Idaho Division of Human Resources
Executive Branch Statewide Policy
Section 1: Employee Compensation

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1A. General Information

The State of Idaho provides a competitive merit-based compensation structure to attract qualified applicants to the state workforce; retain employees who have a commitment to public service excellence; motivate employees to maintain high standards of productivity; and reward employees for outstanding performance.

The merit-based compensation structure applies to classified state employees wherein employee pay rates are within the pay structures and pay grades established for classified jobs. To the extent possible, non-classified positions will be paid comparable to classified jobs with similar duties and responsibilities.

For most compensation changes outlined in this policy, agencies should provide written justification to the Division of Human Resources (DHR) and provide a fiscal impact to the Division of Financial Management (DFM) for analysis and review prior to implementing.

1B. Compensation Increases

All jobs in the state shall be assigned to a pay grade within a pay structure. No employee in the state classified service will be paid at a rate less than the minimum nor greater than the maximum rate of the pay grade assigned to the job.

Permanent Merit Increases

1. A permanent merit increase is a raise in an employee's base pay rate. To qualify for permanent merit pay increases, an employee's service must meet or exceed performance expectations. This must be documented in a performance evaluation rated "Achieves Performance Standards" or better and be completed within the twelve (12) months prior to the effective date of the increase.

Permanent Equity Adjustment Increases

1. An equity adjustment increase provides a mechanism for addressing salary inequities due to internal or external market demands, market increases, and/or to correct an inequity among positions of comparable value in the agency (e.g. equivalent knowledge, skills, abilities, effort, and responsibilities).

2. An equity adjustment is not intended to compensate an employee for an increase in workload or to reward longevity.

3. In advance of implementation, an agency must submit written justification to DHR and a fiscal impact to DFM for review and approval. The justification should include sufficient details and salary analysis to explain the inequity and the proposed equity adjustment. The documentation should clearly identify the internal and/or external job comparisons that were used. Comparisons should be similar in size, depth, breadth and scope of work. DHR is available to assist in planning and conducting salary analysis and comparisons to ensure appropriate comparisons and alignment with state jobs. DHR may request additional information in order to make a final determination.

Temporary and Conditional Merit Pay Increases

1. A temporary merit increase may be granted to recognize and compensate an employee for short-term work assignments for a limited number of pay periods.

2. A conditional merit increase is a non-permanent increase to an employee's base pay that is linked to a certain task or project. The additional duties or responsibilities may be temporary or dependent upon other conditions/factors. For instance, an employee may receive a conditional pay increase if they provide lead duties over their peers, but the increase may be removed once the employee no longer provides lead duties.

3. Temporary and conditional merit pay increases cannot be given in lieu of a performance bonus. Using temporary or conditional merit increases to circumvent the $2,000 or 20% performance bonus maximum is prohibited.

4. Temporary and conditional merit increases require an employee to perform meritoriously. This must be documented in a performance evaluation rated "Achieves Performance Standards" or better and be completed within the twelve (12) months prior to the effective date of the increase.

5. Employees receiving a temporary or conditional merit increase must acknowledge in writing that the increase is temporary, and their salary will be returned to the previous rate of pay at either the completion of the temporary merit increase period or when the provisions of the conditional merit increase cease.

6. A temporary merit increase must be for more than one full pay period and generally no more than six (6) months or thirteen (13) pay periods in duration. An extension must

be approved by both DHR and DFM.

7. In the event the employee receives a permanent merit increase:

    a. The increase will be calculated and applied to the employee’s base rate of pay without consideration of the temporary merit increase; or

    b. The increase will be calculated and applied to the employee's current rate of pay if the employee is receiving a conditional merit increase.

8. When an employee separates:

    a. They will be paid at the temporary rate through the last day of work, but any accumulated payoffs (unused vacation and compensatory leave, if eligible) will be paid out at the employee’s permanent pay rate; or

    b. They will be paid at the current conditional rate through the last day of work, and any accumulated payoffs will be paid out at the current conditional rate.

1C. Special Incentives

<u>Performance Bonus</u>

1. A performance bonus is a lump sum award to an employee to recognize exemplary service.

2. Prior to granting the bonus, the agency must submit written documentation justifying the award to DHR and a fiscal impact to DFM for review and approval.

3. To qualify for performance bonuses, the following criteria must be met:

    a. The employee must have a performance evaluation rated “Achieves Performance Standards” or better and completed within the past twelve (12) months; **and**

    b. The agency must document and retain, in writing, justification for the performance bonus.

4. Appointing Authorities may approve performance bonuses within the following parameters:

    a. An Appointing Authority may authorize performance bonuses for up to 20% of employees (based on FTP authority). Any bonuses to employees beyond 20%

require prior approval from DHR and DFM.

b. An Appointing Authority may authorize none, one, or multiple performance bonuses to the same employee during a fiscal year, with the maximum total amount any one employee may receive being two thousand dollars ($2,000) per fiscal year, unless approved by the Board of Examiners.

Recruitment and Retention Bonuses

1. Recruitment/retention awards are lump sum bonuses paid to recruit and retain qualified employees, particularly in positions designated as critical to fill or retain.

2. Employees who receive recruitment/retention bonuses are expected to maintain employment with the agency for a specified period.

3. Employees who voluntarily separate employment with the agency prematurely are required to repay all or part of the bonus.

4. An Appointing Authority may award recruitment/retention bonuses within the following parameters:

   a. A recruitment/retention bonus cannot be given in lieu of a performance bonus.

   b. For recruitment bonuses, the employee must be a new appointment to the State. Transfers, demotions, promotions, reinstatements, and rehires are ineligible, unless otherwise approved by the administrator.

   c. Recruitment bonuses are limited to one (1) per employee.
      i. Recruitment bonuses may be implemented upon hire or after six (6) months of successful employment; whichever the agency prefers.

   d. Retention bonuses are limited to one (1) per employee per fiscal year.
      i. Retention bonuses may be implemented after six (6) months of successful employment supported by a performance evaluation rating of “Achieves Performance Standards” or higher.

   e. The maximum amount of any recruitment/retention bonus is $5,000.

   f. Prior to granting a recruitment/retention bonus, the agency must submit written documentation justifying the recruitment/retention award and the proposed memorandum of agreement to DHR and a fiscal impact to DFM for review and approval.

g. Details of a recruitment bonus must be negotiated with and agreed upon with the job applicant prior to that individual beginning work.

h. The applicant/employee must sign a recruitment/retention bonus memorandum of agreement.

i. The recruitment/retention bonus agreement must include the following:
    i. A provision that a recruitment bonus will be paid to the employee after at least six (6) months of successful, continued employment, if applicable.

    ii. The details outlining the amount of the recruitment/retention bonus and the agreed-upon length of time that the employee will continue employment.

    iii. Verbiage outlining how the bonus will be repaid and collected should the employee voluntarily or involuntarily terminate employment before the term of the agreement. The bonus may be pro-rated over the period.

    iv. Information indicating the agency or DHR is authorized by law to seek legal remedies to recoup all or part of the recruitment/retention bonus in the event an employee resigns before the term of the agreement. Remedies include but are not limited to deducting the bonus amount from an employee's accrued vacation funds.

    v. The documentation and memorandum of agreement must be maintained in the employee's personnel file at the agency.

Employee Suggestion Bonus

An Appointing Authority may reward an employee for suggestions or recommendations which resulted in taxpayer savings as a result of cost savings or great efficiencies to the agency or to the State of Idaho. The award may be up to 25% of the cost savings, not to exceed $2,000, unless approved by the Board of Examiners.

Other Pay Delivery Options

In unusual circumstances, with prior approval from the administrators of DHR and DFM, agencies may grant non-performance related pay to employees, which in no case may exceed five percent (5%) of an employee's base pay.

1D. Differential Pay

With the implementation of Luma, please consult with HR on your current agency's Shift and Geographic Differential Process

<u>Shift Differential</u>

1. Shift Differential is additional compensation which is paid to employees (including temporary or part-time employees) who work specific, designated hours.

2. Agencies must comply with one of the following two options regarding shift differential:

    a. Agencies may develop agency-specific shift differential policies, provided the requirements set forth in Requirements of All Shift Differential Policies, Agency Specific Shift Differential Plans and Applicability of Shift Differential Payment below are met; or

    b. Agencies may utilize the non-agency-specific statewide shift differential policy as detailed in Non-Agency-Specific Shift Differential Plans below.

3. Requirements of All Shift Differential Policies. The following parameters apply to all shift differential policies (both agency-specific and the statewide policy):

    a. Shift differential eligibility is determined on a bi-weekly basis. Employees deemed eligible for shift differential in a particular week shall be paid that differential for all hours payable that week, including holiday pay, overtime, and leave taken.

    b. Executive employees are ineligible for shift differential compensation.

4. Agency Specific Shift Differential Plans. Each agency may develop and define its own shift differential compensation policy. Such policies must include:

    a. Definition of shift(s);

    b. Specification of the amount of differential, in whole number increments not to exceed 25%, applicable to each shift;

    c. Eligibility criteria which must be met for employees to qualify for shift differential; **and**

    d. Special considerations, such as to what extent an employee whose primary responsibility is to work in the absence of others, shall qualify for shift differential compensation.

5. Applicability of Shift Differential Payment. Agencies must meet the following requirement regarding shift differential:

    a. In defining shifts and determining differential percentages, agencies shall consider local market practice for similar jobs.

    b. Agencies without agency-specific shift differential compensation policies shall comply with the following policy:

        i. Eligibility: Regular Work Schedule. Employees who have 50% or more of their assigned hours in a workweek occurring between 6:00 p.m. and 7:00 a.m. are eligible to earn shift differential for the entire week. Leave hours taken shall be regarded as having been assigned during the same hours that the employee would normally have worked.

        ii. Eligibility: Irregular Work Schedules. An employee whose primary responsibility is to work in place of an absent employee and whose assigned schedule varies from nights, days, and swing shall be eligible for shift differential compensation for all hours worked.

        iii. Differential Amount. Shift differential compensation shall be paid to eligible employees at a rate of 5%.

<u>Geographic Differential</u>

1. Geographic differential is additional compensation paid to employees (including temporary or part-time employees) who are assigned to a position in geographical areas where the agency finds recruitment and retention particularly difficult.

2. When making appointments to positions in these geographical area(s), agencies may utilize the full range of the pay grade in order to recruit qualified candidates. In the event an agency cannot successfully recruit employees within the applicable pay grade's range, consultation with DHR is necessary.

1E. Payline Exceptions

A payline exception occurs when a particular job is assigned to a higher, temporary pay grade. The Appointing Authority may submit a request justifying why a higher pay grade is necessary to recruit or retain qualified personnel in a particular job. Upon review, a payline exception may be authorized by the Administrator. Payline exceptions shall be reviewed annually by DHR to determine the need for continuance and shall be included in the annual CEC report.

1F. Change in Employee Compensation

When the Legislature approves compensation increases, agencies are required to work with DHR and DFM by submitting a Change in Employee Compensation (CEC) distribution plan.

This plan must be based on the agency's compensation policy complying with federal and state laws, rules, legislative intent, and this policy. CEC distribution plans are reviewed by DHR to ensure compliance and reviewed and approved by DFM to ensure adequate agency funding.

If the Legislature approves movement to the pay schedule (the minimum pay rate, policy, and/or maximum pay rate for each pay grade), employees with rates of pay that fall below the new minimum rate of the pay grade must receive a pay rate adjustment to at least the new minimum, regardless of performance rating.