

## October 2022 Compensation Study - Frequently Asked Questions

### **Why did Indiana State Personnel Department (INSPD) complete a compensation study?**

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The State of Indiana values its employees and recognizes the challenges they have faced since the beginning of the pandemic. A review of the State of Indiana compensation system hasn't been conducted like this in decades, resulting in an outdated compensation system. And considering the significant shift in the labor market over the past two years, a review was necessary to enable Indiana to attract and retain talented employees, as directed by Governor Holcomb through Executive Order 22-10.

### **How does the new compensation system generally relate to INSPD's classification system?**

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In addition to a compensation system, INSPD maintains a classification system that groups similar jobs (with like duties, authority, responsibility, and qualifications) into the same position classification so that the same schedule of pay can be equitably applied. At the inception of the classification system, the skill level within a job category determined a position's presumptive salary range assignment unless labor market forces resulted in a "recruitment differential." Over the years, recruitment differentials have become more prevalent. A change resulting from this compensation study is that each classification is now assigned to a salary grade range, consistent with the methodology outlined below for benchmarking position classifications to the competitive labor market. In short, market and organizational analysis now determine the salary range, not the classification's skill level. Consequently, there will be no need for recruitment differentials.

### **How did INSPD determine the new salary ranges?**

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INSPD engaged with compensation experts and conducted a compensation study. The study included comparing State of Indiana job descriptions to job descriptions available across 10+ large survey sources in a process called benchmarking. Benchmarking resulted in salary data for each of the benchmarked jobs. From there, INSPD created market-informed salary ranges.

### **How did INSPD determine the new salary grades and correlating pay ranges? And from there, how did INSPD place job classifications within those new ranges?**

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To help improve the gap between the State and the market, as well as improve hiring, retention and services, INSPD has redeveloped the State's salary structure. With market data and benchmarking reports in hand, INSPD built new pay ranges that generally utilized the 50th percentile of the aggregated market data as the target midpoint for these new ranges. The 50th percentile is the median of what other employers are paying for the role in the market.

With this information, INSPD collaborated with the compensation experts and agency leaders to place each job into the appropriate salary grade, where similar positions are grouped together. INSPD assigned benchmarked job classifications to the salary grade that aligned with market and organizational information.

Then, considering the following factors, INSPD assigned the non-benchmarked classifications to their appropriate salary grades:

- Organizational usage of the job classification;
- Skill level relative to the entire classification series structure;
- Association and relativity to the benchmarked jobs;
- Career pathing/promotional ladder associated with the classification; and
- Historical successes or challenges with recruiting and retention.

Following the development of the initial pay plans, INSPD discussed the outcomes with each in-scope agency. Through this process, additional revisions were made to ensure the new pay plans appropriately maintained organizational structure within and across agencies.

### **How will my salary be determined after Oct. 16, 2022?**

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To best preserve internal salary alignment among employees in the same classification, employees<sup>1</sup> will be placed in their new salary range at the same place as they were in their prior pay range, a strategy called “place in range.” When the changes are implemented on Oct. 16, impacted employees will be moved into their updated salary range. Individuals will be generally placed at the same range penetration in the updated salary ranges as their current range. For example, if an employee currently receives a salary that is at the minimum of their current range, that same employee will receive the minimum of the new range.

Place in range has been applied to most salary movement. In some cases, the new grade level for some job codes compressed the span of salary ranges from historically very wide ranges to more appropriate levels. This resulted in both disproportionately upward adjustments for some as well as constraints on any upward adjustment for others. As a result, employees in those situations have had their increases capped or will receive at least a 5% increase. This minimum increase represents a General Salary Adjustment for cost-of-living increases in 2022.

### **When will the updated salary be reflected on my paycheck?**

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Changes to the pay plan and corresponding salary increases will be effective Oct. 16, 2022, with these changes reflected on the Nov. 9, 2022, paycheck.

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<sup>1</sup> At the time of publication, approximately 0.5% of in-scope positions are still under review. INSPD anticipates concluding the review to determine appropriate job classification by January 2023.

## How will future General Salary Adjustments (GSA) be determined?

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Annually, INSPD and the State Budget Agency will consider the following factors in recommending a potential GSA that would adjust employee wages and salary ranges:

- The experience in recruiting for positions in the state civil service;
- The prevailing rates of pay for the service performed and for comparable services in public and private employment;
- The cost of living;
- Benefits, other than the rate of pay, available to or received by employees; and
- The State's financial condition and policies.

## How will future promotions work?

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The same way they work now. A promotion will mean an employee moves to a position in a higher salary grade. If an employee is promoted by one salary grade (e.g., from grade 42 to 44), their pay will increase to:

- The minimum of their new range, or
- A maximum of a 9% increase from their previous salary.

If an employee is promoted by more than one pay grade (e.g., from grade 42 to 46), their pay will increase to:

- The minimum of their new range, or
- A maximum of a 15% increase from their previous salary.

The current promotion policy will remain in effect. As required by the policy, the following criteria shall be considered when determining an employee's salary as part of a promotion:

- The employee's history, work experience, education, and training;
- Whether the promotion results from reclassification of the position in which the employee is incumbent;
- Whether the employee has previously served in the new classification or in another classification in the same job category and skill level;
- The number of salary grades between the old and new classifications;
- Pay ranges of the classifications involved;
- Internal equity; and
- The fiscal condition and policies of the agency and the State.

Your agency's HR department will work with management to determine an appropriate increase percentage based on the factors outlined in policy, including an internal equity analysis.

## **What if I have questions about how my new salary was determined?**

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You can address questions to your Human Resources Director.

## **Does my position still have a recruitment differential?**

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In our previous compensation system, when the market indicated a higher salary was necessary to recruit qualified staff, a recruitment differential was added to the position. Recruitment differentials have become unnecessary in this new compensation system.

## **How does this new system work with yearly performance reviews? What will the review process look like in 2023?**

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The performance management system and processes utilized by the State of Indiana will not change as a result of the new compensation system. INSPD will continue to create and enable a performance-based culture where the individual employee's performance is aligned with agency and administration objectives, and employees are rewarded for the results they achieve.

## **Can state employees anticipate additional salary changes in the coming months?**

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No. As a result of the new compensation plans, each employee will receive at least a 5% pay increase representing a general salary adjustment for the cost-of-living increases experienced throughout the year. The compensation changes taking effect now will serve as the 2023 pay adjustment, traditionally announced at the beginning of the calendar year. However, promotions, demotions, and transfers will be processed using existing INSPD policies and processes.

## **Are there agencies or jobs that are not included in these adjustments?**

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The scope of the project encompassed job classifications established and maintained by INSPD through the civil service system. Out-of-scope classifications include Teachers and Law Enforcement personnel, as well as employees of Elected Officials, Quasi agencies, and agencies with separate statutory authority regarding compensation.

## **Why was I reclassified before these compensation changes?**

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Some employees were reclassified to ensure consistency across the State and that each employee's role is placed in the appropriate job classification.

## **Are benefits changing?**

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The State of Indiana is not making changes to its robust, high-quality benefits offerings. As part of the compensation study, our compensation partners also benchmarked the State of Indiana's benefits package, including the health plan, retirement, ancillary plans, and other perks. Benchmarking found that Indiana's health and retirement plans are competitive in the market, and our other ancillary employment benefits are similarly competitive.

## **Where can I find more information about the State's pay plan and classification system?**

More specific information about the compensation study and pay plan structure may be found at the [INSPD website](#).