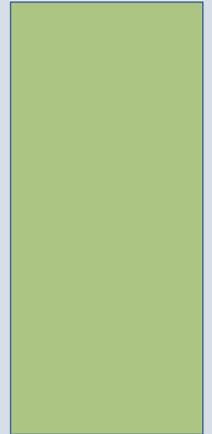


COMMISSION ON EMPLOYEE RETIREMENT
SECURITY & PENSION REFORM
HOUSE ROOM D, GENERAL ASSEMBLY BUILDING
JULY 11, 2016

VIRGINIA WORKFORCE DEMOGRAPHICS & COMPENSATION

Virginia Department of Human Resource Management



EMPLOYMENT LEVELS

STATE HAS 105,000 SALARIED EMPLOYEES AND ALMOST 23,000 TEMPORARY EMPLOYEES

HUMAN CAPITAL			
Employee FTEs	Salaried	Temporary	TOTAL
• Executive	99,702.91	22,749.25	122,452.16
• Legislative	493	27.65	520.65
• Judicial	3268	56.69	3,324.69
• Independent	1,579	87.34	<u>1,666.34</u>
Total Employees	105,042.91	22,920.93	127,963.84
<i>Contractors by headcount</i>			4,276
Total Human Capital			132,239.84

OVER HALF OF EXECUTIVE BRANCH EMPLOYEES ARE IN EDUCATION

EXECUTIVE -Secretariat FTEs	5/31/2016	7/31/2011	Change from 7/31/11 to 5/31/16	% Change from 7/31/11 to 5/31/16
• Education	51,918.84	45,906.89	6,011.95	13.1%
• Public Safety & Homeland	17,776.14	18,265.90	(489.76)	(2.7%)
• Health & Human Resources	13,364.32	15,288.26	(1,923.94)	(12.6%)
• Transportation	9,445.05	8,970.85	474.20	5.3%
• Natural Resources	1,804.27	1,806.11	(1.84)	(0.1%)
• Commerce & Trade	1,501.35	1,685.18	(183.83)	(11.1%)
• Finance	1,119.95	1,102.00	17.95	1.6%
• Administration	739.23	781.45	(42.22)	(5.4%)
• Veterans Affairs	672.00	550.00	122.00	22.2%
• Agriculture & Forestry	671.10	675.30	(4.20)	(0.6%)
• Executive Offices	497.16	386.00	111.16	28.8%
• Technology	193.50	260.30	(66.80)	(25.7%)
TOTAL EXECUTIVE SALARIED	99,702.91	95,678.24	4,024.67	4.2%

TOP 10 AGENCIES REPRESENT 2/3 OF THE EXECUTIVE BRANCH EMPLOYEES

10 Largest State Agencies	
Agency	Salaried Employees
University of Virginia	12,895.89
Virginia Department of Corrections	10,503.00
Virginia Department of Transportation	7,286.55
Virginia Tech	6,703.50
Department of Behavioral Health & Developmental Services	6,340.00
Virginia Commonwealth University	5,845.72
George Mason University	3,911.65
Virginia Department of Health	3,211.02
James Madison University	2,915.16
Virginia State Police	2,690.00

DEMOGRAPHICS

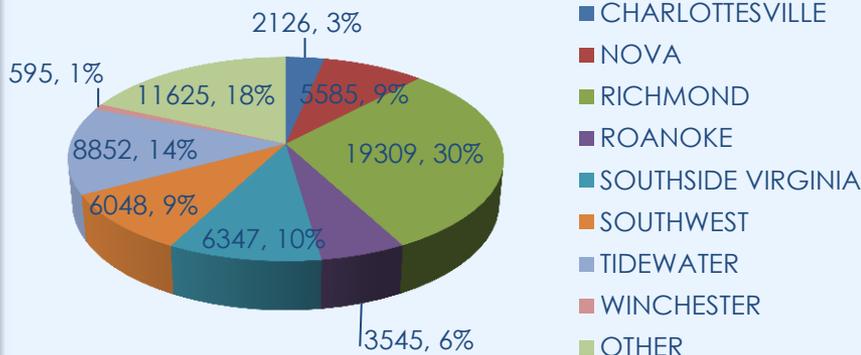
AVERAGE AGE OF THE CLASSIFIED WORKFORCE IS HIGHER, WHILE THE AVERAGE YEARS OF SERVICE IS LOWER IN FY 2016

Average Years of Service 11.8 years

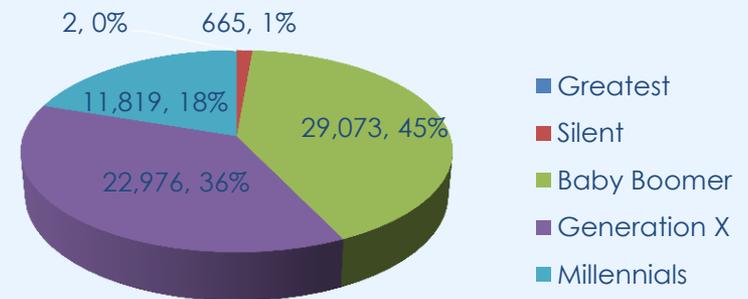
Average Age 47 years

47 years

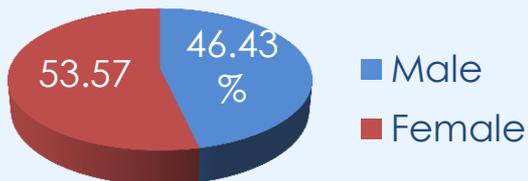
Region



Generations



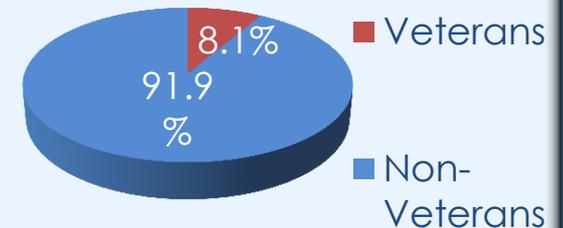
Gender



Race



Veteran Status



SOME SALARIED FULL-TIME EMPLOYEES QUALIFY FOR FEDERAL ASSISTANCE

• Number of employees receiving assistance

- 2015 1,215 employees
- 2013 2,287 employees
- 2011 892 employees
- 2007 < 12 employees*

• Number of employees receiving food stamps

- 2015 896 employees
- 2013 1,898 employees
- 2011 856 employees
- 2007 0 employees

• Number of employees qualifying for EITC

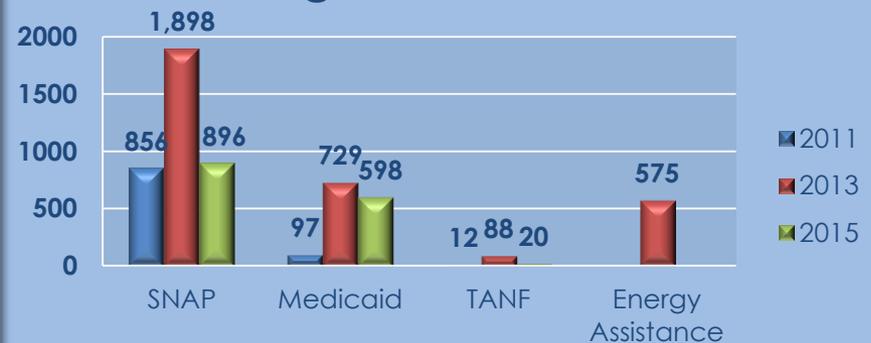
- 2015 9.5% of salaried full-time employees
- 2013 10% of salaried full-time employees

• Change over time

- Poor economy and lack of employee raises have taken a toll on state employees
- 2.6% increase in eligibility threshold from 2010 to 2013

* Received temporary assistance because they had legal guardianship of grandchildren, and otherwise would not meet benefits eligibility criteria

State Employees Receiving Federal Assistance



State Employees Qualifying for Earned Income Tax Credits

Qualifying for Earned Income Tax Credits



RECRUITMENT & RETENTION

AS TURNOVER INCREASES, JOB OFFER ACCEPTANCE RATE IS DECREASING AND TIME TO HIRE TAKES LONGER

Recruitment	
• Vacancy rate	12.7% ↓
• Average vacancy	303 days ↓
• Average time to hire	92 days ↑
• Hire offers accepted	87.8% ↓
• Exceptional recruitment options	1.8% ↓
• Total recruitments*	12,323 ↓
• Promotions	14.7% ↑
• Demotions	1.7% ↓
• Transfers	22.4% ↓
• New hires & rehires	61.1% ↑
• Average age new hires	35 years ↓

Retention	
• Turnover rate	13.8% ↑
• Turnover - probationary	13.3% ↓
• Turnover - < 5 years service	59.1 ↑
• Average retention bonus	0.0% ↓
• Employees w/ retention in-band adjustment increase	3.3% ↑
• Avg retention in-band adjustment increase	4.7% ↓
• Eligible retirement today	11.6% ↓
• Eligible retirement ≤ 5 years	24.7% ↓
• Retirement rate	2.75% ↓
• Average age at retirement	63 years ↑

HIGH EMPLOYEE RETIREMENT ELIGIBILITY RATES COULD LEAD TO AGENCY BRAIN DRAIN

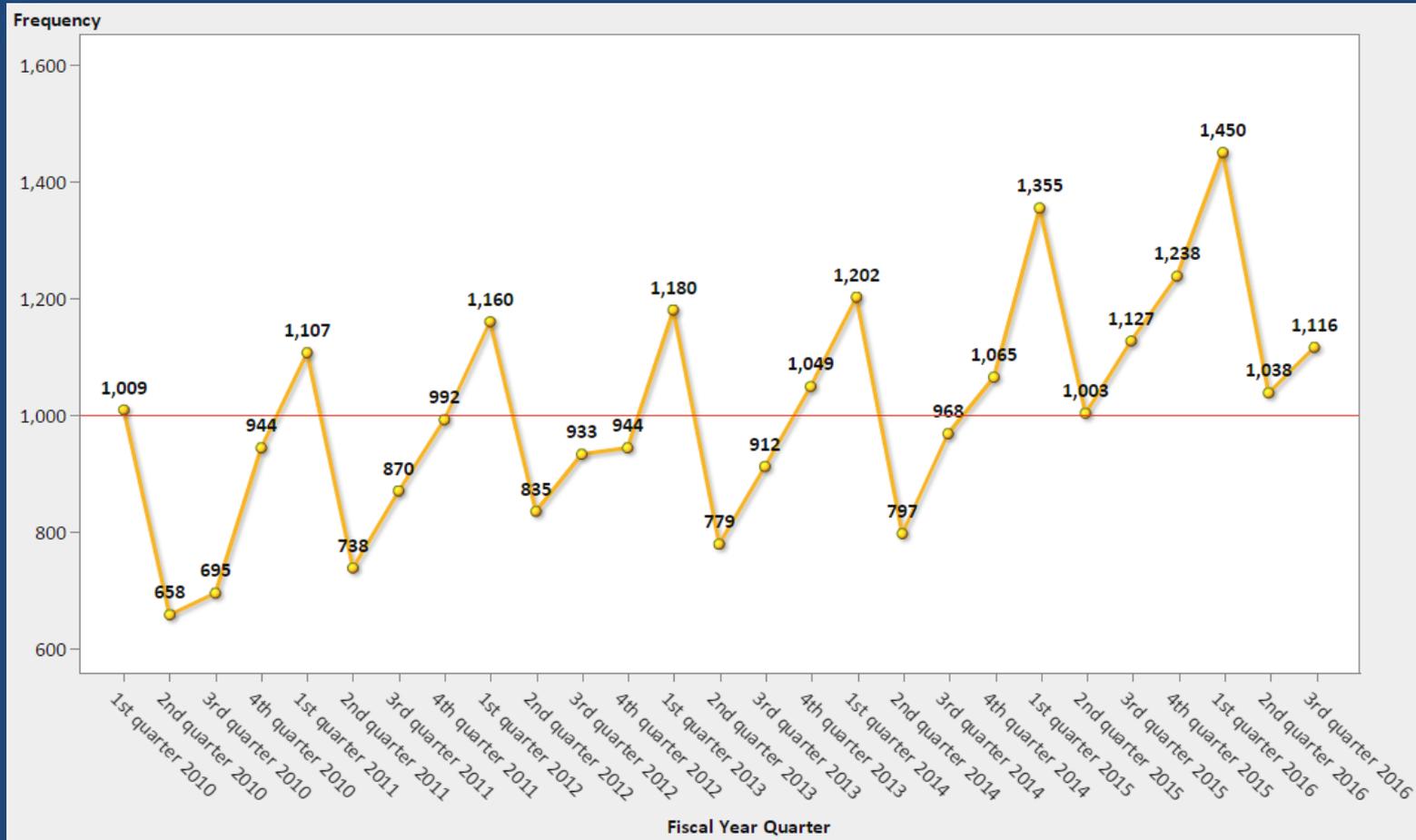
Agency	Total # of Employees	Retirement Eligible in 5 Years or Less
Dept Mines Minerals & Energy	189	44.97%
Virginia Employment Commission	673	37.30%
Dept of Labor and Industry	145	36.55%
Dept Game and Inland Fisheries	400	32.50%
Dept of Accounts	146	32.19%
Dept of Transportation	7330	31.84%
Dept of Taxation	824	30.95%
Dept of Agri & Cons Services	438	30.59%
Dept of Environmental Quality	772	29.92%
Dept of the Treasury	107	29.91%
Va Information Technologies	195	29.74%
Dept of State Police	2690	29.00%
Dept of Planning and Budget	45	28.89%
Dept of Social Services	1638	28.69%
Dept of Human Resource Mgmt	96	27.08%
Dept of Health	3244	27.00%
Dept of Motor Vehicles	1863	26.95%
Dept of General Services	586	25.94%

SPECIFIC ROLES ARE VULNERABLE TO RETIREMENTS

Roles	Total # of Employees	Eligible in 5 years or Less
General Managers	651	42.24%
Financial Managers	443	38.83%
Engineering Technicians	968	37.71%
Agricultural Specialists & Managers	241	36.51%
Compliance & Safety Officers	480	30.00%
Physicians	167	28.74%
Law Enforcement	2897	28.41%
Architects & Engineers	1133	27.18%
Registered Nurses	1522	25.36%
Probation Officers	1551	24.63%
IT Specialists & Managers	3207	21.61%

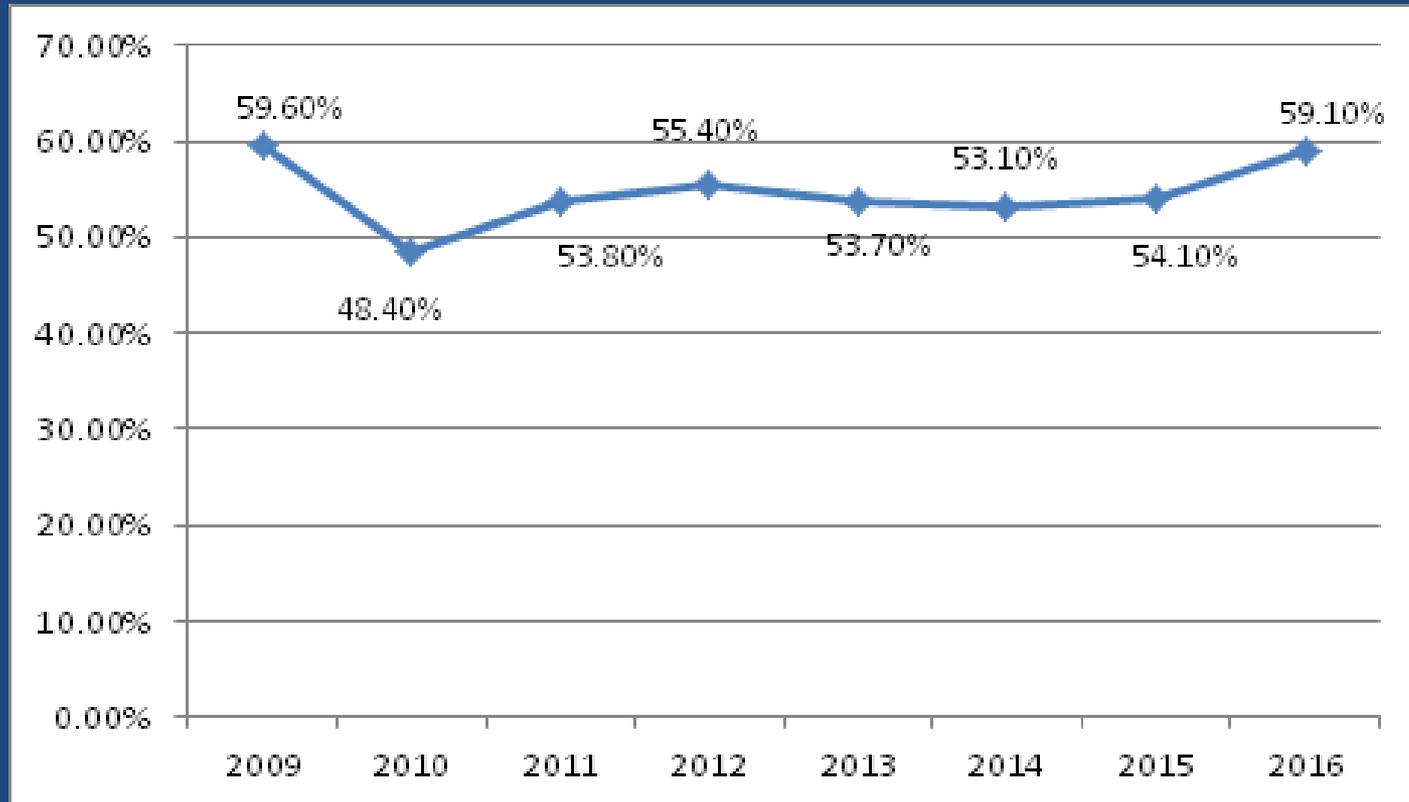
VOLUNTARY TURNOVER IS TRENDING UP

Classified Employee Voluntary Turnover



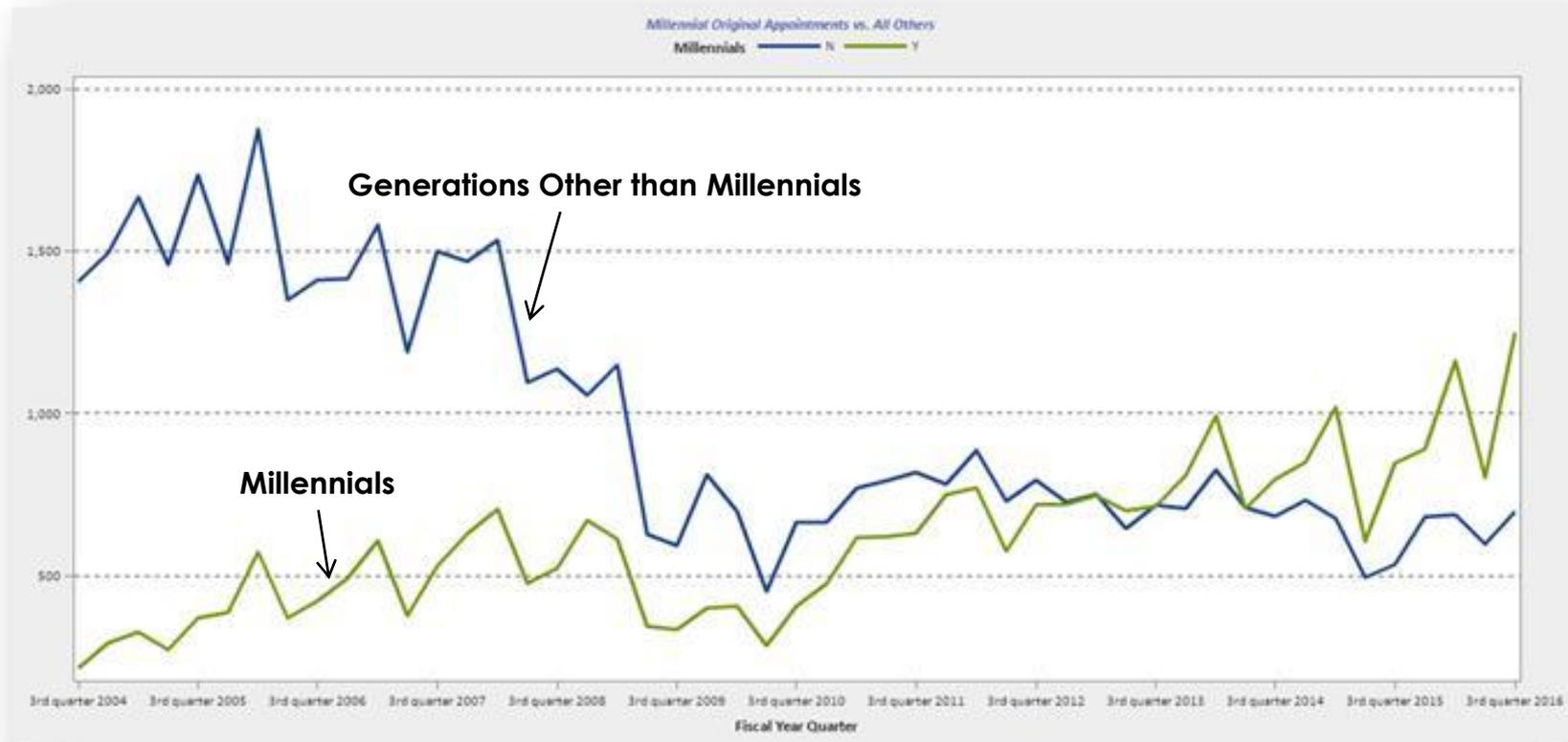
ALMOST 2/3 OF EMPLOYEES THAT VOLUNTARILY RESIGN HAVE 5 OR LESS YEARS OF SERVICE

Annual Separation Rate for classified Employees with 5 or less years of service



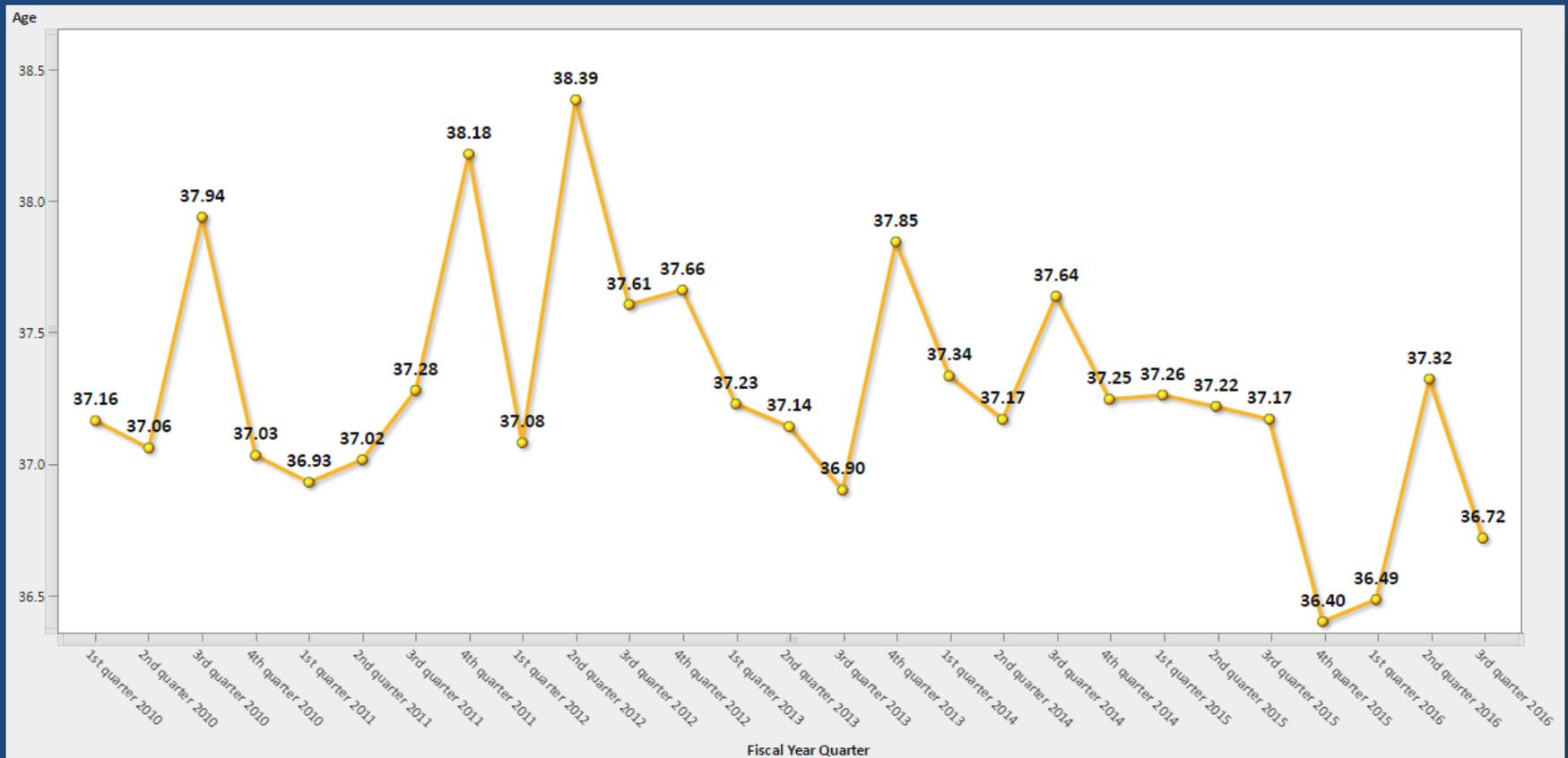
SINCE 2013, MILLENNIALS WERE HIRED MORE OFTEN THAN ANY OTHER GENERATION AND THAT TREND IS ACCELERATING

Classified Employee Original Appointment



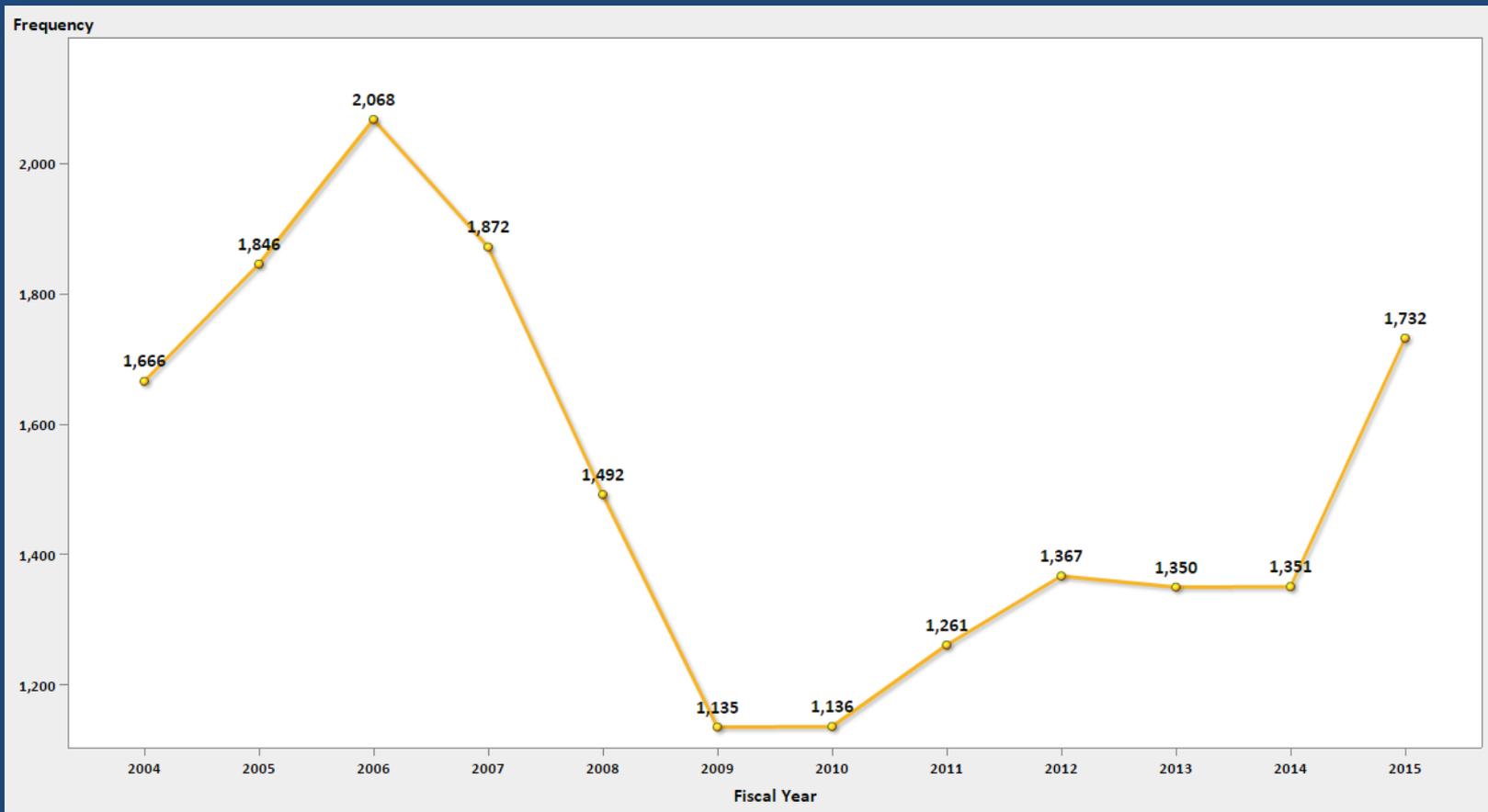
AVERAGE AGE OF CLASSIFIED EMPLOYEES VOLUNTARILY RESIGNING IS A DECADE LOWER THAN AVERAGE AGE OF THE WORKFORCE

- Average age of workers leaving voluntarily: 36.7
- Average overall age of state workforce: 46.7



THERE HAS BEEN A DRAMATIC INCREASE IN RESIGNATIONS FOR A BETTER JOB

Classified employee voluntary turnover for a better job



COMPENSATION

CLASSIFIED COMPENSATION IS DIVIDED INTO
9 PAY BANDS WITH A
SEPARATE RANGE FOR NORTHERN VIRGINIA

BANDS	RANGE			EMPLOYEES	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	\$15,992	\$38,820	\$50,466	2,084	3.26%
2	\$20,894	\$49,370	\$64,181	7,795	12.19%
3	\$24,969	\$58,146	\$75,590	20,502	32.06%
4	\$32,619	\$74,617	\$97,002	16,980	26.55%
5	\$42,614	\$96,134	\$124,974	12,167	19.02%
6	\$55,672	\$124,244	\$161,517	3,737	5.84%
7	\$72,731	\$160,972	\$193,167	471	0.74%
8	\$95,013	\$208,950	\$250,740	201	0.31%
9	\$124,128	MARKET	MARKET	16	0.03%

Source: DHRM Reports as of May 31, 2016

IN 2000, GENERAL ASSEMBLY ADOPTED A COMPENSATION GOAL TO PAY MARKET RATE

CLASSIFIED STATE SALARIES	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	\$48,307	\$42,806	\$34,274	\$57,000	\$15,992	\$254,919	64,032
NOVA	\$56,976	\$52,020	\$42,642	\$65,000	\$20,969	\$216,300	5,662
Statewide (excluding NOVA)	\$47,466	\$41,975	\$33,889	\$55,800	\$15,992	\$254,919	58,370

- **Lowest paid** - \$15,992
 - 27 DBHDS employees in Food Service Tech I and Housekeeping/
Apparel Service Worker 1 in Nottoway
- **Highest paid** - \$254,919
 - Physician Manager II in DBHDS
- **Mode** - Pay Band 3
- **Federal minimum wage** - \$7.25 or \$15,080 annually

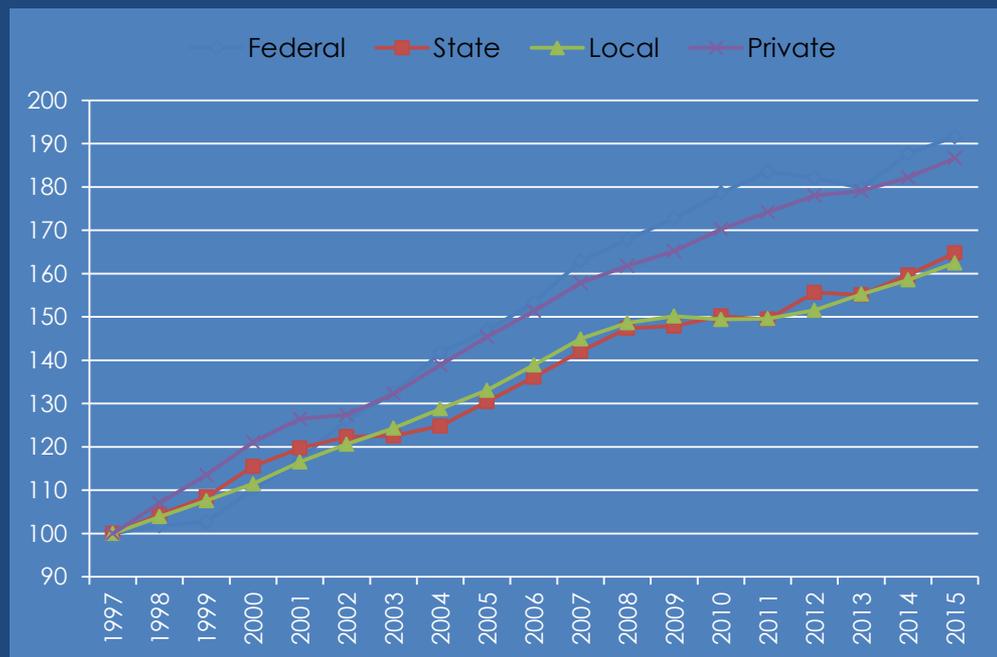
WHEN NEW HIRES ARE PAID MORE THAN EXPERIENCED EMPLOYEES, IT CREATES SALARY COMPRESSION

Job Role	# of FY16 New Hires	Avg. Starting Salary for New Hires	Total # of Employees in FY16	Avg. Salary of all Employees
Engineering Technician IV	13	\$ 77,267.00	136	\$ 67,518.00
Trades Technician II	27	\$ 31,693.00	94	\$ 28,350.00
Program Admin Manager II	12	\$ 67,282.00	258	\$ 64,654.00
Architect/Engineer II	18	\$ 94,800.00	208	\$ 90,362.00
Engineering Technician III	12	\$ 45,325.00	60	\$ 44,567.00
Compliance/Safety Officer II	13	\$ 40,092.00	31	\$ 38,671.00

STATE CLASSIFIED EMPLOYEE COMPENSATION IS ESTIMATED TO BE 23.38% BELOW MARKET

- Take home pay increased 8/10/15 for the first time since 2007
 - 2011 increase of 5% was offset by the 5% employee contribution to VRS
 - 2013 increase of 2.73% was offset by the payroll tax
- 3% conditional raise was budgeted for November 2016, but has been deferred
- Buying power has decreased since 2000

Year	CPI % Change	Cumulative CPI% Change	Salary Increase % Change	Cumulative Salary Increase % Change
2000	3.4	3.4	3.25	3.25
2001	2.8	6.2	0.00	3.25
2002	1.6	7.8	0.00	3.25
2003	2.3	10.1	2.25	5.50
2004	2.7	12.8	3.00	8.50
2005	3.4	16.2	4.40	12.90
2006	3.2	19.4	4.00	16.90
2007	2.8	22.2	4.00	20.90
2008	3.8	26.0	0.00	20.90
2009	-0.4	25.6	0.00	20.90
2010	1.6	27.2	0.00	20.90
2011	3.2	30.4	5.00	25.90
2012	2.1	32.5	0.00	25.90
2013	1.5	34.0	2.73	28.63
2014	1.6	35.6	0.00	28.63
2015	0.1	35.7	3.86	32.49



IN A NATIONAL PAY RANKING OF STATES, VIRGINIA RANKS 2ND IN FEDERAL PAY

State	Federal Government		State Gov		Local Gov		Private Industry					
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Fed Avg as % of Private Avg	State Ranking	State Avg as % of Private Avg	State Ranking
Alabama	79,206	4	50,499	29	39,198	33	43,370	38	182.63%	1	116%	15
Alaska	77,245	9	57,786	15	48,931	14	54,033	11	142.96%	35	107%	29
Arizona	72,821	22	55,102	19	44,692	20	47,497	22	153.32%	22	116%	17
Arkansas	65,801	40	43,606	47	36,975	45	40,607	46	162.04%	15	107%	27
California	78,872	5	71,395	1	59,961	3	61,276	5	128.72%	45	117%	14
Colorado	75,821	12	58,504	13	45,097	19	54,512	10	139.09%	38	107%	28
Connecticut	74,122	19	68,408	3	55,902	7	66,282	3	111.83%	49	103%	35
Delaware	69,633	30	53,337	22	51,106	11	54,006	12	128.94%	44	99%	45
Florida	73,955	20	46,794	40	47,680	16	45,554	29	162.35%	14	103%	38
Georgia	73,232	21	44,298	45	39,489	32	50,218	18	145.83%	29	88%	50
Hawaii	74,798	16	48,113	34	62,482	1	44,402	34	168.46%	7	108%	26
Idaho	65,034	44	44,189	46	33,798	47	38,658	49	168.23%	8	114%	19
Illinois	75,468	13	66,765	6	48,521	15	56,327	7	133.98%	41	119%	10
Indiana	69,830	29	46,920	39	37,284	43	44,113	36	158.30%	18	106%	31
Iowa	62,349	48	65,193	7	40,342	30	43,534	37	143.22%	34	150%	1
Kansas	65,183	43	52,025	25	33,765	48	44,731	31	145.72%	30	116%	16
Kentucky	63,042	46	47,042	37	38,778	37	43,189	40	145.97%	28	109%	25
Louisiana	68,991	32	49,310	31	38,353	38	46,287	26	149.05%	26	107%	30
Maine	71,696	26	43,268	48	38,119	39	41,289	43	173.64%	6	105%	32
Maryland	97,122	1	57,229	17	54,105	8	54,785	9	177.28%	3	104%	33
Massachusetts	78,316	7	67,150	5	57,417	5	67,337	2	116.30%	48	100%	44
Michigan	74,831	15	59,077	11	45,489	18	49,781	19	150.32%	25	119%	9
Minnesota	69,569	31	60,354	10	45,830	17	53,938	13	128.98%	43	112%	23
Mississippi	66,477	39	45,230	44	34,160	46	36,903	50	180.14%	2	123%	7
Missouri	66,727	37	41,549	50	38,942	36	46,000	27	145.06%	31	90%	48

Source: 2014 Bureau of Labor Statistics data based on payroll records of what is actually paid out to employees as reported quarterly to employment commissions

BUT VIRGINIA ONLY RANKS 47TH WHEN STATE AVERAGE PAY IS COMPARED TO PRIVATE INDUSTRY AVERAGE PAY

Virginia Pay Ranking

- 2nd in Federal Government
 - Same as 2014, 2013, 2012, 2011, & 2010
- 10th in Federal average as a percentage of Private Average
- 14th in Private Industry
 - Down from 13th in 2014, 11th in 2013 & 2012, 9th in 2011 & 8th in 2010
- 25th in Local Government
 - Same as 2014, 2012, & 2011 & down from 24th in 2013 and 23rd in 2010
- 32nd in State Government
 - Down from 34th in 2014 and 2011 and 33rd in 2013 & same as 2012 &, 2010
- 47th in State average as a percent of Private average
 - Up from 49th in 2014 and 2013 & 48th in 2010 & 2011 & same as 2012,

State	Federal Government		State Gov		Local Gov		Private Industry					
	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Agv Annual Pay	State Ranking	Fed Avg as % of Private	State Ranking	State Avg as % of Private	State Ranking
Montana	65,442	42	46,349	41	37,971	40	39,013	48	167.74%	9	119%	8
Nebraska	65,522	41	50,013	30	40,827	29	42,355	41	154.70%	20	118%	12
Nevada	68,901	33	50,787	28	53,269	9	44,528	32	154.74%	19	114%	20
NewHampshire	76,864	10	51,609	26	44,018	22	53,134	15	144.66%	32	97%	46
NewJersey	78,857	6	70,274	2	60,891	2	61,965	4	127.26%	46	113%	21
NewMexico	72,307	24	52,576	24	37,475	42	41,217	44	175.43%	4	128%	5
NewYork	76,429	11	60,931	9	58,387	4	68,772	1	111.13%	50	89%	49
NorthCarolina	67,111	35	47,905	35	42,725	26	46,531	25	144.23%	33	103%	36
NorthDakota	62,904	47	53,040	23	39,032	35	51,579	17	121.96%	47	103%	37
Ohio	74,496	17	61,005	8	44,526	21	46,579	24	159.93%	17	131%	3
Oklahoma	67,789	34	45,469	43	37,284	43	44,509	33	152.30%	23	102%	39
Oregon	71,029	28	48,515	33	49,312	13	47,777	21	148.67%	27	102%	41
Pennsylvania	72,521	23	58,691	12	49,613	12	51,848	16	139.87%	37	113%	22
RhodeIsland	79,734	3	67,693	4	57,042	6	48,734	20	163.61%	13	139%	2
SouthCarolina	66,612	38	45,988	42	41,520	27	41,338	42	161.14%	16	111%	24
SouthDakota	61,944	50	47,031	38	32,911	50	40,157	47	154.25%	21	117%	13
Tennessee	77,306	8	47,152	36	39,150	34	46,956	23	164.63%	12	100%	42
Texas	75,072	14	55,207	18	43,813	24	55,190	8	136.02%	40	100%	43
Utah	66,798	36	51,256	27	33,722	49	44,359	35	150.58%	24	116%	18
Vermont	71,478	27	54,193	21	40,067	31	43,344	39	164.91%	11	125%	6
Virginia	89,056	2	48,692	32	43,413	25	53,850	14	165.38%	10	90%	47
Washington	74,347	18	57,698	16	53,264	10	56,563	6	131.44%	42	102%	40
WestVirginia	71,774	25	42,605	49	37,651	41	40,927	45	175.37%	5	104%	34
Wisconsin	63,364	45	58,027	14	41,119	28	45,243	30	140.05%	36	128%	4
Wyoming	62,298	49	54,194	20	43,910	23	45,785	28	136.07%	39	118%	11

SUMMARY

COMPETITIVE COMPENSATION IS CRITICAL FOR RECRUITMENT & RETENTION OF THE WORKFORCE

- Workforce is aging
- Early to mid-career employees are leaving at the fastest rate
- Compensation on average is well below market
 - Compensation tools have never been funded
 - Below market compensation reduces talent in hiring pools
 - New hires demand market rates, creating salary compression
 - Deferred budgeted conditional raise negatively impacts employee morale