OSEA Statement on Oregon's Compensation Plan

(Editor's Note: At a recent meeting of the Legislative Fiscal Committee's Subcommittee No. 2 which is considering major revisions in Oregon's civil service law, Rep. Morris Crothers (R-Salem) asked OSEA to prepare a statement outlining some suggestions to improve Oregon's civil service merit pay system. The following statement was prepared and presented to the subcommittee by Everett B. Stiles, staff wage and salary analyst, on Sept. 5. It is reprinted here in order that OSEA members may be informed of what their association is doing.)

The responsibility for the development of Oregon's compensation plan for classified employees is vested with the Civil Service Commission (ORS 240.235).

In establishing a minimum and maximum salary rate for each classification, the law states that consideration shall be given the prevailing rates of pay for services performed and for comparable services in public and private employment, living costs, maintenance or other benefits received by employees, and the state's financial condition and policies.

Responsibility for Salary Survey

The commission under ORS 240.233 is directed to initiate a salary survey program for the purpose of compiling information and preparing statistics on prevailing rates of salaries and wages in all positions of state service. The statute further directs the commission to publish the results of the survey and furnish copies of the report to the governor and members of the legislature on December 1 of each year.

Survey Procedure Takes Time

Since 1956, the civil service staff has been performing the annual salary survey in compliance with ORS 240.233. However, valid salary surveys are not completed in a few days or even a couple of week's time. Companies to be surveyed must first be contacted to solicit their participation; once participation is guaranteed the comparable classifications within that organization must be determined. This is accomplished by use of job descriptions and personal contacts by a technician. Once the data are collected it must be assembled and statistically verified. In total this procedure will take about a month to six weeks.

Public Hearing Held

Salaries are then established from the survey findings using the intra-quartile method. Salary proposals are given a public hearing and then forwarded to the governor for inclusion in his biennial budget which is released simultaneously with the Civil Service Commission's salary survey on December 1.

State Pay Never Current

Most salary ranges in Oregon have six steps from bottom to top. The spread between increments or steps within the range varies from about 4.8 per cent in the lower ranges to slightly over 3 per cent in the higher salaries. In many classifications the top step in the range is what competition is paying the position even though at the time the range was established the average found by salary survey may have fallen in the middle of the range. Our system is not designed to keep abreast with an increasing economy and the resulting increasing wages and salaries.

Solution Needs Initial Appropriation

There are several approaches that could be used to re-establish a merit pay system and to recognize the value of the dedicated career state employee. Any solution OSEA might propose must carry with it the initial appropriation of funds by the legislature to overcome the lag that is inherent in our present system.

Pay Lag Solutions Proposed

OSEA believes a solution to our salary dilemma could be attained by developing a salary administration program which draws partially on the federal system, partially from the union concept of escalator clauses, rewarding an individual for performance and recognizing the dedication of a career employee.

State Pay Lags Three Years

Oregon's salary proposals which are submitted to the governor are based on the salary data which are collected in July of any given year. By the time the legislature convenes and appropriates salary adjustment funds, seven to nine months have lapsed since the data upon which the salaries were established was collected. By the time salaries are implemented on July 1, the increases given state employees merely place them at the salary which their counterpart in industry or other governmental jurisdiction was receiving one year before. As the biennium passes, this problem compounds itself and employees find themselves up to three years behind competition as the biennium ends.

Has Hurt Merit System

This procedure which continually lags competition has led to the demise of a merit pay system in Oregon. Last year 94 per cent of the employees *eligible for a merit increase received one. The reason is simple: when salaries lag competition* and costs and wages spiral upward, it is imperative that "merit increases" be given whenever possible.

Some Proposed Solutions

Project Salary Ranges

(1) When salaries are developed from the survey data collected, rather than establish ranges which will be a year old when implemented, project the salary ranges so they will be competitive when they are implemented. Projection could be based on any number of indexes or combinations of these; cost of living, wages indexes, earnings trends in Oregon, growth in personal income, etc. Trends could easily be developed over a five to ten year period to assure stability.

Keep Prevailing Pay Within Third Step

(2) In establishing competitive ranges, do not allow the prevailing rate at the time of salary implementation to exceed the third step of a salary range (assuming most ranges continue with six salary steps).

Move Employees to Average Rate Faster

(3) Move employees to the average rate more rapidly. First increase after six months, second after one year, third at either 18 months or a maximum of two years. The top steps should be reserved for merit increases. Using the federal system, an employee who did not merit the fifth step would have to wait two additional years before it would become automatic. The sixth step would be reserved for merit and would not become automatic until an employee had been at the fifth step for three years. This system "builds-in" reward for length of service and, at the same time, it rewards superb performance more generously.

Establish Longevity Steps

(4) On top of the normal range there could be three additional longevity steps. One would be given automatically after an employee had been at the top of a salary range for five years, the second after ten years and the third after 15 years at the top.

Mid-Biennium Pay for All

(5) When the legislature appropriates money for mid-biennium adjustments, that money should be given as a percentage across-the-board increase to all employees with salary ranges and salary steps adjusted accordingly. The release of this money could be based upon an increase in a given index (escalator clause).

Establish Equidistant Pay Steps

(6) All salary steps should be equidistant, with either four or five per cent increments.

Don't Distort Relationships

(7) Changes in relationship of one classification to another should take place only at the time an overall compensation plan is proposed to the legislature or during the interim before the Civil Service Commission. This would eliminate the need for arbitrarily selecting certain classifications when a nominal amount of funds are available for mid-biennium adjustments. Relationships would not be distorted in the middle of the biennium.

Implementation Should Be Step-to-Step

(8) All salary range adjustments should be made on a step-to-step basis. If an employee is paid at the third step in a range and it is determined that the range should be increased, the employee should remain in the same relative position within the range and should retain the same relative position to his fellow employees in the same job.

Establish Journeyman Pay Ranges

(9) Classifications which are recognized as having a journeyman level and require journeyman qualifications should have only two salary steps within the range plus the longevity steps referred to in (4) above. Once an employee has served a trial service period, the top rate should be paid. These occupations are accustomed to the fixed rate concept and the state would do well to adopt the system. The Civil Service Commission has already seen fit to adopt this concept with the printing trades.

Would Develop a Better Pay System

These recommendations or a variation of them would definitely develop a better merit pay administration program than we have today. Regardless of any changes made, the legislature must initially appropriate the money necessary to overcome the lag built into the system now used in Oregon to determine state salaries.