

ACROSS THE BOARD STATE EMPLOYEE PAY RAISE ISSUE DOCUMENT

Request: *An across-the-board pay raise for all state employees.*

History: *The Legislature last increased take-home pay in September 2015 (FY 2016) of 2.5% to offset a 2.5% increase in the required employee contribution to the ERS retirement fund. Before that employees received an across-the-board increase of 2% (\$50 minimum) in September 2014 (FY 2015)*

STATEMENT: Costs are going up.

FACT: Between 2015 and today, the inflation rate averaged 2.69% per year, producing a cumulative price increase of **17.27%**. The current year-over-year inflation rate (2020 to 2021) is 6.81%.

STATEMENT: State agencies have high turnover.

FACT: According to the State Auditor's office, the fiscal year 2020 statewide turnover rate for classified regular full- and part-time employees was 18.6 percent. This rate is based on 27,882 employee separations.

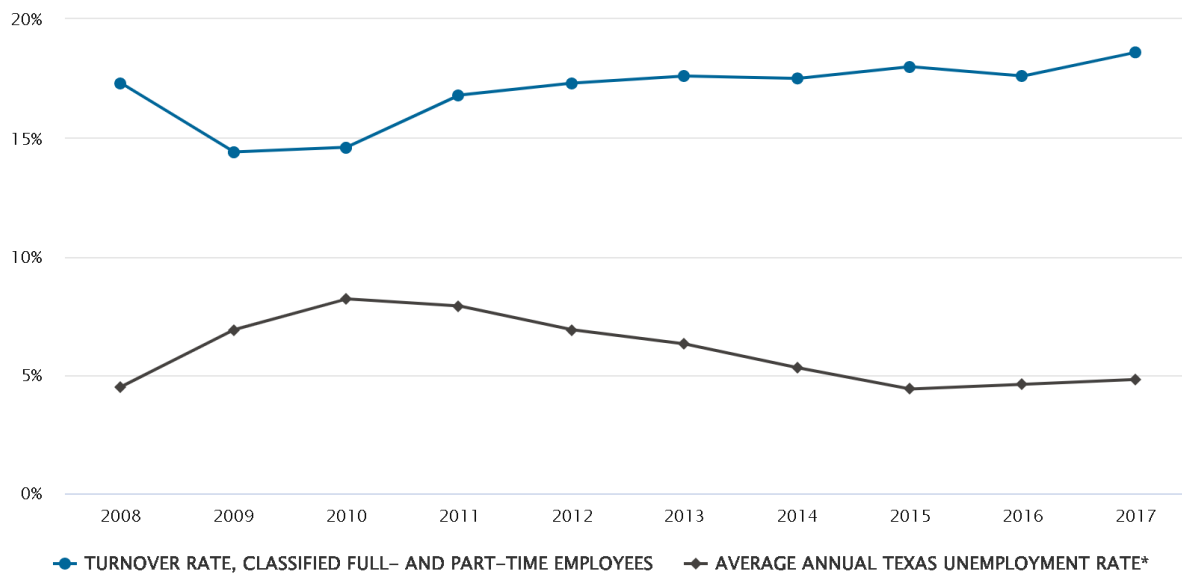
STATEMENT: As the Texas economy improves, so do employment opportunities across the state. There is the real possibility that many in this highly dedicated and well-trained workforce will seek more lucrative employment.

FACT: According to the December 2021 ERS Trust fund actuary report, the number of state employees declined about 3.5% year over year. The number of state employees decreased from 142,062 to 136,726.

FACT: According to the Comptroller of Public Accounts May 2018 *Fiscal Notes* Article, Comptroller Glenn Hegar believes the exodus of state employees is part of an economic cycle. "There's definitely a trend at work here," says Hegar. "When the economy gets tough, you'll find more people remaining in their jobs. There are simply fewer opportunities elsewhere, and more people are competing for fewer jobs. But when we have an uptick in our state's economy, it becomes more difficult to recruit and retain state employees."

This pattern is easily demonstrated by comparing turnover with the state unemployment rate. Generally, when the latter rises, the former falls, and vice versa. For instance, turnover fell sharply during the Great Recession, when Texas unemployment was unusually high.

EXHIBIT 2: TEXAS UNEMPLOYMENT VS. STATE EMPLOYEE TURNOVER, 2008 - 2017*



*Seasonally adjusted.

Source: State Auditor’s Office

STATEMENT: I thought the Legislature had increased pay for state employees.

FACT: The Legislature has given targeted pay raises to a small, defined subset of state employees. Since the 2010- 2011 biennium, the Legislature has taken a band-aid approach to state employee salaries by giving targeted pay raises.

The Legislature uses these pay raises to improve retention in specific high-turnover jobs and maintain a competitive salary relationship between state agency positions and similar positions in a relevant labor market. Most state employees are not included in a targeted pay raise.