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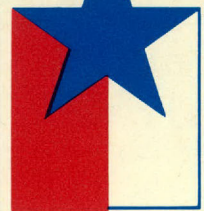
Government Publications
Texas State Documents
JULY/AUGUST 1994
Volume 15 Number 5

DEC 06 1994

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Salaries and Career Advancement of TNRCC Professional Employees

ANALYSIS

BACKGROUND: An issue of importance to the state both as an employer and as an environmental regulator is the recruitment and retention of technical and professional employees. Like other public agencies, the Texas Natural Resource Conservation Commission (TNRCC) has experienced the loss of valued and valuable specialists to the private sector.

However, the natural resource field is a highly competitive one, and the pool of employees from which to choose is limited. Technical and professional specialists in this area tend to have skills which are acquired from significant investments in training and from work experience.

Businesses, nonprofit advocacy groups, and governmental agencies all compete for this cadre of experts. And a key requirement in recruiting and retaining these employees is a competitive compensation package.

The TNRCC identified various positions in which it had experienced significant turnover rates or where it was difficult to attract qualified candidates. Using this information, TRL research staff analyzed employee and salary data provided by League supporters to determine the attractiveness of the state's compensation package for technical and professional employees.

Measuring total compensation competitiveness is a difficult task. The types and levels of benefits vary, and even comparisons of salaries are subjective.

The responsibilities of any given job differ both across and within organizations. Employers tend to keep job descriptions fairly general so that tasks can be added as necessary without abrogating the system of job delineation.

Consequently, having job descriptions broad enough to be comparable across organizational components (yet few enough



About This Issue

As part of its study of the Texas Natural Resource Conservation Commission, the League examined the salaries and benefits of environmental specialists in both the private and public sectors. This issue of *Analysis* summarizes the findings of the larger study. Copies of the full report are available at no charge to League supporters.

to be manageable) leaves much room for interpretation and complicates any external comparison of positions. This allows a job description to be made to fit the job rather than vice versa.

Moreover, specific personalities, organizational design and culture, technological differences, and varied levels of employee education can influence the nature of any job, making interorganizational comparison of jobs quite difficult. Indeed, an entire field of consulting is devoted to matters of job descriptions and salary comparisons.

Typically, employers of technical and professional employees in the private sector are hesitant to disclose salary information. State salary data are a matter of public record.

League supporters who provided salary information did so with the understanding that actual salary figures would be held in the strictest of confidence. Those conditions were observed in the compensation analyses. The following discussion is a summary of the salary comparisons and of career advancement opportunities.

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SALARY COMPARISONS

Because of the confidentiality stipulations, salaries must be discussed in the most general terms although direct comparisons of specific pay levels would be of greater interest. The individual positions examined are listed in the box to the right.

Since the TNRCC is subject to the state's salary classification schedule, the wages it can pay fall within a statutory matrix. Jobs are assigned to one of 20 vertical salary groups.

There are eight horizontal steps within each group. Step one often is a typical starting salary, and step eight is the maximum. In those technical and professional positions identified by the TNRCC, the lowest salary is \$17,052 [Engineering Technician 1 (group 08, step 1)], and the highest is \$51,864 [Chemist 5 and Engineer 5 (group 21, step 8)].

An examination of the private sector salary data reveals a substantial gap between the private and public sectors. Without exception, all private sector salaries are higher than the TNRCC's.

All private beginning salaries are higher than those of the TNRCC, and not surprisingly, the maximum private salaries are greater than those paid by the state. Moreover, in fully one-half of the comparisons, the **beginning** private sector salary was higher than the **maximum** salary for a comparable state position.

A more detailed analysis only serves to reinforce the notion that state agencies can have great difficulty in competing for professional and technical employees on the basis of salary alone. The table on page 3 demonstrates the extent to which private sector beginning and maximum salaries exceed those of state professional and technical employees.

For maximum salaries, the gap is quite large, with most private sector positions having salaries that are 30 to 69 percent greater than state maximums. Compared to the gap in maximum salaries, state starting salaries are closer to the private sector, with most salaries **only** 10 to 39 percentage points **behind**.

TABLE 1
SALARIES OF SELECTED TNRCC
POSITIONS

Position	Beginning (Step 1)	Maximum (Step 8)
Attorney 3	\$30,588	\$38,544
Attorney 4	33,792	42,528
Attorney 5	36,108	45,420
Chemist 1	20,652	25,980
Chemist 2	23,532	29,628
Chemist 3	26,832	33,792
Chemist 4	30,588	38,544
Chemist 5	41,160	51,864
Engineer 1	30,588	38,544
Engineer 2	33,792	42,528
Engineer 3	36,108	45,420
Engineer 4	38,544	48,552
Engineer 5	41,160	51,864
Engineering Assistant 1	25,140	31,656
Engineering Assistant 2	26,832	33,792
Engineering Assistant 3	28,668	36,108
Engineering Specialist 1	30,588	38,544
Engineering Specialist 2	33,792	42,528
Engineering Specialist 3	36,108	45,420
Engineering Specialist 4	38,544	48,552
Engineering Technician 1	17,052	21,348
Engineering Technician 2	19,344	24,324
Engineering Technician 3	22,032	27,744
Engineering Technician 4	25,140	31,656
Engineering Technician 5	28,668	36,108
Environmental Quality Specialist 4	30,588	38,544
Environmental Quality Specialist 5	33,792	42,528
Environmental Quality Specialist 6	36,108	45,420
Geologist 3	36,108	45,420
Geologist 4	38,544	48,552
Wastewater Enforcement Coordinator 3	26,832	33,792

SOURCE: State of Texas Salary Classification Schedule

Agencies do have some discretion in closing that starting salary gap further because they are not limited to hiring at step one levels. This may enable agencies to recruit on a more equitable basis, but it does little for their ability to retain employees at comparable wage levels.

Moreover, if the TNRCC hires at a level greater than step one, the number of horizontal salary step moves the employee could be eligible for in that salary group would be reduced. Although competitive starting salaries are important, consideration also must be given to keeping the entire wage structure competitive over the course of an employee's career.

THE STATE CLASSIFIED SALARY

It is useful to examine these technical and professional positions within the context of the state classified salary structure. For instance, maximum state salaries (step eight) are 26 percent greater than step one salaries. In other words, if an employee were to remain in the same salary group over the course of his career, the most his salary would be increased would be 26 percent (from step one to step eight).

In the private sector, there is greater variety and breadth. All but three of the private sector positions had salary increases greater than those for their state counterparts.

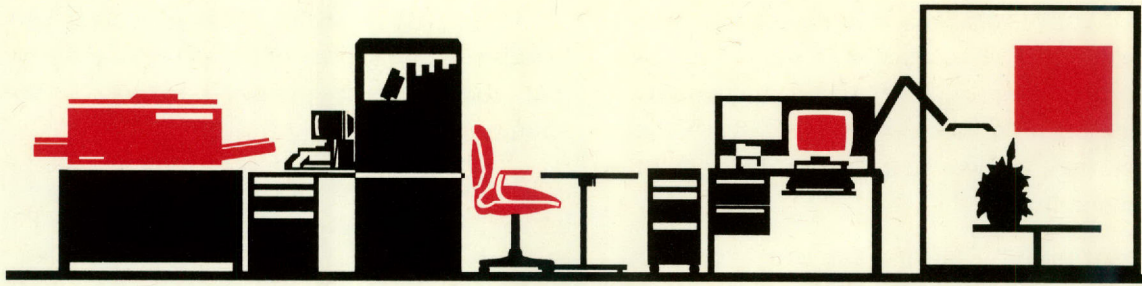
To illustrate further, all factors being equal and barring an across-the-board raise, \$10,704 (26 percent) is the greatest increase an Engineer 5 could expect to see during state employment. This reflects the 26 percent increase between step one and step 8 in group 21 of the classified salary schedule.

The goals of the state classified salary schedule are external competitiveness and internal equity. These aims notwithstanding, state salaries have lagged behind private sector salaries. The Classification Office recommended cost-of-living increases of 4.5 percent for this biennium. However, given the size of the existing gap, this would not have been nearly enough to make state salaries competitive with the private sector.

Employees at the TNRCC seem to be aware of the public-private sector salary gap. In a recent survey, 61 percent of the respondents (not limited to specialist positions) noted that they were dissatisfied

Number of Private Sector Jobs In Which Starting and Maximum Salaries Exceed TNRCC Salaries

Private sector compensation greater by	Starting Salaries	Maximum Salaries
0 to 9 percent	8	0
10 to 19 percent	10	1
20 to 29 percent	15	6
30 to 39 percent	12	9
40 to 49 percent	1	10
50 to 59 percent	5	8
60 to 69 percent	1	11
70 to 79 percent	0	3
80 to 89 percent	1	6
90 to 99 percent	2	1



with the pay for their jobs. In addition, more than 40 percent indicated dissatisfaction with the internal equity of the agency's salaries.

Such discontent can have far-reaching implications for employee morale and customer service. High levels of displeasure have the potential to impair agency performance.

In sum, by every measure used, the TNRCC employees have lower salaries than their private sector counterparts. This begins with starting salaries and carries through to the potential for raises, yielding substantially lower lifetime earnings prospects for state workers.

BONUSES, PROFIT-SHARING, AND FINANCIAL INCENTIVES

Although salaries are the primary method by which employees are compensated, there are other financial incentives which can play a role in the employment of environmental specialists. The previous comparisons were made solely on base salary figures.

Many private sector employees are eligible for profit-sharing or bonuses. While there is no across-the-board consistency, these additional financial rewards only widen further the private-public salary gap.

The state attempts to provide a similar benefit to its employees through merit pay increases and bonuses, but these awards often are apt to be more symbolic than remunerative. It also has been suggested that state longevity pay works to offset the private sector advantage here, but this is limited to \$100 per month, and it has little real effect.

OTHER JOB FACTORS

There are many variables in the total compensation package. Some may be financial, while others are not. Though not exhaustive, a list of the benefit variables could include health and dental insurance, paid vacation, compensatory time off, flexible work hours, free parking, etc.

Both private and public employers make use of these extras to keep a stable work force. A recent TRL survey found that the state benefit package is comparable to that offered by large private sector organizations.

An intangible factor that may work to the state's employment advantage is job security. While overall compensation is typically less, increased job security may be a plus for the state, but the degree to which it is attractive may fluctuate depending upon economic conditions.

EXEMPT POSITIONS

One way the state has tried to compete with the private sector has been to utilize positions not governed by the state's classified salary schedule. These exempt positions are not subject to the current salary matrix cap of \$51,864. Though most exempt posts are reserved for managers or supervisors, the TNRCC has been able to designate a few environmental specialist positions as exempt, but the number of jobs that can be exempted is limited.

PERFORMANCE-BASED COMPENSATION

Many organizations have instituted various wage systems designed to increase productivity and to motivate employees. Although the State of Texas has not adopted these types of programs, many

private, and some public, employers have. These systems - identified by a variety of names such as pay-for-performance, skills-based pay, value-added pay, etc. - are linked by their emphasis on providing additional compensation to employees who exceed performance standards.

Performance-based pay is structured to reward high performers. Traditional systems of merit pay tend both to reward past performance and to become a future entitlement. In contrast, performance-based compensation and bonuses reward specific behaviors on an individual, one-time basis.

Successful systems are tied closely to performance appraisals. The evaluation process also includes clearly defined job expectations and performance measures so that employees know the standards by which they will be judged.

More importantly, the length of time is minimized between performance appraisals and financial rewards so that the payment is clearly identified with the qualifying action. Also, supervisors must make performance assessment a top priority.

In sum, performance-based compensation is constructed to reward employees whose job efficiency is "above and beyond."

SOME PROBLEMS TO BE ADDRESSED

Several employment issues related to the salary gap need to be addressed. First, and perhaps most obvious, turnover needs to be reduced. The TNRCC cannot continue to lose its investment in people and

still be effective; it must take steps to encourage its employees to remain with the agency.

Second, steps need to be taken to adjust the salaries of specific professional positions to make them market competitive. However, a broad brush approach ought to be avoided because, as a recent League study [*Comparative Compensation Packages: Private, State and Local Government Employees*] points out, some state salaries (mostly

nonprofessional, lower salary groups) are on a par with, or in some cases exceed, those in the private sector.

Third, any proposed resolution to the salary gap predicament should strive to keep salaries competitive over time. That is, any action should be aimed at a long-term solution.

Fourth, there must be political and public support for any realistic attempt to make professional salaries market competitive. The importance of the TNRCC professional employees, and the significance of the agency's potential impact on the state's economy, should be recognized in any strategy for change.

Finally, any intraagency salary differentials ought to be examined and remedied. Anecdotal evidence suggests that some TNRCC divisions are more financially attractive than others - causing employees to leave one section to work in another.

ADDRESSING THE SALARY GAP

One possible way to cope with the salary gap under the current system could be to reclassify technical and professional positions into higher groups. For those groups that already are "maxed out," perhaps the classification system could be expanded to include new groups.



If either of the two previous options were to be proposed, there is sure to be pressure from other employee groups. The ratchet effect of extending steps of, or reclassifying, other salary groups could cause some employees to be "overpaid" in terms of market competitiveness.

Another possible approach could involve substituting a broad-banding system for the current rigid matrix system for state salaries. Under broad-banding, there would be fewer classes and salary groups.

Rather than the restrictive eight steps of the state salary schedule, a salary range could be determined for each group. Moreover, the size of the salary range could be significantly larger than the 26 percent possible under the current system.

To illustrate, the classification system could be compressed from top to bottom with only eight or nine salary groups rather than the current 20. At the same time, the number of horizontal salary steps could be increased significantly over the eight now used. However, the number of steps for each group would not necessarily have to be equal.

Another option available is the development of a separate salary schedule for certain technical, professional, and managerial positions apart from the existing classification scheme. The federal government's Senior Executive Service (SES) is a useful model for such a technique.

The SES is characterized as a high-risk, high-reward system which is based upon rigorous performance appraisals and allows for bonuses of up to 20 percent of base salary. A senior or professional salary schedule at the state level could allow for different types of rewards and incentives.

CAREER ADVANCEMENT

Obviously, the compensation package has a great influence on recruiting and retaining employees, but the employer also must provide opportunities for career advancement and development. Career development allows employees to move from entry-level jobs to those of

increasing responsibility with the possibility of higher salaries.

Even in the context of today's leaner and flatter organizations, employers try to design methods of internal advancement for their employees. With the diminution of middle management, these career ladders or paths have become more important.

The career ladder provides a general framework for the development of employment experiences tailored to the individual employee. As a result, there is a measure of flexibility in career paths.

At some point in an employee's career, managers may decide that he is not suited for management and may divert him to a more specialized functional assignment. Also, the employee may ask to follow a particular path or to change to another one.

Often, however, organizations rate employees' worth on the number of people supervised rather than on the type of work performed. Thus, for many employees the only route to higher salaries has been to move into management, and to leave the work for which they were trained.

The dual career path system obviates the need for an employee to become a manager to demonstrate his value. An individual contributor path is designed to parallel a typical managerial path and is composed of several skill and salary levels, with points of intersection at which employees may move from one path to another.

Dual career paths frequently are designed to minimize the number of job levels and to reduce middle management layers. This is accomplished by pushing responsibility downward, or in today's jargon, by empowering the front-line staff.

In short, the purpose of a career ladder or career path is to provide a method for basing an employee's pay on his individual contribution and not on the number of people he supervises. It has been suggested that such career ladders currently exist within the classification schedule. Granted, the class series does act as a mechanism for advancement - e.g., Engineer 1, Engineer 2, etc.

However, anecdotal evidence suggests that the TNRCC moves some of its specialists through job classifications 1 through 5 quite rapidly to keep salaries as competitive as possible. Consequently, the movement from classification 1 to 5 is not analogous to movement up (or across) a career ladder.

Although exempt positions occasionally have been used to accommodate specialists, such a practice can undermine the classification system. That is, if more and more exempt positions are created to provide higher paying jobs within the agency, the idea of classifying jobs and job skills has lost much of its meaning. Moreover, using the exempt status is not a substitute for a career path. In sum, real career paths or career ladders currently are not a substantive part of the state personnel system.

FINAL OBSERVATIONS

There is a significant disparity between what a professional/technical employee can receive at the TNRCC and what he can obtain in the private sector. It is not startling that these specialists can earn more working for a private employer, but it may surprise some that the difference is so great.

The term "gap" has been used throughout this discussion, but in some instances that term really is not descriptive enough. Indeed for some professions, such as chemists and toxicologists, the difference between private and public sector compensation resembles an abyss.

A major implication of this salary differential is that the private sector has the advantage in hiring "the best and the brightest." Likewise, private employers have the financial leverage to lure experienced environmental specialists away from the state.

The preceding statements are fundamental facts and are cornerstones in evaluating any private/public partnership or relationship. It is also a fact that public employers will never be able to pay as much as their private sector counterparts.

However, none of the foregoing should be read to imply that the state has to make do with private sector rejects or to be limited to green recruits. On the contrary, the state has been fortunate to have a competent, dedicated, and hard-working corps of environmental professionals. Obviously, they must find a sense of purpose in the public service because they are relinquishing the financial rewards that are available elsewhere.

However, as the salary gap widens, the state surely will have more difficulties in recruiting and retaining environmental specialists. Sense of purpose and personal commitment can be stretched only so far.

A realistic view of the economic and political situation indicates that there will be significant barriers to closing the salary gap. Also realistically, but perhaps more importantly, closing the gap will require the long-term development of a coherent salary policy for professional employees.

Though this discussion has been aimed at the TNRCC, it probably applies as well to all state agencies that find themselves competing with the private sector for specialists. One thing is clear - the state is not well prepared for that competition.

It is handicapped by a promotion and reward system that often is keyed to the number of people supervised rather than to the quality of work performed.



It offers a classification schedule whose principal redeeming feature is that it has been internally consistent for more than 30 years.

It is time for the state to reevaluate its personnel statutes from top to bottom. It is time to evaluate career ladders for the professional and nonprofessional alike. It is time to assess and to adjust the salary structure.

In sum, the legislature should direct the auditor, the comptroller, or some other state agency (or contract with a private firm) to analyze thoroughly the entire personnel system with an eye to improving competitiveness with the private sector.

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