

State Employee Issues

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The Virginia State Personnel System:

- No merit pay or funded pay for performance pay system
- No step raise program or longevity pay system
- No cost of living adjustment pay system
- Plagued by:
 - Market lag behind the private sector for most jobs
 - Severe salary compression
 - Lack of pay-for-performance
 - Reductions in take home pay due to health insurance premium increases, 5 for 5 VRS change (FICA and other taxes), parking fees, etc.
- Five (5) years since any increase in take home pay, and none proposed for the next two (2) years

2011 DHRM Annual Salary Survey Findings:

- On average, State employee salaries for typical occupations are **16.62%** below private Industry. The range was 1% to 92% behind comparable private sector salaries.
- Bureau of Labor Statistics (BLS) shows that Virginia state employee weekly wages since 2003 are consistently below private sector and *federal and local government* worker wages.
- Private sector and federal government employee weekly wages have continued to grow while state and local employee weekly wages have been flat since 2008.
- By the end of 2012, State employee salaries will be **23.1%** below job market competitors due to cumulative market movements.

National Salary Trends:

- Average salary increase
 - 2.7% in 2011
 - 2.74% in 2012
- Average salary range adjustment
 - 1.59% in 2011
 - 1.65% in 2011
- Mercer reports companies freezing pay dropped from 1/3 of employers in 2009 to 5% in 2011

Source: DHRM Annual Salary Survey Report to the General Assembly and IOMA Report on Salary Surveys November 2011

2011 JLARC Study Findings:

- Cash compensation for state employees is **Not Competitive** when compared with the market and contributes to State's **last place ranking** compared to competitors (other large employers).
 - In both 2008 and 2011, Mercer's analysis showed that cash compensation, alone, is not competitive when compared with the market. In both time periods, low salaries were the primary driver of the State's relatively low competitiveness.
 - The relative competitiveness of the State's total cash compensation (salaries and bonuses) has decreased by six percentage points since 2008, from 88 to 82 percent of the market median for Plan 1 employees. For Plan 2 employees, cash compensation is even less at 79 percent of the market median in 2011.

The State's non-cash benefits have kept it **Marginally Competitive** as an employer. The State's benefits package does provide some off-set to balance the relatively low salaries now paid to State employees.

Conclusion:

- The pay system for state employees has become dysfunctional.
- Salaries are no longer competitive
- Employee benefits (health insurance and retirement) have kept the state only marginally competitive.
- The Governors' proposed increases in health insurance premiums and proposed VRS changes will erode this even further.
- State employees need a pay increase in this biennium and a commitment to fixing the State's dysfunctional pay system.