

WORK OUT OF CLASS DIFFERENTIAL

REPORT OF FINDINGS

AUGUST 1995

EXECUTIVE SUMMARY

State policy and collective bargaining agreements provide for the payment of a work-out-of-class (WOC) differential to employees who are temporarily assigned duties of a classification having a higher salary range than their permanent position. This provides equitable compensation for employees who are engaged in project work or job rotational assignments, or are in a position that is pending upward reclassification because of changes in duties. These are distinguished from developmental assignments that are made at agency discretion and do not warrant the application of the differential. In 1994, a Secretary of State Audit Division review on this subject recommended that the Department of Administrative Services establish guidelines specifying reasonable lengths of time and amounts of differential compensation to be paid. Our review disclosed that a need for guidelines exists, and recommends the inclusion in state policy of application standards that reflect reasonable agency practices.

A preliminary systems data review showed that 51 agencies had 1,120 WOC assignments in effect. When WOC assignments have long durations, particularly those where a reclassification is pending, an agency may be in conflict with fiscal policy. Assignments in excess of 24 months have extended across at least one biennial budget approval process. A reasonable and prudent basis must be applied to the amount of differential compensation that is given during a WOC assignment. Consistency and the avoidance of disparate treatment needs to be balanced with the value of the higher level work being done.

For the purposes of this review, threshold levels were set for assignment duration and amount. The audit included 100% of the cases that exceeded these thresholds. There were 261 WOC assignments of 12 months' duration or longer, the longest being 58 months. There were 20 cases where the incumbent was being compensated at a differential amount of more than two salary steps (approximately 10% of base wage), with the highest amount being \$1,188 per month, or five steps. Thirty-five agencies were contacted regarding each assignment that exceeded the threshold levels, and we received information about the nature of the assignments with reasons for the duration or amount.

Based on the numerical and narrative responses from the agencies, the following application standards are recommended:

Duration: The basic standard is 12 months. For cases that depend on reclassification or budget issues for resolution, the maximum duration is 24 months or within the biennial budget cycle in which the WOC assignment was initiated. For cases involving project work or other specific assignments with a clear and finite ending date, the standard is the identified ending date. Assignments that are expected to exceed these standards should

be evaluated for alternatives. Amount: The standard is one-step or the first step of the higher salary range, whichever is greater. Differentials exceeding this standard may be applied only in exceptional cases.

It is further recommended that these standards not be placed in the body of the pay practices policy, but rather in the "clarification" section to be used as guidelines by agencies applying the WOC differential.

When these application standards are applied to those agencies under audit, we find that there are 13 agencies that have WOC assignments exceeding one or more of them. There are 29 cases involving duration, and 18 cases involving the amount of the pay differential. Several agencies have provided information on their plans for resolution.

CONCLUSIONS AND RECOMMENDATIONS

Most agencies use the work-out-of-class pay differential as a management tool to equitably compensate employees who are in positions that are pending reclassification, performing special project work, are working on a rotational basis or are backfilling for others who are on job rotation or leaves of absence. These are distinguished from developmental assignments that are made at agency discretion and do not warrant the application of the differential. There are guidelines for the application of WOC that are very prescriptive regarding the amount of differential compensation in the case of represented employees covered by labor agreements. There are less prescriptive guidelines for the duration of assignments for both represented and unrepresented/management service employees, but the common thread is "temporary" or "limited" in duration. Other policies establish requirements associated with position authorization and reclassification. Extended WOC assignments that are pending reclassification may be in conflict with these policies.

A reasonable and prudent basis must also be applied to the amount of differential compensation that is given during a WOC assignment. Consistency and the avoidance of disparate treatment needs to be balanced with the value of the higher level work being done.

Conclusion:

The initial threshold levels that were set to select data for review were 12 or more months' duration, or over two steps (10%) for the differential amount. Upon evaluation of the data and agency narrative responses, we conclude that a set of "application standards" needs to be established, based on actual agency experience and practice, to provide guidelines for the reasonable and prudent application of the WOC differential.

Recommendation:

A set of application standards should be incorporated into [State Policy 20.005.10 \(Pay Practices\)](#) as stated below:

Duration: The basic standard is 12 months. For cases that depend on reclassification or budget issues for resolution, the maximum duration is 24 months or within the biennial budget cycle in which the WOC assignment was initiated. For cases involving project work or other specific assignments with a clear and finite ending date, the standard is the identified ending date. Assignments that are expected to exceed these standards should be evaluated for alternatives.

Amount: The standard is one-step or the first step of the higher salary range, whichever is greater. Differentials exceeding this standard may be applied only in exceptional cases.

These application standards would be placed in the "Policy Clarification" section of the policy, and be clearly identified as guidelines based on reasonable agency practices. They are intended to be used as a tool for agency management in applying this differential. We further recommend that these not be placed in the body of the policy. With input from the agencies, HRMD recently eliminated previously stringent restrictions from many policies. An evaluation of the data in this audit suggests that at this time there are few exceptions to these application standards, and that clarification is sufficient without reverting to rigid policy dictates.

Conclusion:

Although outside the scope of the audit, three cases were identified where the assignments do not appear to fulfill the requirements of working at a higher level for the assignment of WOC.

Recommendation:

Each of these should be addressed with the agencies involved. In one of these cases, there is an apparent question of equity in compensating a non-supervisory confidential management service employee regarding the application of a leadworker differential. This is a compensation plan issue, and we recommend that it be reviewed by agency staff with an HRMD generalist and the HRMD Compensation Unit.

Conclusion:

There are 13 agencies that have WOC assignments that exceed the recommended application standards.

Recommendation:

We recommend that each agency be requested to evaluate their assignments in context with the final report, and be requested to resolve assignments that exceed the application standards. Several of the agencies provided information on their plans for resolution at the time they commented on the draft report we sent them.