

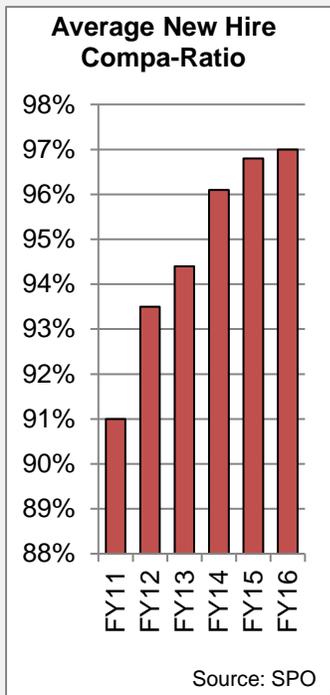


KEY ISSUES

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.

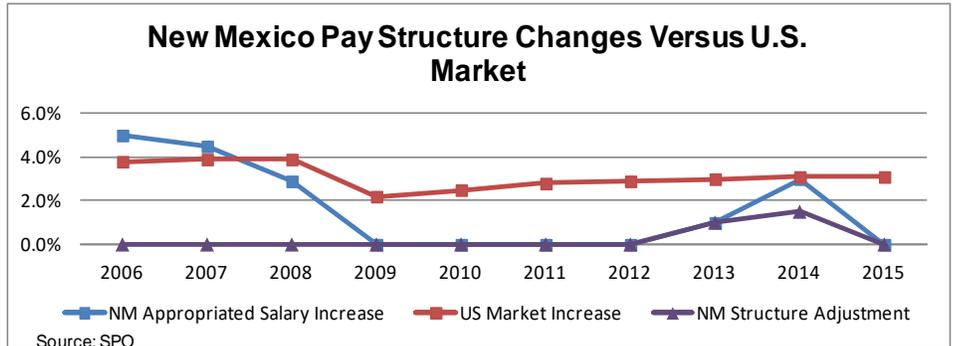
AGENCY IMPROVEMENT PLANS

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



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 completely 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.

The current pay structure has fallen significantly behind market pay rates for many job classifications due to lack of regular adjustment. The graph below shows that even in years when the Legislature provided across-the-board salary increases, SPO often did not adjust the pay structure.

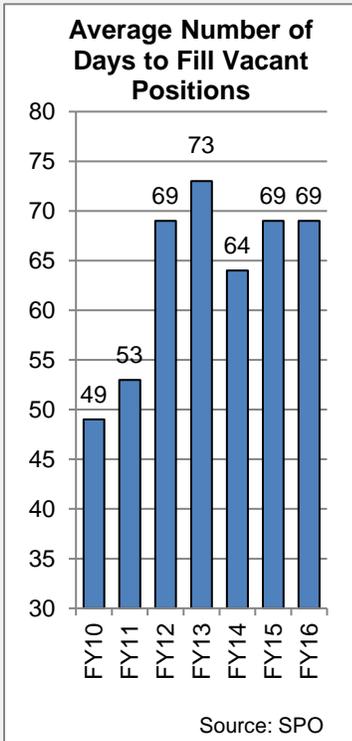


Allowing the salary structure to fall behind market rates resulted in salary compaction as the gap between the salaries of new employees and more tenured employees shrinks. The narrowing gap between new hire salaries and average salaries is determined by compa-ratios, or salary divided by midpoint. New hire compa-ratios 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 salary compaction and the wide-spread use of in pay band salary increases resulting from an out-of-date salary plan, 35 percent of workers are assigned to alternative pay bands and SPO estimates another 15 percent may be misclassified to justify compensation increases.

State Personnel Office. In addition to general pay structure inadequacy,



Time to Fill Positions
4th Quarter, FY16

Agency	Days to Fill
CYFD	76
DOH	66
Corrections	100
Miner's Hospital	40

Source: SPO

the time to fill vacant positions remained constant at 69 days while turnover increased from 11.4 percent in FY15 to 14.7 percent in FY16. Taken together, long times to fill positions and increased turnover likely contributed to a 2 percent increase in the vacancy rate from FY15.

While fiscal constraints will require agencies to maintain high vacancy rates for the foreseeable future, it is important that SPO work with agencies to reduce the time to fill positions ensuring the State of New Mexico does not lose high-quality applicants due to hiring wait times of over 2 months. SPO has not proposed an action plan for increasing hiring efficiency or reducing turnover.

Measure	FY14 Actual	FY15 Actual	FY16 Target	FY16 Actual	Rating
Classified service vacancy rate	15.0%	13.2%	13.0%	15.2%	R
Average number of days to fill a position from the date of posting	64	69	55	69	R
Average state classified employee compa-ratio	100%	101%	95%	102%	R
Average state classified employee new-hire compa-ratio	96%	97%	91%	97%	R
New employees who successfully complete their probationary period	68%	67%	75%	70%	Y
Classified employees voluntarily leaving state service	6.1%	11.4%	14.0%	14.7%	Y
Classified employees involuntarily leaving state service	New	2.3%	4.0%	2.1%	G
State employee average overtime usage per month, in hours	16.0	15.5	12.0	16.2	R
State employees receiving overtime	17%	16%	25%	17%	G
Program Rating					R