Explanation of Market Adjustments

House Select Committee on the State Employee Pay Plan
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The process of providing market adjustments is based on the data provided by salary surveys, and the implementation must therefore reflect the methodology of the salary survey that is being used. In our case, the Hay Group's salary survey was based on the actual average wages of employees and was intended to show how the State of Kansas compared with those of other employers.

By using the average pay as the primary comparison, the data captures the pay of all employees at every level of length of service and performance. This allows for the wide range of different salary levels that occur within the relevant labor market for each job class. For example, using the average means that the salaries of brand new employees are captured as are the salaries of an employer's most seasoned or productive employee. By comparing this data to the average from the State of Kansas, which also includes all employees, the comparison can be made on an "apples to apples" basis.

Since this is a five year implementation, salaries will not be fully aligned until year three for each implementation group. In the interim, since the State is so far behind market in many positions, market adjustments are being proposed for those classes determined to be most in need. This adjustment reduces the current inequity in wages between state employees and non-state employees but it will not bring the employees' wage rates up to the market. The practice of moving entire classes preserves what little distribution we currently have within the system while providing an equal adjustment to employees performing the same or similar work. As the result of this adjustment, all employees in that class, regardless of their current position within the pay grade to which that class is assigned, will receive an increase as part of a market adjustment. This is the same methodology used for the increases provided last year.

It is important to remember that this is only the first phase of aligning to market. As additional salary surveys are completed, and more specific job data is obtained, increases will become more strategic. At this point, it is simply not feasible to provide market adjustments on an individual basis. Not only could this potentially amount to 22,000 separate pay adjustments, but it would also result in even more wage compression as employees would all be grouped around the identified market average. Pay grades and ranges provide for rates on either side of the market rate because it is expected, and in fact desirable, that there will be a natural distribution throughout the range.

While the term "market rate" is commonly used to refer to the average rate paid, it also includes those wage rates above and below the average which are competitive for both new, less than fully-proficient employees as well as those outstanding, long-term, highly valued employees. If all employees were paid a single wage rate, lower functioning new employees and highly performing long-term employees would receive the same wage rate which would not reflect the value that they bring to the organization and may in fact create high employee turnover among higher performing employees.

Division of Personnel Services
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