DEPARTMENT OF ADMINISTRATIVE SERVICES

(MAY 2012)

Prepared by the

IN STATE GOVERNMENT
MANAGERIAL COMPENSATION
CURRENT ISSUES WITH
QLITY, TIMELY AND COST-EFFECTIVE SERVICES.
AND PROVIDE OUR CITIZENS WITH
EXCELLENCE IN STATE LEADERSHIP
STATE MANAGERS IN ORDER TO PROMOTE
REFORM IS NEEDED IN THE COMPENSATION AND BENEFIT SYSTEM FOR
es, particularly for those employees in executive classes for significant periods of time.
A similar situation has occurred between management (and bargaining unit classes) and executive classes.

Management and between classes in professional bargaining unions and classes in the MP pay plan,
(salariedcompression also exists between classes in non-professional bargaining unions and classes in
) that we encountered. We have also concentrated our presentation on managers in the MP pay plan,

since they are the most common feeder groups for the managerial classes and represent actual situations
the information and examples contained in this report are job classes in the professional bargaining units.

For ease of presentation,
to resolve this very serious situation and to avoid such a situation in the future. For ease of presentation,

salary inversion and an explanation of how we got here. It also provides recommendations to consider
union and managerial compression in state government. It provides examples of salary compression and

This report presents the current situation with regard to salary compression and salary inversion regarding

CREATED A CRISIS FOR LEADERSHIP IN CONNECTICUT STATE GOVERNMENT
TWO DECADES OF NEGLECTING MANAGERIAL COMPENSATION HAS
There are 15 managers in the MP pay plan. (a)

Employees in the MP pay plan are either managerial employees as defined in CFS 5-270(e) or confidential employees as defined in CFS 5-270(9) or other year in this recent period. (High in 2007 of 2,557 managers and low in 2012 of 1,870 managers.)

Note: Data available from 2004 to present shows that the state has fewer managers now than in any years, 62% will be able to retire in 5 years, 83% will be able to retire in 10 years.

A large percentage of managers are approaching retirement eligibility: 43% will be able to retire in 2 years, 8% have 30+ years.

Years of State Service: 19% have 10 years or less, 34% have 11 to 20 years, 39% have 21 to 30 years.

Age: 9% are 40 or under; 33% are 41-50; 43% are 51-60; 9% are 61+.

Race: 80% White, 11% Black, 7% Hispanic, 2% Other or Unknown.

Gender: 48% Male, 52% Female.

Number of employees in the MP pay plan: 1,870.

WHO ARE OUR MANAGERS?
The pay plans for the professional bargaining units are step plans that have a minimum and a maximum and
range.

- The table that follows gives the ranges for each of the salary groups in the MP pay plan, the number of
  employees and job classes in each, and the number of employees that are at the maximum of their salary
  group.

- More than one-third of the employees in the MP pay plan are at the maximum of the range for their salary
  group.

- Number of MP Job Classes: 416

Most other 5% or less.

- Distance between Salary Groups.
The distance between salary groups is not constant but is
minimum to maximum.

- Salary Ranges. The range of each salary group in the MP pay plan is approximately 26% from
  22 of the salary groups (MP53 to MP77).

- Salary Groups. There are 30 salary groups in the MP pay plan (MP51 to MP80). We currently use
  each salary group in the plan has a minimum and a maximum salary. There are no steps to this plan.

- Range Plan. Most managers are paid using the MP pay plan. This pay plan is a range plan where
  employees from 9 to 13 steps. The plans are negotiated.

MP Pay Plan
<table>
<thead>
<tr>
<th>Class</th>
<th>MP Salary Plan</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Total</th>
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</table>
Salary compression creates a negative impression that managerial positions/employees are not valued and management service.

Employee with more years of service as a manager is earning less than an employee with fewer years of making more than his/her manager, and between employees in the same management class, where an compression also exists between management classes, where a subordinate management employee is pay or only a small increase in pay with little or no room in the salary range for future increases.

For all too many employees, a move from a union class to a management class would mean no increase in unit and managerial classes.

Competitive state government is experiencing significant salary compression between bargaining

What is salary compression?
The management position supervises employees in the union position.

Below are two of the many examples of salary compression that currently exist. These are situations where there is a significant difference in level of responsibility and qualifications and little difference in salary. In both cases, little room for increases would bring employee Standard 5% Increase close to top of range within

<table>
<thead>
<tr>
<th>Class</th>
<th>Salary Group</th>
<th>Hourly Salary</th>
<th>Range From Max</th>
<th>If 5% Increase Comments</th>
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<td>$50.86</td>
<td>$40.76 - $52.28</td>
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<td></td>
<td>Standard 5% Increase</td>
<td>$50.86</td>
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<td></td>
<td></td>
<td>$37.26 - $48.43</td>
<td>$37.26 - $48.43</td>
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<td></td>
<td>$37.26 - $48.43</td>
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<table>
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<th>Class</th>
<th>Salary Group</th>
<th>Hourly Salary</th>
<th>Range From Max</th>
<th>If 5% Increase Comments</th>
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<td>$37.00 - $49.64</td>
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</table>

EXAMPLES OF SALARY COMPRESSION
Salary Inversion is the situation where job classes in higher levels in an organization are being paid less than job classes at lower levels in an organization. It also exists when employees with more experience are being paid less than employees with less experience.

Connecticut state government is experiencing significant salary inversion between bargaining unit and managerial classes. Salary inversion is becoming more common between management classes and the bargaining unit classes they supervise.

For some employees, a move to a management class would mean a reduction in an employee’s hourly salary.
<table>
<thead>
<tr>
<th>Range</th>
<th>Salary Group</th>
<th>Hourly Salary</th>
<th>Comments</th>
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</thead>
<tbody>
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<td></td>
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<td></td>
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<td>MPE6/66</td>
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<td>$42.65 - $54.57</td>
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</tr>
<tr>
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<td>EU33</td>
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</table>

The max of both management classes. The max of the union class is higher than Agency Information Technology Manager Information Technology Manager 1 Information Technology Supervisor

Would take a reduction in hourly salary to go to the management position. Hourly salary for the management class is less than the union class. A union employee at the top of the range are situations where there is a significant difference in level of responsibility and qualifications, but where the

Below are three of the many examples of salary inversion that currently exists. These

**Examples of Salary Inversion**
<table>
<thead>
<tr>
<th>Class</th>
<th>Salary Group</th>
<th>Comments</th>
<th>Hourly Salary</th>
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<td>$39.43 - $56.63</td>
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<tr>
<td>Supervisor</td>
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</table>
Managers have not received increases since June 2008. Rather than by a state compensation policy, or eleven years, no actual policy exists for managerial increases. Managerial increases are driven solely by salary growth within a job over ten years. While managerial ranges were designed by concept to allow salary growth within a job, they have stayed static.

Steps. A number of bargaining units have negotiated additional steps in their pay plans this widening employees the AL's increase. Employees these increases move employees from step to step within the pay plan for managerial authorized for managers. AL's increase the salaries of employees within a salary range. For bargaining AL's, over the past decade or so union employees have been given more consistent annual increases.

COLA's, over the past decade or so union employees have been given greater and more consistent cost of living (COLA) increases than managers. (COLA's) move the salary range up as well as the salaries of employees in each range.

HOW DID WE GET HERE?
moving the whole range up...

When each of the two steps were added to the P-5 pay plan, the bottom step was eliminated in the pay plan, thus

from one step to another. Again, this does not take into account the compounding of interest differences over time.

been between 2.5% and 3%. This is slightly less than the percentage increase a union employee receives when moving

The amount of AL (PARS for managers) is not the same. When managers have received PARS (AL), the amount has

pointing of increases differences over time.

The percentage for COLA is a new total of the percentage awarded each year – it does not take into account the com-

IMPORTANT NOTES:

SALARY INCREASES 2000 - 2011

The table below shows a comparison of the total percentage of COLA increases received by the

managers as compared to the professional bargaining units since 2000. It also shows the number of AL's

received by each and the number of additional steps, if any, added to each of the plans.

Additional steps

# of AL's

Total % COLA

Salary Increase

MP

P-1

P-2

P-3-A

P-3-B

P-4

P-5

HC

SH

EA

ES

EL

EN

2

2

2***

2

0

1

10

10

9

3.1

3.25

30.5

29.5

28.5

22.5

8

6.5

26.5

AR

EN

ES

EL

ER
The table below summarizes the differences in salary at hire and today if an employee were hired in 1999 in a class assigned to either of the following comparable salary groups: HC28, ES28, MP2. This example assumes that each employee was hired at the minimum of their range, stayed in the class for the entire time, and received all authorized increases. It is clear that the compensation of the employee hired into the MP pay plan is not progressing at the same rate as the employee hired into the HC plans.

<table>
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<th>Hourly Rate</th>
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<td>$26.38</td>
<td>$49.64</td>
<td>$49.64</td>
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Supplemental: In 1999, all new hires were assigned to either of the following comparable salary groups: HC28, ES28, MP2.
May also lead to a reduction in hourly salary.

The result of the current situation is that movement to management that should be lateral, often considered principles recommends that salary ranges for positions lower in the organization.

The width of the range for the management salary range is narrower than many of the union ranges for grade 26 for all unions. In all cases, the minimum, midpoint, and maximum of the MP62 Range is lower than the salary.

For comparison purposes, charts for 2000 and 1996 are included. Although only one salary group has been chosen, the same situation exists across all salary groups. (For comparison purposes charts for 2000 and 1996 are included.)

The chart on the following page demonstrates the current situation with regard to salary ranges.

WHERE ARE WE TODAY?
Comparison of Salaries Group 28 and MP 62 for 2011

Salary range as % of minimum is shown at right
Comparison of Salary Group 28 and MP 62 for 2000
Comparison of Salary Group 28 and MP 62 for 1996

(please refer to the chart on the right for salary ranges as % of minimum)

Department of Administration Services
## Important Notes:

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<th>Additional Steps</th>
<th># of AL's</th>
<th>Total % COLA</th>
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</tbody>
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**Salary Increases**

Salary increases in salary ranges in FY16, if managed, are not adjusted in FY13-14, FY14-15 and FY15-16. Exception to the current compression/inversion situation. The chart on the following page shows the compression correction. Supervisor and State Police units are receiving increases in 2011-2012 and 2012-2013. This will bargaining units covered by the signed the 2011 SEBAC Agreement (it should be noted that employees in the profession that below details the FY13-14, FY14-15, FY15-16 salary increases for employees of the professional.

**SEBAC 2011 Agreement**

Salary increases for FY13-14, FY14-15, FY15-16
Comparison of Salary Group 28 and MP 62 for FY 2016

Salary Range as % of Minimum is Shown at Right

IF MANAGERS DO NOT RECEIVE THE INCREASES IN THE SEBAC 2011 AGREEMENT

Department of Administrative Services
union benefit

For managers at 6%, each year managers receive increases that are less than 6%, this lowers their pen-

highest three years of salary in addition. Statutory, statutory reductions and or going annual raises

Managers are penalized at time of retirement because the pension amounts are based on employee's

neither.

State Police lieutenants and captains have recently moved from management to union and have

crease in fiscal years 11-12, and 12-13.

Two unions did not approve the agreement and therefore the employees have and will be receiving in-

salary increases not job security provisions have been approved to date, to managers.

and AL's for employees in Union approving the agreement. It also provides for job security. Neither the

The 2011 SEBAC Agreement provides salary increases in fiscal year 13-14, 14-15 and 15-16 (COLAs)

Comparison of pay ranges:

Such additional pay and benefits exceed the compression/inversion situation but are not obvious in a

Job required licenses, and flexible and alternative work schedules,

meal allowance, portal-to-portal pay, call back pay, on-call pay, initial reimbursement, reimbursement for

Overtime pay, shift and weekend differentials, benefits, recruitment and retention bonuses,

When RETIRING THE CURRENT SITUATION

ADDITIONAL FACTORS TO CONSIDER

MANAGERIAL COMPENSATION

22
and the budget. The most recent example is the State Police Lieutenants and Captains.

Efforts by managers to unilaterally, which if successful, will have a substantial impact on state services

Possible increase in allegations of illegal discrimination.

Reduced morale, job satisfaction, organizational loyalty and productivity. Negative effects on work

Valued.

Managers feeling they and their knowledge, experience, and contribution to the organization are not

Union job over a management job due to pay and benefits.

Individually may have less directly related experience and may also not given as opportunities, choose a

Reliance on hiring managers from outside of state service (rather than promoting from within).

These

demotions.

Current managers requesting to take demotions to union positions for reasons of benefits and pay.

Loss of experienced and knowledgeable managers through resignations, retirements and voluntary

Reasons of benefits and pay.

Highly qualified and knowledgeable union employees not willing to move to management positions for

Diluting attrition, retaining and motivating qualified and knowledgeable managers/leaders.

need to give these individuals hiring rates as our salaries are often not competitive.

Managers hired from outside of state service earning more than current managers due to an increased

Long time managers earning less than newly appointed union employees to the same job class.

Managers earning less in hourly pay than their counterparts.

Effects and with more frequency as the situation has progressed. Some of the effects included:

The problem of salary compression and salary inversion cannot be ignored as they have many negative

EFFECTS OF COMPRESSION AND INVERSION
salary and benefit inequities. This will allow the state to recruit and retain the best and brightest managers.

MAC is asking the state to partner with them to find solutions and to take the steps to address the issues of:

- Telecommuting
- Flex time/alternative work schedules
- Freezing of longevity payments (temporary vs. permanent)
- Compensation for significant additional hours worked
- Reimbursement for mandatory continuing education for licensed professionals
- Conference funds
- Tuition reimbursement

salary increments and expansion of salary ranges (additional steps)

The specific inequities they list are:

- Payroll differences and specific areas of inequities. The specific inequities they list are:
- Their concerns and specific areas of inequities. They have sent a letter to the Lieutenant Governor and OPM officials outlining their concerns and specific areas of inequities. They have met with OPM and DAS regarding salary and benefit inequity between managers and those em-

MANAGEMENT ADVISORY COUNCIL (MAC)
Note: Recommendations would also apply to managers in the MJD pay plan.

Salary compression and inversion.

Years to create and it will take a plan including many of the following recommendations to tackle managerial

It should be noted that no recommendation by itself will resolve the current situation. The current situation took

- Salary compression

- Salary compression/inversion

- Low cost recommendations.

The recommendations are organized by:

- Compression/inversion for state managers.

The following pages outline recommendations for the state to consider in resolving the current salary

RECOMMENDATIONS
education for employees in positions requiring a professional license.

Consider a limited pool of funding for tuition reimbursement or license fees and mandatory continuing education.

Consider a limited pool of funding for tuition reimbursement and conference for education that is directly related to a manager's current job.

Consider a limited pool of funding for tuition reimbursement and conference for education that is in limited situations, consider on-call or shift pay.

Consideration, work schedules as are offered to union employees. A draft pilot AWS program has been drafted for work schedules similar to the employees. A draft pilot AWS program with flex time and compressed time.

Take steps to show that managers are valued and are a vital part of the state organization.

NO OR LOW COST RECOMMENDATIONS FOR CONSIDERATION
Develop a state compensation philosophy and framework that future-proof compensation and the steps that are and will be taken in the current situation with regard to salary compression and the steps that are and will be taken in the professional bargaining units.

- A1.6 (PARS) in July of 2014, 2015 and 2016 (The amount should keep pace with the amount granted to COLAs in Fiscal Years 2013-2014, 2014-2015, 2015-2016.)

- Grant to managers the salary increases guaranteed to union employees in the 2011 SEBAC Agreement

Recommendations for Consideration to Keep Salary Compression/Inversion from Getting Worse
Construct a new pay plan structure. Construct and implement a new managerial pay plan that reflects standard compensation principles. The plan would have:

- Fewer salary grades. We would recommend 6-10 grades/bands rather than the current 25. If done carefully, this could have a minimal initial cost by collapsing the current salary groups.
- A revised salary range for each grade.

Develop a strategy for moving current job classes to the new pay plan while red cycling classes that may not fit.

The standard difference is between 8% and 30%.

- Larger differences between salary ranges. The current difference is about 4%-5% (sometimes less).
- Between 30% and 50%.
- Where salary ranges. The current managerial salary range is approximately 28%.

This strategy would also facilitate actions to reduce the layers of management in an agency.

Look at discrepancies in compensation due to recent changes to the longevity for managers (longevity situation where the current inversion or compensation is most severe.

Some managerial job classes may need to have their salary groups adjusted more immediately to address into an employee's current salary for those currently receiving longevity.

One option is to build longevity will eliminate this partial offset and lead to additional inequalities. One option is to build longevity was once a factor that offset some compression issues for long term employees. The recent changes in
- Fewer examinations needed
- More flexibility for agencies in moving staff
- Fewer managerial job classifications
- Fewer levels of management

Benefits of implementation:

Could be developed, but the initial cost would be larger.

Below the new ranges are only slightly below those ranges. A more aggressive pay structure below the new ranges are only slightly below those ranges. Those few employees that are the management employees would fall within the new ranges. Those few employees that are

There would be minimal cost (less than $40,000) in implementing this new pay plan as 93% of

The map between the current MP levels and the new pay plan are detailed on the following page.

Salary group is 13%.

Range of each salary group is 42% and the difference between the tops of the range for each

This pay plan is built to incorporate the current MP salary groups into 5 new salary groups. The

Units and move employees' salaries up in this range.

Adjustments will be needed to move the range up to be comparable to ranges in the bargaining

setting a salary structure that will set the stage for solving this issue. Additional compression

This proposed salary plan will not eliminate salary compression/inversion. It is only a first step in

The following page contains a possible new pay plan to consider implementing in the short
Reconversion System (PARS)

- Some increases handled as lump sums as is standard with Performance Assessment and Recognition System (PARS).

  - For differences in COLA's received.
  - Involve an increase in the ranges of approximately 5% for those longer term employees to account.
  - MP pay plan, with newer employees receiving a smaller percentage.
  - Amount given to each employee would be based on the amount of time an employee was in the same amount.
  - Account for differences in annual increments received between managers and union employees.
  - This would involve moving employees in the MP salary ranges up to a similar salary range.

Additional Salary Correction.

Account for the differences in COLA's received.

- Accountable to the union ranges.
- Involve an increase in ranges of approximately 5% to bring the minimum of the MP ranges.
- Within the ranges up the same amount.
- This would involve moving the MP salary ranges up and moving the employees.

Salary correction. This would involve moving the MP salary ranges up and moving the employees.

Two to three-year period to spread out the budget impact.

The compression adjustments could be implemented as mid-year adjustments and be implemented over.

Adjustments in addition to standard COLA and AL increases.

In order to tackle the current salary compression/inversion, we need two types of recommendation for consideration to reduce or eliminate
Reduction in longevity could also help fund performance increases. 

Implementation of goals would help fund performance increases.

Goals around managing their programs, divisions and bureaus, 
on streamlining government, saving money, and where applicable, generating revenue, in addition to their 
and goals and with the mission and goals of their agency. All managers should have goals concentrating 
high performance. Goals and achievements of managers should be aligned with the government's mission 
strategies and structures. The current system and inconsistency of funding does not serve to motivate 
Revising current PARS program to better incorporate performance management into compensation 
Consistent funding of the PARS program is critical.

A consistent - effective performance management system must be developed and implemented. 
when the bargaining unit classes are reallocated and the salaries are raised.

Develop a policy (or legislation) that makes automatic a review of managerial classes in a career series 
managers keep pace with union increases to avoid salary compression/inversion in the future.

Develop a policy (or legislation) so that once equity is achieved, salary increases (COLAs and AL's) for 

RECOMMENDATIONS FOR CONSIDERATION SO
A system that facilitates succession planning and provides continuity in management of state government services.

A system that manages job classifications.

A system that achieves greater efficiency by reducing layers of management and reducing numbers of employees.

A system that is more flexible and easier to administer.

A system that encourages and rewards professional development.

A system that encourages and rewards managers to achieve excellence.

A system that encourages and rewards managers to stay and allow the state to recruit top quality and knowledgeable managers from bargaining unit classes and from outside of state service.

**Benefits of Reform**