



TO: THE PENSION BENEFITS TASK FORCE
FROM: PATRICIA MCDONALD – PRESIDENT, CAMPAIGN FOR VERMONT PROSPERITY
DATE: DECEMBER 6, 2021
RE: FOLLOW UP FROM TESTIMONY ON DECEMBER 1, 2021

Dear Members of Pension Benefits Task Force:

First, I want to thank you for giving Ben Kinsley and me the opportunity to present the findings of our report entitled “The Public Sector Reality.” The purpose of this report was to examine the overall competitiveness of our public and private employee wages. We believe this question does have an impact on how we should address the pension crisis because it gets at what level of benefits we should be offering to new hires. We cannot meaningfully change the promises we have already made to fully vested employees (nor should we), but we can make adjustments for new employees as a large portion of our workforce potentially turns over within the next several years.

As noted in the presentation, we did not look at a job-to-job comparison because those comparisons are difficult to make because occupations, roles, and titles may vary significantly between the public and private sector. I think we can all agree that in every organization there are probably some jobs that are “overpaid” and others that are not. What we are getting at is the overall collective experience of public sector and private sector employees. Comparing individual job roles for competitiveness in terms of wages, benefits, hours, workload, and other factors is the responsibility of DHR through its classification system. At the end of the day, state employees are in the top 25% of wage earners.

Over the years when the state had a problem recruiting and retaining within a specific category, we would conduct a compensation study and make any adjustments either by applying a market factor or adjusting the position on the classification schedule so that salaries would be adjusted accordingly. When I was Commissioner of Human Resources, we did studies on both information technology jobs and nurses because we were unable to be competitive through sign-on bonuses, and other incentives available to the private sector.

While we still have reservations around comparing specific industry sectors because of differences in job roles, responsibilities, and expectations (we believe more research is needed here), because task force members were asking for this comparison, we are including the information that we did find in this regard.

When comparing individual industry codes by employment type, there are 10 that register both private and public employers. Of those, in 7 out of 10 instances state employees meet or exceed private sector salaries. Public Administration (the primary public sector industry code that has no private sector

equivalent) averages \$65,669. If you take the remaining 9 private industry codes where there is no public sector equivalent and remove the lowest paid categories (Retail, Accommodations, and Food Service) that brings the average of the remaining private sector industry codes to \$61,154. This information indicates that, even when industry sector is considered, state government is competitive on wage compensation before benefits are even considered.

2019 Industry Code Industry Title	Private Industry		State Government		
	employment	average wage	employment	average wage	delta
Public administration	n/a	n/a	6379	65669	n/a
Other services, except public administration	8746	37386	23	57867	20481
Arts, entertainment, and recreation	4519	24476	126	39505	15029
Transportation and warehousing	6810	44093	491	57027	12934
Agriculture, forestry, fishing and hunting	3505	35553	12	47754	12201
Health care and social assistance	52328	48457	1782	58992	10535
Educational services	10106	48886	6397	55909	7023
Administrative and waste services	12380	44188	227	45738	1550
Information	4322	62861	33	59463	-3398
Finance and insurance	8840	84838	39	73571	-11267
Professional and technical services	14992	84097	719	71031	-13066
Average of non-comparable industry sectors	130832	43890	6379	65669	21779
Average minus retail, hospitality, and food service	61459	61154	6379	65669	4515

The topic of low state salaries vs. the private sector is not a new one. I would refer you to [a letter dated October 29, 2009](#) from Jeff Carr to Governor James Douglas about a review of a VSEA memo to Donna Sweaney, Chair of Government Accountability Committee. Carr's letter, over a decade old now, points to many of the same factors around compensation levels and the growth rate of state employee compensation compared to the private sector. Our report shows that this same trend of sustained faster growth in compensation for state employees has not changed since this letter was penned.

As Commissioner of Personnel/Human Resources I heard about this assumed disparity through bargaining as a way to focus on increasing health care and pension benefits. No one including myself ever challenged the VSEA's statements – but hearing them repeated to the Task Force prompted us to take a fresh look at this question. There was a study years ago done by the Vermont Business Roundtable which showed that exempt and appointed state positions were underpaid compared to private sector executive positions. This likely added to the belief that state positions throughout the classification system were undercompensated compared to the private sector.

On the issue of teacher compensation, there is no perfect comparison to the private sector and we recognized this in the report. We chose nurses as one comparison point because the licensing requirements, hiring qualifications, and ongoing certifications are similar between the two occupations. However, many more teachers go on to earn masters or other graduate level degrees

after starting employment. This allows them more room for occupational growth and also raises their pay schedule. This does happen with nursing as well with many workers progressing from LNA to RN and even to NP's, however it happens to a lesser extent than with teachers. What this results in is similar hiring qualifications for entry-level positions but then an increasing difference among experienced workers.

It is also worth noting here that it may be much more difficult for Nurses and many other private sector workers to attain continuing education compared to teachers given their time off allowances. We did look at education levels for public school teachers, which showed in 2012 that 35% hold a bachelor's degree and 52% hold a master's degree. We don't expect that these percentages have changed very much in the past decade. Comparing teachers with master's degrees to the private sector is troublesome because the Vermont Agency of Education (AOE) reports averages and the Bureau of Labor statistics reports medians for earnings by education level. We suggest that you request the AOE provide you, or the legislature, with median data on educator wages (if possible, by education level). We will likely include more detail on this area in our next report, but a weighted average based on the 2012 teacher degree data and current wage did not show us a significant difference between what we would expect teachers to be paid based on their education levels and what we would expect other workers to be paid with the same education levels. Again, this is before benefits are considered.

There is much more that could be done on this issue. We are looking forward to seeing what the upcoming report from AOE on the teacher workforce pipeline issues will reveal – this report is due at the end of next year. We are also already working on the next phase of this project which we hope to release sometime next year. If there are any specific questions that members of the task force or the legislature would like us to look into, we would welcome those suggestions at this time as we are compiling our research questions.

We all agree we value our public employees and we should not break our promises to those who are retired or near retirement but to do this we also need to make changes that safeguard the long-term stability of our pension funds. What we have learned here is that going forward in making your decisions we may not need to be quite as generous as we thought to compete with the private sector.

Realizing that the task force's remaining time is limited, Ben and I would both be happy to meet with any members individually who have questions, thoughts, or suggestions about this report or the next one.

Sincerely,

Pat McDonald
President, Campaign for Vermont