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Before the Joint Standing Committee on
State & Local Government

"An Act to Complete and Implement the Comprehensive Review of the Classification and Compensation System for Executive Branch Employees"

May 12, 2023

Good morning, Senator Nangle, Representative Stover and members of the Joint Standing Committee on State and Local Government. I am Kirsten Figueroa, the Commissioner of the Department of Administrative and Financial Services. I am here today to offer testimony regarding the Executive Branch Classification and Compensation Review.

Thanks for the opportunity to be here today.

First, to be sure this is the first and most important thing people hear us say: We value our state employees and respect and admire the work they do every day in every way to support the residents of Maine. During this Public Service Recognition Week, and within that especially State Employee Recognition Day, and every day and week around it, we are committed to supporting them.

As I have been quoted in the past, when first testifying to secure funding for the Classification and Compensation Study, there is good reason to review the classification/compensation system of our State. The system is 40+ years old, and many inadequacies and inequities existed within the system at that time. We are working to become Maine's employer of choice and we know that involves competitive compensation and an attractive benefit package.

The Administration continues to work on the classification and compensation evaluation, and we do feel we're on target for delivering recommendations, both process and fiscal, by the beginning of next calendar year. The caveat to this is if we are required to complete a new market study. We will not be able to do both.

I know there is concern about how long this has taken. And, I know we all want to move past the pandemic, but it warrants more than just a quick footnote. The pandemic was all consuming for our HR team as they worked with our employees to: conduct contact tracing; update policies and work rules; process pandemic hazard pay; comply with federal pandemic efforts and policies; and, assist with leave time for illness and death. As a result of their efforts, state government was open, state employees were supported, and services were available throughout the pandemic.

I will take a minute here to highlight a few of the additional benefits that were put into place as a result of the pandemic, responding to the protection and needs of our employees in the face of an unprecedented emergency.

Initially:

- Within weeks, State offices were mobilized to send the majority of non 24/7, emergency services employees to work remotely
- With the initial Families First Coronavirus Relief Act, which provided leave for employees whose children were unable to attend school/childcare, we continued to pay employees their full rate of pay instead of the 2/3 pay required by law
- Provided hazard pay through December 2020 for employees required to report to work in positions that required interaction with the public

Beginning in 2021:

- Provided 80 hours of COVID Admin leave, available to all employees, to use for their own illness or quarantine. In fact, most employees were also allowed to use that time to care for family members who were ill or needed to quarantine
- Front loaded sick leave for employees to ensure they had leave time available if they didn't have COVID leave
- Allowed sick leave to be used to care for children when their school or childcare was closed due to COVID
- Rolled over vacation leave for two years, to allow employees to carry their time while job demands increased and gatherings and travel were restricted
- Had regular labor management meetings with employee representatives from all unions and MSEA staff to hear and address concerns related to COVID and reentry to the work site

- Undertook space renovations, including improvements to air filtration systems, to ensure employees reporting to the work site were kept distanced and safe
- Provided PPE and followed increased cleaning protocols in accordance with CDC recommendations
- Merit increases and collective bargaining continued and positions were filled with no employees laid off at any time due to the pandemic, despite economic and budget concerns
- Developed a telework policy in recognition of the excellent work State employees demonstrated they could perform remotely

Yesterday, May 11th, with the end of the COVID-19 federal public health emergency, the Governor sent this message to state employees: "When I think about Maine's nation-leading success in confronting the pandemic, I think about our state workers, and the many ways you contributed to our state these last 1,200 days. Thank you for all you continue to do for the State of Maine."

Bottom line – BHR supported us, protected us, advocated for us and kept us working. And still kept moving forward with the work of the Classification and Compensation study.

Now to a summary of their classification and compensation progress:

- A study conducted in 2020 indicated that salaries for those employed by the State of Maine, then, were on average 15 percent below market for similar positions in the private sector, and, maybe more relevant for our purposes: 11 percent below market, on average, when compared with other public sector employees.
- The Segal Group looked at 100 benchmark positions out of 1,189 different classifications in state government, a sampling of approximately 8.4 percent of all Maine State job classifications. Nearly 20% of those classifications could not be matched. Though this Report did not take into account all job types (or "classifications"), it did identify discrepancies in employee pay, with some classifications being compensated well above market value and some well below. So, while 11/15% is accurate for the study conducted, it does not necessarily track all the way through to all positions in state government.
- The cumulative Maine State Employee Wage Growth amid this Administration totals 13.63%. This is more in four years than what was done in the 8 years of each of the previous administrations. And, as we've discussed this issue amongst various associations and with other states,

we have learned that other public entities have not kept pace with these increases. In addition to the 13.63% wage increases are the one-time lump sum payments; improving longevity pay for workers with over ten years of service; a number of special pays and adjustments; and increasing our base pay to at least $15 per hour.

This final move alone – to increase base pay to $15 per hour – positively impacted 382 employees to the tune of almost $1 million per year, representing an average pay increase of 9 percent for the lowest paid positions in the State workforce, and an increase of more than 21 percent for those who had previously been earning the minimum wage.

In addition, unrelated to this classification and compensation survey but part and parcel with our commitment to Maine State employees, this Administration continues to evaluate positions one-by-one to ensure State employees are paid at the classification matched to their work efforts.

As a result, this Administration has improved the base pay rate – above and beyond any across the board wage increases outlined above – for nearly 15 percent of Maine State employees in the past three years – more than 1,750 reclassifications, reorganizations, and/or range changes.

Relatively speaking, and without consideration to inflation that has become more of an issue in the past year than it has been for many years but affects all employers in the same way, we are likely to have completely closed the pay gap when compared to peer State employers for a significant percentage of our employees. But we know nationally public sector salaries continue to lag behind the private sector.

We know through communications and outreach that executive branch employees want to stay with Maine state government as their employer. We are drawn to public service, the benefits, the variety, and the impact of what we do. However, we also know that salary, benefits and compensation as well as work-life balance and burn-out can influence that decision. We also know that work culture is changing: workers are more likely to move around and today's workforce wants more flexibility.

As an employer, Maine state government is active and responsive to the changes.

Telework:

After years of contemplating the viability and possibility of telework for State employees, the unintended silver lining of our forced pandemic telework situation resulted in changes to the way we do business, to allow telework for more types of work and positions resulting in modernization of paper-heavy processes.

From June through October 2022, state government transitioned from an emergency telework situation to a post-emergency hybrid workforce. We developed a statewide telework policy, and telework is now a component of an employee's annual review.

Not all positions and job tasks are suited to telework. However, current data shows that 31 percent of Maine state employees are teleworking, most with a hybrid schedule. Another 1,313 or 11.7 percent have submitted requests for approval. In some cases, employees who have not yet received approval may be working a hybrid schedule while the paperwork is finalized with supervisor approval. The majority of those with a hybrid telework schedule work three days per week remotely.

Work schedules:

Studies show that employees who regularly take time away from work stay with the company longer, and good retention numbers improve morale. Maine state government has increased the number of vacation hours a new employee earns. Where the average private sector employer might offer 17 days, or 136 hours, of paid time off a year for vacations, personal appointments and illness, an employee starting with the state will earn a minimum of 27 days, or 216 hours, a year; the minimum is 36 days, or 288 hours, after 20 years of employment. And unlike many companies, these balances can carry over year to year (up to a maximum). This is in addition to 13 paid holidays.

Under this administration we added paid parental leave and then increased it from 2 to 4 weeks, with some flexibility of when to take it.

Also to flexibility, balance, and personal responsibilities, employees are looking for options outside a "standard" work week or schedule. Although a challenge for an institution such as state government where residents have expectations of when services are "open", we are currently evaluating more options for flexible work schedules.

Part and parcel with having the hours to take away from work is providing an environment where an employee feels that is possible. Increasing workloads and expectations; additional statutory, enforcement, and reporting requirements; and a retiring and retirement-eligible workforce create an environment of more work than workers.

Adding new positions:

Often in state government, we don't usually remove a service, but instead add. And in the spirit of needing to balance the requirements within our limited resources, it's often the case that the additional expectations and duties don't come with additional workers. Also, over time, every supervisory job has changed from a mix of supervision tasks and job tasks to a full day to day workload; this means less time for employee/supervisor interaction, mentoring, training, performance discussions, and brainstorming. And, in an environment like ours where so many people with so many years of service are retiring, you cannot expect a new employee to state government to be able to do the workload or work at the pace of an employee with 20 plus years of experience and knowledge in that job.

Governor Mills has routinely requested new headcount in each budget. Not all that are requested by agencies make it into a budget bill, as there is a balance. But consistently the Governor has recognized the challenge employees face in being able to keep up with the demands.

Vacant positions:

There has been a lot of discussion about our vacancy rates, as there has been across the state and the country. All organizations have vacancies. Eliminating vacant positions to fund or create new positions routinely happens in our agencies as each position is evaluated when it becomes vacant. But having vacant positions does not diminish or eliminate the need to add new positions.

Particularly in state government, it's important to remember that Personal Services has to cover a number of things so a program will always need some vacant positions as part of managing its overall Personal Services budget. Managing Personal Services includes meeting the attrition reduction of 5% while also covering other self-funded Personal Services costs including hiring above budgeted step; vacation payouts; unanticipated overtime, callout, standby; and certain recruitment/retention efforts.

However, vacant positions, of course, add to the workload of those present. Although we normally run in the 9-10% vacancy zone, we are currently running closer to 16%. As such, we are expending a significant amount of effort to ensure successful recruitment and then retention. These include increasing our use of social media to advertise our positions; connecting with other recruitment vendors; increasing our number and presence at career fairs and community events; updating job classifications and job postings so more people feel comfortable that they have the skills and background we're looking for; expanding public sector apprenticeship, internship and job shadow opportunities; and our new hire journey to make sure we're setting new employees up for success and to grow in their careers by focusing on retention efforts as well.

This last bit ties back to lessons we've learned during our process.

The BHR team has now met with nearly 98% of state agencies to review the classification recommendations of the consultant, Segal Group. Patterns for career ladders are being noted and considered as the bureau's classification and compensation team establish and reclassify positions through the Functional Job Analysis (FJA) process. This will mean a clearer career path; something employees have told us matters to them and would help to retain them.

A major lesson we've learned is that our current evaluation system is very effective at addressing the breadth and depth of the duties of our employees. We also recognize it does not have a market component. We do have a statutory process for market consideration, and we believe there may be a way to incorporate another method. Knowing our current process is actually quite good bodes well for the rate with which we'll be able to implement recommendations.

As with all things, it's a balance.

The impact of the 13.63% cumulative wage increases that have been negotiated during this Administration is approximately $200 million a biennium, ongoing, all funds. This does not include the one-time payouts, annual merits, or the myriad of allowances and special, stipend, and shift differential pays.

A 5% increase is equal to another approximately $55 million a year, across all funds.

As we consider each benefit increase and wage increase, there are a number of factors that must be balanced. Impacts to the General Fund, yes. But also, the impact to other funds. The General Fund supports approximately 44% of the total cost of Personal Services. Increased costs put at risk positions funded with stagnant or diminishing grant funds. Or funded through rates that can't be adjusted. Or funded with fees that cannot be increased. And also balancing resources between funding existing positions and creating new positions.

A few comments regarding the specifics of the proposal in LD 1854.

- We do agree that evaluating positions, classifications, compensation, and career paths should be ongoing rather than sporadic, all at once efforts. We do believe we could accommodate a market study more often, but not every two years. We will need funding to hire a consultant to help with this effort.
- Not sure of the need for a new fund. Also, at only 1% of the cascade, not much will flow to it. We currently rely on the Salary Plan for collective bargaining, and would continue to do so, within resources, for compensation efforts, including the recommendations that come from this effort.
- To that, although as mentioned, we believe we will have recommendations by January, to lock us into implementing all of them by next July may not be feasible. For process recommendations, we feel certain we'll be able to implement those. But for the fiscal ones...what if all of the fiscal recommendations are way more than the money we have available? Also, as mentioned, compensation is a collective bargaining item. We will not be in a bargaining session next spring. So, we'll need to talk through the timing/process of that.
- In section 6, as I mentioned, we do feel we're on target for completing the review and delivering recommendations, both process and fiscal, by the beginning of next calendar year. The caveat to this is if we are required to complete a new market study. We will not be able to do both.
- We do agree that we need additional resources (up to $1 million should do it) to help us connect the market study and the information we've gathered from the classification effort to help us finalize our recommendations.

We consider our state employees to be valuable beyond compare.

That's been shown in a myriad of ways: including efforts through the pandemic, including no layoffs and additional leave time; ongoing wage increases (even in a curtailment budget); increased benefits including new 4 week paid parental leave. In the budget, we are proposing changes to the health credit program to align the health credit bands with increased wages.

As is consistent with Governor Mills' approach to budgeting, we have balanced the importance of competitive compensation and an attractive benefit package and new headcount with other priorities across the state.

We have made considerable progress on the evaluation of our classification system as outlined in previous reports and above (a reminder that we re-sent our February 10, 2021 and March 31, 2022 reports to you on March 6, 2023). And, we are likely to have completely closed the pay gap when compared to peer State employers for a significant percentage of our employees as we recognize that nationally public sector salaries continue to lag behind the private sector.

We are committed to finalizing the effort and consolidating our learnings into actionable recommendations.

As the second largest employer in Maine, we are in a position to be a leader and we continue to lead by example. This Administration is committed to a continued partnership with state government employees to ensure they are adequately compensated and otherwise supported for their meaningful contributions to the wellbeing of Maine people.

Thank you.