
Compensation

SUMMARY

As a group, Minnesota state employees receive higher pay than private sector employees, however this difference is largely due to the difference in the mix of jobs employed in the public and private sectors. Comparisons of pay rates for specific jobs show that the state tends to pay relatively more for entry-level and lower-skilled positions and less for upper-level management and professional occupations. Minnesota pays its employees more than most other state governments. While wages are about 20 percent higher in the Twin Cities area than the balance of the state, state government pay varies much less because it is set by statewide salary schedules. The cost of state employee benefits equals about 31 percent of total compensation, an amount that is comparable to state and local government employers and large private employers nationally.

This chapter addresses the central issue of the study:

- **How does Minnesota state employee compensation compare with the pay and benefits offered by other employers?**

We address this question by comparing both the salary and the benefits received by Minnesota state employees to several other groups of employees. First, we compare state of Minnesota wages to those of other public sector employers, both nationally and locally. We also compare the state's wages to those of private sector employers in Minnesota. We then provide a more complete picture of state employee compensation by comparing the benefits provided by the state of Minnesota to those provided by other employers, including other state and local governments as well as the private sector.

SALARY COMPARISONS

Wages are the major part of employee compensation. We first compare the wages and salaries of Minnesota state employees to those of other public employees, including employees of other states and employees of local governments in the Twin Cities area. We also compare Minnesota state wages to those provided by private sector employers in Minnesota. The data available for salary comparisons are not perfect: ideally we would be able to compare the wages of equally-qualified and experienced employees working in very similar jobs across settings (different states, local governments, and the private sector). However,

this type of data is not available. In an effort to overcome shortcomings in the data we make comparisons based on similar job titles and, when comparing broad averages, we control for the different mix of jobs when possible. Despite the limitations a fairly clear picture of Minnesota state wages emerges from the data.

Other State Governments

The relationship of state and local government is different in Minnesota than most other states. In Minnesota, local governments are provided state financing to carry out functions performed by state governments elsewhere. Partly as a consequence:

- **The state of Minnesota directly employs fewer workers per capita than most other state governments.**

As shown Table 2.1, Minnesota state government ranks 36th among the states in the number of employees per capita.¹ However, Minnesota ranks high (8th) in the number of local government employees compared to other states. As a result, Minnesota ranks in the mid-range (18th) in terms of all government employees (state and local) per capita.

Compared to other state governments, Minnesota has a relatively small and well-paid workforce.

Table 2.1: National Rankings of Minnesota State and Local Government Employment, 1998

	State Government	Local Government	State and Local Governments
Full-Time Equivalent Employees (FTE) Per Capita	36	8	18
Payroll Per Capita	19	6	6
Payroll Per FTE	7	18	15

SOURCE: U.S. Bureau of Census, 1998 Census of Governments.

Possibly because Minnesota administers many of its activities through local governments, the state tends to have a higher percentage of employees in professional and managerial positions than other states. Thus, Minnesota state government ranks relatively high (7th) in average monthly compensation compared to other states.²

- **The state of Minnesota tends to pay its employees higher wages than other states.**

¹ These rankings are based on data from the U.S. Bureau of Census' annual survey of public employment and payroll. The survey measures the number of government civilian employees and their gross payrolls for one month. Each state is surveyed annually, whereas data on local government payroll and employment is collected from a representative sample (see <http://www.census.gov/govs/www/apes.html>).

² Minnesota's high ranking appears to hold even when state employee compensation is adjusted for each state's cost of living (Steven Gold and Sarah Ritchie, "Compensation of State and Local Employees: Sorting Out the Issues," in *Revitalizing State and Local Public Service*, ed. Frank J. Thompson (San Francisco: Jossey-Bass Publishers, 1993), 184).

In a survey of 24 state governments, Minnesota’s salaries appear highly competitive.

Minnesota is one of 24 state governments that participated in the 1998 Central States Salary Survey.³ This annual survey asks each state to report average salaries for over 100 benchmark positions, the majority of which are professional and managerial positions. According to the survey, Minnesota’s salaries are highly competitive, ranking in the upper third of participating states for 87 of 107 comparable positions. Minnesota paid the highest salary of all participating states for 21 positions (see Table 2.2). Job categories that are particularly highly paid in Minnesota state government relative to other state governments include engineering, information technology, public safety, and corrections. The overall pattern of higher-than-average wages in Minnesota holds even when comparisons are restricted to a sub-set of Midwestern states.⁴ Minnesota’s salaries are above

Table 2.2: Minnesota Positions with Top-Ranking Salaries in Central States Survey, 1998

Position	Average Annual Salary	
	Minnesota	Central States Participants
Information Systems Manager	\$72,307	\$45,425
Engineer, Principal	63,621	52,608
Information Technology Specialist 5	63,183	48,201
Pilot	61,680	40,863
Systems Analysis Unit Supervisor	61,492	49,054
Information Technology Specialist 4	54,935	44,883
Special Agent	53,620	40,044
Engineering Specialist	49,047	35,476
Planner, Principal State	47,231	39,452
Corrections Officer 4	47,147	29,717
Natural Resources Specialist 2 (Conservation Officer)	45,894	34,903
Health Care Program Investigator	43,138	32,032
Real Estate Representative	41,927	33,989
Dietitian 1	41,259	34,567
Medical Technologist	39,881	32,075
Grain Inspector 2	37,897	27,845
Interpretive Naturalist 2	37,730	26,917
Graphic Arts Specialist	36,874	29,832
Corrections Officer 2	33,888	25,450
Licensed Practical Nurse 1 and 2	33,512	24,140
Human Services Technician	30,527	18,896

NOTE: Job titles listed are those used by the state of Minnesota. Central States average salaries are weighted to the number of employees in responding states. Weighted averages may differ from survey results published by the Central States Compensation Association, due to the exclusion of Indiana in printed results and adjustment of the weight given to Illinois in certain instances. See Appendix B for a more comprehensive summary of the salary comparisons available from the Central States Survey.

SOURCE: Legislative Auditor’s Office analysis of Central States Salary Survey, 1998.

³ Participants in the 1998 Central States Salary Survey include: Arizona, Arkansas, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Wisconsin, and Wyoming. The survey is jointly sponsored by the primary human resource department in each state; survey administration rotates from state to state annually.

⁴ These states are: Illinois, Indiana, Iowa, Michigan, and Wisconsin.

the average paid by Midwestern states for over 80 percent of the positions (see Appendix B for a tabular summary of comparisons available from the Central States Salary Survey).⁵

Twin Cities Area Public Employers

In this section we ask:

- **How do state salaries compare to those offered by other public employers in the Twin Cities area?**

We compared Minnesota state wages to those of other large government employers in the Twin Cities.

The best source of information on how state salaries compare to those of other public employers in Minnesota is an annual salary survey conducted by DCA Stanton and Associates.⁶ Stanton collects data on salaries for a group of 106 jobs, many of which are positions used by both state and local government. We have chosen to compare state salaries to the larger public employers in the metropolitan area. We were able to compare monthly salary data on 42 jobs shared by the state and larger Twin Cities public employers.⁷ Of course, not all employers use each of the 42 jobs, so some comparisons are based on fewer jobs.

As Table 2.3 shows, we compared average monthly salaries for the state of Minnesota and four employer groups: (1) metropolitan agencies; (2) Hennepin County, Ramsey County, Minneapolis, and St. Paul (Minnesota's two largest counties and cities); (3) suburban municipalities with populations over 25,000; and (4) suburban municipalities with populations between 10,000 and 25,000.

Five employer group salary averages are presented in Table 2.3. A comparison of averages weighted by the number of employees in each employer group shows that average monthly pay for state jobs, \$2,821, is lowest of the five groups. The four other groups are fairly close in their average monthly wage. Suburbs with populations over 25,000 have the highest average monthly pay at \$3,626, followed by metropolitan agencies at \$3,609. But the fourth highest employer group, suburbs with populations of 10,000 to 25,000, still has an average wage of over \$3,517, distinctly higher than the state.

⁵ For additional data showing that employees of state and local government in the Twin Cities tend to earn higher wages than employees of state and local governments around the nation, see: <http://www.auditor.leg.state.mn.us/ped/2000/pe0005.htm>.

⁶ *1999 Twin Cities Metropolitan Area Salary Survey* (Minnetonka, Minnesota: DCA Stanton Group, 1999). The data produced by this survey are the property of the Association of Metropolitan Municipalities.

⁷ The list of jobs includes all jobs with at least 100 employees among all employers represented in the survey: Accountant 1, Accountant 2, Accountant 3, Accounting Clerk 1, Accounting Clerk 2, Accounting Clerk 3, Applications Programmer, Auto Service Worker, Civil Engineer 2, Civil Engineer 3, Clerk-Typist, Custodian, Data Entry Operator, Law Enforcement Dispatcher, Engineering Aide 1, Engineering Technician 2, Engineering Technician 3, Engineering Technician 4, Environmentalist 2, Environmentalist 3, Executive Secretary, General Clerk, Inspector 2, Junior Programmer, Laborer, Maintenance Supervisor, Office Administrator/Supervisor, Patrol Officer/Deputy Sheriff, Personal Computer Technician, Police/Sheriff's Lieutenant, Police/Sheriff's Sergeant, Secretary A, Secretary C, Senior Attorney, Senior Clerk-Typist, Senior Personnel Representative, Senior Planner, Skilled Mechanic, Streets Maintenance Worker, Superintendent, Systems Analyst-Programmer, Telephone Operator and/or Receptionist.

Table 2.3: Public Sector Monthly Pay in Minnesota, 1999

	Average	Percent Difference from State	
		Unstandardized	Standardized
State of Minnesota	\$2,821	—	—
Metro Agencies Hennepin, Ramsey, Minneapolis, and St. Paul	3,609	24.7%	10.1%
Suburbs over 25,000	3,546	24.7	2.0
Suburbs 10,000-25,000	3,626	29.1	3.0
	3,517	26.7	-2.7

NOTE: Data are for large public sector employers in the Twin Cities area, based on 42 jobs common to all jurisdictions. Standardized differences are based on the occupational distribution of the state of Minnesota.

SOURCE: Legislative Auditor's Office analysis of data from DCA Stanton Group, 1999 Twin Cities Metropolitan Area Salary Survey.

On average, state employees appear to be paid less than employees of local governments in the Twin Cities.

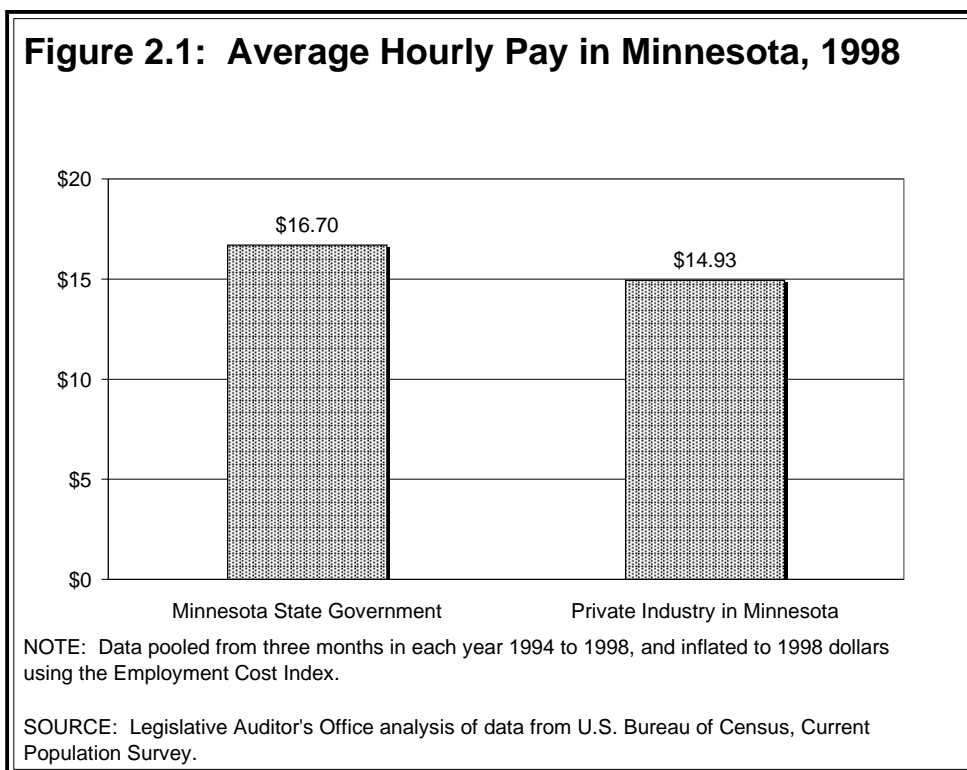
We investigated whether these comparisons reflect differences in the distribution of employees across the 42 jobs by calculating averages of monthly pay rates that are standardized on the occupational distribution of state employment in the survey data. We computed standardized averages based on the pay rates of each employer group weighted by the number of employees working for the state. Table 2.3 shows these results in the third column. State pay is still lower than three of the four groups by percentages that range from about 2 to 10 percent. State pay is about 3 percent higher than the Suburbs 10,000 to 25,000 in population. These differences are not large. However, we do not have comparative data for many state and local government jobs. A number of human resource directors we interviewed believe that many state jobs do not pay as well as jobs with government employers in the Twin Cities area. The data presented here lends some support to a conclusion that state jobs do not pay as well as comparable jobs of larger government employers in the Twin Cities area, but our finding is somewhat tentative due to a lack of comprehensive data.

Private Sector Employees

While it is difficult to make precise comparisons of wages paid by the public and private sectors in Minnesota, a fairly clear general picture emerges from the available data. Comparing the average wages provided by the state of Minnesota to those provided by private sector employers resulted in three interrelated findings, each of which is discussed below:

- **In the aggregate, state employees are paid more than private sector employees in Minnesota.**
- **The difference in average wages is due to a difference in the types of jobs in Minnesota state government and the private sector.**
- **In comparison to the private sector, the pay scale for Minnesota state employees is compressed.**

Many analysts have observed that government employees tend to earn higher wages than those working for employers in the private sector.⁸ This patterns holds for Minnesota as well. For example, according to data from the Current Population Survey (CPS), in 1998 state government employees in Minnesota averaged \$16.70 per hour compared to \$14.93 for private sector employees (see Figure 2.1).⁹



⁸ Mark Musell and Neal Masia, "Reconciling Differences in Federal and Private Sector Pay Comparisons," *Public Budgeting and Finance*, Spring 1998: 68-77; Charles O. Kroncke and James A. Long, "Pay Comparability in State Governments," *Journal of Labor Research*, 19, no. 2 (Spring 1998): 371-385; Micheal A. Miller, "The Public-Private Pay Debate: What Do the Data Show?" *Monthly Labor Review*, May 1996: 18-29; John E. Buckley, "Pay in Private Industry and State and Local Governments, 1994," *Compensation and Working Conditions*, September 1996: 22; Dale Belman and John S. Heywood, "State and Local Government Wage Differentials: An Intrastate Analysis," *Journal of Labor Research*, XVI, no. 2 (Spring 1995): 187-201; Kristen Brunner and William A. Blazar, "Public Sector Compensation: Performance Driven? Affordable?" Prepared for the Minnesota Chamber of Commerce, January 1993; Bradley R. Braden and Stephanie L. Hyland, "Cost of Employee Compensation in Public and Private Sectors," *Monthly Labor Review*, May 1993: 14-21; Wendell Cox and Samuel Bunelli, "America's Protected Class: Why Excess Public Employee Compensation is Bankrupting the States," *The State Factor*, 18, no. 3 (February 1992): 3-31; Greg Hundley, "Public- and Private-Sector Occupational Pay Structures," *Industrial Relations*, 30, no. 3 (Fall 1991): 417-434.

⁹ The Current Population Survey (CPS) is a nation-wide monthly survey of approximately 50,000 households conducted by the U.S. Bureau of Census. Despite the large monthly sample size, the number of interviews collected from Minnesota in a given month averages 820. We pooled data from three months in each year 1994 to 1998 in order to attain a reasonably representative number of state employees (272; for a similar use of CPS data see Kroncke and Long, "Pay Comparability in State Governments"). The CPS serves a variety of purposes, including providing estimates of employment, unemployment, and earnings (see <http://www.bls.census.gov/cps/>).

Several national studies have found that the higher average wages for government employees are due to differences in the mix of jobs in the public versus the private sector.¹⁰ This pattern is also true for the state of Minnesota. We found:

- **A higher percentage of state employees work in professional occupations, and a higher percentage of private sector employees work in sales, craft, and assembly-line positions.**



Compared to Minnesota's private sector workforce, Minnesota state government employs a large proportion of professional employees.

We used data from the 1994 to 1998 CPS to compare the types of jobs held by Minnesota state workers to the types of jobs held by workers in Minnesota's private sector (see Figure 2.2).¹¹ According to the CPS, 37.5 percent of state employees work in relatively high-paid professional occupations, compared to only 12.4 percent of the private sector. In the private sector a far higher percentage of workers are employed in sales occupations (12.2 percent compared to 5.5 percent in the state), "precision production, craft and repair" occupations (11.6 percent compared to 5.5 percent of state workers), and "machine operators, assemblers, and inspectors" occupations (7.4 percent compared to 0.4 percent of state workers).

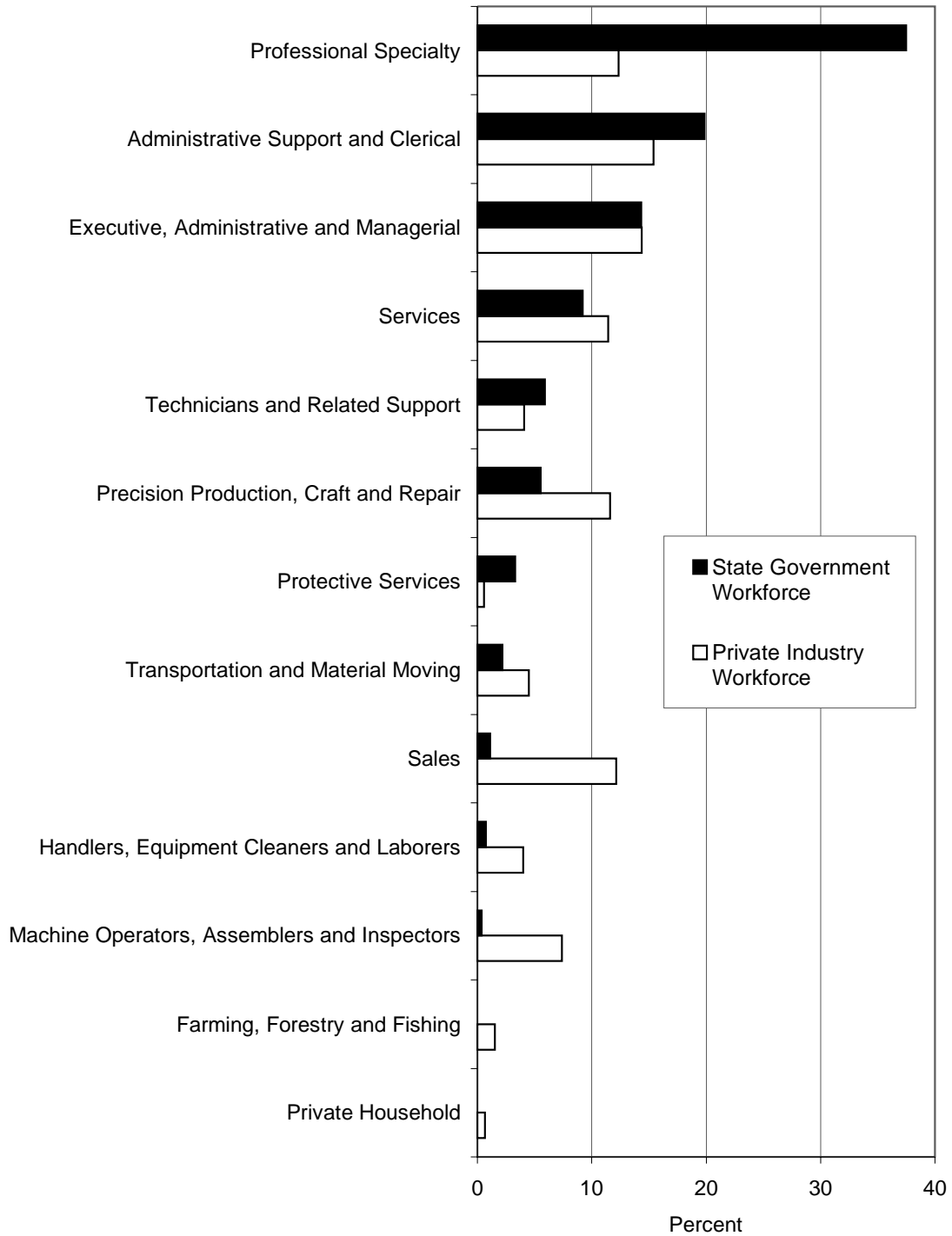
Additionally, several positions in state government, such as highway patrol officers, do not exist in private industry.

As noted above, we found that the difference in types of jobs in the public and private sectors accounts for much of the difference in average wage between the two sectors. For example, we assigned each Minnesota state employee in the 1994 to 1998 CPS data set a private sector wage based on the occupational groups represented in Figure 2.2. We then re-calculated the overall average wage for Minnesota state employees in the sample and found that it rose 3 cents per hour. This suggests that adjusting Minnesota state employee wages to match those in the private sector would have

¹⁰ Musell and Masia, "Reconciling Differences in Federal and Private Sector Pay Comparisons"; Kroncke and Long, "Pay Comparability in State Governments"; Miller, "The Public-Private Pay Debate"; Buckley, "Pay in Private Industry and State and Local Governments, 1994"; Belman and Heywood, "State and Local Government Wage Differentials"; Braden and Hyland, "Cost of Employee Compensation in Public and Private Sectors"; Hundley, "Public- and Private-Sector Occupational Pay Structures."

¹¹ For a more precise indication of the number of state employees in various job categories see Appendix A.

Figure 2.2: Occupational Distribution for State Government and Private Industry in Minnesota



SOURCE: Legislative Auditor's Office analysis of data from U.S. Bureau of Census, Current Population Survey, 1994-98.

little overall impact on the size of the state's payroll.¹² However, compensating state employees at the same rate as private sector employees would change the distribution of wages within Minnesota's payroll. Lower-skilled positions would receive lower wages and higher-skilled occupations would receive a significant raise, because:

- **Lower-skilled occupations in Minnesota state government tend to receive higher wages than their counterparts in the private sector.**
- **Higher-skilled occupations in Minnesota state government tend to receive lower wages than their counterparts in the private sector.**

Lower-skilled positions in state government are paid relatively more, and highly-skilled positions are paid less, than in the private sector.

As noted in the beginning of this section, we found that the wage structure in Minnesota state government follows the common pattern of "government pay scale compression."¹³ Relative to the private sector, the state's pay scale is compressed, with higher-than-average wages at the lower end of the spectrum and relatively low wages at the upper end of the spectrum.

Table 2.4 shows a comparison of average state wages to average private sector wages for a wide range of positions.¹⁴ The most dramatic differences are for guards, janitors, and general maintenance workers, all of whom average over 30 percent more as state employees than in private industry.¹⁵ The table also reveals substantial state-employee premiums for a range of entry level positions, including entry-level accountants, buyers, personnel specialists, drafters, and accounting clerks.¹⁶

12 We repeated this analysis using data from the Minnesota Department of Employee Relations (DOER), the Bureau of Labor Statistics (BLS), and the Hay Group (see Table 2.4 and Figure 2.4, below, and accompanying text for additional use and explanation of BLS and Hay Group data). We first estimated the state's wage-related payroll for 1999 using the employee counts and average wages provided by DOER. We then substituted private sector wages based on each position's Hay rating, using BLS-derived estimates for those with ratings less than 240 (approximately 60 percent of state employees) and Hay Group-derived estimates for those with Hay ratings above 240. Finally, we estimated a salary-related payroll based on the substituted private sector average wages. Despite data limitations the results were very similar to the analysis that relied on Current Population Survey data: adjusting the salaries of Minnesota state employees to mirror private sector wages for similar jobs would increase the amount Minnesota state government pays in salaries by approximately 1 percent.

13 Miller, "The Public-Private Pay Debate," 22-26; Hundley, "Public- and Private-Sector Occupational Pay Structures."

14 Private sector data is from the U.S. Bureau of Labor Statistics' (BLS) Occupational Compensation Survey Program (OCSP), a stratified survey of establishments with at least 50 employees (<http://stats.bls.gov/ocshome.htm>). Due to the sophistication of sampling techniques and the role of professional field economists in BLS data collection, the OCSP is the best available data. However, note that the original data was collected in February 1996 and inflated to 1999 levels using a common wage inflator (the Employment Cost Index; see <http://stats.bls.gov/ecthome.htm>). Also note that the average wages for the private sector are from the Twin Cities, while the average state wages apply to all state of Minnesota employees around the state. We feel that this is a valid comparison because the state has one pay schedule for all employees throughout the state. Since private sector pay is lower in areas outside of the Twin Cities metropolitan area, the differences between state and private sector wages would change somewhat if wages from the entire state were available for comparison (see the section on geographic variation, below).

15 Table 2.4 uses the Bureau of Labor Statistics' job titles; for a listing of the cross-references to the Minnesota state government job titles see: <http://www.auditor.leg.state.mn.us/ped/2000/pe0005.htm>.

16 The available data suggest that the pay scale for engineers employed by the state of Minnesota is not compressed. The Department of Transportation indicated that this data does not reflect the experience of the department and suggested that the pay scale for engineers employed by Minnesota is compressed compared to the local market.

Table 2.4: Average Hourly Wages, State of Minnesota and Private Sector Employees, 1999

	Number of State Employees	Average Hourly Wage		State Wage as Percentage of Private Wage
		State	Private	
<u>Professional Occupations</u>				
Accountants				
Level I	85	\$17.47	\$14.86	118%
Level II	170	19.62	16.62	118
Level III	91	22.46	22.73	99
Level IV	27	26.27	28.05	94
Level V	8	31.12	38.50	81
Attorneys (Level III)	10	33.68	38.66	87
Engineers				
Level I	10	15.74	19.64	80
Level II	55	19.51	22.73	86
Level III	321	25.85	26.67	97
Level IV	214	30.64	32.00	96
Level V	25	39.36	37.97	104
<u>Administrative Occupations</u>				
Buyers/Contracting Specialists				
Level I	21	17.24	14.33	120
Level II	43	21.21	18.53	114
Computer Programmers				
Level I	198	16.05	17.07	94
Level II	348	19.21	18.23	105
Level III	498	23.48	20.79	113
Computer Systems Analysts (Level II)	300	27.93	27.24	103
Computer Systems Analyst Supervisors/Managers				
Level I	52	31.44	33.70	93
Level II	35	35.69	39.36	91
Personnel Specialists				
Level I	39	18.18	14.53	125
Level II	78	20.23	17.42	116
Level III	89	23.21	21.32	109
Level IV	6	25.53	28.40	90
Level V	7	29.54	35.41	83
Personnel Supervisors/Managers (Level II)	3	34.51	41.86	82
<u>Technical Occupations</u>				
Computer Operators (Level III)	31	15.67	15.52	101
Drafters (Level II)	6	18.53	15.06	123
<u>Clerical Occupations</u>				
Clerks, Accounting				
Level II	222	13.71	10.96	125
Level III	257	15.12	12.47	121
Level IV	177	16.44	13.85	119
Clerks, General				
Level I	941	11.12	9.05	123
Level II	1,603	12.86	10.04	128
Level III	1,509	14.23	11.64	122
Level IV	886	15.65	13.01	120
Personnel Clerks/Assistants (Level III)	62	15.04	13.64	110
<u>Maintenance and Toolroom Occupations</u>				
General Maintenance Workers	126	16.49	12.37	133
Maintenance Electricians	44	18.68	22.94	81
Maintenance Machinists	4	18.48	20.82	89
Maintenance Mechanics, Machinery	10	18.92	18.54	102
Motor Vehicle Mechanics	190	18.69	18.22	103
Maintenance Pipefitters	2	18.34	23.12	79
Tool and Die Makers	1	22.05	20.41	108
<u>Material Movement and Custodial Occupations</u>				
Guards (Level I)	94	12.69	8.44	150
Janitors	1,207	12.50	8.78	142

NOTE: Private sector wages have been inflated to 1999 levels using the Bureau of Labor Statistic's Employment Cost Index. The job titles above are those used by the Bureau of Labor Statistics (see <http://www.auditor.leg.state.mn.us/ped/2000/pe005.htm> for a listing of Minnesota state job titles that match to each of the above titles).

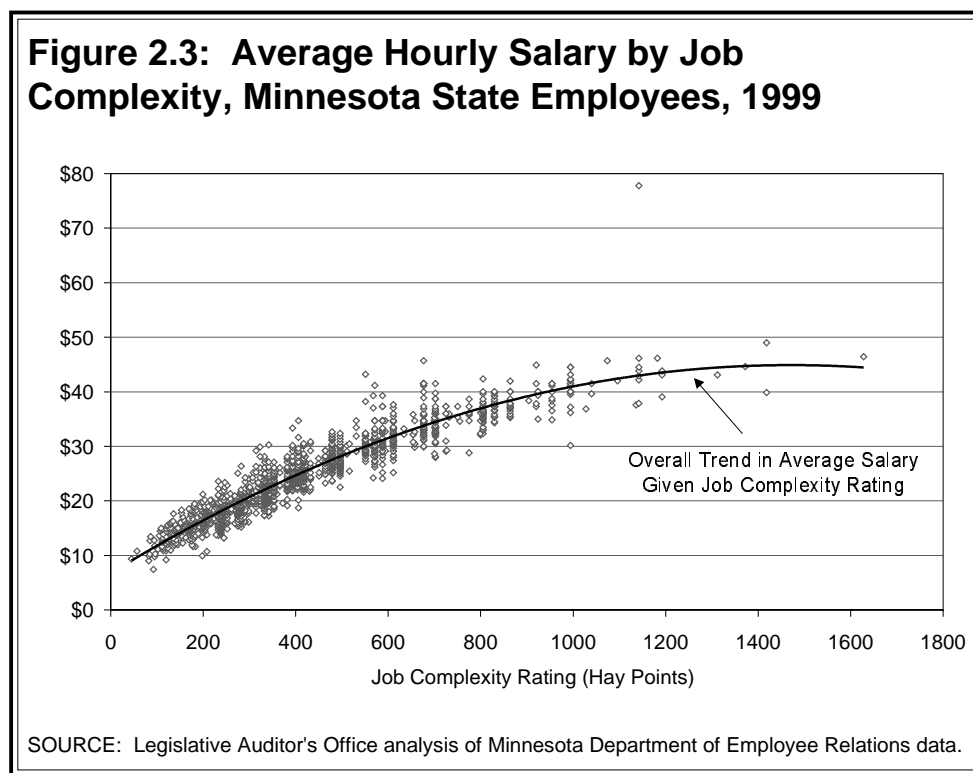
SOURCE: Legislative Auditor's Office analysis of Minnesota Department of Employee Relations data, June 1999, and Bureau of Labor Statistics, *Occupational Compensation Survey, Minneapolis-St. Paul, MN-WI, Metro Area, February 1996*, Tables A-1 through A-5.

Table 2.4 also reveals disparities at the upper end of the pay scale. For example, upper-level accountants, personnel specialists, and information technology professionals are paid approximately 10 percent more in the private sector than they are in Minnesota state government.

The general shape of Minnesota’s pay scale is illustrated in Figure 2.3, where the average pay for positions in state government is plotted according to each position’s job complexity rating (Hay points).¹⁷ Obviously, there is a steady increase in average pay as the ratings increase from 50 points to around 500. Above job complexity ratings of 500 the trend starts to level off. Generally speaking, a state employee receiving a promotion from a job rated at 100 points to a job rated at 150 points would receive an increase in hourly pay of approximately \$2.39, whereas a state employee promoted from a job rated at 800 points to one rated at 850 points would receive a raise of only 99 cents.¹⁸ Most state employees (97 percent) work in positions rated below 500 points and nearly 50 percent work in positions rated below 200 points.

Nearly 73 percent of state employees work in positions rated at 300 or fewer Hay points.

The pay scale compression illustrated in Figure 2.3 is further demonstrated in Figure 2.4, which compares the general trend in Minnesota’s salary structure to

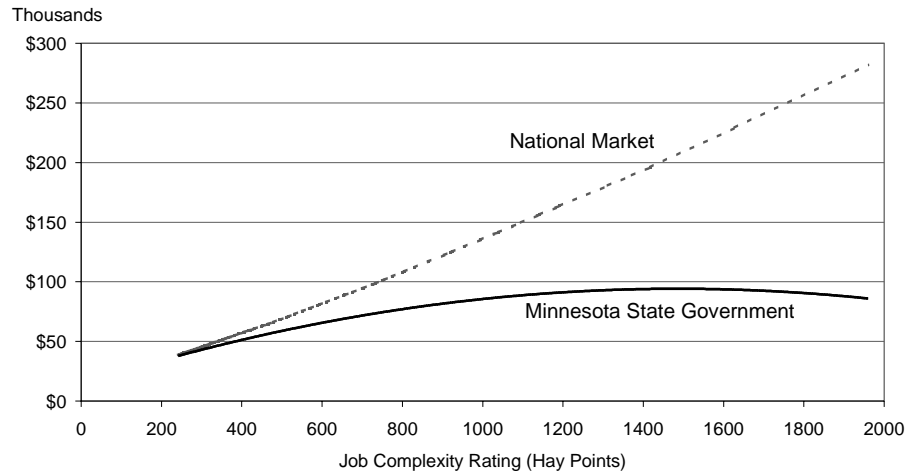


¹⁷ Minnesota’s Department of Employee Relations assigns Hay ratings to nearly all positions in state government in an effort to maintain proportionality and consistency in compensation across a wide variety of job types. The ratings are based on an evaluation of the duties, responsibilities, and working conditions of each position. (For more detail on the Hay point rating system, see Chapter One of this report.)

¹⁸ The comparison can also be made in terms of percentages: On average, a Minnesota state employee starting with a Hay rating of 100 and receiving a promotion equivalent to 50 percent in Hay points (to 150) would receive a 20 percent raise in salary, whereas a state employee starting in a position with a Hay rating of 800 who received a promotion equivalent to 50 percent in Hay points (to 1200) would receive a 14 percent raise.

Private employers pay much more than the state for upper-level managerial and professional positions.

Figure 2.4: Average Annual Salary by Job Complexity Rating, Minnesota State Government and National Market, 1999



SOURCE: Hay Group (National Market), Minnesota Department of Employee Relations (Minnesota State Government).

By law, state salaries are generally capped at 85 percent of the Governor's salary.

that of the national market. The national market data were provided by the Hay Group and are based on the wages of employees reported by over 400 clients of the Hay Group, most of which are large private businesses. Note that Figure 2.4 compares the trendline associated with state employees in positions rated at 240 points or higher; this includes 38 percent of the state's workforce, most of whom are in professional and managerial positions. Obviously, the disparity in salaries paid to professionals and managers in Minnesota state government versus the national market grows dramatically with increased levels of responsibility and job complexity ratings (Hay points). In reference to the earlier comparison, according to national market averages an employee receiving a job promotion from a position rated at 800 to one rated 850 points would receive a raise of \$3.34 per hour.¹⁹

In Minnesota one source of pay scale compression is *Minn. Stat.* §15A.0815, which limits the salaries of commissioners of large agencies at 85 percent of the governor's salary and the commissioners of small agencies at 75 percent of the governor's salary.²⁰ *Minn. Stat.* §43A.17 further restricts state employee compensation by designating the salary of the head of a state agency as "the upper limit on the salaries of individual employees in the agency" except in unique circumstances. In contrast, salaries of local government employees in Minnesota are limited to 95 percent of the governor's salary (*Minn. Stat.* §43A.17, subd. 9).

¹⁹ In this case the percentage comparison for an employee given a promotion equivalent to 50 percent in Hay points (from 800 to 1200) would result in a salary increase of nearly 53 percent according to the national market averages.

²⁰ Prior to 1997, commissioners' salaries were set through a more cumbersome legislative process department by department, but remained below the governor's salary.

The same limit (95 percent) was proposed for state commissioners by the Ventura administration in 1999, but was not adopted.

Geographic Variation

As noted in Chapter 1, state employees are located in almost every county of the state. About 47 percent of state employees work outside the seven-county Twin Cities metropolitan area. This section asks:

- **How do private sector wages and salaries vary across the state of Minnesota?**
- **How does state employee pay vary across the state?**

Wage and Salary Variation

The best information on variation in wages and salaries across Minnesota comes from the 1997 Minnesota Salary Survey carried out by the Minnesota Department of Economic Security (MDES) in coordination with the United States Department of Labor.²¹ The 1997 survey covers non-agricultural establishments with five or more employees.²²

Looking at the MDES salary data, it is clear that:

- **Pay varies considerably around the state. On average, wages are highest in the Twin Cities area.**
- **Duluth, Rochester, and St. Cloud have relatively high pay for outstate metropolitan areas, but are still 11 to 16 percent below the Twin Cities average.**
- **Pay for the non-metropolitan balance of the state is even lower, around 19 percent below the Twin Cities area average.**

Table 2.5 compares the average salary in the Minneapolis-St. Paul metropolitan area to salaries in six outstate metropolitan areas and the non-metropolitan balance of the state.²³ The table is based on the 50 most common jobs in Minnesota, as reported by the Minnesota Department of Economic Security

In general, wages in outstate Minnesota are 15 to 20 percent below those for similar positions in the Twin Cities area.

²¹ The 1997 Minnesota Salary Survey is a product of the Occupational Employment Statistics (OES) Wage Survey, a federally-directed program carried out by the Minnesota Department of Economic Security (MDES) Research and Statistics Office. The data we use come from an MDES bulletin dated May 1999.

²² The 1997 report includes data from 1996 and 1997. The combined 1996 and 1997 sample was 15,054 employers from whom 11,527 responses were obtained, a rate of 76.6 percent.

²³ Several Minnesota metropolitan areas include one or more non-Minnesota counties. We were unable to obtain Minnesota-only data. However the percent of population and jobs in the non-Minnesota part of the Twin Cities metropolitan area is too small to materially affect the analysis and conclusions. The combined population of Pierce and St. Croix counties in Wisconsin is 3 percent of the Twin Cities metropolitan area population.

(MDES).²⁴ We grouped the jobs into seven occupational categories, and computed averages for each category for sake of comparison. Table 2.5 presents the average wage for employees in the Minneapolis-St. Paul area and percent

Table 2.5: Regional Variation in Pay in Minnesota, 1996-97

Occupation Type	Percent Difference from Minneapolis-St. Paul Average Wage						
	Minneapolis-St. Paul	Duluth-Superior	Fargo-Moorhead	Grand Forks	Rochester	St. Cloud	Non-Metro Balance of the State
Clerical and Administrative Support Staff	\$11.96	-15.5%	-17.6%	-20.5%	-4.9%	-15.6%	-17.9%
Professional, Paraprofessional, and Technical	21.84	-13.0	-21.2	-35.1	5.3	-19.3	-20.6
Sales Related	12.31	-30.4	-13.2	-26.6	-25.8	-21.0	-23.5
Service	7.74	-11.8	-14.3	-10.8	-1.6	-8.3	-10.1
Managerial and Administrative	31.59	-29.8	-15.2	-24.5	-20.5	-30.1	-27.8
Production, Construction, Operating, and Maintenance	13.73	-6.4	-15.0	-21.3	-14.4	-14.6	-20.0
Agricultural, Forestry, and Fishing	10.28	-19.1	-13.1	-15.8	-6.8	-12.9	-18.4
Overall Average	\$14.60	\$11.57	\$11.35	\$9.93	\$12.31	\$11.10	\$10.79
Unstandardized Difference	--	-20.4%	-19.2%	-28.2%	-9.5%	-21.2%	-23.1%
Standardized Difference	--	-16.2	-17.3	-20.6	-11.2	-15.3	-18.6

NOTE: The table is based on the 50 most common jobs in Minnesota; however, average wages for various jobs were not reported for areas other than Minneapolis-St. Paul. Percent differences are based on average wages for only those jobs with complete data in a given area. Standardized differences are based on the occupational distribution of the Minneapolis-St. Paul metropolitan area.

SOURCE: Legislative Auditor's Office analysis of data from Minnesota Department of Economic Security, *1997 Minnesota Salary Survey*.

²⁴ Minnesota Department of Economic Security, *1997 Salary Survey*. The 50 occupations are grouped as follows: *Clerical and Administrative Support Occupations*: General Office Clerks, Secretaries (except legal and medical), Receptionists and Information Clerks, Clerks (Bookkeeping, Accounting, and Auditing), Order Clerks (Materials, Merchandise, and Service), First-Line Supervisors and Managers/Supervisors (Clerical and Administrative Support Workers), Clerks (Shipping, Receiving, and Traffic), Stock Clerks (Stockroom, Warehouse, or Storage Yard), Adjustment Clerks; *Professional, Paraprofessional, and Technical Occupations*: Registered Nurses, Licensed Practical Nurses, Physicians and Surgeons, Secondary School Teachers, Elementary School Teachers, Paraprofessional Teacher's Aide, Accountants and Auditors, Electronic Data Processing Systems Analysts, Computer Programmers, Social Workers (except Medical and Psychiatric); *Sales and Related Occupations*: Retail Salespersons, Cashiers, Sales Floor Stock Clerks, Sales Representatives, Sales Representatives for Scientific and Related Products and Services, First-Line Supervisors and Managers/Supervisors (Sales and Related Workers); *Service Occupations*: Waiters and Waitresses, Restaurant Cooks, Food Preparation Workers, Combined Food Preparation and Service Workers, Bartenders, Janitors and Cleaners, Maids and Housekeeping Cleaners, Medical Service (Nursing Aides, Orderlies, and Attendants), Home Health Aides, Amusement and Recreation Attendants, Guards and Watch Guards; *Managerial and Administrative Occupations*: General Managers and Top Executives, Financial Managers, Managers (Marketing, Advertising, and Public Relations); *Production, Construction, Operating, Maintenance, and Material Handling Occupations*: First-Line Supervisors and Managers/Supervisors (Production and Operating Workers), Light Truck Drivers, Heavy or Tractor Trailer Truck Drivers, School Bus Drivers, Assemblers and Fabricators (except Machine, Electrical, Electronic, and Precision), General Utility Maintenance Repairers, Automotive Mechanics, Hand Packers and Packers, Carpenters, Electricians; *Agricultural, Forestry, Fishing, and Related Occupations*: Landscaping and Groundskeeping Laborers.

Outside the Twin Cities area, wages are highest in Rochester.

differences from Minneapolis-St. Paul wages for each of the other areas.²⁵ The table also presents an overall average, weighted by the number of employees working in each job, for each area. Throughout the table salary averages are presented in bold type and deviations from the Minneapolis-St. Paul metropolitan area average are in regular type.

As Table 2.5 shows, wages and salaries are consistently highest in the Minneapolis-St. Paul metropolitan area. The overall average salary for the 50 jobs in the Minneapolis-St. Paul metropolitan area is \$14.60. The average is \$11.57 in Duluth, about 20 percent lower than the Twin Cities average, \$12.31 in Rochester, about 9.5 percent lower, and \$11.10 in St. Cloud, about 21 percent below the Twin Cities average. Average wages are even lower in the Grand Forks area and the nonmetropolitan balance of the state.

Wages are highest in the Twin Cities area in each of the seven occupational categories as well. For example, clerical and administrative jobs pay an average of \$11.96 in the Twin Cities, and are 5 to 20 percent below this level in the other areas shown. With only one exception, wages are lower outside the Twin Cities area for each job category, usually by double-digit percentages.

The weighted averages discussed above reflect not only rates of pay, but also the distribution of employment across jobs with varying pay rates. Even if there were no differences between two areas in the rate of pay for each job, one area could have a higher average wage if it had a concentration of workers in high-paying jobs. For this reason, we calculated standardized averages for each area applying the occupational distribution of the Twin Cities area to the pay rates of each outstate area. We found a pattern very similar to the pattern for the unstandardized averages.²⁶ As shown in the bottom row of Table 2.5, the standardized averages range from about 11 percent below the Twin Cities in Rochester to nearly 21 percent below in the Grand Forks area. This means that the sizeable geographic variation in pay across Minnesota is not due differences in the occupational distribution, but to actual differences in local pay rates.

Variation in State Employee Salaries

Having determined the approximate statewide variation in pay for a representative sample of Minnesota's employers, we sought to learn how state government salaries vary. State salaries are set by statewide salary schedules that result from collective bargaining with the representatives of statewide bargaining units. While statewide salary schedules are used in Minnesota state government employment, there still can be *de facto* variation in salaries across the state because of several factors: the salary step at which people are hired can vary, seniority on the job can vary, and the mix of jobs can vary.

²⁵ Averages for the outstate metropolitan areas are shown as percentage differences from the Minneapolis-St. Paul metropolitan area average. The averages on which the differences are calculated are not always based on all 50 jobs, since not all metropolitan areas have employment in each job. All differences are based on the set of jobs that each metropolitan area shares with the Minneapolis-St. Paul area.

²⁶ We also compared medians and found little difference between means and medians.

We compared state jobs around Minnesota, both between the Twin Cities area and the balance of the state and for several metropolitan areas. We found:

- **There is some variation in state government salaries between the Twin Cities area and the balance of the state, but it is significantly less than the variation in pay for Minnesota employers as a whole.**

Table 2.6 shows that Twin Cities average salaries for state employees are somewhat higher than outstate salaries: \$19.44 for workers in the seven-county Twin Cities area compared to \$17.02 for state employees in the rest of the state. This represents a difference of about 12 percent, however much of the difference is due to a difference in the occupational distribution between the Twin Cities area and the balance of the state. If outstate rates are applied to the Twin Cities area occupational distribution, the outstate average is \$18.63 per hour compared to \$19.44 per hour for the Twin Cities area, or 4.1 percent less. This is much less than the 11 to 21 percent variation in the standardized averages shown in Table 2.5.²⁷

Wages of Minnesota state employees are set through statewide schedules, resulting in very little geographic variation.

Table 2.6: Variation in Average State Employee Wages, Twin Cities and Outstate Minnesota, 1999

	Number of Employees	Average Hourly Wage	Percent Difference from Twin Cities Average
Twin Cities Area	22,326	\$19.44	—
Outstate Minnesota	17,275	17.02	-12.5%
Outstate Minnesota with Twin Cities' Occupational Distribution	17,275	18.63	-4.1

SOURCE: Legislative Auditor's Office analysis of Minnesota Department of Employee Relations data.

Finally, we looked at how state employee salaries vary across several outstate metropolitan areas. As Table 2.7 shows, pay for state jobs is highest in the Twin Cities area, but pay in Rochester, St. Cloud, Duluth, and the balance of the state is quite close.²⁸ Holding the differences in occupational distributions constant, we found about a 5 to 7 percent difference between the Twin Cities and outstate metropolitan areas and the non-metropolitan balance of the state.²⁹ This compares to significantly greater variation for labor market rates in the broader economy, as we saw in Table 2.5.

²⁷ It would be nice to make a direct comparison using the same geographic areas, but this is not possible using the MDES data.

²⁸ The average pay for the Twin Cities area differs somewhat from the amount in Table 2.6 because fewer job comparisons were possible when looking at pay across individual metropolitan areas.

²⁹ Again, we held the occupational distribution constant by applying the pay rates of each geographic area to the occupational distribution of the Twin Cities area.

Table 2.7: Regional Variation in Average State Employee Wages, Minnesota Metro Areas, 1999

MSA (County)	Number of Employees	Average	Percent Difference from Twin Cities	Standardized	
				Average	Percent Difference from Twin Cities
Twin Cities (7 County Area)	19,034	\$19.11	—	\$19.11	—
Rochester (Olmsted)	688	18.00	-5.8%	18.08	-5.4%
St. Cloud (Stearns and Benton)	1,028	16.58	-13.3	17.98	-5.9
Duluth (St. Louis)	1,666	16.49	-13.7	17.88	-6.5
Balance of Minnesota	11,834	17.00	-11.0	18.11	-5.2

NOTE: Standardized averages and percent differences are based on the occupational distribution of Minnesota state employees in the Twin Cities.

SOURCE: Legislative Auditor's Office analysis of Minnesota Department of Employee Relations data.

Adjustment of Salaries by Location

Most of the large private employers we contacted vary pay by location.

Our findings on geographic differences in wages and salaries across the state raise a question about whether the state can or should adopt a policy of adjusting salaries according to measures of regional employment costs. To evaluate the feasibility of varying pay, we contacted nine large private companies operating in Minnesota, five states, and the federal government. We found:

- **Eight of the nine private companies adjust pay across the geographic regions in which they operate.**

A number of the companies operate nationwide and only vary salaries in different states. However, five of the eight companies use different salary schedules within Minnesota. Most of these use two or three different schedules within the state.

We also contacted Illinois, Iowa, Michigan, and Wisconsin and found:

- **None of the Midwestern states we contacted varies state employee salaries by region.**

Iowa has a provision in law that allows state agencies to request premium pay in certain cases, but the option has not been used. Two states, Illinois and Wisconsin, have experienced recruitment problems in their large metropolitan areas, but the other states report no problems. We also determined that at least one state, New York, does vary pay by region. New York has two independent ways of dealing with regional pay differences: (1) location pay is negotiated with unions and (2) the New York Department of Civil Service can adjust pay by county in response to hiring and retention problems.

The federal government has varied pay by region since 1994 using the employment cost index calculated by the Bureau of Labor Statistics. For white-collar jobs, the federal government pays 7.92 percent over its base schedule

for the Twin Cities area and 5.87 percent for the remainder of the state.³⁰ There are 157 pay plans nationwide.

Under Minnesota's present system of statewide bargaining units, regional variation in pay is unlikely to be achieved through collective bargaining. Before the early 1980s when there was a different system of bargaining units in Minnesota, some geographic variation in compensation for the same job could be negotiated.

One goal of Minnesota's compensation policy is to offer employee compensation that is competitive with the compensation offered by competing employers. Statewide salary schedules make this difficult to achieve. While a system as large as state government cannot be expected to match private sector pay in every location, the example of large private companies and the federal government suggest that some adjustment could be implemented if desired.

Faculty at Minnesota State Colleges and Universities

We looked at faculty in the Minnesota State Colleges and University (MnSCU) system separately from other occupations.³¹ We did so for three reasons: (1) MnSCU faculty are a significant proportion of state employees, (2) faculty in higher education have work contracts and schedules that make hourly wage comparisons difficult, and (3) there is a separate system of salary surveys for faculty in higher education.³²

We obtained institution-by-institution average salaries from MnSCU and compared them to the average salaries in nationwide salary surveys for similar institutions. We found:

- **In general, full-time faculty at MnSCU's four year institutions are paid very near the national average for similar institutions.**

Full-time faculty at MnSCU's four year institutions are employed in jobs ranging from instructor to tenured full professor. The average salaries paid to each of these ranks are very near the national averages for comparable institutions, and very near the average for a sub-set of Midwestern states (Illinois, Indiana, Iowa, Michigan, and Wisconsin) as Table 2.8 shows. Salaries for full-time faculty at the four year institutions are set through the collective bargaining process between the Inter Faculty Organization and MnSCU. The salary schedule is uniform throughout the state and for the different academic disciplines.

³⁰ Blue collar jobs are similarly adjusted but on a different schedule.

³¹ Faculty employed by the University of Minnesota are outside the scope of this study.

³² Two national salary surveys are used in the following comparisons. The first is the survey conducted by the American Association of University Professors (AAUP), published annually in the March-April edition of the Journal *Academe*. The second source is the Integrated Postsecondary Education Data System's (IPEDS) Faculty Salaries Survey (see http://nces.ed.gov/IpedS/faculty_salaries.html). IPEDS is a program of the U.S. Department of Education's National Center for Educational Statistics. Both the AAUP and the IPEDS provide similar data and very comparable average salaries, however the AAUP survey provides more timely data, while the IPEDS data allow more targeted comparisons.

Table 2.8: Average Salaries, Faculty at MnSCU Four Year Institutions, FY1999

	<u>Professor</u>	<u>Associate</u>	<u>Assistant</u>	<u>Instructor</u>	<u>All Ranks</u>	<u>Part-Time/ Adjunct</u>
Bemidji	\$58,655	\$46,944	\$40,120	\$29,685	\$47,131	\$30,610
Mankato	61,075	52,983	42,979	31,810	51,699	31,936
Metropolitan	60,971	51,455	44,668	31,996	50,898	39,044
Moorhead	59,321	48,443	40,864	30,489	46,536	27,468
Southwest	61,916	50,818	41,456	31,524	49,078	31,386
St. Cloud	59,755	49,453	42,159	31,818	50,153	35,882
Winona	<u>60,552</u>	<u>48,747</u>	<u>40,462</u>	<u>30,924</u>	<u>49,832</u>	<u>36,061</u>
All MnSCU Four Year	\$60,143	\$50,023	\$41,722	\$31,052	\$49,528	\$35,384
National Average	\$61,369	\$49,706	\$41,114	\$31,883	\$49,196	—
Five Midwestern States	61,046	49,232	41,554	—	49,141	—

NOTE: All figures are for full-time, tenure-track appointments, except part-time/adjunct. Part-time averages are annualized base salaries. National and Midwestern states averages include only public, non-doctoral four year institutions.

SOURCE: MnSCU, American Association of University Professors (national averages), Legislative Auditor's Office analysis of Integrated Postsecondary Educational Data System data (Midwestern states).

We made similar comparisons between faculty at MnSCU's two year institutions, and found:

- **On average, full-time faculty at MnSCU's two year institutions are paid above the national average for similar institutions.**

On average, MnSCU faculty are paid at or slightly above national and regional averages for similar institutions.

According to the annual salary survey produced by the U.S. Department of Education's Integrated Postsecondary Education Data System, the national average salary for faculty at two year institutions is \$43,234. This is over \$2,500 per year less than the average at MnSCU's two year institutions (\$46,096). However, Minnesota's average salary is slightly below the average of \$46,784 for a sub-set of Midwestern states (Illinois, Indiana, Iowa, Michigan, and Wisconsin) as shown in Table 2.9.

Faculty at the technical colleges are covered by the United Technical College Educators (UTCE) collective bargaining agreement, faculty at community colleges are covered by the Minnesota Community College Faculty Association (MCCFA) agreement, and faculty at the consolidated community and technical colleges are divided between the two plans according to academic discipline (see Table 2.9). Although the salary schedules of the two agreements include comparable dollar ranges, full-time faculty covered by the MCCFA agreement averaged \$51,401 in fiscal year 1999, compared to \$42,651 for full-time faculty under the UTCE plan. According to MnSCU, the difference is largely due to seniority, with full-time MCCFA faculty tending to stay in their positions far longer than faculty covered by the UTCE plan.

- **MnSCU's two year institutions rely heavily on part-time and adjunct faculty.**

Table 2.9: Average Salaries, Faculty at MnSCU Two Year Institutions, FY1999

	Full-Time	(Percent Full-Time)	Part-Time (Annualized Base Salaries)
<u>Technical Colleges^a</u>			
Alexandria Technical College	\$45,425	(72%)	\$34,612
Anoka-Hennepin Technical College	44,150	(84)	33,710
Dakota County Technical College	44,560	(78)	33,108
Hennepin Technical College	44,632	(93)	35,652
Northwest Technical College	38,233	(74)	30,782
Pine Technical College	38,002	(49)	35,620
South Central Technical College	41,416	(76)	31,071
Southeast Technical College	45,529	(72)	29,021
St. Cloud Technical College	43,906	(71)	31,658
St. Paul Technical College	45,998	(80)	34,218
<u>Community Colleges^b</u>			
Anoka-Ramsey Community College	52,280	(47)	33,177
Fergus Falls Community College	47,717	(36)	32,827
Fond du Lac Tribal and Community College	45,900	(46)	32,164
Inver Hills Community College	52,083	(38)	34,515
Itasca Community College	51,763	(51)	33,714
Normandale Community College	53,466	(57)	34,979
North Hennepin Community College	52,733	(41)	35,483
Rainy River Community College	49,387	(58)	31,916
<u>Consolidated Community and Technical Colleges^c</u>			
Central Lakes Community and Technical College	44,502	(65)	33,372
Century College	48,734	(53)	36,213
Hibbing Community College	47,526	(61)	32,233
Lake Superior College	45,028	(55)	34,297
Laurentian District Community and Technical College	48,409	(62)	34,556
Minneapolis Community and Technical College	48,536	(39)	32,936
Minnesota West Community and Technical College	42,970	(56)	33,865
Northland Community and Technical College	42,543	(77)	32,817
Ridgewater College	43,256	(63)	30,291
Riverland Community College	45,158	(59)	31,624
Rochester Community and Technical College	48,469	(51)	33,403
All MnSCU Two-Year Institutions	46,096	(60)	33,529
UTCE Faculty	42,651	(72)	33,319
MCCFA Faculty	51,401	(47)	33,648
National Average	\$43,234	--	--
Five Midwestern States	46,784	--	--

NOTE: Average salaries include both tenure-track and fixed-term appointments. Part-time averages are annualized base salaries. National and Midwestern states averages include only public two-year institutions.

^aFaculty covered by the United Technical College Educators (UTCE) collective bargaining agreement.

^bFaculty covered by the Minnesota Community College Faculty Association (MCCFA) agreement.

^cFaculty covered by either UTCE or MCCFA, depending on discipline.

SOURCE: MnSCU, Legislative Auditor's Office analysis of Integrated Postsecondary Educational Data System data (national and Midwestern states averages).

Part-time and adjunct appointments make up 40 percent of all faculty appointments at MnSCU's two year institutions, including over 50 percent of those covered by the MCCFA agreement. By comparison part-time faculty make up only 14 percent of all appointments at MnSCU's four year institutions.³³

EMPLOYEE BENEFITS

We compared the employee benefits offered by Minnesota state government to those offered by other employers nationally.

Employee benefits are an important part of total employee compensation. Traditionally government jobs have offered better benefits than jobs in the private sector.³⁴ However, there has been a significant extension of benefits offered by private employers in recent decades.³⁵

This section asks:

- **What types of benefits are offered to state employees?**
- **How do the benefits offered by the state of Minnesota compare to benefits offered by public and private employers nationally?**
- **What is the cost of benefits provided by the state of Minnesota? What percentage of total compensation is provided in the form of benefits? How does that compare to other employers?**

In general we found that the state of Minnesota offers benefits that are comparable in scope and cost to benefits offered by other government employers and larger private employers. A higher percentage of state employees receive certain benefits than private sector employees, but employees of medium and larger private firms are likely to receive a package of benefits similar to those provided by the state. We also found that the amount spent by the state of Minnesota on employee benefits, both as a percentage of total compensation and in dollars per employee-hour, is similar to the national average for state and local governments. Minnesota spends more on employee benefits than the average private sector

³³ Nearly half of all appointments (48%) at Metropolitan State are part-time appointments. The second highest usage of part-time faculty among four year institutions is at Southwest State, where part-time appointments make up 16% of all appointments. According to the American Association of University Professors, the proportion of MnSCU's faculty appointments that are part-time is very close to the proportion of part-time appointments in higher education nationally (see American Association of University Professors, "The Status of Non-Tenure-Track Faculty" (Washington DC, June 1993); <http://www.aaup.org/Rbnonten.htm>; accessed November 15, 1999).

³⁴ For example, by 1962 all Minnesota state employees under 65 were eligible for health insurance, which was only offered to 62-63 percent of office and plant workers in metropolitan areas nationally during the period 1960-61 (Dean E. Clabaugh, *Fringe Benefits in State Government Employment* (Chicago: Council of State Governments, August 1962); William J. Wiatrowski, "Family-Related Benefits in the Workplace," *Monthly Labor Review*, March 1990: 28-33). By 1968 the state of Minnesota's health insurance included catastrophic medical coverage, which was only offered to 73 percent of office workers and 40 percent of plant workers in 1965-66 (Leo F. Kennedy, *Fringe Benefits in State Government Employment* (Chicago: Council of State Governments, May 1968); Wiatrowski, "Family-Related Benefits").

³⁵ The proportion of total compensation comprised of benefits grew from 18.3 percent in 1959 to 33.8 percent in 1998 for private production workers; for all private workers the proportion grew from 19.2 percent in 1966 to 27.7 percent in 1998 (William J. Wiatrowski, "Tracking Changes in Benefit Costs," *Compensation and Working Conditions*, Spring 1999: 32-37).

employer, but the costs are very comparable to those paid by larger private employers.

Unfortunately, there is less comparative data available on benefits than there is on salaries. Therefore, it is generally necessary to compare Minnesota state employee benefits to national averages. However, before making any comparisons we provide a brief outline of the benefits received by Minnesota state employees.

Minnesota Employee Benefits

Minnesota offers a package of benefits that includes insurance, retirement, and paid leave.

Full-time employees of the state of Minnesota receive the following basic and optional benefits:

- Insurance, including basic health, dental, and life insurance, as well as optional life and disability insurance;
- Retirement and pre-tax savings programs; and
- Paid leave, including holidays, vacation, and sick leave.

All full-time employees receive health, dental, and life insurance. Employees may elect dependent health, dental, and life insurance. In addition, the state offers optional accidental death and dismemberment insurance, short- and long-term disability insurance, and additional employee life insurance.

Most state of Minnesota employees participate in a retirement program that automatically sets aside 4 percent of gross salary in a tax-deferred account, matched by an equal contribution from the state.³⁶ The state also offers pre-tax benefit accounts, including health and dental premium accounts that allow payment of insurance premiums with pre-tax dollars; dependent care expense accounts; and medical/dental expense accounts. Additionally, the state offers an employee assistance program and a health promotion program. Of course, the state offers vacation, sick leave, and paid holidays.

Benefit Incidence

This section presents national data on the rate at which employees in different sectors are covered by various benefits, including a comparison of the average number of days of paid leave. Table 2.10 presents data from the Bureau of Labor Statistics' Employee Benefits Survey, comparing benefit coverage for employees of state and local governments, small private establishments, and medium and

³⁶ This is the General Employees Retirement Plan. There are other plans covering small employee groups, such as the Correctional Employee Retirement Plan and the State Employees Retirement Plan, with larger employee and employer contributions.

large establishments across the nation.³⁷ As discussed in the previous section, the state of Minnesota offers nearly all types of benefits listed in Table 2.10 to full-time employees, although some are optional. Table 2.10 shows:

- **Nationally, government employees are more likely than private employees to receive most types of employee benefits.**

Table 2.10: Full-Time Employees Receiving Selected Benefits

	State and Local Governments, 1994			Small Private Establishments, 1996	Medium and Large Private Establishments, 1997
	All Full-Time	White-Collar, Except Teachers	Blue-Collar and Service	All Full-Time	All Full-Time
Paid Time Off					
Holiday	73%	86%	91%	80%	89%
Vacations	66	84	91	86	95
Personal Leave	38	30	31	14	20
Funeral Leave	62	59	70	51	81
Jury Duty Leave	94	94	93	59	87
Military Leave	75	80	82	18	47
Sick Leave	94	93	94	50	56
Family Leave	4	4	6	2	2
Unpaid Time Off					
Family Leave	93	93	90	48	93
Insurance					
Short-Term Disability	95	94	96	29	55
Long-Term Disability	30	31	23	22	43
Medical Care	87	89	86	64	76
Dental Care	62	62	66	31	59
Life	87	87	87	62	87
Retirement					
All Retirement	96	96	95	46	79
Defined Benefit	91	90	91	15	50
Defined Contribution	9	10	9	38	57
Savings & Thrift	2	3	2	23	39
Deferred Profit Sharing	-	-	-	12	13
Employee Stock Ownership	-	-	-	1	4
Money Purchase Pension	7	7	7	4	8
Tax Deferred Earnings Arrangements					
With Employer Contributions	7	8	8	24	46
Without Employer Contributions	17	18	16	4	9

NOTE: Small establishments are those with fewer than 100 employees. Medium and large establishments are those with at least 100 employees.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1994*, May 1996 (Bulletin 2477); *Employee Benefits in Small Private Establishments, 1996*, April 1999 (Bulletin 2507); *Employee Benefits in Medium and Large Private Establishments, 1997*, September 1999 (Bulletin 2517).

³⁷ The Bureau of Labor Statistics' (BLS) Employee Benefits Survey is a large representative survey of public and private non-farm establishments. The data for medium and large private establishments are based on a national sample of 1,945 establishments yielding 10,172 occupational observations. The data for small private establishments are based on a sample of 2,202 establishments yielding 5,378 occupational observations. The data for state and local governments are based on a sample of 860 establishments, yielding 4,680 occupational observations. For more details see the individual bulletins (2477, 2507, and 2517) and the BLS website (<http://stats.bls.gov/ebshome.htm>).

The data presented in Table 2.10 pertains to slightly different years, so comparisons should be made cautiously.³⁸ Additionally, some benefits are optional and therefore percentages are somewhat influenced by the number of employees electing to participate.³⁹ Despite these limitations, the table suggests a distinctly higher rate of benefit coverage in the public sector as opposed to the private sector. However, the rate of benefit coverage for those working at establishments with 100 or more employees is much higher than the rates for those employed by smaller establishments. The table shows that 80 percent or more of all employees of all types of establishments received paid holidays and vacations.⁴⁰ Ninety-four percent of government employees but only 50 to 56 percent of private employees received paid sick leave. Eighty-seven percent of government employees but only 76 percent of employees of medium and large private establishments and 64 percent of employees of small establishments received medical insurance coverage.⁴¹ Over 95 percent of government employees but only 79 percent of medium and large private employees and 62 percent of small private employees were covered by retirement plans. In sum, while state and local government employees are more likely to receive most benefits than are private sector employees, employees of larger private establishments are more likely to receive benefits than are employees of smaller private establishments.

Paid Leave

The Bureau of Labor Statistics' Employee Benefits Survey includes national data on days of paid leave for employees of various sectors. We compared the national data to the paid leave provisions of the various employment plans in Minnesota state government and found:

- **Minnesota state employees, like government employees nationally, receive more paid holidays, vacation days, and paid sick leave than employees of private companies.**

Minnesota employees receive 11 paid holidays per year, compared to the national averages of 9.3 days for employees in medium and large private establishments, 7.6 days for employees in small private establishments, and 11.5 days for all state and local government employees (see Table 2.11).

Minnesota state employees accrue 24 days of paid holiday and vacation in their first year compared to national private sector averages of 16 to 19 days.

³⁸ The data are also subject to a sampling error of about 1.5 to 2.6 percentage points for government employers. Standard errors are not provided for the small and medium and large private employers but the sample size for these groups is much larger than the government employer sample, and sampling error should be smaller.

³⁹ Obviously, no government employers can offer stock ownership or profit sharing benefits, although a few tie employee bonuses to budget savings.

⁴⁰ Percentages of full-time employees receiving paid holidays and vacations are depressed due to the inclusion of teachers. Teachers are also somewhat less likely than other government employees to receive military leave (61 percent compared to around 80 percent for non-teachers).

⁴¹ Medium and large employers have over 100 workers.

Table 2.11: Average Days of Paid Annual Leave After Specified Years of Employment

	Minnesota	National Sample		
		State and Local Governments	Small Private Establishments	Medium and Large Private Establishments
Paid Holidays	11.0	11.5	7.6	9.3
Paid Vacation Days				
1 Year	13.0	12.3	8.1	9.6
3 Years	13.0	13.5	10.2	11.5
5 Years	16.3	15.3	11.9	13.8
10 Years	22.8	18.3	13.9	16.9
15 Years	24.4	20.3	14.8	18.8
20 Years	26.0	21.9	15.4	20.3
25 Years	27.6	22.6	15.7	21.5
30 Years	29.3	-	-	21.7
Paid Days of Sick Leave				
1 Year	13.0	13.2	8.0	11.2
3 Years	13.0	13.7	8.7	13.0
5 Years	13.0	13.8	9.5	15.2
10 Years	13.0	13.9	10.3	17.6
15 Years	13.0	14.0	10.5	18.8
20 Years	13.0	14.0	10.8	20.5
25 Years	13.0	-	10.9	21.1

SOURCE: Data for Minnesota are from collective bargaining agreements and employment plans covering most state employees, including those represented by AFSCME, MAPE, MGEC, MLEA, MMA, MNA, SRSEA, and most employees covered by the Commissioner's Plan and the Secretary of State's Compensation Plan. National data are from the U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1994*, May 1996 (Bulletin 2477); *Employee Benefits in Small Private Establishments, 1996*, April 1999 (Bulletin 2507); *Employee Benefits in Medium and Large Private Establishments, 1997*, September 1999 (Bulletin 2517).

The vast majority of Minnesota state employees accumulate 13 days of vacation in their first year of employment with the state.⁴² This is similar to the average of 12.3 days received by employees of state and local governments nationally. However, Minnesota's starting level of paid vacation days is not typically matched by an employee of a medium or large private establishment until nearly 5 years of employment, and not until nearly 10 years of employment for an employee of a small private establishment. Minnesota state employees are given over 24 days of paid vacation by their 15th year, whereas employees of private establishments average 14.8 to 20.3 days. Vacation accumulation goes up to 29.25 days per year after 30 years of state employment, but only reaches 21.7 days per year in medium and large private establishments.

Nearly all Minnesota state employees accrue sick leave at the rate of 13 sick days per year regardless of years of service.⁴³ This is slightly lower than the 13.2 to 14 days per year received by state and local government employees nationally, but more than that of employees of small private establishments. On average,

⁴² This rate of vacation accumulation applies only to the state of Minnesota employees noted in Table 2.11. Vacation accumulation is higher for employees in several other groups. For example, MnSCU administrators and employees of the Attorney General's Office receive more vacation days at the start of state employment, between 16.5 days and 22 days depending on the plan.

⁴³ Minnesota State College and University faculty accrue 15 to 20 sick days in their first year, but accrue only 8 to 10 days every year thereafter.

employees of medium and large private establishments start with 11.2 sick days, but this number increases to 21.1 after 25 years of experience.

Benefit Cost

In this section we provide comparative data on the cost of employee benefits. The cost to employers of providing benefits is not necessarily equal to the value of benefits to employees; we do not attempt to measure the value of benefits to employees or analyze the issues involved in providing different types of benefits. The state has important choices to make in what types of benefits to offer and what degree of choice to offer employees, but these topics merit another study.

When we compared data on the costs of benefits for Minnesota state employees to national data on government and private company employees, we found:

We compared the cost of benefits paid by the state to benefit costs of other employers.

- **Public employers nationally offer greater employee benefits than private employers measured either in dollars or as a percentage of total compensation.**
- **The state of Minnesota offers a benefit package that, measured by cost, is generally equal to or better than benefits offered by other states, other public employers in Minnesota, and private and public employers nationally.**

The Bureau of Labor Statistics (BLS) publishes data on the employer cost of employee compensation, including both wage and salary costs and benefit costs, in its annual Employer Costs for Employer Compensation series.⁴⁴ BLS compiles estimates for benefit categories including retirement, paid leave, and insurance, as well as legally required employee-paid benefits such as social security, unemployment insurance, and workers' compensation.

Comparing benefit costs among employers is difficult because average wages differ among employers and some costs are calculated as a percent of wages or salary.⁴⁵ For example, the cost of paid leave, retirement, and social security are a function of wage rates. Government employees in general and Minnesota state employees in particular are more highly paid than employees of private companies. As a consequence, the dollar value of benefits is higher for government employees than for private employees. One way around the problem of comparing benefits of groups with different average wages is to look at the percentage of total compensation accounted for by benefits.

Tables 2.12, 2.13, and 2.14 present a detailed look at average benefit costs for three categories of employees: private employees nationally, state and local government employees nationally, and Minnesota state employees.⁴⁶ First,

⁴⁴ See <http://stats.bls.gov/news.release/ecec.toc.htm>; accessed October 4, 1999.

⁴⁵ Sectoral variations in occupational distribution also complicate the comparison of employee benefits. See Bradley R. Braden and Stephanie L. Hyland, "Cost of Employee Compensation in Public and Private Sectors," *Monthly Labor Review* (May 1993): 14-21.

⁴⁶ Small differences between the various sectors should be interpreted with caution since all figures are subject to sampling and non-sampling errors, and because the composition of the workforce across employers and the level of compensation varies.

Table 2.12: Employer Costs per Employee Hour, National Averages, 1999

	All Private Employers		State and Local Government	
	Amount	Percent	Amount	Percent
Total Compensation	\$19.00	100.0%	\$28.00	100.0%
Wages and Salary	13.87	73.0	19.78	70.6
Total Benefits	5.13	27.0	8.22	29.4
Paid Leave	1.20	6.3	2.17	7.8
Vacation	0.59	3.1	0.74	2.6
Holiday	0.41	2.2	0.71	2.5
Sick	0.14	0.7	0.55	2.0
Other	0.05	0.3	0.17	0.6
Supplemental Pay	0.55	2.9	0.24	0.9
Premium	0.23	1.2	0.11	0.4
Shift Differentials	0.05	0.3	0.06	0.2
Nonproduction Bonuses	0.28	1.5	0.07	0.2
Insurance	1.13	5.9	2.22	7.9
Life	0.04	0.2	0.05	0.2
Health	1.03	5.4	2.12	7.6
Short-Term Disability	0.04	0.2	0.02	0.1
Long-Term Disability	0.03	0.1	0.03	0.1
Retirement and Savings	0.57	3.0	1.91	6.8
Defined Benefit	0.25	1.3	1.73	6.2
Defined Contribution	0.32	1.7	0.18	0.6
Legally Required Benefits	1.65	8.7	1.64	5.9
Social Security	1.16	6.1	1.31	4.7
OASDI	0.93	4.9	1.01	3.6
Medicare	0.23	1.2	0.29	1.0
Federal Unemployment Insurance	0.03	0.2	--	--
State Unemployment Insurance	0.10	0.5	0.03	0.1
Workers' Compensation	0.36	1.9	0.30	1.1
Other Benefits	0.03	0.2	0.04	0.1

NOTE: "Premium" includes additional pay for work outside of regular hours (overtime, weekends, and holidays). "Other Benefits" include severance pay and supplemental unemployment benefits.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1999*.

Table 2.12 compares the benefit costs of private employers with those of state and local government employers. State and local governments pay 29.4 percent of total compensation in the form of benefits compared to 27 percent for private employers. The only benefit categories where private employers pay a greater percentage than public employers are supplementary pay, such as premium pay and bonuses, and legally required benefits including social security and workers' compensation.

Larger private employers pay higher wages and better benefits than medium or small private employers. Table 2.13 shows benefit costs for three size categories of private employers. Total compensation goes from \$16.27 for employers with 1 to 99 workers to \$18.14 for employers with 100 to 499 employees, and \$26.37 for employers with 500 or more workers. Benefits are 24.5 percent, 27.4 percent, and

Table 2.13: Employer Costs per Employee Hour, Private Industry by Size of Establishment, 1999

	1 to 99 Employees		100 to 499 Employees		500+ Employees	
	Amount	Percent	Amount	Percent	Amount	Percent
Total Compensation	\$16.27	100.0%	\$18.14	100.0%	\$26.37	100.0%
Wages and Salary	12.29	75.5	13.17	72.6	18.37	69.7
Total Benefits	3.98	24.5	4.97	27.4	8.00	30.3
Paid Leave	0.83	5.1	1.11	6.1	2.15	8.2
Vacation	0.40	0.2	0.55	3.0	1.09	4.1
Holiday	0.30	0.8	0.38	2.1	0.71	2.7
Sick	0.10	0.6	0.14	0.8	0.25	0.9
Other	0.03	0.2	0.05	0.3	0.10	0.4
Supplemental Pay	0.40	2.5	0.58	3.2	0.87	3.3
Premium	0.16	1.0	0.25	1.4	0.35	1.3
Shift Differentials	--	--	0.05	0.3	0.13	0.5
Nonproduction Bonuses	0.23	1.4	0.28	1.5	0.39	1.5
Insurance	0.84	5.2	1.12	6.2	1.83	6.9
Life	0.03	0.2	0.04	0.2	0.07	0.3
Health	0.77	4.7	1.01	5.6	1.64	6.2
Short-Term Disability	0.02	0.1	0.04	0.2	0.07	0.3
Long-Term Disability	0.02	0.1	0.02	0.1	0.05	0.2
Retirement and Savings	0.39	2.4	0.53	2.9	1.05	4.0
Defined Benefit	0.14	0.9	0.21	1.2	0.55	2.1
Defined Contribution	0.25	1.5	0.32	1.8	0.50	1.9
Legally Required Benefits	1.51	9.3	1.62	8.9	2.01	7.6
Social Security	1.02	6.3	1.10	6.1	1.54	5.8
OASDI	0.83	5.1	0.89	4.9	1.23	4.7
Medicare	0.20	1.2	0.22	1.2	0.31	1.2
Federal Unemployment Insurance	0.03	0.2	0.03	0.2	0.03	0.1
State Unemployment Insurance	0.10	0.6	0.11	0.6	0.10	0.4
Workers' Compensation	0.35	2.2	0.38	2.1	0.34	1.3
Other Benefits	0.00	0.0	0.02	0.1	0.09	0.3

NOTE: "Premium" includes additional pay for work outside of regular hours (overtime, weekends, and holidays). "Other Benefits" include severance pay and supplemental unemployment benefits.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1999*.

30.3 percent of compensation for small, medium, and large employers respectively. Since the state of Minnesota is a large employer it should probably be compared to the largest category of private employers.⁴⁷

Finally, Minnesota state employee compensation, both wages and benefits, compare quite closely to the average for state and local government employers nationally, as shown in Table 2.14.⁴⁸ Total compensation figured on an hourly

⁴⁷ Thirteen state departments employ over 500 workers. Together these departments employ over 90 percent of state employees.

⁴⁸ We compiled data from the Minnesota state payroll system (SEMA4) to derive the costs listed in Table 2.14. SEMA4 does not provide information for a detailed breakdown of insurance, retirement, or social security costs. However, for the state of Minnesota health insurance, including dental insurance, represents over 90 percent of employer-paid insurance costs; nearly all retirement benefits are in the form of defined benefits; and the old-age, survivors, and disability insurance (OASDI) portion of social security is roughly 4.5 percent.

Table 2.14: Employer Costs per Employee Hour, State and Local Governments Nationally and Minnesota State Government, 1999

	State and Local Government		Minnesota State Government	
	Amount	Percent	Amount	Percent
Total Compensation	\$28.00	100.0%	\$28.44	100.0%
Wages and Salary	19.78	70.6	19.55	68.7
<u>Total Benefits</u>	8.22	29.4	8.89	31.3
Paid Leave	2.17	7.8	2.63	9.3
Vacation	0.74	2.6	1.32	4.6
Holiday	0.71	2.5	0.71	2.5
Sick	0.55	2.0	0.59	2.1
Other	0.17	0.6	0.02	0.1
Supplemental Pay	0.24	0.9	0.52	1.8
Premium	0.11	0.4	0.40	1.4
Shift Differentials	0.06	0.2	0.06	0.2
Nonproduction Bonuses	0.07	0.2	0.05	0.2
Insurance	2.22	7.9	2.27	8.0
Retirement and Savings	1.91	6.8	1.24	4.4
Legally Required Benefits	1.64	5.9	1.92	6.8
Social Security	1.31	4.7	1.66	5.8
State Unemployment Insurance	0.03	0.1	0.05	0.2
Workers' Compensation	0.30	1.1	0.21	0.7
Other Benefits	0.04	0.1	0.31	1.1

NOTE: "Premium" includes additional pay for work outside of regular hours (overtime, weekends, and holidays). "Other Benefits" include severance pay and supplemental unemployment benefits.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Employer Costs for Employee Compensation, March 1999*; Legislative Auditor's Office analysis of data from the state of Minnesota's payroll system (SEMA4).

basis is \$28.44 in Minnesota state government and \$28.00 per hour for state and local government employers nationally. Minnesota state employee benefits are 31.3 percent of total compensation compared to 29.4 percent for state and local government employers nationally. Note that this proportion is very similar to the 30.3 percent of total compensation paid in the form of benefits by large private employers (see Table 2.13). In sum, the data show:

- **The cost of benefits paid by the state of Minnesota is comparable to the cost of benefits paid by large private employers nationally and state and local government employers nationally.**

We also compared the costs of specific benefits offered by the state of Minnesota to the costs of similar benefits in other state governments.⁴⁹ We found that employer-paid health insurance costs for Minnesota rank relatively high: 6th highest of 33 reporting states for family medical coverage and 2nd highest of 15 reporting states for family dental coverage. However, Minnesota's current contribution to state employee retirement, 4 percent of gross salary, ranks 31st of 33 reporting states.

⁴⁹ These comparisons were made using data from the 1998 Central States Fringe Benefits Survey.

The state of Minnesota pays higher health insurance premiums, but lower retirement contributions, than many other public employers.

We also compared the health and dental insurance payments made by the state of Minnesota to large public employers in the Twin Cities, the city of Duluth, and St. Louis and Olmsted counties. State health and dental insurance payments are above average for the 20 public employers for which we have data.⁵⁰ The state of Minnesota pays \$195 to \$203 per month for individual health and dental insurance and about \$462 to \$470 per month for family coverage. This amount is higher than most metropolitan agencies, metropolitan and larger outstate counties, and larger municipal governments in the Twin Cities area.

SUMMARY

This chapter has presented various comparisons of Minnesota state employee compensation to compensation provided by other private and public employers. On average, the state of Minnesota tends to pay higher wages than other states. But Minnesota employs fewer workers than most other state governments and this may affect the comparison. Minnesota state government pays a higher average hourly wage than the private sector because government employment contains a higher percentage of professional employees and fewer production, sales, and assembly workers.

When specific job categories are compared, we found that Minnesota follows the national pattern of government pay scale compression by paying higher wages to entry-level and lower-skilled positions, and lower wages to upper-level professional and managerial employees. Thus, there are significant differences between many state salaries and market rates. However, the data suggest that if all state jobs were paid at rates comparable to the private sector, the state's payroll would not change greatly.

There is significant variation in pay around the state. Pay in the Twin Cities area is approximately 20 percent higher than in most other metropolitan areas and in the nonmetropolitan balance of the state. In contrast, state government employees are paid according to statewide salary schedules, and while there is some geographic variation in state salaries, it is much less than wages and salaries in general. Many private employers and some public employers, including the federal government, vary pay rates according to regional differences in employee compensation costs.

Minnesota employee benefits total approximately 31 percent of total employee compensation. This is about the same as government employers and large private employers nationally, but distinctly more than paid by most private employers. Minnesota provides vacation, sick leave, and holiday benefits that are competitive with other public employers and higher than private employers.

As we will see in the next chapter, employee compensation is one of several factors that human resources staff in state agencies believe are responsible for problems in recruitment and retention of employees.

⁵⁰ The source of this information is the 1999 Stanton and Associates benefits survey.