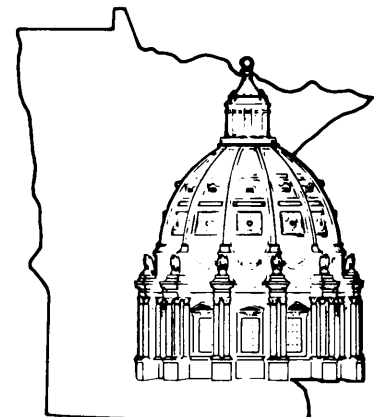


Public Employment Study

MAJOR FINDINGS, POLICY IMPLICATIONS AND RECOMMENDATIONS

April, 1979

Minnesota Department of Finance



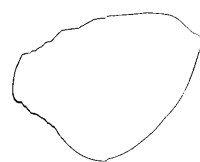
DEPARTMENT OF FINANCE
PUBLIC EMPLOYMENT STUDY

SUMMARY OF MAJOR FINDINGS,
POLICY IMPLICATIONS, AND RECOMMENDATIONS*

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*Excerpt from Final Summary Report.



SUMMARY OF MAJOR FINDINGS, POLICY IMPLICATIONS, AND RECOMMENDATIONS*

The Public Employment Study, authorized by the 1977 Minnesota Legislature, represents the first comprehensive examination of state and local public employment within Minnesota. The study indicates general trends and is designed to be used as a basis for the development of future public employment and compensation decisions.

Employee compensation including salaries and benefits is the largest single cost item in state and local government. There are over 194,000 state and local government full-time equivalent employees in Minnesota, and payments for their salaries and benefits are estimated as exceeding 2.5 billion a year, or approximately 45 percent of annual state and local government direct general expenditures. Because state government is a major funding source of local education and non-education programs, local government also forms a part of this study.

The Public Employment Study staff has developed trend information using census and other existing data sources for Minnesota state and local government, including education. The analysis covers trends over a 20-year period and compares Minnesota to other states. The staff also engaged the services of Hay Associates to: (1) conduct a special evaluation of the state classification and compensation systems, and (2) to compare current compensation for positions of approximately the same level of complexity in the public and private sectors in Minnesota.

The following summary provides an overall profile of the results of this study in terms of current levels and trends in compensation, employment, and payroll in Minnesota state and local government; and discusses policy-related issues regarding the above areas.

*Excerpt from Final Summary Report of the Public Employment Study.

Compensation

Comparison of Public and Private Compensation

- F*1 In general, state and local government average salaries in Minnesota *for jobs at similar levels of complexity* are higher than in the private sector, *except* for the upper level management positions where the pay level in the private sector is higher.
- F 2 In the last twenty years, the *overall average pay* (for all positions) in state and local government in Minnesota has risen faster than that in the private sector. Twenty years ago, state and local average pay was lower than that in the private sector, while today it is higher. Two factors partly affect this change: on one hand, the massive entry of employees in the low paying service-rendering industries in the private sector in recent years; and, on the other hand, the increasing percentage of higher paid professionals in government.
- F 3 Pay varies widely by private industry. Minnesota state and local government average pay is *higher* than pay in industries such as trade, finance-insurance-real-estate (FIRE), services and even manufacturing recently. These industries constitute more than 85 percent of employment in the private sector. Minnesota state and local government average pay is *lower* than that in industries such as construction, mining, transportation and public utilities.
- F 4 Pay also varies by major occupational grouping. For example, labor/trades salaries are higher than clerical and office salaries in both the public and private sectors, although in both cases public salaries tend to be higher than private pay. Unlike the private sector and many other states, Minnesota state government tends to pay clerical and office occupations at about the same level as most occupations other than labor/trades. In the private sector clerical salaries tend to fall below this general pay line.
- F 5 Benefits are compared in terms of *total cash-equivalent value* at three annual pay levels — \$10,000, \$20,000 and \$30,000. At the \$10,000 level, the total benefit package of Minnesota state government has a higher value than the average private plan (in a national survey) and most county and municipal plans in Minnesota. At the \$20,000 level, the state plan has approximately the same cash-equivalent value as the average private plan, but has a higher value than most county and municipal plans. At the \$30,000 level, the average plan in the private sector is more generous than state and local plans.

Policy Implications and Recommendations on Public and Private Compensation Comparability

PR1** Existing Minnesota statutes (MS 43.111 and 43.065) provide that the state shall be competitive in its compensation practices with other public and private employers and shall maintain equitable relationships internally for positions and classes at similar levels of complexity.

In fact, there is no single homogeneous “private market” where there are jobs with levels of complexity and responsibility precisely the same as for government positions. For many top government jobs there are no equivalent private positions. While the job content quantitative evaluation system developed by Hay Associates is designed to avoid position by position comparisons, this basic problem exists. **Adjustments of compensation policy to be “competitive” should reflect an understanding of these problems.** Setting salary policy therefore involves reconciling such basic factors as:

- conflicts between external competitiveness and internal equity;
- private wage rate variations by industry, region, employer size;
- wage variations within industry by such groups as clerical, labor/trades, health care and criminal justice; and
- collective bargaining practices.

PR 2 The large number of collective bargaining units in state government makes the bargaining process unwieldy. The same job category often falls within the jurisdiction of different employee organizations, and thus, is subject to different contracts. **The state should consider the possibility of restructuring the bargaining unit base to be more relevant to occupational groups, recognizing that all units are functioning under a single employer.**

Procedures prescribed by state law for public employee contract negotiations and particularly procedures for impasse resolution can under some conditions affect not only state government salaries and benefits but salaries and benefits for other levels of government within the state as well. **Therefore, the Public Employee Labor Relations Act should be reviewed to insure that the procedures and resulting actions are consistent with legislative policy.**

PR 3 Salary analyses using existing survey data and census data show that average salaries for Minnesota state government and for most local governments are higher than average salaries in the private sector. At the present time, the mean salary in the private sector is usually at or below the midpoint of the salary range; whereas the mean salary in state government, due to automatic step increases, is somewhere between the midpoint and the maximum of the range. **Any adjustment to bring the average pay levels of state or local employees closer to those of the private sector should be done gradually and with care since state and local *salary ranges* as well as *average salaries* need to be competitive with the private market.**

Note: PR** for Policy Implications and/or Recommendations.

- PR 4** Although most state and local salaries are higher than salaries for similar private positions, the top state and local jobs tend to be paid less than similar jobs in the private sector. Benefit practices follow the same basic pattern. **Adjustments of salaries and benefits of department heads and deputies should be considered as soon as feasible to bring executive total compensation closer to compensation for jobs of similar complexity in the private sector.**

This adjustment also addresses the basic problem of compression as it particularly affects the recruitment and retention of the higher level managers and professionals immediately below the deputy commissioner levels, such as assistant commissioners and division heads.

- PR 5** Present total compensation (salaries along with benefits) data tends to be fragmented and frequently unreliable. However, enough data are available so that the establishment of the state's compensation policy should take fuller account of the value of total benefits in the state's total compensation package than presently is done. This is particularly important since benefits make up an increasing percentage of the total compensation package in recent years in both state and local governments.

The state's forthcoming Personnel/Payroll System will facilitate identifying total compensation costs.

Hay Associates has provided data comparisons on individual benefit practices with the private sector, but **decisions on changes in benefits should be seen primarily in the context of total compensation.**

- PR 6** The Public Employment Study strongly recommends the strengthening of the Minnesota Department of Economic Security (DES) salary survey to assist both state and local governments as well as the private sector. Strengthening the DES survey involves establishing a statewide compensation information base that would provide:

- Total compensation data compatible with the U.S. Department of Labor's Employment Cost Index, with information on the cost of various benefits.
- Establishment of an advisory committee to the DES survey team composed of representatives of state and local government, including education, and the private sector to monitor the appropriateness of the various jobs included in the survey and the need for periodic revisions of jobs listed and their definitions.
- Continuous access for employer and employee groups to information from the data base, in addition to periodic survey reports, with appropriate safeguards for the privacy of private employer data.
- Specific information, on request, as to compensation paid by participating public employers for various jobs. Presently this information is kept confidential.
- This expanded data base may assist the Department of Labor and Industry in establishing prevailing wage standards as required by state law.

PR 7 The state government should assure more public access to information on local compensation policy. The state provides a significant share of local revenue support in the form of local aid for both local education and non-education functions. A large portion of this, between 60 to 75 percent, is used to pay employees. As indicated above, changes in the Minnesota Department of Economic Security annual salary survey will provide expanded data on local compensation. The Minnesota State Planning Agency's *Minneapolis-St. Paul Study*, particularly the report on *Municipal Expenditures: Employee Compensation*, provides another model for local compensation analysis.

PR 8 Local government associations, in conjunction with the State Departments of Planning, Personnel and Economic Security should consider holding annual or biennial conferences discussing Minnesota state and local government compensation and employment trends. Employment and compensation decisions are multiple and scattered, reflecting government decentralization patterns in Minnesota. A conference would help focus on common issues faced by government units in collective bargaining, in establishing competitive and equitable compensation practices, and in obtaining adequate information for decisions in these areas.

For example, the role of state government compensation and employment policy might be a major area of discussion. State government can affect local and private sector compensation in two ways. The state may pass legislation affecting everyone through minimum wages, workers' compensation, unemployment compensation and benefit regulations. State government may also influence compensation trends as a major employer in the state. A local government or small private employer may introduce a new compensation practice and have little impact. But when a larger employer such as state government adopts the same practice, other public and private employers may be greatly affected.

Compensation in Minnesota State and Local Government

F 6 Minnesota state and local government salaries, as in most states, have increased at an increasing rate in recent years. Except for education, Minnesota state and local salaries have risen at a faster pace than the cost-of-living.

Annual Growth Rate: State and Local Salaries for Non-Education Employees

	State		County		Municipality		Consumer Price Index
	MN	US	MN	US	MN	US	
1957-77	7.2%	6.2%	6.3%	6.2%	6.4%	6.1%	3.9%
1957-62	6.9	5.1	5.0	5.0	5.1	4.5	1.5
1962-67	6.8	5.8	4.0	5.0	3.9	5.2	2.0
1967-72	6.1	6.9	7.8	7.6	8.9	7.6	4.6
1972-77	9.1	7.0	8.4	7.1	8.0	7.2	7.7

MINNESOTA STATE GOVERNMENT (non-education employees)

F 7 For positions at similar levels of complexity, the current Minnesota state government pay levels are generally:

- among the top twelve states in the nation in pay.
- lower than the federal pay at all but the lowest paying jobs.
- lower than local government pay in the metropolitan area but higher than pay in the non-metropolitan area.
- lower than pay levels in municipal government. This appears to be largely due to the impact of salary levels in the Twin Cities metropolitan area, particularly in the major cities.
- higher than pay levels in county government for positions of \$1300 a month or less. This range covers approximately two-thirds of all state employees. Above the \$1300 level, county government pay is higher than state pay.
- higher than pay levels in school districts for positions at \$1350 or less a month. Above that level, state pay is lower than school district pay.

F 8 The overall average salaries of all Minnesota state employees have remained above the national average since the 1962 census. In the North Central region, Minnesota average salaries were consistently higher than those of West North Central states including Iowa, Kansas, Missouri, Nebraska, North Dakota, and South Dakota, and remained very competitive with the East North Central states including Illinois, Indiana, Michigan, Ohio and Wisconsin.

State Non-Education Employees' October Salaries

	<u>Minnesota</u>	<u>U.S.</u>	<u>Minnesota as Percent of U.S.</u>
1957	\$ 295	\$ 310	95%
1962	412	398	103
1967	572	527	109
1972	769	735	105
1977	1,187	1,033	115

F 9 Minnesota state government average salaries have grown at a faster rate than have county and municipal salaries since 1957. State average pay was lower than both county and municipal rates in 1957, but higher in 1977.

Non-Education Employees' October Salaries

	<u>State</u>	<u>County</u>	<u>Municipality</u>
1957	\$ 295	\$ 305	\$ 340
1977	1,187	1,032	1,180
Annual Growth 1957-1977	7.2%	6.3%	6.4%

F 10 Previous studies by the National Organization for Women and Minnesota Legislative Audit Commission have identified male and female salary differences in Minnesota state government after controlling for several variables. All the existing studies contain certain analytical flaws, but they show a similar pattern. The data provided by the Department of Personnel show that the average monthly wage rates of *male* and *female* state employees were respectively \$1,303 and \$961 in July, 1978 as compared to \$870 and \$600 in July, 1973. When the number of years in state service, years in class service and industry differences are controlled, the male-female average salary difference narrows even more substantially. As of July, 1978, approximately 44 percent of the certified employees in Minnesota state government were women, predominantly in clerical and service groups. The representation of women in state service increased from 42 percent in 1973 to 44 percent in 1978.

MINNESOTA LOCAL GOVERNMENT (non-education employees)

F 11 Within local government in Minnesota, for positions at similar levels of complexity:

- Cities tend to pay more than do counties for positions up to the \$1,500 a month pay level. From about that point on, they both pay about the same.
- Cities pay more than school districts up to the \$1,700 a month level, but from that salary level on, school district non-instructional employees begin to receive more pay.
- Counties pay more than school districts up to about the \$1,700 a month level when they begin to pay less.
- At about \$2,300 a month these local governments begin to pay less than the private sector. Since our survey data was limited at these higher paying levels, this conclusion is mostly based on trend lines and on projections from other surveys.

F 12 Minnesota city and county average pay has grown at approximately the same rate as city and county pay nationwide.

MINNESOTA HIGHER EDUCATION

F 13 Average pay for Minnesota 9-10 month higher education faculty in 1977-78 was very close to the national average for comparable institutions.

- University of Minnesota pay was slightly higher than the national average and slightly lower than the Big Ten average. If benefits also are considered, then Minnesota compensation was more generous than the national average and about the same as the Big Ten average.

	<u>Average Salary</u>	<u>Average Total Compensation</u>
University of Minnesota	\$21,109	\$25,737
U.S. Public	20,360	23,350
Big Ten Public	21,458	25,624
U of M as a Percent of U.S. Public	103.7%	110.2%
U of M as a Percent of Big Ten Public	98.4%	100.4%

- State University system salaries are slightly below the national average for public universities and virtually the same as the average for private schools. At the regional level, State University System salaries are about the same as the public and private East North Central average but above the West North Central average. When benefits are considered, State University System compensation is very close to the national public average and above the national private average.

	<u>Average Salary</u>	<u>Salary as a Percent of SUS Salary</u>	<u>Average Compensation</u>	<u>Compensation as a Percent of SUS Compensation</u>
State University System (SUS)	\$17,975	100.0%	\$21,847	100.0%
U.S. Public	18,820	104.7	21,830	99.9
U.S. Private	17,880	99.5	20,790	95.2
East North Central	18,160	101.0	NA*	
West North Central	16,980	94.5	NA	

- Community college salaries were virtually the same as the national average for similar public colleges, virtually the same as the average salary for the public and private East North Central faculty group, and substantially above both the national private average and the West North Central public and private average. Community College compensation was above the national public average and substantially above the national private average.

	<u>Average Salary</u>	<u>Salary as a Percent of CCS Salary</u>	<u>Average Compensation</u>	<u>Compensation as a Percent of CCS Compensation</u>
Community College System (CCS)	\$17,586	100.0%	\$21,424	100.0%
U.S. Public	17,630	100.3	20,130	94.0
U.S. Private	12,830	73.0	14,620	68.2
East North Central	17,760	101.0	NA*	
West North Central	15,060	85.6	NA	

*Not available.

- F 14 The average salary for 11-12 month faculty of the University of Minnesota was below the Big Ten average. Even when benefits are considered, the compensation figure was still slightly below the Big Ten figure.

	<u>Average Salary</u>	<u>Average Compensation</u>
University of Minnesota	\$25,921	\$31,259
Big Ten Public Group	26,784	31,766
University of Minnesota as a Percent of Big Ten	96.8%	98.4%

- F 15 In the past ten years these educational pay patterns have not changed substantially although changes in relative rank for Minnesota have occurred in certain years.

MINNESOTA ELEMENTARY AND SECONDARY EDUCATION

- F 16 Minnesota elementary and secondary teachers were paid slightly above the national average, virtually the same as the East North Central region average, and substantially above the West North Central average.

	<u>Average Salary</u>	<u>Salary as a Percent of Minnesota Salary</u>
Minnesota	\$14,871	100.0%
East North Central States	14,785	99.4
West North Central States	12,896	86.7
National Average	14,244	95.8

- F 17 Minnesota teachers' salaries are higher than salaries of teachers in comparable states, no matter how we make our comparison: population size, degree of urbanization, or per capita income. Minnesota teachers were paid more than teachers in three out of the four states closest to Minnesota in population size: Maryland, **Minnesota**, Louisiana, Tennessee and Alabama.
- F 18 Minnesota teachers were paid more than teachers in the four states that are similar in the degree of urbanization: **Minnesota**, Louisiana, Virginia, Missouri and Tennessee.
- F 19 Minnesota teachers were paid more than teachers in the four states that are similar in per capita income: **Minnesota**, Pennsylvania, Colorado, Ohio and Kansas.

Policy Implications and Recommendations on State and Local Compensation

- PR 9** The state should reexamine *automatic step progression* to assure that merit rather than longevity has a greater impact on an employee's career progress. Salary "mid-point budget" and "pay for performance" policies recommended by Hay Associates should be carefully examined as to feasibility and appropriateness by a task force headed by the Departments of Finance and Personnel.

These recommendations by Hay Associates involve a substantial change in state pay policy and administration and present a number of problems, including the need for superior job performance measurement systems, very careful training of supervisors in performance evaluation, and careful consultation with employees and their representatives.

Any such change should be done on a long range basis taking into account the realities of the collective bargaining process. Such changes should *not* be part of the 1979-81 pay deliberation.

- PR 10** The present *cost-of-living adjustment (COLA)* system applied to the state government should be replaced by a general annual salary adjustment rather than using both the COLA and the market adjustment as is presently done. The present flat rate COLA's can in the long run create compression problems and inequities in pay relationships between classes in the state service, although it does represent an attempt to meet the problems presented by inflation.

A well administered annual general adjustment should reflect the cost-of-living changes to some extent, and at the same time keep the public pay competitive with the private pay for similar positions.

An annual general adjustment can be administered in such a way that the special problems faced by the lowest paid workers during a period of rapid rise in the cost of living still can be addressed.

- PR 11** Although Hay Associates found the state's *personnel classification plan* administered "in a reasonably good manner", some 10 percent of the classifications were found incorrect and some others needed moderate or significant modifications. The Department of Personnel had already begun to deal with this problem. A special effort by the Department of Personnel should be made to assure that all current class and position descriptions are updated since the classification system provides the base upon which an accurate compensation plan is built. Generally, the Public Employment Study endorses the overall approach recommended by Hay Associates in its report *Critique of Minnesota's State Personnel Position Classification Plan* (pp. 12-13). However, each technical recommendation should be studied and fully tested before being put into effect.

PR 12 The state should use the Hay job content point system to adjust existing internal inequities among classes. These adjustments should be evaluated in terms of the 1981-83 collective bargaining negotiations. Salaries should be raised for incumbents falling below the minimum salary of Hay's recommended salary ranges. For those incumbents who presently hold salaries above recommended ranges, their salaries should be temporarily frozen or raised at a lower rate than the general schedule until internal equity is achieved. However, the Public Employment Study does not recommend instituting a systematic wage adjustment without great care. Given the limitations of available data and quantitative techniques, the Hay system should be applied with sensitivity to existing class relationships, opinions of employee representatives, the external market conditions, employee career occupational patterns and state recruitment and retention needs.

In establishing internal equity, it is important to keep in mind that as there is no single pay practice in the private sector, so there is no single pay practice in the public sector. The pay practices vary by industry, by market condition, and by occupation. Unless the public employer is willing to play the leading role in changing these industrial, occupational or even men-women differences in pay, the salary differences will remain in the employment market for years to come. **A basic issue is whether public compensation policy should only reflect the market place, or also address other social values.**

PR 13 There are differences in pay between *some* predominantly female and male classes. Generally, industry and occupational variations related to the private market explain these differences. These discrepancies should be continually monitored to assure that this is the only reason, particularly when the salary differences result in class ranges below the general pay line. In addition, **the Department of Personnel must aggressively increase efforts at recruiting, training and working with schools in career planning** to overcome traditional barriers to women entering predominantly male occupations.

PR 14 Minnesota state clerical salary practice, unlike the private sector and many states, does fit the general pay line for most employees. **This practice should be continued.** Conformity to the private sector market in this case seems unnecessary. The lower private clerical pay practice may be adjusted in the near future in response to the currently tight clerical labor market.

PR 15 The Department of Education collects extensive data on elementary and secondary teacher's salaries, but certain changes are recommended:

- **The Department should expand its data collection to include fringe benefits.** Since benefits form an increasing portion of total compensation, this would permit more realistic comparisons of average compensation between school districts and between elementary and secondary teachers and other Minnesota public and private employee groups.
- **The data format for collection and retrieval of information on extra-curricular pay and summer salaries needs to be improved.** In comparing elementary and secondary teacher's salaries, we relied on contract salary data rather than total earnings for the year including extra-curricular and summer salaries.

- Non-instructional personnel compensation constitutes a significant portion of the total school district budget. The Department of Education needs to strengthen its data collection as to numbers, types and compensation of this group.

PR 16 The average salary for higher education faculty is affected by variations in the structure of the faculty (the number at professor, associate professor, and assistant professor levels), turnover, and program structure in addition to changes in salary schedules.

- The focus of state policy should expand to include an examination of salary schedules, benefits, the structure of the faculty group in terms of education and tenure, and the types of programs offered *in addition to average salary*.
- The University of Minnesota, the State University System, and the Community College System should provide a broader *compensation* data base, relating to faculty tenure, education, and system mission than is presently the case.

PR 17 The East North Central States is a more appropriate comparison group for Minnesota higher education compensation. Minnesota per capita income and urbanization (an indication of industrialization) are considerably closer to the comparable data for the East North Central states than to the West North Central states.

- The State University System and the Community College System should work with the Departments of Finance and Personnel to develop groups of similar public institutions in the East North Central states for compensation comparability.
- The University of Minnesota should develop and recommend a more complete data base than presently exists for its compensation comparisons on a regional, national or peer group basis because its faculty tend to be recruited on a wider base than provided through the current Big Ten comparisons.

PR 18 Current bargaining as to State University System and Community College System compensation suggests that the Legislature should consider mandating a closer working relationship between the two systems in the bargaining process. The Department of Personnel should provide advice as to setting salary ranges for the two systems.

Employment

Current Employment Level

- F 20 As compared to the average state, the *employment level* – i.e., the number of full-time equivalent employees (FTE) per 10,000 population – in Minnesota ranks: *higher* in education at both the elementary-secondary and higher education levels, about *the same* in local government but *lower* in state government.
- F 21 *Minnesota state government* had fewer full-time equivalent (FTE) employees per 10,000 population than have most states, ranking 45th in the nation in 1977.

Minnesota: 72 FTE/10,000 population

All States: 88 FTE/10,000 population

- F 22 *Minnesota local government* ranked 15th in the nation in employees per 10,000 population in 1977. In the North Central Region, Minnesota ranked above all states but Nebraska and Wisconsin. Generally:
- The county government employment level exceeded the national average;
 - Municipalities had fewer employees per 10,000 population than did municipalities nationally; and
 - Special districts employed fewer workers per 10,000 population than did special districts in other states.

Local Government (Non-Education) FTE's per 10,000 Population

	<u>Total</u>	<u>Counties</u>	<u>Municipalities</u>	<u>Townships</u>	<u>Special Districts</u>
Minnesota	161	72	72	4	13
All States	162	56	83	7	16

- F 23 *Minnesota higher education* employment per 10,000 population exceeded the national average, ranking 27th among the states. It was the median state among the seven Big Ten states* in higher education employment, below Wisconsin, Iowa and Michigan.
- F 24 Minnesota was above the national average in *local education* total employment, ranking 16th in the nation in 1977. In the North Central region, Minnesota ranked above all states but Iowa, Nebraska and Kansas.

*In the following rank order: Wisconsin, Iowa, Michigan, **Minnesota**, Indiana, Illinois, Ohio.

In the last ten years, Minnesota's pupil-teacher ratio has been consistently lower than the national average; that is, there were fewer pupils per teacher than in the average state. The number of pupils per teacher has decreased over time as well. This is part of a larger national trend.

Pupil-Teacher Ratio

	<u>1967-68</u>	<u>1972-73</u>	<u>1977-78</u>
Minnesota	22.6	21.0	18.7
All States	23.7	21.8	19.9

Employment Growth

- F 25 In terms of *growth* in the last two decades, Minnesota government employment has been growing at a *slower* rate than the national averages at all governmental levels as well as in elementary-secondary and higher education, except for county governments where the growth rates were approximately the same as the national average. During the 1970's Minnesota state and local government employment also grew at a *slower* pace than did the federal government *if* Defense and Postal Service agencies are excluded.
- F 26 *Minnesota state government* (non-education) employment has grown at a much slower rate than the national average in the last twenty years.

State Government (Non-Education) Employees

	<u>Full-Time Equivalent</u>			<u>Average Annual Percent Increase</u>		
	<u>1957</u>	<u>1967</u>	<u>1977</u>	<u>57-67</u>	<u>67-77</u>	<u>57-77</u>
Minnesota	17,118	23,007	28,669	3.0%	2.2%	2.6%
All States	900,784	1,326,000	1,897,565	3.9	3.6	3.8

Slower growth in the past five years has occurred in functions such as hospitals, highways, law enforcement, financial administration and corrections. Growth has been faster in functions such as public welfare, general control, natural resources and employment security.

- F 27 *Minnesota local government* employment (non-education) increased at approximately the same rate as did the national average in the last twenty years, growing at a faster rate in the last ten years than in the first ten years.

Local Government (Non-Education) Employees

	Full-Time Equivalent			Average Annual Percent Increase		
	<u>1957</u>	<u>1967</u>	<u>1977</u>	<u>57-67</u>	<u>67-77</u>	<u>57-77</u>
Minnesota	32,037	41,794	63,960	2.7%	4.3%	3.5%
All States	1,812,843	2,469,963	3,494,344	3.1	3.5	3.3

- Growth was greatest in areas such as public welfare, police, general control, corrections, health and local utilities and slower in areas such as natural resources, highways, hospitals and local fire protection.
- County government employment grew faster than municipal government employment both in Minnesota and in the nation as a whole.

- F 28 *Minnesota higher education* has grown at a slower rate than has the national average in the last twenty years. Since 1967, the growth rate has declined, particularly in the last five years. The number of students per faculty member decreased slightly at both the University of Minnesota and the State University System since 1974-75, while the Community College System now has the same number of students per faculty member as it had four years ago.
- F 29 *Minnesota elementary-secondary education* employment has grown at approximately the same rate as have other states in the last twenty years.
- F 30 The employment growth rate has slowed down at all governmental levels and in education in the last five years, as opposed to the accelerating rates in previous five-year periods.
- F 31 Although the Minnesota state and local government employment growth rate has exceeded the population growth rate in the last decade, it has grown slower than employment in the private sector, particularly in the service rendering industries (i.e., transportation-communications-public utilities, trade, finance-insurance, real estate, and services).

Policy Implications and Recommendations on Employment

- PR 19 Employment growth in non-education functions, particularly at the state government level, does not seem to be a major problem in Minnesota. The historical trends indicate that Minnesota state and local government employment growth has been leveling off and remained significantly below the national average. **The Public Employment Study does not recommend any systematic freeze or across the board reduction in state government employment.** However, employment trends at the county government should be followed closely since the current level still remains higher than the national average and the growth rate has been higher than the national average since the 1962 Census.

- PR 20** The relatively low employment level in state government and the relatively higher level in local government represent a state government policy decision that many services and program functions are better handled at the local level than at the state level. Trends in local government, school districts and state employment levels could be changed significantly by future state and local policy decisions relating to funding and taxation levels.
- PR 21** Employment levels of local governments could also change depending on state and local policies relating to whether certain services should be provided by government employees or by purchase of services (e.g., should government employees pave streets, plow snow, and pick up garbage, etc., or should government decide to provide the service through purchase of services?).
- PR 22** The census data show that in some functional areas, Minnesota employment has clearly exceeded the nation's employment level and growth. In other areas, employment level and growth are behind the corresponding national averages.

Where functional or program areas grow substantially faster than can be explained by demographic or technological data, such growth areas should be carefully examined. In some cases, growth may represent a response to special Minnesota needs and should be so justified. In other areas, the program may need to be cut back or otherwise re-evaluated. The Public Employment Study computerization of census data by function from 1957-1977 for all states allows an overview of different state and local growth patterns. The data are available to agencies for comparative purposes on request.

- PR 23** When new programs are instituted or old programs modified, the legislative and executive branches need to carefully examine the long-term implications of each change in terms of quality of service and long-range compensation costs. There is no simple general rule as to how the service may be best provided. **Any employment control policy by state or local government should be directed in terms of function to be performed and evaluation of relative costs when programs are adopted.**
- PR 24** Public employees represent one of the largest, if not the largest, resources of the state and other governmental units in Minnesota. Government is a labor intensive "industry". **More attention should be focused on this resource through in-service training and other procedures to assist public employees in keeping current with the state-of-the-art of their particular field and to help them use their skills to provide a continued high level of public service. Special emphasis should be placed on developing management and supervisory skills.**
- PR 25** Higher education enrollments are expected to increase slightly or remain the same until 1982, and then decline. State policy for education staffing has been to hold state funded faculty at its 1976-77 level. Any increase in enrollment is to be accommodated with temporary faculty funded solely out of tuition. **Given these trends, this policy should be continued.**

Payroll

- F 32 Minnesota appears to have passed the peak of rapid growth in state and local payroll that occurred during the 1967-1972 period. Factors which accounted for the rapid growth in this period were the *above national average* growth in both employment and wages at local levels, including municipality, county and local education. Aggregate state and local government payroll growth in Minnesota has returned to *below national average level* in the last five years (1972-1977).
- F 33 Rising payroll costs of state and local governments in Minnesota in the last two decades are largely due to the rapid growth of salaries rather than the increasing number of employees. This is particularly true in the last five years when the rising wage rates appear to be the single most important factor in payroll growth. However, it is important to note that the growth in average salaries between two points in time reflects not only the wage increase but also the structural change in the work force.
- F 34 The rate of payroll growth which largely represented the growth of public service cost remained quite stable or even declined in recent years in the face of the continuing increase in the cost of living.

Payroll Annual Growth Rates

	<u>1957-62</u>	<u>1962-67</u>	<u>1967-72</u>	<u>1972-77</u>
All state and local payroll				
Minnesota	9.8%	9.4%	12.6%	8.4%
All States	10.2%	10.0%	11.4%	9.3%
Consumer Price Index	1.5%	2.0%	4.6%	7.7%

- F 35 *Payroll and employer's expenditures for employee benefits* (i.e., employer's contribution to pension, insurance, etc.) constitute *total personal services expenditures* (or total compensation cost). In recent years the growth in benefit costs has exceeded the payroll growth in both public and private sectors. In Minnesota state government, for example, from fiscal 1971 to 1978, expenditures for pension, group insurance and other benefits increased by 19.5 percent a year whereas payroll increased only 10.3 percent a year. However, the total personal services expenditures have grown at a *slower pace* than total operating expenditures in state and local government in Minnesota.
- F 36 In Minnesota as in most states, state and local government payroll has grown faster than has the state's total personal income. Minnesota state and local payroll increased 2.7 times since 1967 while the state's total personal income increased 2.4 times.

F 37 *Payroll cost per capita* in Minnesota has consistently exceeded the national average since 1957. In 1977, state and local government paid 7 percent more in public employee salaries than did the average state in the nation.

Teacher payroll cost per pupil in Minnesota local education also exceeded the national average. In the academic year 1977-78 Minnesota's local teacher payroll cost per pupil was \$795 which is 11.1 percent higher than the national average.

Policy Implications and Recommendations on Payroll Growth

PR 26 Considering the trends in economic growth, Minnesota growth in state and local government payroll has not been out of line with national trends. Although state-local payroll grew at a faster rate than the state's total personal income, the growth rate was less in Minnesota than in the majority of the other states. Recent "taxpayer revolts" suggest that there will be increasing pressure to keep the growth in government payroll from exceeding the growth in the state's economic capacity. At least it would appear that government will increasingly be asked to justify individual programs in such cases.

PR 27 Although payroll cost in Minnesota state government has generally stabilized in recent years due to the slow growth or even decline of employment in certain functional areas such as institutionalized care, this does not necessarily lead to savings in the total operating cost of state government. Stabilization of payroll costs may simply represent the transfer of direct service to various local governments and even to private contractors. The critical policy questions are:

- Did a transfer of services which resulted in stability of state payroll occur? If so, in which functions?
- Do significant savings or added costs occur due to this process?
- What happens to the quality of service through such a transfer?

In order to answer these questions, appropriate program evaluation is needed for each individual program change being considered.