

2019 NASPEs AWARD

Eugene H. Rooney, Jr. Award Nomination

Innovative State Human Resource Management Program

Louisiana Compensation Redesign Plan – A Summary

The Louisiana Compensation Redesign Plan, adopted by the State Civil Service Commission (SCSC) on June 7, 2017, and approved by Governor John Bel Edwards on June 26, 2017, represents a fundamental shift in the way classified employees are compensated. Compensation Redesign included abolishing the longstanding 4 percent performance adjustment for all employees who receive a successful or above, implementing market adjustments, amending Chapter 6: Pay Rules of the Civil Service Rules, and the first increase to pay schedules the state has seen since 2007. As part of the package, a one-time 2% general increase was also given to eligible employees.

Louisiana's six occupational-based pay schedules were revised to reflect the relevant market on January 2, 2018. Thereafter, eligible, classified employees will be granted annual, tiered market adjustments ranging from 4 percent to 2 percent, depending on their current rate of pay and position to the relevant market. This tiered system is projected to provide a savings to the State's general fund.

Under the revised pay schedules implemented on January 2, 2018, approximately 6,200 classified employees received an additional pay increase. Such employees included entry-level correctional officers, probation and parole officers and child welfare specialists. Employees are required to earn at least the minimum of the pay range established for their job under existing State Civil Service Rules.

The new market adjustment rule is the vehicle that helps ensure that state classified employee salaries are able to maintain pace with the market. This is a critical component of the new compensation philosophy, especially as agencies continue to invest in growing the skills and competencies of their workforce. The market adjustment percentage is based on an employee's relationship to the midpoint of the pay range assigned to his or her job. To get an employee invested in a career with state government and more quickly move that individual to a market rate, larger percentage increases are necessary when an individual is near the minimum of the pay range. Market adjustments allow agencies to focus on achieving their missions instead of constantly trying to fill vacancies.

ALL SUBMISSIONS MUST:

Meet all eligibility requirements. • Meet deadline requirements stated on the NASPE website. • Be entered in the correct category and be correctly identified. • Include a complete nomination packet. • Conform to all copyright laws.

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DETAILS

1. Please provide a brief description of this program.

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Eligibility Percentages ¹			
Hourly Rate at Minimum up to 1st Quartile	Hourly Rate above 1st Quartile up to the Midpoint	Hourly Rate above Midpoint up to the 3rd Quartile	Hourly Rate above 3rd Quartile up to the Maximum
4%	3%	2%	2%

¹To be eligible for a Market Adjustment, employees must be in active status for six months prior to the disbursement date. WAE employees and those employees who received a "Needs Improvement/Unsuccessful" on their last performance evaluation are not eligible to receive Market Adjustments.

2. How long has this program been operational (month and year)?

The program has been operational since January 2018.

3. Why was this program created? (What problem[s] or issues does it address?)

The Compensation Redesign Plan was created to address a number of issues in Louisiana. First, classified pay schedules lagged the relevant public and private markets from 4.9% to 28.2%, and had not been adjusted to reflect changes in the relevant market since 2007. Also, large portions of the classified workforce salaries have remained stagnant due to performance adjustments being suspended or withheld in the layoff avoidance process.

Second, Louisiana loses millions of dollars each year due to the cost of turnover and loss of productivity. The cost of voluntary turnover combined with the loss of productivity, experience

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and competencies leaving our classified workforce is of great concern regarding the ability of the State to maintain core services provided to the public.

Third, the standard 4 percent Performance Adjustment (Merit Increase) was frowned upon because everyone got the same 4 percent regardless of performance and came with a high price tag of \$36.9 million. The Compensation Redesign Plan is defensible to the Louisiana taxpayer and is a fraction of the cost.

4. Why is this program a new and creative method?

The Compensation Redesign Plan is new and creative because it removes the long-standing merit pay that is typically seen in state governments that pays for “time in seat”. Pay is now driven by the market. It affords the state the ability to attract top candidates with a competitive entry salary, then train and grow the employee’s competencies while providing tiered, responsible increases aimed at moving the employee to market value within a timeframe conducive to retaining employees.

5. What was the program’s startup costs? (Provide detailed information about specific purchases for this program, staffing needs and other expenditures, as well as existing materials, technology and staff already in place.)

The startup cost of the program were significant. However, it was a true investment into the classified workforce – it moves Louisiana from a compensation philosophy that lagged the current market to one that maintains labor market competitiveness within the boundaries of financial feasibility.

Compensation Redesign Implementation Cost ² Comparison (FY18)		
Implementation cost includes Jan. 1st 2% General Increase and Jan. 2nd Structure Adjustment		
State General Fund, including 40% related benefit		
	6-Month Implementation Cost	12-month cost
Projected Cost	\$15,179,637	\$30,470,776
Actual Cost	\$13,244,661	\$26,489,322
Difference	(\$1,934,976)	(\$3,981,454)

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6. What are the program's operational costs?

The estimated cost for this fiscal year is approximately \$28.5 million.

7. How is this program funded?

This program is funded through the State Operating Budget for each agency as appropriated by the Legislature and signed by the Governor.

8. Did this program originate in your state?

Yes, this program originated in Louisiana.

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

Yes, several states are moving to a market-based philosophy. Louisiana is different in that it is moving employees through the ranges with Market Adjustments that are more affordable than doing structure adjustments each year. We also no longer have a merit increase or performance adjustment where everyone gets the same percentage each year.

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

Voluntary turnover has slightly reduced as people received market adjustments. The cost of turnover has gone down. More incumbents have been hired at the minimum of the pay ranges since the pay schedules were restructured to better align with market.

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

We continue to review the overall health of our pay plans to make further recommendations to stay competitive with the market. State Civil Service is continuously monitoring for any necessary amendments as the new Civil Service Rules are being utilized in the agencies.

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