

NASPE Nomination: Innovative State Human Resource Management Program

Program Title: Targeted Funding

State: Utah

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Summary:

For many years, the State of Utah's Department of Human Resource Management office's (DHRM) historical compensation practices have prohibited it from providing sufficient compensation services to the agencies that it supports. In the 2015 calendar year, DHRM organized a team to formalize and implement major compensation overhaul initiatives to help DHRM become a better strategic partner with its support agencies. The culmination of the project was the establishment of a Targeted Funding process that provided data-driven, justifiable compensation recommendations that addressed the areas most in need of compensation increases.

These recommendations now include powerful data indicators including quality of hire, turnover rates, time to fill, and market position to diagnose the most significant compensation problems that our customer agencies face instead of focusing on one data indicator as had been required of the department in past years. This is efficiency, fiscal responsibility, and strategic focus at its greatest.

DHRM's new Targeted Funding Process has been implemented for the last two legislative sessions and was included in the Governor's budget both years. In the 2017 General Session, DHRM successfully pushed for the inclusion of targeted funding in the final budget approved by the legislature. For the first time, agencies will receive targeted funding on their most mission jobs needs that also showed the worst signs of compensation issues.

1. Program Description:

In the Targeted Funding program, DHRM evaluates state agency requests for compensation funding that is justified under market standards showing that salary is an inhibiting factor in the ability to attract and retain quality talent. DHRM makes Targeted Funding job recommendations to be included annually in the Governor's Budget.

In March 2015, DHRM surveyed agencies to gain insight regarding the most significant market constraints that its agencies face. This included identifying indicators that best represent jobs experiencing the most significant challenges attracting and retaining talent because of salary. Using data from this survey, and with the assistance of an outside compensation consultant, DHRM developed the following 10 market standard indicators:

- Below market position on salary surveys
- Abnormal length of time to fill a job
- Unfavorable number of offer declines for salary
- Decreasing number of applicants over the last five years
- New hire measurements where employees are placed in the 4th quartile of the salary range
- High voluntary turnover
- High involuntary turnover
- Abnormally high number of job level moves internally and externally
- Exit interview data indicating salary is a factor in an employee's choice to leave employment with the State of Utah
- Compression within the 1st and 2nd quartile of the salary range

2. How Long Has The Program Been Operational?

Since July 1, 2015

3. Why Was the Program Created?

The State of Utah, DHRM has made significant strides to be more responsive to the strategic needs of the agencies that it supports. An overhaul of DHRM's compensation practices was necessary in order for it to be able to truly partner with its support agencies.

Because of outdated compensation statutes, DHRM has been limited to making salary range adjustment recommendations based on one data indicator; the market position in salary range midpoint. As a result we were mechanically making the same salary range midpoint recommendations to the Governor's Office year after year. In the meantime, the salary ranges for our benchmark jobs were falling farther and farther below the market and the State of Utah was not able to attract and retain critical talent in many "hot-spot" jobs. The Targeted Funding program has enabled DHRM to be more responsive to the strategic compensation needs of its customer agencies and to make better more targeted compensation funding recommendations.

4. Why is This Program a New and Creative Method?

Prior to the release of the Targeted Funding programs, agencies were receiving across the board increases for employees and limited funding to be used at the discretion of the agency. These types of compensation recommendations included very little collaboration between agencies and were not effective in addressing market "hot-spots." Our new program enables DHRM to partner with its support agencies in ways that resolve the actual compensation issues that they face.

5. Program Start-Up Costs

It is estimated that DHRM staff worked approximately 600 hours to design and implement this program for an estimated \$25,000 in salary and benefits productivity costs. Additionally, DHRM hired a compensation consultant, of which for \$37,500 is allocatable to this program. Total start-up costs are estimated to be \$62,500.

6. Program Operational Costs

Targeted Funding work occurs one time every year. Costs associated with this work are estimated to be \$2,000 in salary and benefits productivity costs for 52 hours of work.

7. How is the Program Funded?

Because most of the costs associated with both programs are productivity costs, no additional funding was required. The compensation consultant was funded by existing money that had previously been earmarked for a total compensation study.

8. Did the Program Originate in Your State?

Yes

9. Are you aware of similar programs in other states? If yes, how does this program differ?

We are aware of other states that targeted areas in their compensation recommendations. The Targeted Funding program is different within the State of Utah because it is intended to make DHRM a strategic partner with the agencies that they support. The program allows DHRM Field Directors to work directly with their agency to solve compensation constraints and to use it as a tool to support the overall mission and vision. Other programs within state governments that

we are aware of are managed exclusively at the enterprise office with minimal input gathered from agency leaders.

10. How do you measure the success of this program?

Success is measured by the program's ability to influence the mission and the vision of the organization. Specifically, we will evaluate effectiveness by the program's ability to decrease voluntary turnover, minimize applicant declines for salary, and improve an agency's market position.

11. How has the program grown and /or changed since its inception?

DHRM has refined the market indicators to be more responsive to the needs of its agencies. We have allowed additional data that supports an agency's constraints in attracting and retaining talent. For example, market data that is not owned and collected by DHRM has been allowed if it supports trends discovered among the other data indicators.