

**Comments before the  
State Employee Compensation Oversight Commission  
Janet Palmer, SPHR – Human Resources Director  
Kansas Department of Labor  
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**Chairperson Foreman and Members of the Committee:**

**My name is Janet Palmer and I am the Director of Human Resources for the Kansas Department of Labor. Thank you very much for the opportunity to share comments concerning the proposed compensation plans for classified employees. Although the lack of specificity in the overview makes it difficult to probe deeply, the overall impression is positive and I'll comment very briefly on each plan proposal.**

**Plan #1 –The open range model for executive managers would include the smallest group of employees but I think many in this group would welcome the opportunity to be compensated based on performance. This plan would seem to have the greatest danger of becoming very subjective in nature. I suspect that many executive level classified managers have an unclassified appointee as a supervisor and it has been my experience that many unclassified appointees do not fully utilize a performance review system. In order to be successful, the plan would require total top-down buy-in.**

**Plan #2 – The Professional Individual Contributor (PIC). I certainly agree that career progression without being in a management track should be a**

component of a new plan. What concerns me, however, is the potential for constructing artificial career ladders within the range, much as we had a number of years ago when there were 4 or 5 levels to many classifications. In some instances, employees were almost automatically promoted to the next level after 2 or 3 years—a time-on-step mentality. Due diligence would need to be taken with appropriate reports and tracking to monitor actions taken.

Plan #3 – Our agency does not have employees in law enforcement and protective services positions and I have no comments on this plan.

Plan #4 – A step model basic pay plan for certain positions is very appropriate. I am familiar with this type of structure from my work in private sector manufacturing where the work was extremely structured and routine and a shortened pay structure worked very well. Employee concerns about the role of longevity would need to be addressed and perhaps some type of small bonus system could be considered after an employee tops out on steps.

Plan #5 – This plan, the general plan that would probably include over half of classified employees, seems to be the most valuable in terms of being a hybrid model that maintains the familiarity of the step plan but has the advantages of a broad band, pay-for-performance system. A concern would be that the use of steps up to market should be a short period of time—probably no longer than 2 years. Otherwise, we're hiring too far below market to be competitive. Managers would need to be given more budgetary responsibilities and decision-making authority in determining how their employees are paid meaning a requirement for additional, mandatory training. Obviously, there are many details to be worked out before any

of the plans could be implemented, but I applaud the use of multiple plans to meet the needs of diverse groups of employees.

If we look at the total compensation plan proposal, there are some other important factors that must be considered:

- I think the biggest obstacle to be overcome is the huge cultural change required as the proposals are implemented. Based on recent experiences, including the freeze on step movement, classified employees are not very trusting. As long as the step system was in place, many employees felt that at the least they would have that annual step increase and that such movement was not subject to manipulation or favoritism. Some employees were around when pay-for-performance was tried 20+ years ago and, unfortunately, that effort was a failure, due in large part to lack of funding. Employees are also very concerned about sustainability when the administration changes—as we know it will before the end of the proposed 5-year implementation period.
- In addition to the cultural change required, the concern over consistent funding is paramount. This has been emphasized many times. There has to be a real commitment to funding, not simply waiting to see what might be left over at the end of the session. It's my belief that adequate funding must be looked at as a customer service issue. If a compensation plan isn't adequately funded, we may just be funding poor customer service. Herb Kelleher, CEO of Southwest Airlines, is known for saying that employees come first and are even more important than customers. If we don't take

care of our employees, how can we possibly expect them to take care of our customers?

- Another part of the whole funding commitment must be the on-going effort to get employees as close to market as possible by the implementation of their group. This will mean some incremental funding efforts for multiple years with both broad general increases and specific market adjustments. We will need to see movement in all classified job groups, not just the 1/3 in a current implementation schedule.
- The minute we begin looking at pay for performance we must also look at performance management. Performance metrics must be observable, measurable and, most importantly, thoroughly documented. I am also firmly convinced that performance measures must include values and behavior. Basing performance measures on perception, “feelings” or vague generalities would leave us open to huge issues of credibility, charges of favoritism and would be disastrous in terms of employee relations. Perhaps we even need multiple performance management systems to run parallel to multiple pay plans. Currently, performance review ratings impact layoff scores. This becomes a factor in our agency, for example, where we have had multiple layoffs over the years. That tie between performance reviews and layoffs would need to be addressed.
- Even though the pay plan proposals are only for classified employees, if the pay-for-performance components are managed much as the merit pool is for unclassified employees, there must be coordination between the two. If we

are truly utilizing pay for performance, both classified and unclassified pay in comparable positions should be determined utilizing the same performance metrics. I understand the dangers inherent in treating unclassified employees much as we treat classified employees, but for employees working side-by-side, doing comparable work, pay for performance must be a documented decision.

- I think a critical part of any new compensation program is the continuation of this type of Commission that will work closely with the Department of Administration to track progress and make recommendations to the legislature concerning State employee pay. It seems totally unrealistic to expect the entire legislature to fully understand the complexities of administering multiple pay plans for over 20,000 classified employees. We've hired experts to help develop the overall plan; we'll use experts to administer the plan; we should utilize the expertise of a dedicated Commission to make recommendations and ensure the plan is proceeding as designed.
- Lastly, as we begin to implement a new pay plan and a market-based pay philosophy, greater emphasis needs to be placed on the value of an employee's total compensation package. That information is currently available to employees but a greater effort needs to be made to help employees understand how things such as the State's contribution to health insurance are a very real part of compensation.

When I look at the State of Kansas compensation philosophy established by this Commission, I note that the umbrella statement indicates the "programs will be

**based upon principles of fairness and equity...” Additionally, “pay delivery mechanisms will be based on a combination of performance objectives, recognition of differences in job content, acquisition and application of further skill and education, and pay for the achievement of team/unit or department goals.” The proposed compensation plans for classified employees are a positive step in that direction. Thank you again for the opportunity to speak. I will be glad to answer any questions you may have.**