



# SOUTH CAROLINA STATE EMPLOYEES ASSOCIATION

## 2017 SCSEA Legislative Agenda



**SCSEA**  
**421 Zimalcrest Drive**  
**Columbia, South Carolina 29210**

*"We believe that public service is important to our community, state and nation, that it demands integrity, impartiality and a sense of justice, requiring at all times that the public interest be placed above any personal concern.  
As state employees, we believe ours is an honorable profession dedicated to bettering the lives of those we serve."*

# INTRODUCTION

- **MOTIVATION**—force that drives a person into action.
- This model is based upon the assumption that humans are rational beings and will try to maximize their payoff.
- Choose the alternative that gives the most benefit.
- Motivation to work is strongly determined by individual perception that a certain type of behavior will lead to a certain type of outcome and the personal preference for that type of outcome.

According to Victor Harold Vroom (1964/Yale University) job satisfaction is an orientation of emotions that employees demonstrate toward the role they are performing at their place of work. Job satisfaction is the essential component for employee motivation and encouragement towards better performance.

Vroom defines motivation as a process governing choices among alternative forms of voluntary activities, a process controlled by the individual. The individual makes choices based on estimates of how well the expected results of a given behavior are going to match up with or eventually lead to the desired results. Motivation is a product of the individual's expectancy that a certain effort will lead to the intended performance, the instrumentality of this performance to achieving a certain result and the desirability of this result for the individual.

## Expectancy Theory of Motivation

The behavioral process of why individuals choose one behavior option over the other. Individuals can be motivated towards goals if they believe that there is a positive correlation between efforts and performance, the outcome of a favorable performance will result in a desirable reward, a reward from a performance will satisfy an important need and/or the outcome satisfies their need enough to make the effort worthwhile.

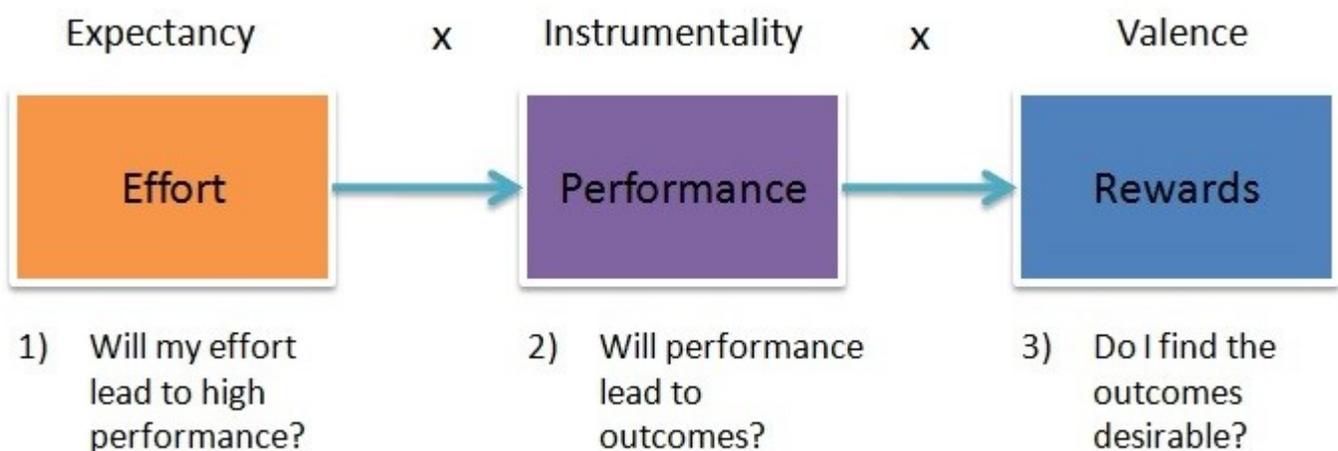
# Expectancy Theory of Motivation

## Victor Vroom

- The expectancy theory of Victor Vroom helps explain the choosing process among individuals in terms of the value (valence) of the reward and the expectancy of receiving the reward.



Victor Vroom



## **SCSEA Employee Satisfaction Survey**

What Vroom said is important because it ties in with the results recently compiled from a recent satisfaction survey commissioned by the South Carolina State Employees Association, SCSEA.

The SCSEA retained Diversified Business Consultants, LLC. to conduct a study to determine if a relationship exists between state employee salary, job satisfaction and retention.

### **EMPLOYEE RETENTION**

Results of the study revealed a strong relationship between job satisfaction and employee retention. Specifically, retention refers to the intent of the employee to stay with the organization. The correlation indicates that the higher the level of job satisfaction, the more it would be the employees' intention to stay with the organization. Overall, these results clearly show a significant effect of salary satisfaction on retention.

### **EMPLOYEE COMMITMENT**

The results further illustrate a critical correlation between job satisfaction and employee commitment. Precisely, commitment was measured by asking respondents if they would recommend a professionally qualified colleague to seek employment with the organization, based on current salary levels. This correlation shows the higher the level of job satisfaction, the more employees' commitment would be to the organization.

### **SALARY SATISFACTION**

Salary satisfaction measured the level of satisfaction respondents have towards the salary received from their organizations. Overall, the results revealed there is a high level of dissatisfaction among the employee population towards the salary they are currently receiving from their employers.

### **SUMMARY**

1. The results of the study revealed a strong relationship between job satisfaction and employee retention.
2. Job satisfaction also strongly influenced employee commitment.
3. Salary satisfaction showed a significant effect on retention and commitment.

## SCSEA EMPLOYEE SATISFACTION SURVEY

### SEGMENTED QUESTIONS and FINDINGS

#### **Question:**

My salary is/was fair for the duties, responsibilities, and education required for my position.

An estimated 82% of the respondents Disagree or Strongly Disagree to their salary equivalence based on education, duties, and responsibilities. The more people focus on their salaries, the less they will focus on satisfying their intellectual curiosity, learning new skills, or having fun, and those are the very things that make people perform best .

#### **Question:**

My salary is/was fair compared to others in similar positions outside of the organization.

The data concluded that 92% of the respondents Disagreed or Strongly Disagreed that their salary was comparable to similar positions outside of the organization.

#### **Question:**

I feel my salary affects/affected morale, job satisfaction, productivity, and retention with my organization.

The results for organizational commitment ranked almost 70% for respondents Agree or Strongly Agree to the impact that their salary influenced retention, morale and job satisfaction. Researchers noted that job satisfaction influences organizational commitment, which affects retention, recruitment, morale, and engagement. Employee performance is strongly related to organizational commitment.

**SCSEA EMPLOYEE SATISFACTION SURVEY**  
**SEGMENTED QUESTIONS and FINDINGS**

**Question:**

I would recommend a professionally qualified colleague to seek employment with the organization based on current salary levels.

Respondents pride and commitment to the organization ranked high as almost 60% for Disagree or Strongly Disagree to recommending a qualified colleague to the organization based on current salary. Today's economic landscape demands that companies have happy and productive employees. When employees are loyal and engaged in the company, profits and productivity are higher. Conversely, when people feel unmotivated or undervalued, the company suffers. Additionally, studies show that engaged employees miss less work, perform better, and are more supportive of changes and willing to support changes.

**Question:**

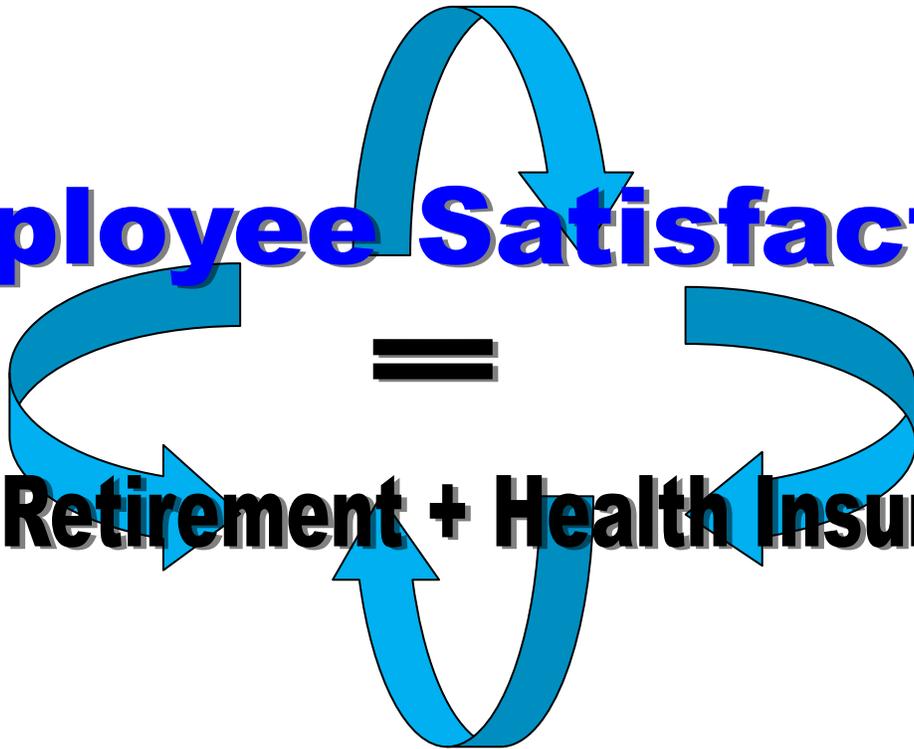
I work/have worked an additional job to supplement my income.

Approximately 50% of respondents Agreed or Strongly Agreed that they have to work an additional job to supplement income.

**Employee Satisfaction**

**=**

**Pay + Retirement + Health Insurance**



## EMPLOYEE PAY

In 2015, the General Assembly funded an independent study of employee salaries compared with employees in similar jobs.

Compared with their counterparts in other states and the private sector, state employees in South Carolina are grossly underpaid, making on average, 15 percent less than those doing the same jobs in other states, and almost 20 percent less than in the private sector. State employees in South Carolina are at the bottom of the barrel when it comes to pay, ranking in the bottom 10 states nationally according to the U.S. Census Bureau.

Not only do South Carolina state employees make less money, they are spending more for health care and retirement benefits comparatively, too. In some states, the overall competitiveness of the benefits package offsets lower salaries. That is simply not the case here.

Furthermore, state employees' salaries have not kept pace with the rising costs of health care, food and other necessities.

The South Carolina Department of Administration reported that 75 percent of state employees, a total of 20,026 make less than \$39,692 a year. Making less than 40,000 a year is not enough to secure a modest standard of living when factoring in housing, child care, transportation, taxes and other necessities.

The annual budget for one parent and one child to live a "modest standard" in the Columbia, SC area is \$43,694. More than 20,000 state employees fall below that level—75%. Many of these employees have 12 to 15 years of service to the state.

Consider the position of probation and parole officer, a critical job that requires a college degree. This job starts around \$26,000 per year. With that salary, there's no way to pay any school loans and support a family. Parole officers are vital to the safety of South Carolinians.

South Carolina state workers are well below the nation's median household income for 2015, which was \$56,500, up 5.2 percent from 2014, according to the U.S. Census Bureau. This was the largest single-year increase since record keeping began in 1967. Incomes rose sharply for households on every rung of the economic ladder.

State employees are thankful to have received a 3.25 percent cost-of-living increase in 2016, but wages still lag way behind the nation, neighboring states, and jobs in the private sector. While the cost-of-living bump was appreciated, employees really got a 2.75 percent increase rather than a 3.25 percent increase because they were asked to contribute half a percent more of their paychecks to the pension fund this year.

## Employee Classification and Compensation Executive Summary Recommendations

- \* General salary/pay increases should begin now to start the process of addressing the overall level of lack of competitiveness.
- \* The overall state employee market shows current salaries lagging other States by an average of 15%, lagging the in-State public sector market by 16% and lagging the in-State private sector market by 18%, means that the State's pay band midpoints and actual pay is uncompetitive. This creates challenges both in recruitment and retention of qualified employees.
- \* The analysis shows that the current plan is experiencing some "sign of age," having been in place for 20 years. Redesign is required and recommended.
- \* There are very few occupational categories or jobs families where employees are paid, on average, at the pay band midpoint. The majority of state employees have 12-15 years of service.
- \* This decentralized decision making, coupled with broad banded classifications and very wide salary bands, are contributing factors to the internal equity and salary disparity issues that the analysis shows.
- \* The current plan is administered primarily on a decentralized basis for the majority of employees, with agencies having significant authority for classification and compensation decision made for employees in Pay Bands 1-6, which is 87.4% of all classified employees.
- \* The analysis shows that the level of competitiveness of benefits should not be a distraction from dealing with the main focus of the recommendations, that being a redesign of the classification and compensation plan and a move towards funding of salaries to a more competitive level.
- \* Unlike in some other States where the overall competitiveness of the benefits package offsets the level of competitiveness of salaries, this is not the case for the State.
- \* The 8.66% employee contribution to the retirement plan is the highest in the Southeastern States, significantly higher than employee contributions to defined benefit plans in the private sector.
- \* The employee cost sharing of 21.3% for healthcare is well above the 7-15% in other State Governments and in line with the 15-29% in the private sector.

## RETIREMENT

The SC Retirement System has been underfunded for years, while benefits such as cost of living adjustments for retirees have never been funded.

To stop the bleeding, the General Assembly passed Act 278 in 2012. This act raised the amount state employees are required to contribute out of their paychecks. It also decreased the cost-of-living increase for every state retiree from two percent to one percent or \$500, whichever is greater.

In 2012, it was hoped future increases in employee contributions would not be necessary if the South Carolina Retirement Investment Commission (RSIC) met or exceeded the assumed rate of return of 7.5%. However, the 2015 return on investment was 1.6% and a few weeks ago, when the final tally was made, 2016 ended at -.39%.

It's clear to everyone that the state pension systems need money. No one can dispute that fact. There are no easy answers to make decades of underfunding go away.

However, we cannot place this burden on active employees, teachers, or law enforcement officers in South Carolina, along with so many others who serve our state and its citizens. We also shouldn't place the burden on state retirees—they desperately need the 1% cost-of-living increase they currently receive to just survive. That money should be completely taken off the table when funding options are considered.

It's simply not right to have state employees or retirees shoulder this burden.

South Carolina state employees already have some of the lowest wages in the nation. A large number of state employees are not paid a living wage. Many, even those with years of service, qualify for public assistance or must work two jobs to make ends meet.

For state employees, required contributions have been growing quickly and steadily each year since 2010. In 2011-12, required contributions which of course come straight out of state employees' paychecks grew from 6 percent to 6.5 percent. The next year, it jumped to 7 percent and then to 7.5 percent the following one. By 2014-15, it hit 8 percent, 2015-16 went to 8.16, and in 2016-17 it went to 8.66 percent, meaning an additional \$56 million will collectively come out of the paychecks of employees this fiscal year.

Where do these increases end? When you couple the surges of the last six years with the fact that we already pay more than the national average and more than any other state in the Southeast, it's just not responsible to ask state employees to pay more.

If state employees are faced with keeping even less of their hard-earned money because of continued increases in pension contributions, state agencies will see increased challenges with recruitment and retention. If we can't recruit and retain good employees, our best and brightest, South Carolina state government has a critical problem on its hands.

With increased turnover, ongoing training costs increase dramatically. Everyone suffers—state employees, state agencies, and ultimately the people of South Carolina.

**SCSEA Recommendation:**

1. Decide that there should be no more increases in the amount of employee contributions to the retirement system.
2. Maintain the 1 percent cost-of-living increase for state retirees.

## State Employee Pension Contribution Increases

<b>2011-2012</b> 6.5%
<b>2012-2013</b> 7%
<b>2013-2014</b> 7.5%
<b>2014-2015</b> 8%
<b>2015-2016</b> 8.16%
<b>2016-2017*</b> 8.66%

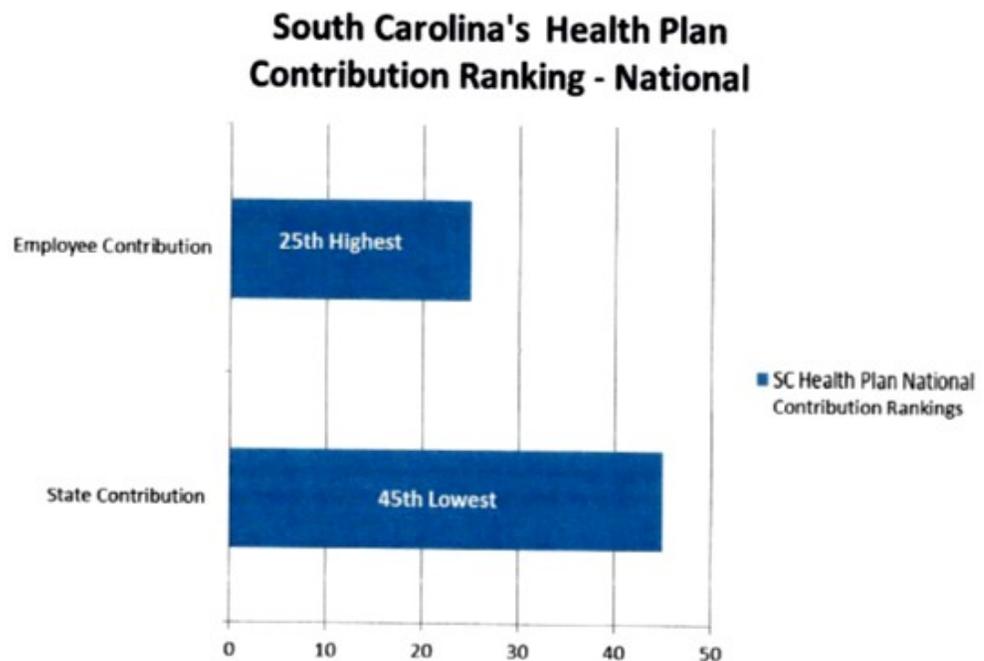
## STATE HEALTH PLAN

While wages have not been keeping pace with rising costs, state workers have had to pay more for health insurance and federal taxes, while also facing layoffs and furloughs. The employee cost sharing of 21.3% for healthcare is well above the 7-15% in other state governments. Many are working for less now than when they first started working for the state.

The statistics on the South Carolina employee state health plan contribution rates for 2016 compared to other state employee health plans across the country show the wide disparity between what employees pay and what the employer (South Carolina) pays.

The chart below demonstrates that only 5 states have a lower contribution rate paid by the employer (South Carolina) as our state ranks 45th in that category. South Carolina employees ranked in the middle nationally by employee contribution, meaning there are 24 states whose employees pay more in contribution than employees in South Carolina.

Collectively there are only 3 states that pay less in contributions when the employee and employer contributions are added together.



### SCSEA Recommendation:

1. No employee and/or retiree increase in health premiums.
2. No deductible or co-pay increase for employees and/or retirees.
3. More equitable balance with employee cost sharing of 21.3%. Average is well above 7-15% in other state governments.

## Public Employee Benefit Authority, PEBA, Board of Directors

The South Carolina Public Employee Benefit Authority (PEBA) was created July 1, 2012, by the South Carolina General Assembly as part of Act No. 278. PEBA is a state agency responsible for the administration and management of the state's employee insurance programs and retirement systems.

The PEBA board of directors is composed of 11 members. Board members are either representative (R), meaning they belong to the class of employees or retirees they represent, or non-representative (NR), meaning they do not belong to a class of employees or retirees.

The current board composition (4:7) is not representative of the industry standard in terms of Representative and Non-Representative members.

The SCSEA recommends modifying the composition of the PEBA board to attain a ratio of 6:5, which is closer to the industry standard.

### SCSEA Recommendation:

The SCSEA recommends modifying the composition of the PEBA board to attain a ratio of 6:5, which is closer to the industry standard.

## Public Employee Benefit Authority, PEBA, Board Composition

Appointing Authority	Member Category	Appointee	Represents
Governor	NR	Arthur M. Bjontegard, Jr.	
Governor	NR	Stephen M. Heisler	
Governor	NR	Steve A. Matthews	
President Pro Tempore of the Senate	NR	John A. Sowards	
President Pro Tempore of the Senate	R	Leon Lott	Active or retired PORS member
Chairman of the Senate Finance Committee	NR	Joe W. "Rocky" Pearce, Jr.	
Chairman of the Senate Finance Committee	R	Frank W. Fusco	Retired SCRS member
Speaker of the House of Representatives	NR	David J. Tigges	
Speaker of the House of Representatives	R	Stephen C. Osborne	Active SCRS member
Chairman of the House Ways and Means Committee	NR	Audie Penn	
Chairman of the House Ways and Means Committee	R	Stacy Kubu	Public school district employee – active SCRS member

## STATE PER DIEM RATE/MEALS

Per diems are fixed amounts to be used for state employee meals, lodging, and incidental expenses when traveling on official state business.

The current travel per diem rate for state employee meals is \$25 per day for in state travel. (\$6 breakfast, \$7 lunch, \$16 dinner) The current travel per diem rate for state employee meals in \$32 per day for out of state travel. (\$7 breakfast, \$9 lunch, \$16 dinner)

The per diem rates being used have been in effect for many years and do not reflect market place inflation adjustments.

### SCSEA Recommendation:

The SCSEA recommends modifying the current per diem rate up to reflect market place inflation.