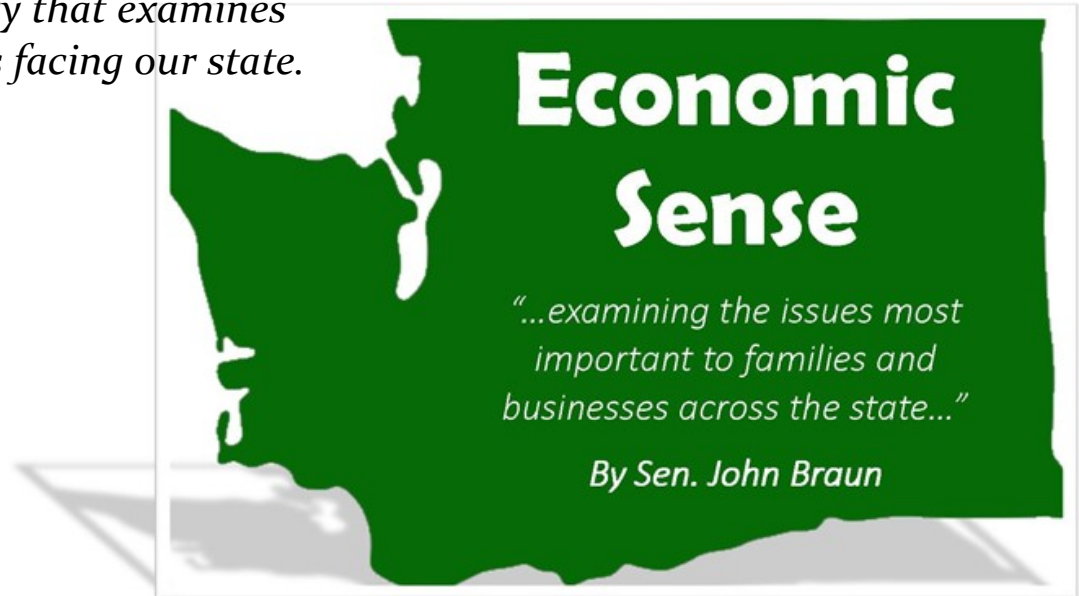Economic Sense # 3

State Employee Pay & Retention

Welcome to the latest installment of "Economic Sense," a data-driven policy summary that examines economic issues facing our state.

Bottom Line: Up Front

A salary analysis shows 86% of individuals employed by the state are paid more than they were four years ago, and the average & median salary increases over that period have exceeded inflation.

A report from the governor's budget office shows that Washington does a good job of retaining employees, with a turnover rate well below the national public sector average.

"State employees . . . have not gotten a COLA for 6 years. This has been more than a 15% cut in purchasing power for state employees and we are losing the most effective ones." -- House Appropriations Committee Chair
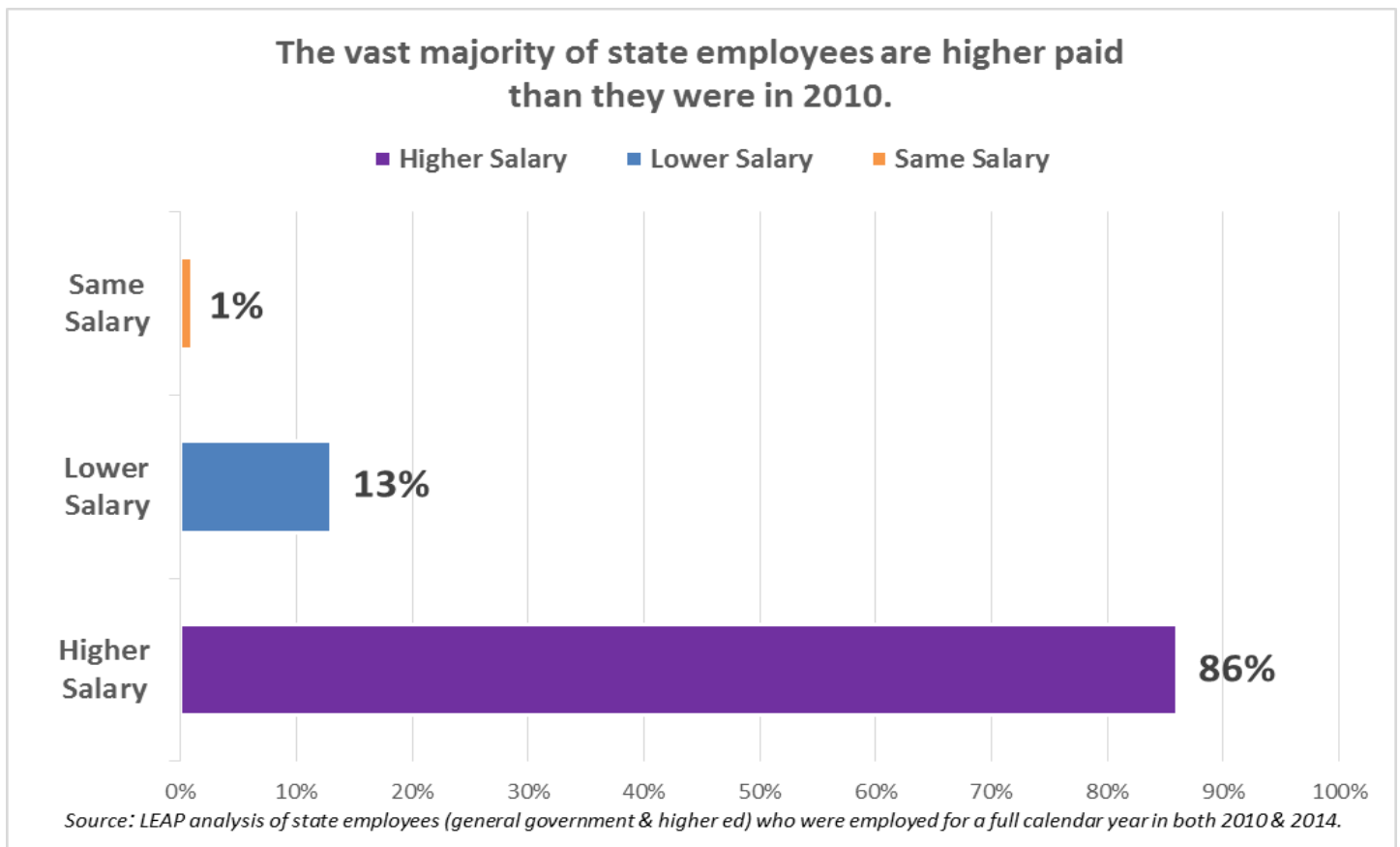
The above quote echoes a refrain frequently offered in the run-up to the session. This claim is evaluated by looking at data from the Legislative Evaluation and Accountability Program (LEAP) and the Office of Financial Management (OFM, the governor's budget office). Two simple questions are considered. Question one: Have state employees gone six years without a pay raise? Question two: Is there a state employee retention problem?

1. Have state employees gone six years without a pay raise?

State employee salaries are a public record.[2] Due to a change in payroll systems, individual salary data is available going back only to 2010, not 2008. But the data allows for an analysis of how salaries for individual employees who worked a full year in 2010 compare to the salary they received for 2014.

According to an analysis by the LEAP staff, there were 71,032 state employees who fit the criteria of working a full year in 2010 and 2014.[3]

The vast majority of state employees are higher paid than they were in 2010.

■ Higher Salary   ■ Lower Salary   ■ Same Salary

Same Salary — 1%

Lower Salary — 13%

Higher Salary — 86%

Source: LEAP analysis of state employees (general government & higher ed) who were employed for a full calendar year in both 2010 & 2014.

For the 86% of state employees with higher salaries in CY 14 than CY 10, how much has their salary increased?

8.8% — Median Salary Increase

14.0% — Average Salary Increase

Inflation Since CY 10 = 7%
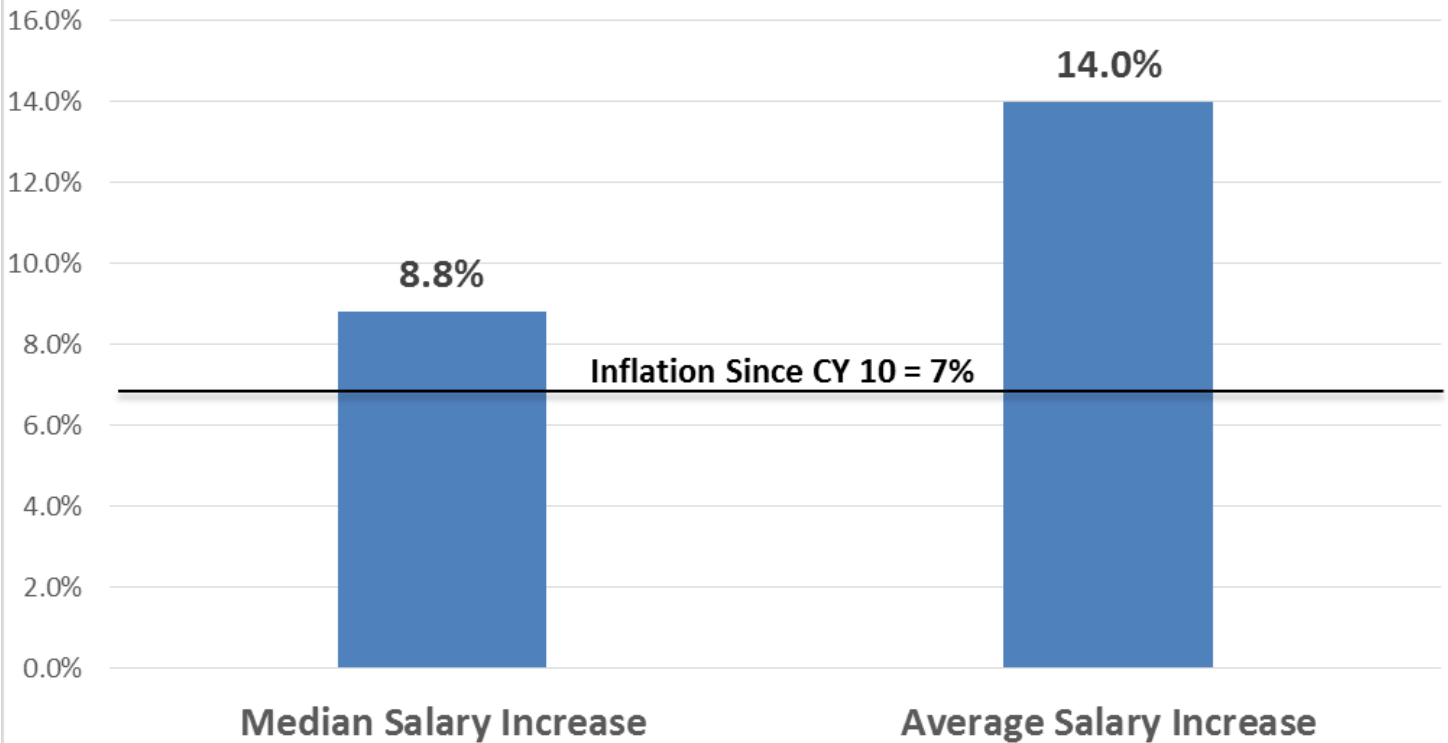
Source: LEAP, 1/16/15, includes general government and higher education employees; inflation = IPD. Further details in footnote 4.

Answer: The vast majority of state employees are being compensated higher than four years ago. In fact, their salaries have risen faster than inflation.

2. Is there a state employee retention problem?

The Office of Financial Management issues an annual report on the state employee workforce, which covers a host of issues from average pay, employee length of service, workforce turnover and retention, and layoffs.[5] The report covers all employees in state agencies, excluding higher education and the legislative and judicial branches.

Source: Fiscal Year 2014 Washington State Workrforce Data & Trends Report, p. 28
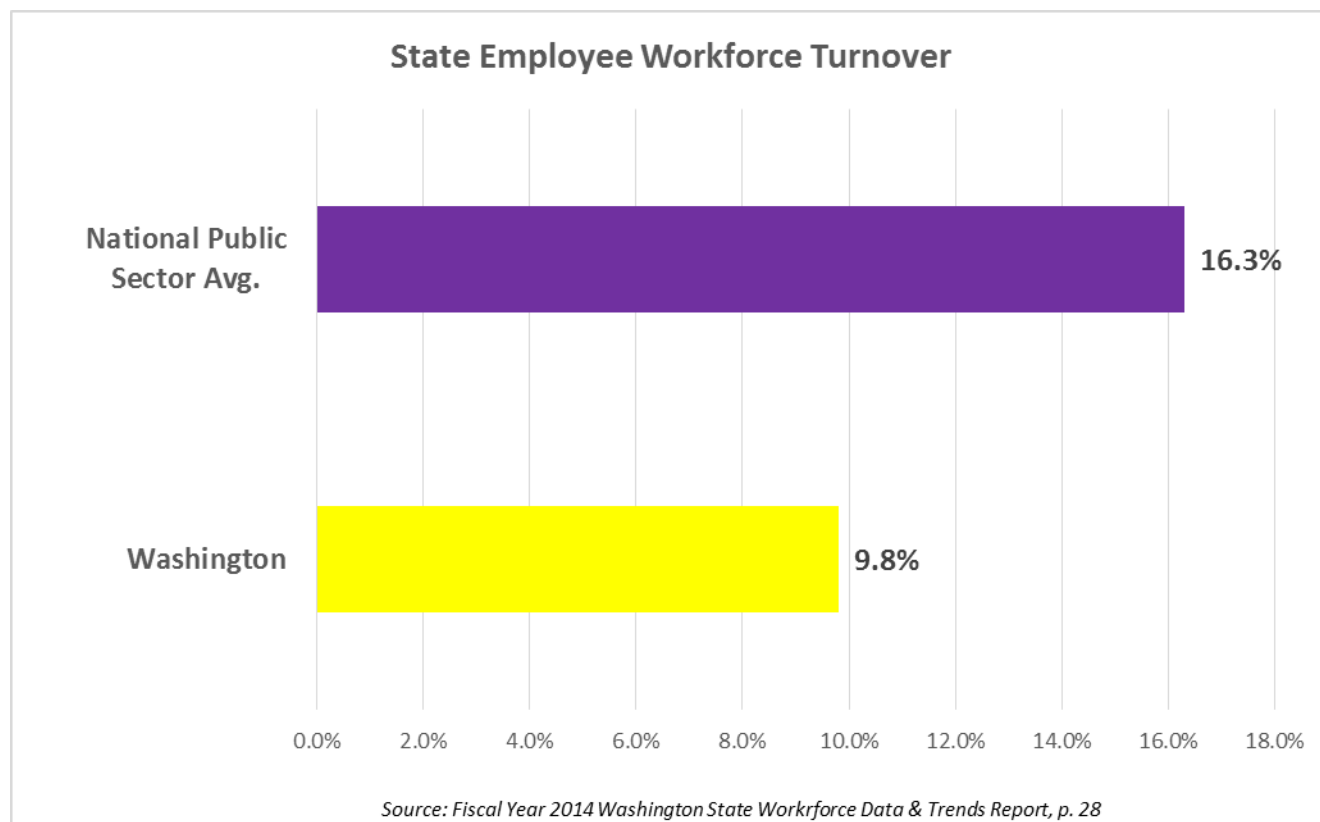
The 9.8% turnover rate is composed of:

4.5% resignation (compared to 7.1% national average)

2.8% retirement

2.1% other (end of appointment, disability separation)

0.4% dismissal or layoff[6]

Additionally, with a median length of service of 10 years at present, the report notes:

"Washington state employees tend to stay longer than state and local government employees in other states (6.4 years) and federal employees (9.5 years)."[7]

Answer: No, the state does not have a systemic retention problem. In fact, the state has a commendably low turnover rate that is well below the national public sector average.

Footnotes

1. Crosscut, Nov. 17, 2014 (http://crosscut.com/2014/11/17/under-the-dome/122812/ross-hunter-state-budget-education-revenues)

2. See http://fiscal.wa.gov/ and click on state employee salaries link

3. LEAP analysis (1/16/15) provided to legislative staff, includes general government and higher education employees

4. General Government -- There were 42,154 employees who meet the 2010-14 criteria. Of those, 85% (35,974) received a salary increase.   The average increase was 11.8% and the median increase was 6.7%. Higher Education -- There were 28,878 employees who meet the 2010-14 criteria. Of those, 86% (24,978) received a salary increase. The average increase was 17.3% and the median increase was 12.4%.

5. Fiscal Year 2014 Washington State Workforce Data & Trends Report (http://www.hr.wa.gov/WorkforceDataAndPlanning/WorkforceDataTrends/Documents/FY%202014%20Workforce%20Data%20and%20Trends.pdf)

6. Id., p. 29

7. Id., p. 27