

**FINAL REPORT:
REFORM OF THE CLASSIFIED
COMPENSATION PLAN**



**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**

**Commission on Reform of the
Classified Compensation Plan**

January 14, 2000

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Preface

Item 546.S. of the 1998 Amendments to the 1998 Appropriation Act established the Commission on Reform of the Classified Compensation Plan. The Commission was charged with recommending reforms to the Commonwealth's classified compensation plan. Required provisions for the Commission to consider in its recommendations included establishing a state-wide compensation program that provides flexibility to meet state workforce needs; performance-based salary increases; a stable funding mechanism; a revised means of gauging the competitiveness of state classified salaries and employee benefits; a clear definition of roles of the Department of Personnel and Training and state agencies in the administration of the new classified pay plan; and an employee communications program. Optional provisions for the Commission to consider in its recommendations included multiple pay plans and broad occupational classes; a team approach to performance increases; elimination of fixed pay steps; alternative rewards, and; other modern compensation features, as deemed appropriate for a large, multi-site employer.

The Commission's work began in September 1998. This report provides the final recommendations of the Commission's work and integrates information contained in the Interim Commission Report dated January 15, 1999 and the Joint Commission on Management of the Commonwealth's Workforce (*Workforce Commission*) 1994 Exposure Draft.

Senator Benjamin J. Lambert III
Co-Chairman

Delegate Lacey E. Putney
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_____, 1999

Executive Summary

The Commonwealth of Virginia employs approximately 63,000 classified employees with an annual payroll of approximately 2.3 billion dollars. The classified personnel system that supports this large investment should provide state agencies a framework for the effective delivery of services to the citizens of the State. The classification and compensation components of the personnel system are in need of change in order for agencies to continue to effectively carry out their missions. Government leaders, agency heads, state employees and managers, as well as the Virginia Governmental Employees Association (VGEA), recognize the need for major change.

The State's current classified compensation system has existed in its present form since the sixties. The basic elements of the current system have remained the same for some forty years. A study conducted by Worldwide Watson Wyatt in 1994, an international human resources consulting firm, identified many major deficiencies in the current system. In 1994, the Workforce Commission released an Exposure Draft with specific recommendations in the form of objectives on how to address these major deficiencies. These objectives were again highlighted and adopted by the Commission on Reform of the Classified Compensation Plan's in the Interim Report dated January 15, 1998. Notable findings in the 1994 Exposure Draft and the 1998 Interim Report were:

- The current system's method of linking pay to performance has been problematic due to inconsistent funding, in part, caused by the current graded pay plan's design with fixed steps (fixed percentages) that require the appropriation of dollar amounts associated with pay steps (one step - 2.25%; two steps - 4.54%; three steps - 6.97%).
- The classifications in the current classified system are too narrowly defined, which do not support a more dynamic and changing state workforce.
- The current classified pay practices have not been changed since the sixties and are out-of-date with the pay practices of public and private employers with whom the Commonwealth competes for skilled employees.
- The current system's restrictions on in-range pay adjustments and other modern pay practices have resulted in a dependence on the widespread reclassification of positions and promotions to provide employee salary increases.
- The current classified pay system has created significant salary compression issues, as an outcome of a need to hire new employees at higher salaries, while current employees have barely moved in their respective pay grade (salary range).

To address the above issues and to assist the Commission, a Technical Advisory Committee (TAC) was established to serve as internal consultants to the Commission. The TAC was comprised of central agency representatives, chief human resource officers from agencies, and legislative fiscal analysts from the Senate Finance Committee and House Appropriations Committee. In addition, an Employee Advisory Committee (EAC) was established to provide input and feedback to the Commission and the TAC. The EAC was comprised of non-management classified employees from agencies.

As internal consultants to the Commission, the TAC facilitated the new pay plan design by organizing into six teams: Classification and Pay Structure Team; Performance Management Team; Pay Practices Team; Training and Communications Team; Survey Methodology Team; DPT/Agency Roles and Responsibilities Team.

The Commission met seven times during 1999 to hear the recommendations of the TAC and to provide direction. During this time, the Commission considered a number of different reform options. Based on these options, the Commission directed the TAC to combine two of the four options presented. The four options were: 1) to keep the current system with no changes; 2) to modify the current system by adding new pay practices and stepless pay ranges; 3) to establish three pay plans (Management, Administrative and Professional Plan; Public Safety Plan; Non-Exempt/Support Personnel Plan); and 4) to establish one pay plan with variable salary ranges for each classification. The Commission directed the TAC to combined the best practices of options three and four, which is being recommended in this report.

In addition, the Commission defined the following transition assumptions and directed the TAC to incorporate these into the design of the new plan. These major transition assumptions are as follows: 1) no employee gains or loses money in the transition (cross-walk) to the new plan; 2) future salary increases will come from the implementation of the new plan; 3) training and communication are essential during the start up and ongoing maintenance of the new plan; 4) the new plan must be performance-based; 5) the new plan would incorporate modern compensation practices; and 6) the new plan should be implemented during the 2000-02 biennium.

The Commission accepts the TAC's proposed design of the new plan and recommends the following major reforms be implemented. (See Section II: Recommendations for additional detail.)

- **Recommendation 1: Pay Structure**

The Commission recommends the establishment of a new pay structure with nine (9) pay bands, which are stepless versus the existing twenty-three (23) pay grades with pay steps.

- **Recommendation 2: Classification Consolidation**

To promote consistency throughout the State and enable career progression within job families, the Commission recommends that the existing 1,650 classifications be merged into approximately 275 new broader job groupings called "roles."

- **Recommendation 3: Career Growth**

The Commission recommends that the new plan support career growth by implementing new job groupings called occupational families, career groups and roles. New Career Group Descriptions will be written to define these new career groups and roles.

- **Recommendation 4: Job Evaluation Methodology**

The Commission recommends that the Commonwealth continue to use the position classification method in determining the minimum and maximum worth of each job in the new plan (i.e., the level of compensation appropriate for the type of work). The Commission further recommends the establishment of new compensable factors, such as complexity of work, results, and accountability, to replace the seven compensable factors currently used to determine the relative worth of each "role".

- **Recommendation 5: Survey Methodology**

The Commission recommends the establishment of a new salary survey methodology to ensure that classified salaries are competitive with appropriate public and private sector markets.

- **Recommendation 6: Performance Management**

The Commission recommends a new performance management program with three (3) rating levels to replace the existing five (5) rating levels. In addition, the Commission recommends the new program incorporate optional features such as employee upward feedback on supervisor performance, employee self-assessment, and team/individual supervisory appraisal.

- **Recommendation 7: Pay Practices**

The Commission recommends the establishment of new pay practices such as, in-range pay adjustments, rewards and recognition programs. It also recommends revisions to existing pay practices such as starting pay, promotion, reallocation, and lateral transfer to make the system more flexible.

- **Recommendation 8: Training and Communication**

The Commission understands that successful implementation of the recommended pay plan will depend on the training of managers and employees, and endorses a comprehensive and on-going training effort.

- **Recommendation 9: DPT/Agency Roles and Responsibilities**

The Commission recommends that administration of the new plan have an appropriate set of management controls and accountabilities assigned to DPT and agencies. Therefore, the Commission recommends a multi-tiered comprehensive training program that will train all managers and employees.

- **Recommendation 10: Funding of New Plan**

The Commission recommends approval of the proposed funding to implement the new plan; furthermore the Commission intends to recommend a stable funding mechanism during CY 2000.

- **Recommendation 11: Continuation of the Commission**

The Commission recommends that its charge and its advisory committees be continued through the next biennium, through June 30, 2002, to monitor the implementation of the new classified compensation plan.

Section I: Introduction

A. Compensation Goals and Objectives

As the Commission discussed at its first meeting, no organization establishes a human resource system – including the compensation system – for its own sake. They are established to support organizational goals. Before any determination can be made concerning the compensation system that best fits an organization’s goals, it is essential that the goals be clearly identified.

The major goals of a compensation system vary little from one organization to another, and have been clearly defined in professional literature and in modern compensation practice. As a result, the Commission reaffirms the four compensation goals identified in the 1994 Workforce Commission report.

- GOAL 1: **Attract** qualified employees;
- GOAL 2: **Retain** qualified employees;
- GOAL 3: **Motivate** employees by rewarding sustained performance, and;
- GOAL 4: **Support** line management in the realization of organizational objectives.

While the first three goals are traditional, textbook ones for any compensation system, the 1994 Workforce Commission identified the fourth goal. This Commission supports the fourth goal, as it is consistent with the current thinking in the field of public administration. The lack of a specific goal relative to line agency support, when coupled with the one size fits all approach of the current classified compensation system, has allowed the compensation system to lose focus. Hence, the current system is slow to respond to the pace of organizational change and the nature of high-performing organizations where jobs are dynamic and not static.

Most of the objectives to change the current classified compensation system identified by the 1994 Workforce Commission are the same objectives identified by the Commission on Reform of the Classified Compensation Plan. The compensation objectives are as follows:

- The Commonwealth should redesign its present compensation system to establish a better fit with the objectives of a large, [multi-site employer] public sector organization as it moves into the twenty-first century.
- The Commonwealth's job worth system should be revised to:
 - Minimize administrative effort;
 - Be clearly understood by both managers and employees;
 - Increase flexibility of management and employees to define job duties; and
 - Allow employees to grow and assume greater responsibility in a job without encountering undue restrictions inherent in the current classification system.
- The revised system should recognize the differing organizational and demographic factors affecting job groupings by providing for different evaluation methods to fit major categories of work.

In the 1990's, when all levels of government are being asked to provide the same – or increased levels – of service with fewer resources, state personnel systems must be *flexible and adaptable* if they are to meet the needs of a modern information and service-oriented organization. Models exist – often adapted from the private sector – that provide greater flexibility and productivity than is typical of public sector personnel systems. Since 1994, many states have embarked on reforms of their antiquated “civil service” systems that were modeled after the federal government. Even the federal government has made significant strides in implementing more modern compensation practices that provide greater flexibility and productivity than is typical of public sector -- “civil service” -- compensation systems. Sixteen states in the last five years have made significant changes to their state personnel (compensation) systems. Many more states are considering reforming parts or all of their state personnel (compensation) systems.

In all of these reforms, two themes appear to move to the forefront:

- 1) The need of the compensation plan to support line management in the realization of organizational objectives.
- 2) The need of the compensation plan to be flexible to adapt to differing organizational and demographic needs, and an ever-changing environment.

B. Constraints of Current Classified Compensation Plan

The issue at hand is whether the classified compensation plan, as currently structured and implemented, can continue to meet the Commonwealth's compensation goals. The research by this Commission and the 1994 Workforce Commission has identified many problems with the Commonwealth's classified compensation system. The Commission noted several of the more systemic problems that are regularly identified:

- Many pay ranges are probably not properly aligned with the job market.
- Salaries paid to many employees are probably not competitive with their private sector counterparts, given their experience and performance.
- The pay for performance program no longer functions to move employees through their pay grades due to a lack of consistent funding.
- Current pay practices for compensating and rewarding employees are out of sync with today's modern compensation practices and are a barrier to organizational effectiveness and worker productivity.

The current salary survey methodology has several insufficiencies, resulting in a loss of credibility with managers and employees. This can be attributed to several factors:

- The percentage of responses to the current survey has been low, and the participants completing the survey vary widely from year-to-year. The survey process focuses primarily on the State-level and does not consider national, regional, or local markets.
- The survey primarily focuses on lower level job titles; no titles above current salary grade 14 are surveyed.
- Most employees are unaware of the survey process, and do not have access to information about their salaries relative to the market, or the value of their total compensation (including benefits).

One of the most significant problems stated by agencies is the lack of flexibility to effectively address compensation issues within the current classified compensation plan. As a result, agencies attempt to work around the system's limitations through pay differentials, creative regrades and reallocations. While these actions may result in more appropriate pay levels

within agencies, they also begin to erode the system's credibility. In some cases, agencies have "opted out" of the classified compensation plan through legislative action – by codified autonomy or by becoming an independent state agency. Unless major reform is carried out, the likelihood of more agencies "opting out" will continue.

It is widely held by agencies that the current classified compensation plan is becoming more out of step with modern practices that are key to increasing the effectiveness and productivity of the workforce. *In short, the Commonwealth's classified compensation system no longer achieves its four major goals.*

Section II: Recommendations

In the subsequent sections, the Commission presents recommendations for reforming the classified compensation plan. The Commission adopted nine (9) best practice criteria to evaluate the various plan options/recommendations presented by the TAC. These criteria included: a) supports performance-based pay; b) supports broad occupational classes; c) supports stepless pay ranges; d) supports alternative rewards; e) supports modern compensation practices; f) supports career professional/growth; g) supports dynamically changing jobs; h) supports flexibility in addressing state workforce needs; and i) supports market variability.

The recommendations are sweeping in scope and design to support the classified workforce as the Commonwealth moves into the 21st century. The pace of change in the state's economy, and the myriad of state missions and services provided to the citizens of the Commonwealth require that its workforce be the best possible. The following recommendations achieve the charge given to the Commission and address many of the objectives as outlined in the January 15, 1999 Interim Commission report (See Appendix).

Recommendation 1: Pay Structure

The Commission recommends the establishment of a new pay structure with nine (9) pay bands, which are stepless versus the existing twenty-three (23) pay grades with pay steps.

Within the current system, which has evolved since 1980, the relative worth of each job (i.e., the level of compensation appropriate for that type of work) is determined by using the Position Classification method. Under this method classified employees are grouped into approximately 1,650 job classifications. The employees within each job classification share similar duties. Each job classification is assigned to a specific salary grade in the Commonwealth's classified pay plan, which is administered centrally by DPT. Under this pay plan there are twenty-three pay grades, each divided into 21 salary steps of 2.25 percent each.

Inadequacies in the current pay structure include the following:

- The current pay structure has fixed pay steps that do not allow the use of every dollar between pay steps in a pay grade. This negatively impacts the funding of the Employee Incentive Performance Program.
- The 56% salary range width of the current pay grades is too limiting across the entire pay structure when compared to the marketplace for many types of positions.

The Commission recommends that a more flexible pay structure with expanded pay ranges (“pay bands”) and no pay steps be implemented. Broader pay bands, coupled with the broader roles described in Recommendation 2, have the following common objectives:

- Increases organizational flexibility
- Supports new culture
- Emphasizes career development
- Fosters flatter organization
- De-emphasizes structure/hierarchy
- Supports changes in job/work design

To achieve these objectives, eight (8) pay bands were initially proposed. This was accomplished by grouping together three (3) current pay grades into the eight (8) pay bands. This decision of eight pay bands resulted from a comprehensive review of class specifications in each pay grade. The in-depth review considered similar duties and responsibilities as well as the knowledge, skills, abilities, and qualifications of each classification. Based on the class specification analysis, it was determined that classes across the various occupational areas best fit together when pay grades (1, 2, and 3); (4 and 5); (6, 7, and 8); (9, 10, and 11); (12, 13, and 14); (15, 16, and 17); (18, 19, and 20); and (21, 22, and 23) were grouped together.

The only grouping without three pay grades is Pay Band 2 that combines only pay grades 4 and 5. The review concluded that the grouping of pay grades 1, 2, and 3 had more similar duties and qualifications, as well as, the grouping of pay grades 6, 7, and 8. Also, the job classes in pay grades 4 and 5 were found to be a more similar in their duties and qualifications.

A ninth pay band (beyond Pay Grade 23) was added to specifically address Medical Facility Directors whose salaries in the market are higher than the maximum of our current salary structure. The decision to add a ninth pay band was made to insure that all classified positions in the current system remain in the same pay structure. (See Table 3) There are less than 25 such positions in state government.

It is recommended that the width of the new pay bands be 100 percent from minimum to maximum salary of the pay band. The new pay band ranges result from using the minimum salary of the lowest pay grade and the maximum salary of the highest pay grade in the pay band's grouping. The minimum salaries were established using November 25, 1999 salary ranges. To provide additional growth potential for employees at the top of the highest pay grade in each grouping, approximately 10 percent were added to each pay band. The extra 10 percent also provide additional salary growth for the 3,000 current classified employees who are at the maximum of their respective pay grades. Pay band 2, combining current pay grades 4 and 5 only, was also made 100 percent in order that one pay band not be less in range width than other pay bands. All pay bands will be stepless. (See Table 3)

Table 3: Current Pay Grades and Recommended Pay bands

<u>Grouping of Current Pay Grades</u>	<u>Recommended New Pay bands</u>	
	<u>Band</u>	<u>Min. Max.</u>
○ Grades 1, 2 & 3 + 10%	Band 1:	\$12,689---\$25,378
○ Grades 4 & 5 + 20%	Band 2:	\$16,577---\$33,154
○ Grades 6, 7 & 8 + 10%	Band 3:	\$19,811---\$39,622
○ Grades 9, 10 & 11 + 10%	Band 4:	\$25,881---\$51,762
○ Grades 12, 13 & 14 + 10%	Band 5:	\$33,811---\$67,622
○ Grades 15, 16 & 17 + 10%	Band 6:	\$44,171---\$88,342
○ Grades 18, 19 & 20 + 10%	Band 7:	\$57,706---\$115,412
○ Grades 21, 22 & 23 + 10%	Band 8:	\$75,387---\$150,774
○ Beyond Grade 23	Band 9:	\$98,486---\$ market

- Salaries reflect November 25, 1999 rates
- No individual salary adjustments would result at time of conversion
- Retain differentials

The new pay bands will support employee growth and add much needed flexibility. The pay bands will also assist the Commonwealth in being more competitive to public and private sector markets.

Employees will be converted, or “cross-walked,” to the new pay bands based on their current salary grade. (See example in Table 4) This will make the conversion as simple and straightforward as possible. Ungraded classes, which also include a number of positions in pilots, will be reviewed on an individual position basis and assigned to an appropriate role based on the new specifications. No employee will lose or gain salary as a result of the transition to the new plan. All future salary increases will result from the implementation of the new pay practices and performance management program. The new pay structure, including the assignment of roles to pay bands, will be reviewed and validated using new salary surveys during 2000-2001.

Table 4: Crosswalk Example for Employee classified as Executive Secretary

Current	Proposed
Occupational Group: <i>Office Services, Store Sales, Data Processing</i>	Career Family: <i>Administrative Services</i>
Class Series: <i>Office Services</i>	Career Group: <i>Administrative & Program Support</i>
Job Class: <i>Executive Secretary</i>	Role: <i>Administrative & Program Support III</i>
Pay Grade: <i>6</i>	Pay band: <i>3</i>
Pay Step: <i>15</i>	No Steps: <i>None</i>
Employee’s Current Salary: <i>\$26,018</i>	Employee’s Current Salary: <i>\$26,018</i>

Recommendation 2: Classification Consolidation

To promote consistency throughout the State and enable career progression within job families, the Commission recommends that the existing 1,650 classifications be merged into approximately 275 new broader job groupings called “roles.”

The current classification system consists of approximately 1,650 individual job classes, or one classification per approximately 40 state classified employees. The current classification system has many shortcomings. For example:

- The current classifications are written too narrowly to adapt to changes in organization structure or technology, and the process for updating classifications is too slow to serve the needs of agencies.
- Numerous job classifications and a reliance on agency-specific classifications have lead to inconsistencies in selection, pay grade assignment, and pay within and across agencies for comparable types of work.

Class consolidation will make position allocation simpler and faster. It will eliminate the over reliance on position reclassifications in agencies. Having fewer job classes and broader roles will emphasize the importance of employee career growth and professional development, which will encourage a focus on employee development and contribution rather than on reclassifications

To ensure an understanding of the new plan, new terminology (See Table 1) and definitions have been developed as shown below.

Table 1: New Terminology

Current Terminology	Proposed Terminology
Occupational Group	Occupational Family
Class Series	Career Group
Job Class	Role
Position	Position
	Working Title
Job Class -> Pay Grade	Role -> Pay band

Definitions:

Occupational Family: One or more career groups that are related by nature of work or vocational characteristics (e.g., Administrative Services).

Career Group: Subgroup of the Career family that identifies a specific occupational field. (e.g. Human Resources, Procurement, Medical Doctors, Forensic Science, Equipment Repair, and the like).

Role: Broad set of duties and responsibilities that typically describes the different levels and career progression through an occupational field. (e.g. entry, assistant, journey, senior, expert, supervisor, manager, and director).

Position: A group of specific duties and responsibilities assigned to an employee within a role.

Working Title: An agency specific title describing a position within a role.

The establishment of roles will be managed at the central system level. Agencies will be able to define positions within a role by working titles. The local/agency use of working titles will facilitate recruitment efforts and more specifically describe the work performed by employees. The recommendations to consolidate classes into broader roles will allow greater agency flexibility and employee growth.

To achieve a more streamlined, efficient classification system statewide, the 1,650 current classifications have been consolidated into 7 Occupational Families, 78 career groups and approximately 275 roles (See Table 2). An example of the recommended class structure is shown in Appendix C. Appendix D provides a listing of the proposed occupational families and career groups.

The consolidation of job classes into career groups is based on the following guidelines. (See Appendix E for examples of class consolidation.)

1. Agency-specific classes will be consolidated with similar classes in a career group and role. For example:
 - State Tax Supervisors will be consolidated with other fiscal and accounting classes in the Financial Services career group.

- ABC Operations Director, ABC Wholesale/Retail Operations Director, and Agency Administrative Manager will be consolidated into the Administrative and Program Management career group.
2. Central state (agency) classes will be consolidated with similar agency classes sharing the same profession, discipline, or occupation. For example:
 - The State Compensation Consultant and the agency Classification and Compensation Manager will be consolidated into the same role in the Human Resource Services career group.
 - Capital Outlay Program Director and State Capital Outlay Review Manager will be consolidated in the same role in the Architect and Capital Outlay career group.
 3. Classes that are similar in kind of work performed will be consolidated. For example:
 - Six different agency Hearing Officer classes will be consolidated into the same role in a broader Hearing and Legal Services career group.
 - Capital Police, Virginia State Police Officers, Alcoholic Beverage Control Officers, and other classes responsible for enforcement of federal and state laws pertaining to public safety will be consolidated into a Law Enforcement Officers career group.
 - Classes that perform building maintenance and construction tasks, such as Painter, Carpenter, Electrician, and Trades/Utilities Worker Senior classes will be consolidated into a Trades career group.

The roles being developed will be refined and validated between December 1999 and March 2000. Teams comprised of representatives from a number of additional agencies will validate and write the new role specifications.

Table 2: Classification Consolidation

Item	Current	Recommended
# Occupational Groups/Occupational	8	7
#Class Series/Career Groups	580	78
# Job Classes/Roles	1,650	275
Agency Specific Classes	Numerous	None

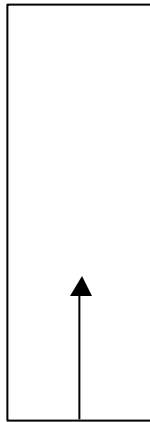
Recommendation 3: Career Growth

The Commission recommends that the new plan support career growth by implementing new job groupings called occupational families, career groups and roles. New Career Group Descriptions will be written to define these new career groups and roles.

The current classification system does not adequately promote career growth or professional development. The current system has many shortcomings. For example:

- Employees do not understand the career growth and professional development opportunities that may exist across occupations nor what they can do to prepare for career changes.
- The primary way employees move in the current system is upward to a higher pay grade level within their classification series, with progression upward in a single occupation, known also as a “silo effect” (See Career Progression Model 1).
- Once an employee has reached a specific classification/pay grade level in the current system, employees must move into a supervisory or management position to advance.

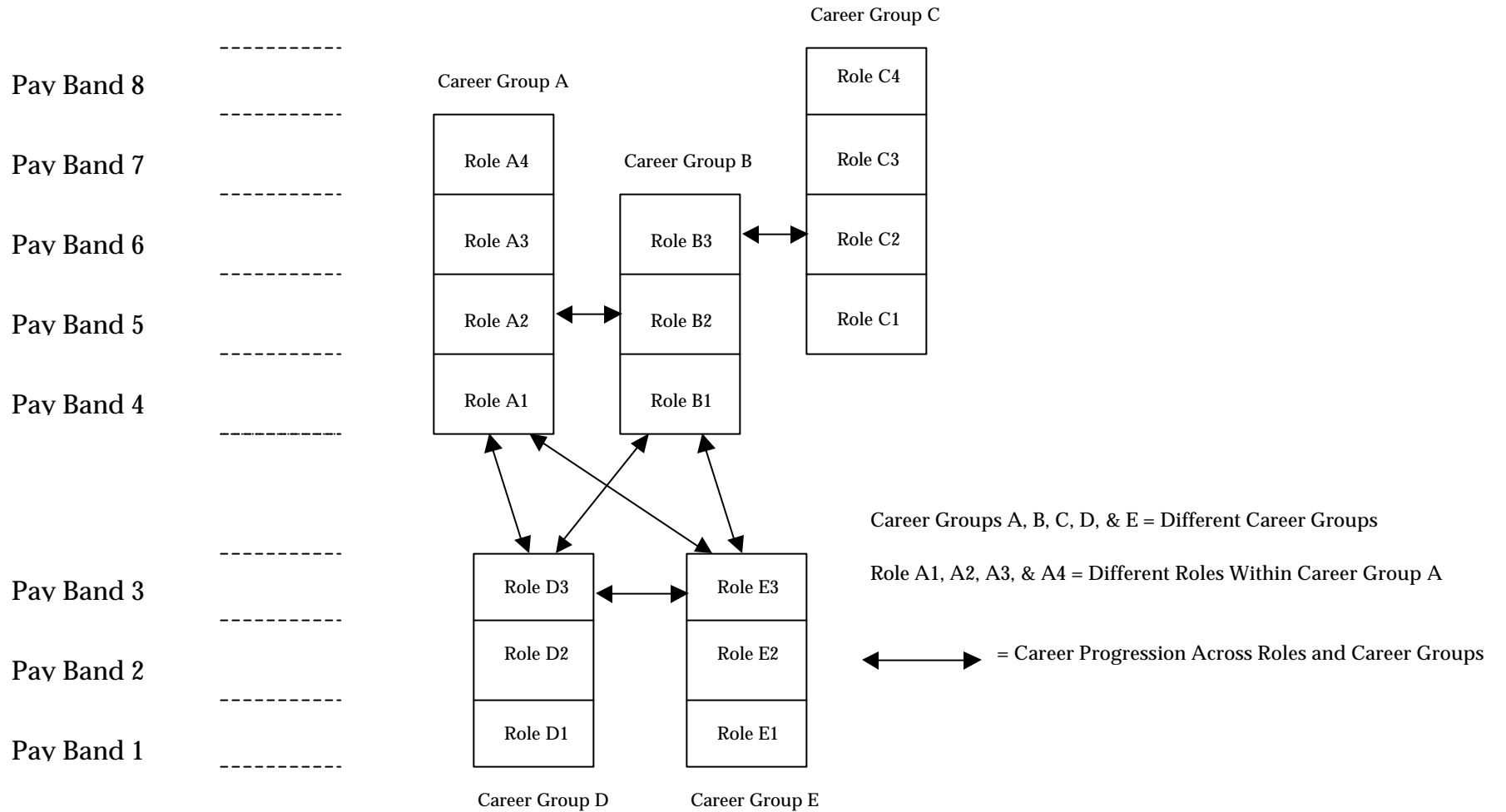
Career Progression Model 1: “Silo Effect”



To promote career growth and professional development, the new plan identifies career paths within each role, and to other career groups and roles (See Career Progression Model 2). Within the concept of a broad role and expanded pay band (pay band), employees have opportunities for career growth without having to change positions. Model 2 depicts lateral and vertical career progression across roles and career groups, minimizing the limitations of the “silo effect” in the new plan.

The concept of “Pay bands” is further discussed in Recommendation 1. Pay banding is the practice of managing compensation within a few expanded pay ranges rather than a larger number of narrower pay ranges. As such, career growth may also be defined in terms of added responsibilities within the role and band rather than just through upward achievement. Employees may progress through several different jobs that fall within the same pay band. Managers and direct reports may be in the same pay bands as well.

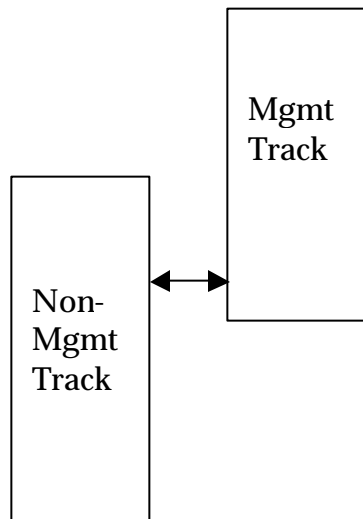
Career Progression Model 2: Across Roles and Career Groups



A concern identified by agency employees and the EAC is that employees often reach a level in the current system that requires them to move into a management position to advance. The employee may not want to be a manager, but seeks further development and advancement opportunities. This has resulted in employees accepting supervisory or management positions for which they have little supervisory or management training or interest.

The new plan allows employees who are expert workers to remain in a non-management position, yet continue to advance. This creates a “dual track” for employee development and career advancement. (See Career Progression Model 3) It permits agencies to retain key talent who otherwise may leave state employment.

Career Progression Model 3: “Dual Career Track”



Recommendation 4: Job Evaluation Methodology

The Commission recommends that the Commonwealth continue to use the position classification method in determining the minimum and maximum worth of each job in the new pay plan (i.e., the level of compensation appropriate for the type of work). The Commission further recommends the establishment of new compensable factors, such as complexity of work, results, and accountability, to replace the seven compensable factors currently used to determine the relative worth of each "role."

One of the objectives of the 1994 Workforce Commission specifically addressed the Commonwealth's job worth process. The objective suggests that the Commonwealth's job worth system should recognize the differing organizational and demographic factors affecting job groups by providing different job evaluation methods to fit the major categories of work (i.e., managerial and professional, law enforcement, skilled trades, etc.). In addition, the Commonwealth's job worth system should be revised to:

- Increase the flexibility of management and employees to define job duties;
- Allow employees to grow and assume greater responsibility in a job without encountering undue restrictions inherent in the current classification system and compensation policies/practices;
- Allow agencies to develop and incorporate additional job evaluation dimensions, such as skills or competencies, rank structures, or other level descriptions, where appropriate, within established career groups and roles.
- Minimize administrative effort;
- Be clearly understood by both managers and employees.

“Job evaluation” is a process by which jobs within an organization are compared with one another to determine the relative value of each. There are several methods of job evaluation of which whole-job ranking, position classification, market pricing, factor comparison, and point factor, are the most prevalent. All of these methodologies are based on one or a combination of the following two approaches: (1) an analysis of the job as a whole or (2) an analysis of the job's individual components. Most methods compare jobs in the organization to one another; a few measure each job against a set scale.

After the review of the various methodologies, the recommendation is to retain the current position classification method but to modify it somewhat to meet the above objectives. For example, one modification is the revision of the compensation factors used in the current system. Currently there are seven factors with level or degree statements to review in determining classification. These seven are (1) complexity of work; (2) supervision exercised; (3) supervision received; (4) scope; (5) impact of actions; (6) personal contact; and (7) knowledge, skills, and abilities. The recommended plan will define compensation factors, which better support the new classification structure (career groups with broader roles), the new pay structure (expanded pay bands of 100%), and the career development concept. Factors such as complexity of work, results, and accountability are recommended. (See Appendix F)

Job evaluation systems primarily measure or predict the internal worth of a job to an organization. Most employers therefore also use external market data to insure that roles (job titles) are aligned appropriately. This is typically referred to as “external equity.” Determining “external equity” is more fully explained in Recommendation 5: Survey Methodology. However, in addition to using the compensation factors to allocate or classify positions, salary data will also be used to provide reference points to assist agencies in evaluating the job worth of specific jobs within the broader roles and pay bands.

The broader roles lend themselves to the adoption of additional job evaluation dimensions to support different occupational requirements, such as professional certifications or rank structures, or significant organizational initiatives, such as technology advancement or multi-disciplinary programs. Alternative "person-oriented" approaches to determining job worth such as a skill- or competency-based system may be developed. In such a system, the role is determined by the skills or competencies the employee brings to the job or position as well as the duties assigned. In law enforcement or public safety occupations, agencies will develop their rank structures within the broader roles. Guidelines will be developed to support agencies in developing these internal dimensions, where appropriate, within the career groups, roles, and pay structure of the established system.

Administrative effort will be minimized at the state level because class specifications will not have to be maintained for 1,650 finite job classifications, many of which are unique to specific agencies or include a small number of positions. At the agency level, less administrative effort will be required to allocate (classify) positions to 275 broad roles rather than 1,650 finite job classifications. The broader roles and new pay practices described in Recommendation 7 will provide flexibility for managers and employees to expand job duties and to allow employees to grow within the broader role without having to use the cumbersome and complex reallocation process. The current system often bases classifications on such fine distinctions that neither managers nor employees understand the decisions. The recommended classification process will be more responsive to job changes and more straightforward. With the planned training that will accompany these changes, supervisors and employees may find the new process easier to understand and perceive the classification decisions to be less arbitrary.

Recommendation 5: Survey Methodology

The Commission recommends the establishment of a new salary survey methodology to ensure that classified salaries are competitive with appropriate public and private sector markets.

The Code of Virginia does not define the specific competitive philosophy for the Commonwealth other than to state the goal noted below. Section 2.1-114.6 of the Code of Virginia states: “It is the goal of the Commonwealth that its employees be compensated at a rate comparable to the rate of compensation for employees in the private sector of the Commonwealth in similar occupations.”

The definition of competitive, while not stated, can be derived based upon past practice of the executive and legislative branches. Historically, the Commonwealth's salaries have been allowed to lag the market.

The goal of the new survey methodology will be to pay employees fairly and consistently for the jobs that they perform. The level of this compensation should be sufficient to attract, retain, and motivate the Commonwealth's workforce.

The new methodology should support the following purposes:

- Educate employees and managers on the value of each of the components of state's total compensation package;
- Provide agency management with relevant salary data to assess competitive pay rates or make salary decisions;
- Provide salary data for DPT to maintain the pay structure or re-align occupations within the pay structure;
- Provide information on emerging pay practices and trends to assure that the Commonwealth's pay plan is current and responsive to state and agency needs.

A new survey methodology is recommended that will annually collect data on salaries, other compensation strategies, and benefits from appropriate public and private sector markets. These measures comprise the components of a total compensation program. Total compensation includes salaries, retirement and life insurance, and other benefits such as healthcare, annual and sick leaves, premium pays, bonuses, and other practices. The comparison between the Commonwealth's total compensation package and prevailing practices in the labor market will be accomplished through a series of surveys and data analyses purchased and/or conducted by DPT. The surveys should include both public and private markets since

many of the state's jobs do not have counterparts in the private sector. The following criteria should be considered in the selection of surveys:

- the survey will provide adequate descriptions of work to match state roles;
- the survey will provide data necessary for survey analyses;
- the survey will adequately explain its methodologies in sample selection and data analyses;
- the survey will report the effective date for pay rates collected;
- the survey will include appropriate markets for the Commonwealth;
- the survey may be a published survey conducted by a third party;
- the survey will be available for DPT to examine, verify, and/or purchase; and
- the survey will provide substantial value in increasing the number of job matches for the Commonwealth and/or other labor markets appropriate for the Commonwealth.

When third-party surveys are selected, DPT will match market job titles to the new roles. DPT will provide available market comparisons for roles within career groups, and will provide as many matches as possible for each role. Because benchmark positions may not be available for every job within a role, it may be necessary to focus on those benchmark positions that are the best match to employees' respective positions. In some cases, several benchmark positions may be used to determine or approximate the value of employees' respective positions in the labor market.

DPT, on an annual basis, will publish the results of the survey process. The results will include such statistical data as hiring rates, market averages, and percentiles (where the salary for a specific position/working title would fall in comparison to the market data). The results will also include information on benefits comparability.

Managers will be trained on how to use these results in determining salary increases with the new pay practices. The results will be used as a reference to show what a similar job title would be paid in the market. Managers will need to consider other factors in determining an employee's salary such as agency need, budget availability, and internal alignment.

The new methodology will retain regional and local salary differentials. Agencies may continue to provide DPT with local salary information and data supporting their respective needs. DPT will review and approve local salary adjustments and differentials requests to move roles to different pay bands.

The new pay structure, including the assignment of roles to pay bands, will be reviewed and validated using new salary surveys during 2000-2001. Annually, DPT will provide the General Assembly and the Governor with data indicating projected market movement of the entire pay structure.

Recommendation 6: Performance Management

The Commission recommends a new performance management program with three (3) rating levels to replace the existing five (5) rating levels. In addition, the Commission recommends the new program incorporate features such as employee upward feedback on supervisors, employee self-assessment, and team/individual supervisory appraisal.

The current classified performance management program, Employee Incentive Pay Program (EIPP), was developed in 1989-90 as a pay-for-performance system. The Commonwealth of Virginia was one of the very first to implement a pay-for-performance system. Its intent was to create an effective performance program that involved both the employee and the supervisor jointly to define job elements and performance expectations. The implementation was designed to include the linkage of employee performance to pay. Since its implementation, EIPP has received wide criticism, especially since it has been funded fully or partially only three times in nine years.

In considering how to design a new employee performance management program, the Commission directed the TAC to address the significant deficiencies and inadequacies of the current system. A major challenge was to develop a new system that would restore manager and employee perceptions of fairness, trust and consistency in pay for performance. The Commission recognizes that this will be a gradual process and will not happen immediately.

The EAC brought to the Commission and TAC's attention numerous drawbacks in the current system. The most significant drawbacks include the following:

- Employees lack confidence in the current performance management process.
- EIPP has been inadequately funded.
- There has been inadequate training of managers and employees on a consistent basis.

- Employees expressed the lack of a feedback process to comment on supervisor performance.
- Managers and employees express confusion over the many rating levels. “Meets expectations” is perceived as negative rating, and too many employees are rated “exceptional.”
- Managers do not communicate with employees about their performance during the rating cycle.
- The existing pay structure has limited the effectiveness of EIPP and the ability of managers to embrace pay-for-performance.
- The poorly supported utilization of EIPP over the years has created inconsistency and credibility issues.
- Employees want a performance management system that effectively addresses poor performance.
- There is no provision for the recognition of team performance.

In addressing the above concerns, the TAC identified specific goals and objectives for a new performance management program. The EAC supports these goals and objectives. They are:

- To provide monetary reward to better performing employees.
- To provide a program for ongoing mandatory training of managers and employees.
- To provide a refined, more systematic process to address non-performance (non-performers).
- To provide options to agencies (one size doesn't fit all).
- To allow recognition of group/team performance.
- To allow employee input for developmental purposes into a supervisor's evaluation. To consistently and adequately fund performance through the annual average salary increase, as approved by the Governor and General Assembly.

Under the new performance program (see Appendix G), the Commission recommends that the current number of rating levels be reduced from five (5) to three (3) levels. The new rating levels will be used to rate each job function and objective and to rate overall performance as described below.

1. Extraordinary Contributor: Work that is characterized by exemplary accomplishments throughout the rating period; performance that is considerably and consistently well above the criteria of the job function.
2. Contributor: Work that is at or above the performance standard and meets the criteria of the job function throughout the rating period.
3. Below Contributor: Work that fails to meet the criteria of the job function.

The Commission believes that the terms “contributor” or “contribution” are the best descriptors of what employees should be doing in their jobs. The term “contributor” or “contribution” is intended to convey a sense of commitment, purpose, and obligation that each employee has in contributing to performance, whether it be through individual or team performance. This shared sense of contribution is a requisite to the success of each agency’s mission and to serving the citizens of the Commonwealth. There is significant meaning associated with the word “contributor.” The Commission believes that all state employees should take pride in the “contributions” that they make on a daily and long-term basis.

Table 5: Current and Proposed Performance Management Items

Item	Current	Proposed
Rating levels	5 levels: <ul style="list-style-type: none"> • Exceptional • Exceeds Expectations • Meets Expectations • Fair But Needs Improvement • Does Not Meet Expectations 	3 levels: <ul style="list-style-type: none"> • Extraordinary Contributor • Contributor • Below Contributor
Salary increases	Fixed	Formula-based
Appraisal instrument	Non-Numerical	Qualitative or Numerical
Appraisal of employee	Supervisor-only	<ul style="list-style-type: none"> • Supervisor • Employee self-assessment
Appraisal of team/group	None	Team/Group

Item	Current	Proposed
Employee feedback on supervisor's performance	None	Upward feedback for developmental purposes provided to supervisor's rater
Probationary period performance	6-months	<ul style="list-style-type: none"> • 12-months (standard); • Management option to extend up to 18-months for performance reasons

The subsequent paragraphs describe various elements of the new performance management program. Additional information is located in Appendix G.

Similar to the current system, the new performance program shall have a planning stage conducted at the beginning of each rating period for each employee. The rater and the employee shall determine the job functions (which include job duties and performance success criteria) by reviewing the employee's position description. Each job function shall be rated in the evaluation stage based on the three levels of performance.

A rater should periodically provide performance feedback to employees during the rating cycle. This should occur at least once prior to the end of the rating cycle, preferably around mid-year, or the middle of the rating cycle period. This periodic feedback is intended to facilitate communication between raters and employees.

No employee will be rated an "extraordinary contributor" unless the employee receives at least one written "Recognition of Extraordinary Contribution" during the rating cycle. Extraordinary performance is usually "event" driven. It will be the responsibility of the rater and reviewer to document an employee's extraordinary performance when such performance occurs.

During the review of the current system, managers and employees recommended that the existing 6-month probationary period be lengthened. In response, the Commission recommends the establishment of a standard one-year probationary period. New employees (original appointments) shall be rated at the completion of this one-year probationary period. In addition, the one-year probationary period may be extended up to 18-months total (an additional 6-months) by the rater with the concurrence of the reviewer for performance reasons. Until an employee has completed a successful probationary period, the employee has no grievance rights under the State Employee Grievance Procedure. Therefore, an agency

is not required to follow the "Below Contributor Performance Process" to terminate, demote or reassign a probationary employee.

All non-probationary employees shall be given an annual appraisal no more than sixty (60) calendar days prior to the official review date.

The pay out for performance will be formula-driven. This will insure that all employees receive an appropriate increase based on their respective level of performance no matter the level of annual increase approved by the Governor and General Assembly. The formula will provide "extraordinary contributors" with a bonus as well as a higher percentage base salary increase than those rated at the "contributor" level. The bonus recognizes that the employee is an "extraordinary contributor" and certain aspects of the employee's performance occurred only during the current performance cycle, and therefore, should not be carried forward year-after-year in base pay.

All agencies will use a Universal Review Date as determined by DPT and DPB.

Flexibility in the new performance management program was needed to address the myriad of agencies and their missions. In designing the new performance system, a "Performance Options Toolbox" has been created. The toolbox may be used by an agency if an agency determines that using any or all of the following options would assist in conducting performance management.

- An agency may elect to include objectives or standards based on the mission statement for the agency, or the particular work unit, on the employee's appraisal document.
- An agency may choose to require raters to complete staff development and training plans for each employee annually.
- An agency may use a numerical weighting system to establish the importance of job functions and objectives for purposes of evaluation. This system must be able to convert into the three rating levels identified.
- An agency may determine that it does not want the reviewer to have the authority to change the rater's rating.
- An agency may use "multiple source" feedback. The agency should provide appropriate training to employees and supervisors on giving and receiving feedback.
- An agency may elect to incorporate team evaluation as part of the individual performance appraisal.

The EAC also encouraged the Commission to incorporate employee feedback on a supervisor's performance for developmental purposes. The Commission concurs and recommends that a formal process of "Upward Feedback" be implemented in the new performance management program to allow this input. The Commission also recommends that DPT review upward feedback instruments currently on the market or create one that could be used by agencies. The upward feedback process is to be used to help supervisors become better supervisors. Initially, upward feedback should be used as a development tool until agencies have sufficient experience interpreting and administering results before using it for appraisal/evaluative purposes. The Commission recommends that upward feedback be optional in agencies during the first year, be implemented at least partially during the second year, and have upward feedback fully implemented during the third year. Agencies may wish to consider other useful feedback tools such as 360-degree or multi-source feedback.

The EAC also encouraged the use of employee self-assessment as a means for employees to convey to their supervisors what they accomplished during the rating cycle. This is a common practice among employers and the Commission recommends that the new performance program include this as an integral part of the appraisal process. Employees would complete a written self-assessment and provide this to their supervisor by a specified date prior to the end of the rating cycle so that raters/reviewers may consider this information in the appraisal process. DPT will provide agencies a standard employee self-assessment form or agencies may develop their own.

Recommendation 7: Pay Practices

The Commission recommends the establishment of new pay practices such as in-range pay adjustments, rewards and recognition programs. It also recommends revisions to existing pay practices such as, starting pay, promotion, reallocation, and lateral transfer to make the system more flexible.

The TAC's objective was to bring the Commonwealth's practices in line with "best practices" of other states and the private sector in order to attract, reward, and retain the most talented state workforce. The new pay practices provide managers the capability to reward talented performers in a tangible and meaningful way through immediate recognition and annual recognition of performance of individuals and teams. The new practices also provide employees with a more understandable and achievable means to career development.

In reviewing the current system's pay practices, the TAC found that they were both inflexible and limited. In fact, the main two practices available in the current system for agencies to use are promotion or reclassification (reallocation). Unfortunately, these practices have resulted in a number of negative impacts such as, employee job-hopping and the erosion of the existing classification system through "classification inflation".

In the subsequent paragraphs, new pay practices have been developed to address the inflexibility and limitations of the current system. The new practices support the new career growth concept and progression within a pay band. The practices have been divided into two groups: state-funded pay adjustments and agency-driven pay adjustments. Agency-driven pay adjustments are defined as revised pay practices and new pay practices.

1. State-Funded Pay Adjustments

Three types of salary options would replace the fixed increases that the Governor and General Assembly have generally provided in the past. These types are:

- Role Adjustment. These adjustments may be made to maintain a role's market competitiveness. They typically entail moving a role to a higher-level pay band to maintain its competitiveness to the appropriate labor market.
- Performance-based Adjustment. Based on individual/team performance ratings under the new performance system, performance-based adjustments will financially reward employees for being a contributor or extraordinary contributor.
- Pay band Adjustment/Change: Pay bands may be adjusted based on market conditions and the need to compete for a competent labor force.

Funding for these adjustments would primarily be provided by the Governor and General Assembly, and could also be supplemented by agency funds if available.

2. Agency-Driven Pay Adjustments

Several major personnel actions would continue to be decentralized. These personnel actions may necessitate an accompanying pay adjustment, depending on the circumstances. All personnel action-driven pay adjustments must be accommodated within an agency's current budget without the need for additional state funding. In the below paragraphs a description of the recommended "revised" pay practices is shown in Table 6 and the recommended "new" pay practices is shown in Table 7.

Table 6: Recommended Revised Pay Practices

Practice	Current	Recommendation
Starting pay for new hires	Up to 10%	0 to 15%
Performance pay	Fixed	Formula-based
Reallocation**	Fixed (9.3%)	0 to 10% Between pay bands
Promotion**	Fixed (9.3%)	0 to 15% Within or between pay bands
Structure adjustment	Across-the-board	Performance-based

- Starting pay for new hires would be based on education, training, and experience and generally would be up to 15% above prior salary.
- Performance Pay increases will be provided based on evaluation of each employee's contribution to the work of the organization. Performance pay will be formula-driven as described in Recommendation 5.
- Reallocation would occur when a position/employee is assigned additional duties and responsibilities of a nature to warrant reclassification of a position to a higher role in a higher pay band. Reallocations would result in up to a 10% base salary increase as determined by management. Reallocations are non-competitive.
- Promotion results from a competitive selection where an employee moves to a higher-level position either in the same or a higher-level pay band. Employees may negotiate a base salary increase up to 15%, but not to exceed the maximum of the pay band.

In addition to the recommended revised pay practices, several new pay practices have been developed that are critical to the successful implementation and ongoing maintenance of the new plan. Table 7 shows these new pay practices. These new practices would be decentralized to agencies and must be accommodated within an agency's current budget without the need for additional state funding.

Table 7: New Pay Practices

Practice	Current	Recommendation
Recognition Award	None	Individual and/or Team (non-base) up to \$1000
In-range Adjustments: <ul style="list-style-type: none"> • To recognize change in duties • To recognize professional development • To address retention • To address internal alignment 	None	0 to 10% (maximum) combined total of 10% in a twelve-month period

- Recognition may be provided to individuals or teams to recognize outstanding achievement or accomplishment for an event, project or task. Other uses of recognition awards may include the attainment of a degree, certification or licensure that is job-related.
- In-range Adjustments:
 - Change in duties: Employees in positions often receive additional duties or changes to their duties and responsibilities of a nature so as not to warrant reclassification to a new role in a higher pay band. Under this new practice, employees may be provided a base salary increase for assuming new duties or changes in duties to recognize their increase in responsibility without having to be reclassified to a higher role/pay band.
 - Professional/Skill development: The state's goal of paying for skill development has been largely accomplished through the reclassification of employees into higher-level job classes. Under this new pay practice, employees may acquire additional job-related training and education that increase the employee's knowledge, skills or abilities, which may be recognized by a base salary adjustment within the employee's pay band.
 - Retention: Under the current system, employees are required to obtain an outside competitive salary offer before any adjustment may be made to their base pay to retain them. The new practice allows agencies to provide a base pay adjustment to prevent an employee who occupies a critical or key position within an agency from seeking outside employment. This should help to improve the retention of critical human assets within the state workforce. This retention practice could also be used for a class of positions where there was high turnover or the salaries of employees were out of alignment with the appropriate labor market.

- *Internal Alignment:* Internal alignment adjustments are appropriate when an employee is significantly under paid relative to the weighted average salary (market salary mean) and/or peers, when their performance is at the contributor level, and when funding is available to address this situation. These types of adjustments could also be utilized to address retention issues that arise.

Recommendation 8: Training and Communication

The Commission understands that successful implementation of the recommended pay plan will depend on the training of managers and employees and endorses a comprehensive and on-going training effort.

The current system has been widely misunderstood by employees and managers. In developing a new compensation plan, a comprehensive training and communication plan is being developed and will be conducted to effect a successful transition to and provide ultimate support of the new plan. A fundamental premise underlying training and communications is that all training and educational resources will be easy to understand and widely available.

Given the magnitude of the Commonwealth's workforce and the sweeping changes pending implementation of the recommendations, communications will utilize a phased approach. The first phase will include statewide communications introducing the new plan, followed by a carefully executed on-going statewide communication effort for agency management, supervisors, employees and stakeholders. The communication effort will include written communications, resource materials, informational videos, open meetings, an interactive website, teleconferencing and satellite communications in order to reach the largest state audience.

Training will be provided in-depth to agency human resources staff, managers and employees respectively. A train-the-trainer approach will be used for management and employee training. Some of the specific elements to achieve this objective will include:

- Contract with outside organizations to provide compensation basics training, such as with the American Compensation Association
- Conduct training on the new Employee Performance Management System.
- Conduct training on the new pay practices.
- Conduct training on the new classification/pay structure, providing agency guides for operationalizing role specifications and integrating rank structures, competency or skill models.

- Employ staff and/or consultants whose primary responsibilities will be to implement a successful and comprehensive training and communication program to all managers and employees in support of this initiative.
- Training for managers and supervisors of classified employees is mandatory.

Recommendation 9: DPT/Agency Roles and Responsibilities

The Commission recommends that administration of the new plan have an appropriate set of management controls and accountabilities assigned to DPT and agencies. Therefore, the Commission recommends a multi-tiered comprehensive training program that will train all managers and employees.

Compensation administration is the determination of individual pay within the pay structure. Clearly it is in the best interest of the State if certain compensation decisions remain centralized, while other decisions should be completely decentralized as they have been in the current system. Most classified personnel and compensation decisions are delegated to agencies as prescribed by state policies.

The Commission recommends that DPT will be responsible for the administration of the new plan and will promulgate policies and procedures to support the plan's implementation. DPT should continue to establish the official records of decisions and maintain the state human resource database. Specific role and employee related data would be provided to DPT by agencies. Agencies will remain responsible for communicating compensation decisions to employees.

The current level of agency decentralization has worked well for the Commonwealth and further decentralization should be continued. This level of decentralization allows compensation decisions to be a shared responsibility between DPT and agencies. It is critical to the success of the new compensation plan that DPT provides both technical and consultant assistance to agencies. Also, DPT should audit agency practices in implementing the new plan.

Recommendation 10: Funding the New Plan

The Commission recommends approval of the proposed funding to implement the new plan; furthermore the Commission intends to recommend a stable funding mechanism during CY 2000.

Based on the funding requirements developed by the TAC, the Commission recommends approval of the proposed funding to support implementation of the new plan. The details of the recommended funded have been provided to DPT and DPB. The majority of funding may be characterized as one time costs to cover implementation expenses such as, training, communications, and system modifications. Several fulltime positions are being added to DPT to address the additional workload requirements for implementation and ongoing maintenance of the new plan.

The total Implementation costs for FY 2000 through FY2002 is approximately \$3,000,000. The fiscal year breakdown of these costs is as follows:

- FY 2000: \$1,000,000
- FY 2001: \$1,200,000
- FY 2002: \$800,000

The Commission recognizes the importance of providing a stable funding mechanism for the new pay plan. The Commission intends to pursue this aspect of plan design during CY 2000.

Recommendation 11: Continuation of the Commission

The Commission recommends that its charge and its advisory committees be continued through the next biennium, through June 30, 2002, to monitor the implementation of the new compensation plan.

Given the complexity and magnitude of the proposed implementation, the Commission supports its continuation through the end of the next biennium, June 30, 2002. Continuation of the Commission including the two advisory groups – the Technical Advisory Committee (TAC) and the Employee Advisory Committee (EAC) -- will provide needed oversight of the implementation and provide an avenue to the Governor and General Assembly should future changes to the new plan be needed. In addition, the TAC should be charged by the Commission to develop the appropriate metrics to measure and assess the success of the implementation of the new plan and to identify improvements and innovations that will assure the continued effectiveness of the Commonwealth's pay plan. One of the Commission's next efforts will be to finalize the draft compensation philosophy statement included in Appendix J.

Section III: Summary

In summary, the recommendations that are proposed in the final report addressed all of the thirteen objectives as outlined in the updated 1994 Workforce Commission Exposure Draft (see Section I.). The proposal is a comprehensive plan that should be adopted in its totality. Each recommendation contained in this proposal is dependent on the approval and subsequent implementation of all other recommendations. The recommended plan will require the support of the Governor and the General Assembly to be successful. Of equal importance is the on-going training and communication of this plan to the Commonwealth's managers, supervisors, employees and other key stakeholders. A proposed timeline for accomplishing this initiative occurs from July 1, 2000 to June 30, 2002 and may be reviewed in detail in Appendix H. These recommendations provide the flexibility and modernization of the Commonwealth's compensation plan to successfully move the Commonwealth into the next millennium.

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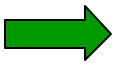
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Appendix C

New Structure: Occupational Families, Career Groups and Roles

7 Occupational Families:

- Administrative Services
- Public Safety
- Education & Media Services
- Health and Human Services
- Engineering & Technology
- Trades & Operations
- Natural Resources & Applied Science



78 Career Groups:

Example Administrative Services

- Fiscal Support
- Admin & Prog Support
- Cust & Retail Support
- Fin & Actg
- Admin & Prog Management
- Procurement
- Ins & Prop Management
- HR
- Policy & Planning
- Hearing & Legal Services



2 to 5 Roles:

Example 2 roles in Fiscal Support

- Fiscal Support II
- Fiscal Support I
 - Job 1
 - Job 2
 - Job 3

Appendix D

Draft Occupational Families and Career Groups *

* **Titles and career groups are subject to revision.**

NEW OCCUPATIONAL FAMILIES

A total of **seven OCCUPATIONAL FAMILIES** have been identified. They are:

- 1. Administrative Services**
- 2. Educational and Media Services**
- 3. Engineering and Technology**
- 4. Health and Human Services**
- 5. Natural Resources and Applied Sciences**
- 6. Public Safety**
- 7. Trades and Operations**

*Following is a brief **definition** of each occupational family and a list of **Career Groups** within these families. The career groups reflect subgroups of each occupational family, which identifies a specific occupational field.*

1. Occupational Family: Administrative Services

Positions in this occupational family provide a variety of administrative services such as procurement, human resource management, financial accounting, budgeting, policy analysis, insurance and property management, program management, and hearings and legal services as well as support for these activities.

Career Groups:

- Administrative and Program Management
- Administrative and Program Support
- Customer Service and Retail Support
- Employment Services
- Fiscal Support
- Financial Services
- Hearing and Legal Services
- Human Resource Services
- Insurance and Property Management

- Policy Analysis and Planning
- Procurement

2. Occupational Family: Educational and Media Services

Positions in this occupational family draw upon the knowledge of: the designated education field or fields assigned; curriculum development, program administration, service delivery models, and research methods; instructional practices; education theories, practices and principles; public relations concepts and media; library science, history and archival principles and procedures; or education support services.

Career Groups:

- Educational and Media Support Services
- Education Program Administration
- History and Preservation
- Library Services
- Media and Production Services
- Public Relations and Marketing
- Training and Instruction

3. Occupational Family: Engineering and Technology

Positions in this occupational family apply the fields of science and math to properties of matter (structure or systems) and energy (natural or human).

Career Groups:

- Architecture and Capital Outlay
- Electronics
- Engineering Administration
- Engineering Technician
- Information Technology
- Information Technology Support
- Technical Engineering

4. Occupational Family: Health and Human Services

Positions in this occupational family provide or support a variety of medical and non-medical treatment, therapeutic, and rehabilitative services provided to individuals in outpatient and residential settings.

Career Groups:

- Chaplain
- Client Rights
- Client Programs Management
- Dentistry
- Dental Support
- Direct Service

- Food and Nutrition
- Health and Environmental Inspection
- Health Care Technology
- Health Counselors
- Health Professions Board Executives
- MH/MR Facility Management
- Medical Records
- Nursing
- Pharmacists
- Pharmacy Support
- Physicians
- Physician's Assistant
- Program Specialists
- Psychologists
- Quality Assurance
- Rehabilitation Therapies
- Social Work
- Utilization Review
- Vocational Rehabilitation

5. Occupational Family: Natural Resources and Applied Sciences

Positions in this occupational family support a variety of functions or services in applied sciences and natural and agricultural resources related to environmental control, product or substance testing, and the utilization of natural and agricultural resources.

Career Groups:

- Agriculture
- Environmental Control
- Epidemiology
- Forensic Science
- Mines/Reclamation
- Natural Resources
- Natural Resources/Agriculture Technicians
- Science and Laboratory Technicians
- Scientists
- Veterinary Science

6. Occupational Family: Trades and Operations

Included in this occupational family is a variety of building and other trades as well as operators of a wide range of equipment, which support a physical plant operation.

Career Groups:

- Aircraft Operations

- Aircraft Pilot
- Equipment Service and Repair
- Groundskeeping
- Housekeeping
- Motor Vehicle Operations
- Power Line Operations
- Power Plant Operations
- Printing Operations
- Stores and Warehouse Operations
- Trades
- Water Vessel Operations

7. Occupational Family: Public Safety

Positions in this occupational family are responsible for law enforcement, investigative and regulatory services, security, and emergency preparedness for citizens of the Commonwealth. Positions apply and interpret laws and regulations encompassing public safety.

Career Groups:

- Compliance and Safety Regulation
- Emergency Coordination and Community Services
- Fingerprint Interpretation
- Law Enforcement
- Probation and Parole Services
- Security and Correction Services

Appendix E
Draft Career Group Crosswalk

Example 1

Occupational Family: Engineering and Technology

* Role titles and career group crosswalks are subject to change.

Career Group: Architect and Capital Outlay

Purpose: All positions within this career group draw upon a knowledge of architectural and capital outlay planning and design principles; contract management processes; construction design, specifications and processes; building codes; and materials used in construction. Positions in this field of work are responsible for researching, developing, designing, constructing, altering or repairing, and maintaining facilities owned, leased, or occupied by the state.

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
Building Planner I	52204	Architect	12	5
	52205	Architect Senior	13	5
	52221	Capital Outlay Project Engineer	13	5
	52206	Architectural Consultant	14	5
	52222	Capital Outlay Program Manager	14	5
Building Planner II or Manager I	52215	State Review Architect/Engineer	15	6
	52223	Capital Outlay Program Asst Dir	15	6
	52216	State Capital Outlay Review Supv	16	6
	52224	Capital Outlay Program Director	16	6
	52217	State Capital Outlay Review Mgr	17	6
Building Planner III or Manager II	21041	Engineering & Bldg Asst Dir	18	7
	72164	Corrections Plan & Eval Director	18	7

**Appendix E continued
Draft Career Group Crosswalk**

Example 2

Occupational Family: Trades and Operations

* Role titles and career group crosswalks are subject to change.

Career Group: Trades

Purpose: All positions within this career group perform primary manual maintenance and construction tasks in or on buildings.

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
Trades Technician I	61041	Painter Assistant	3	1
	61381	Trades/Utilities Worker	3	1
Trades Technician II	61331	Building Stone Quarryman	4	2
	61301	Carpenter Assistant	4	2
	61371	Electrician Assistant	4	2
	61491	Mason Plasterer Assistant	4	2
	61501	Plumber/Steamfitter Assistant	4	2
	61391	Sheet Metal Worker Assistant	4	2
	61431	Boiler Operator Assistant	4	2
Trades Technician III	61351	HVAC Installation & Repair Asst	6	3
	61111	Locksmith	6	3
	61402	Painter	6	3
	61382	Trades/Utilities Senior Worker	6	3
	61302	Carpenter	7	3
	61372	Electrician	7	3
	61112	Locksmith Senior	7	3
	61492	Mason Plasterer	7	3
	61403	Painter Lead	7	3
	61502	Plumber Steamfitter	7	3
	61392	Sheet Metal Worker	7	3

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
(Trades Technician II continued)	61383	Trades/Utilities Lead Worker	7	3
	61571	Welder	7	3
	61303	Carpenter Senior	8	3
	61373	Electrician Senior	8	3
	61353	HVAC Installation & Repair Tech	8	3
	61493	Mason Plasterer Lead Worker	8	3
	62393	Sheet Metal Lead Worker	8	3
	61572	Welder Senior	8	3
	61503	Plumber/Steamfitter Supervisor	8	3
Trades Technician IV	61281	Buildings & Grounds Supervisor A	9	4
	61304	Carpenter Supervisor	9	4
	61561	Electrician Supervisor	9	4
	61353	HVAC Installation & Repair Sr Tech	9	4
	61494	Mason Plaster Supervisor	9	4
	61504	Plumber/Steamfitter Supervisor	9	4
	61394	Sheet Metal Supervisor	9	4
	61384	Trades/Utilities Master Mechanic	9	4
	61282	Buildings & Grounds Supervisor B	10	4
	61562	Electrician Supervisor Senior	10	4
	61354	HVAC Installation & Repair Supv	10	4
	61283	Buildings & Grounds Supt A	11	4
Trades Manager I	61284	Buildings & Grounds Supt B	12	5
	61285	Buildings & Grounds Director A	13	5
	61286	Buildings & Grounds Director B	14	5
Trades Manager II	61287	Buildings & Grounds Director C	15	6

Appendix E continued
Draft Career Group Crosswalk

Example 3

Occupational Family: Administrative Services

***Role titles and career group crosswalks are subject to change.**

Career Group: Financial Services

Purpose: To apply accounting theory and principles to various aspects of an agency’s financial management activities. These activities require the analysis and interpretation of fiscal data and may involve a variety of specialized functions such as financial reporting and financial statement preparation; accounting systems development; budget data development and operating cost distribution; revenue control; trust fund accounting; complex financial analysis; and fixed asset accounting. Positions in this group may have administrative management responsibilities for sponsored programs, which could include such activities as negotiating, evaluating, and managing contracts and grants; proposal review; and budget development and monitoring. Management positions plan, organize, and direct financial activities including formulation and controlling of internal fiscal policy and direct all fiscal and accounting functions as the single position through which all financial information within the agency or institution flows.

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
Financial Specialist I	23414	Accountant	9	4
	22053	Hospital Accounts Collection Asst. Mgr.	9	4
	23193	Tax Customer Service Representative	9	4
	23023	Tax Examiner Senior	9	4
	23011	Tax Collections Representative	9	4
	23222	State Tax Field Representative	9	4
	23012	Tax Collections Senior Representative	10	4
	23194	Tax Customer Service Lead Rep.	10	4

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
(Financial Specialist I continued)	23211	State Tax Supervisor	10	4
	23223	State Tax Field Representative Senior	10	4
	23431	Budget Analyst	10	4
	23195	Tax Customer Service Principle Rep.	11	4
	23415	Accountant Senior	11	4
	23451	Auditor-External	11	4
	23031	State Tax Regulations Specialist	11	4
	23232`	Tax Auditor	11	4
	23501	Medicaid Personal Funds Auditor	11	4
	22054	Hospital Accounts Collection Manager	11	4
	23441	Auditor-Internal	11	4
Financial Specialist II or Manager I	23432	Budget Analyst Senior	12	5
	23224	State Tax Compliance Enforcement Supervisor	12	5
	23212	State Tax Supervisor Senior	12	5
	23233	Tax Auditor SR	12	5
	23244	Interstate Auditor	12	5
	23452	Auditor Senior – External	12	5
	23502	Medicaid Reimbursement Auditor	12	5
	23401	Fiscal Officer	12	5
	23416	Accounting Manager A	12	5
	23132	State Senior Accounting/Financial Analyst	12	5
	23041	Tax Policy Analyst	13	5
	23245	Interstate Auditor SR	13	5
	23454	Audit Supervisor-External	13	5
	23503	Medicaid Reimbursement Analyst	13	5
	23442	Auditor Senior -Internal	13	5
	23134	State Financial Reporting Analyst	13	5
	23042	Tax Policy Supervisor	14	5
	23213	State Tax Manager	14	5
	23113	Cash and Bank Services Analyst	14	5
	23433	Budget Manager	14	5
	23453	Audit Manager - External	14	5
	23234	Tax Audit Supervisor	14	5
	23504	Medicaid Reimbursement Senior Auditor	14	5

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
(Fin. Spec. II or Manager I continued)	23094	DPB Analyst B	14	5
	23423	Business Manager C	14	5
	23402	Fiscal Director A	14	5
	23417	Accounting Manager B	14	5
Financial Specialist III Or Manager II	23505	Medicaid Reimbursement Audit Supv.	15	6
	23506	Medicaid Cost Settlement Agent	15	6
	23418	Accounting Manager C	15	6
	23101	Agency Administrative Manager	15	6
	23225	State Tax District Administrator	15	6
	23133	State Assistant Fiscal Manager	15	6
	23445	Audit Supervisor – Internal	15	6
	23243	Interstate Audit Supervisor	15	6
	23403	Fiscal Director B	16	6
	23043	Tax Policy Manager	16	6
	23114	Cash Administrator	16	6
	23172	State Internal Audit Technical manager	16	6
	23443	Audit Manager – Internal	16	6
	23122	State Debt Management Advisor	16	6
	23166	Internal EDP Audit Technical Manager	16	6
	23044	Tax Policy Director	17	6
	23096	DPB Senior Advisor	17	6
	23507	Medicaid Reimbursement Audit Mgr.	17	6
	23446	Audit Manager Senior – Internal	17	6
	23114	Treasury Finance Director	17	6
23292	Tax Executive Assistant	17	6	
23434	Budget Director	17	6	
Financial Manager III	23444	Audit Director – Internal	18	7
	23164	State Internal EDP Auditor	18	7
	23173	State Internal Audit Technical Director	18	7
	23157	DPB Section Manager	18	7
	23106	Transportation Financial Planning and Debt Mgmt Director	18	7
	23121	State Debt Management Director	18	7
	23131	Accounts Department Fiscal Manager	18	7
	23404	Controller	18	7
	23136	(State) Assistant Controller	19	7
	28322	Investment Officer	19	7

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
(Financial Mgr III continued)	23052	Deputy for Evaluation and Management/DPB	20	7
Financial Manager IV	23051	Deputy for Budget/DPB	21	8
	23174	State Internal Auditor	21	8
	23115	State Deputy Treasurer	21	8
	23123	Treasury Cash Management and Investments Director	21	8

Appendix E continued
Draft Career Group Crosswalk

Example 4

Occupational Family: Administrative Services

***Role titles and career group crosswalks are subject to change.**

Career Group: Hearing and Legal Services

Purpose: To preside over administrative hearings; conduct research, analyze and interpret rules and regulations; consult and provide legal advice; represent the agency in court proceedings; litigate cases; and provide legal training to respective agencies.

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
Administrative Legal Specialist I	21201	Hearing Officer/Corrections Inmate	9	4
	21371	Hearing Officer/Unemployment Comp.	11	4
	23031	State Tax Regulations Specialist	11	4
Administrative Legal Spec II or Manager I	21301	Hearing Officer/Alcohol Beverage Control	12	5
	23224	State Tax Compliance Enforcement Supervisor	12	5
	23212	State Tax Supervisor Senior	12	5
	21372	Appeal Officer/Unemployment Comp.	12	5
	21361	Hearing Officer/Informal Reclamation	12	5
	21341	Hearing Officer/Medical Assistance	12	5
	21321	Hearing Officer/Motor Vehicle	12	5
	21221	Hearing Officer/Disability Determination	12	5
	21261	Hearing Officer/Social Services	12	5
	21362	Hearing/Assessment Coordinator/Reclamation	13	5
	22125	Staff Attorney	13	5

New Role	Current Class Code	Current Class Title	Current Pay Grade	New Pay Band
	22126	Staff Attorney Senior	14	5
	21262	Hearing Manager/Social Services	14	5
	21302	Hearing Manager/Alcohol Beverage Control	14	5
	21222	Hearing Manager/Disability Determination	14	5
	21322	Hearing Manager/Motor Vehicles	14	5
	21342	Hearing Manager/Medical Assistance	14	5
	21373	Appeal Manager/Unemployment Comp.	14	5
	21342	Hearing Manager/Medical Assistance	14	5
Administrative Legal Specialist III Or Manager II	21343	Hearing Director/Medical Assistance	15	6
	71141	State Police Legal Specialist	15	6
	23506	Medicaid Cost Settlement Agent	15	6
	21351	Administrative Law Judge/Human Services	16	6
	21391	Admin. Law Judge/Unemployment Comp.	16	6
Administrative Legal Manager III	21392	Admin. Law Judge SR/Unemployment Comp.	18	7

Appendix F

Draft Compensable Factors *

** Compensable factors and definitions are subject to change.*

Compensation Factor - Definitions

- **Complexity of Work:**

This factor describes the nature of work in terms of the resources e.g. machines, manuals, guidelines, and forms used or encountered and the processes applied. It is concerned with the number and variety of variables considered, the depth and breadth of activity, and the originality exercised. Difficulty - measures the relative character of the work process and the corresponding, thinking, analysis, and judgment required while doing the work.

- Scope & Range of Assignments - measures the breadth and variety of employee's assignments.
- Knowledge, Skills, and Abilities - measures the level of information, experience, and qualifications needed by the incumbent in order to perform the assigned duties.
- Nature of Contacts - measures human interactions within and/or outside the organization in terms of both frequency and the depth of information exchanged.

- **Results:**

This factor describes the outcomes of the work in terms of the range of its effects, the benefit or harm to citizens, the gain or loss of resources, and the good will created.

- Impact - measures the range of people, things, and organizations directly affected.
- Effect of Service - measures the extent to which decisions and work products affect the level of service, quality of work, welfare of constituents, the organization's image, and cost of operations.
- Consequence of Error - measures the potential cost of mistakes in terms of financial and human cost, efficiency, morale, physical maintenance, and image.

- **Accountability:**

This factor describes the responsibility or authority exercised in the work in terms of its guidance of fellow workers, its independence of operation, and finality of decisions made.

- Leadership - measures the level of control over resources such as people, functions, facilities, and budget.
- Judgment and Decision-Making - measures the type or kind of decision and the finality of decisions and actions taken.
- Independence of Action - measures the latitude or freedom of action.

Appendix G

Draft Performance Management Program

WHO CONDUCTS THE EVALUATION

Performance appraisals will be conducted by the employee's supervisor (the rater) who has direct experience or knowledge of the work being performed.

WHO REVIEWS THE EVALUATION

The next higher-level supervisor reviews the evaluation and may attach additional comments. The reviewer has the authority to change the evaluation ratings or comments.

TRAINING

Training is mandatory for all managers and employees within the agency in regard to the new performance program.

LEVELS OF PERFORMANCE

There will be three levels of performance to rate each job function and objective and to rate overall performance:

1. Extraordinary Contributor: Work that is characterized by exemplary accomplishments throughout the rating period; performance that is considerably and consistently well above the criteria of the job function.
2. Contributor: Work that is above and meets the criteria of the job function throughout the rating period.
3. Below Contributor: Work that fails to meet the criteria of the job function.

PLANNING STAGE

Each employee will have a planning stage conducted at the beginning of each rating period to discuss job functions (which include job duties and success criteria), objectives, and performance characteristics for the next rating period.

ONGOING PERFORMANCE MANAGEMENT

A rater should continue to provide performance feedback to employees throughout the review period.

PROBATIONARY APPOINTMENTS

Each new employee (original appointment) will be rated at the completion of a one-year probationary period. The one-year probationary period may be extended an additional 6-months by the supervisor with the concurrence of the reviewer for performance reasons.

ANNUAL PERFORMANCE REVIEWS

All employees who are non-probationary shall be given an annual appraisal no more than 60 calendar days prior to the official review date.

UNIVERSAL REVIEW DATE

All agencies will use a Universal Review Date as determined by DPT and DPB.

PERFORMANCE OPTIONS TOOLBOX

An agency may determine that using any or all of the following options would assist in conducting performance management.

The Following Options Do Not Require Incorporation Into The Agency's Performance Policy or DPT's Approval

LINKAGE OF EMPLOYEE PERFORMANCE TO AGENCY MISSION

An agency may elect to include objectives or standards based on the mission statement for the agency, or the particular work unit, on the employee's appraisal document. Space will be allocated on the statewide performance appraisal form to include this information if desired.

STAFF DEVELOPMENT AND TRAINING PLANS

The agency may choose to require raters to complete staff development and training plans for each employee yearly. This component may be written into the agency's policy if desired. DPT will provide agencies with a sample that may be used to help link employee training plans to the employee's performance evaluation.

WEIGHTED SYSTEM

An agency may use a numerical weighting system to establish the importance of job functions and objectives for purposes of evaluation. A sample-weighted system will be available from DPT. This system must be able to convert into the three rating levels.

The Following Options Require Incorporation Into The Agency's Performance Policy or DPT Approval

FREQUENCY OF EVALUATIONS

Under the baseline system an agency would have the flexibility to conduct unofficial evaluations anytime throughout the year. A meeting between the rater and the employee is required prior to the end of the rating cycle, preferably mid-year. This is to facilitate communication between raters and employees. However, if an agency wishes to require more frequent evaluations, it should include such requirements in its evaluation policy.

REVIEWER CHANGING THE RATER'S RATING

An agency may determine that it does not want the reviewer to have the authority to change the rater's rating. If this were the case, the agency would need to incorporate this limitation into its performance policy.

MULTIPLE SOURCES OF FEEDBACK

In using "multiple sources" of feedback, the particular process chosen must be included in the agency's performance policy. The agency should provide training as appropriate to employees on giving and receiving feedback.

TEAM EVALUATIONS

An agency may elect to incorporate a team evaluation as part of an employee's performance appraisal. If an agency determines to do this, such change would need to be incorporated into the agency's performance policy. A self-assessment tool to help an agency determine whether it is ready to use team evaluations as a substitute for individual performance appraisals will be available through DPT.

Appendix H

High-Level Implementation Timeline and Action Plan

The TAC will seek feedback from the EAC on design, implementation, training and communication components.

1999

Nov 99–Feb 2000 Write policies; appoint and train specification teams; write role specifications

Dec 99 Communication to agency heads about pay plan implementation; identification of agency resources to assistance in implementation

2000

Jan-Mar Develop training materials

Apr-Sept DPT generate list for conversion; write communications; train designated HR staff; train the trainers; employee and manager training

May-Jun Agencies convert to new roles; conduct employee and manager meetings; finalize performance management materials

Jun-Oct Agency notification to DPT of conversion date; Train HR staff, managers and employees on performance management

Nov 99-Mar 00 Establish new performance plans

2001

Jan-Aug: Provide enhanced employee and manager training

Appendix I

Compensation Philosophy (Draft)

It is the compensation philosophy of the Commonwealth that its employees be compensated in a manner sufficient to support and develop a high performance workforce so that quality services are provided in a fiscally responsible manner to the citizens of the Commonwealth. The Commonwealth's compensation program will recognize, accommodate, and support differences and changes in organizational design and mission; assure that like jobs are valued with similar methodology and treated similarly in terms of base pay; promote employee focus on agency missions and outcomes; be market responsive and affordable; be administratively efficient and responsive; and be easily understood and communicated.

The following are the underlying principles of this philosophy:

- encouraging employees to make a performance difference either individually or through teams in which results are more important than entitlements (i.e., seniority, hierarchy, or the expectation of additional pay for changing responsibilities);
- providing pay systems which are more flexible than base pay to tie the performance of an agency or unit to that of its employees, and where accomplishment of agency or unit missions, objectives, and operating efficiencies occupy key roles in determining the availability of funding;
- focusing on the value of total compensation including salary and non-salary benefits such as, healthcare, retirement, life insurance, disability insurance, annual and sick leave;
- establishing base pay with reference to the competitive market (public and private) and, where appropriate, with reference to comparable state jobs; and
- providing salary increases which focus on employees gaining demonstrable skills and competencies that are critical to the accomplishment of agency or unit missions.

APPENDIX J:

INTERIM REPORT: REFORM OF THE CLASSIFIED COMPENSATION PLAN



**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**

**COMMISSION ON REFORM OF THE
CLASSIFIED COMPENSATION PLAN**

January 15, 1999

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APPENDICES

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Preface

Item 546.S. of the 1998 Amendments to the 1998 Appropriation Act established the Commission on Reform of the Classified Compensation Plan. The Commission is charged with recommending reforms to the Commonwealth's classified compensation plan. Required provisions for the Commission to consider in its recommendations include establishing a state-wide compensation program that provides flexibility to meet state workforce needs; performance-based salary increases; a stable funding mechanism; a revised means of gauging the competitiveness of state classified salaries and employee benefits; a clear definition of roles of the Department of Personnel and Training and state agencies in the administration of the new classified pay plan; and an employee communications program. Optional provisions for the Commission to consider in its recommendations include multiple pay plans and broad occupational classes; a team approach to performance increases; elimination of fixed pay steps; alternative rewards, and; other modern compensation features, as deemed appropriate for a large, multi-site employer.

The Commission's work began in September 1998. This interim report provides an overview of the Commission's work and integrates information contained in the report from the 1994 Joint Commission on Management of the Commonwealth's Workforce (*Workforce Commission*). The majority of work on reform of the classified compensation plan will be conducted in calendar year 1999. The Commission's findings and recommendations will be reported to the 2000 General Assembly Session.

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January 15, 1999

Interim Report: Reform of the Classified Compensation Plan

A. *Previous Activity Leading to Establishment of the Commission on Reform of the Classified Compensation Plan*

Research by the Commission identified the following key dates/events leading to the establishment of the Commission on Reform of the Classified Compensation Plan.

- | | |
|------|---|
| 1982 | Governor Robb calls for Pay-for-Performance |
| 1989 | General Assembly mandates Pay-for-Performance |
| 1990 | General Assembly adopts current Pay-for-Performance program |
| 1993 | General Assembly establishes the Joint Commission on Management of the Commonwealth's Workforce (<i>Workforce Commission</i>) |
| 1994 | Draft <i>Workforce Commission</i> report calls for reform of the classified compensation plan |
| 1997 | Senate Finance and House Appropriations Committee staff reports identify problems with the current classified compensation plan |
| 1998 | General Assembly creates the Commission on Reform of the Classified Compensation Plan |

B. *Commission Work: September – December 1998*

The Commission has met three times -- September 30, November 11, and December 17, 1998. Highlights of Commission meetings are as follows:

September 30, 1998:

- Origin of Commission
- State Workforce Demographics
- Overview of Current Classified Compensation System
- Overview 1994 Workforce Commission Report
- Brief Overview of Other State Initiatives

November 11, 1998:

- Constraints of Current Classified Compensation Plan
- Review of Other State Initiatives
- Overview of Compensation Pilots in Agencies

December 17, 1998:

- Broad Policy Issues
- High-Level Communications Plan

Note: Information, documents and materials pertaining to the work of the Commission are available via a website on the Internet.

Item 546.S. establishes two committees to include a Technical Advisory Committee (TAC) and an Employee Advisory Committee (EAC) to support the Commission's work.

Technical Advisory Committee:

- *Role of the Technical Advisory Committee:* The TAC's role is to serve in an advisory capacity to the Commission. The TAC serves as internal consultants and subject matter experts in the redesign of the classified compensation plan.
- *Composition of TAC:* The TAC consists of the chief human resource officers of several state agencies (See Appendices for Membership of the Technical Advisory Committee). These agencies represent over eighty percent of the classified workforce. They include the:
 - University of Virginia
 - Virginia Polytechnic Institute and State University
 - Virginia Commonwealth University
 - Department of Corrections
 - Department of Transportation
 - Department of Mental Health, Mental Retardation & Substance Abuse Services
 - Department of State Police
 - Department of Taxation
- In addition, the TAC includes staff from the:
 - Department of Personnel and Training
 - Department of Planning and Budget
 - House Appropriations Committee
 - Senate Finance Committee

Employee Advisory Committee:

- *Role of the Employee Advisory Committee:* The EAC's role is to serve in an advisory capacity.
- *Composition of EAC:* The EAC will consist of first line supervisors and employees from state agencies.

C. Future Commission Work: During 1999

The Commission has completed much of its foundational research -- data collection and data analysis -- through the efforts of the Technical Advisory Committee. The Commission shall charge the TAC to begin the design of the new classified compensation plan during calendar year 1999 in concert with the objectives identified in the 1994 Workforce Commission's report and based on the objectives described in Section J and K of this report. The TAC will begin to implement the Commission's communication plan. The TAC will work to educate the EAC as to the work of the Commission since September 1998. The TAC will seek input from the EAC as it moves forward with its work in 1999. During the Spring of 1999, agency management and employees will have an opportunity to participate in the work of the Commission by providing feedback to the TAC. State employee forums will be held after the 1999 General Assembly Session to seek input into the Commission's work. The Commission intends to complete its work in the Fall of 1999 by issuing a final report with its recommendations to the Governor and the General Assembly.

D. State Classified Workforce Demographics

The Commission's work to reform the classified compensation plan will affect 69,063 classified employees under the Virginia Personnel Act. This total represents 78 percent of the salaried employees in the Executive Branch.

The Commonwealth continues to be the major employer throughout Virginia. The distribution of the state's workforce has not changed in recent

years, although employment in some rural areas has increased as a result of new prison construction. *Note: All statistics in the following paragraphs refer to the study population – the state classified workforce.*

Classified employees also have a broad representation by race, with 68.8 percent white, 28.8 percent black, 1.3 percent Asian, and the remaining one percent Hispanic and native American. These percentages have changed little since 1990.

Currently 52.1 percent of the workforce are female and 47.9 percent are male. The distribution by gender has been very consistent throughout the 1990's.

The total workforce, generally, is aging and the same is true of the state's employees. The current median age is 44, up from 40, in 1990. One-half of all state employees are between the ages of 36 and 51, and only eight percent are below 27 years of age.

As the classified workforce has aged, the average years of service has also increased, from 9.7 years in 1990 to 11.1 years now. Twenty-five percent of classified employees have less than three years of service, about one-half have between four and 17 years, 18 percent have 18 to 25 years, and eight percent have over 25 years of service.

One-fourth of classified employees are in professional jobs. The next largest percentage is paraprofessionals, followed by protective service, office support, and skilled crafts. Less than 10 percent of the employees are in each of the categories of technicians, managers/executives, and maintenance. *Note: Protective service workers include correction officers, state police, etc. Office support workers include secretaries, office assistants, etc. Skilled craft workers include electricians, carpenters, plumbers, etc.*

Since 1990, the number of service-maintenance workers has decreased by more than half, the number of office support workers has decreased by 42 percent and the number of technicians has dropped 2.5 percent. The largest increase has been in the number of protective service workers, which is up 29.4 percent over the period. Skilled craft workers and paraprofessionals each has experienced over 10 percent growth, but overall the number of

classified workers has decreased by 9.1 percent since 1990. This is the result of a statewide early retirement program, the Workforce Transition Act and budget reductions.

There are 23 salary grades in the state's classified salary structure. The median grade is eight. This is up from grade seven in 1990, largely as a result of a regrade, or increase in grade, for correction officers. About four percent of the employees, or 2,903, are in the lowest three grades; 50,857, or 74 percent, are in grades four through eleven; and 11,319, or 16 percent, are in grades 12 through 23. The remaining six percent are in ungraded jobs. Most of the employees in this group are equipment operators in the Virginia Department of Transportation (VDOT), whose salaries are in a pilot compensation program involving skill-based pay and expanded pay ranges.

All classified employees are salaried. The average employee's salary is \$29,211, compared with \$23,412 in 1990. This represents a 24.8 percent increase over seven years. Another measure of employees' salaries is the median, which is \$26,604. One-half of all employees earn between the 25th percentile, which is \$21,772, and the 75th percentile, which is \$33,991. The lowest classified salary is \$11,932 and the highest is \$132,262. (These figures are based on salaries prior to the November 25, 1998 increase that classified employees received in the form of a performance increase – 4.55 percent increase for exceptional or exceeds expectations, and 2.25 percent increase for meets expectations.)

E. *Overview of the Classified Compensation System*

The compensation system of the Commonwealth's classified workforce is a decentralized system that covers most employees in the executive branch of government. Most classified personnel and compensation decisions are delegated to agencies as prescribed by state policies.

To determine the relative worth of each job (i.e., the level of compensation appropriate for that type of work) the Commonwealth utilizes the Position Classification method. Under this method classified employees are grouped into approximately 1,650 job classifications. The employees

within each job classification share similar duties. Each job classification is assigned to a specific salary grade in the Commonwealth's classified pay plan, which is administered centrally by DPT. Under this pay plan there are twenty-three pay grades, each divided into 21 salary steps of 2.25 percent each.

Since 1982, Virginia has been a leader in the move toward a performance-based pay system for public employees. The Employee Incentive Pay Program (EIPP) was authorized in 1989 and 1990 sessions of the General Assembly. This represented a major step toward the objective of linking salary to performance. Since 1991, the EIPP has been funded three times (FY 1991, FY 1995, and FY 1999). Since 1981, performance has been funded 12 times through "merit" increases and the EIPP.

The EIPP covers all classified employees in the Executive Branch. It provides larger salary increases to employees who perform above meet's expectations. Simply, the EIPP was designed to provide a fixed percentage salary increase based on three levels of employee performance – exceptional, exceeds and meets. The EIPP also has two levels of less than satisfactory (meet's) performance, which receive no salary increases. Employees who reach the maximum salary for their job classifications (pay grade) receive bonuses, not permanently attached to base pay.

In FY 1999, the EIPP was modified to provide exceptional employees the same performance increase as employees who were rated as exceeds expectations. In addition, for the first time in FY 1999, the state did not restrict the number of employees eligible for increases by level of rating as was done on the two previous occasions when the EIPP was funded.

F. Objectives of Compensation Systems

Goals of the Classified Compensation Plan: The compensation system of any organization is composed of four basic subsystems:

- 1.) A subsystem for determination of **Job Worth;**

- 2.) A **Pay Practices** subsystem;
- 3.) A subsystem of compensation **Policies and Procedures** (including performance management) , and;
- 4.) A subsystem of **Cash and Non-cash Compensation** (salary and employee benefits).

For each of these subsystems, there are various options available to the human resource manager. For example, the Commonwealth's method of arriving at a determination of job worth – the Position Classification method – is one of many means that can be employed. Each option has its own unique set of strengths and weaknesses that make it possible to select a method that best fits the goals of a specific organization. As the Commission discussed at its first meeting, no organization establishes a human resource system – including the compensation system – for its own sake. They are established to support organizational goals. Before any determination can be made concerning the compensation system that best fits an organization's goals, it is essential that the goals be clearly identified.

The major goals of a compensation system vary little from one organization to another, and have been clearly defined in professional literature and in modern compensation practice. As a result, the Commission reaffirms the compensation goals identified in the 1994 Workforce Commission report.

The issue at hand is whether the classified compensation plan, as structured and implemented, meets these goals. The four major goals for the Commonwealth's classified compensation system are:

- GOAL 5: **Attract** qualified employees;
- GOAL 6: **Retain** qualified employees;
- GOAL 7: **Motivate** employees by rewarding sustained performance, and;

GOAL 8: **Support** line management in the realization of organizational objectives.

While the first three goals are traditional, textbook ones for any compensation system, the 1994 Workforce Commission identified the fourth goal. This Commission supports the fourth goal, as it is consistent with the current thinking in the field of public administration. It is also a traditional one in Virginia, having been voiced numerous times since at least the turn of the twentieth century. The lack of a specific goal relative to line agency support, when coupled with the one size fits all approach of the current classified compensation system, has allowed the compensation system to lose focus. Hence, the current system is slow to respond to the pace of organizational change and the nature of high-performing organizations where jobs are dynamic and not static.

Most of the objectives to change the current classified compensation system identified by the 1994 Workforce Commission are the same objectives identified in this Commission's charge and in Section J of this report.

These compensation objectives are as follows:

- The Commonwealth should redesign its present compensation system to establish a better fit with the objectives of a large, [multi-site employer] public sector organization as it moves into the twenty-first century.
- The Commonwealth's job worth system should be revised to:
 - Minimize administrative effort;
 - Be clearly understood by both managers and employees;
 - Increase flexibility of management and employees to define job duties; and
 - Allow employees to grow and assume greater responsibility in a job without encountering undue restrictions inherent in the current classification system.

- The revised system should recognize the differing organizational and demographic factors affecting job groupings by providing for different evaluation methods to fit major categories of work.

G. *Current Trends in Public Sector Compensation*

At present, the field of public administration is focusing greater attention on human resource management and compensation in particular. This is – no doubt – in recognition of the central role played by public employees in providing state services.

In the 1990's, when all levels of government are being asked to provide the same – or increased levels – of service with fewer resources, state personnel systems must be *flexible and adaptable* if they are to meet the needs of a modern information and service-oriented organization.

Workforce reductions in the late eighties and throughout the nineties due to early retirement programs, the Workforce Transition Act, hiring freezes, and increase service demands by the citizenry of Virginia, necessitate the adoption of a new classified pay system to enable agencies to effectively utilize and compensate their employees.

Models exist – often adapted from the private sector – that provide greater flexibility and productivity than is typical of public sector personnel systems. Most of the experimentation with adapting these models has, to date, been carried out at the local level. However, since 1994, many states have embarked on reforms of their antiquated “civil service” systems that were modeled after the federal government. Even the federal government has made significant strides in implementing more modern compensation practices that provide greater flexibility and productivity than is typical of public sector -- “civil service” -- compensation systems. Sixteen states in the last five years have made significant changes to their state personnel (compensation) systems -- Alaska, Colorado, Georgia, Illinois, Kansas, Kentucky, Maryland, Missouri, Nebraska, New Mexico, Oklahoma, South Carolina, Tennessee, Texas, West Virginia, and Wyoming. Many more states

are considering reforming parts or all of their state personnel (compensation) systems.

In all of these reforms, two themes appear to move to the forefront:

- 3) The need of the compensation plan to support line management in the realization of organizational objectives.
- 4) The need of the compensation plan to be flexible to adapt to differing organizational and demographic needs, and an ever-changing environment.

Therefore, what works well for one agency may not work well for another.

H. *Constraints of Current Classified Compensation Plan*

The research by this Commission and the 1994 Workforce Commission has identified many problems with the Commonwealth's classified compensation system. The Commission noted several of the more systemic problems that are regularly identified:

- Most pay ranges are probably not properly aligned with the job market.
- Salaries paid to most employees are probably not competitive with their private sector counterparts, given their experience and performance.
- The pay for performance program no longer functions to move employees through their pay grades due to a lack of consistent funding.
- Current pay practices for compensating and rewarding employees are out of sync with today's modern compensation practices and are a barrier to organizational effectiveness and worker productivity.

In addition, one of the most significant problems stated by agencies is the lack of flexibility to effectively address compensation issues within the current classified compensation plan. As a result, agencies attempt to work around the system's limitations through creative regrades and reallocations, which erode the system's credibility. In some cases, agencies have "opted out" of the classified compensation plan through legislative action – by codified autonomy or by becoming an independent state agency. Unless major reform is carried out, the likelihood of more agencies "opting out" will continue.

It is widely held by agencies that the current classified compensation plan is out of step with modern, private sector practices that are key to increases in the effectiveness and productivity of the workforce. *In short, the Commonwealth's classified compensation system no longer achieves its four major goals.*

I. *Brief Overview of Other State Initiatives*

The Commission contacted eight states that were known to have either completely reformed their state compensation systems or are in the process of reforming them. These states were: West Virginia, Maryland, North Carolina, South Carolina, Georgia, Florida, Texas, and Colorado.

The criteria for selecting states were as follows: 1) Southeastern region; 2) cutting edge or "best practices;" 3) implementation of some significant compensation initiatives or reforms completed; and 4) demonstration of various modern compensation design options.

Several differences were noted between the various states researched to include the following: 1) number of different pay plans; 2) structure of pay plans; 3) exclusion of some employee categories; 4) role of state personnel agency; 5) degree of centralization versus decentralization; 6) how programs are funded; and 7) other pay practice factors considered in the approach to implement a modern compensation system.

In addition to differences that were noted among the various states researched, there were several common elements that these states shared. They included: 1) performance-based pay as a significant factor; 2) reduced reliance on job classification systems; 3) significantly fewer job classes and broader job roles with expanded salary ranges; 4) moderate to significant movement away from longevity-based civil service systems; and 5) some level of equity maintained among agencies, although, a movement away from a one-size-fits-all approach.

Several conclusions can be drawn from researching the various states, namely: 1) many states are implementing new statewide pay plans with a focus on performance; 2) the antiquated “civil service” model is being abandoned; and 3) the new compensation plans are more flexible, simpler, and easier to administer.

J. *Updated Objectives from the 1994 Workforce Commission*

The 1994 Workforce Commission with assistance from DPT and Watson Wyatt consultants drafted a set of objectives pertaining to reforming the classified compensation plan. These objectives have been reviewed and updated by this Commission and are set forth below. Certain objectives have been omitted, as they do not pertain to the charge of this Commission. Other objectives have been revised and combined to reflect today’s environment.

Objective 1: **The classified compensation system should adopt more modern compensation practices as it moves into the twenty-first century.**

The reform should be viewed as continuing to evolve over time. The changes from this effort should not be viewed as having produced a final, perfect compensation system.

Two-way communication between the Commonwealth and its employees is essential to success. State employee forums should occur in the spring of 1999, which would be useful in establishing two-way communications.

The revised classified compensation system should strive to be cost-neutral upon implementation and affordable to maintain.

Objective 2:

The Commonwealth's job worth system should recognize the differing organizational and demographic factors affecting job groups by providing different job evaluation methods to fit the major categories of work (i.e., managerial & professional, law enforcement, skilled trades, etc.). In addition, the Commonwealth's job worth system should be revised to:

- Minimize administrative effort;
- Be clearly understood by both managers and employees;
- Increase the flexibility of management and employees to define job duties;
- Allow employees to grow and assume greater responsibility in a job without encountering undue restrictions inherent in the current classification system and compensation policies/practices;
- Incorporate a "Person-Oriented" approach to determining job worth versus a "Position-Oriented" approach, where appropriate.

Objective 3: The Commonwealth should maintain a competitive pay structure by striving to establish base salary levels (cash compensation) with the appropriate competitive labor market.

The practice of recognizing local, regional, and national labor markets – long practiced by major private sector employers and adopted by the federal government – should be expanded and extended statewide. Currently this practice is partially applied in Northern Virginia. This will enable the Commonwealth to better establish “external equity.”

Since 1990, the Commonwealth has generally become less competitive in cash compensation. Many state employee salaries lag their private sector counterparts. Unless corrected, this situation will have a long-term negative effect on the ability of the Commonwealth to attract and retain quality employees.

Objective 4: The Commonwealth’s compensation system should strive to provide “internal equity” in agencies within the appropriate external labor markets.

Objective 5: Movement through the classified pay structure should be performance-based, with some consideration for job maturation (longevity).

Objective 6: The Commonwealth’s compensation system should recognize the diversity of demographic and organizational needs within state government.

The current monomorphic compensation system should be phased out in favor of multiple compensation plans – each designed to meet specific demographic or organizational needs. This is the

prevailing practice in the private sector and many states have moved to this type of system.

Objective 7: The Commonwealth should consider use of “expanded pay ranges” as one of the several optional programs.

The use of expanded pay ranges is common within the private sector and has been a trend in the public sector during the nineties.

Objective 8: The Commonwealth should move toward a system of “total compensation.”

Classified employees should be educated on the value of non-cash benefits that are employer contributed such as retirement, health insurance, leave, etc. It is essential, however, for the Commonwealth to keep in mind that, at present and for the foreseeable future, cash compensation (i.e. salary) will remain its primary competitive tool. Education could be accomplished by modifying the “Employee Earnings Statement” to list employer-paid non-cash benefits employee received each pay period.

Objective 9: The Commonwealth should incorporate the use of more modern compensation practices such as alternative rewards e.g., bonuses, gain sharing, pay for skills, pay for knowledge, pay for competencies, spot awards, non-monetary rewards and others. This would embrace the concept of a “Managers Toolkit.”

Alternative rewards are a common management tool used by private sector and many public sector organizations. Such tools provide the flexibility and adaptability to properly reward employees for individual, team and organizational

accomplishments. While each tool may not be appropriate for the entire workforce, the availability of a number of programs would allow the compensation program to be tailored to the organizational or demographic needs of each agency.

Objective 10: Implementation of the classified compensation system should continue to be decentralized to agencies.

The parameters of the redesigned classified compensation system should allow for expanded opportunities for further decentralization to agencies. The new plan will not necessarily correspond to the current division of central versus agency authority and responsibility. The nature of the relationship should be clearly defined as part of the revised compensation system, prior to implementation.

Objective 11: Rules and regulations governing the classified compensation system should be promulgated by DPT with input from agencies and employees whenever possible.

The utility of input from the participants in a system is one of the primary tenets and strengths of modern compensation planning.

Objective 12: The use of pilot compensation programs should be encouraged as a tool to foster experimentation and innovation.

Pilot programs offer an excellent opportunity to test and experiment with new ideas while avoiding the expense and risk of full-scale implementation. The experience gained in a pilot can be valuable in building program support, refining program

concepts, and promoting cost-effective implementation and program administration.

K. *New Commission Objectives*

In addition to the updated objectives described in Section J, the Commission has established the following new objective(s) pertaining to the reform of the classified compensation plan. The Commission may identify and recommend other objectives as well.

Objective 13: The Commonwealth should consider the use of “stepless pay ranges” in any new classified compensation plans that are developed.

The use of “stepless pay ranges” is common within the private sector and public sector. Stepless pay ranges are being piloted at UVA and VCU. They are part of the compensation structures of several independent state agencies such as State Corporation Commission, the Virginia Lottery, Virginia Retirement System, Medical College of Virginia Hospitals, etc. Stepless pay ranges will provide the necessary flexibility and adaptability to implement more modern compensation practices such as alternative rewards, and variable percentage increases for performance.

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