

OPM 02-02

To: All Appointing Authorities

From: Oscar B. Jackson, Jr., Administrator
and Cabinet Secretary of Human Resources

Date: January 11, 2002

In re: Agency Director Compensation Report

During the 2001 session, members of the Oklahoma Legislature and Governor Frank Keating approved Senate Bill 224, which required the Office of Personnel Management (OPM) to conduct a study of all agency director salaries to determine the market rate of pay for the services being performed by these directors, and to report the results of this study to the Governor and legislative leadership by January 1, 2002.

On behalf of OPM, I contracted with Hay Management Consultants (HayGroup), a professional services and e-business firm, to conduct this study. I submitted the results of the study, which are compiled in the HayGroup's *State of Oklahoma Agency Head Compensation Report*, to the Governor, Speaker of the Oklahoma House of Representatives, and President Pro Tempore of the Oklahoma State Senate on January 9. In addition, HayGroup consultants Neville Kenning and Greg Wolf briefed the Governor's Cabinet and members of the fiscal staff of the House and Senate on the results of their survey. The HayGroup's *State of Oklahoma Agency Head Compensation Report* contains the following findings and recommendations:

HayGroup Findings

1. There is a significant degree of vertical and horizontal dispersion in the current salary practice for agency directors, resulting from the lack of a formalized and standard pay plan, i.e., agency director positions with similar job content have significant pay differences, and agency director positions with significantly different job content are paid similar pay.
2. The State has neither identified a comparator market for agency directors nor a level in the market at which these positions should be paid.
3. The State's current salary practice appears to be competitive with the Central and Southeastern states at the small-medium size agency director level, but for medium-large size agency director levels, trails the average practice for comparator state groups (those with similar socio-economic and population indicators).

4. When compared to Hay's Oklahoma market for similar job content (private, not-for-profit, and public sector employers), the current agency director practice trails the in-state median practice by amounts that vary from 50 percent – 130 percent, which is significant, because the vast majority of agency director appointments are made from within Oklahoma.

HayGroup Recommendations

1. Adopt the Hay Guide Chart Profile Method of job evaluation for State agency director positions, which takes into consideration *Know-How, Problem Solving, and Accountability*.
2. Adopt a grade and salary structure for State agency director positions based upon internal equity and external competitiveness, which narrows the gap between the current practices and the comparator state market. The State should retain the flexibility to administratively allocate positions to levels within the grade and salary structure based upon special conditions or qualifications.
3. Adjust agency director salaries that are below recommended minimum salary levels, and as appropriate, provide within-grade adjustments, taking into account such factors as time in position and performance. There are 46 agency directors below recommended range minimums, at an annualized salary cost of \$384,517.
4. Establish an Agency Head Salary Commission for future administration of the grade and salary structure for agency director positions.

I concur with the HayGroup findings and recommendations and have urged the Governor and legislative leaders to take them under advisement during the 2002 legislative session for implementation during FY 2003.

I want to thank all agency directors for participating in this project by completing position description questionnaires, and those who were asked to interview with the HayGroup consultants. As previously stated, I concur with the report's findings and recommendations; however, I would caution anyone reviewing the report to understand that all recommendations will be examined closely by the Oklahoma Legislature, the Governor, and others involved in the decision-making process. In addition, it is likely that certain aspects of the analysis may require further review.

I have attached a copy of the HayGroup's *State of Oklahoma Agency Head Compensation Report*. You may direct questions to Tom Patt, OPM Director of Compensation, at (405) 522-0422, or Thomas.Patt@opm.state.ok.us. Also, if you have any questions or concerns with which I may assist you, please do not hesitate to contact me.

Enclosure