Inaction, Inflation, and Insufficient Raises Widen Wage Gap to 25% Over 3 Years

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Senator Rotundo, Representative Sachs, and members of the Committee on Appropriates and Financial Affairs, I am here on my own time to speak in support of LD 258, An Act Making Unified Appropriates and Allocations from the General Fund. My name is Derryen Plante. I am a 29-year-old born and raised 5th generation Mainer, who has been working for the State of Maine for eight years. Despite my young age, I have already dedicated a quarter of my life to helping my fellow Mainers. In addition to my supervisory role at Maine Revenue Services, I am finalizing my independent research for my Doctor of Business Administration degree. I completed my coursework with a 3.95 GPA and maintained full-time employment at MRS while pursing this education. My purpose in providing this written testimony it to encourage the committee to provide state employees with the funds necessary to close the wage gap.

I am finding it difficult to draft this letter. It is both discouraging and disheartening to need to take the time to explain why taking a 10% pay cut over the last three years has causes significant hardship. Despite becoming aware of this issue in 2020, management is committed to keeping their rose-colored glasses on and telling themselves, and the legislature, that everything is just splendid and great. The updates that have been provided to the legislature regarding the compensation study are appalling misrepresentations of reality. By conclusion of this letter, I hope I can convey how dire the economic situation truly is for state employees. The 15% wage gap you were informed about in 2020 no longer exists. Over the last three years, inaction, inflation, and insufficient raises by management have caused the wage gap to nearly double – now sitting at 25.83%. Despite many opportunities to intervene and prevent the wage gap from reaching this point, management refused to acknowledge how devastating this is and take action to alleviate the increasing strain state employees are facing.

For anyone who are unfamiliar, here is a brief recap of what state workers have been subjected to over the last few years:

- **2019**: State employees turned to the legislature after management continued to refuse to provide increases for a livable wage. LD 1214. "Resolve, To Conduct a Comprehensive Study of the Compensation System for State Employees" put the wheels in motion to provide management with the "proof" they needed to justify wage increases.
- **November 2020**: The market pay study is completed by Segal, who provided a detailed breakdown of how state employees are underpaid, by position, compared to private and public sector competitors, and recommendations for all 1,180 state positions. As of this date, it became known to management, legislatures, and state workers that as of 2019 (the data that was used in the study), we are underpaid 15% on average.
- **July 2021**: State employees begin contract negotiations with the "proof" of being underpaid by 15% on average. Management insists that the study hasn't been completed, but will make a "good faith effort" to do so, and give us a 2% wage increase 12/1/2021, and 4% 7/1/2022.
- **Early 2022**: State workers begin experiencing unprecedent economic hardship: (1) gas skyrockets to about $5.00 per gallon; (2) landlords start increasing rents by several hundred dollars a month; (3) CMP somehow gets approval for yet another rate hike, in addition to the 11.5% increase July 2021 we get hit with another 49% increase in 2022; (4) the spike in gas prices causes massive inflation in costs of goods. To put it lightly, WE ARE DROWNING.

- **Early 2022**: Our union president contacts management, requesting to sit down and discuss additional wage increases to compensate for the unprecedented economic hardship state employees are dealing with. **Management denies this request.**
- **March 2022**: The legislature is provided with a spirted and cheery update regarding the compensation study which elaborates on how wonderful life is for state employees and how much progress has been made. **The legislature is told that state employees have experience wage growth of 10.32%, and that management is making "substantial progress" closing the gap, and (shockingly) "keeping pace with inflation".** But despite receiving a detailed catalog from Segal for all 1,180 state positions, they still haven't gotten around to completing it. The letter also notes that the project has experienced delays because their specially established Steering Committee was "overwhelmed by the sheer volume of the data". As with the WorkDay project, it seems that unqualified individuals were appointed to oversee this project, resulting in no progress being made over two years, perpetuating the economic suffering of 12,000 workers.
- **April 2022**: A massive $1.2 billion supplemental budget has been announced and state employees are given a ray of hope. State employees believed that both management and legislatures would realize how much we have been struggling financially for years, and now we finally have the financial surplus to fix this issue. Unfortunately, rather than invest in state employees (thereby improving services for all Mainers), the surplus money was distributed to individuals, many of whom had already received massive unemployment benefits over the past several years. Having absolutely no money allocated to closing this gap was utterly devastating to state employees.

- **Present Day**: As of this writing, management is refusing to meet with us, further prolonging this economic torture. Rather than coming to collectively address problems with mass retirements, recruitment, retention, management instead accuses us of gaslighting and cancels two agreed upon meetings. More than 27 months after the compensation study results are provided to management, they have still not completed it.

So how much worse did the situation get between 2020 and 2023?

To sprinkle a little reality on this 10.32% wage growth being touted by management, let's take a moment to fact check that:

2019: Assumption that everything else held equal, wage gap stands at 15%

Year	Wage Gap - Beginning	Negotiated Wage Increase	CPI Increase	Wage Gap - Ending
2020	15%	4%	3.2%	14.2%
2021	14.2%	2%	8.67%	20.87%
2022	20.87%	4%	8.96%	25.83%

Management told the legislature we have experienced 10.32% wage growth. Unfortunately, the reality is between 2020 and 2022, **management's lack of action has caused the wage gap to increase to 25.83%, cutting employee wages by 10.83% in three years.**

Even though management has already burned through several budget surpluses, in preparation for the "we don't have the money" argument, I have listed a few key points on this matter.

- 40% of Maine employees will reach retirement age by 2025. Who do we plan on hiring for 75 cents on the dollar? If significant raises aren't implemented July 1, 2023, not only will retirements expedite but there will be a mass exodus of younger employees. Including myself.

- Turnover costs amount to approximately 1.5-2 times an employee's salary. The state's total turnover cost for FY21 is a figure that management should be able to provide, but in the event that they won't disclose it, a rough estimate has been provided below:

Employee Compensation for FY 2021: $910,276,629.29

Average Turnover Rate for Government: 25%

Estimated Number of State Workers: 12,000

Average Salary Based on Figures Above: $75,856.39

Estimate of Annual Turnover Cost FY21: $341,353,755.00 to $455,138,340.00

So, right now, the state is losing between $300-$400 million annually as a result of turnover. These costs arise from lost production from vacant positions, costs of hiring, onboarding, lack of production due to workers conducting training, etc. In addition to the money that is being thrown away on turnover, employee satisfaction is at an all time low. The greatest driver of productivity, revenue, customer service, and a number of other variables is employee satisfaction. Right now, employees who are already 25% underpaid are now being forced to cover these vacancies by absorbing the extra work, increasing burnout, further increasing turnover, decreasing moral, and worsening this vicious cycle.

- If available funds to close the wage gap are a concern, here are the new sales taxes that have been implemented in the last 5 years:

- **July 1, 2018**: 5.5% sales tax on all sales made over the internet.
- **October 1, 2018**: 9% sales tax on rentals booked transient rental platforms and room remarketers (Airbnb, etc.).
- **October 1, 2019**: 5.5% sales tax on all sales made through marketplace facilitators (Amazon, Ebay, Etsy, Facebook, Walmart, etc.)
- **January 2, 2020**: tobacco excise tax increased from 20% to 43%.
- **October 9, 2020**: recreational marijuana sales begin: 10% tax on all sales and excise tax on all transfers from cultivation facilities to products manufacturing facilities to retail stores.

If we just take a moment to think about the sheer size and magnitude of these products and companies, to say the new revenue being generated is massive would be an understatement. Personally, it was incredibly embarrassing to read the Portland Press Herald article about the WorkDay meltdown. Besides the obvious nepotism that remains a pervasive state-wide issue, contractors who were brought in to work on the project publicly pointed out issues that state employees are plagued with: (1) distracted senior management; (2) a toxic work environment, including sexual harassment going unaddressed; (3) constantly shifting requirements; and (4) failure to offer sufficient pay to recruit qualified individuals. Some notable quotes are included below:

> "Maine didn't have the right people in the right places, and the rates they were offering were not going to bring the right expertise to Maine."

> "Attempts to engage with the State of Maine teams are often met with resistance, deflection, defensiveness, and other tactics."

> "I wasn't the only one to make a [sexual harassment] complaint, but somehow he [manager] is still in the same post."

In addition to the $300-$400 million wasted on turnover, at least another $55 million has been wasted as a result of hiring unqualified individuals to oversee critical projects. Management is throwing more money away than what it would cost to raise wages by 25%. Based on the numbers provided previously, raising wages by 25% would cost the state $227,568,000. Yes, that is correct. **The state would save approximately $100 million a year by paying employees a livable wage**, increasing employee satisfaction, increasing production, increasing customer service, and recruiting talented, capable individuals.

The department that we have spent three years waiting on to implement the compensation study and relieve our economic hardship is the same department that watched the wage gap increase by 10% in 3 years, has a documented history of ignoring, deflecting, and failing to address issues, allocating unqualified individuals to projects leading to failures, and demonstrating questionable integrity and ethical decision making. Based on these factors, the likelihood that management will follow through on implementing the classification study without the influence of the legislature is non-existent. All 12,000 state employees are now looking to you, to be our voice, to be the ones to say "this is unacceptable, and we won't allow it to continue any longer". Thank you for your consideration in addressing this matter.

Respectfully,

Derryen M. Plante