

Number 12.3 - MARKET FACTOR ADJUSTMENT

Effective Date: March 1, 1996

Revised: February 1, 2003

Applicable To: All classified employees with the Executive Branch of the State of Vermont

Issued By: Department of Personnel

Approved By: William H. Sorrell, Secretary of Administration

PURPOSE AND POLICY STATEMENT A Market Factor Adjustment (MFA) is a temporary supplement to the regular base hourly pay rates for certain job classes, implemented at the State's discretion, to support effective recruitment and retention of employees in job classes affected by unusual labor market conditions.

A MFA is based upon the desire and the ability of the State to temporarily supplement pay rates for specific classes. For that reason, any or all MFA's may be implemented, reduced or eliminated at the State's discretion, subject to Vermont Statute and the provisions of the current labor agreement.

Types of Market Factor Adjustments: Market factor adjustments may include, but are not limited to, the following:

- Percent of Base Rate Supplement: A percentage of the base hourly rates for a particular class and/or associated class paid as a supplement to the base rate.
- Flat Dollar Supplement: A specific dollar amount paid as a supplement to the base rate to employees in a particular class and/or associated class. For example, every employee in a job class or associated class may receive \$1.00 per hour as a supplement to their base rate regardless of their step in the pay grade.
- A Combination Of Supplements
- Other Types Of Supplements

A Market Factor Adjustment may, at the State's discretion, be implemented for any job class and/or associated class when either or both of the following conditions exist:

- There is documentation of a demonstrated and substantial difficulty in recruiting applicants for the particular job class in a defined labor market area.
- Retention of current employees is jeopardized by the limits of the compensation plans when compared to appropriate labor market rates.

Market Factor Adjustments generally apply to only those classes that require a professional degree, license, or certification, or that require specialized training, skills, education, and/or experience in a unique discipline, field, or occupation.

Attachment A – Initiation of a Market Factor Review

I. INITIATION OF A MARKET FACTOR REVIEW

- **NEW MARKET FACTOR ADJUSTMENTS:** The Employment Services Group of the Department of Personnel may initiate a Market Factor Review if it becomes evident that labor market conditions are affecting the ability of the State to effectively recruit and retain employees in a particular class and/or associated class.

Agency/Department Hiring Authorities may request that a job class be considered for review by the Department of Personnel by contacting the Compensation Unit of the Department of Personnel. A market study will be conducted only if there is clear and documented evidence of compensation-related recruitment and/or retention issues for that particular class. The appointing authority's request for a market factor adjustment review must include information that clearly demonstrates that the established salary range is not adequate to attract or retain qualified employees in a specific class and/or associated class.

Required Documentation: An Agency/Departmental request for a new or revised MFA must include the following information and documentation:

1. Class, title, pay grade, and the number of filled and vacant positions in that job class and any associated classes within the agency/department.
2. Information on classification history of the job class requested for review- for example: dates and results of most recent classification review and the effect on recruitment.
3. Unique or special skills, training, education, or experience required of the position.
4. A history of recruitment/turnover activity for the entire two years preceding the date of the request to include turnover history, the quantity and qualifications of applicants, what recruitment actions have been taken and their results, and the amount of time positions have remained vacant during active recruitment.
5. The geographic market area that is used for recruitment of the job classes requested for review (local, state, regional, national).
6. Source and availability of continuing funds that would support the requested MFA.

A Request for Review will not be considered if documentation is not complete as outlined above.

Evaluation of Agency/Department Request: An evaluation will be made of the required data provided by the agency/department (as outlined above) to determine if sufficient evidence has been presented to support the need for a review. If a review is undertaken, the "Review Steps" as outlined in Section II of these procedures will apply. If a review is not deemed necessary, the Compensation Unit will notify the agency in writing as to the reasons for the decision.

Salary Survey Costs: The costs for any salary survey information that are incurred by the Compensation Unit in conducting a MFA review will be charged back to the requesting agency or department by the Department of Personnel.

II. REVIEW STEPS 1. MFA Review Conference: A Market Factor Review Conference, chaired by a representative of the Compensation Unit, will be held to discuss the requested MFA. This conference will include the Agency/Department Head, Personnel Officer, Business Manager, and Budget & Management Analyst for any agency or department that may be affected by the implementation of a Market Factor Adjustment to the job class or classes in question. Other DOP or Agency/Department representatives may be included as required. Discussion will focus on the following:

- Recruitment and retention data and issues experienced by the agency/department.
- Potential financial and employee relations impact of an MFA on the agency/department.
- Relevant labor market for the job classes under review.
- Other issues that may be contributing to recruitment and retention problems and possible solutions.
- Options available to influence more effective recruitment and retention.
- Salary information that will be required to conduct the review and the resulting costs for the requesting agency/department.

2. Summary of Market Factor Review: Upon completion of the review, the DOP Compensation Unit will issue a summary document explaining the results of the review and the preliminary recommendation to the Commissioner of Personnel.

3. Sunset Period Established: MFA's implemented after February 1, 2003 will have an established sunset date that is no later than two years from the effective date of the implementation of the MFA. The Compensation Unit summary will include a recommendation for an appropriate sunset period.

4. Review and Recommendation by Commissioner of Personnel: The summary document and the recommendation are forwarded to the Commissioner of Personnel. If the Commissioner approves an adjustment, the Vermont State Employees Association (VSEA) is given a copy of the MFA summary and has an opportunity to negotiate the impact of the decision with the DOP as specified in the Wage and Salary Article of the current labor agreement. If the Commissioner does not approve the recommendation, the requesting Agency will be notified in writing by the DOP.

5. Secretary of Administration: If the Commissioner of DOP recommends approval of an MFA, the recommendation is then submitted to the Secretary of Administration for final approval. A copy of the recommendation is also forwarded to the Department of Finance and Management for recommendation. If the proposed adjustment is changed during this process, the State shall notify VSEA according to the procedure outlined in the Wage and Salary Article of the current labor agreement. The Secretary of Administration has final authority to approve, deny, or modify MFA recommendations from the Commissioner of Personnel or the Commissioner of Finance and Management.

III. Communication Of Review Results

- Post-Review Meeting: A meeting will be held with affected agency/department heads following completion of an MFA analysis. Attendees of original MFA Review Conference will be invited to attend to discuss results of review and next steps.

IV. Implementation Procedures

- Effective Date Of Supplemental Increase If MFA Is Newly Established Or Existing MFA Is Increased: The effective date of the MFA supplement will be established in the review process but in no event will it be earlier than the first day of the pay period following approval by the Secretary of Administration.
- Effective Date of Supplemental Reduction If MFA Is Reduced Or Eliminated (Any MFA Implemented After February 1, 2003): Six (6) months notice will be given to affected employees before an MFA is reduced or eliminated.

V. Employee Notification

Agency hiring personnel are responsible for clearly communicating the temporary nature of any MFA supplement to both job applicants and current employees. The salary breakdown information shall be in writing and signed by the employee indicating his or her awareness and understanding of the amount and the temporary nature of any MFA supplement to their regular hourly rate of compensation. This document must then be retained in the employee's official personnel file. (Form # MF-1 available to print/download on the DOP website should be utilized for this purpose)

VI. Sunset Date

When established, each MFA supplement implemented after February 1, 2003 must have an established sunset date no later than two years from the effective date of the implementation of the MFA. The Department of Personnel may conduct a follow up review at their discretion. Any affected agency/department may request a follow-up review and analysis no sooner than twelve (12) months after the effective date of the MFA by following procedure as outlined in Section I ("Initiation of a Market Factor Review") of these procedural guidelines. At the State's discretion, the MFA may be

continued, modified, or eliminated at any time with or without review in accordance with Vermont Statute and the current labor agreement.

Approved by Sean Campbell January 2, 2003
Secretary of Administration Date