McCall Pay Plan Discriminates Against Career State Employes

Gov. Tom McCall has recommended that the 1971 Legislature adopt a new pay plan for the state's 27,000 classified and non-academic unclassified employes which would save Oregon some $8 million in implementation costs during the 1971-73 biennium.

If the plan is adopted by the Legislature, OSEA staff member Everett B. Stiles says most of the $8 million saving will come from the pockets of the state's career employes.

McCall's proposed pay plan was developed by the Executive Department's Personnel Division as the result of a directive issued by the 1969 Legislature's Joint Ways and Means Committee. It wanted the state to adopt a salary plan which would: (1) increase hiring rates to help Oregon recruit new employes, (2) integrate the concepts of both merit and longevity pay, and (3) move the majority of employes from the top portion of the salary ranges back toward the mid-point in the pay ranges.

Detrimental to Career Employes

The state's present pay system is basically a six step salary plan with 45 pay ranges. There is a five per cent increment between each step and each range. The proposed plan would reduce the number of pay steps from six to five on July 1, 1971, and from five to three on July 1, 1972. In addition, the plan provides a longevity payment and bonus plan.

The implementation proposed by the Executive Department, according to Stiles, combined with reducing the number of steps from six to three, would give the greatest pay increases to new employes, and lesser pay raises to career employes (see examples on pages 4-5).

OSEA Opposes McCall Plan

For that and other reasons, OSEA's Board of Directors at its last meeting voted unanimously to oppose Gov. McCall's proposed pay plan. It gave the following reasons for its opposition:

(1) "The proposed plan adversely affects career employes to an extent that is not offset by either its alleged longevity or performance bonus compensations or a combination thereof."

The longevity portion of the new plan proposes pay increases based on the following lengths of service: 1 to 5 years, nothing; 6 to 10 years, 2 per cent; 11 to 15 years, 3 per cent; 16 to 20 years, 4 per cent; over 20 years, 5 per cent. The bonus portion of the plan would allow 25 per cent of the employes in each agency to receive a once-a-year bonus of up to 5 per cent of their annual salary.

Bonus Plan 'Unrealistic'

"The longevity increase will not offset the loss of pay which will be suffered by many career employes as the result of the proposed implementation procedure," Stiles said. "Only 13 per cent of the state's classified work force have the necessary 20 years of service to regain the 5 per cent they will lose as the result of the proposed implementation procedure."

Stiles attacked the bonus plan as being "unrealistic because the state has no performance standard system upon which to base bonus pay. The governor's plan assumes the existence of a performance rating system which has not yet been developed although required by the civil service and merit system laws since 1946."

Everyone Take His Turn

Although the proposed plan says 25 per cent of the employes in each agency are eligible to get a 5 per cent bonus, "there are no controls or guidelines governing which employes would get a bonus or how much it would be," Stiles said.

When bonus systems have been implemented in private firms, he commented, administrators have tended to give bonus increases to higher paid employes. "Because the proposed plan lacks central control, agency heads could subvert the intent of the bonus plan by spreading the bonus money among all employes, or could give it primarily to higher paid employes or could give it on an 'everyone-take-his-turn' basis."

Labor Market Has Changed

(2) "The proposed plan is unduly influenced by a desire to increase hiring rates to facilitate employment of qualified candidates in a tight labor market which may have existed in 1969 but is not present in 1971."

"When the 1969 Ways and Means Committee issued its directive to the Executive Department to develop a plan which would increase hiring rates, the state's ability to recruit new employes was limited by a tight labor market," Stiles said. "That condition existed in 1969; it does not exist today. The governor's plan recommends a disproportionate increase in hiring rates at a time when state employe pay lags its competition by nearly 15 per cent."

Plan Developed Without Consultation

(3) "The proposed plan was developed without prior consultation with either agencies or employes and has been met with general objection."

Following its annual salary survey, the Personnel Division last fall held public hearings on proposed state pay scales for the 1971-73 biennium, Stiles noted. It released its proposed compensation plan in October. "Upon release of Gov. McCall's budget in December, employes and employe organizations were surprised to learn that an entirely new pay structure was proposed," he said.

"OSEA, agency heads and individual employes who had presented data at the public hearings were shocked to learn that the Personnel Division had abandoned the traditional pay structure for the proposed plan without ever holding a public hearing or permitting anyone to express an objection," Stiles declared.

State Pay Lags Competition

(4) "The proposed plan is based on weighted average salaries which do not exist."

In setting state salaries, Stiles noted, the Personnel Division is required by law to perform an annual salary survey. The survey performed last year showed that Oregon lagged its competition by 10 per cent on July 1, 1970, he said.

"The governor's plan presumes the Personnel Division has used the weighted average salary survey technique in establishing the recommended salary scales," Stiles said. "But that is not so. If the Personnel Division had used weighted average salaries in formulating the plan it would have found Oregon behind its competition by more than 10 per cent in many classifications," Stiles commented.

Funding Far Short

(5) "The proposed plan, if workable at all, would require *salary funding by the Legislature at a 100 per cent competitive level. It would also require annual appropriations to maintain that competitive level.*"

The money allocated in Gov. McCall's budget falls "far short" of bringing the state to a 100 per cent competitive level, Stiles asserted. The $45 million proposed in the budget would provide about a 7½ per cent increase in 1971 despite the fact that the Personnel Division's survey showed Oregon lagging its competition by 10 per cent last July, he explained. He said that McCall's $45 million appropriation would also provide a 5 per cent mid-biennium increase in 1972.

Employes Move Too Rapidly

(6) "The proposed plan concedes to objections to current pay administration practices which result from consistent underfunding of the state's salary needs, rather than from deficiencies in the present system."

"Critics of the state's present plan say employes move too rapidly through the salary ranges. It takes 4½ years to reach the top step of the present plan; under the new plan, an employe could reach the top step in two years," Stiles noted.

"Others are critical of the present pay system because the average employe salary is too high in the pay range. However, that is common in public employment because the pay systems used are based on career service. In Oregon, 48.5 per cent of the employes are at the top step of the salary range. In California, 58.8 per cent are at the top, and in Washington that figure is better than 62 per cent. Oregon really compares quite favorably," he said.

Same Old Problem

"Another criticism of the present plan is that increases are not based on merit performance. I think the same criticism can be made of the proposed plan because performance rating standards governing bonus increases have not yet been developed, and it remains to be seen if any will or can be developed," Stiles declared.

"Gov. McCall's new plan suffers from the same old problem that has always affected Oregon's pay plan: the lack of money," he said. "But in addition to that, it discriminates against the career employe in favor of the new employe. In my view that's intolerable."

For examples of how Gov. McCall's proposed pay plan would affect some specific classifications if implemented, please see pages 4 and 5.