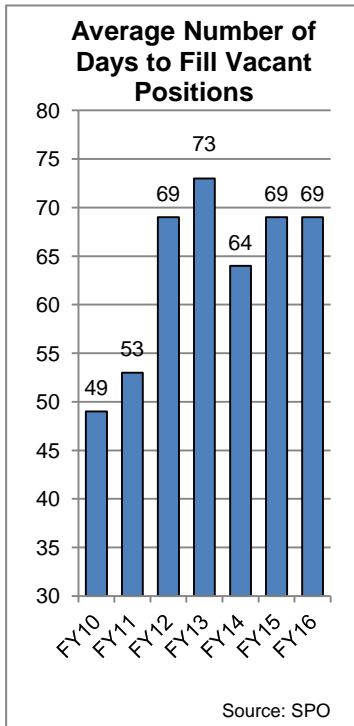


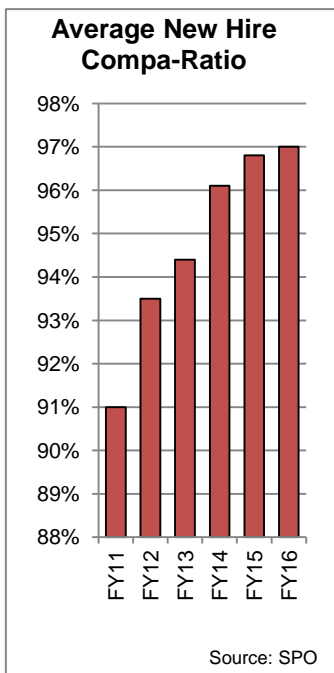
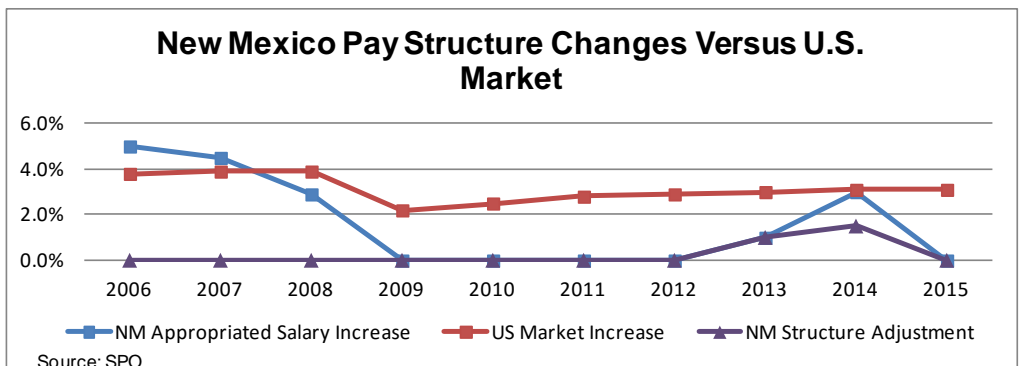


State Personnel Board



The State Personnel Office (SPO) is responsible for developing and maintaining the state’s compensation plan. To this end, SPO developed the framework for an occupation-based classification structure to address problems in recruitment and retention but has yet to implement it. Additionally, SPO has not completed many classification studies needed to align salaries to market rates. Without these studies, prioritizing needs and estimating costs will be difficult.

According to SPO’s 2013 classified service compensation report, the existing salary structure lags market rates by at least 18 percent due to lack of regular maintenance to account for inflation and labor market demand. The chart below shows that even in years when the Legislature appropriated funding for salary increases, 2006-2008, SPO did not adjust the pay structure. Additionally, U.S. labor market data shows consistent annual wage growth. The gap between the U.S. labor market and the New Mexico salary structure explains a significant portion of the estimated 18 percent market-to-pay plan gap.



Allowing the salary structure to fall further behind market rates resulted in increased salary compaction as the gap between the salaries of new employees and more tenured employees shrinks. The narrowing gap between new hire salaries and average salaries is determined by compa-ratios, or salary divided by midpoint. New hire compa-ratios have increased from 91 percent to 97 percent from FY11 to FY16. Over this same period, the average state employee compa-ratio remained constant at 102 percent. Compaction may lead to low morale and higher turnover as employees seek to increase their salaries by moving between agencies.

Salary structure inadequacy encouraged state agencies to pursue salary increases on a case-by-case basis resulting in pay for the same job varying significantly from agency to agency. In FY15, in pay band salary increases were provided to 2,708 employees, 17 percent of the total workforce. This ad hoc approach to compensation results in significant interagency turnover as employees seek to increase their salaries by moving between state agencies.

In addition to general pay structure inadequacy, the time to fill vacant positions increased to 69 days while turnover increased to an annualized rate of 14.8 percent. These factors likely contributed to a 1.1 percent increase in the vacancy rate from the second quarter. SPO has not proposed an action plan for increasing hiring efficiency or reducing turnover.



PERFORMANCE REPORT CARD

State Personnel Board
Third Quarter, Fiscal Year 2016

Rising benefit costs mean wages are accounting for a smaller share of total public employee compensation. According to SPO, New Mexico state employees receive 43 percent of their total compensation from benefits while the national average for state governments is 36 percent, and 30 percent for the private sector. Additionally, some experts suggest younger workers prefer higher compensation and place less value on benefits. This year, the state's two pension programs will conduct studies that will likely result in lowering investment return assumptions. This coupled with rising healthcare benefit costs and longer life expectancy for retirees will increase the cost of benefits for public employers and further erode take-home pay for public employees.

Comparison of Total Compensation Components			
	New Mexico	State Govt	Private Sector
Salary	57%	64%	70%
Health Insurance	19%	12%	8%
Pension	10%	9%	4%
Other	14%	15%	19%
Total	100%	100%	100%

Source: SPO

KEY ISSUES

The current salary structure has fallen behind the broader labor market rates resulting in difficulty in recruiting and retaining well-qualified employees. SPO developed a new compensation structure to address this, but has not completed many of the salary studies needed to prioritize needs and estimate costs to align salaries to market rates.

IMPROVEMENT PLANS

Submitted by agency? No
 Timeline assigned? No
 Responsibility assigned? No

State Personnel Office		FY15 Actual	FY16 Target	Q1	Q2	Q3	Rating
Budget: \$4,550.3		FTE: 53					
1	Classified service vacancy rate	13.2%	13.0%	14.7%	14.4%	15.5%	R
2	Average number of days to fill a position from the date of posting	69	55	64	67	69	R
3	Average state classified employee compa-ratio	101.3%	95%	101.8%	101.9%	102.1%	R
4	Average state classified employee new-hire compa-ratio	96.8%	91%	97%	97%	97%	R
5	New employees who successfully complete their probationary period	67%	75%	70%	70%	70%	Y
6	Classified employees voluntarily leaving state service	11.4%	14%	3.5%	3.3%	3.7%	Y
7	Classified employees involuntarily leaving state service	2.3%	4%	0.5%	0.4%	0.6%	G
8	State employee average overtime usage per month	15.5 hours	12 hours	16 hours	17 hours	15.6 hours	R
9	State employees receiving overtime	16%	25%	17%	17%	15.6%	G
Program Rating		R					R