

# Overview of Basic Salary Setting Practices

Presented to the 2017 Legislative Salary Council

Jim Lee

2/10/17

# Job Design

- Written description of duties, responsibilities and freedom to act
- Description of minimum qualifications (the knowledge, problem-solving, and other skills and abilities required for satisfactory job performance)
- Reporting relationships

# Job Analysis

- Comparison to other, existing, job classifications used by the same employer
- Job evaluation system to assign a numeric rating to a new job facilitates comparisons to other jobs in the same or related occupational fields
- Conversion of numeric rating to a salary range based upon salaries of all jobs used by the employer

# Internal Relationships

Comparison of predicted salary to salaries for:

- position(s) to which the new job will report
- positions within the same classification series
- subordinate positions
- other jobs with similar job rating or requiring generally similar knowledge, skills and abilities

# External Market

- If documented recruitment/retention problems
- National, regional or local recruiting
- Public or private sector
- Job matching – comparison of duties
  - sometimes job titles suffice
  - more frequently use thumbnail descriptions (2 or 3 sentences about duties and an indication of level, e.g. entry, journey, advanced)

# Sources Of External Data

- Surveys published by reputable organizations
  - National Conference of State Legislatures
  - Council of State Governments (Book of States)
  - Data collected by other state salary organization
  - Commercial surveys (purchased)
- Bureau of Labor Statistics wage data
- Management and Budget (Executive Branch data) – positions with very similar benefit package
- Customized surveys

# Alternatives to Job Matching

- Salary relationship to other relevant positions
  - Three previous Compensation Councils recommended Legislative salaries be set at 33% of Governor's salary.
  - Governor's salary is used as reference point for salaries of other Constitutional Officers.

# Other Possible Reference Data

- Exempt (Salaried) positions in Minnesota public and private sectors generally, as reported by Bureau of Labor Statistics. (DEED)
- Exempt employees of the Executive Branch (MMB)
- Agency Heads, Managers and Exempt Supervisors
- Full-time County Commissioners and City Council Members (AMC & LMC)
- Employees exempt from Unemployment Insurance coverage because they occupy policy making positions (M.S. 268.035, Subd. 20) (DEED)



# Data Analysis

- Decide on a statistical measure – mean, median, quartiles, deciles, etc.
- Look for a trend or pattern in the data, not a precise mathematical result.
- “Age” data forward from date of collection to effective date of salary being established, using one of the following:
  - Consumer Price Index
  - Employment Cost Index
  - Projected salary increases from commercial surveys

# Consider A “Lead or Lag” Policy

- Lead/lead – set a new salary above current market rate, intending to be at or near market rate just before next scheduled review and adjustment
- Lead/lag – set a new salary slightly above current market, intending to be slightly below market rate just before the next review/adjustment
- Lag/lag – set a new salary at current market rate, knowing that your rate will be at or below market until next review/adjustment