



State Employee Compensation

February 3, 2000

Major Findings:

- State government's workforce includes a higher proportion of white collar jobs than the private sector and, as a result, the state's average wage rate is higher than the private sector's. (p. 25 in the full report)*
- Lower-skill jobs in state employment pay relatively more than comparable private sector jobs, and higher-skill jobs pay relatively less. As a result, there is less variation between the highest and lowest-paid jobs. (p. 27)
- Minnesota pays its state employees higher salaries than most other states. (p. 21)
- State government salaries do not vary across Minnesota as much as wages in general. Twin Cities area wages are about 15 to 20 percent higher than wages in most outstate metropolitan areas and the nonmetropolitan balance of the state, while state pay is about 5 percent higher in the Twin Cities area than outstate. (p. 31)
- Faculty at MnSCU four-year institutions are paid at about the national average for similar institutions. Faculty at the two-year technical and community colleges are paid above the national average. (p. 36)
- Minnesota employee benefits equal about 31 percent of total compensation. This percentage is comparable to public employers and large private employers nationally, but distinctly higher than small private employers. (p. 39)
- State agencies are experiencing a variety of problems recruiting and retaining employees. Compensation is one of several factors mentioned by state agencies as part of the problem, but it is not the dominant factor. The three job categories that human resource directors report as having the most serious recruiting and retention problems are information technology, accounting, and office clerical positions. (p. 49)

*For the full evaluation report, *State Employee Compensation* (#PE00-05), which includes the agency's response, call 651/296-4708 or download from:

www.auditor.leg.state.mn.us/ped/2000/PE0005.htm

Report Summary:

Minnesota employs about 50,000 people in executive branch agencies. The state is engaged in a wide variety of operations and employs people in over 2,200 different jobs. It is useful to periodically compare state compensation with that offered by the public and private employers with which the state competes for workers.

Minnesota statutes direct the Department of Employee Relations to work toward a compensation structure that is internally consistent, with equivalent jobs receiving equal pay, and that bears a reasonable relationship to the external job market. These goals are themselves partially incompatible, but Minnesota's employee compensation structure is not the result of rational planning so much as it is the result of budgeting and bargaining processes in which political influence is exercised and trade-offs are made. Most state employees belong to unions which bargain for them on matters affecting pay and working conditions, and the funds potentially available for employee compensation are set through the budget process every two years.

As a Group, State Employees Earn More than Private Sector Employees

As a group, state employees are paid more than private sector employees because the state workforce contains a higher concentration of professional workers and a lower concentration of sales, craft, and assembly-line positions. According to data from the Current Population Survey, 37.5 percent of state employees work in professional occupations, for example, compared to 12.4 percent of private sector employees. In the private sector, a far higher percentage of workers are

employed in sales, craft, or assembly line positions.

State Pay is Highly Compressed

Compared to the private sector, the range of salaries in state employment is highly compressed. Upper level managers and professional positions pay more in the private sector, and lower-complexity jobs pay more in state government. For example, state-employed guards, janitors, and general repair workers all average over 30 percent more than similar positions in the private sector. Clerical occupations pay between 10 and 20 percent more than comparable private sector jobs. Entry level buyers and contracting specialists earn 20 percent more in state government.

By law, salaries of upper-level managerial and professional positions in state agencies are limited by department head salaries, and department heads are limited by the governor's salary. Upper level managerial and professional positions pay much less in state government than in the private sector, but comparisons are difficult to make because compensation and job responsibilities tend to be unique rather than standardized at this level. The state of Minnesota uses a job evaluation system, the Hay system, that is also used by many private and public employers to help achieve proportionality and equity in employee compensation. A numerical Hay rating is calculated for most state jobs. Data from about 400 employers using the Hay system nationally show that private sector salaries are more than twice as high as state salaries for upper level professional and managerial positions with similar Hay ratings.

Minnesota State Employees are Paid More than Employees of Other States

Minnesota paid its state employees higher salaries in 1998 than most of the 24 states participating in a widely used salary survey. Minnesota's salaries ranked in the upper third of participating states for 87 of 107 comparable positions, and Minnesota paid the highest salary of all participating states for 21 positions. Minnesota salaries were above the average paid by a subset of Midwestern states for over 80 percent of the positions.

State Employee Salaries Vary Little Across Minnesota

Economic conditions vary widely across Minnesota. According to data from the Minnesota Department of Economic Security, wages in the Twin Cities area are at least 20 percent higher than wages in outstate metropolitan areas and the nonmetropolitan balance of the state. State pay, however, is set by statewide salary schedules (and bargained for by statewide bargaining units). While there is some variation in the pay of state employees around the state, it is much less than the geographic variation in pay offered by employers in general.

MnSCU Faculty Pay is At or Above Average

There are over 8,500 faculty positions in the Minnesota State Colleges and Universities system (MnSCU), thus faculty are a sizable proportion of state employees. In general, full-time faculty at MnSCU's four-year institutions are paid very near the national average for similar institutions. MnSCU salaries are also near the average for comparable positions in Illinois, Indiana, Iowa, Michigan, and Wisconsin.

Full-time faculty at MnSCU's two-year institutions (community and technical colleges) are paid above the national average for similar institutions, but Minnesota's average for two-year colleges is similar to the average for comparable faculty jobs in Illinois, Indiana, Iowa, Michigan, and Wisconsin.

Minnesota Offers Competitive Employee Benefits

Employee benefits are an important part of total compensation and must be considered when making comparisons among employers. Although benefits have been extended among private employers in recent decades, government employees are still more likely to receive most kinds of benefits.

Minnesota state employees, like government employees in general, 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 average 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. Minnesota employees receive 13 to 29 days of vacation (depending on years of service) compared to lower vacation accrual rates for public and private employees nationally.

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. About 31 percent of Minnesota state employee compensation is in the form of benefits. This compares to 29 percent for state and local governments nationally, and

27 percent for private employers. Large private employers, those with over 500 employees, pay 30 percent of compensation in the form of benefits, a level close to that paid by Minnesota and other government employers.

Most State Agencies Report Problems with Recruitment

Almost all large state agencies reported some problems with employee recruitment and retention. The three job categories identified as presenting the greatest problem currently are information technology, office administration (clerical), and accounting jobs.

Inadequate compensation was not identified as the most important factor in these cases, although it was a strong second in the case of information technology jobs, and mentioned by nearly 60 percent of state agency human

resource directors. The top problem in all three cases was an insufficient labor pool with the needed skills or experience. One-third of the human resource directors suggested that raising salaries to competitive levels would help address the problems, but even more suggested improving the hiring process and strengthening recruitment efforts.

Summary of Agency Response:

In response to the study Deputy Commissioner Jim Lee wrote on January 20, 2000: “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 . . . released in 1979. 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.”

“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.”

Deputy Commissioner Lee also noted: “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 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.”