Inaction, Inflation, and Insufficient Raises Will Widen Wage Gap to 25.6% by December

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Senator Nangle, Representative Stover, and esteemed members of the Committee on State and Local Government, I cannot emphasize enough how dire the current situation is for state employees. Over the last three years, inaction, inflation, and insufficient raises by management will widen the wage gap to 25.6% by December 2023.

At our hearing on Friday, the question was raised as to why this is not being addressed in collective bargaining. After reviewing this testimony and supporting documentation, it will become clear that management has no intention of completing this classification study, and therefore it will not be completed without your intervention.

For anyone who is 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 has not 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 have not 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 30 months after the compensation study results are provided to management, they have still not completed it.

Despite becoming aware of the severe disparities in pay in 2020, management has been committed to keeping their rose-colored glasses on and telling themselves, and the legislature, that everything is just splendid and great. I have attached the classification study, the Commissioner's 2021 update, and the Commissioner's 2022 update. It will become readily apparent that the testimony read aloud by the Commission at the hearing on Friday was recited VERBATIM from her March 2022 update, except for the final paragraph. That letter contained 6 pages of excuses, primarily blaming COVID for the lack of progress, and explaining the litany of "benefits" state employees have. She again claimed that the study was 98% completed. She told us the same thing a year ago. There is no reason this study should remain incomplete three years later. The only reason it has remained incomplete is because as long as it remains incomplete, they can justify not giving us the pay raises we desperately need.

It is shocking that the Commissioner now claims that the wage gap was only 11%, and not the 15% that was originally reported by the study. I have attached the compensation and classification study in its entirely to this testimony. The study found that we were underpaid by

11% compared to other public sector employers, and 20% compared to private sector employers. The average between these two types of employers is 15%. For your convenience, this can be found on page 9 of the attached report. The Commissioner has conveniently tried to move the goal post back to make herself and this administration look like they have accomplished more than they have. The cost-of-living increases from 2020-2023, determined by the Social Security Administration, are listed below for your convenience. This means cost of living has increased nearly 20%, and management has increased wages 10%. THIS DOES NOT EVEN ACCOUNT FOR THE PAY GAP. ONLY COST OF LIVING INCREASE.

- January 2020 -- 1.6%
- January 2021 -- 1.3%
- January 2022 -- 5.9%
- January 2023 -- 8.7%
- January 2024 – 3.1% Current Estimate

When we combine the cost-of-living increases with our wage increases and the pay gap, we get the following:

Year	**Pay Gap as of January 1**	**Wage Increase**	**Cost of Living Increase**	**Pay Gap as of December 31**
2019				15%
2020	15%	4%	(1.6%)	12.6%
2021	12.6%	2%	(1.3%)	11.9%
2022	11.9%	4%	(5.9%)	13.8%
2023	13.8%	-	(8.7%)	22.5%
2024	22.5%	-	(3.1%) est.	**25.6%**

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. How could this situation possibly get any worse? Well, losing employees is costing the state millions more than keeping them. These costs arise from lost production from vacant positions, costs of hiring, onboarding, lack of production due to workers conducting training, etc. Turnover costs amount to 1.5-3 times an employee's salary depending on their position and experience. If I chose to leave my job today, it would cost Maine taxpayers over $30 million in lost revenue.

If I were to tell you that over the last five years the State of Maine has spent 549 million dollars in taxpayer funds with nothing to show for it, would that be a cause for concern? If I were to tell you that that figure equates to placing $300,000 dollars of taxpayer funds into a shredder every single day, would that elevate your concern? Unfortunately, that is a very conservative estimate of what losing state employees is costing the State and its taxpayers. I have attached documentation I have commandeered from the BHR's intranet, providing the true number of new hires, terminations, and vacancies. 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 several other variables is employee satisfaction. Right now, employees who are already 22% 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.

In addition to turnover costs, this pay gap has cost taxpayers tens of millions in taxpayer dollars on the Workday Project. 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; (3) constantly shifting requirements; and <u>(4) failure to offer sufficient pay to recruit qualified individuals</u>. 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."
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> "Attempts to engage with the State of Maine teams are often met with resistance, deflection, defensiveness, and other tactics."

The department that we have spent three years waiting on to complete 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,

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