



OKLAHOMA
Office of Management
& Enterprise Services

2020

Annual Compensation Report

Fiscal Year 2020

Annual Compensation Report

Fiscal Year 2020

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Executive Summary

Introduction

The Annual Compensation Report provides an analysis of the rates of pay in the competitive labor market and compares these rates with the state's current Merit System salary practices for classified employees. The report also provides an analysis of the fringe benefits, or non-cash compensation programs found in the market, and compares these programs with the state's fringe benefits package.

Average salary comparison (direct compensation)

An analysis of salary survey data for 291 benchmark jobs indicates that, on average, classified employee salaries are 11.11% below the competitive labor market. The 291 benchmarks represent 11,455 employees, or 58% of classified state employees. Table 1 shows the average annual salary comparison between the state and the market for benchmark jobs surveyed.

Table 1: Employee Benchmark Average Salary Comparison – State of Oklahoma vs. Market

Benefit	State of Oklahoma contribution ¹	Market contribution	Percent above/below market
Average salaries	\$50,051	\$56,308	-11.11%

Benefits comparison (indirect compensation)

The State of Oklahoma offers a comprehensive employee benefits package. Table 2 illustrates the employer contributions to the state's benefits package compared to those of the external labor market. The costs in the table indicate the employers' contributions in relation to the respective average base salary. A detailed breakdown of benefits costs and comparisons to the labor market is contained in the analysis section of the report.

Table 2: Average Total Compensation Costs (Salary and Benefits)

Benefits	State of Oklahoma	Market	Percent Above/Below Market
Average salary	\$50,051	\$56,308	-11.11%
Total benefits cost	\$29,371	\$33,706	-12.86%
Average total compensation cost	\$79,422	\$90,014	-11.77%

A benefits cost comparison does not provide analysis of perceived value to employees nor benefits competitiveness to the market. Cost comparison reflects the financial cost the state pays for benefits

¹ Includes average longevity payment for each benchmark.

compared to the cost of the same types of benefits the market provides, and does not provide a true representation of market competitiveness of the state benefits package.

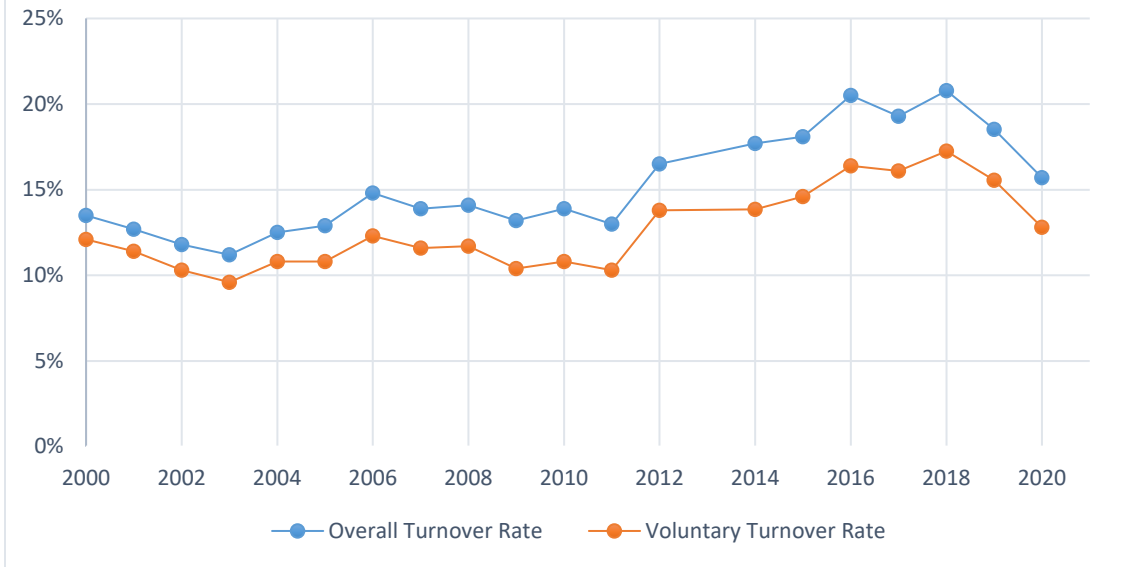
Classified employee turnover

The overall turnover rate among classified employees in FY 2020 was 15.71%, and the voluntary rate was 12.80%. The overall turnover rate includes resignations, retirements, discharges and deaths that occurred in FY 2020, while the voluntary rate includes resignations and retirements only. Both the overall turnover rate and the voluntary turnover rate decreased from the previous fiscal year.

Table 3: Classified Employee Turnover Rates FY 2000-2020

Year	Overall turnover rate	Voluntary turnover rate
2020	15.71%	12.80%
2019	18.53%	15.56%
2018	20.78%	17.25%
2017	19.30%	16.10%
2016	20.50%	16.40%
2015	18.10%	14.60%
2014	17.70%	13.85%
2012	16.50%	13.80%
2011	13.00%	10.30%
2010	13.90%	10.80%
2009	13.20%	10.40%
2008	14.10%	11.70%
2007	13.90%	11.60%
2006	14.80%	12.30%
2005	12.90%	10.80%
2004	12.50%	10.80%
2003	11.20%	9.60%
2002	11.80%	10.30%
2001	12.70%	11.40%
2000	13.50%	12.10%

Figure 1: Classified Employee Turnover Rates FY 2000 - 2020



Note: The 2013 Total Remuneration Study replaced the Annual Compensation Report in 2013, so there is no 2013 turnover data.

Recommendations

Compensation

Results of the 2020 Annual Compensation Report indicate that the state's classified pay rates are 11.11% below the market pay rates for comparable benchmark jobs, which is an improvement of the state's salary position to the market last year. Also, both voluntary and involuntary turnover percentages this year are lower than last year's figures.

The state's classified pay rates still lag behind the market by 11.11%.

On July 1, 2018, OMES moved the minimums, midpoints and maximums of the classified pay grades 5%. Foreseeing the financial hardship it would have provided for many agencies, OMES did not move the minimums of the classified pay bands in July 2019. However, the classified pay grades should be considered for an increased 5%. Legislative increases given in July of 2018 and 2019 contributed in the compression between the pay grades in grades B through H. Although the pay grades were adjusted July 1, 2018, the adjustment was not enough to counter the lack of adjustments for the previous three years along with the legislative increases granted in 2018 and 2019. The cost to move the entire classified pay structure 5% is \$443,830.

OMES Human Capital Management can work with the Legislature to appropriate funds so that OMES can move the entire classified pay structure 5%.

Introduction

Statutory requirement

Title 74 O.S. § 840:1.6A (5) provides that the administrator of the Office of Management and Enterprise Services shall “conduct an analysis of the rates of pay prevailing in the state within the public and private sectors for comparable jobs and report the findings to the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives no later than December 1 of each year. Such analysis shall include all forms of compensation including fringe benefits. Information solicited by the Office of Management and Enterprise Services from public and private sector employers for such analysis, including but not limited to salaries, benefits, and compensation policies and procedures, shall be confidential and shall not be subject to disclosure under the Oklahoma Open Records Act.”

The Office of Management and Enterprise Services 2020 Annual Compensation Report meets this statutory requirement. The report provides an analysis of the rates of pay in the competitive labor market and compares these rates with the state's current Merit System salary practices for classified employees. The report also provides an analysis of the fringe benefits, or non-cash compensation programs found in the market, and it compares these programs with the state's fringe benefits package.

Reporting of this data is relevant to an analysis of the competitive market position of the state's classified workforce. Moreover, including this analysis from year to year enables trending of data and the identification of areas of concern.

Purpose and scope of compensation report

This report is directed to the market data gathered and the analysis of that data. The survey results show how the State of Oklahoma Merit System pay practices for classified jobs, which represent approximately 61.23% of all state employees, compared with the relevant labor market. Survey sources used for this year's salary and benefits analysis are:

- 2020 National Compensation Association of State Governments Salary Report (data from states surrounding Oklahoma).
- 2020 Oklahoma Hospital Association Survey.
- The Kaiser Foundation Employer Health Benefits 2020 Annual Survey.
- Payfactors Compensation Data Management Software.

Economic indicators

As of November 2020, the unemployment rate in the United States was 6.7%, 3.1% more than November 2019, according to the U.S. Department of Labor.

<https://data.bls.gov/timeseries/LNS14000000>

Pay increase budgets with U.S. employers are at 2.9% for 2020, according to the WorldatWork Salary Budget Survey. That is 0.3% lower than in 2019, and respondents are projecting no changes for the 2021 salary increase budgets.

https://www.worldatwork.org/docs/research-and-surveys/sbs/SBS2020-21_TopLevelData.pdf

From the information provided by the Oklahoma Employment Security Commission, as of May 2020, unemployment in Oklahoma is at 12.6%. The state's seasonally adjusted unemployment rate was up by 9.4% compared to May 2019.

<https://www.ok.gov/oesc/documents/lmiusue.pdf>

Methodology

Market surveys

State of Oklahoma employees work in a broad range of occupations. We compete for human resources with both public and private sector organizations operating in various industries. Our compensation survey analysis focuses on the rates of pay offered by public and private sector organizations operating within our state and on public and private sector organizations in surrounding states. In keeping with this market philosophy, the following market data sources were used in the salary and benefits analysis in this report.

National Compensation Association of State Governments 2020 Salary Report and Benefits Report (data from states surrounding Oklahoma): NCASG annually conducts the National Compensation Survey, Benefits Survey and the Executive Survey. The consortium is composed of 46 member states located within the United States. For comparative purposes, the State of Oklahoma recognizes only those member states that surround our state. There are six surrounding states (Arkansas, Colorado, Kansas, Louisiana, Missouri and New Mexico) that participate in the survey. Additional job matches were made for 2020.

Oklahoma Hospital Association: This salary survey is conducted semiannually by the Oklahoma Hospital Association. Surveys are distributed to each of the 135 hospitals in Oklahoma. Additional job matches were made for 2020.

The Kaiser Foundation Employer Health Benefits 2020 Annual Survey: The Kaiser Family Foundation and the Health Research & Educational Trust conduct an annual survey of employer-sponsored health benefits. HRET, a nonprofit research organization, is an affiliate of the American Hospital Association. The Kaiser Family Foundation designs, analyzes and conducts this survey in partnership with HRET and also funds the study. Kaiser contracts with researchers at National Opinion Research Center at the University of Chicago to work with the Kaiser and HRET researchers in conducting the study. Kaiser/HRET retained National Research LLC, a survey research firm based in Washington, D.C., to conduct telephone interviews with human resource and benefits managers using the Kaiser/HRET

survey instrument. From January to July 2020, National Research completed full interviews with 1,765 firms.

Payfactors: This suite of cloud-based compensation data management tools allows the State of Oklahoma to access market data updated monthly, along with benchmarking, job pricing, and report building functionality. Payfactors enables the streamlining and centralization of compensation analytics for the State of Oklahoma. The addition of this software has changed the methodology slightly from previous years.

Market pricing approach

The market pricing methodology employed in this report is based on the establishment of market composite rates, which are market averages for each benchmark job obtained by blending survey data from all available and appropriate survey sources.

This methodology is based on generally accepted compensation practices and is recommended by WorldatWork, the leading compensation professional association in the United States, as a means of establishing an accurate assessment of pay competitiveness in the labor market.

Benefits

State benefits will be compared with the market in the following areas:

Paid leave – includes vacation and sick days, paid holidays and other paid time off.

Insurance costs – includes health, dental, life, short- and long-term disability or salary continuation.

Employer retirement contributions – includes employer contributions on behalf of employees' defined-benefit plans and defined-contribution pension plans.

Legally required benefits – includes Social Security and Medicare, federal and state unemployment insurance and workers' compensation.

Employee turnover

Employee turnover is a measure of separations from an employing organization, usually expressed as a turnover rate. Overall turnover rates are calculated by dividing the total number of separations, both voluntary and involuntary, throughout the fiscal year, by the total number of employees at the beginning of the fiscal year. For the purpose of calculating this rate, separations are defined as discharges, deaths, resignations and retirements. In addition to the overall turnover rate, it is important to look specifically at voluntary turnover, which represents the rate at which employees exercise their free choice to leave employment. This rate includes only resignations and retirements.

The following turnover analyses are included in this year's report.

The voluntary turnover cost for the classified state workforce is based on the voluntary separations that occurred throughout the fiscal year. The formula used to calculate this cost is based on a conservative, simplified costing model.² Below are the steps of the costing model:

- A. Classified benchmark average salary.
- B. Percentage of pay for benefits × average salary.
- C. Total employee annual cost (A + B).
- D. Determine the number of employees who voluntarily resigned within the previous fiscal year.
- E. The time an employee becomes fully productive (typically 12 months).
- F. Per-person turnover cost $([E \div 12] \times C \times 50\%)$.³
- G. Annual turnover cost for the state $(F \times D)$.

² John H. Jackson and Robert L. Mathis, *Human Resource Management*, 12th Edition: 86-87.

³ Assumes 50% productivity throughout the first year.

Analysis

Classified employee benchmark job average salary comparison

An analysis of salary survey data indicates that, on average, classified employee salaries are 11.11% below the competitive labor market. Table 4 shows the average annual salary comparison between the state and the market for benchmark jobs surveyed.

Table 4: Employee Average Salary Comparison

Benefit	State of Oklahoma contribution ⁴	Market contribution	Percent above/below market
Average salaries	\$50,051	\$56,308	-11.11%

A review of market and state average salary growth from 2005 to the present (see Table 5 and Figure 2) reveals the pay relationship over the last 15 years as well as the average increase or decrease from the previous year for both the state and the market. The state average salary has increased about 58.80% since 2005, while the market has increased closer to 65.12% during the same time. Data from FY 2013 is unavailable due to the 2013 Total Remuneration Report replacing the Annual Compensation Report.

Table 5: Market Comparison Trend (2005-2020)

Year	State of Oklahoma	State average salary increase % from year to year	Market	Market average salary increase % from year to year
2020	\$50,051	4.27%	\$56,308	-2.71
2019	\$47,999	1.58%	\$57,875	-5.01%
2018	\$47,254	6.46%	\$60,924	0.47%
2017	\$44,385	1.34%	\$60,640	4.61%
2016	\$43,797	0.84%	\$57,965	2.09%
2015	\$43,432	1.15%	\$56,778	2.13%
2014	\$42,940	21.46%	\$55,595	26.41%
2012	\$35,352	-0.25%	\$43,979	4.13%
2011	\$35,440	0.04%	\$42,235	2.36%
2010	\$35,427	0.62%	\$41,260	1.49%
2009	\$35,209	0.98%	\$40,656	0.41%
2008	\$34,868	0.44%	\$40,490	4.10%
2007	\$34,714	7.05%	\$38,897	7.11%
2006	\$32,427	2.88%	\$36,315	6.49%
2005	\$31,518		\$34,102	

⁴ Includes average longevity payment for each benchmark.

Year	State of Oklahoma	State average salary increase % from year to year	Market	Market average salary increase % from year to year
Percent salary increase 2005-2020		58.80%		65.12%

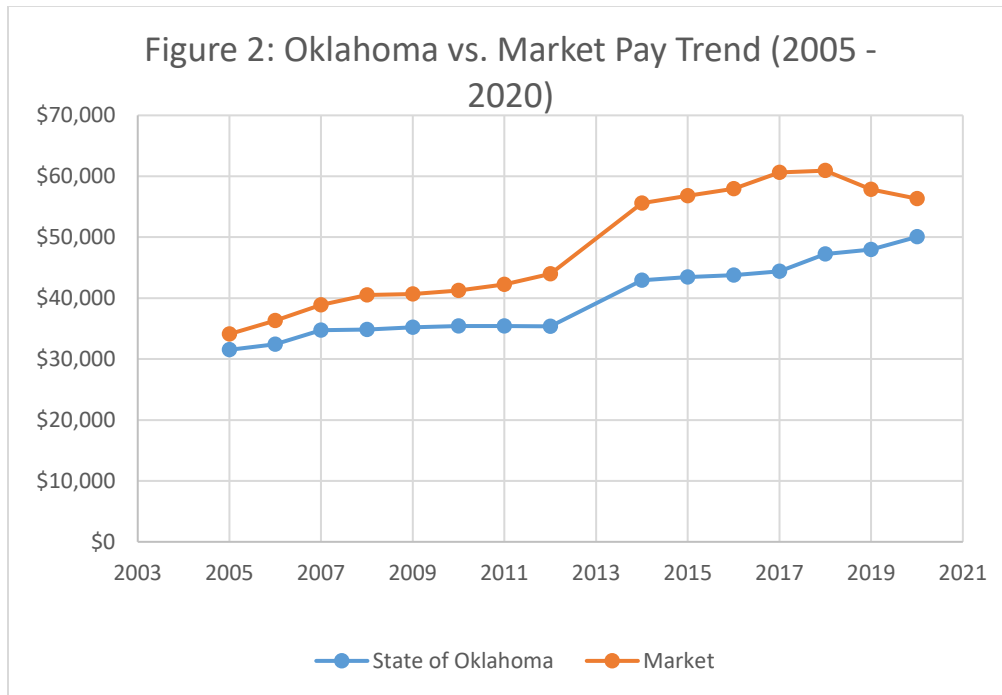


Table 6: Oklahoma General Pay Increase History

Appropriation bills	Effective fiscal year	Pay increase allocated for classified employees	Effective date
-	2020	\$0	N/A
HB 2771	2019	\$40,000 and under = \$1,500 \$40,001-\$50,000 = \$1,250 \$50,001-\$60,000 = \$800 \$60,001 and over = \$600	7/1/2019
SB 1045	2019	A \$2/hour increase was given to select employees within the Department of Corrections.	7/1/2019
HB 1024	2018	\$40,000 and under = \$2,000 \$40,000.01-\$49,999.99 = \$1,500 \$50,000-\$59,999.99 = \$1,000 \$60,000 and over = \$750	7/1/2018
-	2017	\$0	N/A
-	2016	\$0	N/A
-	2015	\$0	N/A

Appropriation bills	Effective fiscal year	Pay increase allocated for classified employees	Effective date
SB 2131	2014	A 6.25% increase was given to select employees within the following occupational groups: corrections, nursing, juvenile services, social services and law enforcement. In addition, correctional officers received 8%.	7/1/2014
-	2013	\$0	N/A
-	2012	\$0	N/A
-	2011	\$0	N/A
-	2010	\$0	N/A
-	2009	\$0	N/A
-	2008	\$0	N/A
SB 82XX	2007	5%	10/1/2006
HB 2005	2006	\$700	7/1/2005
HB 2005	2005	\$1,400	1/1/2005
-	2004	\$0	N/A
-	2003	\$0	N/A
-	2002	\$0	N/A
SB 959	2001	\$2,000	10/1/2000
-	2000	\$0	N/A

Classified pay bands

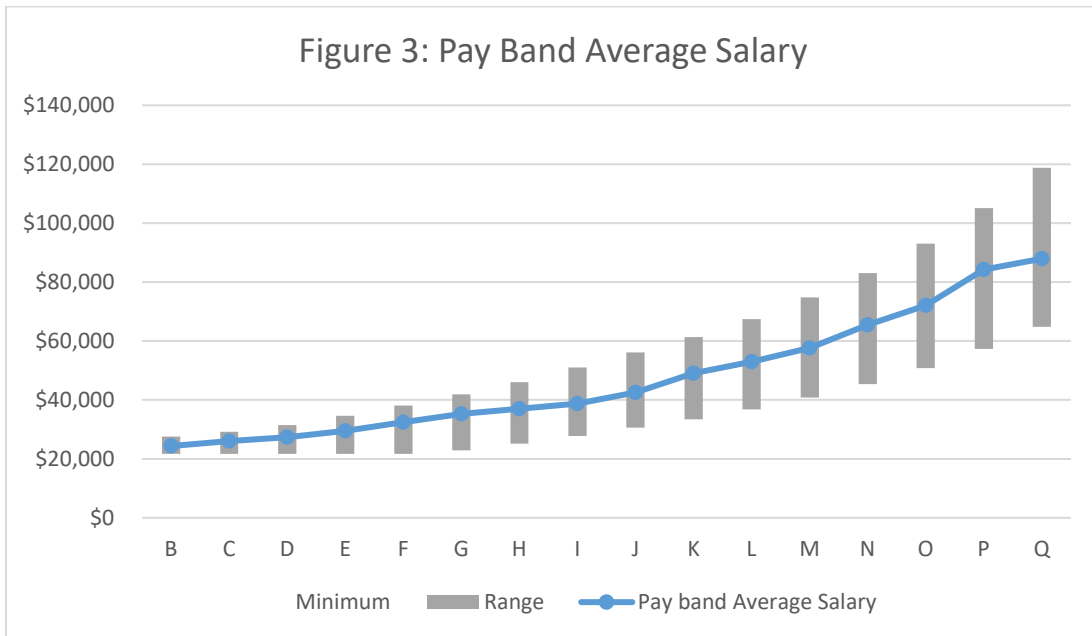
For classified employees, pay bands have not been adjusted since July 2018, when the minimum, midpoints and maximums were advanced 5%. As in past analyses, our review of the pay structure this year considered the following factors:

- Market salary budget increases during the intervening period since the last adjustment.
- The amounts other employers in the market have adjusted their pay structures during the same period.
- Number of employees near the pay band maximums.
- Range penetration of classified average salaries. Range penetration is a measure of how far into the salary range of each respective pay band the average salary for that pay band has penetrated. It indicates how much headroom is available in the pay bands for future pay adjustments. One measure of range penetration is the compa-ratio, which is defined as salary divided by the pay band midpoint. A compa-ratio can be calculated for each pay band based on the average salary of all employees in that pay band divided by the midpoint. Table 7 below illustrates the current average salaries and compa-ratios for each pay band as of July 1, 2020.

Table 7: Pay Band Compa-Ratio

Pay band	Pay band average salary	Pay band midpoint	Compa-ratio
B	\$24,361.22	\$22,069.00	110%
C	\$25,998.17	\$23,348.00	111%
D	\$27,340.72	\$25,171.00	109%
E	\$29,515.68	\$27,869.00	106%
F	\$32,438.63	\$30,457.00	107%
G	\$35,244.41	\$33,504.00	105%
H	\$37,053.20	\$36,854.00	101%
I	\$38,739.42	\$40,813.00	95%
J	\$42,556.95	\$44,870.00	95%
K	\$49,070.21	\$49,046.00	100%
L	\$52,967.77	\$53,949.00	98%
M	\$57,595.29	\$59,882.00	96%
N	\$65,422.87	\$66,471.00	98%
O	\$72,074.61	\$74,446.00	97%
P	\$84,278.41	\$84,125.00	100%
Q	\$87,931.26	\$95,061.00	92%

As both Table 7 and Figure 3 illustrate, average salaries appear to be well positioned in the pay bands. Most average salaries are near the midpoint of the pay bands. However, moving the pay bands will provide room for growth and allow agencies who pay near the top of the pay band to give slight increases if they choose.



Pay band changes

Effective July 1, 2018, the minimum, midpoint and maximum of the pay bands were moved 5%. The decision was made in 2019 not to move the minimum of the classified pay bands an additional 5% to relieve the potential subsequent financial hardship of many agencies.

Agency director salary structure

In 2013, pursuant to Title 74 O.S. § 74-3601.2, OMES engaged an independent vendor to review State of Oklahoma agency director salaries as required by HB 1717. The vendor reviewed the salaries of all agency directors and compared those salaries with similar positions in the public and private sectors within Oklahoma and elsewhere. Beginning with FY 2013, OMES shall review these salary ranges every three years to report on and make recommendations for proposed salary ranges.

Effective July 1, 2018, OMES moved the agency director salary ranges by 5%.

Please be aware that these salary ranges are only a resource. They are not a directive, nor do they recommend or require any action. Appointing authorities and agency governing boards should make such determinations on an agency-by-agency basis. Financial decisions should continue to be made in the best interest of the agency and its mission, and the performance of agency directors should continue to be regularly and rigorously evaluated.

Agency director structures are listed on the OMES website at <https://oklahoma.gov/omes/employee-benefits/salary-schedule.html>. Agencies are to report agency director increases to OMES by Aug. 1 each year.

Benefits analysis

State benefits package

Insurance benefits contribution – The average amount the State of Oklahoma contributed to employees for insurance was \$7,929 per year.

Paid leave – The state offers 11 paid holidays. For sick leave, employees accrue 15 days each year. Employees accrue annual leave according to service years. The average benchmark years of service is 12.8 years, which means the average annual leave accrual is 20 days per year.

Defined-benefit retirement plan – During FY 2020, the state contributed 16.5% of employees' salaries.

Defined-contribution Retirement Plan (Pathfinder) – Pathfinder is the mandatory defined contribution plan for eligible state employees who first become employed by a participating employer on or after Nov. 1, 2015, and have no prior participation in OPERS. Under this plan, members will choose a contribution rate that will be matched by their employer up to 7%, and members have the freedom to select and change their investments.

Defined-contribution retirement plan (SoonerSave) – For each participating employee, the State of Oklahoma provides a matching dollar amount of \$25 per month or \$300 annually.

Social Security – The mandatory employer contribution to Social Security is 7.65% of an employee’s salary.

Workers’ compensation and unemployment insurance – The state pays the cost of employee participation in these programs. Because the method of payment and actual costs can vary by agency and occupation, 1% was used as a reasonable estimate of the costs associated with these programs.

Market benefits package

Insurance benefits contribution – The market amount contributed to employee health benefits was computed using the Kaiser Foundation Employer Health Benefits 2020 Annual Survey. The average amount the market contributed for employee-only insurance was \$7,188 per year.

Paid leave – According to the 2020 NCASG benefits report, the average employer offered 10 paid holidays. For sick leave, market employees accrue an average of 13 days each year. In addition, market employees earn an average of 21 days of paid vacation each year.

Defined-benefit retirement plan – The market input for a defined-benefit retirement plan was gathered from the 2020 NCASG benefits report. The average yearly contribution is 19.91%, or \$11,211 per employee. This figure is an average of the surrounding state government contributions.

Social Security – The mandatory employer contribution to Social Security is 7.65% of employees’ salaries.

Workers’ compensation and unemployment insurance – For comparison, it is assumed market companies also pay 1% of salary toward mandatory workers’ compensation insurance and unemployment.

Table 8: Vacation Days/Annual Leave⁵

Years of service	State	Market
1 to 4 years	15	13
5 to 9 years	18	15
10 to 14 years	20	18
15 to 19 years	20	21
20 to 24 years	25	22

⁵ 2020 National Compensation Association of State Governments Annual Benefits Report.

Benefits comparison (indirect compensation)

The State of Oklahoma offers a comprehensive employee benefits package. Table 9 displays a breakdown of the employer benefits of the state’s package compared to those of the external labor market. The average cost is calculated based on the employers’ contribution in relation to the respective average state benchmark salary and the average market salary.

Table 9: Average Employee Benefits Cost Comparison

Benefit	State of Oklahoma contribution	Market contribution	Percent above/below market
Health insurance	\$7,929	\$7,188.00 ⁶	10.30%
Annual leave accrual days	\$3,850	\$4,547.97 ⁷	-15.35%
Sick leave accrual days	\$2,888	\$2,938.86 ⁸	-1.75%
Paid holidays	\$2,118	\$2,273.99 ⁹	-6.88%
Defined-benefit retirement plan (employer contribution)	\$8,258	\$11,886.67	-30.52%
Social Security	\$3,829	\$4,307.58 ¹⁰	-11.11%
Worker's compensation and unemployment insurance	\$501	\$563.08	-11.11%
Total benefits cost	\$29,371	\$33,706.16	-12.86%
Average salaries	\$50,051	\$56,308	-11.11%
Average total compensation cost	\$79,422	\$90,014	-11.77%

For reference purposes, an overall market average has been provided for insurance benefits levels (deductibles, copayments, coinsurance, etc.). However, insurance benefits differ widely in the marketplace depending upon the employer’s size, business sector (professional service, manufacturing, corporate, public employee, etc.), section of country and whether it is a single-employer or multiemployer program. Each of these factors can produce significant variation in averages.

Benefits costs are compared between the state and market in an effort to obtain some semblance of a value comparison. Unfortunately, benefits cost is not an adequate measure of value, given the impact on cost of such considerations as the age of the workforce, health claims experience, defined-benefit plan funding status and other factors that vary among employers.

Comparing the values of benefits provided by the State of Oklahoma and by employers in the private sector can be complicated by many different health care plan designs per employers in the market. The

⁶ <https://www.kff.org/health-costs/report/2020-employer-health-benefits-survey/>

⁷ 2020 National Compensation Association of State Governments Benefits Report

⁸ 2020 National Compensation Association of State Governments Benefits Report

⁹ 2020 National Compensation Association of State Governments Benefits Report

¹⁰ 2020 National Compensation Association of State Governments Benefits Report

primary factors to consider are benefits costs and plan design. To assess value accurately, an actuarial study should be performed to provide a direct comparison of value with the market.

Employer contribution

Much of the difficulty in comparing state and private sector benefits lies in the employer contributions. The state's solution is to fund core benefits with an employee benefit allowance as part of a total compensation package. The core benefits are the insurance coverages every active state employee must have: health, dental, basic life and disability. The benefit allowance is automatically given in one of six levels depending on family status: employee only; employee and spouse; employee, spouse and one child; employee, spouse and children; employee and one child; or employee and children. Oklahoma lawmakers adopted a policy requiring the calculation of the benefit allowance be based on the total of the average premiums of the highest-cost health plans; the average of the dental plans, life plan and disability plan; and 75% of dependents' health care costs.

Excess benefit allowance, after core benefits have been selected, may be used by employees to pay for optional benefits or added to their paychecks. Optional benefits available to employees include dependent dental, vision insurance, supplemental life, dependent life and flexible spending accounts.

Total compensation cost

In light of the benefits cost comparison with the market, as well as the market relationship of cash compensation highlighted earlier in this report, the following table reflects the total compensation cost comparison with the market.

Table 10: Average Total Compensation Costs (Salary and Benefits)

Benefits	State of Oklahoma	Market	Percent above/below market
Average salaries	\$50,051	\$56,308	-11.11%
Total benefits cost	\$29,371	\$33,706	-12.86%
Average total compensation cost	\$79,422	\$90,014	-11.77%

One should not infer from the above comparative cost analysis that the state's benefits package offsets, in any significant way, the state's competitive disadvantage with respect to pay. For reasons mentioned earlier in this report, costs are not an accurate reflection of the value of a benefits package.

Turnover analysis

Table 11 displays the overall and voluntary turnover rates for the state's classified workforce. The overall rate decreased from the previous year's rate of 18.53% to 15.71%. The voluntary rate also decreased from 15.56% to 12.80%.

Table 11: FY 2020 State Classified Employee Turnover

Employees as of July 1, 2020	20,477
Resignations	2,090
Retirements	527
Voluntary resignation buyouts	2
Discharges	537
Deaths	46
Reductions in force	2
Overall turnover rate	15.71%
Voluntary turnover rate	12.80%

Beginning in FY 2016, voluntary resignation buyouts and reductions in force are included in turnover calculations.

During FY 2020, the turnover cost for the classified workforce was \$104,003,139.74. As indicated in the methodology section, this figure was based on a conservative cost model.¹¹ Table 12 is the calculation using the actual salary and demographic figures:

Table 12: FY 2020 Turnover Cost

FY 2020 turnover cost	2020
A. Classified benchmark average salary.	\$50,050.65
B. Percentage of pay for benefits × average salary.	\$29,371.37
C. Total employee annual cost (add A + B).	\$79,422.02
D. Determine the number of employees who voluntarily resigned within the previous fiscal year.	2619
E. The time an employee becomes fully productive (typically 12 months).	12 months
F. Per person turnover cost $([E \div 12] \times C \times 50\%)^{12}$.	\$39,711.01
G. Annual turnover cost for the state (F x D).	\$104,003,139.74

¹¹ John H. Jackson and Robert L. Mathis, *Human Resource Management*, 12th Edition: 86-87.

¹² Assumes 50% productivity throughout first year.

Recommendations

Compensation

Results of the 2020 Annual Compensation Report indicate that the state's classified pay rates are 11.11% below the market pay rates for comparable benchmark jobs, which is an improvement of the state's salary position to the market last year. Also, both voluntary and involuntary turnover percentages this year are lower than last year's figures.

The state's classified pay rates still lag behind the market by 11.11%.

On July 1, 2018, OMES moved the minimums, midpoints and maximums of the classified pay grades 5%. Foreseeing the financial hardship it would have provided for many agencies, OMES did not move the minimums of the classified pay bands in July 2019. However, the classified pay grades should be considered for an increased 5%. Legislative increases given in July of 2018 and 2019 contributed in the compression between the pay grades in grades B through H. Although the pay grades were adjusted July 1, 2018, the adjustment was not enough to counter the lack of adjustments for the previous three years along with the legislative increases granted in 2018 and 2019. The cost to move the entire classified pay structure 5% is \$443,830.

OMES Human Capital Management can work with the Legislature to appropriate funds so that OMES can move the entire classified pay structure 5%.