

South Carolina General Assembly



Legislative Audit Council



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Legislative Audit Council
Management and Operational Review
of the State Personnel System of
South Carolina
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THE STATE OF SOUTH CAROLINA
GENERAL ASSEMBLY
LEGISLATIVE AUDIT COUNCIL
MANAGEMENT AND OPERATION REVIEW
OF THE
STATE PERSONNEL SYSTEM
OF
SOUTH CAROLINA

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to acknowledge the assistance and cooperation
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INTRODUCTION

SCOPE AND METHODS

In February 1977 the Legislative Audit Council was directed by House Resolution 2474 to "conduct a study concerning the manner in which the classification and compensation plan adopted by the State Personnel Division is being administered by the various agencies, departments and institutions of the State."

This year-long study emphasized those areas which legislators indicated were of major concern in managing the State's personnel. First, it was necessary to examine the State Personnel Division's (SPD) role in the development, implementation and administration of the statewide personnel system. The Council conducted an in-depth review of SPD's operations including its organizational effectiveness, policy development, implementation and follow-up. Numerous interviews were held with the Division's management and staff, and information and records systems were reviewed for accuracy, efficiency and usefulness.

To assess the framework in which SPD operates, the Council reviewed pertinent State and Federal laws, policies and procedures. Also State Government personnel systems throughout the nation were surveyed for comparative purposes, and officials from various states were interviewed.

Within South Carolina, State agency directors were surveyed to determine how agency management views the personnel system's operation and what improvements they feel should be made. The Council conducted follow-up interviews with agency directors and personnel directors, audited selected agency personnel records for compliance

with laws and regulations, and investigated allegations of violations. Also four hundred State employees were scientifically sampled and surveyed and statistical analyses were performed to determine how employee perspectives and opinions are affected by the personnel system.

The Council wishes to thank the management and staff of the State Personnel Division, as well as those State agencies and employees participating in the study, for their cooperation.

HISTORY AND BACKGROUND

In 1968 the State Budget and Control Board established a separate division to coordinate the State's personnel which, with the assistance of private consultants, implemented a classification and compensation plan in July 1969. The State's three merit systems were merged into one under the direction of a Merit System Council in 1974. A year later, the State Legislature passed the 1975 Personnel Act officially establishing the State Personnel Division (SPD) under the Budget and Control Board.

In that Act SPD is directed to "administer a comprehensive system of personnel administration responsive to employees' needs and agencies' needs and essential to efficient operation of State Government" (S. C. Code 8-11-210). SPD, under the direction of the Board, is required to establish regulations for classified and unclassified positions, to develop and revise criteria for classified positions, to develop fair employment and other necessary policies, and to establish and maintain a central personnel data system. SPD also is directed to provide assistance to agencies in such areas as recruiting, training, and career development programs for State employees.

In the State's overall structure for handling personnel matters, SPD serves as the link between the policy-making and the decision-making levels. The Legislature defines the financial and administrative limits of the "personnel system," giving primary policy-making responsibility to the Budget and Control Board. SPD, in turn, has the responsibility to develop and communicate policies and regulations to agencies and to coordinate agencies' personnel practices within the framework provided by the Legislature and the Board. SPD must

also communicate personnel information to the Board and to the Legislature and assist them in assessing and providing for the changing needs of the State's personnel system.

During the past five years the number of positions in State Government has experienced a 30% growth from 44,547 positions in FY 73-74 to 58,004 positions in FY 77-78. During the same time period personnel costs have increased 81% from \$390 million to \$706 million (see Appendix A). As of October 1977, the State is employing about 52,200 people, 44,500 of which are under the State's classification and compensation plan. About 8,000 of these 44,500 are simultaneously in the merit system. The remaining 7,700 employees, primarily college and university faculty members, are unclassified or exempt from the C&C plan by law (for a descriptive profile of the State's work force, see Appendix B).

SPD Organization and Funding

SPD is headed by a State personnel director, who is appointed by the Budget and Control Board and responsible to that body for the division's operation and for coordinating and planning all activities involved with establishing or improving personnel functions in State or local government. A five-member Advisory Council was created by law to aid the director in formulating needed policies and regulations. The rest of the agency is divided into four main sections, each with its own director: Administration, Classification and Compensation, Merit System, and Personnel Relations and Training.

The Administration section provides the administrative and accounting support for the agency and State insurance programs as well

as programming and data entry functions for SPD's central personnel data systems.

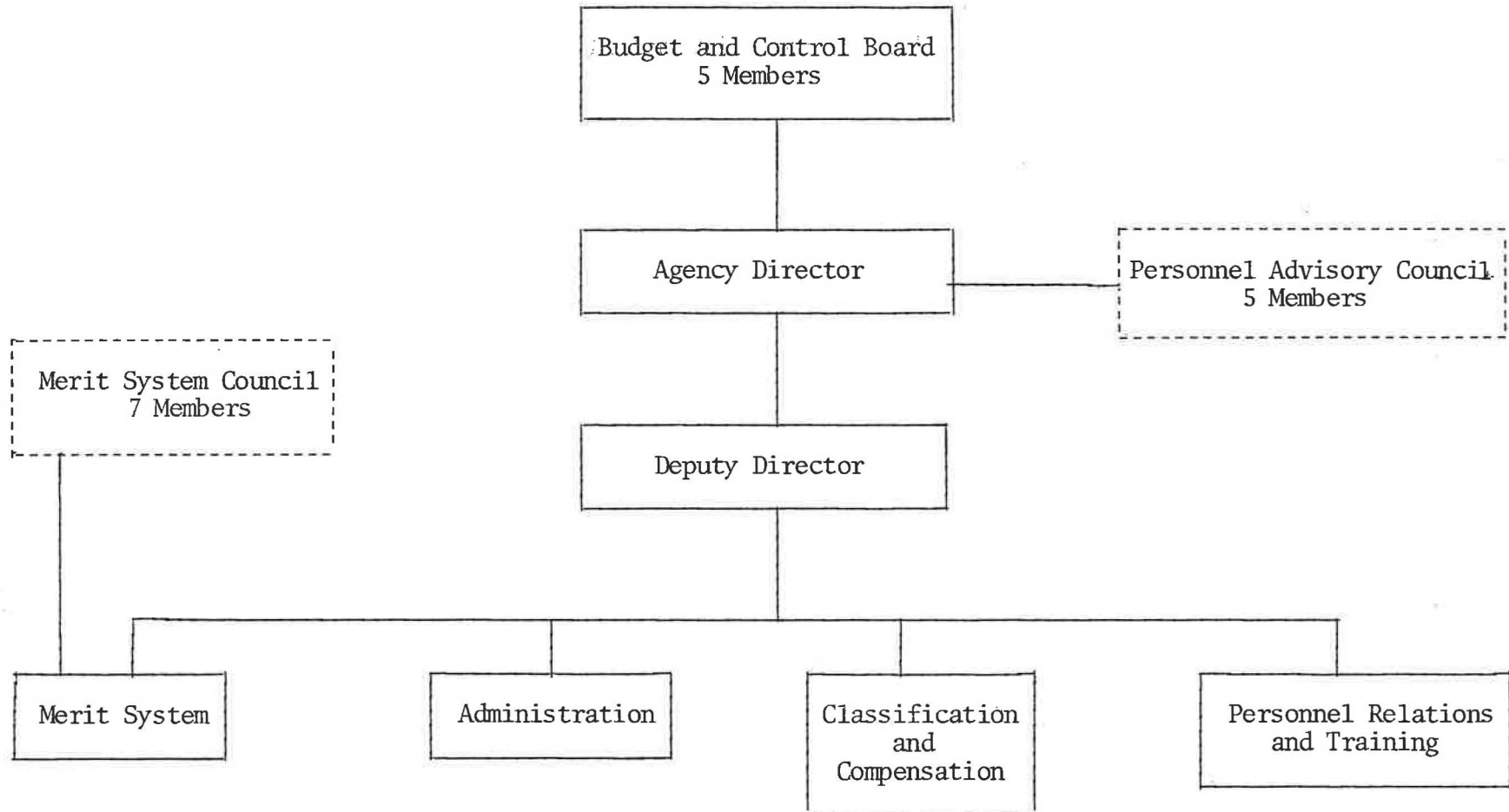
The Classification and Compensation (C&C) section - divided into the C&C unit, the occupational standards unit and the operations unit - provides the classification and pay determinations for the State's classified positions. While the C&C unit handles the daily classification and compensation requests occurring within agencies, the occupational standards unit conducts salary studies for determining proper pay grades and occupational studies involving more than one agency. The operations unit channels C&C information to and from agencies and reviews all transactions entering the central personnel data system.

Under the guidance of the Merit System Council, the Merit System section oversees special personnel administration activities for 11 agencies in compliance with Federal law. These activities include reviewing job applicants for eligibility, administering and validating occupational examinations, and maintaining registers of certified applicants.

Finally, the Personnel Relations and Training section handles matters affecting the benefits and employment conditions of State employees including State grievance procedures, coordination of State training programs, recruiting and referral of job applicants and coordination of State and public school insurance programs.

SPD's estimated total expenditures for FY 77-78 are \$2,529,612. Its operating cost has increased by \$568,846 or 34% since FY 74-75 (see Appendix C).

STATE PERSONNEL DIVISION



CHAPTER I

MAJOR FINDING AND REPORT SUMMARY

Introduction

The Legislative Audit Council found that the State Personnel Division (SPD) has neither effectively implemented legislative and Budget and Control Board personnel policy nor administered and coordinated the State's personnel system. SPD has neither developed nor implemented standards with which to monitor the effectiveness and cost of the people employed by the State. In addition, the Division has not utilized management techniques designed to improve productivity and control personnel costs.

This has resulted in problems in all major areas of personnel management; classification and compensation practices, administrative activities, employee relations and training, and the State merit system. Cumulatively these problems indicate that the State is not getting the maximum benefit from its major resource, "personnel," and that ultimately the overall efficiency and effectiveness of State Government is reduced.

Major Finding - Need for Improved Personnel Resource Management

The South Carolina State Personnel Division (SPD) has neither recognized the need for, nor developed the means to treat "employees" as a "resource" with emphasis on effective use of employee strengths. Instead, the State's personnel system consists of attempts to perform traditional personnel management activities necessary when large numbers of people are employed (e.g., selection, recruitment, training, wage and salary administration, etc.). Although these functions constitute a part of a personnel system, they do not

(1) provide for overall administration and coordination of the State's personnel, (2) ensure maximum productivity, or (3) provide a mechanism for controlling personnel costs. The State does not know how many personnel are needed, in what organization they should be located and, in many cases, whether the work they are performing is necessary. Although the budget includes information concerning the number of employees and amount of salaries, it does not serve as an instrument which focuses on individual agency organizational efficiency. The State budget process is not designed to serve such specific organizational purposes because emphasis is placed on major funding decisions regarding overall goals, programs, and services.

South Carolina State Law (8-11-210) requires SPD to "administer a comprehensive system of personnel administration responsive to the needs of the employees and agencies and essential to the efficient operation of State Government."

In addition, the General Assembly has expressed "its grave concern over the disturbing increase in the number of personnel employed by the State of South Carolina" and has stated its intent "to take positive steps to control and restrict such growth in the future, without unduly hampering the legitimate functions of State Government" (1977-78 Appropriation Act, Section 147). The Council's survey of other states indicated that of eight southeastern states, South Carolina has the second highest ratio of State employees to State population served. In addition, personnel costs are increasing. The amount of money spent on personnel has increased by 55% since FY 73-74. Also, the percentage of the budget used to pay these costs is increasing. Personnel costs were 23% of the FY 73-74 budget but are 28% of the FY 76-77 budget.

PERSONNEL COSTS COMPARED TO TOTAL STATE BUDGET
OVER THE PAST FOUR FISCAL YEARS

(All figures expressed in millions)

	<u>FY 73-74</u>	<u>FY 74-75</u>	<u>FY 75-76</u>	<u>FY 76-77</u>	<u>Total Increase</u>
Personnel Costs	\$ 390.6 (23%)	\$ 491.0 (24%)	\$ 561.2 (26%)	\$ 606.2 (28%)	\$215.6 (55%)
Total Budget	\$1,673.2 (100%)	\$2,013.4 (100%)	\$2,156.0 (100%)	\$2,171.8 (100%)	\$498.6 (30%)

Notes: Source of Total Budget figures: State budgets.
Source of Personnel Costs: State Budgets, SPD, and Retirement Division.

As a trustee of public funds, State Government has always had a responsibility to provide services as efficiently and economically as possible. However, in recent years conditions such as tighter budgets and public resistance to tax increases has focused growing attention on keeping governmental costs down. With personnel costs forming an increasing portion of total operational costs, improving personnel productivity and controlling personnel costs have become important considerations in overall governmental efficiency.

It is commonly accepted that "an organization's greatest asset is people" and the real difference in organizations is the performance of people. Yet, under the current system, the "people resource" is not emphasized and an employee's full potential is seldom, if ever completely developed. South Carolina's personnel management system does not provide mechanisms to:

- (1) Determine how many State employees are needed and where they should be located;
- (2) Ensure uniformity among agencies in determining personnel needs and preparing personnel budgets;

- (3) Evaluate the cost/effectiveness of existing personnel and determine where improvements should be made;
- (4) Analyze and recommend personnel cost control programs; and
- (5) Train agency personnel managers to perform the functions necessary for a complete personnel management system.

Improved personnel management, productivity and cost control methods can result in substantial savings. For example, Jacksonville, Florida implemented such a program and, as of April 1975, reported estimated annual savings of \$2.5 million by using attrition, turn-over and transfers to reduce the city's payroll by 350 positions. No employee was fired or forced to take a cut in pay. In addition, annual savings of at least \$300,000 have been realized through improvement in the methods used to perform work.

Recognition of the importance of such analytical and management aids will point State agency organizations toward performance rather than conformity to traditional ill-defined goals and objectives. This will require management at all levels to view workers not as problems, procedures, and costs but as jobs or work groups for which the fullest possible responsibility must be developed.

RECOMMENDATION

LEGISLATION SHOULD BE PASSED TO CLARIFY
THE PERSONNEL RESOURCE MANAGEMENT FUNCTION
TO SYSTEMATICALLY IMPROVE THE USE OF STATE
GOVERNMENT PERSONNEL RESOURCES TO INCREASE
EFFICIENCY AND PRODUCTIVITY.

THE OBJECTIVES OF THE PROGRAM SHOULD BE :

- (1) TO REDUCE AND CONTAIN AGENCY PERSONNEL COSTS RELATIVE TO THE LEVEL OF SERVICES PROVIDED,
- (2) TO ESTABLISH A CONTINUING EVALUATION OF RESOURCE REQUIREMENTS WHICH WILL ASSIST THE LEGISLATURE AND THE BUDGET AND CONTROL BOARD IN ALLOCATION DECISIONS.
- (3) TO ESTABLISH AND MAINTAIN A UNIFORM APPROACH TO THE DEVELOPMENT AND CONTROL OF PERSONNEL BUDGETS,
- (4) TO TRAIN IN-HOUSE RESOURCE MANAGEMENT ANALYSTS AT THE STATE AND AGENCY LEVEL TO USE ADVANCED MANAGEMENT TECHNIQUES TO MAINTAIN THE PERSONNEL RESOURCE MANAGEMENT SYSTEM.

IN ORDER TO ACHIEVE THESE OBJECTIVES THE PERSONNEL RESOURCE MANAGEMENT PROGRAM SHOULD:

- (1) REVIEW AND DOCUMENT METHODS AND PROCEDURES USED BY STATE EMPLOYEES IN PERFORMING THEIR WORK.
- (2) IDENTIFY IMPROVEMENTS THAT CAN BE MADE IN SUCH AREAS AS:
 - (a) ELIMINATING UNNECESSARY OR DUPLICATIVE ACTIVITIES.

- (b) COMBINING CLOSELY RELATED FUNCTIONS.
 - (c) SIMPLIFYING WORK PROCESSES.
-
- (3) DEVELOP PERFORMANCE STANDARDS AND EFFECTIVENESS MEASURES FOR ALL JOBS.
 - (4) PREPARE WORKLOAD FORECASTS FOR THE PERSONNEL IN EACH AGENCY.
 - (5) PREPARE STAFFING PLANS SHOWING THE WAYS IN WHICH THE WORKLOAD CAN BE MOST EFFICIENTLY AND ECONOMICALLY PERFORMED USING EXISTING PERSONNEL, PART-TIME EMPLOYEES, OVERTIME AND BORROWING OR LOANING OF EMPLOYEES AMONG ORGANIZATIONAL UNITS.
 - (6) ASSIGN WORK AND WORK FLOW SCHEDULES TO ORGANIZATIONAL UNITS AND DEVELOP PROCEDURES IN ORDER TO ENSURE THAT EACH EMPLOYEE PERFORMS THE REQUIRED AMOUNT OF PRODUCTIVE WORK.
 - (7) REQUIRE MANAGEMENT REPORTS FROM AGENCIES SHOWING ACTUAL PERFORMANCE COMPARED TO PERFORMANCE STANDARDS AS BASED ON EFFECTIVENESS MEASURES.

Report Summary

This section contains summaries of the specific findings and recommendations contained in the report. Page references are provided to assist the reader in locating more detailed information in the body of the report.

Classification and Compensation System

- The State Personnel Division's Classification and Compensation (C&C) section does not operate efficiently in scheduling work, documenting job information, retaining staff expertise and maintaining management information. Since this section handles SPD's most important responsibility, its inefficient operation in these four areas hampers the section's ability to meet the continuing demands of maintaining that system. Without proper maintenance the system becomes sluggish, its equity gradually degenerates, and personnel decisions may be subject to legal sanctions. (see p. 22)

- Exceptions to State personnel regulations were found to occur in agency initiated salary actions. Although SPD screens the pay actions reported by agencies some exceptions have been allowed to remain in the system with the approval of the SPD Director or the Budget and Control Board. However, the number of exceptions occurring in State pay actions is currently unknown and will remain so until all State payroll information can be matched to personnel information under the new payroll/personnel information system. (see p. 31)

- Job descriptions are not consistently reviewed and updated by State agencies. SPD has not provided the central coordination and direction to ensure that job descriptions are "current," nor has it maintained sufficient information to know how many descriptions may be out-of-date at any given time. Failure to ensure

accuracy and timeliness of basic job information brings into question the equity of all classification and pay decisions based on that information. In addition, this situation makes South Carolina vulnerable to discrimination lawsuits. (see p. 32)

- The State Personnel Division's grouping of related jobs into classes is deficient since it has allowed the accumulation of 2,255 classes which is more classes than used by 70% of all other state governments. Over half of these classes include jobs only at one agency; almost a third contain one job only. As a result, it is difficult to classify jobs and the likelihood of errors increases. If improper classification results in different salaries among similar jobs, the objective of a classification and compensation system (equal pay for equal work) is defeated. (see p. 36)

- Many of the minimum training and experience requirements listed in the job specifications are not validated as being necessary for successful job performance. Review of the use of these specifications by three agencies showed that the requirements were usually not strictly applied. Without accurate and well-documented job specifications the personnel system is not adequately protected in the event of a discrimination suit. (see p. 41)

- SPD has failed to determine and publicize what the State spends on benefits, both in total and per employee, as well as how they compare to those of other public and private employees. Failure to analyze total benefits results in the public assuming that the benefits are generous and State employees not knowing the value of the benefits they do receive. (see p. 46)

- The State's pay plan is not being maintained in such a way as to ensure sufficiently competitive salaries for State employees. For the last two years the pay grades have been increased by a straight percentage rather than by internal adjustments to reflect changing occupational job markets. SPD has failed to present a true picture of the competitiveness of State salaries by omitting consideration of employee benefits in its salary studies. (see p. 53)

- Three agencies have used merit pay money to give across-the-board 4% increases to about 3,897 employees. This violates the legislative intent of the merit pay program which is to provide incentives to improve employee performance. (see p. 57)

- The State Personnel Division has not established a uniform appeal process for agencies disagreeing with classification and compensation decisions. The Council's survey of agency directors showed that they differed greatly as to the way in which they would appeal a C&C decision. Under the current, unstructured process some decisions can be quietly changed or compromised without clear justification, thus allowing inequities into the system and thwarting its original purpose. (see p. 58)

- Policies, regulations, laws and statewide interpretations concerning personnel practices within the State have not been consistently codified or clarified for easy access and interpretation by agency management or other State employees. Since communication between SPD and State agencies has not always been conducive to keeping agencies well-informed, some confusion exists on the agency level as to what exactly the State's personnel policies are and when they are updated. This confusion is compounded by lack of statewide uniform policy in some areas or by incomplete policy development in others. In addition, agency input into policy development has varied

considerably and input by the State Personnel Advisory Council has been unclear. (see p. 63)

- The category "special pay increases" has been misused and improperly controlled by SPD and State agencies. The Council found that 1,704 special pay adjustments had been made between January 1974 and September 1977 and that this category had been used as a "catch-all." For example, special pay increases have been used in place of existing salary change categories in order to give performance raises and recognition of increased duties. The use of this category makes the retrieval and study of pay information difficult and can allow manipulation of the pay system. (see p. 68)

- The Council found that the two accounts for State employees' insurance costs had accumulated an excess of \$3.1 million as of June 30, 1977. SPD expects this excess to reach \$4.4 million by June 30, 1978. This accumulation ties up State funds and prevents the Legislature from appropriating these funds to other areas of need. The Council also reviewed agency payments to these insurance accounts for a six month period and found that on the average 86% of the 111 agencies were late each month with their payments. (see p. 71)

- The Council found that State funds rather than Federal funds are being used to pay the employer's share of health insurance benefits for an estimated 6,630 federally salaried public school employees. It is estimated that this costs the State approximately \$1.7 million per year. (see p. 74)

- State employees on military leave status are allowed to receive duplicate pay (State salary and military pay). The Council contacted eleven major private businesses and found that none allow employees

to receive duplicate pay. In Georgia, which has a policy similar to that of South Carolina, the Governor's Steering Committee on Personnel Policy Review recently issued a report recommending that the policy be changed to allow employees to receive only the higher of the two payments (salary or military pay). It is estimated that this practice costs South Carolina between \$674,982 and \$1,124,970 yearly in salaries alone. (see p. 76)

- Current practices for monitoring and approval of dual employment do not assure compliance with State law "that no employee of any State department or institution shall be paid any compensation from any other department of the State Government except with the approval of the State Budget and Control Board..." The potential for unapproved dual employment is high because there are 29 separate payroll accounting systems for State agencies and cases are usually detected only when they are reported by the agency or when duplicate personnel information forms are found. As a result except for employees on the Comptroller General's payroll the State may pay excessive amounts of social security (FICA) without being aware of it. In addition, the inadequate accounting structure does not allow for adequate control, nor ensure compliance with State law. (see p. 78)

- Merit System applicant lists (registers) contain about 21,000 applicants but only about 1,500 of these applicants (7%) are likely to be hired each year. Overcrowded registers cause time to be wasted when agencies contact applicants who are no longer seeking employment and are misleading to applicants who believe that there is a good chance of getting a job. (see p. 80)

- Ninety-five percent of the 250 written merit tests being used to rank job applicants in State Government have not been validated. Not only does this increase legal vulnerability but also unvalidated tests can result in agencies hiring employees who may not be qualified as well as employees perceiving unfairness in hiring. (see p. 81)

- State Personnel's central recruiting office inefficiently collects and organizes information on job applicants and placement. The recruiting unit's file system contains neither a master file of current job applicants nor a cross-indexed file of applicants by job category. In addition, the recruiting unit has not accounted for the number of employees placed in State jobs and cannot demonstrate that it has any significant impact on hiring in the State. (see p. 83)

- SPD lacks an adequate career program for State employees. Currently SPD recruiting and training fail to provide the coordination necessary for a successful statewide career program and no policies concerning such a program have been developed. Forty-five percent of the employees responding to a Council survey expressed concern over a lack of career development in the State and 33 percent felt that opportunities for employee training should be increased. One problem arising from the lack of training coordination is that State agencies with similar training needs may be sending employees to outside training for those needs causing the inefficient use of a portion of the \$820,265 spent by agencies for training. In addition, when employees are not aware of options for advancement, they may direct their initiative towards looking for employment outside State Government. (see p. 85)

Summary of Recommendations

In order for the State Personnel Division to provide better administration and coordination from its central position in the State personnel system, the Council recommends that SPD should:

Classification and Compensation

- Delegate limited classification authority to selected agencies subject to review and approval by SPD. (see p. 28)
- Improve documentation and criteria for approved exceptions to personnel regulations. (see p. 32)
- Expand present regulations to specify how often agencies should update Position Questionnaire (PQ) information (job descriptions) and require the use of a format which combines the job description with the performance appraisal. (see p. 34)
- Reduce the number of classes and establish an annual systematic review of all classes and their specifications. (see p. 40 and 45)
- Analyze and publicize the cost of employee benefits in comparison to other public and private employees. (see p. 52)
- Conduct comprehensive compensation studies including the total value of benefits and use the results, plus information on inflation, to readjust the pay grade structure each year. (see p. 56)
- Monitor merit pay awards by agencies, requiring agencies not to give merit increases in an across-the-board manner. (see p. 58)
- Develop a formal classification and compensation appeal procedure. (see p. 61)

Administration and Management

- Maintain a uniform codified manual of all statewide personnel laws, policies, regulations and interpretations. Develop an employee handbook explaining all statewide personnel regulations. (see p. 67)
- Eliminate the category "special pay increase" from the personnel data system, developing more specific categories to code pay change information. Closely monitor agencies' use of these codes to assure accuracy. (see p. 71)
- Eliminate the need for the \$3.1 million accumulated in the insurance clearing account by requiring agencies to pay their employer's share of insurance by the first of each month and/or by adjusting the insurance contract payment date. (see p. 74)
- Require that the employer's share of insurance for federally funded public school employees be paid with Federal funds unless legislation specifically waives this requirement. (see p. 76)
- Eliminate duplicate payment of salaries for persons on military leave. (see p. 78)
- Establish an ongoing evaluation of the extent of dual employment, using the results to revise dual employment regulations as necessary. (see p. 80)
- Close overcrowded merit system applicant lists on a systematic basis and reduce the length of time that new job applicants may remain on the lists unless the applicant requests an extension. (see p. 81)

- Give a higher priority to the validation of written merit tests. (see p. 82)
- Develop systematic programs for recording placements, vacancies, agency personnel needs and State employees seeking promotions or transfers. (see p. 84)
- Coordinate all employee training courses offered by agencies and develop a specific management curriculum graduated for different level managers. (see p. 87)

CHAPTER II

CLASSIFICATION AND COMPENSATION SYSTEM

Introduction

A Classification and Compensation (C&C) system is designed to identify and rank jobs according to their characteristics and value and to develop compensation plans outlining salary ranges. The overall effectiveness of a Classification and Compensation system depends on whether or not salaries are competitive and adequately match job requirements. The various job classifications are compared with similar jobs in the public and private sectors, and based on this comparison salaries and benefits are set for jobs in the C&C system. Although the C&C system has primary responsibility for determining salary ranges, employees may influence how much they make by receiving merit pay increases based on actual job performance.

Deficient Operation of the Classification and Compensation Section

The State Personnel Division's (SPD) Classification and Compensation (C&C) section has deficiencies in (1) scheduling work, (2) documenting job information, (3) retaining staff expertise, and (4) maintaining management information. Since this section handles SPD's most important responsibility - the State's C&C system - its deficiencies in these four areas impact unfavorably on the performance of the section itself and of the entire personnel system. Both agency directors and employees responding to Council surveys rated the performance of the C&C section low in relation to other SPD sections, and more than 70% of the directors indicated one or more problems within the C&C function. More than half of these problems dealt directly with the operation of the C&C section.

- (1) Scheduling Work - The primary problems in the C&C section's scheduling of work concern how the work is initiated, how it is assigned to individual analysts and how it is prioritized for completion. Currently, the section operates almost entirely in response to agencies' requests for classification actions. The C&C analysts receive these requests and are instructed to complete the actions on a first-come-first-serve basis, except when agencies indicate that an action involves an emergency.

This scheduling system results in an unpredictable workload each month. Requests get backlogged and analysts work on those cases which agency managers want to push rather than performing a balanced, systematic review of all positions in the system.

Likewise, in the C&C unit, individual analysts' workloads by agency assignments are unpredictable and difficult to equalize. Agency assignments require analysts to work with widely diverse occupational groups such as laborers, clericals and highly specialized professionals. Finally, the system encourages agencies to pressure analysts to get their requests handled more quickly, especially since the backlog of work clouds the original first-come-first-serve priority of the work.

- (2) Documenting Job Information - Council staff found the information in the C&C files to be poorly documented and organized, making it difficult for analysts to locate the information they need and to know what decisions have been made previously by other analysts. The two files which

contain information concerning C&C decisions are the Personnel Questionnaire (PQ) file which contains all PQ's or job descriptions and a studies file which stores the data collected by analysts for occupational studies. The PQ's are filed in agency order only; therefore, locating PQ's by job class is time-consuming. Also, it is difficult to tell from the PQ's exactly what past actions have occurred on each position. The PQ form itself lacks important information such as the job's pay grade history, the name of the analyst handling the case and whether or not a job audit was involved in making the decision. The job audit or visit to the agency to interview the job incumbent and/or supervisor is a valuable source of job information; yet little of this information was found attached to the PQ's in the file.

As for the study files, no uniformity of contents or format existed. Although this information serves as the basis for C&C decisions concerning entire classes or groups of related classes, the contents of these files were not ordered or indexed; basic information such as the name of the analyst performing the study, the date the study was requested, the date the study was completed and even the final outcome of the study was sometimes missing. If a file did contain the study's final decision, it consisted only of a brief letter to the agency that requested the study, containing little documentation supporting that decision and no indication

whether or not it was based on the analyst's data and recommendations. Finally, many of the study files had been removed without being signed for by name, making it difficult for analysts to know where to locate the files they need.

- (3) Retaining Staff Expertise - Examining employment records for the C&C section between October 1976 and October 1977, Council staff found that 20 employees left their positions during the year. Half moved to other positions within the section and half left the agency. The section had an average of 30 positions during this time. This loss of one-third of the staff becomes a critical factor in the C&C section's performance, especially when coupled with the problems of scheduling and documentation previously outlined.
- (4) Maintaining Management Information - The C&C operations unit keeps a log of all incoming agency requests for classification actions (in the form of PQ's) and distributes them directly to the analysts according to agency assignments, but it is a tedious process to determine from the log just how much incoming work each analyst is receiving. As for work being completed, analysts keep no timesheets, and the section's monthly reports fail to pinpoint each analyst's total work output. Also, the monthly reports fail to specify the extent of backlog existing between the work being received and the work being completed in any given month or the length of time being used to complete each departmental or occupational study. In other words, the log

and reports seem to show that the section is doing something; yet the format frustrates any effort to ascertain exactly what is being done, who is doing it and how quickly or efficiently it is being done.

There is a need to improve the format of C&C work reports in order to increase the unit's efficiency. Although discrepancies were found in the monthly reports, a better format or reporting system had not been implemented. Also, the operations unit has stopped recording the total number of days which the C&C section uses to complete each transaction since the information was underutilized.

Another deficiency in the section's operation is its slowness to incorporate a more standardized job analysis - i.e., the gathering, organizing and recording of job information - into the C&C function. Over a year ago an internal task force recommended such a move toward better job analysis. As a result of this, SPD formed the occupational standards unit. However, in the fall of 1977 internal committees produced specific suggestions and an improved PQ form for collecting more detailed job information. These recommendations have not been implemented. In February 1978, one analyst was assigned to study job analysis further, but the C&C section has yet to make significant improvements in its documentation of job information.

A final problem is that the majority of C&C analysts received no formal classification training when they were hired, although about half had no previous classification experience and C&C supervisors admitted that competence usually requires 6-12 months on the job.

Analysts have not received adequate procedures for standardizing their work or for organizing and recording their job data, and they work under heavy individual pressures from various agencies rather than under a systematic and orderly schedule set by their own managers.

Since the State Personnel Division was created to be "responsive to agency needs for all personnel functions" and since the State's C&C system is a vital part of that responsibility, it is very important that the C&C section operate as efficiently as possible. Adequate documentation is necessary to provide a proper audit system and to meet Federal legal definitions of "sufficiency."

The existence of deficiencies in the operation of the C&C section hampers the section's ability to meet the continuing demands of maintaining the State's Classification and Compensation system. Within the section itself, C&C analysts' working conditions are not conducive to a high level of work productivity. Low morale among the staff leads to employee turnover and a further loss of optimal productivity.

Low productivity within the section results in slow turnaround time for the State's classification decisions, making the entire system sluggish and unresponsive. SPD management said that a four-to-six-month backlog in regard to studies was not unusual for the section. As for more routine transactions, an examination of several months' actions in the PQ log showed that from one-third to more than one-half of all requests were not completed within the time limits set by SPD. Both agency directors and personnel directors reported in Council surveys and interviews that the C&C section frequently delays them in filling vacancies, hiring new personnel and completing routine

classification changes. The C&C section becomes so involved in handling the day-to-day requests for all State agencies, little time remains to perform the necessary monitoring and updating of the entire system. When the deficiencies in the C&C section's operation fail to ensure that the C&C system is up-to-date, the equity of the system becomes questionable and the entire system then becomes vulnerable to lawsuits concerning personnel decisions being made within the system.

RECOMMENDATIONS

TO REDUCE THE C&C SECTION'S WORKLOAD OF ROUTINE CLASSIFICATION DECISIONS, LIMITED CLASSIFICATION AUTHORITY SHOULD BE DELEGATED TO SELECTED AGENCIES WITH IDENTIFIABLE PERSONNEL OFFICES WHICH HAVE DEMONSTRATED COMPETENCE IN C&C MATTERS. SPECIFIC CRITERIA FOR SELECTING THESE AGENCIES AND FOR DETERMINING THE EXTENT OF DELEGATED AUTHORITY TO EACH AGENCY SHOULD BE DECIDED BY THE BUDGET AND CONTROL BOARD WITH THE ADVICE OF THE STATE PERSONNEL DIVISION. THIS DELEGATED CLASSIFICATION AUTHORITY SHOULD NOT INCLUDE THE ABILITY TO CREATE NEW CLASSES OR CHANGE A CLASS'S PAY GRADE. ALL PERSONNEL ACTIONS TAKEN BY AN AGENCY UNDER THIS DELEGATED AUTHORITY SHOULD BE REVIEWED REGULARLY BY THE STATE PERSONNEL DIVISION. AGENCIES FOUND TO BE MISUSING THIS AUTHORITY SHOULD BE SUBJECT TO IMMEDIATE REVOCATION OF THIS PRIVILEGE AND TO ANY OTHER PENALTIES WHICH THE BOARD MAY SPECIFY.

ONCE THE RESPONSIBILITY FOR MANY ROUTINE CLASSIFICATION DECISIONS IS DELEGATED TO SELECTED AGENCIES AND THE REVIEW OF ALL POSITIONS AND CLASSES PUT ON A REGULAR SCHEDULE, THE C&C SECTION'S PRIORITY FUNCTION SHOULD BE MONITORING THE CUMULATIVE EFFECTS OF ALL PERSONNEL DECISIONS ON THE STATE'S C&C SYSTEM AND PROPERLY MAINTAINING THE EQUITY, ACCURACY AND TIMELINESS OF THAT SYSTEM TO ENSURE ITS LEGAL DEFENSIBILITY.

ANALYSTS' WORKLOADS SHOULD BE BASED ON OCCUPATIONAL GROUPS RATHER THAN ON AGENCIES, ESPECIALLY IN HIGHLY TECHNICAL FIELDS.

THE FORMAT OF THE C&C SECTION'S MONTHLY REPORTS SHOULD BE CHANGED TO CLEARLY REFLECT THE WORK OUTPUT BY INDIVIDUAL ANALYSTS, ACCORDING TO TYPE OF C&C ACTION. THIS REPORT SHOULD BE BASED ON TIME SHEETS KEPT BY EACH ANALYST WHICH SHOW THE TIME TAKEN TO COMPLETE ANY GIVEN TRANSACTION. RECORDS SHOULD BE COMPILED BY THEIR SUPERVISORS SHOWING WORK INPUT AND OUTPUT FOR EACH ANALYSTS. C&C MANAGEMENT SHOULD USE THIS INFORMATION TO IMPROVE THE EFFECTIVENESS OF THE SECTION'S OPERATION AND ITS SERVICES TO AGENCIES.

THE C&C SECTION, UNDER THE GUIDANCE OF SPD MANAGEMENT, SHOULD IMPLEMENT IMPROVED JOB ANALYSIS TECHNIQUES AND PROCEDURES TO BE USED BY ALL ANALYSTS. THE COLLECTION AND UPDATING OF JOB INFORMATION SHOULD BE COMPUTERIZED AS MUCH AS POSSIBLE TO ASSIST IN MONITORING THE EFFECTS OF DECISIONS ON THE ENTIRE SYSTEM.

ACCURATE AND COMPLETE DOCUMENTATION OF ALL JOB DATA GATHERED AND CLASSIFICATION DECISIONS RENDERED SHOULD BE MAINTAINED IN CENTRAL FILES BY THE C&C UNIT.

JOB AUDIT INFORMATION GATHERED BY ANALYSTS SHOULD IN ALL CASES BE ATTACHED TO THE APPROPRIATE PQ. IN ADDITION TO THE CURRENT PQ FILE BY AGENCY, PQ'S SHOULD ALSO BE KEPT BY CLASS FOR OCCUPATIONAL STUDIES. STUDY FILES SHOULD BE MAINTAINED IN A UNIFORM FORMAT INCLUDING ALL DOCUMENTATION PERTAINING TO EACH STUDY AND AN INDEX OF CONTENTS.

FINAL REPORTS OF ALL CLASSIFICATION STUDIES SHOULD BE WRITTEN AT THE CONCLUSION OF THE STUDY, GIVING THE ANALYST'S RECOMMENDATION AND COMPLETE DOCUMENTATION SUPPORTING THAT RECOMMENDATION. A COPY OF EACH FINAL REPORT, PLUS A LETTER INDICATING SPD'S FINAL DECISION AND IMPLEMENTATION PROCEDURES, SHOULD BE SENT TO APPROPRIATE AGENCIES AND ALSO PLACED IN THE CORRESPONDING FILE IN THE C&C UNIT.

Exceptions to Personnel Regulations

The Council found exceptions to State personnel regulations occurring in agency-initiated salary actions. Although SPD screens the pay actions reported by agencies on central personnel information forms, exceptions have been allowed to remain in the system with the approval of the SPD Director or the Budget and Control Board. Since the reasons for some exceptions approved by the SPD Director were not well documented, it is unclear what circumstances justify an exception.

Examples of exceptions found include a case in which an employee received a 20% promotional increase (\$5,133) although the Plan of Administration (Section 2.05) limits such increases to 8%. Another employee received a \$1,992 increase upon transfer to an equivalent job in another agency, but the Plan of Administration (Section 2.07) prohibits pay increases for such transfers. In one case an employee's merit review date was changed prematurely, resulting in receipt of a merit pay increase before the required time period had lapsed. In another instance, an employee transferred to a job with a lower pay grade before receiving permanent job status; yet no reduction

in pay was made as required by the Plan of Administration (Section 2.06, 2.07).

SPD's computerized information system automatically screens the pay actions submitted by agencies and prints a list of any entries which do not comply with the Plan of Administration requirements. Although the majority of these exceptions are subsequently corrected, exceptions can remain in the system if they are manually entered into the personnel data bank and/or approved by the SPD Director or the Budget and Control Board.

SPD's screening prevents excessive exceptions; however, the number of exceptions occurring in State pay actions is currently unknown and will remain so until all State payroll information can be matched to personnel information under the new Payroll/Personnel information system (see p. 93). In addition, the existence of exceptions may contribute to State employees' perception that the personnel system is unfair.

RECOMMENDATION

THE BUDGET AND CONTROL BOARD SHOULD REQUIRE
THE SPD DIRECTOR TO THOROUGHLY DOCUMENT ANY
EXCEPTIONS TO THE BOARD'S APPROVED POLICIES
AND MAINTAIN A WRITTEN RECORD SPECIFYING THE
CRITERIA USED TO APPROVE EXCEPTIONS.

Inconsistent Review of Job Descriptions

SPD has not established specific guidelines stating when or how often agencies should review records describing their employees' jobs. Consequently job descriptions for employees throughout State

Government are not consistently reviewed and updated. In its study the Council asked 15 major State agencies with 39,162 employees how often they review job descriptions. Only three agencies stated that they updated their job descriptions either yearly or every two years, while twelve agencies stated theirs are updated "as needed." The "as needed" response included a variety of factors such as unscheduled or informal checking when significant changes in a job's duties have occurred, when upgrading is needed or when a job is vacated.

SPD maintains a file of position questionnaires describing State jobs but does not know at any given time how many job descriptions have been recently reviewed or are out-of-date. The Council reviewed a sample of position questionnaires on file at SPD and found 43% of the questionnaires in the sample to be more than two years old. A decision made in a 1975 U. S. District Court case, Kirkland vs. New York State Department of Correctional Services, indicates that states can be vulnerable to lawsuit if job descriptions are two years old or older since this job information is the basis for subsequent employee selection.

SPD regulations, paragraph 1.05 of the Plan of Administration, state that "All position questionnaires shall be maintained...on a current basis." The regulations also specify that, "When a position is moved from one organizational unit to a different organizational unit, a position questionnaire shall be completely and promptly filed with the State Director of Personnel..." Thus, except in the case when a position is relocated in an agency's organization, State agencies are on their own to interpret how to maintain current job descriptions.

Yet, in light of court cases such as the one cited previously, the classification authority (SPD in South Carolina's case) should be able to prove that a job description has been reviewed within a minimum of two years, whether or not the job itself has changed. Of course, the nature of some jobs may require more frequent reviews.

The purpose of a central PQ file is to facilitate the availability of current job information for personnel decisions in classification, compensation, occupational studies and selection criteria. Job descriptions serve as the basis from which employees are grouped into classes and classes become the basis for employees' salaries. SPD analysts then conduct studies comparing the class salaries with the outside job market, but these studies are futile if employee job descriptions are not accurate. More importantly, if a description of a job does not coincide with an employee's current job duties, that employee may be misclassified and unfairly compensated. In its survey of State employees the Council found that 42% of the respondents rated job descriptions as only "rarely" or "sometimes" accurate and fair.

RECOMMENDATIONS

SPD SHOULD EXPAND ITS PRESENT REGULATIONS TO SPECIFY HOW PQ (JOB) INFORMATION WILL BE KEPT CURRENT.

AS A MINIMUM, POSITIONS SHOULD BE REVIEWED AND, IF NECESSARY, UPDATED IN THE FOLLOWING CIRCUMSTANCES:

- (A) EACH TIME AN EMPLOYEE RECEIVES A SIX MONTH OR YEARLY PERFORMANCE APPRAISAL.

- (B) EACH TIME A POSITION IS VACATED.
- (C) EACH TIME A POSITION IS TRANSFERRED.
- (D) UPON REQUEST BY SPD WHEN CONDUCTING
A SURVEY OR STUDY.

ALL POSITIONS SHOULD BE REVIEWED AND UPDATED
AT LEAST ANNUALLY. WHETHER OR NOT CHANGES ARE
MADE, THE MOST RECENT DATE OF REVIEW SHOULD BE
INDICATED ON EACH PQ IN SPD'S FILE.

SPD GUIDELINES IN THE DEVELOPMENT AND USE
OF PERFORMANCE APPRAISALS SHOULD REQUIRE
THE USE OF A FORMAT WHICH COMBINES THE JOB
DESCRIPTION WITH THE PERFORMANCE APPRAISAL.
THE USE OF THIS FORMAT WOULD ENSURE AN
AUTOMATIC REVIEW OF EACH JOB DESCRIPTION AT
THE TIME OF EACH EMPLOYEE APPRAISAL AS WELL
AS PROVIDE A MORE SPECIFIC AND USEFUL
EMPLOYEE EVALUATION.

SPD SHOULD PROVIDE FOR THE COMPUTERIZATION
OF THE DATE A POSITION QUESTIONNAIRE IS COM-
PLETED. THIS INFORMATION SHOULD BE USED BY
ANALYSTS TO DETERMINE IN ADVANCE WHAT POSI-
TION INFORMATION AGENCIES WILL NEED TO
UPDATE FOR THE REGULARLY SCHEDULED WORK OF
THE C&C UNIT.

Ineffective Grouping of State Jobs

State jobs have been ineffectively grouped into classes which provide the basis for the salaries being paid to State employees. Of the total 2,255 classes created as of October 1977, the Council found that 1,263 or 56% of these classes include jobs at one agency only; 709 of these 1,263 classes or 31% of the total exist for a single job. Additionally, although classes have been both added and deleted, the total number of classes has steadily grown, the net increase for the last four years being 423 classes.

In studying classification systems used by other States, the Council found that 55% of the 41 states responding to its survey use less than 1,500 classes, compared to South Carolina's 2,255 classes. Also when the number of job classes was compared with the number of State employees in each of eight southeastern states, South Carolina ranked seventh with an average of 23 employees per class. North Carolina ranked first with 65 employees per class; Tennessee was last with an average of 14 employees per class. Although it is difficult to compare states' varying personnel structure, this comparison indicates that South Carolina has a relatively large number of job classes.

RANK OF SOUTHEASTERN STATES BY RATIO OF JOB CLASSES TO EMPLOYEES

<u>State</u>	<u>Ratio</u>
1. North Carolina	1:65
2. Florida	1:36
3. Louisiana	1:35
4. Georgia	1:29
5. Virginia	1:28
6. Alabama	1:25
7. South Carolina	1:23
8. Tennessee	1:14

In a classification and compensation plan such as the one used in this State, jobs sufficiently similar to warrant similar pay and treatment should be grouped together into a job class. The class specification describing each class should contain the common elements of all the jobs in the class - although the specific duties of the jobs may vary - and should specify what separates this class from related classes. As each new class is created, its distinction from already existing classes must be clear if job analysts are to classify jobs correctly. And since the job classes connect individual jobs to salaries, effective grouping of jobs is necessary to provide equitable salaries to the employees in those jobs.

With the continual growth in the total number of classes, especially in the one-agency and one-job classes, this State's C&C plan contributes to confusion concerning the distinctions among classes and justifications for salaries assigned to them. A review of class specifications indicated a number of cases where the difference between classes in job duties, requirements or pay is unclear from the specification itself. For example, in one class called "Sales Clerk," a person provides customer service under direct supervision at a minimum salary of \$5,338 (Grade 05); a person in the "Canteen Operator I" class provides customer service under direct supervision in a canteen at a minimum salary of \$5,702 (Grade 08). In another case a "Hotel Desk Clerk" admits visitors to a hotel affiliated with a State agency for a \$5,565 minimum salary (Grade 07), while an "Admitting Clerk I" admits patients to a State hospital for a \$5,702 minimum salary (Grade 08); both require a high school diploma.

Likewise, an "Information Clerk I" greets visitors and dispenses information in a State agency for \$5,997 minimum salary (Grade 10),

and a "Welcome Center Information Specialist" does the same in the State's Welcome Centers for \$6,383 minimum salary (Grade 12). An "Office Manager" establishes standard office procedures and supervises clerical staff performing these duties for \$9,063 minimum salary (Grade 19), while an "Administrative Assistant I" performs essentially the same duties at a \$10,084 minimum salary (Grade 21).

Other examples exist in which classes appear to have been unnecessarily created for jobs in one agency while other classes in other agencies parallel them in duties, requirements and assigned minimum salary. For example, an "Auditor II" performs advanced auditing duties in general and a "Public Accounts Auditor I" does likewise in the State Auditor's Office. Both classes require a B.A. in accounting and two years of accounting experience and are assigned to pay grade 23. In another example, an "Administrative Assistant I" plans and directs office practices and supervises the clerical staff performing these duties, while a separate classification exists for the "Information Unit Assistant" who assists in planning and directing activities of a particular clerical staff in SPD. Both classes have identical requirements and minimum salaries.

Such examples illustrate a need to either clarify the requirements and responsibilities cited in different job specifications or to unite similar job classes into one class or a single series of classes.

Ineffective groupings of jobs remain in the State's C&C plan due to the fact that the C&C section of the State Personnel Division has no regular review of specifications. Since the section's work priority is determined by agencies' requests and not by a set review schedule, some classes are not reviewed as often as others. Examination of the 2,255 specifications in use revealed that 44% have not been

reviewed since 1973, 23% have not been reviewed since 1972 and 11% have not been reviewed since 1970. Also since agencies are not required to keep their job descriptions updated on a systematic basis, delays occur in updating classes because the analysts must wait for agencies to submit current position questionnaires.

C&C management has not initiated an effective effort to reduce the number of class specifications or to monitor them. None of the managers had determined how many one-agency classes exist or how many class specifications have been reviewed in the last year. And although the majority of analysts interviewed admitted that the number of classes should be reduced, they continue to create new classes faster than they eliminate old ones.

The ineffective grouping of State jobs causes a chain reaction of effects throughout the State's governmental operations. First, when class differences are vague or when very narrow classes have been created (such as those for one job only), it becomes difficult for State analysts to decide how to classify new or changing jobs. A particular job may fit simultaneously into several existing classes with overlapping criteria, or the existence of numerous one-job classes may encourage the creation of still more one-job classes since they are too narrowly defined to accommodate additional, slightly different jobs. The potential for different decisions to be made by different analysts becomes greater, as does the potential for improper classification of jobs. Once a job is improperly classified, its salary may no longer be in keeping with the "equal pay for equal work" principle.

When an employee assumes the duties of a job and notices that co-workers or employees in other agencies with similar duties have higher

paid classifications, the employee is going to be dissatisfied with his or her pay. In a Council survey of State employees, 73% of the respondents who considered themselves knowledgeable to do so rated the State's pay structure as rarely or only sometimes fair. Personnel studies have demonstrated that pay dissatisfaction results directly in reduction of quality and quantity of work which, if the pay inequities are not corrected, will eventually erode agencies' efficiency and effectiveness. It is difficult to convince employees that the State's classification and compensation plan is determining their salaries fairly when they perceive that more highly paid employees are performing the same duties.

RECOMMENDATION

THE CLASSIFICATION AND COMPENSATION SECTION
SHOULD ESTABLISH A REGULAR SCHEDULE TO REVIEW
ALL CLASS SPECIFICATIONS AND THE JOBS ASSIGNED
TO THEM YEARLY.

THE C&C SECTION SHOULD DEVELOP A CLASS SPECI-
FICATION FILE SYSTEM WHICH CONTAINS:

- (A) THE DATES CLASSES WERE REVIEWED AND A
BRIEF DESCRIPTION OF ANY REVISIONS MADE
AS A RESULT OF THESE REVIEWS FOR EACH
CLASS,
- (B) THE TOTAL NUMBER OF CLASSES EXISTING AT
ANY GIVEN TIME (INCLUDING THOSE NOT
CURRENTLY IN USE),

(C) THE TOTAL NUMBER OF POSITIONS IN EACH CLASS BY AGENCY AND STATEWIDE (NOTE: THIS DATA IS NOW AVAILABLE ON THE "380" PRINTOUT, BUT AGENCY TOTALS MUST BE COUNTED MANUALLY) .

THIS INFORMATION SHOULD BE USED IN PLANNING AND SCHEDULING AN ANNUAL REVIEW OF ALL CLASSES. CLASSIFICATION AND COMPENSATION MANAGEMENT SHOULD REDUCE THE EXISTING NUMBER OF CLASSES, ESPECIALLY THOSE FOR ONE AGENCY OR FOR ONE JOB BY CONSIDERING THE CLASS SPECIFICATION AS A FAIRLY BROAD DOCUMENT WHICH MAY INCLUDE JOBS WHICH VARY IN SPECIFIC DUTIES BUT WHICH ARE SUFFICIENTLY SIMILAR TO WARRANT SIMILAR PAY AND TREATMENT.

SINCE THE UPDATING OF SPECIFICATIONS DEPENDS ON THE ACCURACY OF JOB DESCRIPTIONS, AGENCIES SHOULD BE REQUIRED TO REVIEW AND UPDATE AS APPROPRIATE JOB DESCRIPTIONS AS A PART OF THE REGULARLY SCHEDULED PERFORMANCE APPRAISAL PROCESS.

Insufficient Validation of Minimum Training and Experience Requirements

The Council found that many of the minimum training and experience (T&E) requirements listed in the class specifications are not validated as being necessary for successful job performance. In its review of SPD's class specifications the Council found specifications requiring

as many as eight years of experience. For example, an "Internal Auditor" requires either a bachelor's degree and four years accounting experience or a high school degree, a commercial college degree and eight years accounting experience. The job of "Administrative Assistant III" requires either a bachelor's degree and three years experience or a high school degree and seven years experience, while an "Executive Assistant" calls for a bachelor's degree and seven years administrative experience. It would be difficult to validate that this many years of experience are actually necessary to do the job.

A review of the use of class specification training and experience for hiring in three agencies employing a total of 7,000 persons showed relatively few cases where the requirements were strictly applied. In most cases the specifications seemed to require more training and experience than was proven necessary by the agencies' hiring practices. In a few cases agency personnel felt the minimum requirements were too low to attract quality employees. Overall, the application of T&E requirements by agencies was found to be varied and judgmental. In its survey of State employees the Council found that 45% of the respondents said that the training and experience required for their job is only "somewhat," "slightly" or "not at all" necessary to perform their job adequately.

The State Personnel Division and the Budget and Control Board are required to:

Develop and revise as necessary in coordination with agencies served specifications for each position in the classified service concerning the minimum educational training, experience and other qualifications considered necessary to assure adequate performance of the duties and responsibilities. The Board and agency heads will require adherence to these specifications.

The Board may waive training and experience requirements where circumstances warrant upon request and adequate justification by the agency head. (S. C. Code 8-11-230, Emphasis Added)

Section 1.04 of the Plan of Administration provides the following regulatory definitions;

Minimum Training and Experience - statements of the normally expected combination of education and experience generally associated with the attainment of the minimum knowledge, skills and abilities assigned a position in the class and any necessary special requirements, such as licenses, or specific skills necessary to function in a position assigned to the class. The State Personnel Director may approve such equivalencies as may be deemed appropriate for any class.

Required Knowledge, Skills and Abilities - a list of requirements necessary for an individual to perform successfully the duties and responsibilities of positions in the class.

The establishment of a direct relationship between T&E and the ability to successfully perform a job is seldom, if ever, exact. However, as previously noted, a U. S. District Court, in Kirkland v. New York State Department of Correctional Services, found a written merit system test to be discriminatory because the test did not relate to the job. The court ruled that the agency had not documented job-related work requirements. It found the job information outdated because it was two years old and inappropriate because it did not indicate the relative importance of the job skills and tasks or the competency required. Once into court, all methods used in the selection process of the State were opened to scrutiny.

In its survey of other states, the Council found that 22% (8 of 41) of the responding states are now or have been involved in lawsuits filed by employees or job applicants because job specifications, position descriptions or other written job qualifications did not match the minimum requirements of a job. One of these states,

Alaska, reported that it had been involved in a suit against the selection process for state troopers. The Alaska personnel division currently is revising and statistically validating the selection process and now has a continuous review to eliminate or revise unrealistic job requirements.

In New Jersey written specifications list "only basic requirements for a job such as ability to read and write English." Michigan, another state involved in litigation, reports that it now has class requirements reviewed by an affirmative action specialist to assure that the specifications do not present artificial barriers to women and minorities.

South Carolina's T&E requirements constitute a "test" as do employment interviews, job applications and any other means used to predict an employee's ability to perform a job in the selection process. Because of this, legal defensibility is a key factor in a classification system. SPD's training manual states:

Without a built-in plan for insuring the legal defensibility of the system, findings in the most carefully executed classification studies are subject to being pronounced invalid under scrutiny by the courts. The methods used must consistently provide support for classification, compensation, and selection decisions.

Although SPD's training manual contains a six-page discussion of the Kirkland case and its implications, SPD is moving slowly in taking the necessary steps to protect the State against legal action. For example, at present there is no systematic review of class specifications or job descriptions, and 61% of the class specifications are more than two years old. Also although staff committees have recommended specific ways to improve the gathering and organizing of job

information over the last year, few of these improvements have been implemented in State analysts' work methods.

RECOMMENDATIONS

SPD SHOULD ASSURE THE SYSTEMATIC REVIEW OF CLASS SPECIFICATIONS.

THIS SYSTEMATIC REVIEW SHOULD INCLUDE WRITTEN DOCUMENTATION DEMONSTRATING THAT THE MINIMUM TRAINING AND EXPERIENCE REQUIREMENTS ARE RELATED TO JOBS.

THE REVIEW OF CLASSES SHOULD INCLUDE A REVIEW BY AN AFFIRMATIVE ACTION SPECIALIST(S) TO PREVENT ARTIFICIAL BARRIERS TO MINORITIES.

AGENCIES SHOULD BE ENCOURAGED TO OPTIMIZE THE USE OF THE SIX MONTH PROBATIONARY PERIOD FOR EMPLOYEES AS A TEST OF THEIR ABILITY TO PERFORM JOBS. ALSO AGENCIES SHOULD OPTIMIZE THE USE OF THE PERFORMANCE APPRAISAL PROCESS. PROPER DOCUMENTATION IN THESE AREAS SHOULD BE MAINTAINED.

SPD SHOULD EMPHASIZE THE USE OF T&E CONTAINED IN SPECIFICATIONS FOR SCREENING APPLICANTS AND PROMOTION CONSIDERATIONS. ANY AGENCY FINDING T&E REQUIREMENTS TO BE INAPPROPRIATE SHOULD REQUEST SPD TO REVIEW AND VALIDATE THE REQUIREMENTS AS SOON AS POSSIBLE IN CONJUNCTION WITH SPD'S REGULAR REVIEW SCHEDULE.

Need for Complete Analysis of Employee Benefits

SPD has not determined the total value of fringe benefits for State employees nor the average cost of benefits per employee. Consequently, SPD has never told State employees how much their benefits are costing the State. Neither has SPD informed employees as to how their benefits compare with those of other public employees or with the private sector.

A benefit program offers direct compensation to employees and thus should contribute to job satisfaction. If employees are not told what their benefits are worth and how they compare with average benefits offered, they cannot appreciate the worth of their benefits. In addition, only by comparing total compensation (salaries and benefits) can SPD have a valid basis on which to decide whether employees are being paid competitively or not.

Policy administration specialists recommend several different techniques to analyze total benefits. One method suggests that employers express benefits as a percentage of the total compensation paid by the employer. The U. S. Department of Labor uses this method to analyze employee compensation on the national level. For example, in 1974 the Department of Labor found the national average in fringe benefits paid by private employers was 23.7% of total compensation. This means that the average employee in private industry received in direct salary only 76.3% of the total amount compensated.

The North Carolina Office of State Personnel expresses benefits as the average percentage of the employee's annual salary. For example, the September 1977 North Carolina Personnel Review reports that "fringe benefits now total over 32% of the State employee's

salary for employees subject to the State Personnel Act." This percentage was reached by adding the average employer cost of leave time, social security, retirement, insurance, and longevity pay.

The State of Colorado requires, by law, that the state personnel director conduct an annual salary and fringe benefit study and present fringe benefit data "on a basis of percentage of employer's actual payroll cost."

The South Carolina Personnel Division knows the State's percentage share of employee retirement, social security, workmen's compensation and unemployment as well as the average cost the State pays for employees' medical and life insurance. However, SPD has not determined how much leave benefits cost the State nor the total cost of employee benefits.

One reason SPD has not analyzed the total benefit package is that the Division believes that State employee benefits are very good in comparison to the public and private sectors. South Carolina State Government has enjoyed the reputation of having exceptional benefits. A 1978 Columbia newspaper editorial, for example, explains that one argument against truly competitive State salaries is that State employees have "more holidays and more liberal side benefits than most private employees." However, benefits in the private sector have increased considerably in the past decade, and without regular analysis of total State benefits in comparison to those of the public and private sectors, it is difficult to assess accurately the comparability of South Carolina benefits. In some private industries the employer's share of benefits has expanded to such areas as dental insurance coverage, health insurance coverage

for dependents of employees, the full retirement contribution and educational leave with pay as well as special executive life insurance policies.

The following table summarizes major employee benefits currently offered by 13 companies, 11 with operations in South Carolina, which were contacted in a non-scientific survey by the Council (see also Appendix D). The next table summarizes benefits offered by all state governments as reported in a 1977 Study of State Government Employee Benefits published by the National Assembly of Governmental Employees. These two tables illustrate the range of benefits currently offered by employers and indicate the need to analyze total benefit packages when comparing salaries.

SUMMARY OF COMPANY BENEFITS SURVEY

<u>HOLIDAYS</u>	<u>6-8 days</u>	<u>9-10 days</u>	<u>11-12 days</u>	<u>13-15 days</u>	<u>Average</u>
	15%	69%	8%	8%	10 days

<u>VACATION</u>	<u>Years of Service</u>	<u>Number of Days</u>							
		<u>5</u>	<u>6-10</u>	<u>11-14</u>	<u>15</u>	<u>16-20</u>	<u>21-25</u>	<u>25+</u>	<u>Average</u>
	At 1 year	8%	76%	8%		8%			10 days
	At 10 years		23%		31%	38%	8%		16 days
	At 20 years				23%	31%	46%		21 days

SICK LEAVE 77% of the industries do not offer a specific number of sick leave days. Employees are generally paid for sick days unless their attendance becomes a problem.

HEALTH INSURANCE - EMPLOYER CONTRIBUTION

	<u>100% Coverage</u>	<u>Partial</u>	<u>None</u>
(a) Employee Coverage	85%	15%	0%
Dependent Coverage	62%	31%	7%
(b) Additional Coverage			
Dental Care	38%	8%	54%
Eye Care	8%	8%	84%
Outpatient Diagnostic	70%	15%	15%

RETIREMENT Employer Pays Full Retirement Premium - 77%

Employer Pays Partial Retirement Premium - 23%

EDUCATION 92% of the industries have education assistance programs, usually in the form of reimbursements for approved, job-related courses. The most liberal policy paid for employees with five years service to obtain college degrees and for any employee with a college degree to obtain a masters degree.

SUMMARY OF BENEFITS OFFERED BY STATE GOVERNMENTS

<u>HOLIDAYS</u>	<u>6-8 days</u>	<u>9-10 days</u>	<u>11-12 days</u>	<u>13-15 days</u>	<u>Average</u>
	6%	33%	51%*	10%	10.4 days

<u>VACATION</u>	<u>Years of Service</u>			<u>Number of Days</u>				
	<u>5</u>	<u>6-10</u>	<u>11-14</u>	<u>15</u>	<u>16-20</u>	<u>21-25</u>	<u>25+</u>	<u>Average</u>
At 1 year		20%	43%	33%*	2%	2%		12.9 days
At 10 years			2%	31%*	53%	12%	2%	17.7 days
At 20 years				8%	33%	53%	6%*	18.1 days

<u>SICK LEAVE</u>	<u>Days Accrued Annually -</u>	<u>10-11</u>	<u>12-13</u>	<u>14-15</u>	<u>21</u>	<u>30</u>	<u>Varied</u>
		2%	47%	37%*	2%	4%	8%
	<u>Maximum Accum. -</u>	<u>45-65</u>	<u>51-85</u>	<u>86-100</u>	<u>120</u>	<u>150-180</u>	<u>Unlimited</u>
		4%	2%	21%*	8%	4%	61%
	<u>Unused Sick Leave</u>						<u>Permanent</u>
	<u>Paid for Upon</u> ⁽¹⁾	<u>Termination</u>	<u>Death</u>	<u>Retirement</u>	<u>Disability</u>		
		10%	25%	33%	28%		

HEALTH INSURANCE - STATE CONTRIBUTION⁽²⁾

	<u>100% Coverage</u>	<u>Partial</u>	<u>None</u>
Employee Coverage	40%*	60%	0%
Dependent Coverage	16%	35%	49%*

<u>RETIREMENT</u>	Employer Pays Full Retirement Premium - 13%
	Employer Pays Partial Retirement Premium - 87%*

EDUCATION BENEFITS⁽³⁾

	<u>Yes</u>	<u>No</u>	<u>Varies</u>
Tuition reimbursement	60%	16%*	24%
Leave with pay	52%	26%	22%
Leave without pay	80%*	15%	5%

* Represents South Carolina State employee benefits.

(1) South Carolina does not pay for unused sick leave under any conditions.

(2) Further information about State health insurance benefits not available.

(3) South Carolina's educational leave program is without pay and without tuition reimbursement except in unusual cases approved by the B&C Board.

SPD has worked to improve specific employee benefits such as the maximum number of accumulated sick leave days and long-term disability benefits. However, some additional benefit areas that may have great value to employees but actually cost the State very little could also be explored. For example, some employers offer group auto insurance and group homeowner's insurance. Another benefit area that could be explored is that of combining optional health insurance with incentives for preventive medicine.

Also, the present State health insurance policy does not cover X-rays or laboratory tests which an individual can obtain in a doctor's office or as an outpatient in a hospital, but the policy does cover tests that an individual has while an in-patient in a hospital. A spokesman for Blue-Cross & Blue-Shield reports that this difference often confuses State employees and is a source of complaints from State employees. In addition, it is possible that the present policy may encourage unnecessary hospitalization.

Another benefit area that SPD could further examine is that of sick leave accumulation. At present employees earn sick leave at a rate of 15 days per year and can carry forward 90 days of sick leave from one year to the next. Although this number of days is reasonable, limiting the carry forward number may encourage long-term employees to use sick leave when they are not really sick. When an employee who has already accumulated 90 days of sick leave realizes that at the end of that year he will not be able to carry forward additional sick days, he may be encouraged to use any remaining sick days before the end of the year. Some states have dealt with this problem by allowing long-term employees to exchange a specified amount of sick leave for vacation leave or to apply sick leave toward retirement.

RECOMMENDATIONS

SPD SHOULD ANALYZE THE TOTAL COST OF EMPLOYEE FRINGE BENEFITS ANNUALLY IN ORDER TO COMPARE THE STATE'S TOTAL COMPENSATION PACKAGE WITH THE COMPETITIVE MARKET. THIS COST SHOULD BE EXPRESSED IN A PERCENTAGE OF THE TOTAL COMPENSATION PAID TO EMPLOYEES.

SPD SHOULD DEVELOP AN EMPLOYEE BROCHURE WITH DESCRIPTIONS OF FRINGE BENEFITS AND WITH DETAILS ON HOW MUCH THESE BENEFITS COST THE STATE AND HOW THEY COMPARE WITH PUBLIC EMPLOYERS IN THE SOUTHEAST AND WITH PRIVATE EMPLOYERS IN SOUTH CAROLINA.

SPD SHOULD EXAMINE THE DESIRABILITY OF OFFERING STATE EMPLOYEE BENEFITS WHICH DO NOT INVOLVE ADDITIONAL COST TO THE STATE. THESE COULD INCLUDE GROUP AUTOMOBILE AND HOMEOWNERS INSURANCE, HEALTH INSURANCE WITH OUTPATIENT DIAGNOSTIC CARE AND INCENTIVES FOR PREVENTIVE MEDICINE.

SPD SHOULD EXAMINE THE DESIRABILITY OF AMENDING LEAVE POLICIES OR LEGISLATION TO ALLOW STATE EMPLOYEES TO TRADE IN SICK LEAVE DAYS.

Ineffective Maintenance of Pay Grades

The State's pay plan is not being maintained in such a way as to ensure sufficiently competitive salaries for State employees. Maintenance of a pay plan involves counteracting the erosion of inflation on employees' salaries and adjusting the pay structure to reflect the different fluctuations occurring in the job markets for different occupations within a certain locality. If pay lags behind prevailing public/private sector rates for comparable work, the State will be unable to attract or retain qualified employees. If pay runs ahead, the State will be using public funds inefficiently and may rouse public criticism for unnecessarily high salaries.

Although general pay increases for State employees have not kept up with the rise in inflation prior to five years ago, figures for the last five fiscal years indicate that "cost-of-living" increases have fallen 13% behind the percent rise in the National Consumer Price Index. Adjustments would be necessary to determine the precise rates of inflation affecting South Carolina.

In addition, for the past two years, the straight percentage increases given to each employee were also used to adjust the pay grade structure, increasing the minimum and maximum salary of each grade accordingly. Although this straight percentage increase is presented to State employees as symmetrical and equitable, it fails to readjust the grades according to the rates for comparable work; and it promotes a grade structure with gradually broadening pay ranges, especially at the upper end. In other words, raising all minimum salaries by an even percentage will result in salaries for some State jobs being too low to compete with market rates and others being unnecessarily high. Also as pay ranges get broader, it becomes

more likely that jobs in a pay grade will be above or below market salary levels.

<u>YEAR</u>	<u>% INCREASE IN INFLATION</u>	<u>STATE EMPLOYEE BASE PAY INCREASE</u>	<u>INCREASES TO PAY GRADES</u>
1977-78	6.5%	5.0%	Straight 5%
1976-77	5.8%	4.0%	Straight 4%
1975-76	9.1%	4.3% (average)	Varied
1974-75	11.0%	7.0%	Varied
1973-74	6.0%	5.5% (average)	Varied
TOTALS	38.6%	25.8%	

One reason the State's pay plan is not being effectively maintained is SPD's failure to bring together both salaries and benefits as a total compensation package for comparison purposes in its compensation studies. Many employers believe that the cost of the total compensation package is the most valid basis on which to decide whether employees are being paid equitably or not. In a salary study last fall, SPD compared a 15% representative sample of State job classes with comparable jobs in South Carolina private industry and public jobs in eight Southeastern states. This study revealed that 89% (292 of 327) of the job classes examined had a starting salary below the average starting salaries of similar jobs. However, although this study seems to indicate that South Carolina State salaries are not competitive with the market in which the State operates, the true

adequacy of State salaries cannot be determined until the total value of employee benefits are included in the comparisons.

Few overall salary comparisons have been made and the results implemented for State jobs since 1969, whereas personnel management experts recommend such comparisons be made and implemented annually in view of current economic conditions. SPD does provide some maintenance to the pay plan by continually conducting salary/occupational studies for individual job classes and reassigning them to more comparable pay grades if the agencies involved have the necessary funds. However, day-to-day adjustments do not preclude the necessity of reviewing and adjusting the overall plan.

The State's pay plan is also not being effectively maintained because SPD has not convinced the Budget and Control Board and ultimately the Legislature of the importance of readjusting the pay grades each year according to market conditions rather than by a straight percentage increase. In FY 75-76, some funds were specifically appropriated to adjust the pay grades according to the results of a salary study by an outside consultant, resulting in varying general increases for State employees. Yet when SPD conducted its own salary study in 1977 and proposed various adjustments to the pay grades for FY 78-79, the Budget and Control Board recommended a 4% straight increase and the House Ways and Means Committee recommended a 4% straight increase in July, followed by a 4% straight increase in January.

If the State's pay plan is again adjusted by an across-the-board percentage increase for FY 78-79, the true competitiveness of State

salaries will be unknown. Indications are that some salaries are low. Forty-eight percent of 66 agency directors responding to a Council survey stated they had problems obtaining and keeping qualified, competent employees due to low salaries. However, the straight percentage increases may have driven salaries for other State jobs higher than necessary; if so, the State is wasting public funds. Efforts to keep certain occupations which may not fit well into the State's pay plan - such as physicians or teachers - in line with their prevailing rates may also distort the pay grade structure. If SPD does not provide valid and comprehensive salary comparison information which can and will be used by the Budget and Control Board and the Legislature to adjust the State's pay plan, the State will be unable to ensure that it can efficiently and effectively retain quality employees.

RECOMMENDATIONS

SPD SHOULD CONDUCT AN OVERALL COMPENSATION STUDY EACH YEAR WHICH USES AS THE BASIS FOR COMPARISON A TOTAL COMPENSATION PACKAGE, INCLUDING EMPLOYEE BENEFITS AS WELL AS SALARIES. THE RESULTS OF THIS STUDY, PLUS INFORMATION ON OVERALL INFLATION, SHOULD BE USED TO REFORM THE PAY GRADE STRUCTURE AS NECESSARY.

SPD SHOULD CONSIDER ESTABLISHING SEPARATE PAY PLANS FOR CERTAIN OCCUPATIONS WHEN THE COMPETITIVE SALARY RANGES FOR AN OCCUPATION

DO NOT FIT WITHIN THE EXISTING PAY GRADE
STRUCTURE. CRITERIA SHOULD BE FULLY
DEVELOPED AND DOCUMENTED PRIOR TO THE
ESTABLISHMENT OF ANY SEPARATE PAY PLAN.

Three Agencies Violate the Intent of the Merit Pay Program

The Council found as of April 1978 that three agencies used merit pay money to give 4% across-the-board increases to at least 80% (3,897) of their employees for FY 77-78. This violates the intent of the \$10 million yearly merit pay program and moves directly against legislative efforts to improve employee performance. Various agency managers stated that merit pay money was used in this manner because the amount of money for merit increases was insufficient. SPD's administrative regulations do not prohibit agencies from using merit money to give "flat" or "across-the-board" pay increases.

The ultimate intent of the merit pay program is to increase employee proficiency, thereby enhancing overall productivity and effectiveness. The merit pay program should be viewed as a management development program permitting the early identification of high potential employees. It should result in more accurate selection of competent people to fill vacancies. Conversely, the program should help identify poor performers and put them in less responsible jobs or encourage them out of the system. Overall, a successful merit pay program is dependent on proper administration requiring an honest and objective approach.

As a result, the State's merit pay program is not achieving the full impact which it should. The spreading of merit pay evenly over

many employees increases employees' expectations of receiving merit pay. Thus, merit pay provides less incentive to each employee. Through time this has the effect of making the merit pay program more like a cost-of-living or seniority/longevity program.

RECOMMENDATION

SPD AND THE BUDGET AND CONTROL BOARD SHOULD
ELIMINATE THE USE OF MERIT PAY APPROPRIATIONS
FOR ACROSS-THE-BOARD INCREASES.

THE STATE PERSONNEL DIVISION SHOULD MONI-
TOR MERIT PAY AWARDS BY AGENCIES. THE
BUDGET AND CONTROL BOARD SHOULD NOT
RECOMMEND A SALARY INCREASE OF ANY TYPE
FOR ANY AGENCY DIRECTOR FOUND TO USE
MERIT PAY FUNDS FOR FLAT RATE INCREASES.
THIS WILL REQUIRE THE FLAT RATE OR ACROSS-
THE-BOARD INCREASES TO BE DEFINED. THE
BUDGET AND CONTROL BOARD SHOULD REQUIRE
SPD TO IDENTIFY ALL AGENCIES VIOLATING
THE INTENT OF THE PROGRAM AND MAKE THE
LEGISLATURE AWARE OF AGENCY NONCOMPLIANCE.

Lack of a Uniform Appeals Process

SPD has not established a uniform appeal process for agencies disagreeing with C&C decisions. Although the Plan of Administration mentions that agency heads may appeal classification and reclassification actions made by SPD to the Budget and Control Board (Section 1.03-G), agency heads actually pursue various appeal routes. In a

Council survey, 64 agency directors indicated more than a dozen first steps they would take when disagreeing with a C&C decision. Only two directors indicated that they had little or no disagreement with SPD over such decisions, and several expressed hopelessness in attempting any appeal. Of the responding directors 21% said they would first attempt to work out the disagreement with the C&C analyst who had studied the situation under dispute; 22% indicated they would contact the analyst's supervisor or the C&C director as a first step. Another 10% stated they would take the matter directly to the SPD director or to the Budget and Control Board. The remaining 47% did not specify to whom they would appeal.

Additionally, none of the directors agreed on the length of time such a process could be pursued, the number of successive steps, or the number of times they could request restudies of a decision. Agency directors specified from one to five various, yet successive steps they would pursue in appealing a C&C decision. Although the C&C director said only one additional SPD analyst would normally restudy a situation, the Council found cases in which C&C analysts had restudied a decision several times. For example, in a recent case SPD studied a one-position class three times and planned a fourth study during one year, each time at the involved agency's request. The analysts who performed these studies found no justification for the increase in each case.

Agency directors also complained that most of the current appeals options open to them are not impartial in that they must appeal any C&C decision to those persons who are responsible for the decisions in the first place. Only 13% of the directors indicated that they would eventually take such matters to the Budget and Control Board.

SPD's failure to establish a formal C&C appeal process is due to a lack of management emphasis in lessening a problem which hinders the efficient flow of work and inhibits cooperation. Another may be the poor documentation of C&C analysts' data and SPD decisions. If a formal appeals procedure had been implemented without changing present documentation methods, SPD may well have difficulty presenting a sound case to support its decisions (see p. 23). It is reasonable to assume that if SPD presented sufficient documentation to justify an impartial decision, no agency would have realistic grounds to complain.

Personnel management principles acknowledge the necessity of a C&C appeals body which operates by the authority of the legally constituted personnel agency and promotes both fairness and efficiency in the process. Since the State Personnel Division has the responsibility for all State job classification decisions, it is responsible for developing a clear and consistent appeal procedure which is acceptable to State agencies. Agencies, after all, must ultimately abide by Budget and Control Board and SPD decisions under the current system and should have the right to disagree openly with decisions if warranted.

The lack of a clearly recognized C&C appeal procedure creates inefficiency when the Budget and Control Board, SPD, and agencies become involved in untimely, uncontrolled, and possibly unnecessary classification and compensation activities. Analysts are pressured to change their recommendations with threats of "going over their heads." With SPD failing to take official responsibility for its analysts' work through a formal appeal process, some agencies view behind-the-scene manipulation as a necessary part of achieving their wishes in classification and compensation matters. When manipulation

is perceived by other agencies as a means of achieving desired results, the process leads to more manipulation and a lower regard for the C&C unit's function. For example, in a Council survey more agency directors rated the C&C unit below average in performance than any other SPD unit.

The ultimate effect is on the State's C&C plan itself and its ability to ensure pay equity in the overall personnel system. Under the current unstructured process, some decisions can be quietly changed or compromised without clear justification, allowing inequities into the system and thwarting its original purpose.

RECOMMENDATIONS

THE STATE PERSONNEL DIVISION SHOULD DEVELOP
IN WRITING A CLEAR AND CONSISTENT CLASSIFI-
CATION AND COMPENSATION APPEAL PROCEDURE.

THE BUDGET AND CONTROL BOARD SHOULD APPOINT
A CLASSIFICATION AND COMPENSATION APPEALS
COMMITTEE, COMPOSED OF PERSONNEL MANAGE-
MENT EXPERTS FROM THE PUBLIC SECTOR, TO
HEAR APPEALS. ANY AGENCY PERSONNEL
APPOINTED TO THIS COMMITTEE SHOULD BE DIS-
QUALIFIED FROM HEARING CASES INVOLVING THEIR
OWN AGENCY. THE COMMITTEE SHOULD DEVELOP
RULES AND PROCEDURES FOR HANDLING APPEALS.

TIME LIMITS SHOULD BE SPECIFIED FOR ANY APPEAL
INCLUDING HOW LONG AN AGENCY HAS TO APPEAL A
DECISION AND HOW LONG THE APPEALS COMMITTEE

HAS TO MAKE A RULING ON THE APPEAL. NO
DECISION SHOULD BE APPEALED MORE THAN ONCE UNTIL
THE CLASS OR CLASSES INVOLVED ARE STUDIED AGAIN
UNDER A REGULAR SYSTEM OF REVIEW.

THE BUDGET AND CONTROL BOARD SHOULD RETAIN
FINAL APPROVAL AUTHORITY OVER APPEALS COMMITTEE
DECISIONS. THE REASONS FOR OVERRULING A COM-
MITTEE DECISION SHOULD BE FULLY DOCUMENTED.

CHAPTER III

ADMINISTRATION AND MANAGEMENT

Inadequate Codification and Development of Personnel Policies and Procedures

Policies, regulations, laws and interpretations concerning personnel practices within the State have not been consistently codified or clarified for easy access and interpretation by agency management or other State employees. On the agency level, confusion exists as to what exactly the State's personnel policies are and when they are updated, and this confusion is compounded by lack of state-wide uniform policy in some areas or by incomplete policy development in others.

One area in which lack of statewide uniform policy has caused problems is mandatory retirement. Although State regulations call for employees to retire at age 65, individual agencies are allowed to extend this age, resulting in varying mandatory retirement ages across State Government. Currently this problem is being examined in a case before the South Carolina Supreme Court. Another area in which there are no statewide guidelines concerns salary administration for unclassified employees although the State Personnel Act instructs the Budget and Control Board and SPD to establish "such additional procedures...as in its judgment adequately and equitably regulate unclassified positions" (S. C. Code 8-11-230). In the absence of such procedures, agencies can rightfully grant pay increases of any amount to unclassified employees and were found by the Council to be awarding increases to these employees ranging anywhere from one percent to 83% of their salaries.

Another area in which lack of a uniform statewide policy has caused confusion concerns State employees campaigning for political office. One agency has fired an employee for running for office. Some agencies have required such employees to take a leave of absence while campaigning; others have not. According to an opinion by the State Attorney General, it is permissible for each agency to set its own rules in this area since there is no South Carolina statute prohibiting State employees from seeking political office. While a political activities bill is currently being considered by the Legislature, confusion also continues to exist over the application of the Federal Hatch Act to South Carolina State employees campaigning for office. Guidelines from SPD could have clarified this Act for those agencies/employees subject to its provisions.

In other areas, policy development has been incomplete or slow. For example, policies regulating dual employment were developed although it was impossible to know, with the State's 29 separate payroll-accounting systems, the extent of dual employment occurring or its adverse effects on the State (see p. 78). In another case, the Legislature passed a law in 1973 defining alcoholism's relationship to the State's personnel practices, but a clarifying policy statement was not issued by SPD to agency personnel directors until February 1978.

According to the State Personnel Act of 1975, the Budget and Control Board and the State Personnel Division should "After coordinating with agencies served, develop policies and programs concerning...conditions of employment as may be needed." Keeping agencies up-to-date on all these policies is vital to optimal management of the State's personnel resources.

Communication between SPD and State agencies concerning policy development has not always been conducive to keeping agencies well-informed. Survey responses from 15 personnel directors whose agencies employ almost three-fourths of all State employees indicated various problems concerning how SPD notifies them of personnel policies and procedures. All the directors said that most regulatory information is sent to them sporadically during the year in the form of memorandums or letters, drafted guidelines or in the State Personnel Newsletter. Eleven said they never or only sometimes receive advance notification that a new policy or statewide interpretation is being sent to them. Consequently they are never certain that they have the latest personnel information on file.

The State's lack of a complete, codified personnel policy manual for all agencies' use has been noted for some time. In January 1972 the Governor's Management Review Commission recommended that a personnel policy and procedures manual be developed because (1) no manual was available, (2) personnel practices were not uniform, and (3) agency and department heads apparently were not knowledgeable concerning personnel practices. The Implementation Progress Report (December 31, 1974) stated that this recommendation was to be implemented after passage of a Personnel Act. After the Personnel Act was passed in 1975, work was gradually begun on a policy manual by SPD, using task forces comprised of agency personnel directors. Now, three years later, a codified manual is scheduled for distribution by July. However, the key to this manual's successful impact will depend on how thorough and how up-to-date its contents will be kept.

Also communication between SPD and State agencies has not always been conducive to regular agency input. In the Council survey, agency personnel directors complained that since there has been no set process to ensure upward communication from agencies to SPD, the amount and type of input which they have into the policy development process has varied considerably. Sometimes they have had the chance to react to drafted guidelines. Other times they have voiced their opinions through contacts at SPD or by serving on task forces. With agency input improving during the development of the new policy manual, some directors feel that agency input is now sufficient; others believe that such agency involvement remains superficial.

Input by the State Personnel Advisory Council into the policy development process is also unclear. Created by the State Personnel Act in 1975, the Advisory Council - consisting of the Employees' Association Director and one public sector and other private sector personnel management experts - is mandated to meet regularly to "review and comment...on proposed policies, procedures, and regulations, and to make suggestions to the State Personnel Director..." However, no written operational guidelines have been developed on when and how this Council should carry out the Legislature's intent. Also there is little evidence available which indicates that this Council's meetings have had any bearing on State personnel policy development.

RECOMMENDATIONS

SPD SHOULD MAINTAIN A UNIFORM, CODIFIED MANUAL OF ALL STATEWIDE PERSONNEL LAWS, POLICIES, REGULATIONS AND INTERPRETATIONS. DISTRIBUTION SHOULD BE MADE TO EACH AGENCY PERSONNEL DIRECTOR OR DESIGNATED PERSON RESPONSIBLE FOR PERSONNEL MATTERS.

SPD SHOULD SEND TO AGENCIES ON A QUARTERLY BASIS A CHECKLIST OF ALL CHANGES OR ADDITIONS WHICH HAVE BEEN MADE TO THIS MANUAL DURING EACH QUARTER. EACH AGENCY SHOULD USE THIS LIST TO ENSURE THAT THESE CHANGES OR ADDITIONS HAVE BEEN POSTED IN ITS PERSONNEL MANUAL.

SPD SHOULD DEVELOP MECHANISMS FOR REGULAR AND CONSISTENT AGENCY INPUT, ALLOWING AGENCY DIRECTORS TO ASSIST IN IDENTIFYING POLICY NEEDS AND IN EXPEDITING POLICY DEVELOPMENT. THE STATE PERSONNEL ADVISORY COUNCIL SHOULD ADOPT WRITTEN OPERATIONAL GUIDELINES WHICH ENSURE ITS REGULAR INPUT.

SPD SHOULD DEVELOP AN EMPLOYEE HANDBOOK, EXPLAINING ALL STATEWIDE PERSONNEL REGULATIONS AND EMPLOYEE RIGHTS, TO BE MADE AVAILABLE TO ALL STATE EMPLOYEES AND UPDATED PERIODICALLY.

SPD SHOULD PERIODICALLY SURVEY STATE EMPLOYEES TO OBTAIN FEEDBACK ON HOW WELL THE SYSTEM IS OPERATING

AT THEIR LEVEL AND USE THIS INFORMATION TO IMPROVE
POLICY DEVELOPMENT AND INFORMATION FLOW.

Lack of Control of Special Pay Increases

Special Pay Increases (SPI) have been misused and improperly controlled by SPD and State agencies. In addition to fifteen specific pay change categories, regulations allow for a separate category labeled "special pay increases." According to State regulations, the State Personnel Director "may approve a special pay increase for any employee...if unusual conditions exist which justify pay increases not provided for in the [salary increases] section."

State agencies and the SPD have used the SPI's for many purposes including those for which separate reporting categories have already been established. Existing salary change categories include:

- Merit Increase
- Promotional Increase
- General Increase
- Grade Change of a Classification
- New Hire, Base Salary
- Reclassification Awaiting Salary Adjustment
- Demotional Decrease
- Reclassification Increase
- Reclassification Decrease
- Increase in Hours
- Decrease in Hours
- Transfer
- Going on Leave
- Returning from Leave
- Reinstatement

The Council found that 1,704 special pay adjustments had been made between January 1974 and September 1977 and that the SPI had been used as a "catch-all" category. Many of the SPI's were for the implementation of the recommendations of salary studies or pay surveys.

Additional uses included performance raises, recognition of increased duties, recognition of training and experience, adjustment for trainee status, making salaries competitive with market conditions and others.

SPD's failure to monitor special pay increases has resulted in their being abused by agencies. Whether SPI's were authorized by the State Personnel Director is unclear because documentation is not systematically maintained and agencies can apparently code pay changes as special pay increases without question. Overall, a determination as to whether any of the special pay increases fit the category's definition was difficult due to the vagueness of the regulation.

SPD is authorized "to establish and maintain a central personnel data system on all State employees ..., both classified and unclassified, and in coordination with agencies served, determine that data to be recorded on employees and positions and the procedures and forms to be used by all agencies in reporting data" (S. C. Code 8-11-230).

Knowledge of changes in employees' pay is crucial in the oversight of any pay system. A useful State-level personnel information system requires uniform categories developed to meet the needs of all reporting agencies and requires control mechanisms designed to assure that data is both accurate and retrievable.

The use of a "catch-all" category for pay adjustments not only makes the retrieval and study of information difficult, it allows manipulation of the pay system. For example, the Council found an 8.2% or \$1,347 individual salary increase made as a special pay increase in which SPD's documentation for the adjustment cited three supportive items:

- (1) "Position review conducted" by SPD staff.
- (2) SPD was "made aware" of the employee's "performance."
- (3) The employee's "background and experience."

The Council found these reasons for the salary increase to be insufficient because:

- (1) In its documentation SPD stated "it is our decision that the position is placed at the proper level within the statewide classification system." Therefore, a salary change resulting from the "position review" was not warranted.
- (2) Recognition of employee "performance" should not be made by special pay adjustment because the State Legislature by law provides merit increases to employees based on their performance.
- (3) An individual's background and experience should be considered by management when making initial hiring decisions and not at an arbitrary point in a person's career.

In another instance the Council found the justification for a special pay increase to be that the employee was "employed at a salary below that for which he was qualified." Hiring decisions should be based on a job's requirements. If an individual is over-qualified for the position for which he is hired, the manager should inform the person of the job's salary limitations and whether or not the employee can expect promotion or an upgrading of the position.

A pay system that can be manipulated has a detrimental impact. Selected employees can receive unjustified pay increases. When employees perceive that inequities are occurring in their pay system,

they may become less cooperative, dissatisfied and, in general, may perform their jobs with less proficiency.

RECOMMENDATIONS

THE BUDGET AND CONTROL BOARD SHOULD ELIMINATE THE CATEGORY NOW DESCRIBED AS "SPECIAL PAY INCREASE." SPD SHOULD FURTHER DEVELOP AND REFINE THE CATEGORIES FOR RECORDING PAY CHANGE INFORMATION. THE CATEGORIES SHOULD BE DESIGNED FOR USE BY ALL AGENCIES TO INCLUDE CHANGES EFFECTING CLASSIFIED AND UNCLASSIFIED EMPLOYEES. THE ONLY EXCEPTIONS SHOULD BE AS SPECIFIED BY LAW. NEW PAY CATEGORIES SUCH AS TRAINEE PAY, SPECIAL-TEMPORARY MARKET CONDITIONS, AND OTHERS SHOULD BE ESTABLISHED. EACH CATEGORY SHOULD BE CLEARLY DEFINED.

SPD SHOULD CLOSELY MONITOR THE REPORTING OF SALARY CHANGE INFORMATION IN THE STATE'S CENTRAL DATA SYSTEM.

Insurance Accounts Accumulate Excess Funds

The Council found that two accounts used to pay insurance costs for State employees' and public school employees had accumulated an excess of \$3.1 million as of June 30, 1977 and are expected to accumulate an excess of \$4.4 million by June 30, 1978.

The main reason these funds have accumulated is that in four out of the past five years the Legislature has appropriated more for

employee health insurance costs than actual expenditures required, and the excess appropriations have been carried forward from year to year. For example, in FY 75-76 the Legislature appropriated \$1.1 million more than actual expenses, and in FY 76-77 appropriations exceeded required premiums by \$1.5 million. Differences in appropriated funds and actual costs can be expected since there is no way to predict exactly how many employees will be insured each year. The continuing accumulation of funds exceeding actual costs raises a question as to the need of carrying these funds forward in the insurance accounts.

SPD states it is necessary to keep \$4 million dollars accumulated in these insurance accounts to handle cash flow and to make timely payments to the insurance carriers. Under present contracts SPD must pay the carriers their monthly premiums no later than the fifth of the month for that month's coverage. A typical month's payment totals \$4.3 million. Approximately half of each month's premium comes from school districts, and SPD requires the Department of Education to transfer these premiums to SPD by the first of each month. However, the other half of the total premium comes from State agencies which are not required to pay their share to SPD until the tenth of each month. The one exception is the Highway Department which does not have to pay its share until the twentieth of each month. This means that half of the employer's share of insurance payments are not due to SPD until five days after the premium is due to the insurance carriers. Thus, SPD uses the \$4 million accumulation to pay agencies' insurance premiums before receiving agencies' payments.

Many agencies do not pay their share of insurance by the tenth of the month deadline. The Council reviewed agency payments for a

six-month period and found that in each month an average of 86% of the 111 agencies studied were late in their monthly payments.

South Carolina initiated a comprehensive health insurance plan for its employees in FY 72-73. Originally the State's share of each year's insurance costs was paid to insurance carriers from one general account. With the FY 77-78 Appropriation Act the Legislature appropriated the employer's share of insurance for State employees to each agency and for public school employees to the Department of Education. Each month SPD's accounting unit receives payments from agencies and the Department of Education and reconciles the payments to the actual number of employees. The funds are then passed on to the two insurance clearing accounts at the Comptroller General's Office from which checks are issued to the insurance carriers.

Section 13 of the FY 77-78 State Appropriation Act calls for the Budget and Control Board to "set aside in a separate continuing account, appropriately identified, in the State Treasury all funds, State appropriated and other than general funds, received for actual health insurance premiums due." SPD believes this legislation permits the accumulated funds to remain in these insurance accounts.

Another reason for maintaining the accumulated funds in these accounts, according to SPD, is to cover retroactive charges which occur because an agency makes an error on an employee's insurance coverage and because agencies are billed a month in advance. Each month an agency may receive refunds for employees who terminated in the prior month and additional bills for employees who were hired in the prior month. The Council examined the retroactive charges recorded

from September 1976 to September 1977 for 13 State agencies employing 70% of the total number of State employees and found that the average additional funds SPD had to pay each month for these agencies totaled \$10,901.

Retaining between three and four million dollars of accumulated funds in the continuing accounts is unnecessary and prevents the Legislature from appropriating these funds to other areas of need. Through a relatively simple change in the billing procedure of SPD, the need for this fund could be eliminated.

RECOMMENDATIONS

EXCESS FUNDS IN THE INSURANCE CLEARING ACCOUNTS
AT THE END OF THE FISCAL YEAR SHOULD BE RETURNED
TO THE GENERAL FUND.

SPD SHOULD REQUIRE AGENCIES TO PAY THE EMPLOYERS'
SHARE OF INSURANCE BY THE FIRST OF THE MONTH OR
ADJUST ITS PAYMENT DATE TO INSURANCE CARRIERS.

Inappropriate Payment of Benefits for Public School Employees

The Council found that State funds are being used to pay the employer's share of health insurance benefits for an estimated 6,630 public school employees whose salaries are paid with Federal funds. The employer's share of health insurance benefits for these employees total \$1.7 million per year.

State appropriated funds should not be used to pay for expenses created by Federal programs. When South Carolina began its insurance program for State employees in FY 72-73, the program did not include public school employees. The Appropriation Act at that time stated that:

In providing for the cost of such insurance, it is the intent of the General Assembly that the \$4,800,000.00 appropriated herein shall be applicable to employees whose compensation is derived from General Fund appropriations, and that other sources of employee compensation shall bear their proportionate costs, except in any instance it is shown to the satisfaction of the Board that funds are not available therefor. (Emphasis added)

The State Legislature first included public school employees in its health insurance program in the FY 74-75 Appropriation Act. This Act and subsequent Appropriation Acts include a proviso similar to the one stated above under the paragraph on insurance for State employees. However, the section of the Act concerning insurance for public school employees contains no such specific statement on other sources of compensation. The absence of such a statement has been interpreted to mean that State funds can be used to pay the employer's share of insurance for public school employees paid with Federal funds.

It is difficult to determine how much the State is paying for the employer's share of insurance for federally funded school employees since DOE does not know exactly how many school employees receive total or partial salaries from Federal funds. Many of these salaries are channeled through DOE, but some are also paid directly by community and local programs.

Total funds from all sources for South Carolina public schools for FY 76-77 equal \$714 million with 44 percent from State funding, 40 percent local funding and 16 percent Federal funding. According to the 1976-77 Annual Report of the State Superintendent of Education, 66% of all South Carolina public education funds are for salaries. Thus, an estimated \$75 million of Federal funds are spent on salaries for public school employees. Using the average salary of public school employees of \$11,312 per year, it is estimated that 6,630 school employees

receive salaries from Federal funds. The State pays \$21 of insurance per month and thus is paying an estimated \$1.7 million per year for the employer's share of insurance for federally funded public school employees.

RECOMMENDATION

FEDERAL FUNDS SHOULD BE USED FOR THE
EMPLOYER'S SHARE OF INSURANCE FOR PUBLIC
SCHOOL EMPLOYEES PAID WITH FEDERAL FUNDS
UNLESS LEGISLATION SPECIFICALLY PROVIDES
FOR THE USE OF STATE FUNDS FOR THIS
PURPOSE.

Duplicate Pay for Military Leave

State employees on military leave status receive full pay from the State in addition to full military pay, resulting in a duplication of salaries. Because there is no central record of military leave, the actual cost to the State for implementing this program is unknown. Additionally, no thorough review to determine the cost/benefit of the military leave program has been made in the twenty-eight years since the program's inception.

The Military Leave Act of 1950 (S. C. Code 8-7-90) states that employees of the State "shall be entitled to leave of absence from their respective duties without loss of pay, time or efficiency rating for a period not exceeding fifteen days in any one year during which they may be engaged in training or other such duties ordered by the Governor, the War Department, the Treasury Department, the Navy or the Air Force Department" (Emphasis Added).

An Attorney General's opinion issued September 12, 1977 interpreted the phrase "without loss of pay" to mean that a State employee on military leave is entitled to both full State salary and military pay. The reasoning used is that "the legislative purpose in enacting these statutes obviously was to mitigate the hardships attendant upon those who drop their own affairs to take up the burdens of their State or county (sic)."

Although other southeastern states have military leave policies similar to South Carolina's, the Governor's Steering Committee on Personnel Policy Review in Georgia recently issued a report recommending that its state policy be changed to allow employees to receive only the higher of the two payments. The Audit Council contacted eleven major private businesses around the State and found that none has a military leave policy similar to the State's. The prevailing policy in the private sector allows an employee on military leave to receive salary payment only in the amount necessary to make up the difference between military pay and the employee's regular pay.

The State military leave law was enacted in an apparent effort to attract into government employment persons leaving active military duty or those having a military commitment. Since the law's enactment, however, job market conditions have drastically changed, and the military role and needs of the State and nation have been redefined.

The actual cost of this program to the State cannot be easily determined. Neither a central agency such as SPD nor the majority of agencies have the necessary records readily available on the total amount and cost of military leave taken each year.

Based on the estimates of fifteen agency personnel directors concerning the number of employees in their agencies who had taken

military leave in FY 76-77, the Council determined that a range of three to five percent of all State employees was reasonable for an estimate. An average of ten days leave was used because the minimum Federal requirement for most employees is two weeks summer camp (10 working days). The resulting estimated yearly cost to the State of the military leave program ranges from \$674,982 to \$1,124,970 in salaries alone, based on the State's average salary of \$10,627.

RECOMMENDATION

LEGISLATION SHOULD PROHIBIT DUPLICATE PAY FOR MILITARY LEAVE. EMPLOYEES ON MILITARY LEAVE SHOULD RECEIVE THE DIFFERENCE BETWEEN THEIR STATE PAY AND MILITARY PAY TO ENSURE THAT THEY DO NOT SUFFER A LOSS OF PAY FOR MILITARY SERVICE.

Inability to Monitor Dual Employment

SPD is unable to effectively monitor dual employment for approximately 30,000 employees not on the Comptroller General's payroll. Current practices for monitoring and approval of dual employment do not assure compliance with State law.

For the past three fiscal years the Appropriation Act has stated, "no employee of any State department or institution shall be paid any compensation from any other department of the State Government except with the approval of the State Budget and Control Board..." Under the present system only those cases of dual employment which are reported by agencies or detected through the existence of duplicate personnel information forms are readily identifiable.

From July 1, 1977 to December 21, 1977, 1,020 "Request for Approval of Dual Employment" forms from 30 agencies were approved and filed at SPD. These forms came primarily from educational institutions. The potential for unapproved dual employment is high because there are 29 separate payroll-accounting systems for State agencies. As a result, the extent and adversity of the effects of dual employment remain unclear, and cases of dual employment very likely go unreported.

One effect of this problem is the inability to account for the State's share of social security (FICA) for employees not on the Comptroller General's payroll. When employees are paid by two or more different agencies, excessive amounts of social security may be paid. While the employee may compute his or her overpayment and obtain a refund, the State as the employer has no method of determining its overpayments. As of January 1, 1978 the employer pays 6.05% of not more than \$17,700 of an individual's salary (i.e., up to \$1,070.85 per individual per year).

Under the present decentralized payroll accounting structure there is no efficient way to determine how much money the State loses yearly due to unnecessary overpayments of social security.

Additionally, because there is an inadequate accounting structure for dual employment, there is no acceptable means to ensure compliance with the State law. The ability to assess needs and develop sound policy is stifled, and the true extent to which cases of dual employment should be regulated is unknown.

RECOMMENDATION

SPD SHOULD DEVELOP A COMPUTERIZED LISTING OF CASES OF DUAL EMPLOYMENT BY AGENCY. THE LIST SHOULD BE USED FOR POLICY ASSESSMENT, FOR MONITORING, AND FOR PROVIDING AN AUDIT TRAIL.

Overcrowded Merit System Applicant Lists

The Council found State Merit System applicant lists (registers) to be overcrowded. Of approximately 21,000 individuals listed on SPD's merit system job class registers in January 1978, it is estimated that only 7% (1,500) are likely to fill a vacancy in a one year period. In addition, new applicants are allowed to remain on a register for an entire year before they are considered for removal. Thus, according to agency officials, many applicants on the registers are no longer available or interested in employment.

Another result of overcrowded registers is that the SPD Merit System section must process an excessive number of applications. During 1977 the section processed more than 25,000 applications. This means that a number of applications are processed for placement on registers that are already overcrowded.

The effective maintenance of job registers requires that job vacancies be monitored not only to keep applicant registers updated but also to maintain a balance between the number of applicants accepted on job registers and the needs of agencies using the registers.

The Merit System Council is aware of the excessive number of applicants on registers, and at present the Merit System section is working with agencies to begin closing registers which are

overcrowded. The Merit System Council, however, has not moved to reduce the length of time a new applicant remains on a register.

RECOMMENDATIONS

THE MERIT SYSTEM SECTION SHOULD CLOSE
OVERCROWDED REGISTERS BASED ON AGENCY NEEDS.
THE REGISTERS SHOULD BE RE-OPENED WHEN PERSONNEL NEEDS SO WARRANT.

THE MERIT RULE SHOULD BE AMENDED SO THAT
NEW APPLICANTS REMAIN ON THE REGISTERS
FOR A PERIOD OF SIX MONTHS. APPLICANTS
SHOULD BE INSTRUCTED TO NOTIFY THE DIVISION
AT THE END OF SIX MONTHS IF THEY
DESIRE TO REMAIN ON THE REGISTER. THE
APPLICANT'S NAME SHOULD BE DELETED FROM
THE REGISTER IF THE APPLICANT DOES NOT
NOTIFY THE MERIT SYSTEM SECTION.

Use of Unvalidated Merit Tests

Ninety-five percent of the 250 written merit tests being used to rank job applicants in State Government have not been validated. Test validation has been slow because SPD has established only two positions to examine tests.

Written tests are used in the Merit System since present Federal standards for State merit systems require that selection of employees be through an open competition process that includes the ranking of applicants. The regulations require applicants first to meet the minimum requirements of a job class and then to undergo an examination

process which "will consist, in various combinations as appropriate to the class and to available manpower resources, of such devices as work-sample and performance test, practical written tests, individual and group oral examinations, ratings of training and experience, physical examinations, and background and reference inquiries. In determining ranking of candidates, the examination parts will be appropriately weighted."

Recent court cases have held that employers testing job applicants must show that each examination measures "substantially all the critical attributes of the...position in proportion to their relative importance to the job and at the level of difficulty which the job demands." This precise relationship between test and job can be demonstrated by test validation. In a 1975 U. S. District Court Case, Kirkland vs. the New York State Department of Corrections, an employee won a discrimination suit because the state could not prove a test it had used was job-related. Thus, whether or not a test has a racially disproportionate impact can open a test to court scrutiny, but it is the validation of that test which provides the employer with a reasonable defense in such cases.

Other than vulnerability to lawsuits, use of unvalidated tests can result in agencies hiring employees who may not be qualified or can result in employees perceiving unfairness in hiring. In a Council survey, 75% of the employee respondents who had taken an examination for their job answered that the test was only "somewhat," "vaguely" or "not at all" related to their job.

RECOMMENDATION

SPD SHOULD GIVE A HIGHER PRIORITY TO THE
VALIDATION OF WRITTEN TESTS AND SHOULD

CONSIDER ALLOCATING MORE OF ITS RESOURCES
TO TEST RESEARCH.

Inefficiencies of Central Recruiting Unit

State Personnel's central recruiting office inefficiently collects and organizes information on job applicants and placement. Its management has not implemented an effective system for dealing with applicants from their first contact with State recruiting throughout their search for employment. The recruiting unit's file system contains neither a master file of current job applicants nor a cross-indexed file of applicants by job category. After the SPD recruiter interviews an individual seeking employment, the individual's job application is filed alphabetically by his or her last name in the recruiter's office. If a State agency requests applications of civil engineers, the State's four recruiters must manually search their files (totaling about 4,000 applications) to find those qualified for the engineering position. If an applicant calls back to recruiting with a question, the applicant must remember the name of the recruiter who interviewed him or her in order for the application to be located. When an applicant does not know the recruiter's name, the recruiting unit must search through its daily appointment log to find which recruiter has the application.

The recruiting unit has no method to account for the number of employees placed in State jobs. Applicants apply to the recruiting office and are then referred to appropriate agencies. The agencies are requested to notify recruiting if they hire a referral; but, according to the recruiting unit manager, agencies often do not notify

the recruiting unit. The unit receives a weekly list of newly hired State employees from SPD's data processing unit and scans this list to see if they can recall the names of any referrals they have made. This method of following up job applicants is time-consuming, does not ensure accurate results, and makes assessment of recruiting effectiveness difficult and questionable.

By law, the recruiting unit is for the optional use of State agencies. The recruitment manager sees this unit's goal as one of channeling qualified employees to the various agencies where more subjective qualities are evaluated. However, the recruiting unit has failed to prove to agencies that it can help them find employees.

Because of its inefficiencies, the recruiting unit cannot demonstrate that it has a significant impact on hiring in the State. An Audit Council review of the recruiting unit's monthly reports from December 1976 through November 1977 revealed that the unit placed 833 persons during that period, 13% of the total 6,481 applicants interviewed. However, the total number of placements has not been determined. In addition, in a Council survey State employees rated the performance of the recruiting unit the lowest of all SPD functions.

RECOMMENDATION

THE SPD RECRUITING UNIT SHOULD ESTABLISH A
MASTER FILE OF APPLICATIONS AND A CROSS-
INDEXED FILE OF APPLICATIONS BY JOB
CATEGORIES.

THE RECRUITING UNIT SHOULD DEVELOP PROGRAMS
FOR MONITORING ITS PLACEMENTS, EXISTING

VACANCIES, AGENCY NEEDS AND STATE EMPLOYEES
ELIGIBLE FOR PROMOTION.

State Lacks Adequate Training and Career Development

SPD lacks an adequate career program for State employees. Currently SPD recruiting and training fail to provide the coordination necessary for a successful statewide career program.

SPD is directed to "provide assistance and coordinate with the agencies served training and career development programs for State employees" (S. C. Code 8-11-230). However, no policies have been developed for a statewide career program. In its employee survey the Council found that 49% of the respondents had not attended a SPD, agency or any other training seminar during the past year. Forty-five percent of the respondents expressed concern over a lack of career development in the State, and 33% felt that opportunities for employee training should be increased.

Career Opportunities -

The SPD Director indicated that the State's career development program is meaningful because the SPD classification of jobs includes class steps that allow for advancement (e.g., the SPD classification listing has steps such as Secretary I and II or Health Educator I, II, and III). However, in its review of the 2,255 classes in the State system in July 1977, the Council found that 979 classes had no similar higher class for employee advancement. Of the remaining classes, 628 had two steps; 411 had three steps; 164 had four steps and 93 classes had five or more steps. This means that 43% of all classes in the system provide no opportunity for advancement within the class, and an additional 28% have only one promotion possibility. Of course,

employees can advance across related classes if they know what career paths are available. It is difficult for employees to know what opportunities are available, first, because there are 2,300 different job classes and, secondly, because job vacancies are not publicized statewide. As a result, the fairness of employee advancement across State agencies is limited, and unfair discriminatory practices occur. Of the respondents to a Council survey, 52% of the employees gave negative responses when asked, "Do potential job applicants have an equal chance to hear about available State jobs?" Twenty-nine percent of the employees answered "rarely" and 23% said "sometimes."

SPD is proposing a policy requesting each agency to post its vacancies in its own offices. This policy will help employees learn of job openings within their agency, but it will not help them learn of possible jobs in other agencies. The SPD Director stated that the recruiting unit at SPD works with State employees seeking to advance their careers with transfers and/or promotions in other agencies; yet, the recruiting unit does not keep a complete record of State employees seeking career assistance.

Professional Development -

Statewide professional development is not adequately coordinated. Of the State agency directors responding to a Council survey, 71% (47 of 66) reported that their agencies received appropriated training funds totaling \$820,265 for FY 76-77. Although SPD receives no State appropriated funds for training, it does receive a Federal grant which includes \$45,000 for management training sessions. In addition, SPD collects about \$46,000 per year from agencies for training seminars.

One problem arising from the lack of training coordination is that State agencies with similar training needs may be sending employees to outside training for those needs. The State could save money by using its resources to conduct seminars for these employees. For example, the SPD training director stated that agencies have spent more than a million dollars to send employees out-of-state for data processing training sessions. He estimates that the State could offer training for one-fourth the cost of sending employees to out-of-state programs and is working on a proposal to coordinate such training.

Although the SPD training unit uses its grant money for management seminars, there is no progressive training series for State managers. A curriculum approach would place more emphasis on showing a proven level of competency upon completion of training. This approach would serve to relate SPD training to advancement in government.

Business organizations operate on the assumption that employees desire advancement and that the organization constantly needs to identify employees with potential for promotion. When employees are unaware of options for advancement, they may either direct their initiative towards looking for employment outside State Government or remain in their jobs as frustrated employees.

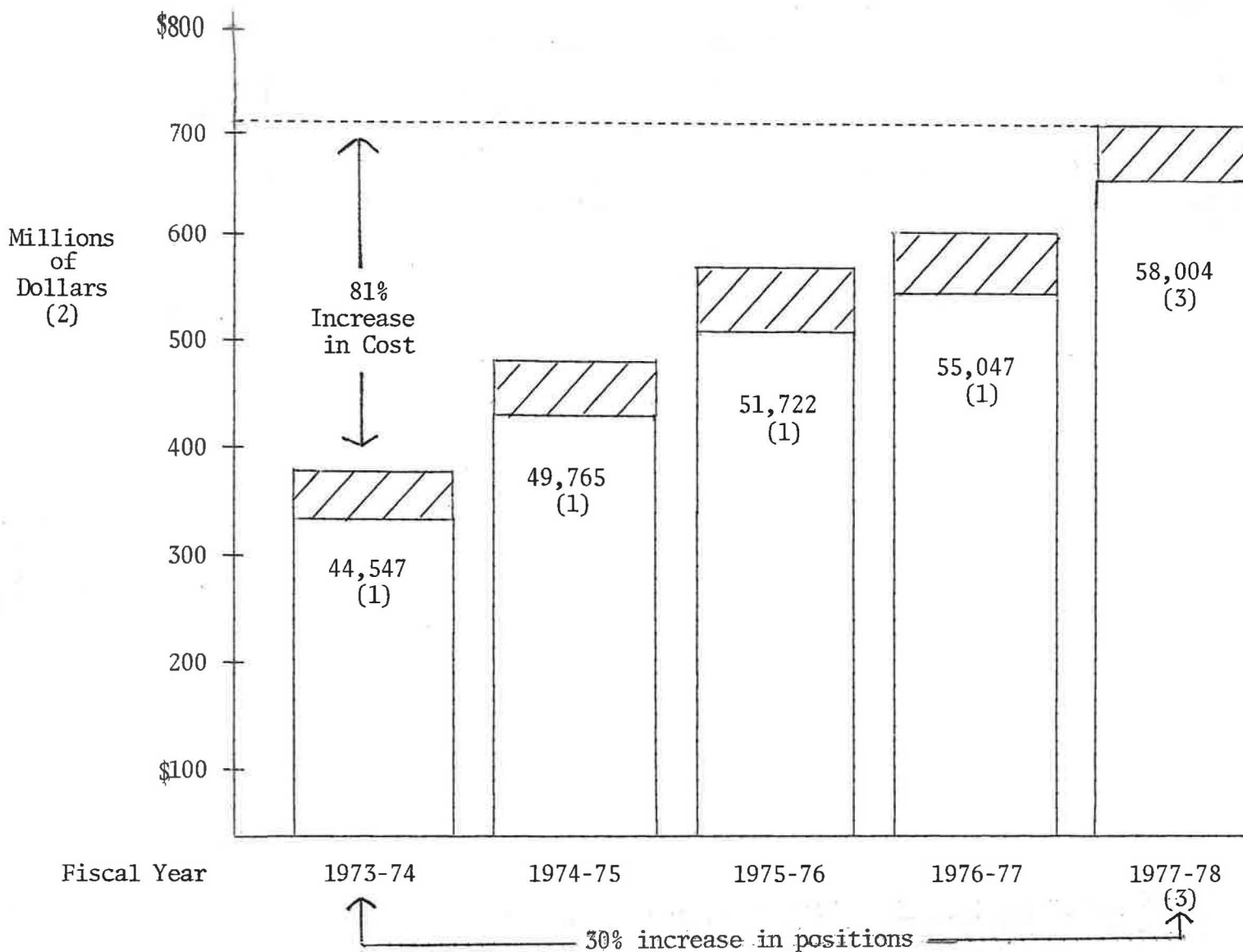
RECOMMENDATIONS

SPD SHOULD DEVELOP A CAREER PROGRAM FOR STATE
EMPLOYEES. STATE RECRUITING SHOULD TAKE ON
A BROADENED ROLE AS THE STATE'S CAREER COUN-
SELING AND RECRUITING CENTER.

THE CAREER UNIT SHOULD HAVE AN ACTIVE AND OPENLY ADVERTISED APPROACH IN ASSISTING EMPLOYEES IN CAREER ADVANCEMENT. A CONTROL FILE OF EMPLOYEES SEEKING ADVANCEMENT SHOULD BE MAINTAINED. THIS FILE SHOULD BE CROSS-INDEXED TO TRAINING AND EXPERIENCE REQUIREMENTS, AGENCY NEEDS AND OTHER APPROPRIATE INFORMATION.

PROFESSIONAL DEVELOPMENT PROGRAMS SHOULD BE PLANNED AND DEVELOPED FOR THE VARIOUS MANAGEMENT LEVELS IN STATE GOVERNMENT. THESE PROGRAMS SHOULD INCORPORATE A CURRICULUM DESIGNED TO IMPROVE EMPLOYEES' PROMOTIONAL POTENTIAL FOR ADVANCEMENT BY PROVIDING FOR DEMONSTRABLE INCREASES IN PROFICIENCY.

EACH STATE EMPLOYEE SHOULD BE GIVEN A TRAINING FORM FOR LISTING TRAINING OR PROFESSIONAL DEVELOPMENT PROGRAMS COMPLETED. THIS FORM SHOULD BE GIVEN TO EMPLOYEES WHEN THEY BEGIN WORK. EMPLOYEES SHOULD BE TOLD THAT KEEPING UP WITH THEIR TRAINING RECORD IS THEIR OWN RESPONSIBILITY, AND AT LEAST YEARLY THEY SHOULD UPDATE THE COPY OF THEIR TRAINING RECORD IN THEIR PERSONNEL FILE KEPT AT THEIR AGENCY.



STATEWIDE PERSONNEL GROWTH

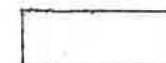
APPENDIX A

NOTES:

- (1) Number of Positions from State Budgets.
- (2) Dollar amount of salaries from State Budgets.
- (3) Estimate from FY 78-79 State Budget.

KEY:

Salaries



Employee Benefits



APPENDIX B
PROFILE OF STATE EMPLOYEES

Sex

Male	49%
Female	51%
	<u>100%</u>

Race

White	72%
Black	27%
Other	1%
	<u>100%</u>

Age

under 25 years	15%
25-35	35%
36-50	29%
Above 50	21%
	<u>100%</u>

Education

less than high school	15%
high school graduate	28%
college graduate	41%
master's degree or higher	16%
	<u>100%</u>

Salary Range

Below \$9,999	57%
\$10,000 to \$14,999	25%
\$15,000 to \$19,000	10%
above \$20,000	8%
	<u>100%</u>

Classified/Unclassified

classified	85%
unclassified	15%
	<u>100%</u>

Classified Employees
Merit/Non Merit System

Merit System	18%
Non-Merit System	82%
	<u>100%</u>

Source of Personnel Funds

State	67%
Federal and other	33%
	<u>100%</u>

APPENDIX C

SPD EXPENDITURES BY SECTION AND BY SOURCE OF FUNDS⁽¹⁾

<u>Section</u>	<u>FY 74-75</u>	<u>FY 75-76</u>	<u>FY 76-77</u>
Merit System	\$ 248,684	\$ 281,372	\$ 338,394
Administration	356,510	313,159	343,983
Classification & Compensation	263,439	304,534	281,432
Research & Data Processing	304,597	356,180	364,656
Personnel Relations & Training	392,644	440,974	569,937
Intern Programs	<u>94,892⁽²⁾</u>		
TOTAL	\$1,660,766	\$1,696,219	\$1,898,402
<u>Source of Funds</u>			
State	\$1,135,586	\$1,219,081	\$1,270,148
Federal ⁽³⁾	276,496	169,394	243,430
Other	<u>248,684</u>	<u>307,744</u>	<u>384,824</u>
TOTAL	\$1,660,766	\$1,696,219	\$1,898,402

(1) The Office of the State Auditor completed a review of the financial records of SPD for FY 74-75. Expenditures for FY 75-76 and FY 76-77 are based on internal accounting records.

(2) This function was in State Personnel for about one year and was transferred to the Governor's Office.

(3) Federal funds include Intergovernmental Personnel Act and Comprehensive Employment Training Act.

NOTE: SPD's budget for FY 77-78 is estimated at \$2,529,612 including \$1,842,530 State appropriated funds, \$254,297 estimated Federal funds and \$432,785 estimated other funds. The State appropriated funds include a one-time appropriation of \$300,000 to implement a new insurance system.

APPENDIX D

The following companies responded to the Council's employee benefits survey:

Allied Chemical Corporation

Blue Cross and Blue Shield of South Carolina

Carolina Eastman Company, Division of Eastman Kodak Company

E. I. DuPont de Nemours and Company

General Motors Corporation

Georgetown Steel Corporation

Graniteville Company

Shakespeare Company

Springs Mills

J. P. Stevens and Company

Western Electric Company

Westinghouse Electric Corporation

United States Steel

APPENDIX E

Comment on The State Personnel Information System

One of the most important functions which the State Personnel Division should provide is a computerized data system containing complete and accurate information about all of the State's employees. In May 1978, a unified data system will be implemented to provide, for the first time, an automatic interface between personnel and payroll information. This Payroll/Personnel System should eliminate many problems found in the State's old data system and facilitate sound management decisions.

The primary problem with the previous personnel data system was the lack of coordination between the State's budget and payroll information. Without these important connections, the system did not serve as the position management control system which the 1975 Personnel Act instructed SPD to implement. SPD has had difficulty determining whether unauthorized positions are being filled, whether adequate funds exist for requested positions or whether actual salaries are within approved pay ranges. Also the old system removed employees who left State service from the data system, making complete analysis of employee turnover impossible.

The Payroll/Personnel System is designed to provide the means to correct these and other problems. Phase I, currently in operation, includes all data from SPD's personnel file (approximately 52,200 employees) and all payroll information from the Comptroller General's file (approximately 20,000 of these 52,200 employees). In addition, payroll information for all employees not on the Comptroller General's

payroll will be collected on computer tapes and cross-checked with information in the system. In this way, complete State payroll information will soon be available in one place on a timely and accurate basis.

Phase II of the system, to be implemented by January 1979, will include the addition of all State employees not on the Comptroller General's payroll, except for those at the State colleges and universities. All employees should be on the central payroll system by January 1980 for Phase III.

The new data system should be regarded not as the cure-all to problems in the whole personnel system but as a progressive step in the right direction. There are always problems in any new system which will have to be corrected. Thus, the Payroll/Personnel System should be reviewed after it has been in operation for a year to determine if its operating capabilities and use match its planning expectation.

Above all, the information provided by this new system must be used if the operation of the State's personnel system is to be improved. The Audit Council found that SPD failed to use some valuable information which the old system could produce. For example, no one in the C&C section knew how many one agency classes were in the classification system or where they were located although the computer could select and print this information for periodic analysis. In general, the computer system was not being utilized to analyze the growth of classes, their dates of review, or their relationship to pay grades. Other areas not being monitored fully using computer data included dual employment and employee benefits such as annual leave, sick leave,

military leave, etc. If the improvements possible under the new system are not used, no benefit from the effort and expenditure will be realized.

State of South Carolina
BUDGET AND CONTROL BOARD
PERSONNEL DIVISION

1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

May 2, 1978

Mr. George L. Schroeder
Executive Director
Legislative Audit Council
Bankers Trust Tower, Suite 500
Columbia, South Carolina 29201

Dear Mr. Schroeder:

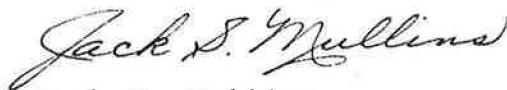
Thank you for the opportunity to comment upon the Council's draft report of its exhaustive review of the State Personnel Division.

While it is not your function to comment on major accomplishments of the past, there have been many significant accomplishments. But State Personnel Division is not content with past successes; much remains to be done in this young system. State Personnel Division recognizes deficiencies, has pointed these out to your staff, and is taking appropriate actions where legislative authority exists and where resources allow. State Personnel Division sincerely desires to have the best state personnel system possible and is working diligently toward that end. Hopefully, this report will assist the State Personnel Division in its efforts to improve personnel management throughout state government.

The enclosed comments upon the report should reflect briefly our major observations, which are based upon the day-to-day experience of working in this area.

We will be delighted to discuss our response with you if you desire. Please call if you have any questions.

Sincerely,



Jack S. Mullins
Director

JSM/cjd

STATE PERSONNEL DIVISION COMMENTS

SPD comments will be kept as brief as possible. Comments below pertain to the summary of recommendations, but comments on related materials found later in the report will be included as necessary to prevent duplication of comments.

SPD concurs fully with most of your recommendations.

Manpower planning. There is a real need to monitor the effectiveness and cost of state employees and to conduct systematic manpower planning. No responsibility for this function has been assigned by law, and the activities outlined in this report cut across existing functions of the Reorganization Commission, Finance Division, State Planning Division, and SPD.

Delegation of classification authority. SPD has long supported limited delegation of classification authority under controlled conditions and subject to State Personnel Division review and approval.

Dual payment of employees on military leave. The payment of salaries for persons on military leave is provided by law and supported by an Attorney General's opinion. Any change would require action by the General Assembly.

Improve documentation and criteria for approved exceptions. State Personnel Division has made and will make additional improvements in documentation and criteria for approved exceptions.

Expand regulations to specify frequency of Position Questionnaire updates and combine PQ with performance appraisal. State Personnel Division will recommend expansion of regulations to require review of the Position Questionnaire by the employee and supervisor each time a performance evaluation is conducted.

Reduce the number of classes; annually review all classes and specifications. SPD has eliminated many classes and has long wanted to establish an annual review of all classes. SPD will intensify efforts to secure additional resources for this purpose. Whereas SPD has eliminated numerous classes when appropriate, federal regulations require that class specifications be valid and job-related. Accordingly, it is often necessary to establish new classes to recognize specific differences in jobs. All class specifications have been reviewed at least once in recent years. Absence of revision does not mean that the specifications have escaped review.

Analyze and publicize cost of employee benefits. SPD analyzes benefits costs on a continuing basis and has supplied the data contained in this report. The costs of fringes depend in large part upon individual salaries. Without a central payroll, it has been impossible, for example, to determine costs of sick and annual leave. The new Payroll/Personnel/Budgeting System (PPBS) will produce individual statements to employees and statewide and agency summaries. A brochure has already been developed to inform employees of their benefits. SPD has examined potential new benefits (dental insurance, full retirement contribution, educational leave with pay, executive life insurance) in detail and made recommendations to appropriate officials. Group auto and/or home-insurance have been determined to be outside the purview of SPD. Premium considerations have precluded additional "preventive medicine" or outpatient diagnostic services, but SPD is actively pursuing the latter. Cost considerations prevent state payment for dependent insurance coverage.

Conduct comprehensive compensation studies and readjust pay plan annually. SPD has constantly maintained that the pay plan is not competitive, that inflation has taken its toll, that straight percentage increases distort the plan and ranges, and that benefits costs should be considered along with salaries. Minimum wage and funding restrictions prevented a major revision of the plan for FY 1979, but SPD has recommended a major change for FY 1980. Full salary comparison data will be available for review by the Budget and Control Board and General Assembly.

Monitor merit increment awards and prohibit across-the-board merit increments. Such awards are monitored monthly. The program has the flexibility to award merit increments ranging from zero to eight percent based upon performance. The strength of such a program lies in the ability of the individual agency to administer it effectively. Restrictive central control can have a counterproductive effect upon the LAC recommendation, but additional policy guidelines that will maintain the decentralized approach but correct the noted problems will be recommended for FY 1979.

Develop a formal Classification and Compensation appeals procedure. Although an appeals procedure has been clearly enunciated to agency personnel officers, a formal written procedure will be implemented. SPD has reached agreement with a taskforce of agency personnel officers and will bring this, along with your recommendation, to the Budget and Control Board for its consideration.

Maintain a codified personnel manual; develop employee handbook. SPD has developed a codified personnel policy manual of all statewide personnel policies and regulations. This manual has been approved by the Budget and Control Board and will be

issued shortly to be effective July 1, 1978. An employee handbook summarizing all pertinent statewide personnel policies will be developed.

Eliminate "Special Pay Increase" category; develop specific categories; monitor agency use. Under the new PPBS, the category of "Special Pay Increase" will be drastically restricted and those pay actions that have been placed in this category in the past will be categorized in more descriptive and meaningful groupings. PPBS will preclude any such increases from escaping review. There is a need in any system processing 150,000 pay changes annually to award justifiable increases when unusual circumstances warrant.

Eliminate insurance revolving account; require agencies to pay premiums by first of month or adjust contract. A continuing account has been maintained to cover retrospective agreement costs, to allow prompt payment to carriers when payments are received late from agencies or employees, and to meet contingencies, such as unexpected increases in the number of new public school or state employees or retirees. This account is now the largest it has ever been. SPD is reviewing with the Budget and Control Board methods by which the amounts required in the account can be reduced.

Require payment from federal funds of premiums for public school positions paid by federal funds. SPD has long advocated payment of insurance premiums for federally funded public school employees from federal monies. The Appropriations Act was amended several years ago to delete the requirement that still applies to state agencies; thus, premiums for federally funded public school employees have not been paid from federal funds.

Evaluate extent of dual employment; revise regulations. SPD conducts an ongoing evaluation of dual employment practices. Dual employment regulations are currently under study by a taskforce of agency personnel officers; a final product can be implemented in the near future. Additionally, with the coming of the new PPBS, SPD will be in a much better position to monitor compliance with dual employment policy on a statewide basis.

Close overcrowded Merit System registers; reduce time applicants can remain on register. The Merit System Rule has already been amended to allow for closing of registers in order to reduce the overcrowded conditions that currently exist. SPD is currently implementing this rule revision. SPD has recommended to the Merit System Council and the U.S. Civil Service Commission a reduction in the length of time an applicant can remain on a register. To date approval to make this needed change has not been granted.

Place higher priority on test validation. SPD has given a very high priority to the validation of written tests. Limited

resources and the tremendous amount of time required to validate written exams have caused results to be slower than SPD would like. Steps are being taken to merge job analysis processes in classification with the exam development effort with the goal of both a faster process and a quality, legally defensible product. SPD has made a considerable effort to obtain additional funds for this project.

Develop systematic programs for recording placements, etc. in Recruiting Unit. SPD agrees that a more systematic program in the recruiting area is needed and will work with all interested parties in developing a system that is responsive to agencies, state employees and the general public in the areas of employment, promotions and transfers.

Coordinate all employee training courses offered by agencies; develop specific management curriculum. SPD agrees that there is a need for the coordination of all employee training courses but has lacked the authority to do so. Under the policy manual to be issued shortly, SPD will have a coordinating responsibility for all in-service training in the areas of personnel administration, general management, and supervisory development. SPD conducts specific programs geared to the different management levels and will take appropriate actions as resources become available to develop comprehensive curricula and programs.

Although the report contains many recommendations in subsequent chapters, space limitations preclude comments on all. As stated previously, SPD agrees with most recommendations. SPD will comment below on those recommendations or narrative statements that it feels require comment.

Chapter II

Classification and Compensation. Deficient operations. SPD desires to have the best C & C function in the nation and is taking actions to improve its effectiveness. Major improvements require additional resources. The workload has increased at a faster pace than have SPD resources. SPD has taken the initiative, however, in scheduling studies as needed even when agencies have not requested them.

During the period between October, 1976, and October, 1977, an average of 12 analysts and supervisors classified 5,025 new positions, reclassified 5,050 positions, conducted 2,506 job audits, completed 243 class studies, and handled numerous pay actions, as well as other related activities, such as training and administrative matters. Response times do meet, in the great majority of

cases, the standards set forth by SPD and communicated to the agencies.

Documenting job information. Much effort has been and is being made to improve documentation. Uniform study formats have been developed. In the absence of space and personnel to operate a secure central file room, SPD will attempt to secure funds to place its records on microfilm or microfiche.

Retaining staff expertise. SPD recognizes the need for trained, competent personnel. Turnover has been extremely low during the past six months.

Maintaining management information. Management conducts periodic checks of the master log and analyst output and has a good grasp of the workload and both the qualitative and quantitative performance of each analyst. However, additional detail will be maintained.

Although SPD has been consistently conducting job analysis, SPD is seeking a more efficient, thorough and standard approach that will eliminate duplication of effort and assure a superior product. SPD is moving deliberately and systematically, and significant changes will be forthcoming.

SPD does provide formal and on-the-job training for analysts, but not as much as desired. Actions are being taken to assure better training and standardization of procedures.

Formats of Classification and Compensation monthly reports will be improved. Job analysis data will be automated. SPD will intensify its efforts to maintain better central documentation and to prepare more complete reports on classification studies.

Ineffective grouping of State jobs. As stated earlier, compliance with federal regulations require classes for which job-related, valid instruments can be prepared, with a resulting pressure to create new classes. Jobs that warrant different minimum qualifications require different classes. It is thus a compliment that South Carolina has a low ratio of employees to classes. SPD disagrees that "jobs sufficiently similar to warrant similar pay and treatment should be grouped together into a job class." SPD maintains that there are sufficient differences in the examples cited to warrant separate classes and/or grades.

Insufficient validation of minimum training and experience requirements. All specifications have been reviewed in recent years, even if no revisions were warranted. SPD has increasingly scheduled specific classes and positions for review and will accelerate the pace. SPD concurs fully with the goal of annual review. SPD has been using job analysis, but is seeking to implement a more systematic and sophisticated approach. The

on-going SPD review of specifications and minimum qualifications routinely seeks to eliminate artificial barriers to minorities.

SPD does emphasize the appropriate use of stated minimum qualifications when agencies screen applicants. However, the initial responsibility for application of the minimum training and experience in each class rests with the appointing authority. SPD will gladly review the validity whenever requested or when SPD determines a need to do so.

Chapter III

Mandatory retirement. Authority for the administration of state retirement laws rests with the Retirement System, not SPD.

Salary plan for unclassified employees. SPD does review all salary actions affecting unclassified employees. A comprehensive study of all unclassified administrative positions is currently being conducted by outside consultants. It is anticipated that a more structured plan will result from this study.

Political activities. SPD has favored and often recommended legislation covering political activities of state employees. SPD also takes an active role in dispensing information concerning the Federal Hatch Act.

Communications with agencies. SPD has worked hard to improve communications, e.g., use of taskforces in policy development and revision, monthly newsletters, memoranda, personnel conferences, etc. Most of the communications problems mentioned will be largely eliminated with the implementation of the comprehensive policy manual. One major reason why it takes so long to develop and implement new or revised policies is the exhaustive process by which input is solicited from the agencies. All agencies have full opportunity to comment on new or revised policies.

Personnel Advisory Council. The State Personnel Advisory Council has had significant input to and impact upon policy development. Written operational guidelines will be developed.

Use of unvalidated merit tests. All Merit System tests have been reviewed and some type of validation work performed since 1974. Five percent have had the most strenuous validation under a new system implemented in 1977 to ensure meeting all current and proposed guidelines for test validation. All tests are scheduled on a priority basis for comprehensive validation studies. Job interviews by agencies are also used in selection.

Career opportunities. There are many avenues for career development within the state classification plan. Although the classification listing does not always contain job categories in a series, such as I, II, III, this does not mean that there are not more opportunities within that career field. Nevertheless, additional career ladders are being developed on a continuing basis.

Personnel information system. SPD has effectively utilized its information system by developing reports that are specifically for agency use, furnishing agencies and the Finance Division with budget and management data, producing cost projections on salaries for the Budget and Control Board and the General Assembly, as well as many other reports. The fact that a particular statistic has not been committed to memory by the staff does not mean that the SPD Information System has not been utilized.

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