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Confronting employee compensation

How much of a salary increase, if any, should the state Legislature give some 230,000 workers? The compensation decision is critical this year because no across-the-board salary adjustments were made in the 1993-95 biennium. Employee groups demand raises and the cost is high.

The 230,000 figure amounts to about 172,000 FTEs (full-time equivalent positions) and includes public school personnel. Roughly, the FTE numbers break down this way: 83,500 K-12; 53,000 state, and 35,500 higher education.

The governor's budget proposes cost-of-living adjustments (COLA) for K-12 and state government employees of 2.9 percent in the first and 3.1 percent in the second year of the 1995-97 biennium, for a total of $322 million, plus another $80 million for higher education employees funded through tuition hikes and institutional cost reductions.

House Republicans are expected to propose a lower cost alternative. Options might include lower COLAs, one-time increases, merit raises, adjustments for those earning below a certain salary, or expanding salary ranges to provide increases to those workers who have "topped out" on the schedule.

Compensation discussions frequently become polarized. Public employees charge that their pay is lower than they could get in business. Others point to data suggesting the opposite, that government workers are insulated from the pressures that have restrained private sector pay in recent years. Because of the size of the state work force, even modest salary increases involve significant costs to taxpayers.

Two views of state pay

In *America's Protected Class III,* published by the American Legislative Exchange Council (ALEC) in April 1994, researchers reported public employee compensation (including paid fringe benefits) rose 69 percent during the 1980s, while private sector wages increased 49 percent. By 1991, average annual compensation for private employees here trailed state workers' pay by 15 percent.

Yet here we have the state personnel department concluding from its salary survey that state classified employees (i.e., general civil service employees) average 11 percent below market. While the salary survey doesn't provide a direct comparison (benefits aren't included, and presumably would close the gap) the findings startle many outside government. For example, according to the salary survey, liquor store clerks are paid 12.5 percent *below* market. But when privatization was suggested, one of the major problems the proposal faced was protecting the generally higher wages and benefits paid liquor store clerks.

Auditors, correctional officers, physical therapists and computer programmers in state government may be paid less than their private sector counterparts, as the personnel department finds. And, the department may be correct in reporting that food service aides and custodians are making more than their peers outside state government. But that's beside the point.

Benchmarking undoubtedly has some value. Testing against the competition is one way to anticipate and avoid difficulty in filling critical positions. However, the state has yet to demonstrate widespread problems with personnel recruitment and retention.

In every business, there are employees who believe they could make more money by changing employers. Occasionally, they do. When enough leave for higher pay, the employer may have to increase compensation to attract qualified applicants. That's how the market works.

Besides, the austerity of the last two years has been exaggerated. Thirty-eight percent of state employees received a salary increase between June 1993 and June 1994, with about a fifth of the total receiving automatic or "step" increases of either 2.5 percent or 5.0 percent.

The House Appropriations Committee was given a couple of examples. Take the case of a clerk typist hired in 1989 at an annual salary of $16,020. By 1995, that employee would be earning $24,564, a 53.3 percent increase as a result of comparable worth, step increments and cost of living adjustments. For public school teachers, salaries are adjusted based on education and experience. A teacher hired for the 1988-89 school year at $17,600 would by 1994-95 be earning $30,101, a 71 percent increase made possible through education and experience increments, COLA, and supplemental pay. (About 41 percent of all public school teachers had 16 or more years of experience and were not eligible for experience increments.)

Too often, compensation discussions degenerate to public employee bashing, a disservice to the thousands of teachers and government workers who truly fulfill the ideal of public service. Like any large organization, government has its share of angels and devils. Problems come when public-private competition is thwarted by personnel law and large groups of employees advance lock-step through a compensation system with little apparent regard for performance or markets.

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