A Legislative committee has approved Governor C.L. “Butch” Otter’s proposal to raise state employee compensation by 3 percent based on merit.

The decision came one year after the Change in Employee Compensation, or CEC, Committee decided to raise the pay of all state employees by 3 percent. Another report, released in December, showed that despite the raise, Idaho wages were considerably lower than those in other markets.

Without competitive wages, the state has a hard time filling many positions and has experienced a high turnover rate. The committee discussed more substantive solutions to address the deficit, but instead only approved the 3 percent raise and will request an ad-hoc committee to study the issue over the summer.

“This requires a long study and we haven’t spent the time on it,” said Co-chair Sen. Jim Patrick, R-Twin Falls.

CEC does not meet every year. Before 2014, it hadn’t convened since 2008. The Joint Finance Appropriation Committee responsible for setting the Legislature’s budget requested a report to study why so many state positions were going unfilled. The report was released in 2013 and it found the state was way behind the market in employee compensation and the No. 1 reason employees were leaving their jobs was low pay.

“I think it’s shameful,” said Rep. Phylis King D-Boise. “Some of our employees are eligible for food stamps.”

Since identifying the problem, the Legislature has approved pay scale increases for 2015 and 2016. But despite those increases, state employee wages have fallen further behind those in other states.

In 2014 Idaho paid its employees about 7 percent below the market and in 2017 it is expected to pay 16 percent below.

“It took us a long time to get here and it will take us a long time to dig ourselves out,” said Sen. Dan Schmidt, D-Moscow.

Many motions offering a larger pay increase were proposed, but none passed the committee vote Jan. 19.

“I realize the constitutional issue of making sure we are as competitive as possible, but the reality is we have a finite amount of resources,” said Rep. Robert Anderst, R-Nampa.

Part of the confusion lies with uncertainty about the value of the state’s benefits package. The state estimates it offers a more valuable package than the market, and is able to make up some of the difference in wages. It’s not known how valuable employees find this.

If an ad-hoc committee is approved by legislative leadership, part of its task will be to study public perception about the value of the benefits package and to weigh its costs.

“If our wages are too low then maybe we should look at getting rid of the benefits,” Patrick said. “Maybe some of the benefits aren’t even valuable to the employees.”
Private market wages are grim too, according to new report

A report issued Jan. 25 shows the private market’s wages are poor, not just the state wages. Idaho’s economic landscape is defined by low wage jobs and a lack of education, according to a report released by the Corporation for Enterprise Development, or CFED. The report is compiled annually and it looks at economic factors and policies across all 50 states. Idaho ranked in the bottom half of states in assets and income (40th), businesses and jobs (27th) and education (32nd). About 45.5 percent of Idaho’s households can’t build savings and live in perpetual financial insecurity because of these factors. These individuals don’t have enough money to last three months in the event of a financial emergency, the report said. Many state employers told the Idaho Legislature this year that an undereducated workforce was a major concern and that many companies can’t find qualified applicants for vacant positions. Idaho ranks 42nd in the nation in its percentage of residents with a four-year college degree.

But the relationship between state wages and education isn’t one-sided. The Department of Labor reported to the Legislature that half of all Idahoans leave the state in pursuit of higher wages within four years of acquiring a degree.

Gov. C.L. “Butch” Otter has proposed to raise public sector pay by 3 percent. Prof. Samia Islam, an economist at Boise State University, said increasing pay in the public sector could have a positive effect on Idaho wages at large because it creates more overall competition for labor. But she said any such effect would be small.

Idaho has not caught up to pre-2008 furlough and layoff wage levels and has fallen further behind both national and regional wage averages. A 3 percent raise would barely offset inflation, Islam said.

Want to learn more about wages in Idaho? At 8 am on Feb. 9, Idaho Business Review is holding a Breakfast Series discussion on compensation in Idaho. Hear from experts in the public and private sector about Idaho pay rates and about how they affect the economy.

ABOUT BENTON ALEXANDER SMITH

Benton Alexander Smith is a reporter for the Idaho Business Review, covering the Idaho Legislature, new business, technology and financial services.