



MONTANA
DEPARTMENT OF COMMERCE

EXHIBIT 7
DATE 01/21/13
HB 2

DIRECTOR'S OFFICE

TO: Appropriations Subcommittee on General Government
Representative Ryan Osmundson, Chairman
Senator Alan Olson, Vice Chairman
Senator Ed Buttrey
Representative Champ Edmunds
Representative Kelly McCarthy
Senator Dave Wanzenried

FROM: Meg O'Leary
Director, Department of Commerce

DATE: January 21, 2013

RE: Information Regarding Personal Services Adjustments

The Department of Commerce implemented two (2) Department wide pay adjustments in FY 2012. The first pay adjustment occurred on December 31, 2011. Employee Profile documents that evaluate all current and new employee's education and experience, were updated as of October 2011. At that time,

- a 2% increase was applied to employees' base pay in Pay Band 3, 4 & 5 and,
- a 1% increase was applied to all employees base pay in Pay Band 6, 7, 8 & 9.

You can see from the chart below that even after this adjustment, the Department lagged behind average compensation for state agencies. After this pay adjustment, the Department of Commerce pay compared to the State agency average was as follows:¹

% of 2012 Market Midpoint.	
Department of Commerce	82.3%
State Agency Average	86.7%

¹ Kris Wilkinson, Senior Fiscal Analyst, Personal Services Analysis, Montana Legislative Fiscal Division, September 28, 2012, 9.

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As the next chart shows, Department turnover continued to be a significant challenge for the Department. This growing turnover rate was directly related to external competitiveness and internal equity resulting in difficulties retaining employees.²

% Turnover – Department of Commerce			
	FY 2009	FY 2010	FY2011
Department of Commerce	10%	13%	16%

As a result of this fact and the need to be more competitive, the Department initiated a second pay adjustment in June, 2012.

- Job Profiles for all Commerce employees were reviewed to make sure the proper Occupational Series and Job Code were used for a position.
- Employees in Pay Band 2, 3, 4, 5 and 6 had their base rate of pay increased to the minimum range placement using the Employee Profiles.
- Employees in Pay Band 7, 8 & 9 had their base pay increased by 7.5%.

The adjustments discussed above were necessary to bring the Department into a more competitive position to recruit and, more importantly, retain the talent and expertise found in the Department of Commerce.

The following information is provided in response to questions raised by the Subcommittee.

1. Recruitment and Selection (R&S) Process and Issues.

- Answer: *Some positions posed recruitment and selection problems. While we were able to fill vacant positions it is likely that the applicant pools were not as competitive as they would have been if pay had been more competitive. Our bigger issue was the retention of current trained employees who left Commerce employment for other opportunities.*

2. Impact of Broadband Pay Plan Market Adjustments at Division\Program Level.

- Answer: *Adoption of the new pay matrix in May 23, 2012 (described previously) provided great relief in creating external competitiveness, allowing for internal equity and improving retention. Filling vacant positions became easier with adequate selection pool size and appropriate pay offers to new employees.*

3. What was your vacancy rate?

- Answer: *During the Fiscal year 2012 in the Department of Commerce for positions in HB 2 the Vacant Position Hours were 19,088. During that same time frame the total Full Time Equivalent (FTE) hours were 108,576. To compute a vacant position rate over time, the number of Vacant Position Hours was divided by the FTE Hours. $19,088/108,576 = 17.58\%$.*

² Kris Wilkinson, Senior Fiscal Analyst, Personal Services Analysis, Montana Legislative Fiscal Division, September 29, 2012, 15.

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4. Did you have difficulty with retention of employees? How did you try to remedy it (pay adjustments?)

- *Answer: Some pay adjustments were made during FY 2012 for the purpose of retaining employees who had offers from other employers. Retention efforts were not always successful. The market adjustment helped remedy most retention issues in the Department of Commerce.*

5. Did you have difficulty with recruitment?

- *Answer: Adoption of the new pay matrix in May 23, 2012 (described previously) provided great relief in creating external competitiveness, allowing for internal equity and improving retention. Filling vacant positions became easier with adequate selection pool size and appropriate pay offers to new employees.*

6. Retirement: What portion of the agency workforce is eligible for early or regular retirement in the 2015 biennium?

- *Answer: There are 59 (27.4%) of the 215 employees in the agency that are eligible for early retirement in the 2015 biennium. There are 32 employees (14.8%) eligible for regular retirement.*

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