TALKING POINTS, GERRY THOMPSON
PANEL PRESENTATION, OREGON SCHOOL BOARDS ASSOCIATION
& ASSOCIATION OF SCHOOL BUSINESS OFFICIALS
MARRIOTT HOTEL, PORTLAND
SATURDAY, NOVEMBER 6, 1982 3:00 - 4:30 p.m.

"LEGISLATIVE TRENDS & IMPLICATIONS AFFECTING EMPLOYEE BENEFITS"

To talk about where we're going, we must first talk about where we are today.

Benefits: on the average, the State of Oregon pays more in benefits than any of the public and private employers surveyed frequently by our Personnel Division. Those included in our survey are many private and public employers within Oregon, as well as the state governments of 7 roughly comparable states. These surveys show:

(1) Instate Employers: the State of Oregon pays an average of 46.6%* of salary in benefits, compared to 37.7% paid by the many instate employers we survey.

(2) 7-State Survey: Oregon pays 44.7%* of salary in benefits compared to 36.6% paid by state governments of other states.

*(the base percentage for Oregon differs in each case because different employee classifications are surveyed to form a valid comparison).

My conclusion from this data would be to tell you that yes, state government is doing very well in providing benefits to its employees; and no, given the financial constraints under which we are now operating---I would not anticipate any major new benefit packages winning passage in upcoming legislative sessions

It is also very important to remember that, while state benefit packages have continued to be excellent, state salaries have not kept pace----as many of you may know. State employees have taken a salary cut because of our serious revenue shortfalls. That salary cut has been taken by virtually everyone---from the Governor on down. The Governor has actually cut his own salary three times.

But we have held the line on our benefit packages.

Refusing to predict new benefit packages does not, however, mean that there is little or no activity in state government on the subject of employee/management relations, personnel practices, and cost containment.

On the contrary. Under Governor Atiyeh, state personnel and management reforms have gone further---and faster---than under almost any other administration in Oregon history.

Let me give you some examples.

The comprehensive State Personnel Relations Act, Senate Bill 57, was signed into law by the Governor in 1979. That law has become our "constitution of labor relations", and has provided a single framework for our managers to administer employee rights and benefits. Here are some highlights:

- our Executive Department now has direct responsibility for supervising and executing all collective bargaining agreements with represented employees.
- All aspects of employment for employees in a bargaining unit are subject to collective bargaining except recruitment and selection of new employees
- a confusing array of overlapping personnel authorities was swept aside, enabling managers and bargaining units to work better together
- personnel policies and rulemaking has been made far more flexible: emphasis is on options not directives

- o in summary, the Personnel Relations law is our cornerstone for personnel administration in the 1980's. It has shown us the way to more effective collective bargaining; it has modernized a personnel system that dated from 1945; it has given more leeway for management to manage---while still guaranteeing merit system principles; and it is providing both integrity and incentives to employees over and above their regular benefits----through systems like the Integrity Assurance Program, and the Suggestion Award Program adopted by Governor Atiyeh.

Senate Bill 57 created our Personnel Relations structure, and we added another feature with Senate Bill 183, signed by the Governor during the 1981 Session of the Legislature. This bill created a separate category for Management Service employees, so that we could recognize and reward the important role managers play in the day-to-day operations of state programs. The Governor has always believed in allowing his managers the freedom to manage, to be creative, and to take great responsibility for the administrative progress of many important programs and policies.

We have had tremendous success with this management philosophy. And we have been able to put together one of the most able, top-notch management teams of any state in the nation.

There are still a number of current areas we are looking at.... areas that may be of great interest to you in your school districts. I see these areas as future trends, and as possible legislative trends. That is why we are looking at them now.

o First, we are looking at methods of addressing the problem we sometimes see in "salary compression". This occurs when collective bargaining brings the salaries of represented employees up, but budget cuts bring the salaries of our managers down. This has resulted---in some cases---in certain supervisors making less money than the people they supervise. When that happens, it erodes our ability to attract top-quality people into management, and erodes our ability to manage effectively. In looking at the problem, we have to ask two questions:

---what are our managers worth?, and

---what does the public expect?

o We are also thinking of ways to implement a bonus pay system. Bonuses can be a very important management and benefit tool. We have not yet formed an overall approach, but we do have one pilot project, in our Department of Justice.

o Another area we have been working on is Quality Control Circles...an idea adopted from private industry which actively involves employees and managers in problem solving. We have had excellent results to date from this program.

o As I have mentioned, the Governor has also created a very successful Employee Suggestion Awards program. Using a system of cash awards based on the amount of savings realized from a Suggestion, our Suggestion Awards Board adopted almost 300 suggestions in the first two years of the program---- for a net savings to government and the taxpayers of almost a million dollars. In addition to dollar savings, employee suggestions have led to safety improvements, better service to the public, more efficient agency procedures, and improved morale.

o We have also begun a Management Service Recognition program, where we recognize up to 60 agency managers per year.

Turning back to the area of compensation and benefits--- I mentioned to you earlier that the state is doing very well in providing top-quality, broad-based health, retirement, and insurance benefits to our employees. Our periodic Salary Surveys confirm this.

At the legislature, I think the emphasis will be 'holding the line', rather than breaking new ground in 1983.

There are some compensation/benefit/insurance issues we are looking at, however---and several more we have taken action on:

o Comparable worth, for example. This is an extremely difficult issue----far more difficult than the 'equal pay for equal work' issue. 'Comparable worth' looks at whole categories of jobs----the secretary versus the truck driver, for instance---and tries to evaluate whether the duties, stresses, and responsibilities justify the wide difference in compensation. We do not have a proposal---or even a conclusion---to put forth yet; but I want you to know that it is a very current issue, it is an issue we are aware of, and it is an issue we are looking at very hard.

o Cost containment has been a strong focus for us in our health insurance benefit programs. The skyrocketing cost of health care is of tremendous concern to every employer, every labor organization, and every manager. We have taken steps in plan design, in deductibles, in 'wellness programs', and in working with our Bargaining Units Benefit Board to try to bring in some necessary checks in this area. I know that cost containment must be of great concern to you as well.

The last area I would like to cover with you briefly is trends emerging on a national level that may have some impact on future employee benefits in Oregon. Here I would list:

o Catastrophic illness coverage. There is some movement in Congress and in other states on this subject. Senator Dole has mentioned a possible program as early as 1984. I am sure this would affect us in Oregon...

o 'caps' on benefit coverages... a lot of discussion is being heard on 'how to control' health care costs... I think you will see more discussion of 'caps' on certain programs.... I think you will see much more emphasis, in line with President Reagan's philosophy, on direct contracting with the private sector to provide health care..... and I think you will see a lot more government involvement in the basics of plan design...

o the 'wellness' approach to health care... where we cut costs by promoting regular medical screening, exercise, stress reduction, reducing high blood pressure, etc., We are already actively promoting wellness programs in Oregon, but much more remains to be done... I think you can expect to see a lot more on this issue...-

In conclusion, let me say that the 1980's will continue to present both public managers and public employees with many challenges. I do not anticipate any state employee losing any of the hard-earned benefits that have been won.....benefits that put Oregon state government in the first rank among public and private employers.

But I do believe that our hard work in productivity, good management, and cost containment---though very successful---must be redoubled as we turn to face the challenges ahead.

Finding better ways to hold down costs while keeping productivity and benefits high should be a top priority of the next legislature----just as it has always been a top priority of Governor Atiyeh.

Thank you.

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