State of Vermont Classification and Compensation Modernization Project

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Key aspects of a classification and compensation system

- **Internal Equity/Consistency**

  Maintain a structured hierarchy within the organization, defining clear job classifications and ensuring consistency in compensation based on the level of responsibility, experience, and qualifications.

- **Equity and Fairness**

  Ensure fair compensation across similar roles and responsibilities, mitigating potential biases or inequalities within the organization.

- **External Competitiveness**

  Aligning pay levels with the relevant labor market to attract and retain qualified talent.

- **Budget Management**

  To control and manage organizational costs by designing compensation structures that balance the need to be competitive in the market with the need to manage financial resources effectively.

- **Motivation and Performance**

  To align employee behavior and performance with organizational goals by providing incentives and rewards for high performance, fostering motivation and productivity among employees.

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Willis

- The State of Vermont has used point factor tools for job evaluation since the 1960's and our current tool is Willis Position Management.

- Point factor is one type of job evaluation tool.

- Job evaluation (position measurement) tools assess the relative content of different jobs roles within an organization

- Point factor evaluations are quantitative tools that use defined factors and result in numeric scores based on established criteria.

Classification History

1960's	First Point Factor Classification System – Hay
1984	The Hay system is deemed outdated; following nationwide search, Willis is selected to replace Hay
	A committee with the Classification Analysts review and rate position description forms
1986	**The Willis System goes into effect.**
1993	Willis refresher; updates are made
Late 1990's	Norman Willis and Associates closes business; Willis is unsupported.

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Issues

- Willis is outdated and unsupported.

- The State of Vermont has one of the highest ratios of job classes to employees of any other state. There is 1 job class for every 4.2 employees. The more typical ratio is on the order of 1 to 15.

- The Willis system looks at jobs in isolation. Therefore, there can be unintended impacts on jobs within the same occupational area or within the same department, leading to a lack of pay parity.

- Stakeholders (including VSEA) generally dislike the current system/process.

- Decisions, though arrived at objectively by trained analysts, may have the appearance of being subjective.

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Issues (continued)

- Unpredictable budgetary implications. In Fiscal Year 2023 the estimated annualized cost of classification reviews was over $7,000,000.

- There is severe compression in range. Over 90% of job classes are assigned to pay grade 21 to pay grade 30 (10 of the available 28 pay grades).

- There is a perception that the system can be "gamed", and it is a not so well-kept secret that some "take advantage" of the system.

- Each year there are over 1,000 classification reviews submitted and over 80% are reallocated to a higher pay grade.

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Issues (continued)

- The difference of a few points can push somebody to a higher paygrade, and common practice is that instead of going through the merit award process, classification is the way to reward an outstanding employee by writing (or embellishing) an RFR* in order to squeeze out a few more points.

- Market data is not used for compensation structure.

- Over 1,900 job classes to manage.

- No defined compensation philosophy.

*RFR = Request for Reclassification

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Components of an Effective Classification & Compensation Plan
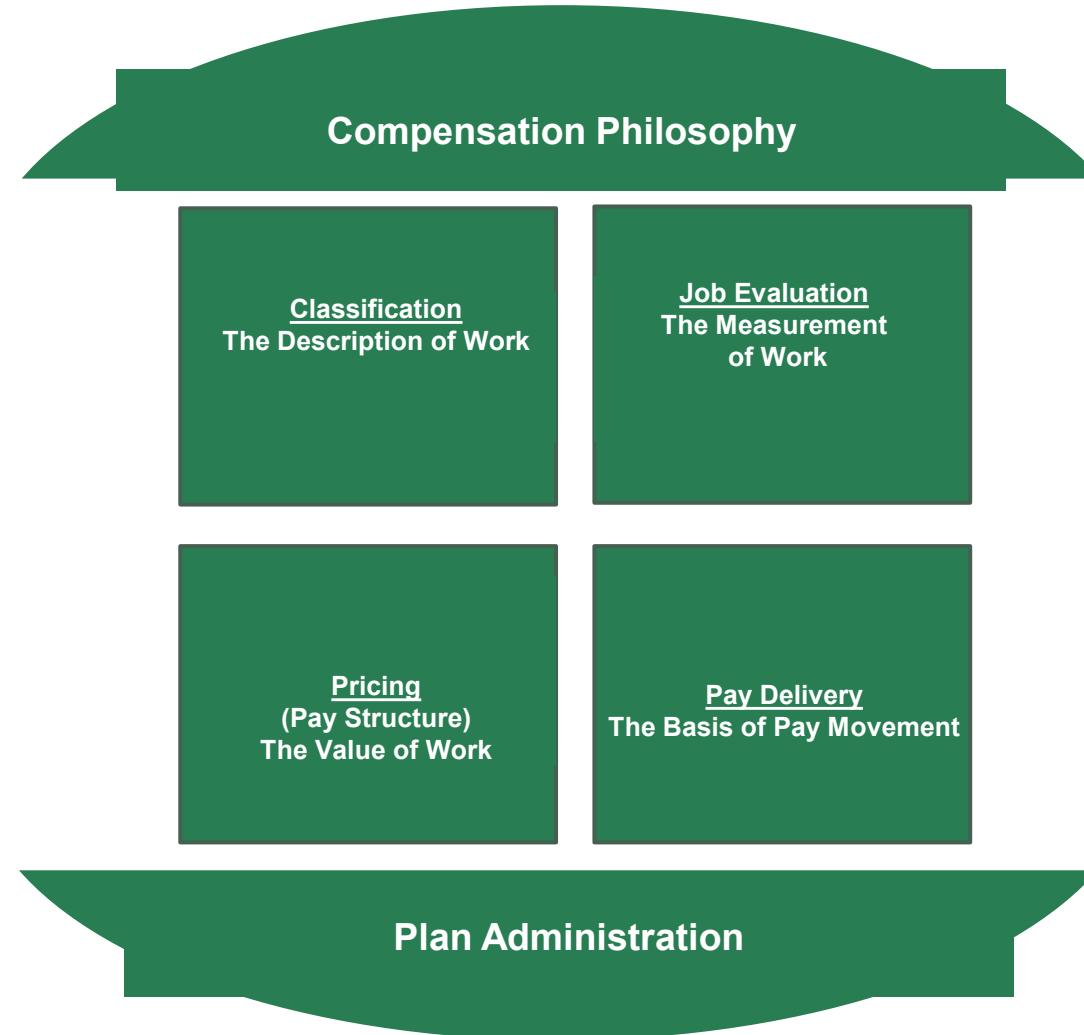
Expected Scope of Work

- Develop a new classification structure based on occupational groups and job families. Develop new job specifications. Reduce the number of job classifications by 40% to 50% (to 1,000 or fewer).

- Implement a modern approach to work measurement/position leveling.

- Develop a modern compensation and pay structure which considers internal equity and external competitiveness.

- Implement the administration of the classification and compensation plan according to best practices with appropriate collective bargaining agreements statutory and policy changes and staffed appropriately.

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What's been done to date

- DHR Leadership meeting with VSEA Leadership to discuss Class/Comp Modernization Project.
  - VSEA supports the project and move to a market-based classification/compensation program.

- Vendor Selection and Interviews/Presentations.
  - RFP Submitted to potential vendors in late 2023.
  - Seven vendors submitted proposals.
  - Four Vendors chosen for consideration. Presentations held Spring, 2024.
  - State references were interviewed.

- Note: VSEA Leadership was included in vendor presentations with input provided.

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Next Steps

- $1.575 million GF allocated in FY26 to fund the Classification/ Compensation Modernization Project.

- Secure a contract with DHR leadership's vendor of choice.

- Create project timeline with milestones and goals.

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Questions

YouTube Testimony Vermont Senate Government Operations 3-19-2021

https://legislature.vermont.gov/Documents/2022/WorkGroups/Senate%20Government%20Operations/State%20Employees/W~Beth%20Fastiggi~Class%20Comp%20to%20Leg%202021~3-19-2021.pdf\

Microsoft PowerPoint - March 2021 Presentation.pptx - Read-Only (vermont.gov)