes will occur.

**18. Establish a State Human Resource Council**

Our findings indicate a great deal of frustration by users of the compensation systems. There does not appear to be any process that allows key users to have input to changes or policy decisions. We suspect this situation applies to other human resource systems, such as training and development, employee relations, etc.

Establishing a Human Resource Advisory Council will allow key users of the human resource systems to have input to changes in programs and policies. It will also give the Department of Personnel and the Office of Employee Relations a means to obtain feedback from their clients.

### IMPLEMENTATION CONCERNS:

The work outlined within this report was developed after many interviews and reviews of the work of others and prior task forces. It is clear that these recommendations will have to be implemented after careful planning and over an extended period of time. Based on the number of prior task force recommendations that we have found, we are concerned that these recommendations will not receive the commitment required to assure their long term effectiveness.

The state must remain committed to instituting policy that will be rooted in sound management philosophy and with programs that will be implemented and monitored over an extended time period, outliving the comings and goings of any individual leader or management entity.

There are a number of considerations and implications that must be considered by the state in anticipation of implementing the recommendations of this report.

The long term cost savings of these recommendations may appear to be in conflict with the more immediate need for short term savings that are equally important to the long term effectiveness and success of New Jersey State Government. Those short term savings should be looked for through other programs and should not cause a change in priority of the ground breaking work required, thereby hindering the immediate institution of these recommendations.

The cost of employee compensation needs to be incorporated as an integral component of the cost of doing business. To be clearly understood, the cash and non-cash compensation programs must be combined into one analysis. It is the combination of these programs that result in attracting, motivating and rewarding the state workforce. Savings must be sought from the combined program so that the impact of any given change can be assessed against the above stated goals.



Decisions of support and commitment to the UJAQ program are critical to maintaining and improving the productivity of state employees. UJAQ will allow for the establishment of work standards against which performance can be measured. It will also become the basis for identifying areas of redundant or unfulfilled needed work. This analysis is critical to identifying the human resources needed to meet the newly stated Vision of the Government as Employer and Public Servant. (The two are inextricably intertwined and unique to government as employer.)

UJAQ should then become the basis for differing levels of training, re-skill, redeployment and excess workforce. Dealing effectively with each of those issues will be impacted by the recommendations within this report. Therefore, it is critical that all state decisions regarding these recommendations be made in that context.

The state should then be in a position to develop a cost effective program to deal with the redundancies in work and any excess workforce. Implementation of those programs will again require a coordinated look at the recommendations of the task forces dealing with cash and non-cash compensation, (i.e., changes in retirement age now could impact the ability to incent, as well as the cost of, participation in an early retirement program that may be needed to support later reduction in force efforts).

## COMPENSATION PHILOSOPHY AND CULTURE

The state's current compensation program is a convoluted and complex mixture of pay principles and schedules. It has been modified in various ways to meet the needs of attracting, motivating and retaining multiple levels of employees. The compensation program does not distinguish between bargaining unit employees and unrepresented employees. As a result, the Hay program, developed in 1968 to meet specific organizational needs, has been bastardized on a regular basis for adaptation to the differing and changing employee situations over the years.

A 1987 task force report "on equitable compensation" highlighted a disconnect between the goals of the state's compensation program and the perceptions of the state employees. Following is a delineation of factors that state employees felt should be compensable as compared to factors upon which Hay and Digital Equipment Corporation base their compensation programs.

<u>STATE EMPLOYEES</u>	<u>HAY</u>	<u>DIGITAL</u>
• Individual Economic Need	• Know How Technical Managerial	• Qualifications
• Working Conditions	Human Relations	• Problem Solving Complexity
• Effort	• Problem Solving Thinking Envir.	• Management or - Influence of
• Technical Skills	Thinking Challenge	People
• Human Relations Skills	• Accountability Freedom to Act	• Effect on Financial
• Responsibility	Impact Magnitude	Results
• Performance	• Profile % of Relationship of	• Participation in Decision-
• Difficult Situations	Above to Each Other	Making

As was stated in the 1987 report, the disconnect between what the state intended to pay for and what the state employees felt they should be paid for would continue to impede the effectiveness of the program until a lot of clarification and communication was implemented to reset employee expectations.

In addition, when comparing the state's factors with those of Digital (representing a different corporate approach), it could reasonably be expected that the impacted workforces would represent two very different cultures.

The state needs to be assured that its core values are supported by the compensable factors it chooses to base any future evaluation process on. In addition, the administrative practices and policies related to the ongoing maintenance of the system's integrity and ongoing salary administration will also support or negate those values.

Additionally, the 1987 task force report made the following recommendations to assure that jobs were fairly and accurately evaluated on content and free from any kind of bias.

- Train evaluators to assure consistency.
- Modify the existing job evaluation system to make it more equitable and easier to understand and apply.
- Redefine human relations and magnitude job measurement factors to include physical effort, sensory effort and work environment.

Without placing a value on the 1987 report, it can easily be seen that the intent of its recommended changes to the pay structure would result in an increase in the value placed on specific responsibilities heretofore left unaddressed. It is also clear, based on the way evaluations were taking place that those concepts would have been used by all users, not just those doing targeted work. This could result in redefining the value of work throughout the state. It is interesting that the recommended factors seem to reward effort but do not address results.

Since 1980, one salary schedule has evolved into 12 distinct schedules; a direct result of the increased success of bargaining units. These schedules contain up to 45 ranges. The state uses steps within the ranges, even for most exempt and management staff, versus full use of the ranges as is typical in industry. However, the 12 schedules show varying degrees of differentiation in ranges. Had pay been negotiated rather than based on ranges and steps, it would have been feasible to retain one schedule with differing pay rates. However, preservation of the steps became more valuable than the integrity of the system and is more typical of the way union employees are paid.

Some examples of the ways in which the state has engaged in activities that reinforce the unionized environment are:

- Bargaining has been rewarded with the granting of increases outside of market condition considerations.
- Increases for represented employees have been funded by dipping into the salary increase allocations of the non-represented workforce.
- Negotiated salary increases are guaranteed, those based on performance are viewed as difficult to impossible to receive.
- Many represented employees are making salaries equal to or greater than their supervisors which is resulting in additional movement of personnel from the supervisor ranks to represented positions.



**PERFORMANCE INCENTIVES:**

The state claims that its pay program is based on a "pay-for-performance" philosophy. In reality, although there are performance ratings, there is no correlation between the level of performance and amount of salary increase (or ending pay) for the majority of state employees. Generally, as long as an employee shows up for work and does not mess up badly enough to be declared unsatisfactory the step increases continue.

The above factors would indicate that certain behaviors become predictable. There is little reason outside of one's own internal drive to excel. Excellence has the same rewards as mediocrity under this pay system. Promotions would be a good motivator if it was viewed that promotions in jobs paying above the "cap" would have ongoing incentives and rewards built in. While it is known that a salary program does not motivate a workforce on a daily basis, there is no bigger demotivator than perceived payment less than an individual's feeling of self worth.

Additionally, highly skilled individuals who enjoy working in a particular technical expertise face a salary ceiling. They must make a decision to either promote to a supervisory position or stay at their current level. Dual career paths are not currently recognized by the compensation system so as to encourage a highly skilled technical individual to continue to grow their expertise or grow into management based on their interests and skills. The current compensation system, in fact, encourages stagnation.

Due to the number of individuals at the top of their salary ranges or affected by the "cap", there is continual pressure to re-evaluate jobs upward. Nursing positions were ratcheted up two pay grades in order to keep their pay competitive to the market. Over the past 22 years, this continual pressure compounded by a lack of comparative data with the outside market has lead to "bracket creep". "Bracket creep" refers to the extent jobs have succeeded in receiving higher pay grades without an appreciable higher level of job content.

### CORRECTIVE ACTIONS:

Fortunately the state has already taken a major step in the right direction through its implementation of the "Uniform Job Analysis Questionnaire" (UJAQ) program. The UJAQ program has been put into place to assure that the testing criteria are valid predictors of a candidate's ability to succeed. The identification and quantification of work provide up to date job descriptions, they also can serve to establish relative worth.

The state needs to establish a vision of itself as an employer and determine the values and steps needed to support that vision. Clear goals must be established with programs aimed at supporting those goals. UJAQ is an excellent starting point. As work is identified and quantified, it must be evaluated in terms of its consistency and support of the state's compensation values. The compensation program must be administered in a manner consistent with the established goals. The following is a picture of the working environment in the state today and some recommendations for change:

#### TODAY

Performance not a factor

Managers may or may not be skilled at managing performance

Salary growth contingent on progression through traditional hierarchy

High percentage of employees covered by collective bargaining agreements. Their interests through third party

#### FUTURE

Performance key

Managers need training and reinforcement

Salary growth tied to development and broadening of skills allowing for career paths into management or within one's area of expertise

Employees feel valued and in less need of protection or representation

TODAY

Day-to-day operations reflect a legislative environment restricting management judgment and flexibility

Budget process/accountability

Cost of Living Adjustment (COLA)

Constantly expanding salary line

Achievement of goals may not be critically related to pay

Political implications for appointees

Job guarantee

Workforce gets paid for showing up

FUTURE

Managers feel ownership for achieving business goals and freedom to implement required strategies/tactics

Managers must be accountable regarding budget performance

Decision on COLA + performance based pay or performance base only

Consider bonuses that do not impact base salary every year

Clear goals and measurements for each employee

Political appointees' tenure based on performance while in current job

Job/career security based on contributions

Workforce gets paid for adding value

The contemplation of a change to a compensation system cemented in civil service precedent and bureaucracy appears difficult. However, there are external forces encouraging change. For example, the federal civil service system is moving to a pay-for-performance approach.

The current pay ranges and actual pay have not been compared to an equivalent marketplace in years and there is no clear, factual, current status as to the state's competitiveness in pay. The common opinion seems to be that the state is very far behind the current equivalent marketplace and cannot financially afford to become competitive. This perception has and will continue to foster resistance toward the state taking any long term corrective action.

#### **FUTURE:**

As we approach the 21st century, methodology of work is likely to change. Typical pyramidal organizations will be replaced by more distributive organizations where teamwork will be critical to success. This concept challenges the effectiveness of a compensation system implemented in 1968 to support a traditional organization. Management of creative and distributive organizations need a compensation system more supportive of skill development and productivity.

In order to move effectively into the future, the state must develop a clear vision of its role as an employer. Laying the foundation of this clearly defined vision will allow for the development of the following building blocks:

- a management philosophy, expressed through its policies and procedures, that can be understood and shared by all;
- the development of business strategies that are supportive of the culture; and
- the development of action plans with measurable results and bench marks enabling management to monitor progress.



The Governor's leadership will be critical to the success of establishing a compensation philosophy and vision. To create the state's vision, the Governor must involve the heads of the departments in the process of developing a compensation philosophy and strategy broad enough to satisfy the diverse goals of state government and respond to the unique operating environments. The compensation philosophy and associated policies are key to the realization of the vision that would emerge.

The compensation philosophy statements will have to address market competitiveness, rewards and recognition for performance, encouragement of risk taking, internal equity, dual career pathing, variable pay, flexible work conditions, contingency staffing and affordability.

The creation of this vision will allow the state to develop a long term business and negotiations strategy to attain the state's compensation objectives. The state must realize that it gets what it pays for. Implementation of any decision will be viewed, commented upon and accepted or rejected by managers, employees (both represented and non), union leaders, the Legislature and the taxpayers. Therefore, some degree of participative decision making on the part of all stakeholders should be considered before development or implementation of any strategy.

An effective and timely communication plan needs to be developed and implemented that is directed towards the state's employees, the public and interested stakeholders. The communication plan must clearly announce the state's compensation philosophy and work expectations.

The process for establishing a compensation philosophy and vision is dynamic and ongoing, requiring constant monitoring and reinforcement. This is vital for the Governor to be able to lead the state's management and employees toward becoming a more productive, rewarding and fulfilling organization in conducting state operations. The savings to the state may not be immediately realized. However, over time, both dollar savings and productivity savings will be achieved.

## HISTORICAL ANALYSIS

### COMPENSATION SYSTEM EVOLUTION:

Prior to 1970, all state employees were paid on a single seven step salary schedule containing 45 ranges. There was no formal evaluation process. Titles were initially assigned a salary range based on quick comparisons with existing titles. Title 11 N.J.S.A. required that the structure be adjusted annually based on survey data and Bureau of Labor Statistics indicators. Individual titles were given "selective range revisions" based on recruiting difficulties or other appropriate considerations.

In 1968, legislation was enacted (Chapter 304, PL of 1968) which provided for the selection of a recognized management consulting firm "to prepare ...a thorough study of wages, salaries, benefits, work productivity and working conditions ... that will permit the state to gain and maintain a competitive position in its recruitment and retention of employees."

Edward N. Hay and Associates was retained and evaluated over 2,600 job titles covering more than 40,000 employees. The study focused on internal equity, external competitiveness, personal motivation, and ease of administration.

State salaries were compared to both the private and public sectors. Lower level jobs were compared to salaries state-wide using Bureau of Labor Statistics data. Higher level jobs were compared to other state governments, industrial, financial, health care and health insurance markets. The states in the comparison included New York, Pennsylvania, California, Michigan and Illinois.

The Hay Report established a Job Content Evaluation Committee consisting of representatives of the Department of Civil Service and the Budget Bureau. This Committee evaluated new titles and reevaluated existing titles. In 1984, the Budget Bureau's role in the process changed to focus on assessing the fiscal impact of proposed evaluation packages. Salary range assignment became the sole responsibility of Civil Service.

## **Collective Bargaining**

At about the same time that the Hay Study was authorized, the Legislature enacted Chapter 303, Laws of 1968 which provided for collective bargaining for public employees in New Jersey. In the mid seventies, the Department of Civil Service's recommendations to maintain parity with the market ceased to be a significant factor. As labor negotiations became the determining factor for setting salaries, the reliance on survey data to maintain some relationship to the market fell by the wayside. The Civil Service Reform Act of 1986 (Title 11A) recognized this and no longer required the survey of market wages.

## **Pay Equity**

In 1983, the New Jersey Commission on Sex Discrimination in the Statutes issued a report entitled "An Analysis of Wage Discrimination in New Jersey State Service". A number of bills dealing with the pay equity issue followed the Commission's report. In response, the Governor issued Executive Order No. 58 which created the Task Force on State Compensation Equity.

The Task Force reviewed the State Compensation Plan and recommended changes in the existing salary determination mechanisms and revisions to the evaluation of titles. The Task Force analyzed job titles dominated by one gender, and identified specific job titles for salary reevaluation. The only recommendation implemented established a new minimum salary structure.

## **Civil Service Reform**

In 1908, in response to public outcry to reign in patronage, the original Civil Service legislation became law. Every Administration, since the mid sixties, has recognized the need to bring the Civil Service law into the late twentieth century. The implementation of modern human resource management policies and practices has been difficult, if not impossible, within the confines

of a turn-of-the-century personnel system. The Civil Service statute was designed to protect the employee from a partisan management. The passage of the "Public Employer-Employee Relations Act" in 1968 brought unions into the mix, making it even more difficult to effectively manage an organization the size and complexity of New Jersey State Government. In 1986, the Legislature finally passed Civil Service Reform legislation.

A major objective of the Civil Service Reform Act was to limit the extensive number of titles. The DOP has since embarked on an initiative to consolidate the number of titles. The Unified Job Analysis Questionnaire project (UJAQ) was designed to create an alternative method for developing job descriptions and classifying titles. This project is not part of the existing system, but forms an important basis for a new system design. The system was intended to support four related functions: job classification; compensation; test development; and development of job descriptions.

#### **CURRENT ENVIRONMENT:**

New Jersey's evaluation system now covers over seventy thousand state employees at a direct state operations cost of \$2.8 billion (\$1.8 billion in salary and \$1.0 billion in fringes). There are over 5,500 evaluated titles within 12 salary schedules of up to 45 ranges used throughout state government. Approximately 90% of the employees are represented by unions. Every employee, whether represented or not, is assigned to one of 32 Employee Relations Groups (ERG).

Chart 1 on page 2 of this report provides an overview of the hierarchy and salary structure for state government. Appendix 2 shows the number and percentage of employees in each Employee Relations Group with their appropriate salary schedules.



Since the Hay System was implemented, the number of employees increased from 40,000 to over 70,000. The number of evaluated titles also grew significantly from 2,600 to over 5,500. This resulted in part from several external driving forces, including:

- the state assuming programs previously performed at the Federal level;
- the increasing demands of the public in the area of law and public safety related issues;
- the growing concern of the public to issues regarding Environmental Protection and Health;
- the information and technology explosion within state government; and
- the changing labor demographics as New Jersey moved from an industrial base to informational, technical, financial and service based industries.

The state's current method of compensation is based upon the classification of positions into titles and the assignment of salary ranges to these titles. Position classification involves identifying the types of work and then grouping similar positions together into a single class. The name or label given a single class is the title. For example, positions in which accounting is the primary duty are grouped together in a class titled, Accountant. This procedure ensures a direct link between classification and compensation. This is critical to internal equity.

As the result of labor negotiations, the former single salary schedule has evolved into 12 distinct schedules between 1979 and 1990 (see Appendices 3, 4 and 5). This has caused some titles with the same job content evaluation, workweek, and range allocation to be paid at different salary levels (see Appendix 6).

Salary ranges were based on the market pricing developed with the installation of the Hay System in 1970. For a number of reasons, periodic adjustments to maintain market equity were not made. Salary levels have increased to accommodate across-the-board adjustments; however, there has been little effort to maintain the relationship to market which was set when the system was installed.

### **Evaluated Titles**

Most positions in state service are classified by assigning evaluated titles to one of the 45 established salary ranges. Agencies may request the establishment of a new title with a recommended salary range when their internal analysis indicates that existing titles do not adequately describe the work. In some instances, the agency requests "reevaluation" of an existing title due to a change in job content.

In a request for a new title or a reevaluation of an existing title the agency submits a job description to the Department of Personnel. The title, minimum qualifications, required knowledge and abilities, and examples of work are provided. The request also includes an organization chart showing where the title fits into the organization and a suggested job content evaluation.

In 1986, DOP placed a moratorium on title changes. However, unions are still able to request or appeal the evaluation of titles. Not surprisingly, agencies have relied on the unions to get certain titles reevaluated. This has led to some titles being reviewed several times, while the bulk of state titles have not been reviewed since their original evaluations.

### **Non-Evaluated Titles**

To provide flexibility for recruitment and retention purposes certain titles are not included in the normal classification process. These positions are considered "unclassified" and are not assigned to a fixed salary range. Generally, this type of title is characterized as policy making, confidential, established by



statute, or specialized professional positions. Usually, these titles are unclassified either by statute or because of the impracticality of competitive testing. The salary is determined at the time candidates are considered for appointment. The agency recommends a salary which is either approved or modified by DOP and OMB.

#### **Performance Assessment Review (PAR)**

The employee rating system was designed to address a number of objectives. From the employee's standpoint, it determines whether the employee warrants a salary increment. From management's perspective, it is the mechanism for establishing job responsibilities, performance standards and assessing job performance. The PAR also constitutes the formal record for many personnel actions.

The PAR system contains five basic categories. They are Significantly Above Standard; Moderately Above Standard; Standard; Marginally Below Standard; and Significantly Below Standard. Supervisors are supposed to provide each employee with a PAR on an annual basis. In fact, this has not been the case. The Commission has noted that a recent study conducted by DOP's training staff indicated that only 70% of the employees actually received a PAR.

Furthermore, for those employees who received a performance assessment, all but .0012 percent received a passing grade. Only 60 employees received a Significantly Below Standard rating (unsatisfactory), which is required to deny a represented employee's annual increment (see Appendix 7).

Therefore, employees advance step by step through their range up to the maximum as long as their performance rating is not Significantly Below Standard (unsatisfactory). At the same time, there is no difference between the pay increase received by an employee who performed Marginally Below Standard and one who performed Significantly Above Standard.

## **The Role of Unions**

The significance of unions in New Jersey State Government has grown over the past twenty-one years from a time of no unions to the present environment where almost 90% of the employees are represented. This change has taken place during an era when overall, a decreasing percentage of the nations' workforce is unionized.

With the passage of the Public Employer-Employee Relations Act of 1968, union representation began. At the beginning of 1991, 13 groups represent about 67,000 state employees in the Executive Branch. A list of these Employee Relation Groups (ERG's) and the number of members is included in Appendix 2.

## **Employee Negotiations**

The responsibility for negotiating with the unions rests with the Office of Employee Relations. OER currently reports to the State Treasurer, but reported to the Office of the Governor in the past. OER negotiates state labor contracts and is also responsible for grievance resolution and arbitration. OER also negotiates for the state colleges.

Contract administration and first step grievance resolution is the responsibility of individual departments. The major departments advise the Office of Employee Relations during contract negotiations of circumstances affecting their interests. However, smaller departments and issues specific to one department are not as likely to be surfaced during the negotiations process.

In the past, contract terms have focused on economic issues such as wage rates and general increases. Non economic issues such as job responsibilities are resolved via a variety of state procedures. Benefit issues related to health and pensions are legislated and have not been a part of labor negotiations.

Sections of a typical contract include:

1. Recognition of Rights and Definitions
2. Policy Agreements - Dues, Strikes, Lockouts
3. Department of Personnel Rules
4. Grievance Procedure
5. Discipline
6. Compensation Plan and Program
7. Position Classification Review
8. Hours of Work and Overtime
9. Promotions, Out of Title Work and Job Posting
10. Benefits and Holidays, Retirement, Health, Leaves and Vacations
11. Union Rights and Representation
12. Seniority and Layoff
13. Safety, Travel, Claims Adjustment
14. Effect of Law, Term of Agreement

The Office of Employee Relations also represents the state in any arbitration proceedings. Certain disputes are filed with the Department of Personnel, such as out of title work, position classification review, layoff and recall rights, etc. The final administrative entity for resolution of personnel matters is the Merit System Board.

#### **COMPENSATION ADMINISTRATION:**

The relationships between employee relations (OER), the budget (OMB) and compensation administration (DOP) range from vague to non-existent. OER has some contact with OMB when contracts are being negotiated in terms of how much money will be allocated for salary increases. OER then moves toward settlement on the economic issues. There is little or no consultation concerning potential consequences of other than salary negotiated items. There is no integrated approach to human resource management. It is not prudent for a negotiator to agree to a labor contract without having the Human Resource Department and key operating managers comment on the proposed contract.

Over the years, there have been a number of non-economic concessions that have been negotiated as an expedient to contract settlement. Too often, these items have resulted in higher costs or presented significant administrative problems. One example is the continuation of the maintenance allowance paid to members of the State Police. This practice began many years ago before contracts were negotiated as a form of meal reimbursement. Originally, it involved an annual cash payment of a few hundred dollars when Troopers were required to reside in barracks and had to purchase meals. The practice was continued even though Troopers no longer stay at barracks for significant periods of time. Rather than being considered for elimination, the maintenance allowance became a way of providing extra money at contract time. The current allowance has grown to \$5,942 and is paid to both commissioned and non-commissioned Troopers.

Another costly situation that has evolved is the shift overlap provided to Correction Officers. Originally, Officers were paid 15 minutes overtime per day for shift overlaps. As a result of contract negotiations, the overlap pay has been increased to 30 minutes. In fiscal year 1990, this equated to \$14.7 million or 27.7% of the Corrections Department's total overtime.

In addition to simply costing more money, some of the negotiated contract provisions have had a strong impact on the compensation system's original design. For example, the current CWA contract provides a two range increase for professional nurses and classroom teachers in addition to negotiated across the board increases. As a result there are nurses and teachers making the same or more money as their superiors. No provision was made for increasing the salaries of the supervisors who are not represented. An important result of this is that highly qualified employees are turning down promotions and in some cases even requesting demotions.



The above situations are not isolated cases. The autonomously derived contract salary rates for the separate bargaining units have distorted the intended equity of the system. A summary of negotiated salary increases between 1980 and 1992 for major bargaining units can be found in Appendix 8. Since 1979, an ever expanding number of salary schedules have been created as bargaining units have settled for different contract terms. Appendix 9 compares the midpoints of 12 different salary schedules as of June 30, 1990. The severe differences in salaries for internally equivalent jobs becomes clearly visible.

Salary schedules pertaining to represented Law Enforcement titles have increased 120% to 132% between 1979 and 1990. For the majority of state employees (over 80%), the salaries have increased by 80% to 89%. Increases for selective law enforcement titles were even greater with one particular title increasing by 140% due in part to a range revision. In addition to higher salary ranges, certain lower level law enforcement employees also receive two increment increases per year. The typical state employee only advances a single increment per year.

The destabilizing impacts are not restricted to labor negotiations. The lack of a clearly stated compensation policy or strategy to deal with market pressures has forced the state's agencies to develop strategies to "beat the system". Some occupational series have been given additional levels causing the entire series to be evaluated upward, examples can be found in the extensive number of "Data Processing" titles. Other examples of quick fixes are the "Authorized Hiring Rates" (AHR). An AHR is a recognition of the need to offer a salary above the normal starting salary for a title. It is the manner the system addresses the reality of the marketplace (Appendix 10). The system's response to these pressures has resulted in numerous inconsistent modifications to the previously discussed relationships between job evaluation and compensation.

The state evaluation system stresses accountability and does not adequately recognize "know how" or technical contribution. Agencies, in attempts to retain key employees and/or provide cash or organizational recognition to their best workers, have creatively tweaked the system. Position responsibilities were established, stressing either a unique responsibility or requirement, that supported either a new title or an upward reevaluation. Agencies even resorted to creating "pseudo" or semi-fictitious organizational structures to support managerial or supervisory titles for basically technical jobs. This was the only perceived option available to managers.

### **Compression Downward (Salary Cap)**

In fiscal year 1983 the state instituted a \$50,000 salary threshold or "cap". The salary "cap" initially incorporated only unclassified and exempt managerial employees in titles evaluated at range 38 and above. Since 1984, the program has been extended and broadened to all non-represented employees at salaries in excess of \$50,000. In fiscal year 1983, this affected only 450 top level managers. As of June, 1990, the total number of employees was 4,054. In addition, there are 1,828 represented employees over \$50,000 who are not subject to the "cap" (Appendices 11 and 12).

It is important to note that in 1983 this "cap" basically affected only sub-cabinet level managers. Today, the threshold encompasses supervising professionals and entry level NCO's in the law enforcement titles.

Salary advances to anyone subject to the "cap" are more closely related to the concept of pay for performance. Generally, salary increases for those subject to the "cap" are not automatic, for other than Corrections and law enforcement titles.



### **Compression Upward (Salary Minimums)**

The Pay Equity Task Force recommended implementing a new minimum salary to provide relief to the state's lowest paid titles. This action caused the following inconsistencies in the internal evaluation conventions:

#### **EXAMPLE 1**

The differences in salary ranges between levels in a job series were eliminated. In the "Laundry Worker" series, both the entry level and the senior level are now paid at the same range.

#### **EXAMPLE 2**

The differences in salary ranges between levels in several job series were reduced by one or two ranges. In the Postal Clerk series, a promotion to Senior Postal Clerk previously resulted in a two range increase, after the adjustment there was only a single range increase.

#### **EXAMPLE 3**

The differences in salary ranges between the series requiring different technical skills were either reduced or eliminated altogether. Prior to the adjustment, a Senior Clerk Typist was paid one range higher than a Senior Clerk. Since the adjustment, both titles are paid in the same salary range.

### **TOWARD THE FUTURE:**

That the present system for setting or administering employee compensation is less than optimal is not a point of contention. What to do about it is. The path to a rational compensation strategy will require careful navigation among the interests of taxpayers, public managers and the employees themselves. Some recent initiatives toward the final goal are described in the next section.

## **Pay for Performance**

The concept of basing employee salary increases on performance was recently proposed by the Attorney General. This has been supported by the Governor's Management Review Commission and discussions with DOP and OMB resulted in a one year pilot study. The pilot is limited to attorneys in the Divisions of Law, Criminal Justice, Gaming Enforcement and investigators in the Division of Criminal Justice. The Attorney General is authorized to establish standards for performance and to authorize individual raises based on demonstrated performance. Law and Public Safety will not receive any additional appropriation for this pilot and must fund those raises from its normal salary account.

Previously, most raises required the submission of a formal salary adjustment request, requiring review by the Salary Adjustment Committee. This process resulted in raises often taking months to be reflected in an individuals paycheck. The effect of this time lag was demotivating, in essence disassociating the raise from performance.

## **Early Retirement Proposals**

In 1984, New Jersey offered a limited Early Retirement Program to encourage state employees to leave in support of a downsizing effort. The package as finally approved was limited to the Higher Education community. This approach to a "rightsizing" effort is common in the private sector and has also been used in the public sector. New Jersey Transit recently offered an early retirement program as part of their strategy to meet lower staffing levels.

The Commission in its early deliberation raised Early Retirement as an option worth pursuing. Commission staff and representatives from the Treasurer's Office and the Division of Pensions developed various options, reviewed employee profiles and discussed the recent experience of organizations such as AT&T and the State of Rhode Island. The Treasurer's Office requested Buck Consultants to analyze the actual impact of various early retirement options.

These efforts resulted in the development of an Early Retirement Incentive proposal that is estimated to impact 4,000 employees and save approximately \$57 million in fiscal year 1992. Legislation will be submitted to authorize an Early Retirement Program to minimize layoffs which would otherwise be necessary (see Appendix 13).

**SUMMARY:**

Since the implementation of the Hay System in 1970, the state has had to periodically tweak the system to react to the reality of the work place and the market. After 20 years the logic of the state's compensation program requires a fresh look.

The next section provides an analysis of selected elements of the state's current compensation system in comparison to the private sector and similar public sector positions. The study helps to define the state's competition in obtaining quality workers. It will provide a more in-depth and detailed comparison of a sample of some 147 positions held by over 12,000 state employees.

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TO: MEMBERS - GOVERNOR'S MANAGEMENT REVIEW COMMISSION  
FROM: D.J. SUHOCKI - MANAGEMENT CONSULTANT *JS*  
DATE: DECEMBER 12, 1990  
SUBJECT: EXAMINATION OF COMPETITIVENESS AND APPROPRIATENESS OF  
NEW JERSEY STATE EMPLOYEE COMPENSATION

This report is offered in partial fulfillment of a Request for Proposal (RFP) soliciting bids from qualified professional consultants to develop and conduct a review of the work force in New Jersey to determine the compensation system(s) that best meets the compensation philosophy of the State. This report focuses on the second component of that (RFP) which is to review the compensation plan for internal and external equity. This study speaks at some length regarding the appropriateness of Jersey pay levels measured against various local and regional markets in which the State competes for human resources. I will also make recommendations to overcome deficiencies identified in internally or externally focused programs.

As you review this report, please keep the following in mind:

- o The Executive Summary contains the essence of the survey findings and discusses major issues and recommendations for addressing same.
- o The methodology sets the context and describes the analytical tools used.
- o The Internal Comparisons Section provides detailed regression analyzes of hay points and pay points.
- o The External Comparisons Section contains detailed findings and recommendations for further action based on reviews of all external data covering civilian and state trooper positions.



It should be noted that from the beginning of this study immediate or near term cost savings were not anticipated. In the future, there should be both reduced rates of increase in base compensation expense for certain employees and increased use of variable pay to incentivize employees who perform more effectively and efficiently than others.

#### EXECUTIVE SUMMARY

Based on extensive reviews of some 147 New Jersey State positions encumbered by over 12,000 civilian employees and a few hundred state troopers, the following major findings, issues, and recommendations are offered:

#### MAJOR FINDINGS

- o Hay points are a good predictor of internal base pay. However, Hay points in almost no way correlate with appropriate market pay for comparable positions in the private sector.
- o Even though overall comparisons show New Jersey pay lagging survey pay for comparable positions by about 4.7% as of October 1, 1990, there are wide dispersions of pay to market both above and below comparable market pay. (34.8% to -38.8%). Jersey pay bears little relationship to pay for comparable positions in the private sector.
- o Pay for mid level Professionals and Managers is extremely non-competitive and below market.
- o Pay for Senior Executives (Administrative Dept. Heads) aggressively led other state practice for comparable positions with the sole exception of the top personnel executive position.  
(Data as of July 1986)
- o Pay for State Trooper positions appears to be inappropriately aggressive at entry level trooper grades of Trooper, Trooper1 and Trooper2. This practice compresses N.C.O. pay at Sergeant and 1st sergeant diminishing the attractiveness of promotions to these levels.
- o Geographic pay differences between different locations in New Jersey are large enough to be statistically significant. Northern Jersey leads Central and Southern Jersey pay practice for

clerical technical and craft positions by about 10%. This would suggest a separate higher salary structure for the Newark area may be appropriate for these types of positions. However, any such adjustment to pay structure may not require adjustments to base pay as current salaries for these positions in the Newark and Trenton areas already appear to be at or above market IN THESE CITIES ONLY as measured in the American Management Society Survey.

- o The State of New Jersey needs a clearly articulated Human Resource philosophy and Mission Statement to underpin the development of a Compensation Philosophy and Strategy. For example:

#### A SUGGESTED COMPENSATION PHILOSOPHY

"The State of New Jersey will develop a compensation system that will lag overall private sector pay levels for most comparable positions. However, the system will be flexible enough to accommodate market necessitated adjustments to certain positions from time to time. This will permit the State to attract and retain key Human Resource skills (eg. Nurses or Environmental Engineers) while maintaining adequate levels of less critically skilled/marketable employees at the lowest cost to taxpayers."

#### A SUGGESTED COMPENSATION STRATEGY

Position salary structure midpoints at approximately 95% of private sector pay for comparable work and offer performance based bonuses annually to a small portion of state employees where earned. Job rate becomes range midpoint; employees are stepped to midpoint and base pay can progress above midpoint on an exceptional performance basis over time for about 25% of all eligibles only.

#### MAJOR ISSUES AND RECOMMENDATIONS

##### I. Issue

The state lacks a clearly enunciated Human Resource philosophy and compensation strategy to underpin recruitment and selection of qualified personnel in a cost effective manner.

##### Recommendation

The Governor and his direct reports meet, and guided by an expert Human Resource Consultant, do not adjourn until a Human Resource philosophy and a total compensation (Cash and Benefits) strategy is fleshed out.



II. Issue

The Hay Position Evaluation System is a strong predictor of internal base pay. However, base salaries have a very poor correlation to private sector pay for comparable positions. Also, the process of new position evaluation and existing position reevaluation has little credibility with State managers and employees as position reevaluations are handled by Personnel Specialists with little or no participation from impacted Managers and Employees.

Recommendation

In conjunction with UJAQ project; abandon Hay Job Evaluation methodology and select a more participative model for position evaluation. Process is more important than Technology in this area and position evaluation committees using more "User Friendly Evaluation Systems" will improve the perception of fairness in the position evaluation process.

III. Issue

Too many separate and distinct delineations between evaluated positions are currently being demanded by up to 45 slightly different pay ranges in three or more slightly different pay structures.

Recommendation

Design a process to sort fewer UJAQ job classifications into broader bands of pay in one exempt and one non-exempt structure for both civilian and uniformed positions.

IV. Issue

Pay practice is more competitive and therefore more expensive in Northern Jersey than Central or Southern Jersey for clerical, crafts and probably certain technical positions.

Recommendation

Expect that pay penetration into newly proposed pay bands will be greater in Northern Jersey (Newark) than in Central/Southern Jersey. This is necessary given differences in competitive labor markets and handling this honestly through flexible salary administration will minimize the need to inflate job evaluations to meet pay market realities. This will further bolster the integrity of the new, more participative, job evaluation process.

V. Issue

Significant over and under market Jersey pay practice suggests the State may be paying more than the market would demand for the same skills in comparable private sector positions.

Recommendation

Build a total compensation audit process that reviews and recalibrates the overall competitiveness of Jersey pay and benefits at least biannually. This would permit cost containment strategies to be built into contract negotiations where appropriate to bring total labor expense more into line with other states' practice (for uniformed personnel) and other private sector practice for certain civilian positions.

METHODOLOGIES

Two different types of analysis have been used to interpret findings in this report:

I. Internal Comparisons

Regression Analysis ( $R^2$ ) - a statistical technique used in the report to establish the relationship of a dependent variable (salaries) and one independent variable (Hay Points). The method of least squares is used in this report to determine the lines of best fit through the data points; i.e. market pay points, New Jersey pay points and a line connecting salary range midpoints.

II. External Comparisons

V% Analysis - measures the percent difference between New Jersey pay and survey pay; 
$$\frac{[N.J. \text{ pay}] - 1}{[Survey \text{ pay}]} = V\%$$

INTERNAL COMPARISONS

Correlation of Hay Position Evaluation Points vs. Market Pay and  
New Jersey Pay

FINDINGS

In general, Hay Position Evaluation Points' correlation with actual New Jersey pay practice is strong and predictive. Hay points are a much less effective predictor of job values in external labor markets. There is significant dispersion of market pay above and below the market line of best fit. This suggests very poor predictability of the "right" level of pay for New Jersey positions against the external market based on hay points assigned.

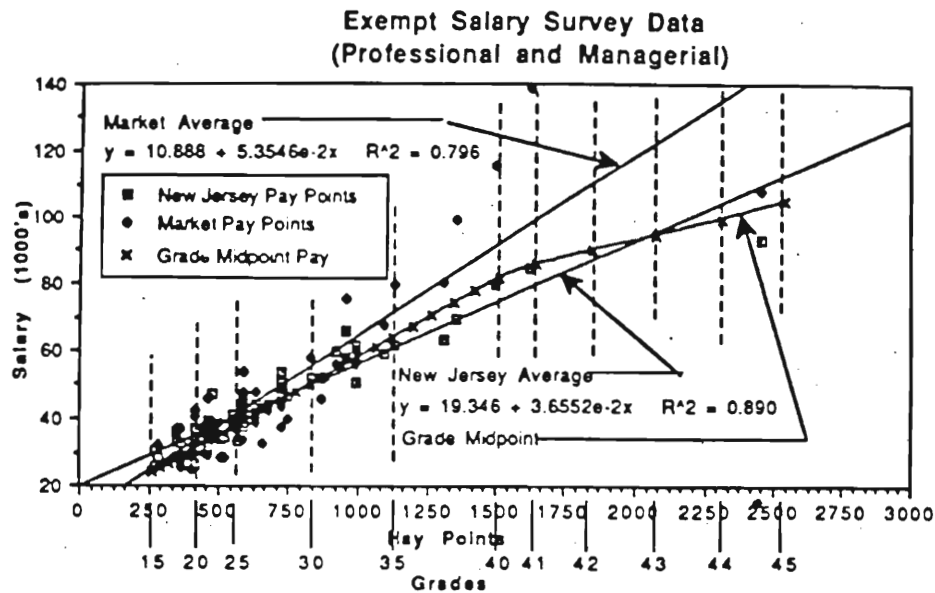
A REGRESSION SUMMARY

	<u>MARKET PAY</u>	<u>N.J. PAY</u>
All Exempt Positions	.796	.890
All Non-Exempt Positions	.528	.957
Managerial Positions	.751	.914
Professional Positions	.815	.891
Technical Positions	.233	.738
Clerical Positions	.522	.967

## Conclusions

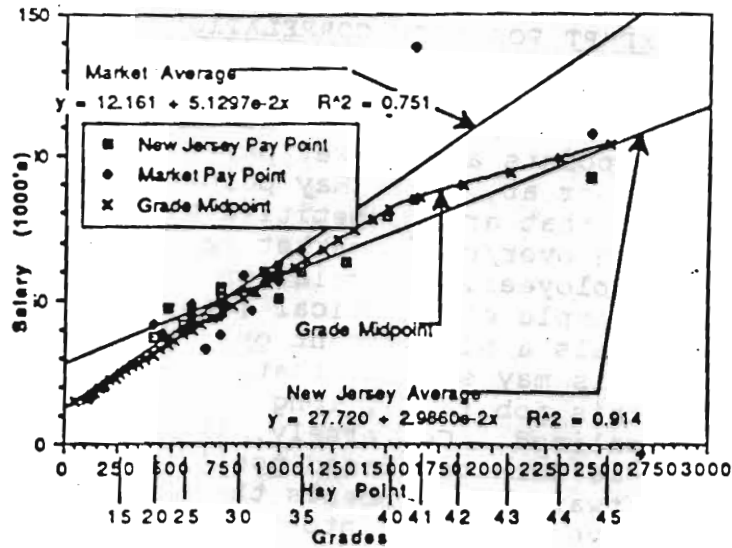
### EXEMPT POSITION CORRELATIONS

A perfect correlation is 1.00. Let's analyze these relationships (Market \$, N.J. \$ and Midpoint \$ with Hay Points) one set at a time.

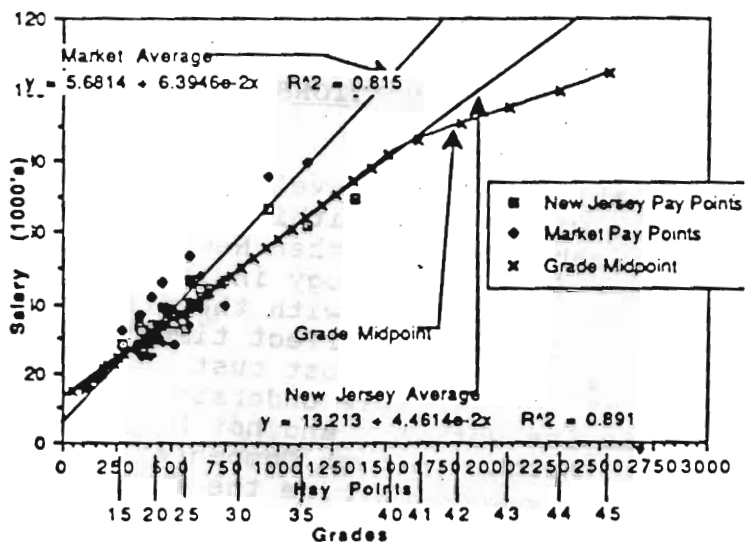


The relatedness of Hay Points to exempt position (Managerial and Professional) salary values in the external labor market is better at the low priced end of the spectrum (Grades 15-30) than above this level. New Jersey pay becomes very non-competitive above grade 30 and this problem is made much worse by the flattening out of the slope of the midpoint line above grade 40 just as external pay values start to accelerate steeply. Note that New Jersey average pay is above market at the low end of this range (grades 15-22) and trails market above these grade levels. Breaking this down into Managerial and Professional subsets, we find that New Jersey pay competitiveness for employees who manage or supervise others' activities (i.e. Managers) is worse than for individual contributing professionals (0.751 vs. 0.815). Attracting professionals into managerial responsibilities may be difficult to do with further eroded base pay competitiveness combined with lack of other typical private sector perquisites; e.g. cash bonuses, stock opportunities and deferred cash participation schemes.

### Managerial Salaries



### Professional Salaries





### NON-EXEMPT POSITION CORRELATIONS

Correlation of hay points and market pay for non-exempt positions is extremely poor at .528. Hay points are poor predictors of pay levels that are competitive with private sector practice and lead to much over/under market pay positions for non-exempt New Jersey employees. Correlation of hay points and market pay for a small sample of technical (mostly computer oriented positions) reveals a significant over pay of New Jersey positions to market. This may suggest that New Jersey continues to over compensate in this job family long after the market for these skills has rationalized. Conversely, it could be argued that some or all of these computer based positions operate in more complex hardware or software environments than the market sample positions and further investigation into the quality of job matches should be considered.

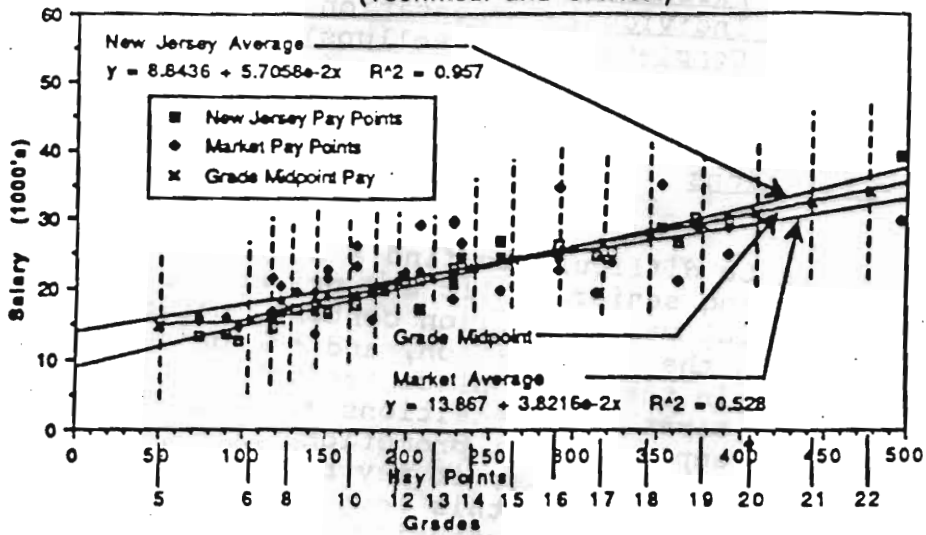
It is noteworthy that the correlation between hay points assigned to non-exempt positions and New Jersey actual compensation delivered is very high for clerical positions at 0.967 and fairly strong for technical positions at 0.738. This begs an answer to a critical philosophical question. How important is it that New Jersey state employees pay be competitive and related to pay for comparable work in the private sector?

### RECOMMENDATIONS

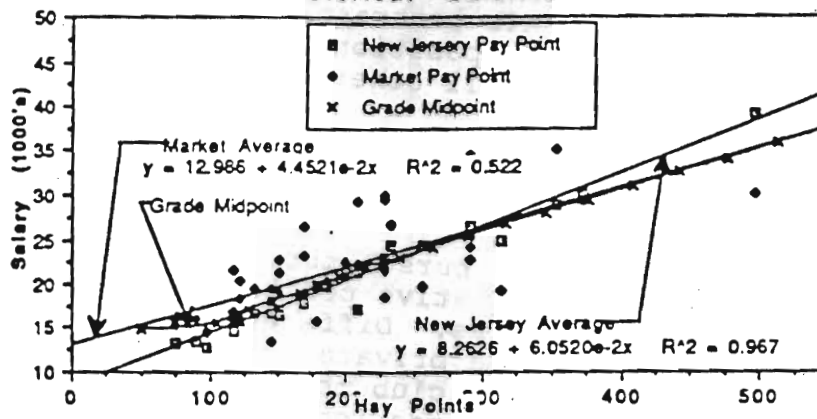
If market correlations of pay levels are important and New Jersey state officials wish to pay within a narrow range above and below market for comparable skills, then New Jersey should abandon the Hay Position Evaluation methodology in favor of a more market sensitive approach. In conjunction with the job classification overhaul project (UJAQ) it is the perfect time to begin to move away from a system that appears to most customers (i.e. New Jersey managers and employees) to be little understood, needlessly complex, mysterious in its workings and not helpful in its applications. A well thought through Compensation Philosophy and Strategy will be necessary to determine the future of position-evaluation systems in state government.



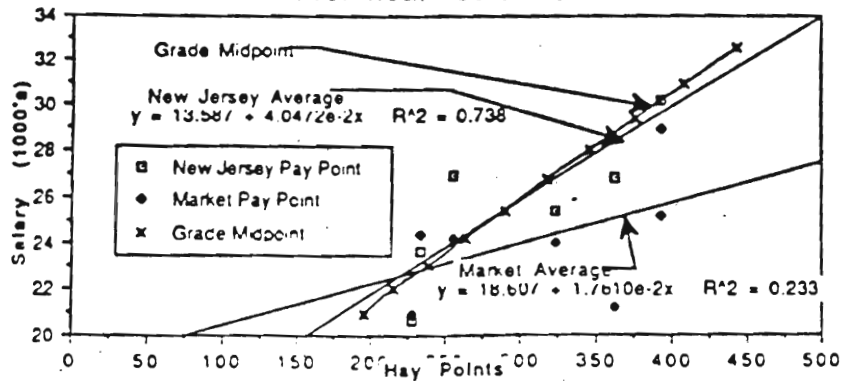
### Non-Exempt Salary Survey (Technical and Clerical)



### Clerical Salaries



### Technical Salaries



EXTERNAL COMPARISONS  
(Analysis of Individual Compensation Surveys  
and Complete Survey Rollups)

Senior Executive Positions

It has proved to be difficult to find a truly reliable and valid basis for comparing senior public and private sector positions in a meaningful way. Position content, nature of the role of the position in the organization, and the objective for the positions existing in the first place are sometimes radically different. Since many times state positions are filled almost exclusively with state employees via promotion, transfer, or relocation from other state systems, it may be more appropriate to compare New Jersey pay practice at this level with other states' practices at comparable levels of authority and responsibility. A 1986 snapshot of the relative ranking of pay amongst five top state administrative officials pay is attached. Though dated, New Jersey increases in pay over the ensuing four years compared to CPI-U is interesting and the relative rankings of these positions in 1986 is meaningful. The Personnel Officer had extremely low value relative to other Jersey executives and relative to his peers in 43 out of 48 states. This contrasts sharply to an emphasis on planning that put this position at the absolute top of Jersey pay and at the top against all other states pay for planning executives.

My recommendation would be to pursue more data at this level and investigate the appropriate relative positions of pay between positions across multi-state samples. Differences in total compensation between top public and private sector executives (perquisites, stock, deferred cash, club memberships, paid vacations, paid expenses, interest free loans, paid for housing and temporary quarters, etc.) all mitigate against expanded public vs. private sector comparisons at the Senior level.

## ANALYSIS OF TOTAL SURVEY DATABASE BY JOB TYPE

### MANAGERIAL

In spite of significant dispersion of pay around comparable market points, the overall position of managerial jobs vs. the market as of 10/1/90 shows a (5.8%) simple and (3.9%) weighted lag difference. This compares quite favorably with our assumed market reference objective which was to lag the market by 5%. Some more heavily encumbered positions are closer to market than the higher paid, less encumbered positions in the sample drawing the weighted v% 2% closer to market.

### PROFESSIONAL

Overall Jersey professional pay lags the market by (6.9%) simple V% and (5.5%) weighted V%. Dispersion above and below market is again large ranging from (30%) for Deputy Attorney General-1 to +23.1% for Auditor-2.

### CLERICAL

Overall Jersey clerical pay lags the market by (7.3%) simple V% and (5.6%) weighted V%. Tremendous dispersion from comparable market points ranging from +33.1% to (28.8%).

### TECHNICAL

This is a small sample of only seven (7) positions; three positions are computer operator positions priced in four (4) surveys. The market leadership position of 12.2% and 12.3% respectively is therefore somewhat suspect due to sample size and for reasons discussed in internal analysis section.

### EXEMPT AND NON-EXEMPT PAY POINTS PLOTS

A roll up of all exempt pay points (Managerial and Professional) and non-exempt pay points (Clerical and Technical), and weighted to account properly for most heavily encumbered positions, shows nearly identical lag positions to market of (6.7%) and (6.8%) simple V%'s and (3.9%) and (4.9%) weighted V%'s respectively. New Jersey pay to market references in private sector are nearly right on with (3.9%) and (4.9%) vs. (5.0%) assumed target. With so much variance on a position by position basis vs. market only hay points and New Jersey pay correlate well.

## SURVEY BY SURVEY ANALYSIS

### HOSPITAL COMPENSATION SURVEY

A comparison of New Jersey State Hospital pay for managers and professionals against a combined nationwide sample of non-governmental (For-profit and Non-profit) and Governmental Hospitals demonstrates that although close to target market reference of (5.0%) at (4.4%), there is much over/under market relationships.

### METROPOLITAN COMPENSATION SURVEY

This is the only survey comparison where New Jersey pay came out on top; by 4.5%. This is explained by the type of firms that participated in this survey; universities, banks, hospitals and some other non-profits. Against this sample of participants New Jersey paid more for certain professional, technical and clerical positions and consistently less than market for a sample consisting of 100% clerical positions.

### MERCER'S FINANCE, ACCOUNTING, AND LEGAL SURVEY

This is a survey of New Jersey upper middle managers and seasoned professional individual contributors' pay against a quality sample of private sector for-profit firms. State pay is not only extremely non-competitive at this level on a base salary comparison basis, but even more uncompetitive if you consider that many of these private sector positions are bonus eligible as well. Attorney's pay at this level appears to be especially non-competitive.

### NORTH JERSEY COMPENSATION SURVEY

A quality sample of Northern Jersey for-profit firms. State pay lags survey sample in all but two of fifteen comparisons of professional pay.

### PORT AUTHORITY SURVEY DATA

The most premium sample of payers with Pharmaceuticals, Utilities, Manufacturers, Media, Telephone and major money center banks from Manhattan to Newark. Jersey clerical pay against this sample lags in twenty of twenty four comparisons. Interesting to note that two of the only four Jersey positions to lead market are computer operator technical positions noted earlier as extremely well paid in the broader roll up of all surveys.



## GEOGRAPHIC DIFFERENTIALS

### BUREAU OF LABOR STATISTICS SURVEY

New Jersey pay is competitive for clerical positions against central and Southern Jersey firms but lags Northern Jersey private sector payers by some 13%; 8% below our assumed market reference. For a small sample of craft positions (3 jobs with 157 incumbents), Jersey pay lags Northern, Central and Southern Jersey pay by 13%, 13% and 4% respectively.

### AMERICAN MANAGEMENT SOCIETY SURVEY

This survey is unique in that its geographic focus is on firms in Newark and Trenton only and not surrounding counties and communities. In the aggregates, New Jersey pay looks low against the Newark sample, -10% V% or 5% below the assumed market reference. At 1% above the Trenton sample, Jersey pay leads over target market reference by 6%. However, a breakdown by job type demonstrates that Jersey pay for professionals is -12% below Newark and -6% below Trenton; or nearly right on market reference for Trenton. However, Technical and Clerical Jersey pay lead in both areas by a wide margin; 10% and 12% in Newark and 27% and 34% in Trenton on a simple V% comparison basis.

### RECOMMENDATIONS BASED ON A REVIEW OF SURVEYS

There is a 10% higher pay practice line for non-exempt (clericals, technicals and crafts) positions in Newark vs. Central and Southern Jersey and the pay program needs to recognize this. Moving to a broader pay band approach to salary administration for these positions will permit greater salary band penetration in higher labor cost areas without disrupting internal position equity. Broader pay bands encourage meaningful lateral career moves where necessary, minimize the pressure to "rig" the system with phony promotions, and reduce the costs associated with compensation system maintenance; i.e. job reevaluation and complex salary planning systems maintenance. A Pay Band Prototype for benchmark positions is suggested in the exhibits section attached.



MULTI-STATE STATE TROOPER PAY COMPARISONS

FINDINGS

(BASED ON CT, MA, OH, PA DATA)

- o If mid-level position pay appears compressed, it is due to very rich pay practice in sample for Trooper, Trooper-2 and Trooper 1 pay in New Jersey vs. other states.
- o Jersey pay at upper management ranks (Captain, Major, Lt. Colonel) leads other states by wide margins begging the question: "Can this leadership pay position be justified based on increased scope, complexity, or accountability of Jersey positions vs. rest of sample?"

RECOMMENDATIONS

- o Consider negotiating lump sum increases for Trooper, Trooper 1 and Trooper 2 positions at next negotiations. This will reduce certain benefits costs and reduce pay compression at sergeant level over time. For example, could offer either a 1.5 - 2.0% base pay increase or a 4.0% cash lump sum payment in first year of next contract for Trooper, Trooper 2 and Trooper 1 positions. Offer only lump sums in second and third years.

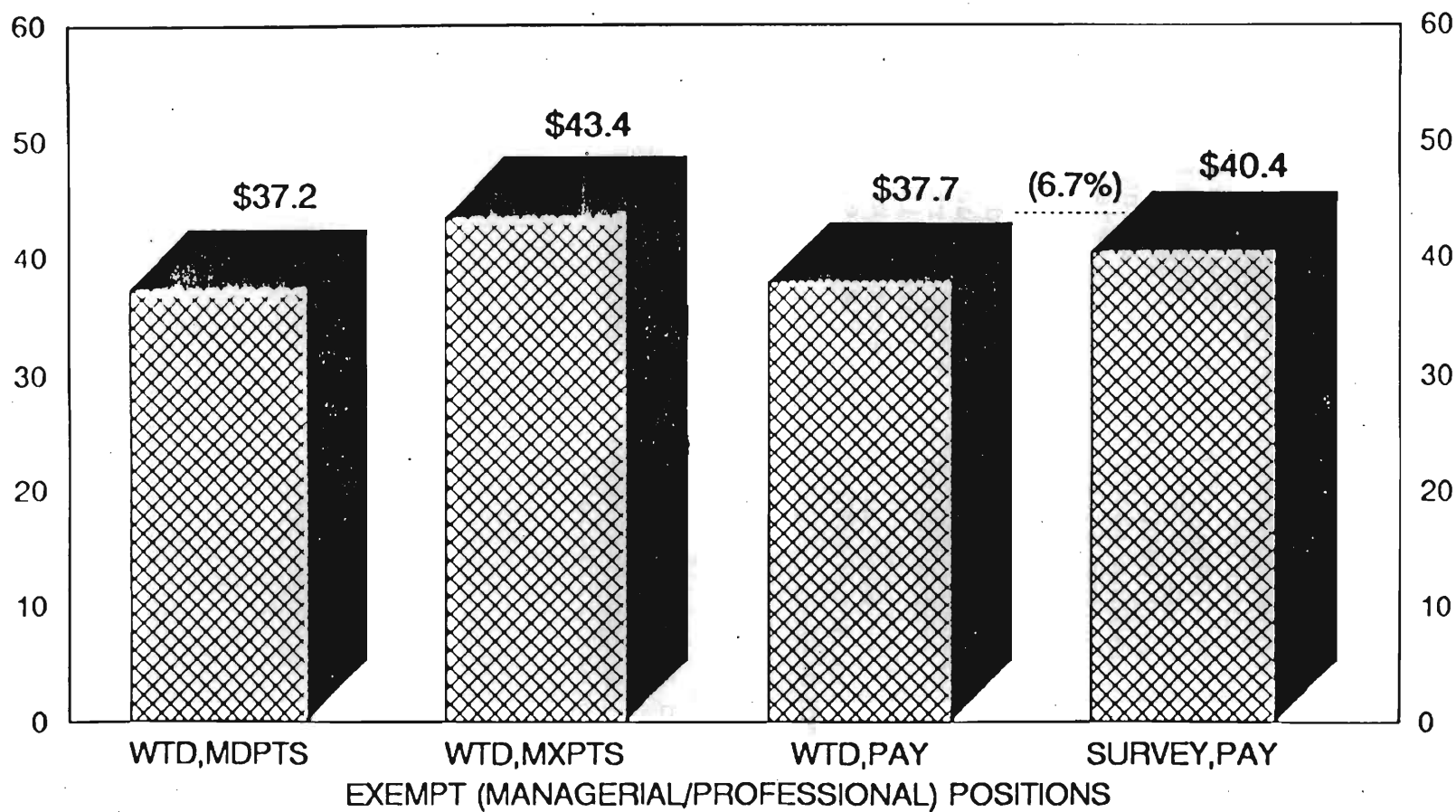
### CONCLUSIONS

New Jersey pay practice does not correlate with pay in the for-profit sector for comparable work. Hay points assigned to Jersey positions predict Jersey internal pay levels and pay interrelationships very well. This situation makes it difficult to draw broad conclusions about pay levels being too high or too low without understanding at what level private sector talent must be attracted and retained to perform critical work. Detailed turnover analysis and vacancy report analysis may yield some clues. Clearly, a state total compensation philosophy and a strategy to implement the philosophy is needed. A more flexible compensation administration and position evaluation system would be a positive step following on the UJAQ effort. Fixing the Hay Evaluation system by trying to rebuild credibility in its application would not ever be as successful in the long run as changing to a more interactive, more flexible, more user friendly system, in my opinion.

Compensation savings can be realized in the long haul by implementing and tracking a compensation strategy that makes sense for New Jersey. Biggest savings will always come by lean staffing with highly trained professionals, incented to perform critical work effectively and efficiently.

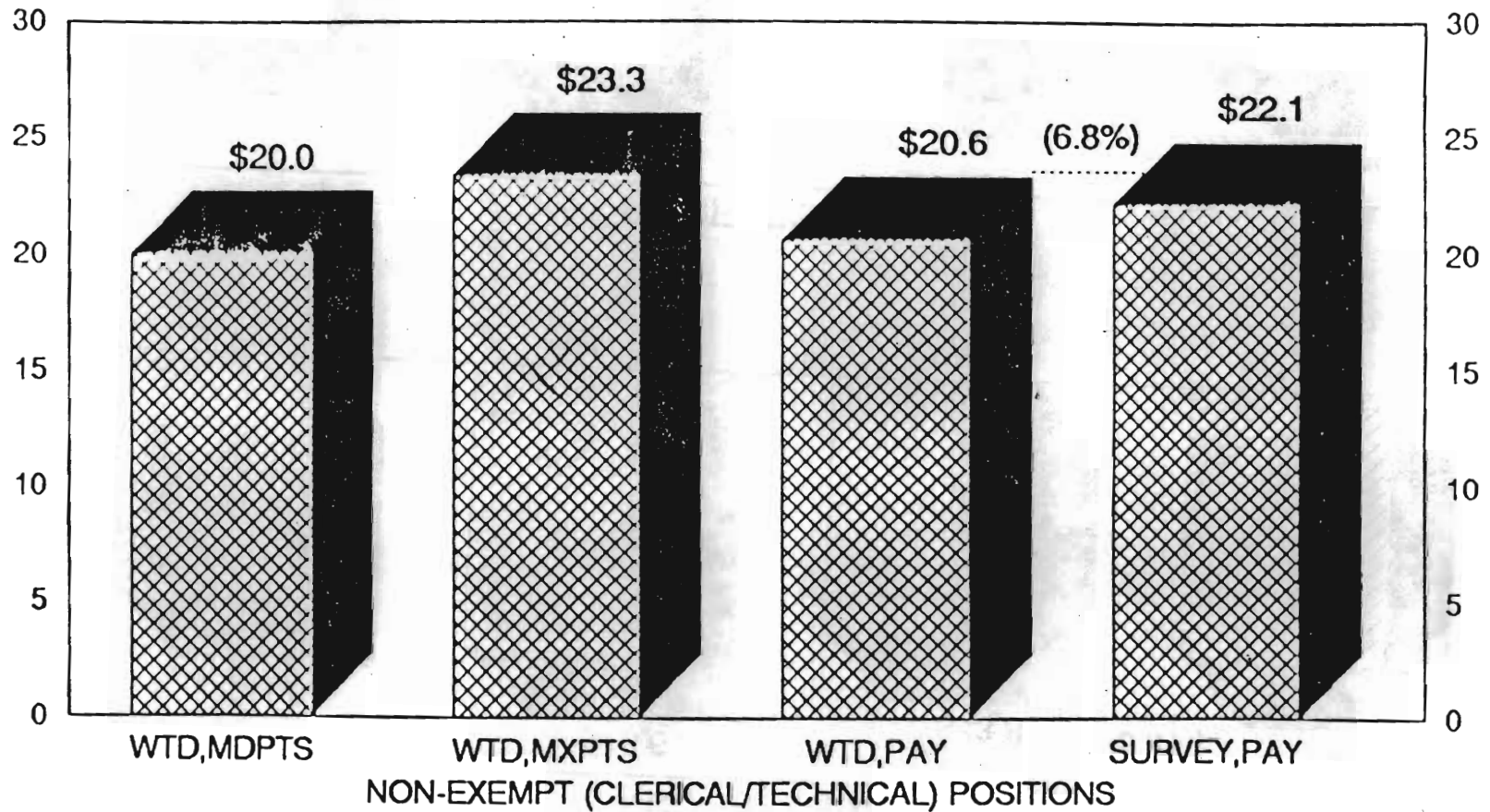
## PLOT OF WEIGHTED AVERAGE N.J. EXEMPT PAY POINTS VS AVERAGE ALL SURVEY PAY POINTS

DOLLARS IN THOUSANDS



## PLOT OF WEIGHTED AVERAGE N.J. NON-EXEMPT PAY POINTS VS AVERAGE ALL SURVEY PAY POINTS

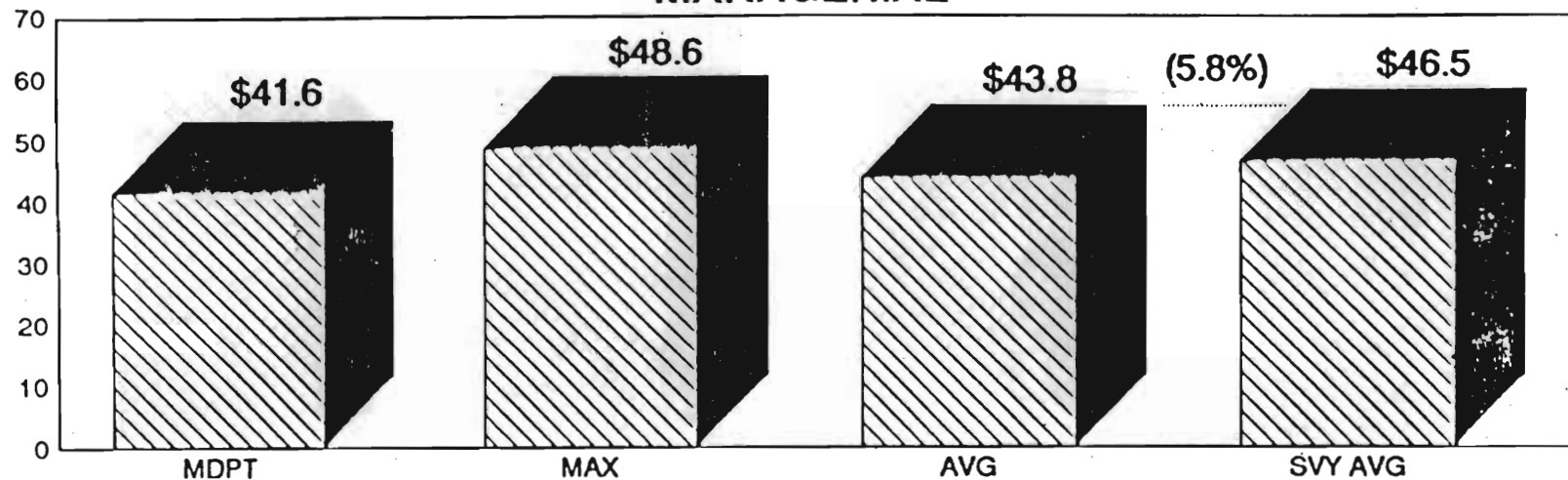
DOLLARS IN THOUSANDS



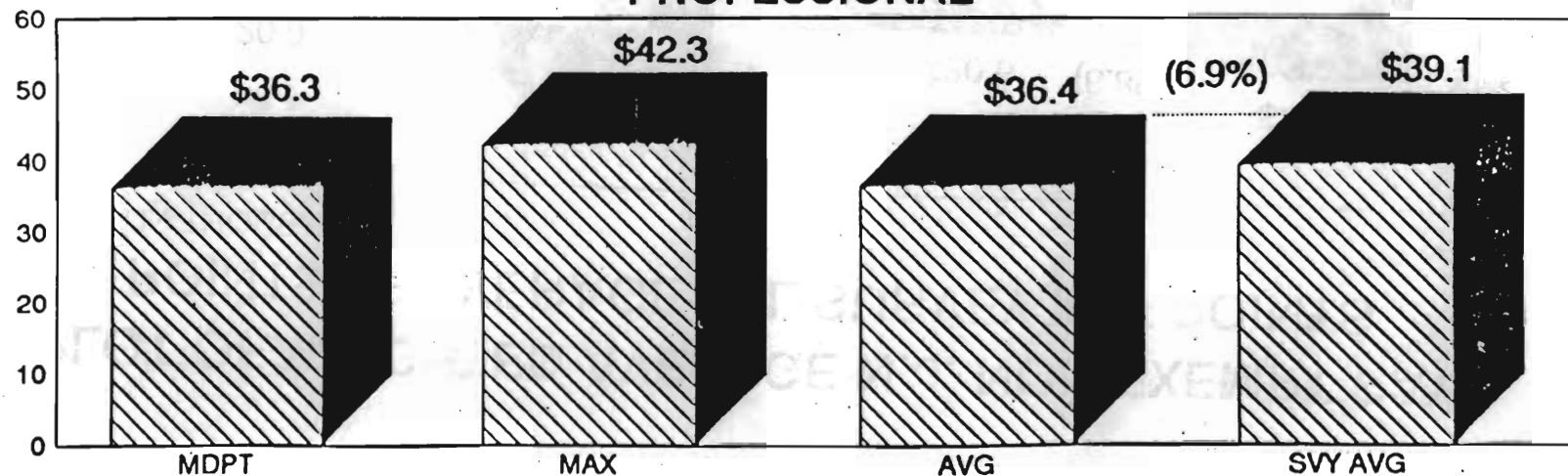


## MARKET REFERENCES BY JOB TYPE

### MANAGERIAL

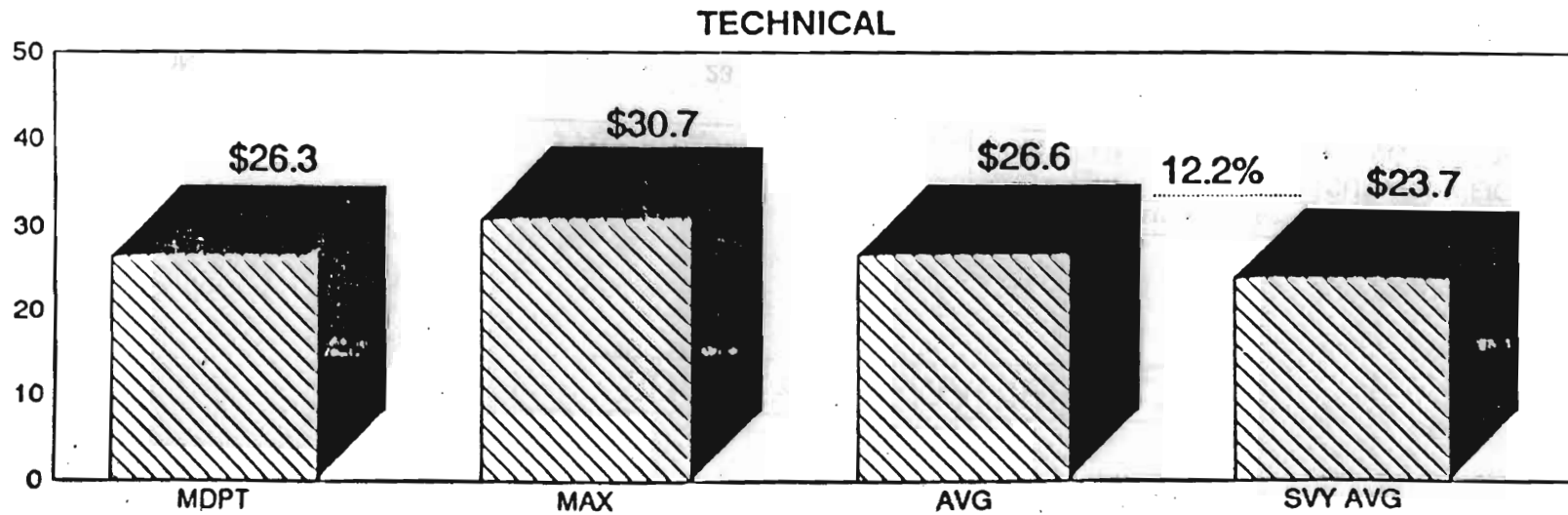
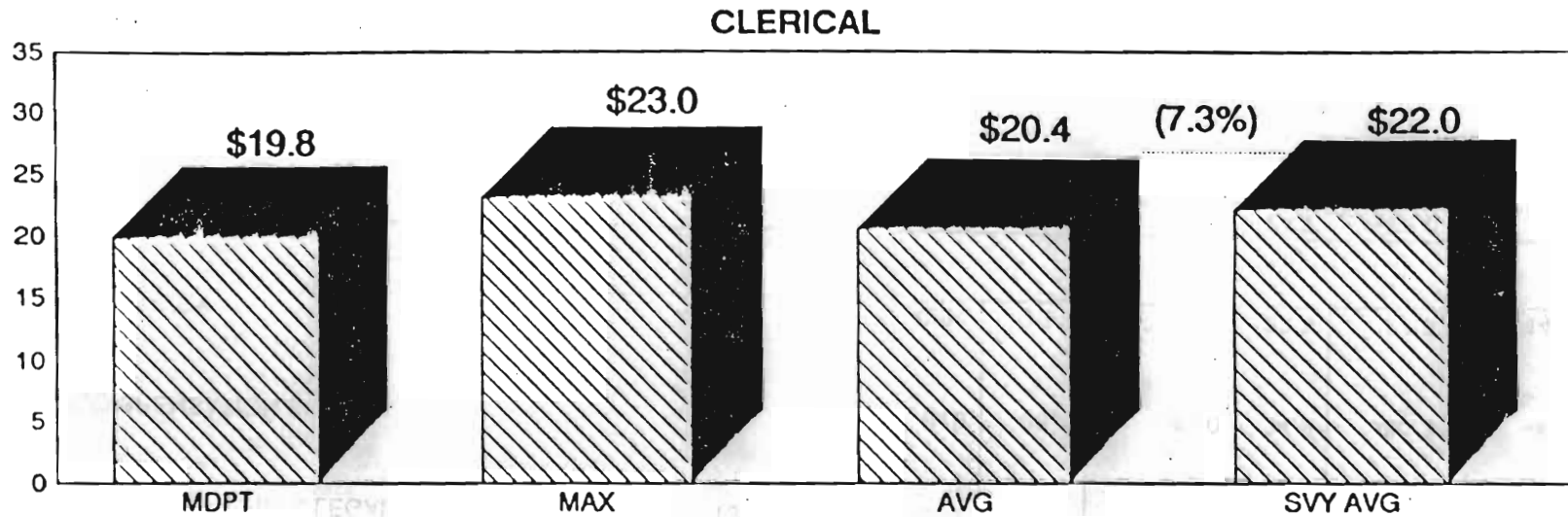


### PROFESSIONAL





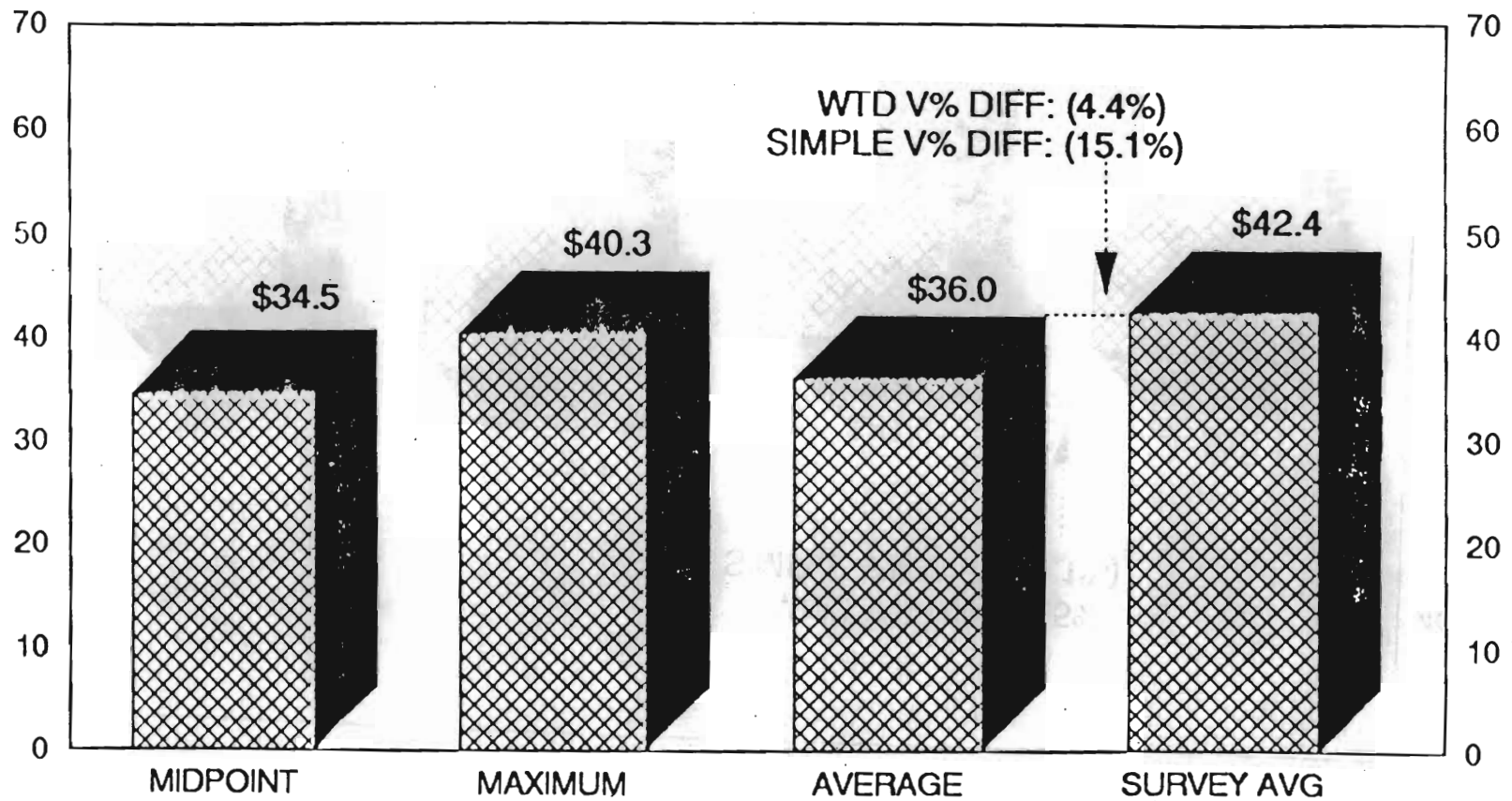
## MARKET REFERENCES BY JOB TYPE



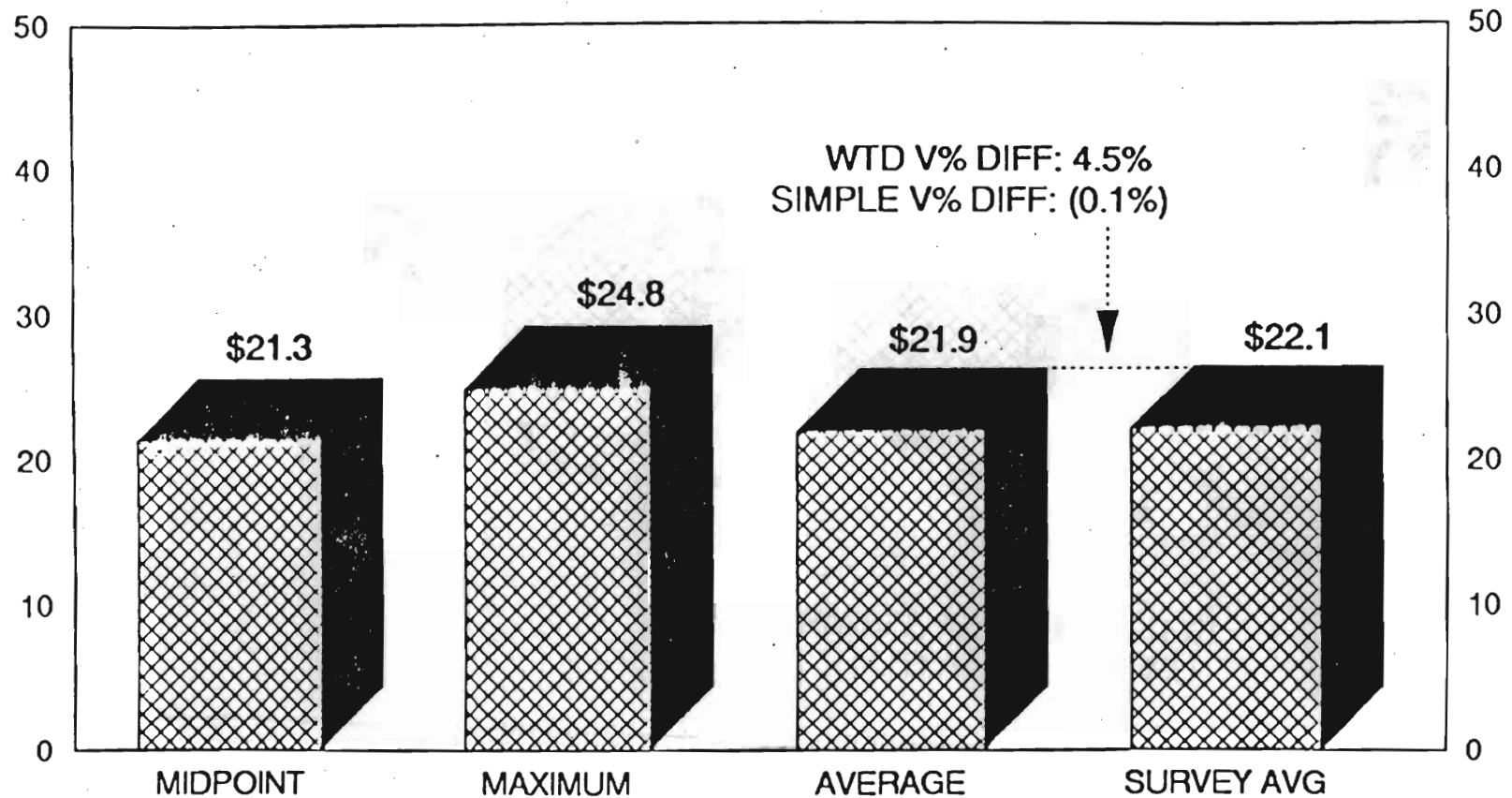
## SURVEY SUMMARIES

	# POSITIONS	# EMPLOYEES	N.J. WEIGHTED VALUES AS OF 9/29/90			SURVEY WEIGHTED AVG      V%		
			MID- POINT	MAXIMUM	AVG			
HOSPITAL COMPENSATION SURVEY	23	1184	34.5	40.3	36.0	42.4	-4.4%	
METROPOLITAN COMPENSATION SURVEY	30	5230	21.3	24.8	21.9	22.1	4.5%	
MERCER FINANCE, ACCOUNTING & LEGAL SURVEY	13	344	56.1	65.5	55.0	79.1	-19.4%	
NORTH JERSEY COMPENSATION SURVEY	15	816	35.1	41.0	34.8	40.3	-6.2%	
PORT AUTHORITY SURVEY	24	4284	19.8	23.1	20.5	24.8	-14.5%	
TOTALS/WEIGHTED AVGS:			105	11858	24.0	28.0	24.7	-4.7%

## HOSPITAL COMPENSATION SURVEY

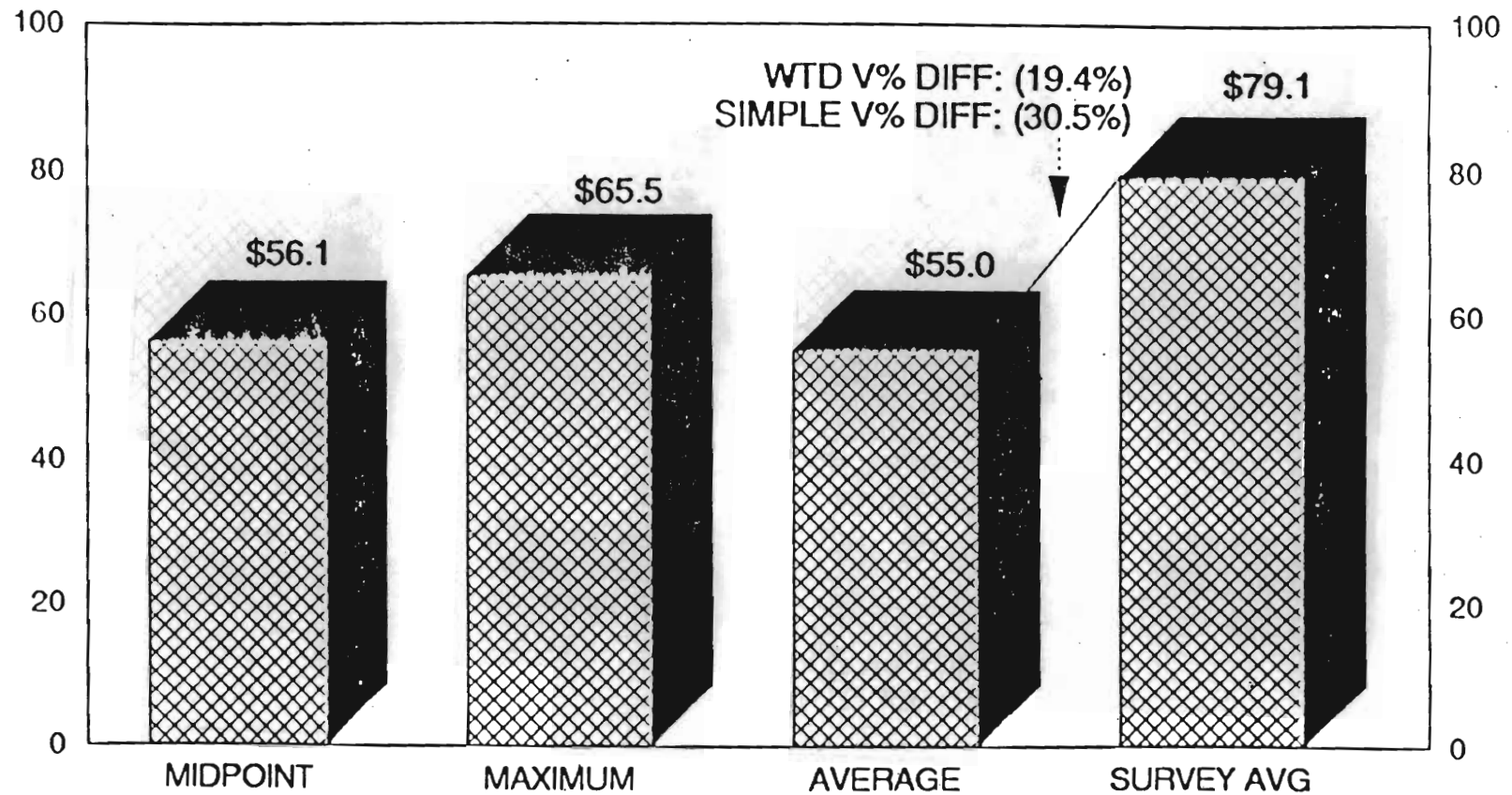


## METROPOLITAN COMPENSATION SURVEY



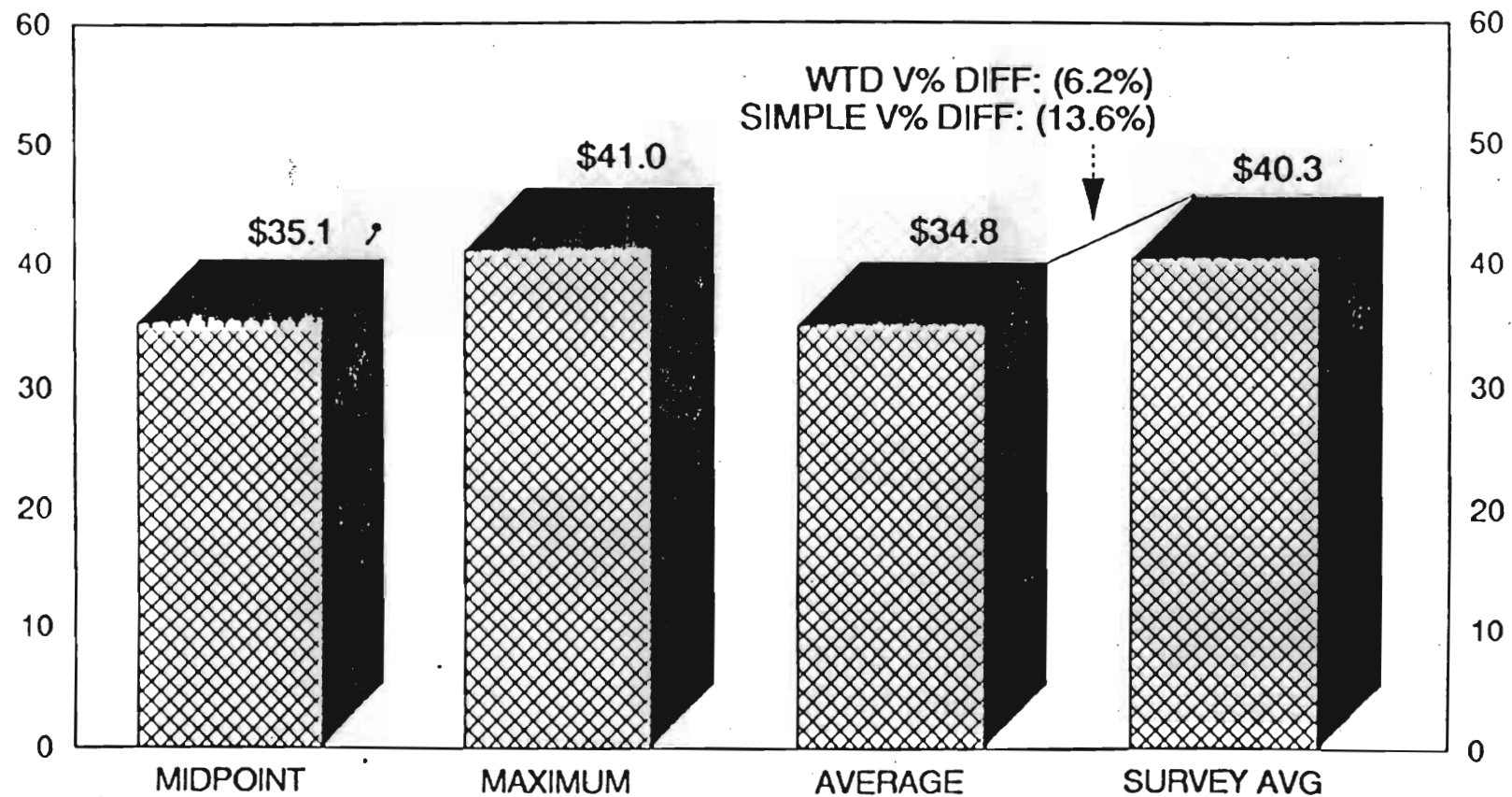


## MERCER'S-FINANCE,ACCOUNTING AND LEGAL SURVEY

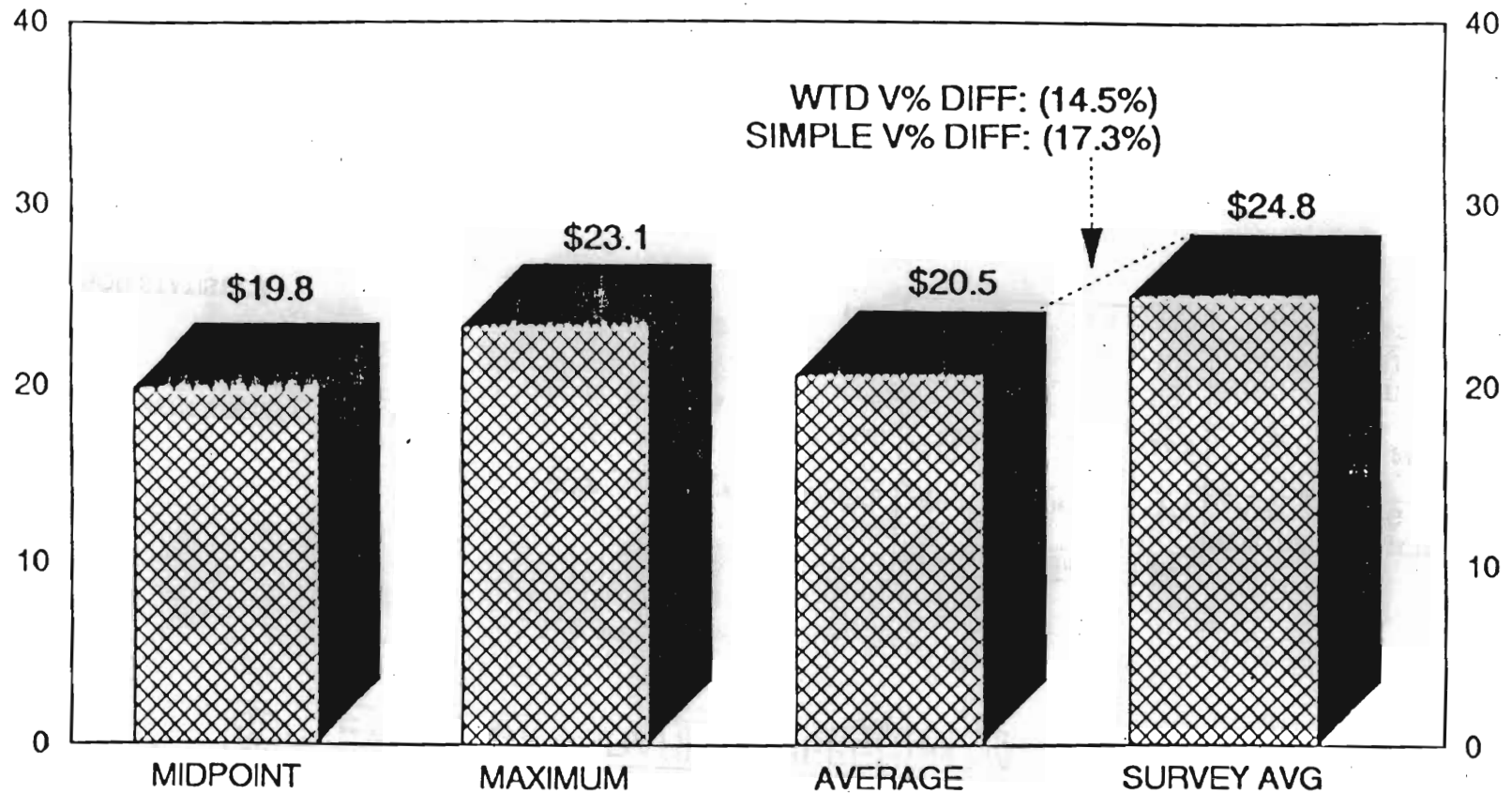




## NORTH JERSEY COMPENSATION ASSOCIATION SURVEY



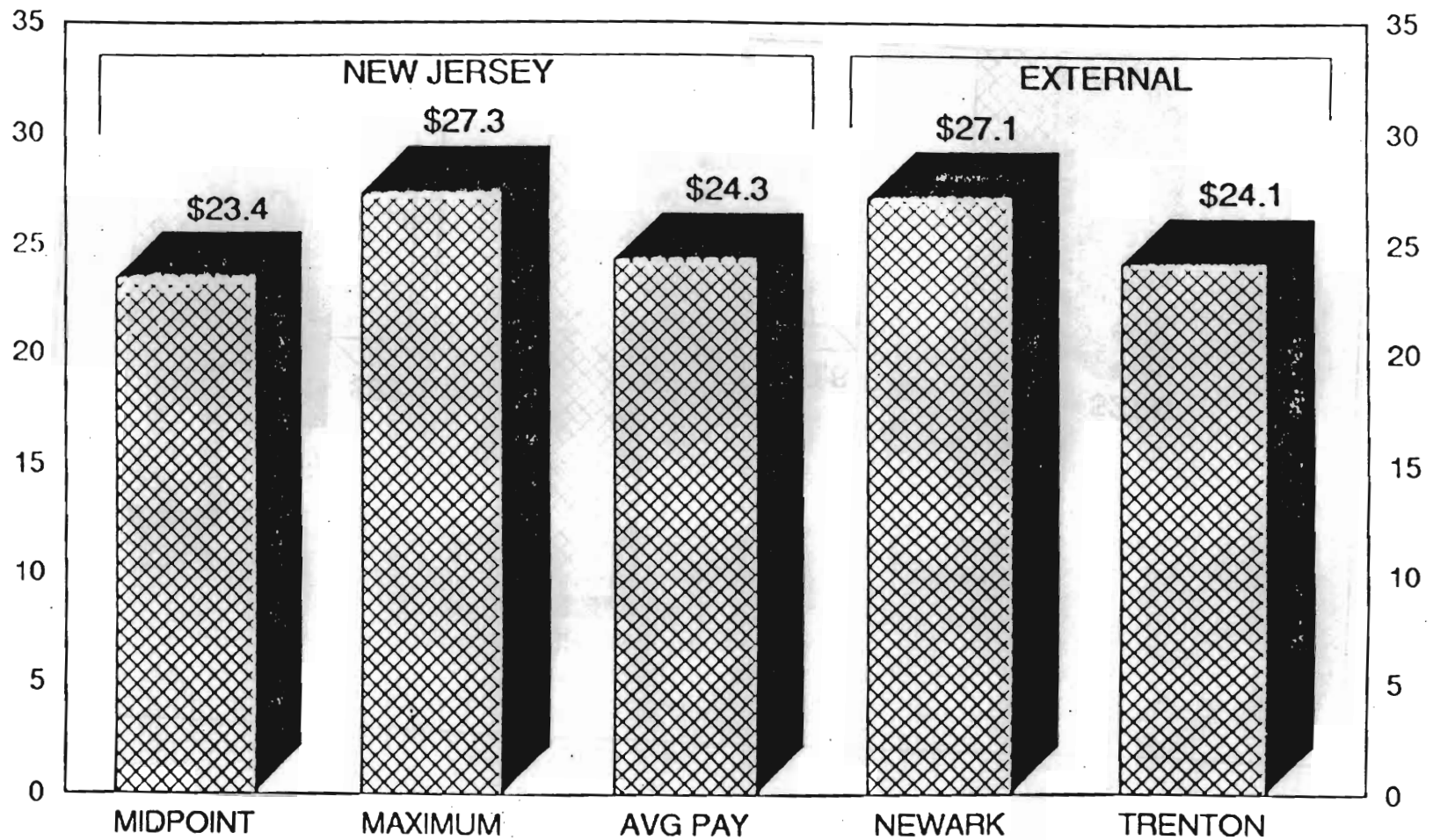
## PORT AUTHORITY COMPENSATION SURVEY



# **SURVEYS OF GEOGRAPHIC DIFFERENTIALS**

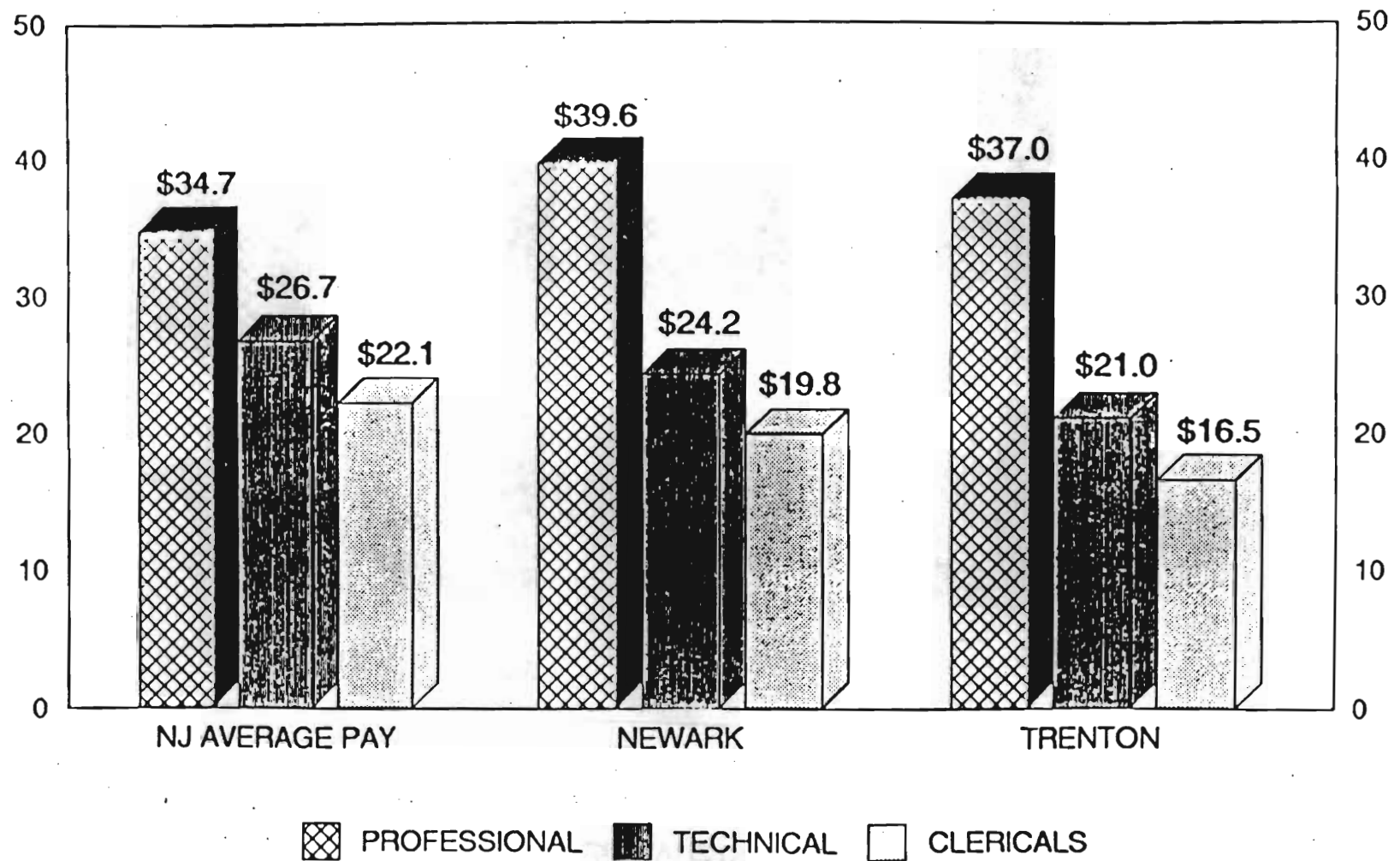
	# POSITIONS	# EMPLOYEES	N.J. WEIGHTED VALUES AS OF 8/29/90					
			MID- POINT	MAXIMUM	AVG	NEWARK AVG	TRENTON AVG	
AMERICAN MANAGEMENT SOCIETY SURVEY	33	4549	23.4	27.3	24.3	27.1	24.1	
BUREAU OF LABOR STATISTICS	9	1482	18.3	21.4	18.3	NORTH NJ	CENTRAL NJ	SO. NJ
						23.5	21.5	20.8

## AMERICAN MANAGEMENT SOCIETY SURVEY



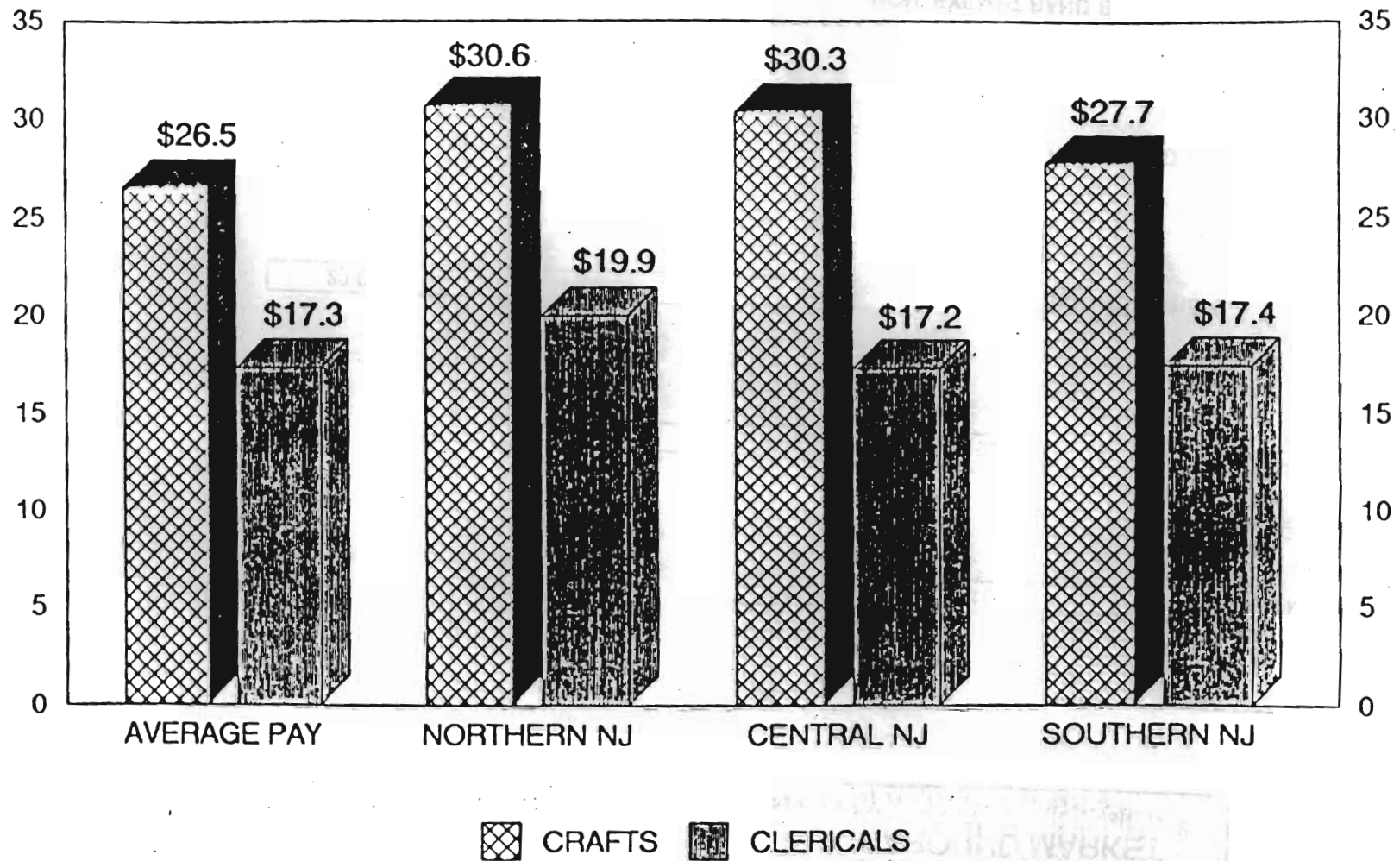


## AMERICAN MANAGEMENT SOCIETY SURVEY





## BUREAU OF LABOR STATISTICS SURVEY

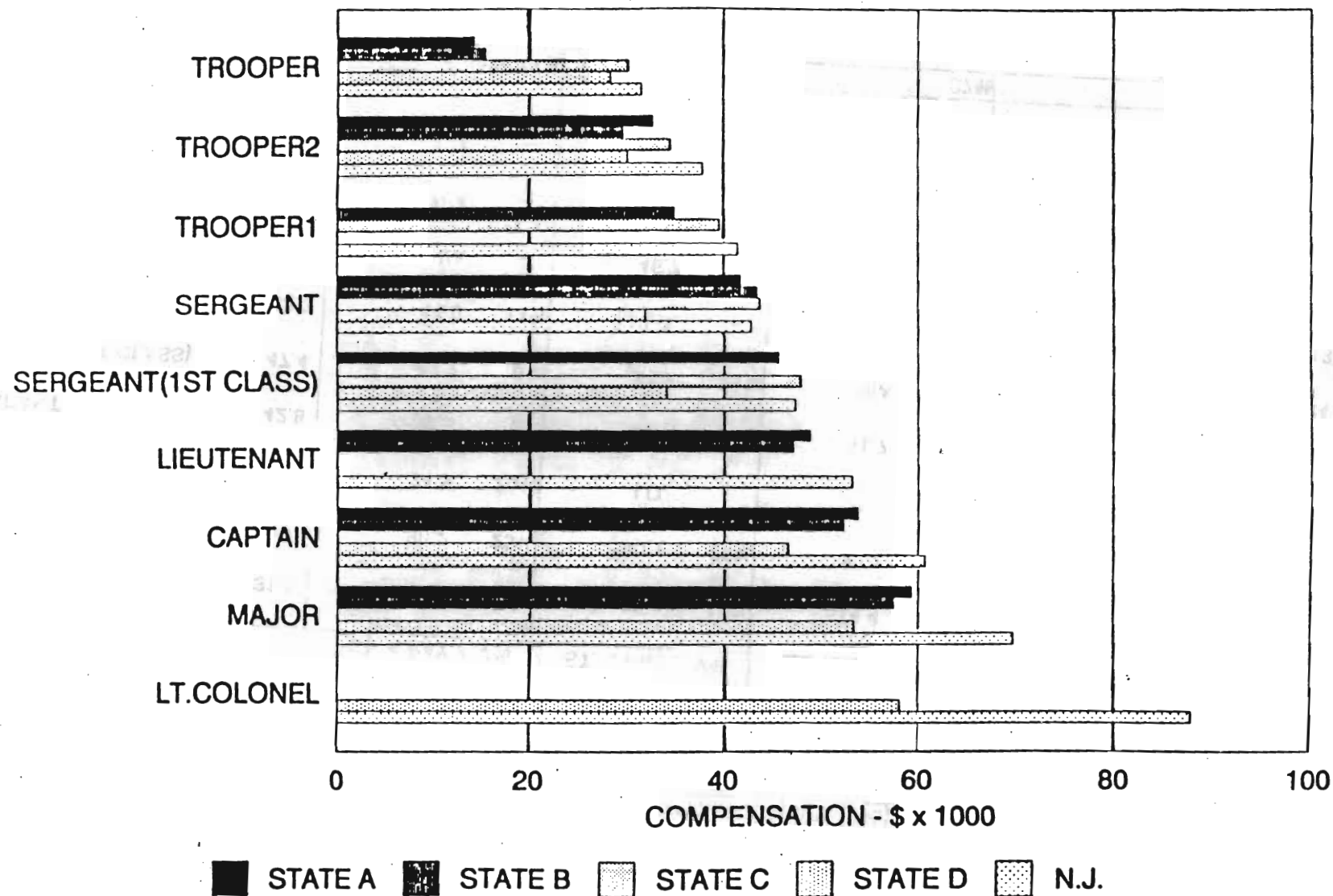


**BENCHMARK POSITION PAY BANDING SAMPLE BUILT AROUND MARKET  
REFERENCE POINTS (\$ IN 000'S)**

# OF ASSIGNED  
POSITIONS

5		70.0	110.0	140.0	EXEMPT BAND A
16		40.0	70.0	90.0	EXEMPT BAND B
34		20.0	40.0	55.0	EXEMPT BAND C
16	17.5	20.0	35.0		NON-EXEMPT BAND A
32	12.5	15.0	25.0		NON-EXEMPT BAND B

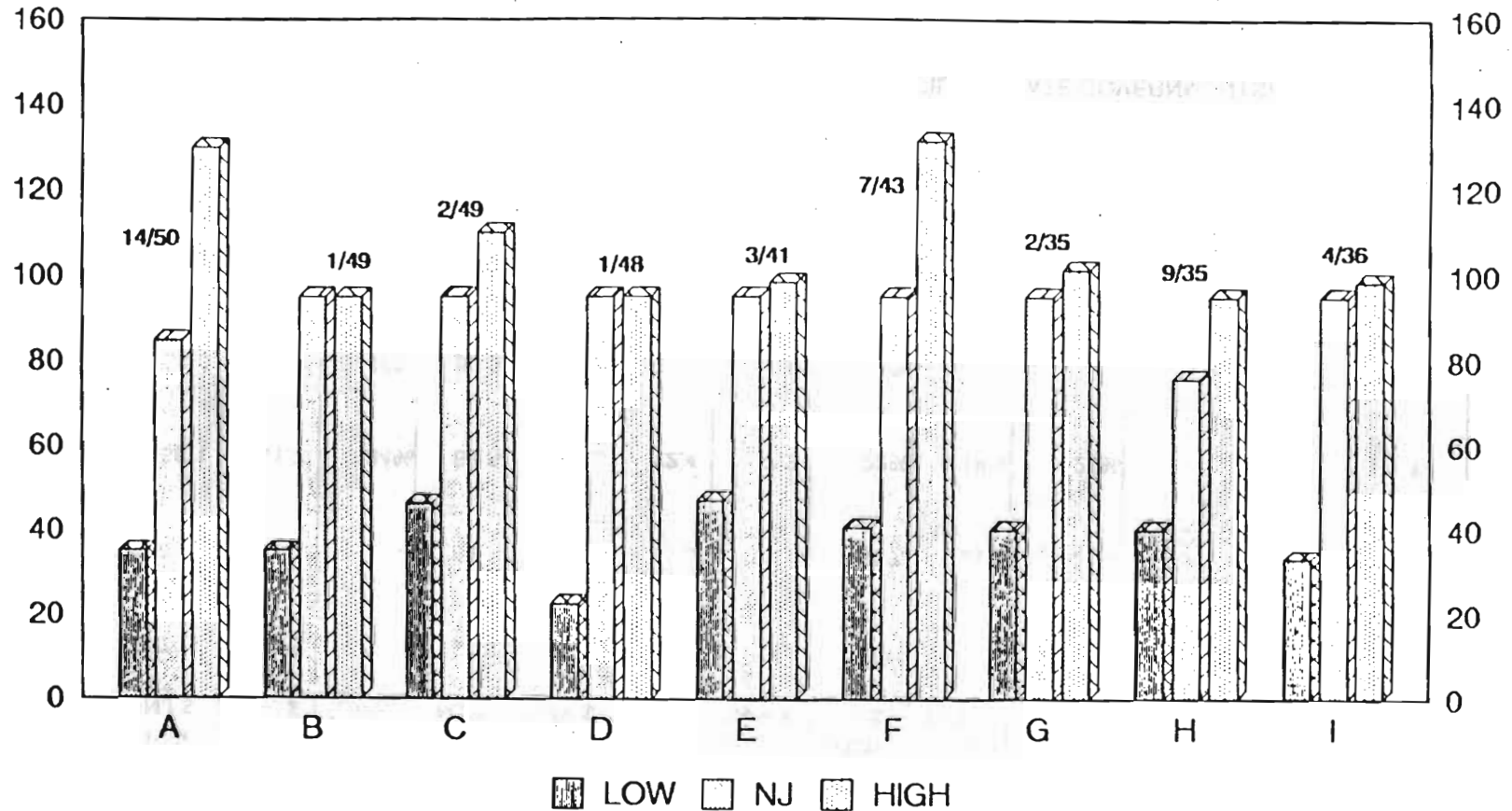
## STATE TROOPER PAY COMPARISONS



**STATE TROOPER PAY COMPARISONS**  
(SURVEY DATA ADJUSTED TO SEPTEMBER 1990)

NJ POSITIONS	/PAY	ST. A PAY / V%		ST. B PAY / V%		ST. C PAY / V%		ST. D PAY / V%		AVERAGE V%
TROOPER	31.5	I.D.	-	28.4	11%	14.4	119%	15.6	77%	77%
TROOPER 2	37.8	30.2	25%	30.1	26%	32.7	16%	29.7	24%	24%
TROOPER 1	41.4	34.5	20%	I.D.	-	N/A	-	34.9	20%	20%
SERGEANT	42.8	39.5	8%	32.0	34%	41.7	3%	43.4	14%	14%
SERGEANT(1ST CLASS)	47.4	43.7	8%	34.2	39%	N/A	-	N/A	24%	24%
LIEUTENANT	53.2	48.0	11%	I.D.	-	45.7	16%	47.2	13%	13%
CAPTAIN	60.7	N/A	-	46.7	30%	48.9	24%	52.3	23%	23%
MAJOR	69.7	N/A	-	53.4	31%	53.8	30%	57.5	27%	27%
LT. COLONEL	87.8	N/A	-	58.1	51%	59.3	48%	I.D.	50%	50%
AVERAGE V%		14%		32%		37%		28%		

## A RANKING OF SELECTED STATE ADMINISTRATIVE OFFICIALS SALARIES



A = GOVERNOR  
B = SECRETARY OF STATE  
C = ATTORNEY GENERAL  
D = TREASURER  
E = CORRECTIONS

F = EDUCATION  
G = ENVIRONMENTAL PROTECTION  
H = PUBLIC WELFARE  
I = TRANSPORTATION



**CHANGE IN TOP STATE ADMINISTRATIVE OFFICIALS PAY AND PAY RANKING  
FROM 1986\* TO JULY 1990**

TOP ADMINISTRATIVE POSITIONS	1986 NJ \$	1986 SVY \$	V% DIFF	1990 NJ \$	1990 SVY \$	CHG IN NJ \$	CHG IN SVY \$	% CHG NJ \$	% CHG SVY \$	% CHG CPI-U	# STATES LEADING NJ IN 1986	# STATES LEADING NJ IN 1990	# STATES IN SAMPLE
PLANNING	70.0	45.5	54%	95.0	57.9	25.0	12.4	36%	27%	21%	0	0	25
STATE POLICE	65.1	52.4	24%	94.7	63.5	29.6	11.1	45%	21%	21%	2	1	47
SOLID WASTE	56.1	41.7	34%	68.5	49.0	12.4	7.3	22%	18%	21%	2	1	33
PARKS & REC	50.0	43.0	16%	83.3	52.6	33.3	9.6	67%	22%	21%	10	1	42
PERSONNEL	39.9	49.9	-20%	95.0	62.8	55.1	12.9	138%	26%	21%	40	1	46

\* FROM THE BOOK OF THE STATES, 1986 - 87 AND 1989-90 (LEXINGTON, KY: THE COUNCIL OF STATE GOVERNMENTS).

**GOVERNOR'S MANAGEMENT REVIEW COMMISSION  
COMPENSATION TASK FORCE**

**MISSION**

THE MISSION OF THE COMPENSATION TASK FORCE OF THE GOVERNOR'S MANAGEMENT REVIEW COMMISSION IS TO PERFORM A REVIEW OF THE STATE EXECUTIVE BRANCH COMPENSATION SYSTEMS WITH REGARD TO EXTERNAL AND INTERNAL EQUITY, EFFECTIVENESS OF THE PROGRAMS AND POTENTIAL IMPROVEMENTS IN THE PROCESS.

**OBJECTIVES**

DETERMINE THE COMPETITIVENESS OF STATE COMPENSATION LEVELS.

INVESTIGATE INTERNAL EQUITY AND THE JOB CLASSIFICATION PROCESS.

INVESTIGATE THE EFFECTIVENESS OF COMPENSATION PHILOSOPHY, POLICY AND PROGRAMS.

RECOMMEND CHANGES TO POLICIES, PROCESSES AND PROGRAMS.

## PHILOSOPHY

### FINDINGS

NO VISION OF STATE AS EMPLOYER

NO CLEAR COMPENSATION PHILOSOPHY

NO INTEGRATION OF POLICIES/STRATEGIES

### ISSUE(S)

MANAGERS CANNOT ARTICULATE COMPENSATION PHILOSOPHY/POLICIES

COMPENSATION DECISIONS ARE REACTIVE/SHORT TERM FOCUSED

MULTIPLE REACTIVE DECISIONS BECOME POLICY BY DEFAULT

EMPLOYEES LACK UNDERSTANDING OF BASIS OF PAY

### RECOMMENDATIONS

DEVELOP A VISION OF STATE AS EMPLOYER

DEVELOP COMPENSATION PHILOSOPHY, STRATEGY AND POLICIES

ESTABLISH A STATEWIDE HUMAN RESOURCE COUNCIL

IMPROVE NEGOTIATION PROCESS

## PROCESS

### FINDINGS

PROCESSES ARE NOT INTEGRATED.

NO ACCOUNTABILITY FOR LONG TERM SUCCESS OF THE COMPENSATION SYSTEM.

DECISION MAKERS ACT INDEPENDENTLY AND IN ISOLATION.

NO INPUTS FROM STAKEHOLDERS.

SALARY NEGOTIATED/BENEFITS LEGISLATED.

### ISSUE(S)

CANNOT COMPUTE COST/COMPETITIVENESS OF TOTAL COMPENSATION.

DOP'S CONFLICTING MISSIONS IMPAIR WORKFORCE EFFECTIVENESS.

ISOLATED DECISIONS RESULTED IN 13 SALARY SCHEDULES.

LACK OF COMMITMENT FROM STAKEHOLDERS.

NO MARKET VALIDATION OF PAY LEVELS OR AFFORDABILITY CONSIDERED.

### RECOMMENDATIONS

DEVELOP AN INTEGRATED TOTAL COMPENSATION STRATEGY.

CLEARLY DEFINE THE ROLE AND ACCOUNTABILITIES OF DOP.

ESTABLISH AN INDEPENDENT BOARD TO REVIEW COMPENSATION EFFECTIVENESS.

ESTABLISH A STATEWIDE HUMAN RESOURCE COUNCIL.

REORGANIZE OER.

IMPROVE NEGOTIATION PROCESS.

## PROGRAMS

### FINDINGS

OVER 21 YEARS - 90% OF ALL EMPLOYEES BECAME REPRESENTED.

REPRESENTATION = \$; NON-REPRESENTATION = ?.

COMPLICATED RULE DRIVEN SYSTEMS, LEGISLATION, OR CONTRACTS.

WIDE DISSATISFACTION WITH \$50,000 "CAP" SYSTEM

### ISSUE(S)

FAIRNESS COMES FROM REPRESENTATION; NOT MANAGEMENT.

EMPLOYEES ARE INCENTED TO ORGANIZE.

MANAGEMENT DECISION MAKING/IMPLEMENTATION BECOMES PROSCRIBED.

### RECOMMENDATIONS

BUILD CREDIBILITY AND TRUST BETWEEN MANAGEMENT AND EMPLOYEES.

EDUCATE AND TRAIN MANAGERS AND EMPLOYEES.

REVISE / ELIMINATE \$50,000 "CAP" SYSTEM



## PROGRAMS

### FINDINGS

EXCESSIVE NUMBER OF TITLES, SCHEDULES AND RANGES.

MINIMAL REWARDS FOR PERFORMANCE.

ONE THIRD OF EMPLOYEES ARE PAID AT RANGE MAXIMUMS.

CAREER ADVANCEMENT IS THROUGH SUPERVISORY ROLES.

### ISSUE(S)

LACK OF WORKFORCE FLEXIBILITY/NARROW JOB ROLES.

STATUS QUO / SENORITY IS REWARDED.

ABILITY TO IMPLEMENT PAY FOR PERFORMANCE IS IMPACTED.

MISMATCHED SKILLS AND RESPONSIBILITIES IMPAIRS PRODUCTIVITY.

### RECOMMENDATIONS

CONSOLIDATE SALARY RANGES / TITLES UTILIZING UJAQ.

IMPLEMENT AND FUND A PAY FOR PERFORMANCE PROGRAM.

DEVELOP A DUAL/TECHNICAL CAREER SYSTEM.

**EXTERNAL SURVEY**  
**N.J. BASE PAY VS. PRIVATE SECTOR BASE PAY**

**FINDINGS**

N.J. BASE PAY LAGS THIS MARKET BY (4.7%).

POOR CORRELATION OF N.J. PAY AND THIS MARKET SEGMENT PAY (+34.8% TO -38.8%)

PAY FOR MID LEVEL PROFESSIONALS AND MANAGERS LAGS THIS MARKET BY (3.9%).

PAY FOR CLERICAL POSITIONS LAGS THIS MARKET BY (5.6%).

PAY FOR TECHNICAL POSITIONS LEADS THIS MARKET BY 12.2%.

**ISSUES**

N.J. PAYS EITHER TOO MUCH OR TOO LITTLE FOR MANY EMPLOYEES.

DIFFICULTY RECRUITING QUALIFIED CANDIDATES BELOW MARKET.

STRUCTURAL (FOREVER) BUILT IN EXCESS COMPENSATION EXPENSE.

**RECOMMENDATIONS**

IMPLEMENT FLEXIBLE SALARY ADMINISTRATION / BUILD ON UJAQ

IMPLEMENT A MORE MARKET SENSITIVE JOB EVALUATION SYSTEM

NEGOTIATE RATES FOR REPRESENTED POSITIONS

ESTABLISH A COMPENSATION RESEARCH FUNCTION.

## EXTERNAL SURVEY N.J. BASE PAY VS. OTHER STATE'S PAY

### FINDINGS

GOVERNOR'S BASE PAY IS LEAST COMPETITIVE IN TEN POSITION SAMPLE.

FIVE POSITION COMPARISONS OVER FOUR YEARS SHOWS AGGRESSIVE N.J. BASE PAY GROWTH.

N.J. ADMINISTRATIVE DEPT. HEADS' PAY LEADS OTHER STATES' PAY.

N.J. STATE TROOPERS PAY RANGED FROM COMPETITIVE TO LEADING A N.E. STATE'S SAMPLE.

### ISSUES

TOP CIVILIAN POSITIONS PAY IS COMPETITIVE VS. OTHER STATES' BUT LAGS PRIVATE SECTOR.

TROOPER N.C.O. PAY IS COMPRESSED BY TROOPER, TROOPER2, TROOPER1 PAY.

### RECOMMENDATIONS

DECIDE WHAT THE RIGHT BASE PAY RANGE FOR TOP CIVILIAN / UNIFORMED POSITIONS NEEDS TO BE.

CONSIDER SLOWING FUTURE BASE PAY INCREASES FOR TROOPER, TROOPER2, TROOPER1.

## **GEOGRAPHIC DIFFERENTIALS**

### **FINDINGS**

THERE ARE STATISTICALLY SIGNIFICANT DIFFERENCES IN BASE PAY BETWEEN NORTHERN AND CENTRAL /SOUTHERN JERSEY FOR CLERICAL, TECHNICAL AND CRAFT POSITIONS.

### **ISSUES**

INABILITY TO ATTRACT BEST CANDIDATES IN NORTHERN JERSEY.

GRADE CREEP OCCURS TO ACCOMODATE MARKET PRESSURES.

TURNOVERS AND HIGHER VACANCY RATES CAUSE PROBLEMS.

### **RECOMMENDATIONS**

CONSIDER EITHER A BROADER PAY BAND SALARY ADMINISTRATION PROGRAM OR A SEPARATE HIGHER (+10%) SALARY STRUCTURE FOR NORTHERN JERSEY NON-EXEMPT POSITIONS, OR

USE A MULTIPLIER TO ADJUST JOB EVALUATION POINTS IN MORE EXPENSIVE NORTHERN JERSEY MARKETS.

## THE FUTURE

THE STATE MUST DEVELOP A CLEAR VISION OF IT'S ROLE  
AS AN EMPLOYER IN THE 90'S

A MANAGEMENT PHILOSOPHY

BUSINESS STRATEGIES

ACTION PLANS



## THE STATE MUST DEVELOP A PROCESS FOR MOVING INTO THE FUTURE

KEY LEADERS ARTICULATE PHILOSOPHY/POLICY

EMPOWERMENT OF DEPARTMENT HEADS; MISSION AND GOALS

TASK FORCES FLESHOUT COMPENSATION PROGRAMS

STAKE HOLDERS HAVE INPUTS AND IMPACTS

MEASURES OF SUCCESS AND TIMETABLES ARE FORMED

RESOURCES ARE DETERMINED AND FUNDS APPROPRIATED

COMMUNICATION PROGRAMS ARE DESIGNED AND IMPLEMENTED

PAYBACKS COME THROUGH PRODUCTIVITY ENHANCEMENTS FROM  
EFFICIENT, EFFECTIVE, MOTIVATED WORKFORCES

**GOVERNOR'S MANAGEMENT REVIEW COMMISSION  
COMPENSATION TASK FORCE**

**INTERVIEW FINDINGS**

Listed below are key issues and findings obtained from interviews of State officials and Policy makers. These items reflect the interpretation of the interviewer and the views of the officials interviewed. Individuals interviewed included the State Treasurer, commissioners of the Departments of Personnel and Labor, and executives concerned with human resources and operations in several major departments.

1. The State compensation systems are overly complicated and complex, a "crazy quilt" according to one individual. They appear to have developed rules and regulations to cover every conceivable decision or abuse that may have occurred at any time in the past.

2. The system has been developed to protect the employees from those that manage the "business". There is a built in mistrust of the managers. In an era of blatant patronage and politics the system made sense. In an era of strong union and legislative protection the continuation of such a system is questionable at best.

3. There is little or no elements of long term policy or unified philosophy in the current programs. They have evolved individually to meet perceived needs without any overall strategy. Since policy makers may be changed periodically with every general election the lack of long term strategy is understandable.

4. Although there is a stated "policy" of paying for performance, the reality is individuals are paid to remain in their jobs (seniority/tenure based) and not get in trouble. The best employees are often rewarded by promotion assuming they pass the required entrance tests and are the most senior.

5. Many managers feel they are restricted from managing their business by the Compensation system. Instead of acting as a tool to help them, it is a hindrance.

6. The system proposes to promote "internal equity", often at the expense of reality or those that strive to excel. Internal equity, although a priority, has gradually been distorted through the negotiation and arbitration process. In addition distortions occur through reevaluation of positions that may be "pumped up" to reward some employee with a higher grade.

7. There is little reward available in the base salary system for those that strive to excel. Most employees are given the same incremental raise based upon time in position and satisfactory performance. Those above \$50,000 don't receive an automatic raise, but one based upon a performance rating. However they often don't receive any raise higher than the rest of the employees.

8. Temporary problem fixes, short term thinking and political solutions to perceived public pressure have gradually taken away the ability for the State to effectively manage in a least cost, most effective manner.

9. There is no reward for highly skilled professionals to remain in the jobs in which they are best. In order to receive higher compensation levels they must become supervisors or managers. The State ends up in some cases loosing by getting a less than perfect manager, a dissatisfied employee and the loss of the individual's technical talent.

10. The State gets very little from the negotiation process beyond a no strike agreement. It basically distributes the available dollars up to what ever the budget will bear or the public will tolerate. There is no sense of ability to pay or getting anything in return in for the increased wages.

11. The public is naive in that they demand more and higher quality and are loathe to pay for it. There is a constant perception that somewhere there are "Fat Cats" eating up their tax dollars. Anyone above some compensation level, \$50,000 ?, is suspect as long as they are not in a union.

12. The State has restricted themselves in some cases by the way they administer their systems. Restrictive work rules, and narrow job classifications are some examples.

13. The negotiation process seems to be somewhat one sided and isolated in the perception of many state officials. They do not seem to have any input to the process or in developing the strategy.



14. The \$50,000 cap system was widely criticized as causing managers difficulty in rewarding employees consistently. It appears this short term policy has been partly responsible for driving employees to become represented. Some units, Corrections and the State Police, have all but the highest level managers in represented groups. This has made managing even more difficult and reduces the States ability to respond to changes and outside demands.
15. Several individuals suggested the State might not be in a good position with their unions. Some functions may not be able to take a strike. These include Corrections and the State hospitals.
16. The State appears to have a great many dedicated employees. They want to do their best and succeed. There was concern the various systems might be preventing this from happening.
17. The ability of the State and its leaders to make significant changes was questioned. Change is not one of the things a highly structured organization does best. It will take a great amount of effort and short term cost to carry out changes to the State's compensation system. Many felt the odds were against success.
18. The compensation system is very internally oriented. There is little concern about what pay levels or pay practices are normal or what trends are occurring nationally or locally. The only time the outside world affects pay rates is when the State can't hire or retain the workers it needs.
19. The State compensation systems are highly centralized in developing policy and programs. The administration is somewhat decentralized to a small degree. This high centralization does assure uniformity of practices and their application. If this uniformity is a philosophy the State wishes to pursue then the current systems are well designed.
20. Many individuals felt the current job evaluation system had outlived its usefulness. They felt the system did not recognize the worth of certain service positions. In addition distortions have crept into the evaluations through inaccurate statements of job responsibilities. The factors used were also questioned.

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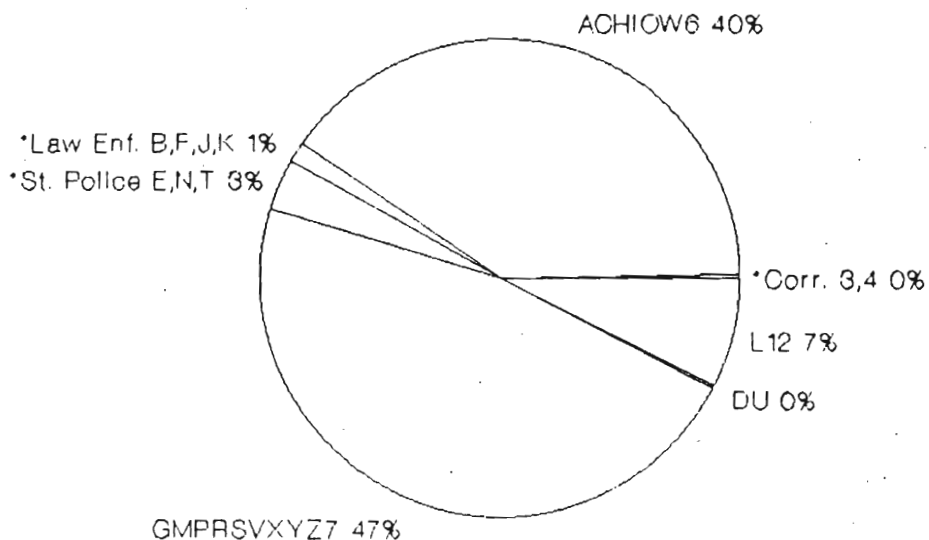
EMPLOYEE RELATIONS GROUP (ERG)	CATEGORY	UNION	NO. OF STATE EMPLOYEES	% OF STATE EMPLOYEES	SALARY SCHEDULE
P	PROFESSIONAL	CWA	12,954	17.3	GMPSVXYZ7
R	PRIMARY SUPERVISORS	CWA	12,177	16.2	GMPSVXYZ7
A	ADMINISTRATIVE CLERICAL	CWA	11,760	15.7	ACHTOW6
H	HEALTH CARE & REHABILITATION SERVICES	AFSCME	10,013	13.3	ACHTOW6
L	LAW ENFORCEMENT - CORRECTIONS	PBA	4,936	6.6	L12
O	OPERATIONS, MAINTENANCE & SERVICES	IFPTE	4,871	6.5	ACHIOW6
S	SUPERVISORS SECONDARY LEVEL	CWA	2,658	3.5	GMPSVXYZ7
I	INSPECTIONS & SECURITIES	IFPTE & LOCAL #518	1,836	2.4	ACHIOW6
T	STATE TROOPERS	STFA	1,756	2.3	T
C	CRAFTS	IFPTE	1,418	1.9	ACHIOW6
F	LAW ENFORCEMENT NON-CORRECTIONS	PBA	791	1.1	F
N	STATE POLICE NON-COMMISSIONED OFFICERS	STNCOA	638	0.9	N
2	PRIMARY SUPERVISORS LAW ENFORCEMENT CORRECTIONS	PBA	422	0.6	L12
1	CORRECTION LIEUTENANTS	PBA	238	0.3	L12
K	PRIMARY SUPERVISORS LAW ENFORCEMENT NON-TROOP	NJLESA	140	0.2	JK
4	CORRECTIONS CAPTAINS	REPRESENTED	61	0.1	4
J	SUPERVISORS SECONDARY LEVEL LAW ENFORCEMENT NON-TROOP	NJSOLEA	50	0.1	JK
U	STATE COLLEGE & CERTAIN PROFESSIONAL STAFF	NJSFT-AFT	2	0.0	DU
TOTAL REPRESENTED			66,721	89.0	
M	MANAGERIAL	NON REPRESENTED	4,641	6.1	GMPSVXYZ7
X	UNREPRESENTED	NON REPRESENTED	2,097	2.8	GMPSVXYZ7
W	ADMINISTRATIVE CLERICAL UNREPRESENTED	NON REPRESENTED	317	0.4	ACHIOW6
Z	PRIMARY SUPERVISORS UNREPRESENTED	NON REPRESENTED	286	0.4	GMPSVXYZ7
Y	PROFESSIONAL UNREPRESENTED	NON REPRESENTED	281	0.4	GMPSVXYZ7
V	SUPERVISORS SECONDARY LEVEL UNREPRESENTED	NON REPRESENTED	260	0.3	GMPSVXYZ7
E	MANAGERIAL & EXEMPT STATE POLICE	NON REPRESENTED	215	0.3	E
D	MANAGERIAL & EXEMPT HIGHER EDUCATION	NON REPRESENTED	122	0.2	DU
3	MANAGERIAL LAW ENFORCEMENT CORRECTIONS	NON REPRESENTED	81	0.1	3
B	MANAGERIAL LAW ENFORCEMENT NON-STATE POLICE	NON REPRESENTED	5	0.0	B
TOTAL NON REPRESENTED			8,305	11.0%	
GRAND TOTAL			75,026	100.0%	

Note: Only the (non-faculty) segment of Higher Education is Included in this chart

SOURCE - DOP Employee File DATE - June 1990



## PERCENT OF EMPLOYEES ON EACH OF THE 12 SALARY SCHEDULES



\*SCHEDULES COMBINED SEE BELOW

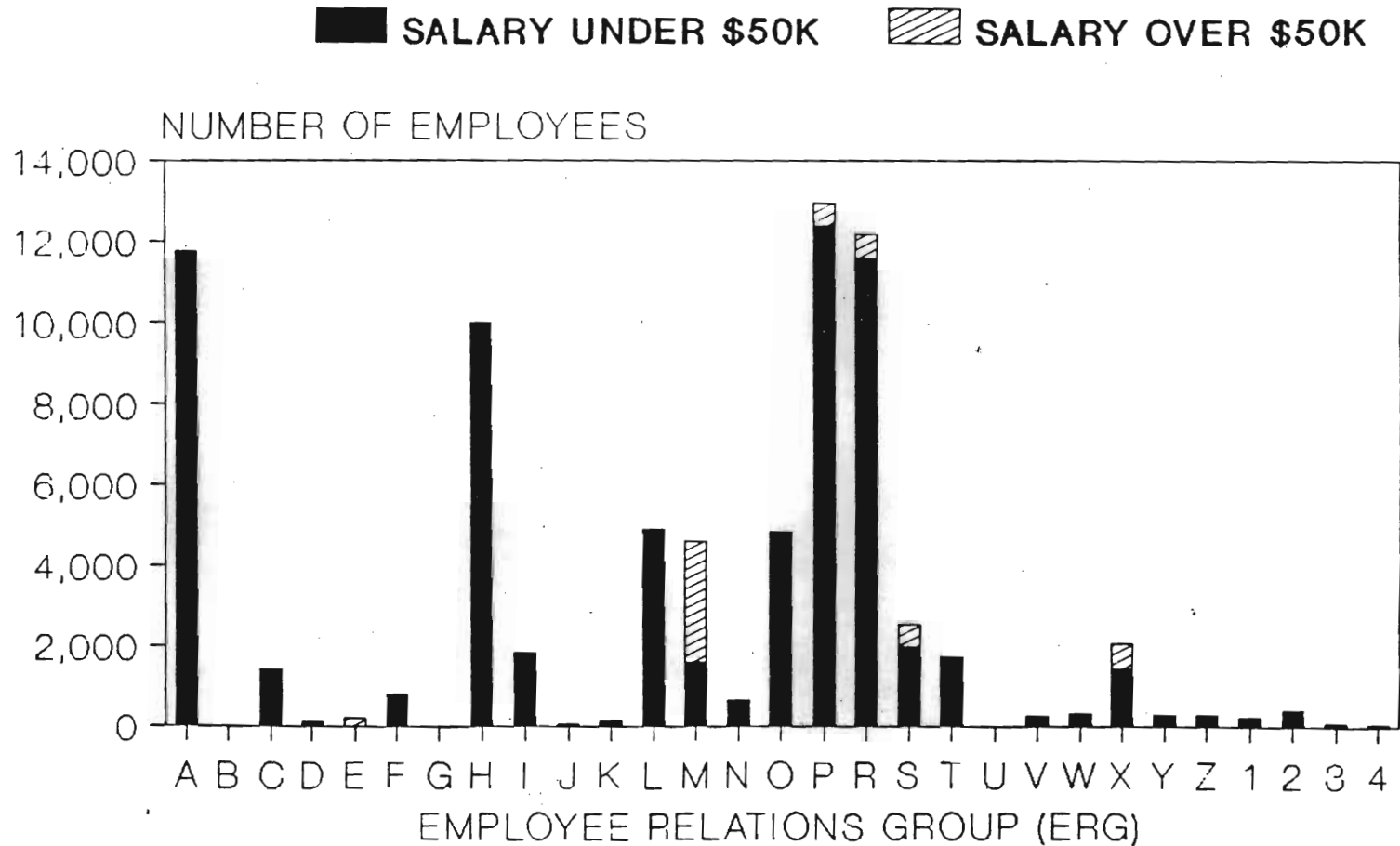
## NUMBER OF EMPLOYEES ON EACH OF THE 12 SALARY SCHEDULES

<u>Salary Schedule</u>	<u>No. of Employees</u>	<u>% of Total</u>
GMFRSVXYZ7	35,244	47.0
ACHLOW6	30,215	40.3
L12	5,596	7.5
T	1,756	2.3
F	791	1.1
N	638	0.9
E	215	0.3
JK	190	0.3
DU	124	0.2
3	81	0.1
4	61	0.1
B	5	0.0
TOTAL	74,916	100.0

Source: DOP EMPLOYEE FILE, JUNE 1990



## DISTRIBUTION OF STATE EMPLOYEES BY ERG



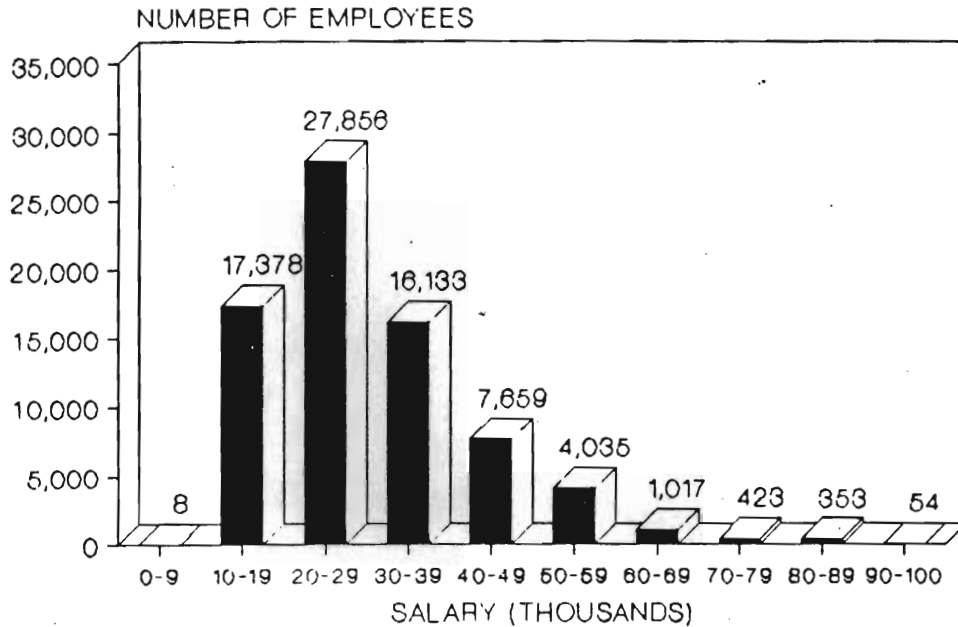
TOTAL EMPLOYEES 74,916

Source: DOP EMPLOYEE FILE, JUNE 1990



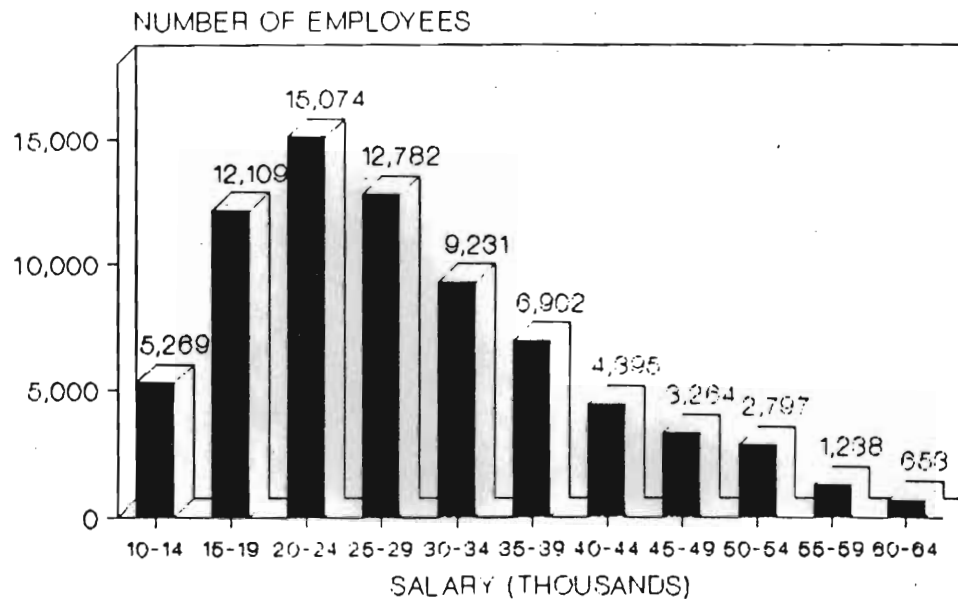


## DISTRIBUTION OF STATE EMPLOYEES BY SALARY



TOTAL NUMBER OF EMPLOYEES 74,916

## DISTRIBUTION OF STATE EMPLOYEES (\$10-\$65K)



TOTAL EMPLOYEES 73,714

Source: DOP EMPLOYEE FILE, JUNE 1990



**SALARY VS. HAY POINTS**  
**BARGAINING IMPACT (1979-1990)**

TITLE	HAY POINTS	RANGE	<u>MINIMUM SALARY</u>		<u>MAXIMUM SALARY</u>	
			1979	1990	1979	1990
Senior Safety Inspector	353	I-18	\$12,589	\$23,162	\$16,994	\$32,424
Program Coordinator	332	H-18	\$12,589	\$23,162	\$16,994	\$32,424
Program Assistant Financial	352	P-18	\$12,589	\$23,196	\$16,994	\$32,471
Office Supervisor	353	S-18	\$12,589	\$23,196	\$16,994	\$32,471
Trooper II*	353	T-18	\$12,589	\$29,014	\$16,994	\$39,588
Senior Corrections Officer (40 hrs)	308**	L-18	\$12,589	\$28,650	\$16,994	\$39,848

**NOTE:** Unless noted all titles are NL workweek and salary schedule effective 9-29-90  
40 Hr workweek is compensated one range higher than NL workweek

\* Effective 7-1-89, NJSP and OER in binding arbitration.

\*\*Although evaluated one range lower than other survey titles, compensation is adjusted upward based on workweek.





## PERFORMANCE ASSESSMENT DATA - FY'90

DEPARTMENT	TOTAL RATED	TOTAL ELIGIBLE	% RATED	TOTAL UNSAT.	UNSAT. AS A PERCENT OF RATED EMPLOYEES
Agriculture	180	235	77%	0	0.00%
Banking	135	148	91%	0	0.00%
BPU	98	390	25%	0	0.00%
Commerce	69	179	39%	0	0.00%
Community Affairs	1015	1049	97%	0	0.00%
Corrections	5695	9718	59%	3	0.05%
Education	1165	1315	89%	5	0.43%
Environ. Protection	2462	3894	63%	4	0.16%
Health	782	1721	45%	1	0.13%
Higher Education	3414	3950	86%	4	0.12%
Human Services	18562	23414	79%	16	0.09%
Insurance	235	449	52%	2	0.85%
Judiciary	205	216	95%	2	0.98%
Labor	2632	4263	62%	6	0.23%
Law & Public Safety	4170	8157	51%	7	0.17%
Military Affairs	1127	1505	75%	1	0.09%
Personnel	410	515	80%	0	0.00%
Public Advocate	320	1046	31%	0	0.00%
Public Broadcasting	207	211	98%	0	0.00%
State	347	502	69%	0	0.00%
Transportation	5092	5455	93%	7	0.14%
Treasury	<u>3330</u>	<u>6141</u>	<u>54%</u>	<u>2</u>	<u>0.06%</u>
<b>TOTALS:</b>	<b><u>51652</u></b>	<b><u>74473</u></b>	<b><u>69%</u></b>	<b><u>60</u></b>	<b><u>0.12%</u></b>

## SURVEY POPULATION INCLUDES:

SES, Unclassified, Represented and Employees with less than 1 year rating period.



NEGOTIATED SALARY INCREASES

1980 - 1992

	GROUP I	GROUP II	GROUP III	GROUP IV
<u>Fiscal Year</u>	<u>Amount of Increase</u>	<u>Amount of Increase</u>	<u>Amount of Increase</u>	<u>Amount of Increase</u>
91/92	5.5%	5.5%	6.5%	(3)
90/91	4.5%	4.5%	6.5%	(3)
89/90	4%	4%	6%	7%
88/89	5%	5%	7%	7%
87/88	5%	5%	7%	7%
86/87	6%	6%	7%	7.4%
85/86	8%	6%	8%	8.4%
84/85	7% (1)	6%	7%	5.4%
83/84	(2)	3%	9%	9%
82/83	7%	7%	7-9%	8%
81/82	10%	10%	10%	10%
80/81	6.5%	6.5-7%	6.5-7%	7%

GROUP I - Clerical, Crafts, Health Care and Rehabilitation Service  
Inspection and Maintenance

GROUP II - Professional and Supervisory Titles

GROUP III - Law Enforcement excluding State Police

GROUP IV - Law Enforcement State Police Troopers

(1) Additional cash payment of \$400 + 3% of salary

(2) Cash payment of \$300

(3) In arbitration

**Note:** There were also extra dollar increases for specific titles, ranges and steps that were not included in the above charts.



**COMPARISON OF SALARY RANGE MID-POINT  
FY 1990 (in \$)**

**Salary Schedules**

<u>RANGE</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>
20	29,326	29,927	29,370	34,153	34,759	32,792		34,801	35,692	34,986	35,398	34,791
21	30,794	31,425	30,840	35,862	36,469	34,405		36,543	37,897	36,738	37,139	36,533
22	32,332	32,995	32,380	37,653	38,260	36,094		38,368	38,577		38,964	38,357
23	33,950	34,646	34,000	39,537	40,144	37,872		40,288	40,129		40,883	40,276
24	35,644	36,374	35,696	41,509	42,116	39,732		42,297	41,754		42,882	42,285
25	37,431	39,198	37,487	43,591	44,198	41,696		44,419	43,469		45,013	44,406
26	39,303	40,108	39,361	45,771	46,378	43,753		46,640	45,265		47,233	46,627
27	41,269	42,114	41,330	48,060	48,667	45,912	49,670	48,973	47,152		49,565	48,959
28	43,333	44,221	43,397	50,464	51,071	48,180		51,422			52,015	51,408
29	45,500	46,431	45,567	52,987	53,594	50,561		53,993			54,585	53,978
30	47,772	48,751	47,843	55,634	56,241	53,058		56,690			57,281	56,674
31	50,164	51,192	50,239	58,420	59,027	55,686	60,377					
32	52,673	53,752	58,751	61,341	61,948	58,442						

<u>Salary Schedule</u>	<u>ERG *</u>	<u>Salary Schedule</u>	<u>ERG *</u>	<u>Salary Schedule</u>	<u>ERG *</u>
1	ACHIW6	5	3	9	N
2	DU	6	4	10	T
3	GMPRSVXYZ7	7	E	11	L12
4	B	8	F	12	JK

\* See Appendix 2 for ERG Descriptions





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Titles with Authorized Hiring Rates (AHR)

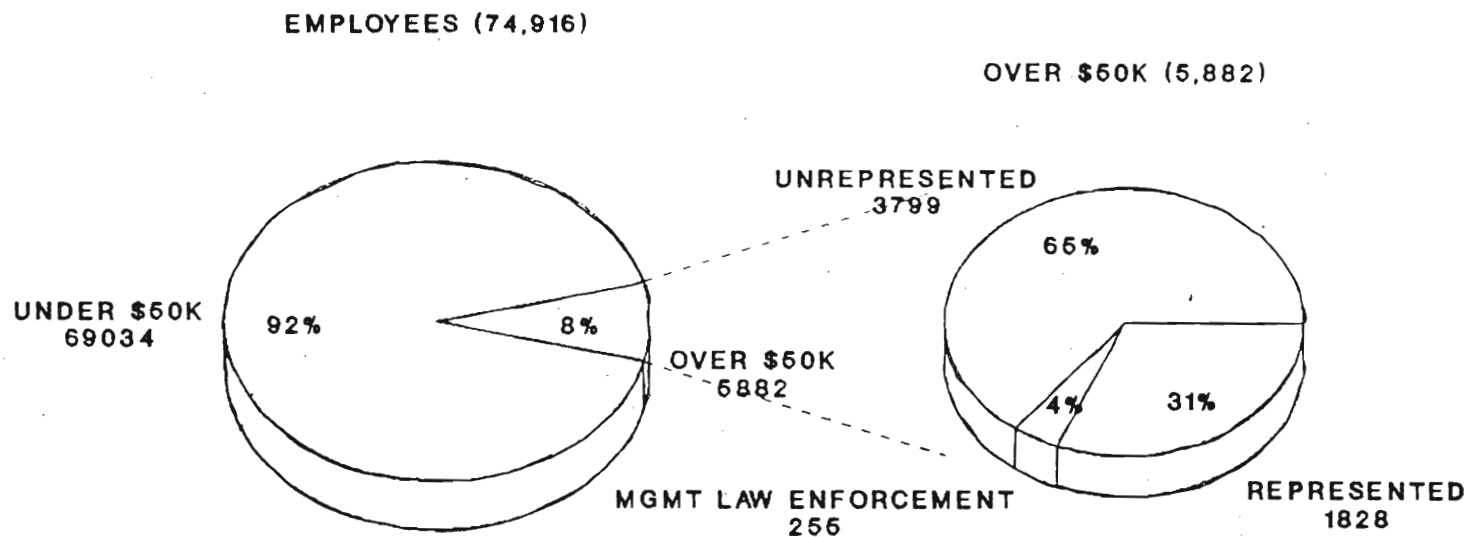
Title Name	Minimum Created Step prior to:
ACCOUNTANT 3	2 1980
ACCOUNTANT/AUDITOR 4 DP	2 1980
ARCHITECTURAL ASSISTANT	5 1980
ASSISTANT ENGINEER Titles	5 1980
ASSISTANT GEOLOGIST	5 1980
ASSISTANT LANDSCAPE ARCHITECT	2 1980
ASSISTANT PLANNER	2 1980
BOAT ATTENDANT	5 1980
BRIDGE OPERATOR TRAINEE	3 1980
BRIDGE REPAIRER 2 TRANS	3 1980
BUDGET ANALYST 3	2 1980
CLAIMS EXAMINER UI DI	2 1980
CLAIMS REVIEWER	4 1980
COMMUNITY PROGRAM ANALYST 3	2 1980
CONSTRUCTION REPAIRER 2 TRANS	3 1980
ELECTRICAL MECHANIC TRAINEE	3 1980
ENVIRONMENTAL SPECIALIST	2 1980
EQUIPMENT OPERATOR	2 1980
EXAMINER EDUCATION CREDENTIALS	2 1980
EXAMINER UNEMPLOYMENT TAX	2 1980
FISHERIES WORKER	2 1980
HIGHWAY MARKER	3 1980
INSURANCE EXAMINER 3	2 1980
INTERVIEWER	2 1980
INVESTIGATOR 3 CONSUMER PROTECTION	2 1980
MAINTENANCE WKR-BOAT OPERATOR	5 1980
MAINTENANCE WORKER 1	4 1980
MAINTENANCE WORKER 1 P I P	4 1980
MAINTENANCE WORKER 1 TRANS	4 1980
MAINTENANCE WORKER 2	5 1980
MAINTENANCE WORKER 2 TRANS	5 1980
MANAGEMENT ASSISTANT	2 1980
MECHANIC HELPER	4 1980
MECHANIC TRAINEE	3 1980
OPERATIONS ANALYST	2 1980
POLICE OFFICER P I P	4 1980
PRACTICAL NURSE	4 1980
PRINCIPAL ENGINEER Titles	2 1980
REPAIRER	3 1980
REPAIRER MECHANICAL	3 1980
RIGHT OF WAY NEGOTIATOR	2 1980
SENIOR ENGINEER Titles	4 1980
SIGN FABRICATOR	2 1980
STAFF CLINICAL PSYCHOLOGIST 3	2 1980
STATISTICAL ENGINEER 3	3 1980
STATISTICIAN	2 1980
TRANSMITTER ENGINEER P B A	2 1980
TRUCK DRIVER HIGHWAY	4 1980
TRUCK DRIVER SINGLE AXLE	3 1980
TEST DEVELOPMENT SPEC 2 ENGINEERING	2 1985
TEST DEVELOPMENT SPEC 3 ACCOUNTING	2 1985
TEST DEVELOPMENT SPEC 3 ENGINEERING	4 1985

Titles with Authorized Hiring Rates (AHR)

Title Name	Minimum Created Step prior to:
TEST DEVELOPMENT SPEC 4 ACCOUNTING	4 1985
TEST DEVELOPMENT SPEC 4 ENGINEERING	5 1985
DATA PROCESSING PROGRAMMER TECHNICIAN	2 1986
INSURANCE ANALYST 4	2 1986
ENGINEER 2 HAZARDOUS SITE MITIGATION ADMINISTRATION	2 1987
ENGINEER 3 HAZARDOUS SITE MITIGATION ADMINISTRATION	4 1987
ENGINEER 4 HAZARDOUS SITE MITIGATION ADMINISTRATION	5 1987
HAZARDOUS SITE MITIGATION SPECIALIST 4	2 1987
OPERATING ENGINEER 1	6 1987

# PERCENT OF EMPLOYEES BY SALARY

REPRESENTED EMPLOYEES EARNING OVER 50K  
ARE NOT IN THE SALARY CAP PROGRAM

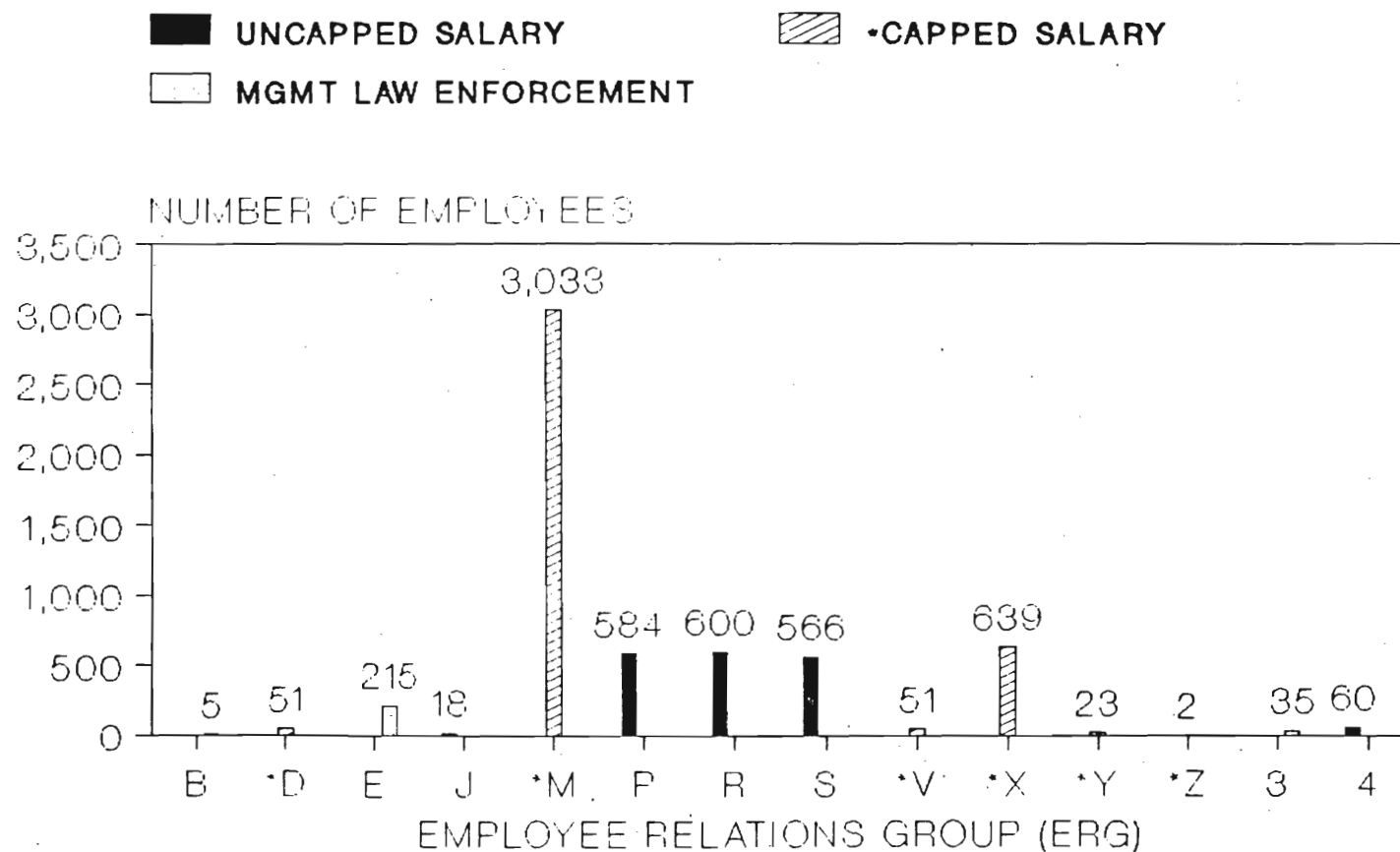


Source: EMPLOYEE FILE, JUNE 1990





## DISTRIBUTION OF STATE EMPLOYEES BY ERG EARNING \$50K OR MORE



TOTAL EMPLOYEES 5,882

Source: DOP EMPLOYEE FILE, JUNE 1990



## FACT SHEET ON THE RETIREMENT INCENTIVE INITIATIVE

**PURPOSE:** This proposal is offered in an effort to reduce State government costs and minimize involuntary employment reductions.

### ELIGIBILITY:

Employees who are at least age 50 with 25 or more years of service.

Employees who are at least age 60 with 20 to 24 years of service.

### INCENTIVE:

Additional 5 years of service credit

Eligible for free health coverage

There are approximately 2,900 employees in the 50/25 group, and an estimated 950 would retire. Those who meet the service requirement of 25 years but who are not yet 55 would be subject to the reduction factor for early retirement (1/4 of 1% for each month under age 55). The additional service year credit incentive would result in an estimated 8% increase in benefits, at an average estimated annual value of \$3,000.

There are approximately 1,100 employees in the 60/20-24 group, and an estimated 335 would retire. This group is not currently eligible for free health coverage.

Employees would have to meet the age and service requirements by June 30, 1991.

Retirements would be effective July 1, 1991.

### COSTS:

\$7.4 million for the initial year with 3.86% increase each year for 27 years if funded through the pension fund accrued liability.

### SAVINGS:

\$49.3 million in Salaries

\$ 7.4 million in Pension and Social Security Contributions

**TOTAL - \$56.7 million**







