

Minnesota
Department of
Employee
Relations

State of Minnesota: Employer of Choice

January 24, 2000

Roger Brooks, Deputy Legislative Auditor
Office of the Legislative Auditor
658 Cedar Street
Saint Paul, MN 55155

Dear Mr. Brooks:

Thank you for the opportunity to comment on the report on state employee compensation. The portion of the report that compares state salaries and benefits to other employers in the public and private sectors is reminiscent of the Public Employment Study, conducted by the Hay Group and released in 1979. The researchers who conducted the Public Employment Study noted the difficulty in simultaneously pursuing internal equity and external competitiveness, particularly for a large and diverse employer such as state government. The earlier study also found that state and local governments tend to pay more than the private sector for jobs at similar levels of complexity, except for high level managerial positions. It is not surprising that these same findings are reflected in your report, twenty years later.

In the interim since the Public Employment Study there have been two significant influences on the salary structure of the Executive Branch. First, in the early 1980's, the state adopted a Pay Equity law, which resulted in significant salary increases for female-dominated classifications at the lower end of the salary schedule. Second, the salaries of state agency heads, which serve as the upper limit of compensation for employees within each state agency, were not adjusted for eight years. The Legislature did provide significant relief to the salary compression at the upper end of the salary structure with the passage of the agency head pay bill in 1997. However, the new salary limits for agency heads still put the Executive Branch at a disadvantage in comparison to local units of government. The salary limit for the largest agencies is 85 percent of the Governor's salary while the salary limit for cities and counties is 95 percent of the same salary. School districts have been exempted from the limit in recent years.

Your report reveals something about the value of the perceptions of human resources directors and, indirectly, supervisors and managers. In spite of the fact that your data indicates that state salaries for clerical jobs are at least 20 percent above the private sector, 21 percent of the human resources directors surveyed identified inadequate compensation as contributing to their difficulty in recruiting and retaining employees in these classifications. This indicates that salary data and actual recruiting experience can tell two different stories. These discrepancies call for closer examination of wage data and non-wage factors that might be at the root of the recruiting problem.

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The apparent contradiction between our clerical salaries appearing to be above 'the market' and state agencies having difficulty in recruiting is also the converse of a concern we have about broad generalizations based upon the analysis of external salary data and Hay points. The comparison of the salary lines of the state and other employers masks a considerable amount of variability in pay for individual jobs. Even where attempts are made to match job titles and job descriptions, the pay data alone does not tell the whole story. When we bargain on the issue of salary range assignments of specific classifications, we also review data on employee turnover, salary step on hire and agency input on recruiting and retention experience. It is not unusual for salary survey data to indicate a lack of competitiveness with external comparisons while the recruiting and retention data does not indicate any cause for concern.

Again, thank you for the opportunity to comment on the report.

Sincerely,

/s/ Jim Lee

Jim Lee
Deputy Commissioner
Labor Relations/Compensation Division
(651) 297-5738