When the Y2K bug hit the State of Michigan, like other employers, the IT workforce was impacted. In the State of Michigan, departments weren't losing IT staff to the private sector, rather the departments were raiding each other. The State of Michigan has 19 principle departments. There is one central data center for payroll, employee records, e-mail and the like, but each department has their own LAN and specific data bases. For example, the Department of Corrections maintains their own Corrections Management Information System for prisoner records and bed projections. Each department was attempting to obtain staff with the most expertise.

Each department has a Chief Information Officer. They meet as a group on a regular basis and in the summer and fall of 1998, they were discussing their response to Y2K and a plan to retain current staff and attract high caliber candidates to the state of Michigan to assist in the initiative. They enlisted the assistance of the Human Resource community. Like the CIO's, the Human Resource Directors meet monthly. The groups assigned a joint subcommittee to develop a plan to address the turnover problem. The plan they developed, with the Department of Civil Service's assistance, had a four-pronged approach.

The state of Michigan had two general types of classifications for IT - systems and programming. The professional workers had four levels - entry, intermediate, experienced and advanced. The specialists had four levels and the managers had three levels. The pay ranges were step and grade with five steps. In order to utilize staff most effectively the programming and systems concepts were combined. This allowed for cross training and maximum flexibility in assignments. The levels were combined or broadbanded. The four levels of worker became a single class and the step and grade system became a range. The 22 classifications became 3. The minimum salary was set at the minimum pay step of the entry level classification and the maximum salary was set at the maximum pay step of the advanced level classification for the four combined levels of worker. Pay ranges for the specialist and managers were likewise combined. Starting salaries could be any rate within the minimum and maximum rates to allow for recognition of special expertise and to be more competitive with the private sector.

Compensation tools were added. A first in state employment, a signing bonus, was authorized for up to $5000. Again, this was in response to similar tools being used in the private sector. New employees to the state of Michigan were required to work for the state for one year or repay the bonus.

A second tool was what we call the mission critical skills bonus. It is a retention tool, where departments are able to offer up to a 10% of base salary bonus to employees with skills that are critical to the completion of a project or maintenance of a database. Employees who receive such a bonus are required to sign a repayment agreement that they will remain with the department for a

year or repay the bonus. This bonus allowed the departments to retain say, their Remedy expert, while they trained or recruited an additional expert.

The third compensation tool was performance pay. The state of Michigan had already implemented two performance-pay programs prior to the IT pilot. For executives and administrators, employees were required to sign a performance contract, containing specific objectives, for a period of two years. Employees were then evaluated on how well they met the performance objectives of the contract on a five level scale. They were then eligible for up to a 10% over base pay performance award. A similar program was established for the executive assistants to these positions which allowed for up to a 5% over base pay performance award. When it was considered for IT, the stakes were higher, and up to a 15% over base pay award was permitted.

Given that the IT jobs were similar across departments, the CIO's wanted a consistent manner of evaluating performance. Human Resources suggested using competencies, or identification of the abilities, skills, knowledge and motivation needed for success on the job. The consulting services of PriceWaterhouse Coopers was enlisted. They conducted focus groups with workers, specialists and managers and identified the basic competencies. These were validated with all IT employees. The final product included five competencies for workers and a sixth for managers. The technical competency was found to be the core of all the competencies. (see graphic display in manual) The five evaluation ratings were reduced to three: needs improvement, fully competent and exceeds expectations. To reduce subjectivity in evaluating employees, PriceWaterhouse Coopers developed a rating scale for each competency. Behavioral examples for each rating level provided supervisors with a benchmark.

The compensation changes for the pilot were approved in January, 1999. The rating scales were completed about that time, so the form could then be developed. The departments could not agree on the sole use of competencies for evaluation, so the form had to incorporate performance objectives and the ability to assign weights to the objectives and competencies. The form would also be a single universal form for probationary periods, interim ratings and annual ratings. The form was completed in April. Implementation was set for August, 1999. Extensive training was required to train the IT managers on the use of performance evaluation tools, since most were not familiar with evaluating their staff based on competencies. Over 1200 supervisors were trained in a two month period. A manual was developed to describe the performance evaluation cycle and provide other tools necessary to implement with the pilot. The initial training has now been expanded to include a skill building section on writing objectives and conducting the evaluation meeting.

The last phase of the process was to incorporate recruitment tools. The purchase of compatible software for the state's new Human Resource

Management Network from Lawson software included the purchase of ijob. It is an internet recruiting tool that is a web based job applicant and screening process. It automatically posts vacancies on 400-600 web sites. Interested candidates respond to postings, enter credentials and employment history information into ijob via prompts tailored to elicit information related to the particular vacancy. Ijob also screens candidates by use of a computer assisted interview. Ijob provides the candidate a resume at the end of the process. The hiring department screens the candidate qualifications against the requirements of the position vacancy and a list of ranked individuals who meet the selection criteria is generated.

The pilot sunsets on January 7, 2000. The average performance bonus for the first review period was about 6 percent. An exit interview process is being conducted to determine the reasons for employees leaving state service. We are expanding a form of the evaluation process for all state employees. All of the materials for the pilot are found on our web page, www.state.mi.us/mdcs under the Employment Information heading.