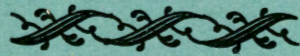


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1948
Preliminary Report Of The Committee On Research

THE NECESSITY OF PERMANENT SALARY INCREASES
IN THE CAREER SERVICE OF THE STATE OF
NEW JERSEY



April 26, 1948
Trenton, N. J.

Council of State Employees

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Mr. Joseph J. Mihok, Chairman
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My dear Mr. Mihok:

In accordance with your request, I have the honor to transmit to you the preliminary report of the Research Committee. This report has been written from studies which are even now continuing. It was necessary, in order to meet the urgency of your request, to stop our investigations and prepare the report.

We hope that this preliminary report will serve its function to acquaint his Excellency the Governor, the Legislature, State Officials and the public with some of the effects brought about by low salaries in the State's service.

We consider this report only as introductory since our continuing studies indicate a greater and greater necessity for investigation of all compensation incentives offered to State Employees. These include employee security offered by the Civil Service system, orderly grievance procedures, the pension system, group insurance and, of course, salaries.

However, in order to meet your request that some of our findings be published during the week of April 26, we necessarily limited ourselves to the question of salaries. Moreover, in later reports we shall attempt to treat this question upon an even broader basis. We hope, however, that our present research findings will indicate the gravity of the present situation.

Most respectfully yours,

THE RESEARCH COMMITTEE

George de Hahn, Chairman

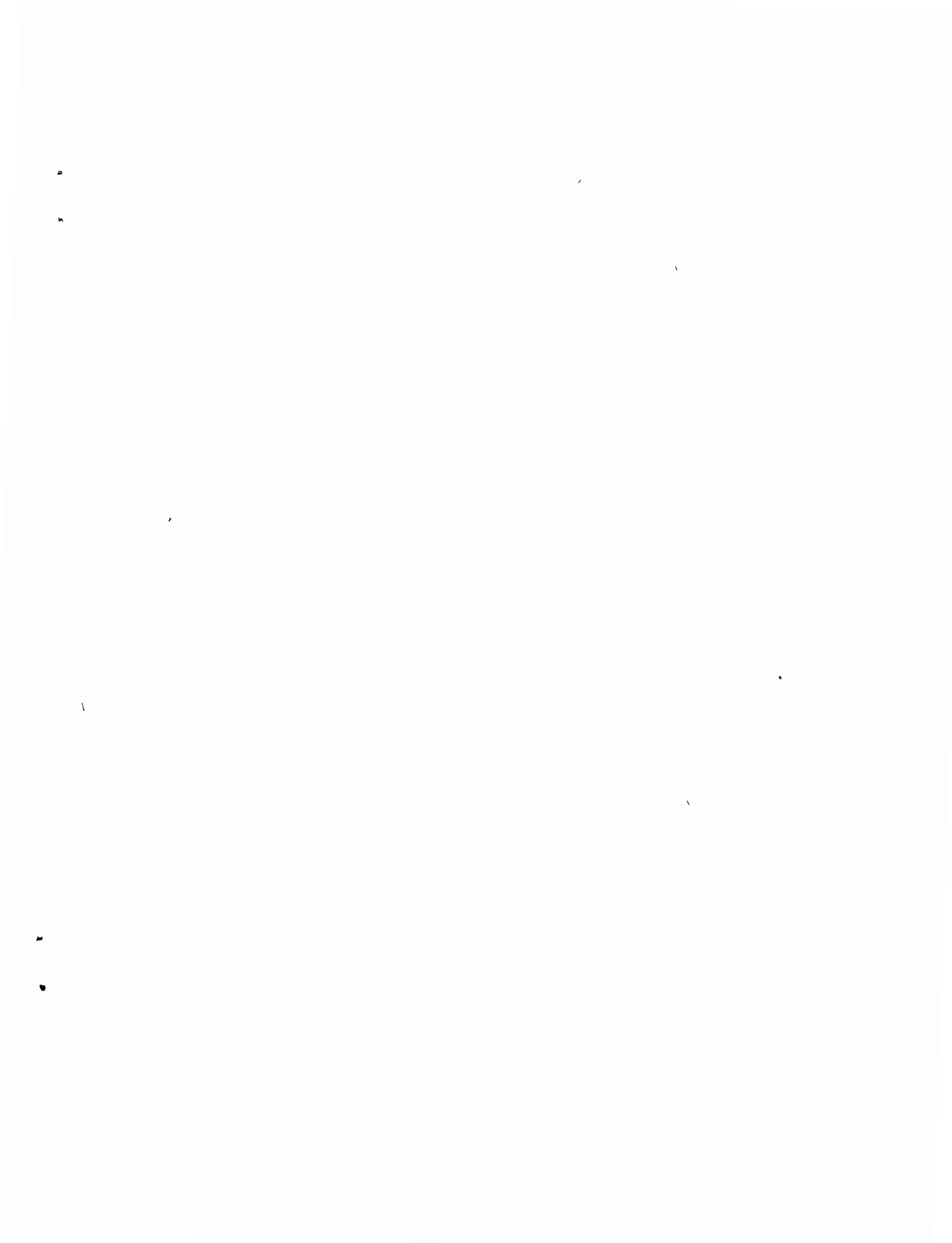
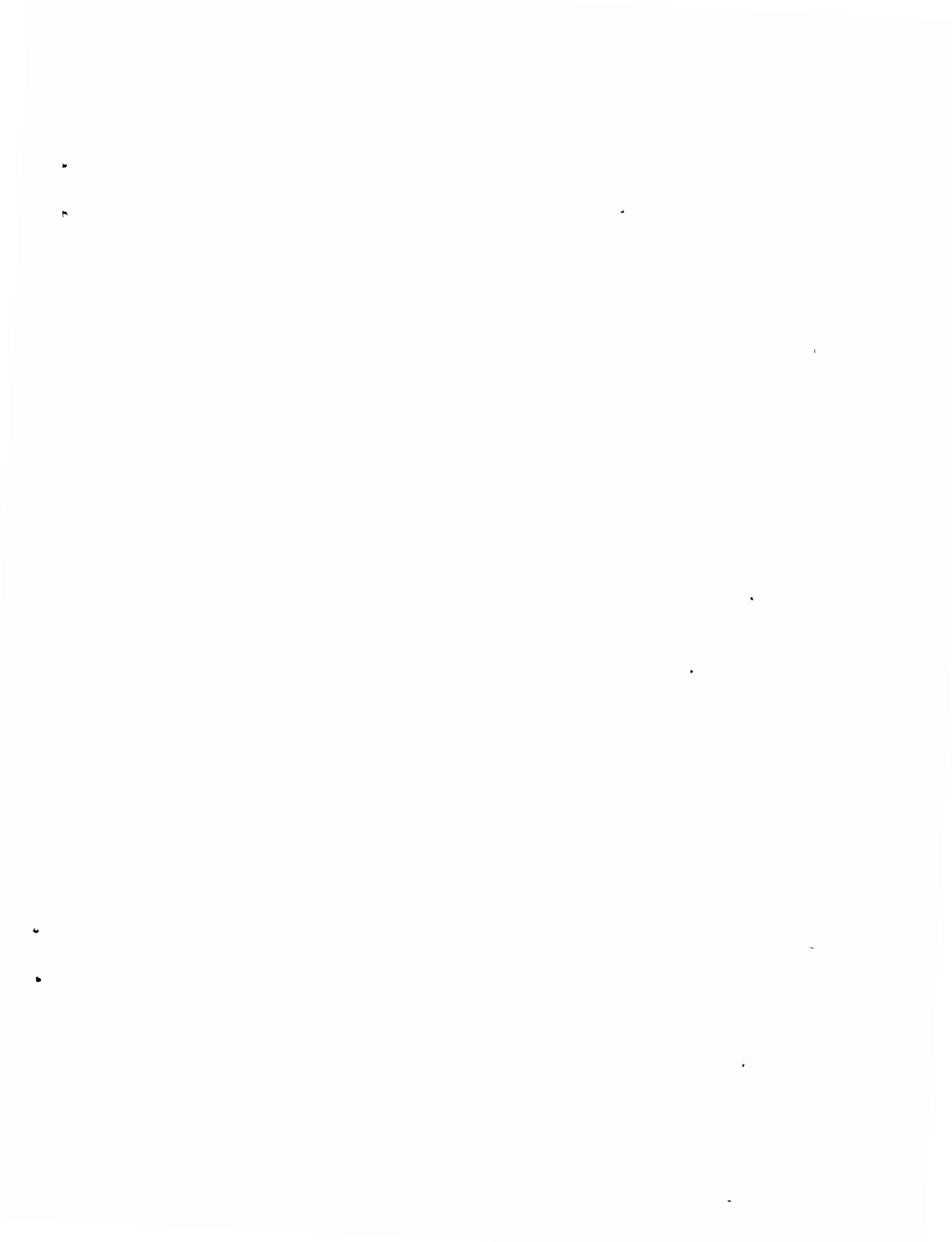


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CONCLUSIONS

1. In the midst of one of America's greatest periods of prosperity the State employee finds himself in a state of economic depression. His cost of living rose 75% since 1939 and the purchasing power of his dollar slumped to 57¢. As a result, his savings have been depleted and economic insecurity pervades his mind. In many cases, actual hardship exists from reduced food budgets, medical and dental care, the stemming of normal recreational outlets, the elimination of luxuries which are normally to be expected from the American way of life, and the curtailment of higher education for children of State employees.
2. Humanitarian reasons for salary increases in the State service, for the public provision for living wages are buttressed by the necessity for a practical consideration of efficiency and economy. For the hardship, and economic insecurity present in the mind of the State employee affects his ability to do his job.
3. Forty percent of State employees make \$1,500 a year or less, 65%, \$2,400 or less. With such a tremendous proportion of the State service in the lower paid positions, the morale, energy and attentiveness to duty of these people causes a public concern of governmental economy and efficiency.
4. Comparison of a selected sample of the pay rates for 23 jobs show that salaries offered by the State of New Jersey are an average of 37% lower than those offered by the State of New York, U.S. Civil Service Commission and private enterprise in the Trenton area.

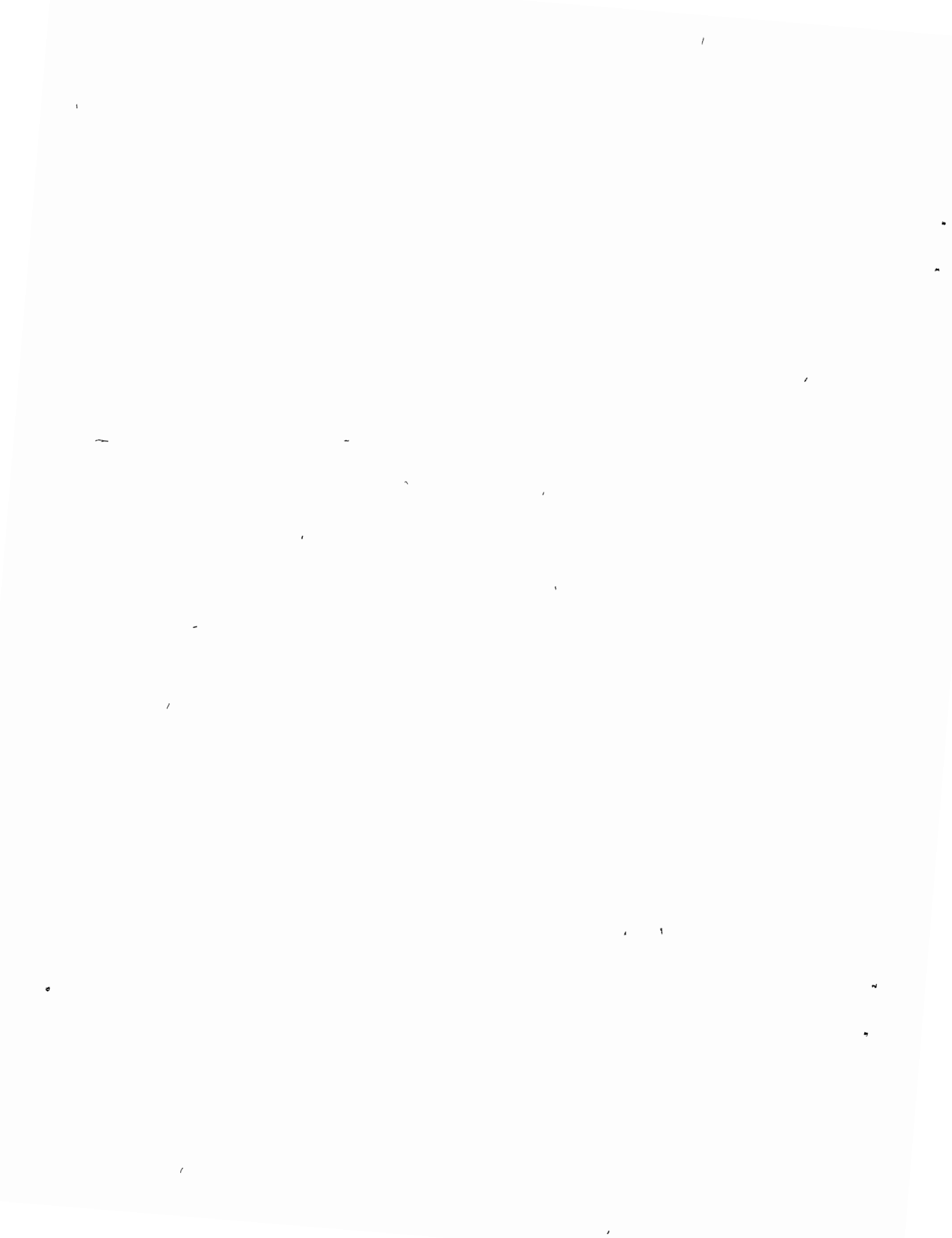
For these reasons the State of New Jersey has lost much of its competitive power in the labor market to retain and attract personnel of high standard.

5. Governmental operations of the State are being carried on under emergency conditions of excessive personnel turnover, a high proportion of vacancies, and severe shortages of technically qualified personnel. Such conditions add to the cost of government. Taken alone, a personnel turnover rate of 26% is estimated to have cost the State \$1,600,000 last year. Lack of qualified personnel causes provision of substandard services at a cost all out of proportion to their value.
6. Personnel shortages arise from:
 - (a) Wholesale separation from the State's service caused by the impossibility to meet living costs with present salaries, excessive hours, and substandard maintenance in institutions.
 - (b) The failure on the part of the examined eligibles to accept employment at prevailing salary rates.

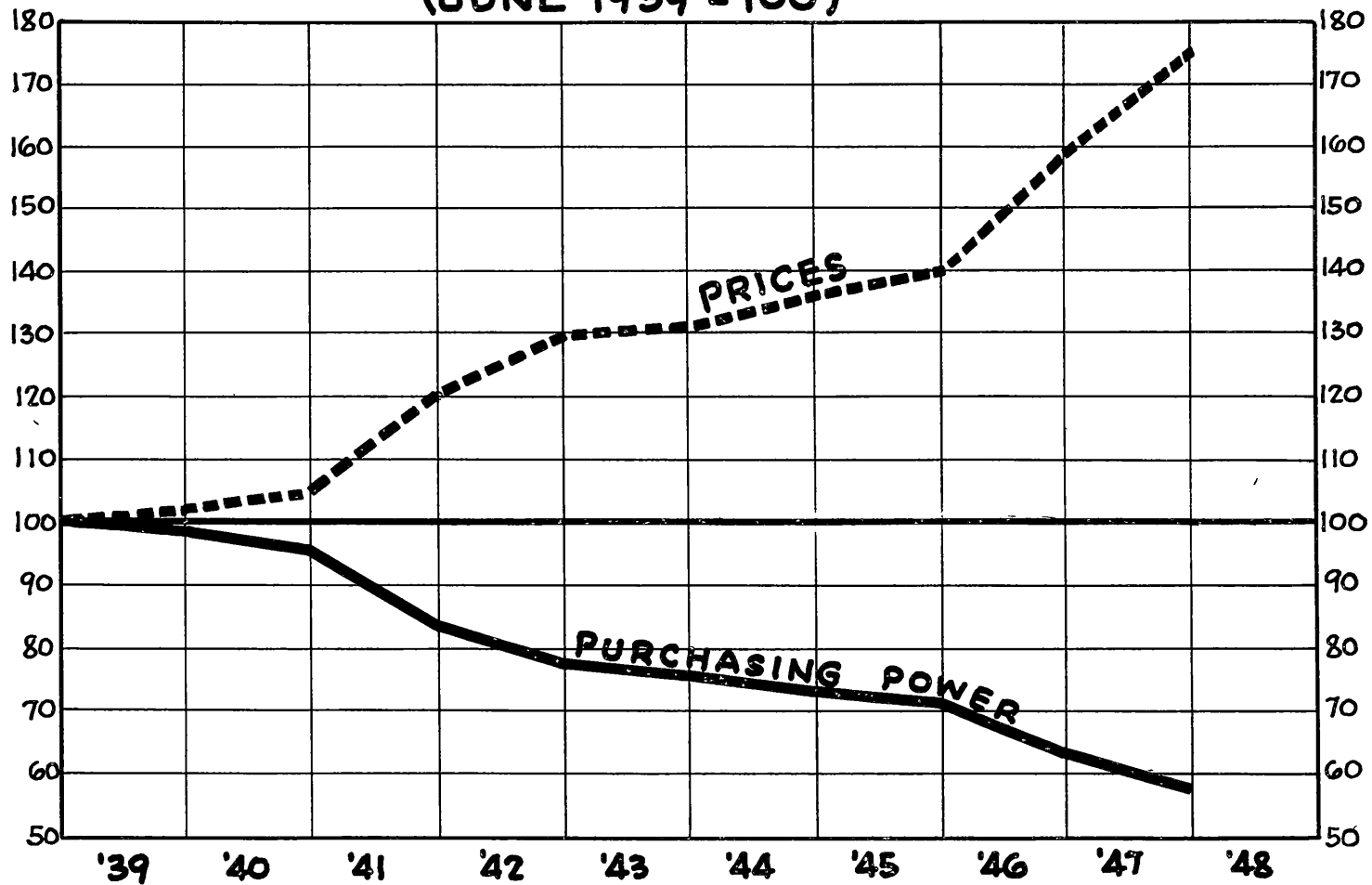


7. Working conditions have degenerated. Hours of work in some services are inhumanly excessive. Strain is placed on existing personnel to do the work which should be done through positions now vacant. Administrators and supervisors are performing the tasks of lower paid employees because such help is unavailable.
8. Considerable upgrading of personnel has taken place within the State service despite efforts to control it. Personnel have been hired above the entrance salary rate, have been given new titles, new positions, with far less regard to their individual qualifications than to keep them working in essential jobs.
9. Upgrading has caused dislocations in the classification plan which in turn disturbs the fair balance of equal pay for equal work. This results in an air of confusion and unwholesome morale on the part of personnel authorities and workers alike. For the seniority of older employees is prejudiced; and groups of positions such as nurses, stationary engineers, institutional attendants or highway engineers vie with each other for favorable reclassification by the Civil Service Commission.
10. The extreme shortage of personnel in some categories has created conditions whereby the personnel authorities have had to adopt an expedient of giving veiled promises, and vague statements to cultivate wishful thinking in order to attract sufficient personnel for little more than skeleton operations.
11. Public loss of thousands of dollars represented in lost man-hours, lost production, wasted, lost and misspent public funds and property cannot be avoided because of personnel shortages, strain on existing personnel, and insufficient supervisory administration. The planning, purchase and preparation of foods in some institutions are carried on without budgetary control because of the lack of sufficient supervisory personnel. State Farms have left acres of crops unharvested or failed to plant others, for the same reason.
12. Neither the Civil Service Commission nor any other department or agency exists with sufficient staff and funds to make adequate analyses of salaries and working conditions in the State service. This creates a condition where the State servant must rely on insufficiently informed legislative action in respect to the condition of his employment. Without an orderly process of salary adjustment one of the major incentives of the career service is lost.

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INDEX OF CONSUMER PRICES AND PURCHASING VALUE OF DOLLAR (JUNE 1939 = 100)



THE REPORT OF FINDINGS

Two sources of information were used in the studies of the Research Committee, statistics of prices, salaries, income, rates of turnover, etc., and the Survey Reports and Research Memoranda of the Civil Service Commission. We present the findings of the Research Committee in that order. We have reduced all statistical investigation into the form of charts and graphs for ease of your study. The sources for statistical data are standardly used by all public and private agencies engaged in research activities. Statistics of prices are based on the New Jersey Department of Agriculture cost of living index. Their data was compared and evaluated in the light of the indices from the U. S. Bureau of Labor Statistics. Much data was collected on income from that source which does not appear in this report but thoroughly grounded the Research Committee in its work. The salary structure was analyzed from data provided by the Civil Service Commission. Rates of turnover were developed from information provided by the Department of Taxation and Finance, Institutions and Agencies and the Civil Service Commission.

The first chart presented graphs the relationship and magnitudes of the cost of living and purchasing power. The dash line graphs the increased cost of living. This has been about 75% since 1939, and about 37% since 1944 and the establishment of the reclassification plan of that year. The lower line is the converse. This shows the actual purchasing power of the dollar. That is to say, it is worth about 57¢ of its value in 1939 and almost \$2 would be needed to buy \$1 worth of goods and services as of that date.

The cold meaning of this graph is little until we consider the budget of the average state employee. In Philadelphia, the Bureau of Labor Statistics estimates that the normal family of four needs about \$3,200 a year to live; about \$1,000 for food, \$700 for housing, \$400 for clothing, \$200 for medical care and \$200 for transportation as being the largest items in the budget. Philadelphia is not too much more expensive an area to live in than Trenton, no more expensive than Camden or Newark or many other places in the State. It is not possible on the mean salary of \$2,150 per year to pay \$1,000 for food, \$700 for housing, \$400 for clothing and still pay all the other elements of the budget.

Taken from another angle, the cost of food alone represents 35% of the average man's budget. From a salary of \$2,500 a year that would mean \$875 for food in 1944, but at the present rate of inflation in food commodities it now would cost \$1,295, an increase of \$420. With the mean State's salary of \$2,150, with 65% of the State service earning \$2,400 or less, the situation, if said to be acute, would be a gross understatement. A cost of living adjustment of \$360 a year would not even meet increased cost of food in the normal budget.

The second chart compares the purchasing power of certain salary ranges to what is actually paid by the State of New Jersey. You

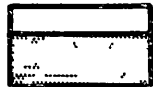
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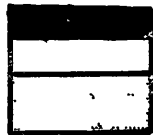
AMOUNT NECESSARY TO EQUAL PURCHASING POWER OF 1939 SALARY



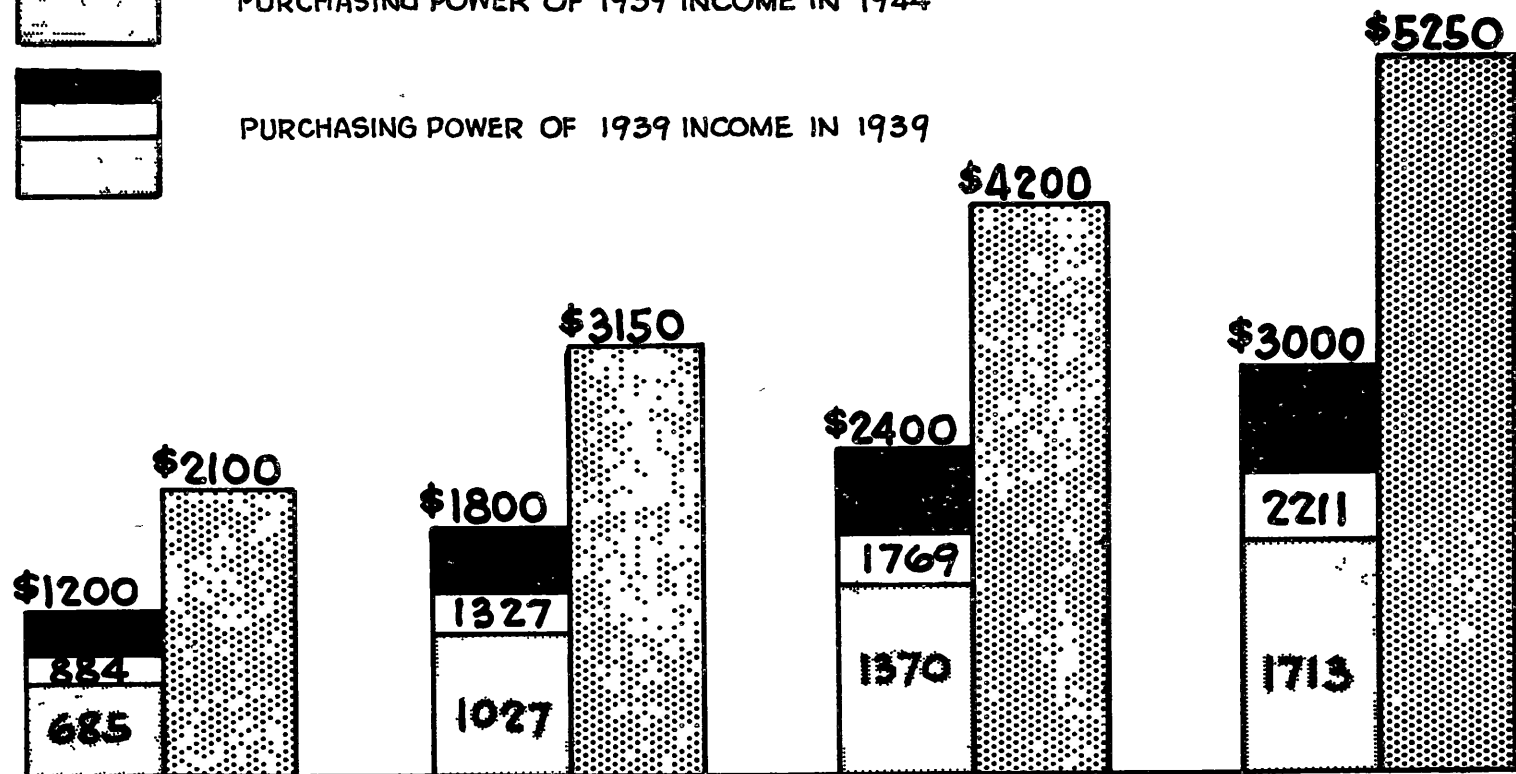
PURCHASING POWER OF 1939 INCOME IN 1948



PURCHASING POWER OF 1939 INCOME IN 1944



PURCHASING POWER OF 1939 INCOME IN 1939



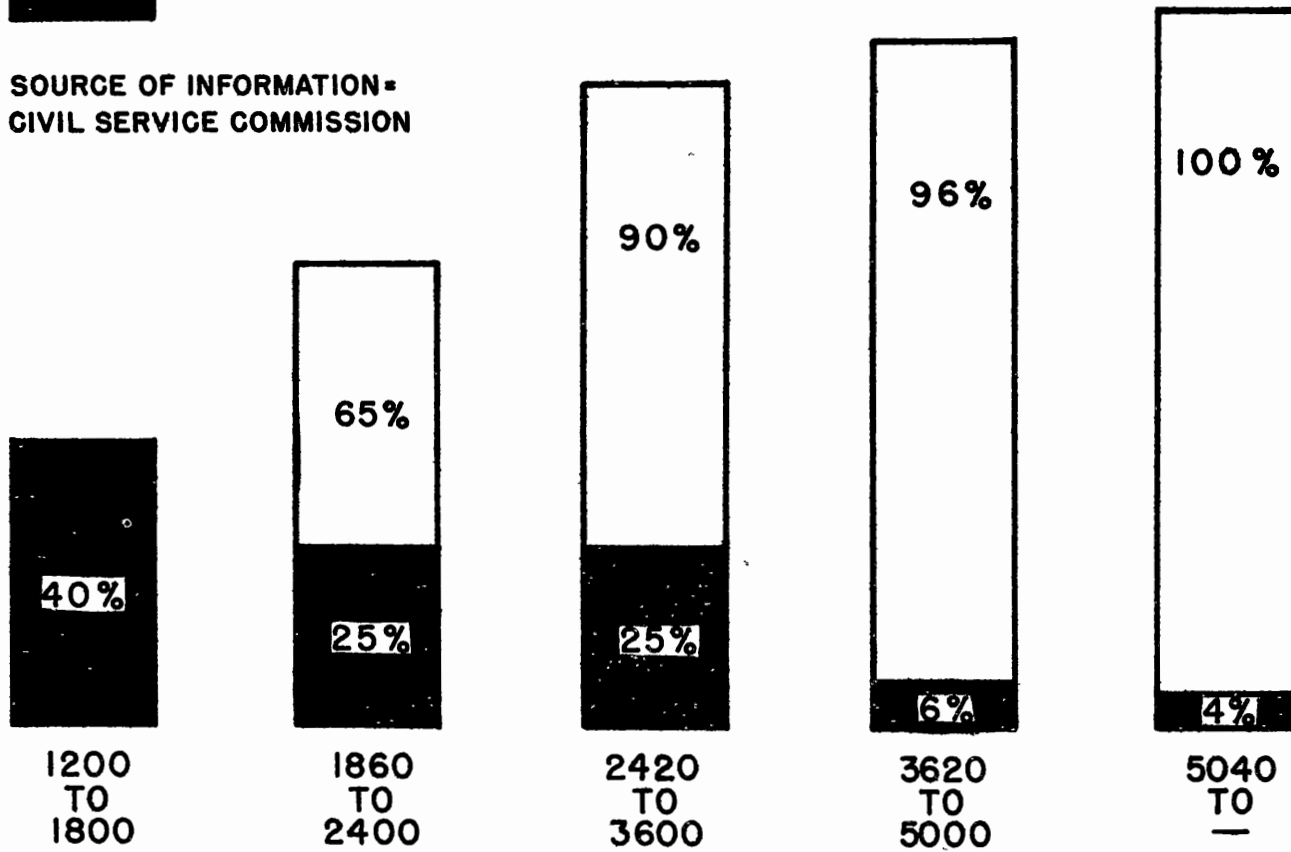
COMPARATIVE BUYING POWER OF SALARIES

PROPORTION OF EMPLOYEES IN SALARY GRADES

 CUMULATIVE %

 ACTUAL %

SOURCE OF INFORMATION -
CIVIL SERVICE COMMISSION



Comparative Salary Schedules

(Selected Sample)

TITLE	N Y	U. S.	PRIVATE ENTERPRISE	N J
Sheet Metal Worker	2622	2427	4685	2040
Electrician	2760	2536		2040
Carpenter	2622	2422		2040
Machinist	2760	2600	3120	2040
Telephone Operator	1840	1954	1820	1440
Office Machine Operator (Key Punch)	1840	1954	1560	1200
Office Machine Operator (Tabulators)	1840	1954	2912	1200
Launderer	1840	1706	1664	1200
Baker	2484	2244	3900	1800
Cook	2346	2244	3900	1800
Clerk	1840	1954	1560	1200
Senior Clerk	2346	2168		1800
Principal Clerk	2898	2644		2400
Junior Accountant - Auditor	2760	2644		2040
Assistant Accountant - Auditor	3450	3397		2640
Senior Accountant - Auditor	4242	4149		4200
Typist	1840	1954	1560	1200
Stenographer	1840	1954	1950	1200
Statistics Clerk	1840		1560	1200
Junior Statistician	3036	2644		1800
Staff Nurse	2484	2645	2400	2400
Junior Civil Engineer	3450	3397		2400
Physician	4638			3600

Source *State of New York Salary Standardization Board*
U S Civil Service Commission
New Jersey State Employment Service
New Jersey State Civil Service Commission

will notice in the left hand corner the \$1,200 a year salary. When that salary minimum was established in 1944, it then had the purchasing power of only \$884, and by the end of 1947, it had dropped to \$685. This is illustrated by the segments of the left hand bar with the figures in it. The solidly dotted bar on the right represents the amount of money which it would take to give back \$1,200 purchasing power. And so it is with the \$1,800 salary, the \$2,400 and the \$3,000. If the State were to attempt merely to meet the increase in the cost of living when the new classifications plan was adopted, it would take more than \$1,600 to give back the \$1,200 or 1944 purchasing power. This, of course, means accepting the purchasing power of that year which could in no way give back the way of life the state servant enjoyed in 1939.

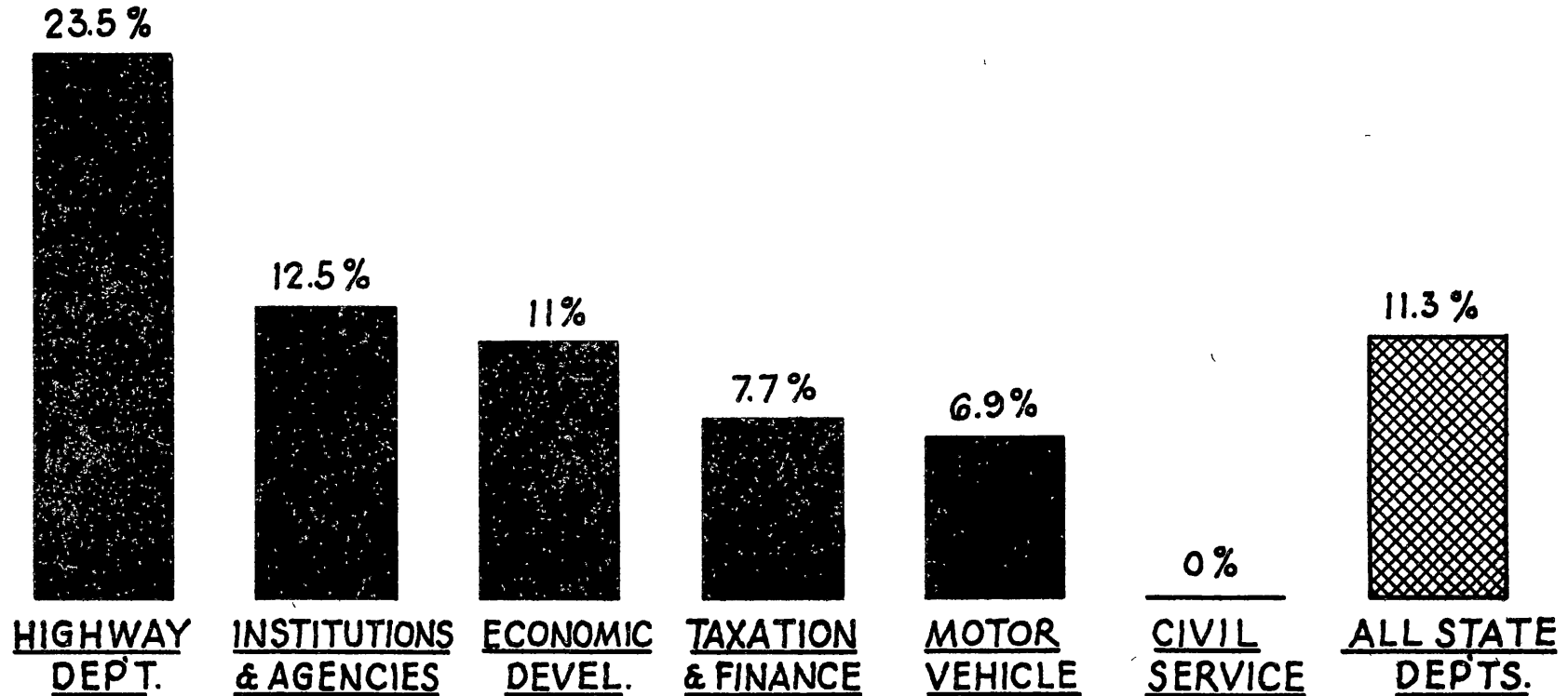
The third graph presented indicates the proportion of state employees in the various salary grades. We would like to stress the fact that in order to give you these proportions in a forceful way and still remain within the conservatism of good research policy, we took out of the total of approximately 19,000 state employees, about 3,000 who comprise the appointive positions, the unclassified service, people working on hourly or daily rates of pay, and all those who make less than \$1,200 a year. It is possible by including these groups to show a greater proportion of the state service making less than \$1,800 a year but to state this would distort the case.

Each bar shows in its black area the actual percentage of the state service falling into the salary grade designated at the bottom. The rest of the bar indicates the accumulative proportion. That is to say for example, in the second bar 65% makes less than \$2,400 per year.

The Research Committee feels that this graph demonstrates clearly why the problem of salary adjustment is so acute. From the standpoint of the service, the tremendous proportion of people who are in the lower paid salary brackets constitutes by reason of deteriorating morale the worst type of inefficiency. Morale in the State's service has been greatly weakened. Lack of sufficient recreation and rest, not only affect the health and welfare of the employee, but is paid for in the State service by necessarily less energy and attention to duty.

The fourth chart illustrates comparative salary rates paid by the State of New York, the Federal government, private industry in the Trenton area and the State of New Jersey. Necessarily we could not have analyzed comparatively the entire salary structure of all these units, primarily from the standpoint of time, but also the lack of comparable job specifications which cut down the scope of our study. The jobs compared here were rendered comparable through an analysis of the job specifications in all units studied. Capitalizing on the work done by the Salary Standardization Board of the State of New York we brought about comparison by consulting the New Jersey Civil Service Commission, and the New Jersey State Employment Service. The scope of the jobs presented, we feel constitutes a good sample of the average conditions which prevail. We feel that this should suffice as a preliminary investigation.

VACANCIES IN VARIOUS STATE DEPARTMENTS
CHOSEN AT RANDOM



SOURCES OF INFORMATION :
DEPARTMENT OF TAXATION AND FINANCE, AND DEPT'S. INDICATED

The Research Committee feels that the conclusions from this chart are self evident. Further on in our report, we will discuss turnover, vacancies, and the general inability of the State to hire. The lack of comparability between salary schedules of New Jersey and other governmental units, especially in the light of the State's geographical position, provides a potent reason for these. With Philadelphia and the field services of both the State of Pennsylvania and the United States within commuting distance of any part of our state, people are not loath to change jobs. This situation exists for New York City and Albany as well. And in all of these centers the regional administration of the United States Government resides. Moreover, apart from the questions of recruitment involved, the proximity of higher paying governmental units damages the fibre of morale. For even if many of the employees of the State are rooted and will stay at their jobs, the presence of higher salaries for the same job offered close by is a constant source of irritation.

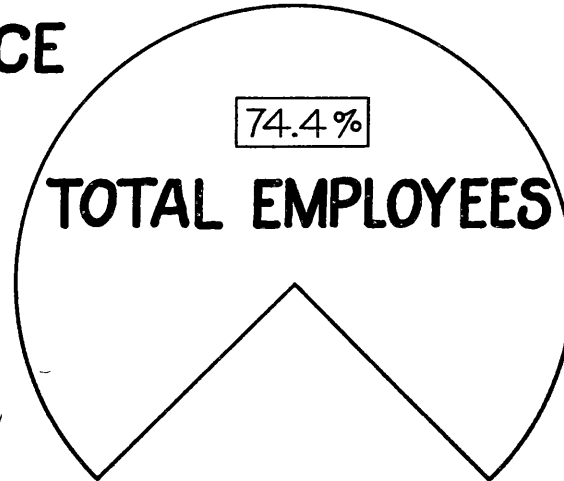
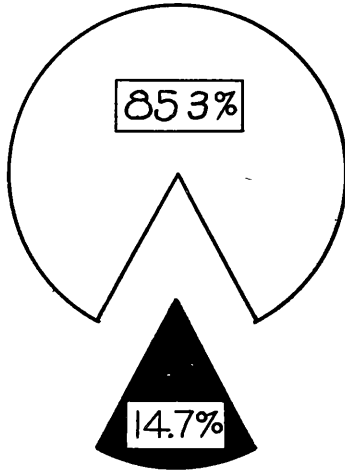
Vacancies in some of the major departments and for the state as a whole are presented in the fifth chart. These facts are important because they demonstrate three findings: First, the State of New Jersey is not operated at full employment levels. Second, departments providing the greatest area of governmental services show the greatest number of vacancies. And finally, burden is being placed on existing help to continue normal operations. It may be considered that the filling of 89% of budgeted positions is close to full employment. 11% is not a dramatic figure. In this context we agree, but we feel that this is not the true relationship. Government is increasingly expected to assume larger areas of policies, more services, and more operations. It is a fact of political tradition that the legislature also never provides the necessary funds for completely setting into operation the policies which it lays down. Those who are in the career service acutely feel their failure to bring into operation the intent of the law because of insufficient funds. While this may be characterized as a general condition and one which as a matter of fact should exist in constitutional democracy, it cannot be justified where there is a lack of even the personnel provided by law. Students of scientific management have demonstrated that very slight increases in the personnel complement bring about many fold increases in productivity.

Also in connection with this point we made one study which from a research standpoint failed. We tried to estimate the savings which would accrue to the State if, by reason of full employment, we could reduce the per patient length of stay in our state hospitals. Statistically we could not in such a short space of time build a study which would offer proof. Nevertheless in our consultations with members of the Department of Institutions and Agencies it was agreed as one man said, "If you could get a full complement of personnel for the State hospitals, you would stop boarding a good portion of the patients there and cure them." This would constitute a substantial saving which would be almost directly attributable to the effect of giving increased salaries since increases would create immediate acceptance of employment lists.

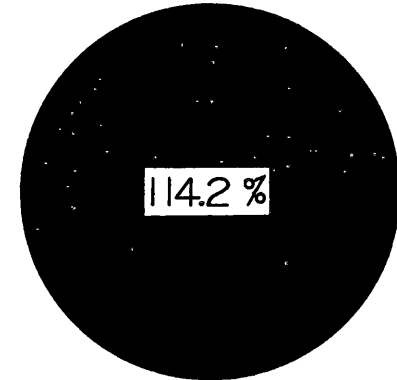
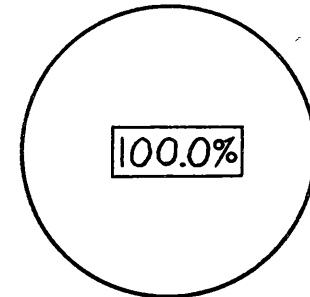
The sixth and final graph for your consideration is what the Research Committee believes to be highly dramatic. We present here the

ANNUAL TURNOVER

TAXATION & FINANCE

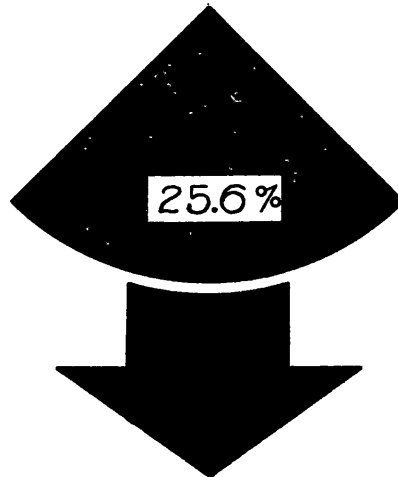


MARLBORO



SOURCES OF INFORMATION

DEPT OF TAXATION & FINANCE
CIVIL SERVICE COMMISSION
DEPT OF INSTS & AGENCIES



\$ 1,600,000

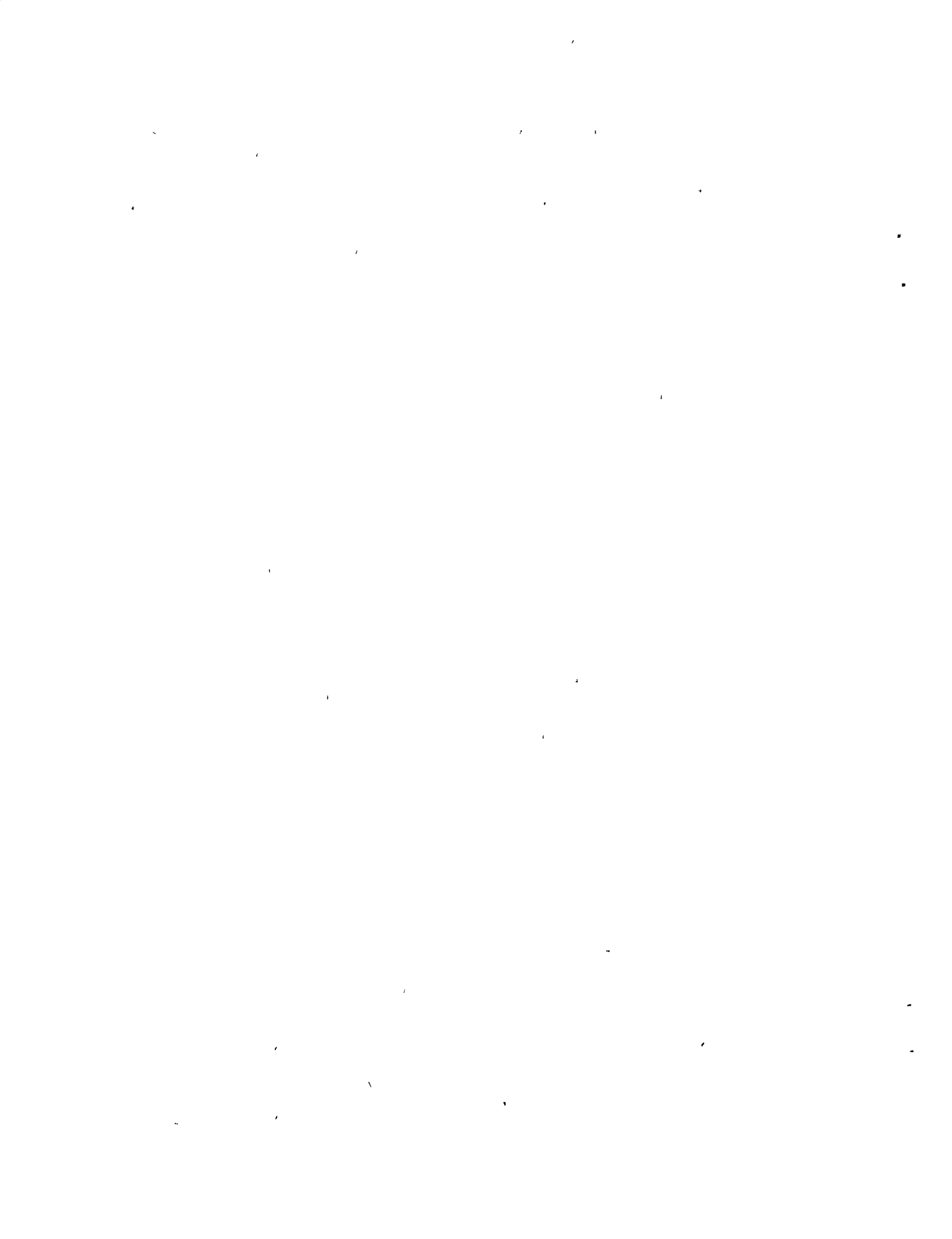
proportion of turnover in two agencies of the government and for the service as a whole. Turnover is waste. There is waste in the time lost before you can get another person to take a job that has been left. There are costs involving the effort of appointing authorities, the Civil Service Commission, the Department of Taxation and Finance, and the Treasury in processing forms, checks, etc. But the greatest cost accrues from the fact that the new incumbent to the position cannot work immediately at average efficiency and, therefore, is being paid disproportionately to his immediate worth. Time and effort of more highly paid supervisors is lost in training activities. There are many other factors which enter into the cost of turnover.

As can be seen in the Department of Taxation and Finance, it is estimated that about 14.7% of the department left their jobs in the fiscal year 1946-1947. This is a lower than average rate. The higher than average rate is demonstrated by one institution the New Jersey State Hospital for Mental Diseases at Marlboro where 11% left their jobs. That is to say for about 750 budgeted positions a personnel complement of 1600 people held them. In the State's service as a whole 26% of the personnel separated from their jobs. It might be mentioned here that this is a conservative estimate because it does not include transfers from one job to another within the State's service which would bring turnover up to 40%.

This large figure of \$1,600,000 is what the statistician calls an educated guess. The Research Committee presumed to guess how much it would cost the people of the State to maintain the high rate of turnover. As an estimate it is simple and justifiable. Details may be found in the appendix. It might be well to mention that we had various estimates ranging from \$2,500,000 to \$1,250,000, but we chose this conservative figure in order to be on solid ground. With that conservative approach, to say that lack of sufficient salary creates waste is a gross understatement. If it would be possible to capture the cost of turnover by its reduction, the savings would help to pay salary increases to State employees.

A summary of the findings of the Research Committee from statistical investigation is not necessary at this point since all findings are stated at the beginning of this report. But there is justification and necessity to emphasize in the strongest possible terms the following facts:

1. The condition of incomes of those in the State service is acute. State employees are not paid a living wage since the greater part of their income has been drained off by inflation. Hardship and economic insecurity present in the mind of the State employee affects his ability to do his job. There is, therefore, the humanitarian and practical necessity for salary increases.
2. Low salaries have brought about wholesale resignations and the inability to recruit personnel. This results in the type of inefficiency which may be characterized as "Penny wise and pound foolish". Moreover, we have indicated that substantial savings could be effected by salary increases.



3. Highly qualified personnel is being lost to other governmental units because of inadequate salaries. The State of New Jersey competes for every man and woman in its service. It is purely the economics of labor markets which determines the quality and quantity of personnel in the State's service. The entire character of the operations and services performed by the State is adversely affected. For this reason the question of salary adjustment is a matter of vital public concern.

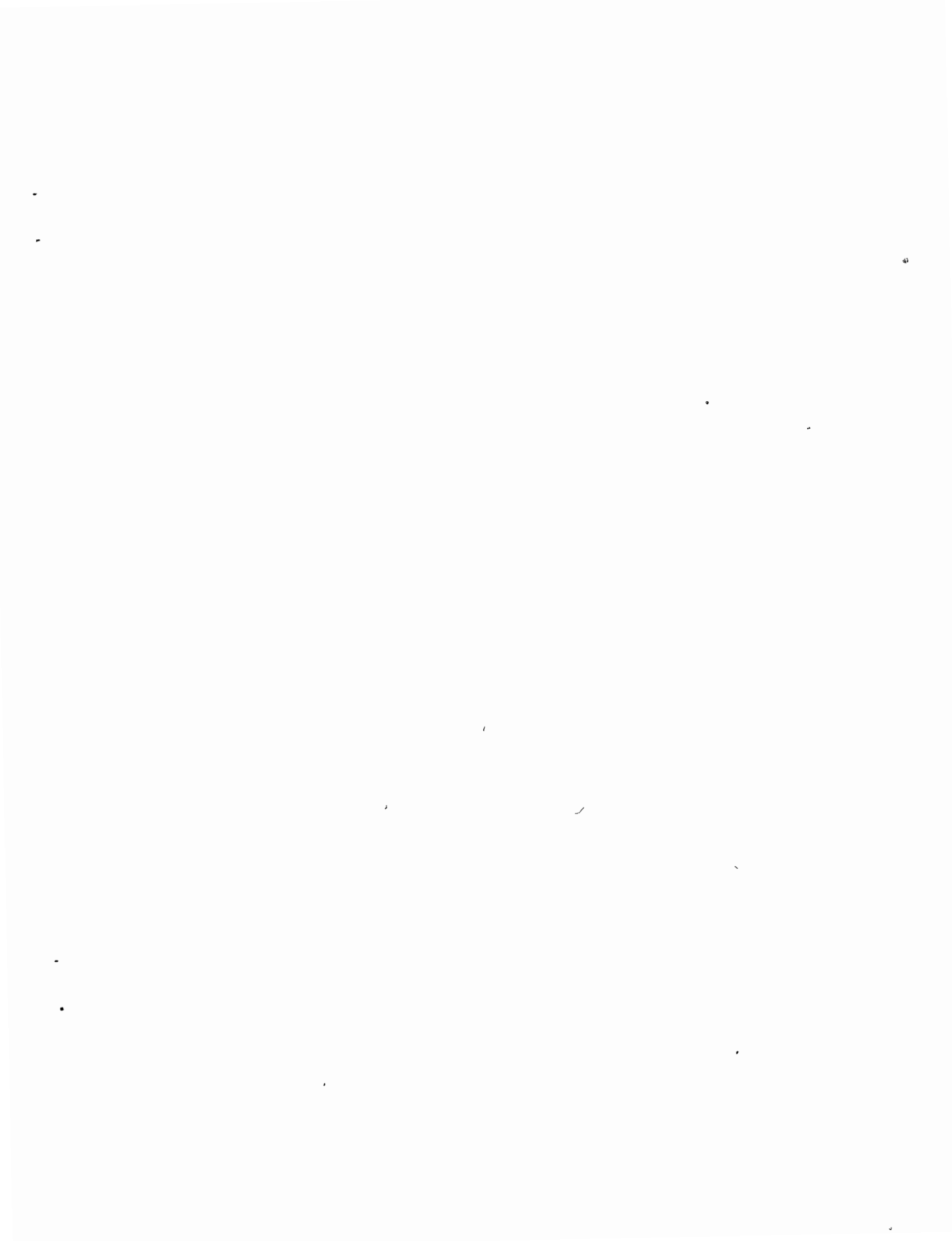
Statistics illustrate, and provide a basis for the analysis and qualification of judgment. However, they cannot demonstrate all the conditions, all the shades and hues of the problem. While it is important that as much as possible be determined in quantitative form, the Research Committee was cognizant of the fact that it must conduct other investigations to present the problem in its proper context. For that reason we undertook to study the reports and the research memoranda of the Civil Service Commission in order to determine more fully the effect of low salaries on the operations of government. The Survey Reports are studies of personnel by groups of position classifications. That is to say, a group such as carpenters or engineers or clerk-stenographers, etc. Their objective is to uncover and give solution for problems of personnel classification, compensation and organization which adversely effect the State's service.

After careful analysis of these reports the following conclusions were evident:

1. There is great difficulty in obtaining any, let alone qualified personnel in the lower paid positions and this difficulty pervades the entire personnel structure.

We found that appointments from employment lists were not being accepted. In the last report of the Civil Service Commission the President reports to the Governor that, "An eligible list for clerk-stenographer was promulgated June 17, 1947 containing 421 names. By the middle of September every eligible willing to accept appointment had been canvassed repeatedly and offered employment. Only 278 or 66% of the total list have accepted offered employment." This is a conservative statement. There have been cases when there was 100% non-acceptance. We cannot begin to relate the number of categories not only for the lower paid positions but for technical and professional positions also where it has been almost impossible to hire personnel at prevailing salary rates.

2. The second finding of the Research Committee is that the conditions of public employment have degenerated because of the stress on presently employed personnel in respect to working conditions and compensation. This has placed the State of New Jersey in an inferior competitive position with other levels of government, business and industry.



We found, for example, a dramatic case which we would like to quote to you from the report. "At the Rockport Game Farm all employees for a long time past, and are still working 84 hours a week from May first to August fifteenth and 56½ hours a week for the rest of the year without any compensatory time off or any monetary adjustment for the time involved. At the minimum of \$1,440 per year the above arrangement at Rockport represents an attempt to recruit employees at less than 44¢ an hour. It should be noted that the extraordinarily excessive hours have already had the effect of discounting the attractiveness of having employment not only at this particular game farm, but also by imputation and implication at nearby state institutions such as the Fish Hatchery at Hackettstown."

Another case can be found in the 1945 survey on the condition of salary ranges for the then existing position classification, "Fireman and Helper." We found in that report, at Woodbine the Supervisor of Maintenance after trying for thirty-five days, interviewing twenty-one eligible candidates still could not hire a relief fireman and helper at a minimum salary of \$135 to \$150 per month. In the meantime, the Supervisor carried out his job and another job of relief fireman and helper for 16 to 24 hours a day, receiving no overtime for his extra work. In January, 1946, the rates were changed to a minimum of \$1,800 for that position. We cannot but comment that this action must have constituted a temporary palliative since cost of living has increased 25% since that time. Moreover, there cannot be much incentive for the Supervisor of Maintenance to continue in his job if he will again face the same working conditions he did three years ago.

Until recently only one man could be found to fill one of three engineering positions in the Water Policy Division. The trials and tribulations of that unit, attempting to change titles, upgrade positions is a story in itself. Immediately after it hired one man the Division lost him to the Federal government.

We cannot enumerate all of the case histories but we can conclude that there are people working inhuman hours. There are low wages. There are supervisors absorbing their time in tasks which lower paid employees should rightfully handle for efficient operation. None of these factors induce people to stay within, or to come into the State's service.

3. The third finding of the Research Committee is that considerable upgrading of personnel has taken place within the State Service despite efforts to control it. Personnel have been hired above the entrance salary rate, have been given new titles, new positions, with far less regard to their individual qualifications than to keep them working in essential jobs.

These dislocations of the classification plan arose out of the fact that employees were changed to new titles or were given higher salary grades where the individual personnel authority exercised the

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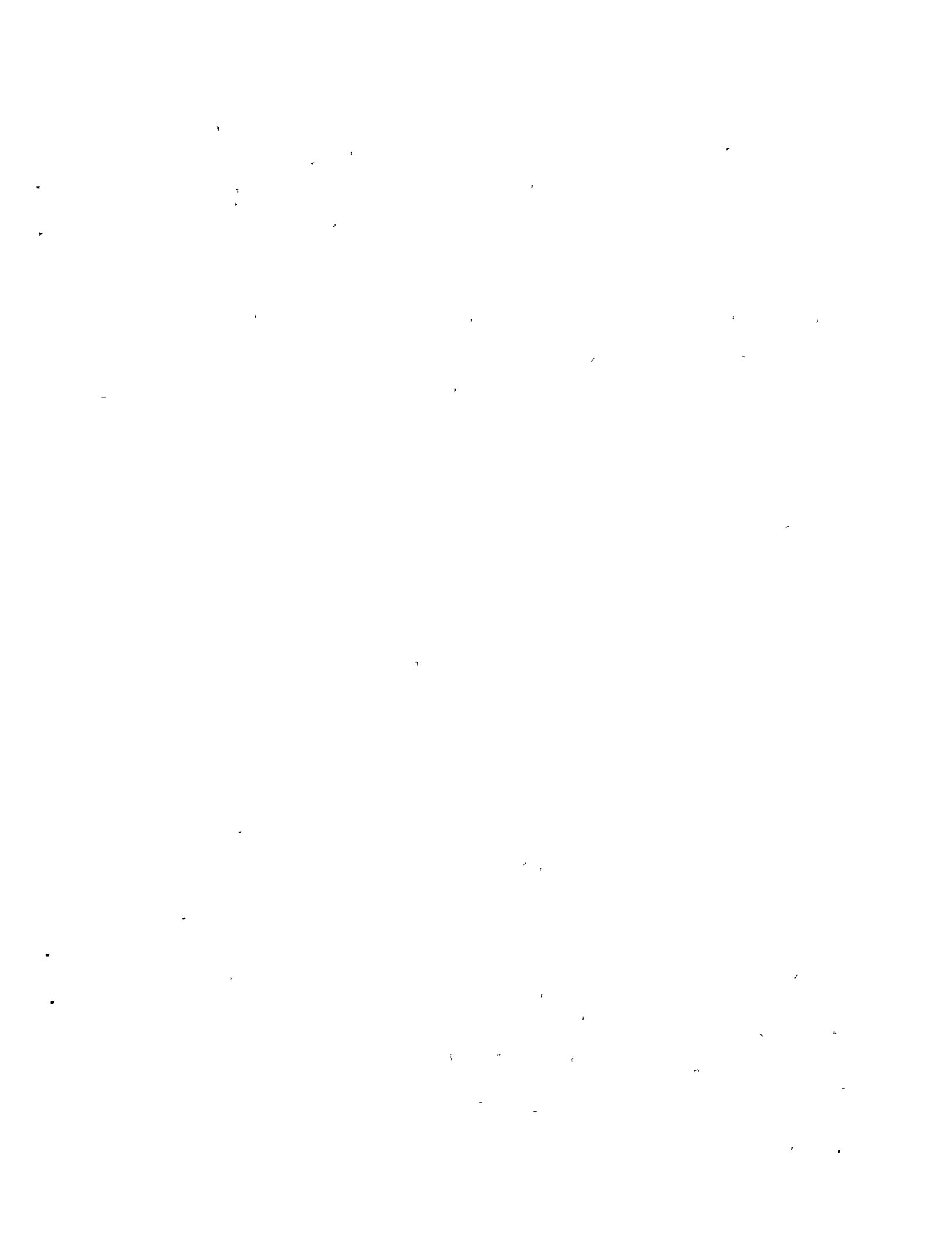
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greatest energy. Of two men who at one time had the same classification and salary grade, but who worked in two different places, one made a far greater salary. This was based not on the fact that one man had any greater competence or seniority, but rather simply because the personnel authority had to hire new men at higher rates and, therefore, could not baldly discriminate against the older people. But in the other unit, the need for personnel was not as great and, therefore, there was no reason to upgrade. This has had a marked effect on morale, since such action prejudiced the position of older employees. Moreover, among all the position classifications it tends to destroy the fair balance of equal pay for equal work set up in the classification plan. As a result, the dissatisfaction evidences itself in continual presentations to personnel authorities and the Civil Service Commission for raising the pay of one set of positions. This constant pressure to upgrade does not come from the employees primarily but from the personnel authorities themselves directly or indirectly since they must man essential governmental operations. The strain on them is evidenced by the fact that in some cases supervisory personnel threatened to resign or did resign because they could not find sufficient staff to extinguish their personal responsibility to law or higher authority.

It is an understatement to say there is an air of confusion and unwholesome morale on the part of personnel authorities and workers alike.

4. The fourth finding of the Research Committee is that the extreme shortage of personnel in some categories has created conditions whereby the personnel authorities have had to adopt an expedient of giving veiled promises, vague statements and to cultivate wishful thinking in order to attract sufficient personnel for little more than skeleton operations. The Research Committee documents this fact in the appendix to this report but refrains from any comment.
5. Finally, we found that the lack of qualified personnel has created conditions where waste, loss of time, loss of physical production, and loss of property cannot be avoided.

In studying the state food services, the Civil Service Commission found that the responsibility for the care and planning of the preparation of food in institutions, is parceled out, not in terms of good organizational procedure, but in terms of assigning the responsibility to the too few people hired for exercising administrative competence. The result is that menus are planned without knowledge of the condition of food budget accounts. Food purchases are made directly and unrelated to the budget, etc. Considering the waste and inefficiency resulting from the incomplete coverage and sharing of responsibility, such a condition is directly attributable to the fact that you cannot maintain people working at the wages now offered.

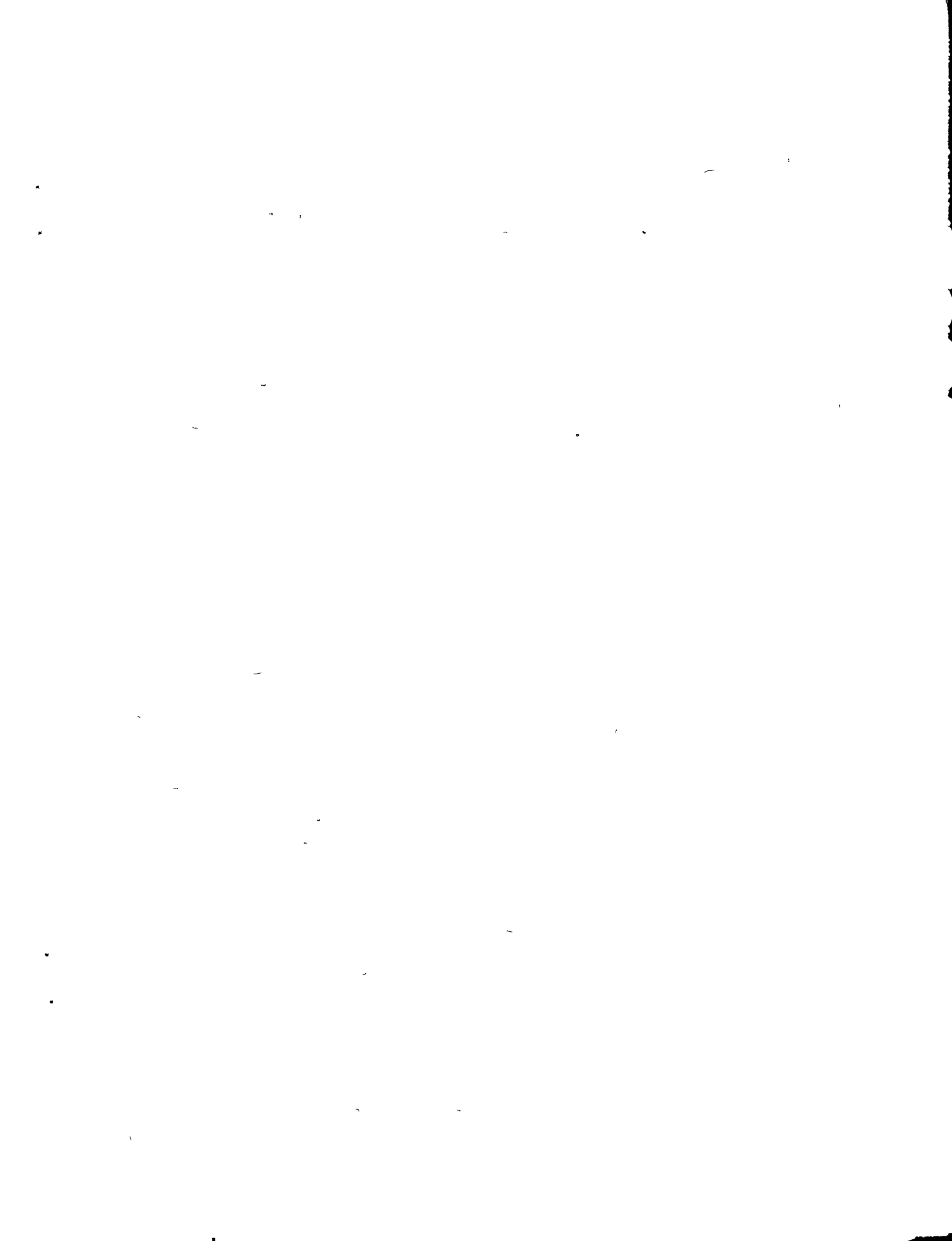


In the very recent Farm Service Report we found that because budgeted positions were unfilled, a field of Timothy hay remained uncut and its \$2,000 value lost. In another case, 8 acres of fields ready for planting were left without a crop because there was no one to do the work. In the meantime, such men as were available worked in other fields until sundown, day after day, without compensation for overtime. The food grown on the state farms is extremely important, not only to defray the cost of some of the institutional services but they are absolutely vital since recent appropriations to food budget accounts have been so insufficient that State grown food measures the difference between an adequate and an inadequate diet for the institutional population. It is, therefore, imperative that the farms have their full complement of help. Yet farmers are out competing the state for farm hands in most areas.

The State of New Jersey has a great responsibility in the care of hundreds of millions of dollars worth of public assets: lands, buildings, machinery and other physical facilities. The State provides essential services for health, welfare, business regulations and for the maintenance and construction of facilities without which the economy of the State could not function. Yet in the face of this tremendous responsibility there are shortages of people to care for these assets, to carry on these most vital functions. There are thousands of man hours lost, millions of dollars unavoidably misspent, and only for the reason that the State just does not pay sufficient salary to have enough people to do the job.

This, Mr. Chairman, is the logical concluding point for the report of your Research Committee. Of the original propositions which we set out to investigate we believe we have demonstrated without a doubt that there are emergency conditions which necessitate a thorough going overhaul of the compensation incentives in the State's service. Twenty years ago the pension system and the security of a guaranteed annual wage made up for the lower differential in pay offered by government. Today the trade union has given to industry the same security offered by the Civil Service System. Social Security and group insurance gives better coverage than our present pension and group insurance program. There is, therefore, very little incentive left to remain within the State service. When the trade unions win the guaranteed annual wage, and that time is not far off, the personnel situation in the State of New Jersey will be at a crisis. For these reasons the Research Committee recommends that the Council of State Employees pursue as the first step to head off such a situation, adequate salary increases.

Moreover, we believe that we have demonstrated that adequate increases in salaries are not only necessary from the standpoint of the individual State employee, but that it is desired by those managing public services, and that it is a matter which vitally affects the public in terms of the quality of governmental services performed, and even more important the most elemental matters of efficiency and economy. For it is a matter of vital public concern whether the incentives are too few in government to maintain the last vestige of its competitive power to attract good personnel.



APPENDIX A

METHOD OF ESTIMATING THE COST OF TURNOVER

Members of the Research Committee undertook to study the general literature pertaining to estimating cost of turnover. As a specialized field it offers sparse written material, much of which was written during the years 1918 to 1922. Moreover, the literature presented far more descriptive analysis than quantitative analysis by statistical method.

From investigation of these studies, we found the turnover in industry varies in cost from \$50 to \$500 depending upon the type of personnel affected. In general, clerical and professional personnel carried a higher cost of turnover than labor--skilled or unskilled. Since many of these studies were industrial, we believe that the lower limit of industrial estimates are too low for use in the State's service.

In deciding upon a method of estimation, the Research Committee agreed upon three principles:

1. The estimate must be extremely simple in order to provide sufficient basis for interpretation and criticism.
2. The estimate should include in one lump sum all tangible and intangible costs.
3. The estimate should be criticized by expert authority.

In relation to this last point, we secured the advice of Dr. Emil Frankel of the Department of Institutions and Agencies who participated in the writing of one of the first books on the subject of labor turnover in the United States.

The major factor involved in the cost of turnover is the low rate of production on the part of the new employee and the cost of the time of supervisors in training activities. It is on this base that the estimate is developed.

Accordingly, we chose as cost factor the value of one month's time on the part of the new employee and the supervisor. From an inspection of salary schedules, we arbitrarily assigned the employee's wage at \$1560 a year or \$130 a month; the average supervisor's wage was arbitrarily assigned at \$2860 a year or \$238 a month. This represented a total cost in lost time of \$368.

Within this lump sum are estimated factors of intangible cost. They are: the cost of operational time lost before another employee can take the job that has been left, where this is the case; cost of involving the effort of appointing authorities, the Civil Service Commission, the Department of Taxation and Finance and the Treasury in processing form, checks, etc.; confusion brought about by advice,



help and instruction on the part of employees who are not directly responsible for training. There are others but for lack of time we will not go into them.

The basic formula is simply to multiply the cost per new incumbent to a position by the total number of separations in the State's service during the fiscal year 1947-48.

The total number of such separations recorded by the Civil Service Commission, exclusive of transfers to other departments, was 4,182 in 1946-1947 based on a Civil Service estimate of the total personnel complement of 16,000. Adjusting this figure to meet the total yearly employment in the year 1947-48, there were separations of 4,588.

Multiplying the total turnover by the average cost of \$368 per incumbent, a total cost of \$1,688,752 is recorded.

However, 100% elimination of turnover is impossible. The average turnover rate in the State's service is reported by the Civil Service Commission to be 5%. Adjusting the total dollar cost by 95% is therefore reasonable. This yields a turnover cost to the State of New Jersey of \$1,604,314 which by statistical rule it is necessary to round off to \$1,600,000.



APPENDIX B

ABSTRACTS FROM REPORTS OF THE CIVIL SERVICE COMMISSION

By a report titled "Power Plant Survey, October, 1945" the President of the Civil Service Commission was informed that:

"The Range for Fireman and Helper is too low. Actual salaries are for the most part at or above the present maximum. Present incumbents cannot anticipate additional increments and are not restrained in expressing their dissatisfaction with the present situation. Since Jan. 1, 1945 there have been over 30 resignations in this category. An attempt to check the reasons for these separations discloses that the rate of pay is a significant factor. In the meantime recruiting of placements has been difficult. The following cases illustrate the situation: Woodbine: Tom Payne, Supervisor of Maintenance, II was assigned the responsibility of recruiting replacements for one Fireman and Helper and one Operating Engineer, II. In the course of 35 days Mr. Payne interviewed 21 eligible candidates. Not one considered acceptance when the rate was mentioned, their minimum was ranged from \$135-\$150 per month. In the meantime Mr. Payne was compelled to assume duties of a Relief Fireman and Helper and Operating Engineer, II. This involved being on active duty..... for 24 to 16 hours a day quite frequently. In one week he was on duty for 16 hours for 5 consecutive days. Mr. Payne received no overtime for this extra work."

In a research memorandum found in the files of the Civil Service Commission, and dated 1946, the following facts are stated:

"For some time, appointing authorities, supervisors and other employees with increasing insistency have been urging the need for adjustment of the lower bracket salary ranges. Recent surveys and the resulting realignment of titles and ranges were initiated by a recognition of the inadequacy of the minimum established for entrance positions. Several other surveys embracing larger groups of employees are in the process of being made or have been projected. Complete and reasonably satisfactory results can be anticipated only with the application of thoroughness, which, unfortunately, requires time. It is feared that such a protracted process has become too slow in face of the increase tempo of change....."

"The present situation and the apparent trend require a reconsideration by the Civil Service Commission of the \$1200 minimum for State Service employees in general. The following impinging

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facts are converging to force a restatement of the minimum rate policy of the Civil Service Commission.....

"Recruitment has become increasingly difficult in the lower salary brackets. In one institution two Farmhands remain out of a total of eight previously employed and required. In another institution a farm supervisor is threatening to resign because of poorly qualified and insufficient assistance. The duties of other employees in a large institutional kitchen have been made heavier and efficiency standards are being compromised because good Kitchen and Dining Room Helpers cannot be obtained at \$1200. Numerous other instances can be cited to give emphasis to this all too obvious statement.

"Clearer and more direct evidence pointing to the need for adjustment is represented by the expedients which have been employed to side step the obstacle of a legal minimum which present conditions suggest is no long applicable. It can be easily shown that such expedients create more problems-- and with cumulative effect -- than they solve."

By memorandum the President of the Civil Service Commission was informed:

"1. Until the practice was checked by the Civil Service Regulation dated September 12, 1945, appointments were approved above the minimum. In the case of Garage Attendant, (1200-1560), all recent appointments were made at the maximum. The effect upon the morale of older employees whose salaries are still within the range is too self evident to merit comment. Upon the recent appointee the realization that he cannot anticipate further increments is no less deleterious in time.

"2. Titles have been upgraded with commensurate ranges and unequally applied. The title of Senior Building Service Helper (1200-1560), was established to accommodate everyone of the 21 former Building Service Helpers, (1020-1320), in the Bureau of Purchase and Property. In the State service there were 70 other Building Service Helpers, (1020-1320). Of this number only four have since been allocated to the senior grade. In the meantime, since January 1, 1945, sixteen employees in the lower brackets have resigned. In the same Bureau of Purchase and Property, 49 employees have been designated as Senior Building Maintenance Workers, (1680-2280), and only five as Building Maintenance Workers, (1200-1560).

"3. Other titles in related positions, but with more favorable ranges have been and are being used for replacements.



In one institution, GS 21 forms for Building Maintenance Worker, (1200-1560), are being consistently presented and approved to replace Building Service Helpers, (1020-1320). But no requests are being made for adjustment of existing and older employees with current titles of Building Service Helpers, (1020-1320).

"4. Established titles in the next higher grade are being considered and recommended for replacements in lower grades. For the past six weeks Jersey City State Teachers College has been trying to replace a Building Maintenance Worker, (1200-1560). A list of 12 veterans was referred by the Civil Service Office. Two of these replied. One had a heart condition too serious to permit employment on any kind of work. The other accepted the position, reported for work, and after 15 minutes resigned. Civil Service officials then advised and so implied approval of appointment, as a replacement for the above, a Senior Building Maintenance Worker, (1680-2280). The resort to such an expedient is objectionable. There are four Building Maintenance Workers still on the job -- two at \$1,440 and two at \$1,320. Are they now going to be raised to the senior grade at \$1,680 if the above recommendation is accepted? In the meantime, as of January 1, 1946, two Firemen and Helpers, (1440-1800), have been changed to Senior Building Maintenance Workers, (1680-2280). Both have been employed there for over 15 years. Their duties and responsibilities are on a definitely higher level. Obviously another adjustment will be required. Dr. Morrison is not happy over the prospect of the budgetary adjustments needed to meet such a development."

In a report of the State Food Service Survey as of June 14, 1946, the President of the State Civil Service Commission was informed of the following facts:

"In one instance the operation of two adjacent dining rooms served by one kitchen comes under two distinct institutional departmental jurisdictions. It has been observed that the simplest kind of check that could be made is not being made.

"Menus are being prepared by individuals who have little or no knowledge of the state of the food accounts or of market conditions - considerable quantities of perishable foods are bought directly. Since menus must be planned within limits of available funds, it is logical that the person having this responsibility not only should have access to the details of the food service accounts but also should have the responsibility and the authority to specify and to make direct food purchases. In too many situations the above are



treated as two mutually exclusive functions.

"The incomplete coverage and sharing of responsibilities as found may be a reflection of the lack of qualifications and competence to assume greater responsibilities. At the present time no food service supervisory title in the state service has a range beyond a \$3,000 maximum. For many of these positions, the highest existing minimum of \$2400 is far too low to permit recruitment of qualified supervisors. The preparation and serving of food is one of the key services within several institutions and constitutes one of the most vulnerable points for adverse criticism.....

"At the present time there are only three employments in the state service under the title of Dietician \$1800-\$2400. It has been almost impossible to fill existing vacancies at \$1800."

By a report labelled "Trenton State Hospital Survey (Service Departments) January 21, 1947" the President of the Civil Service Commission was informed of the following:

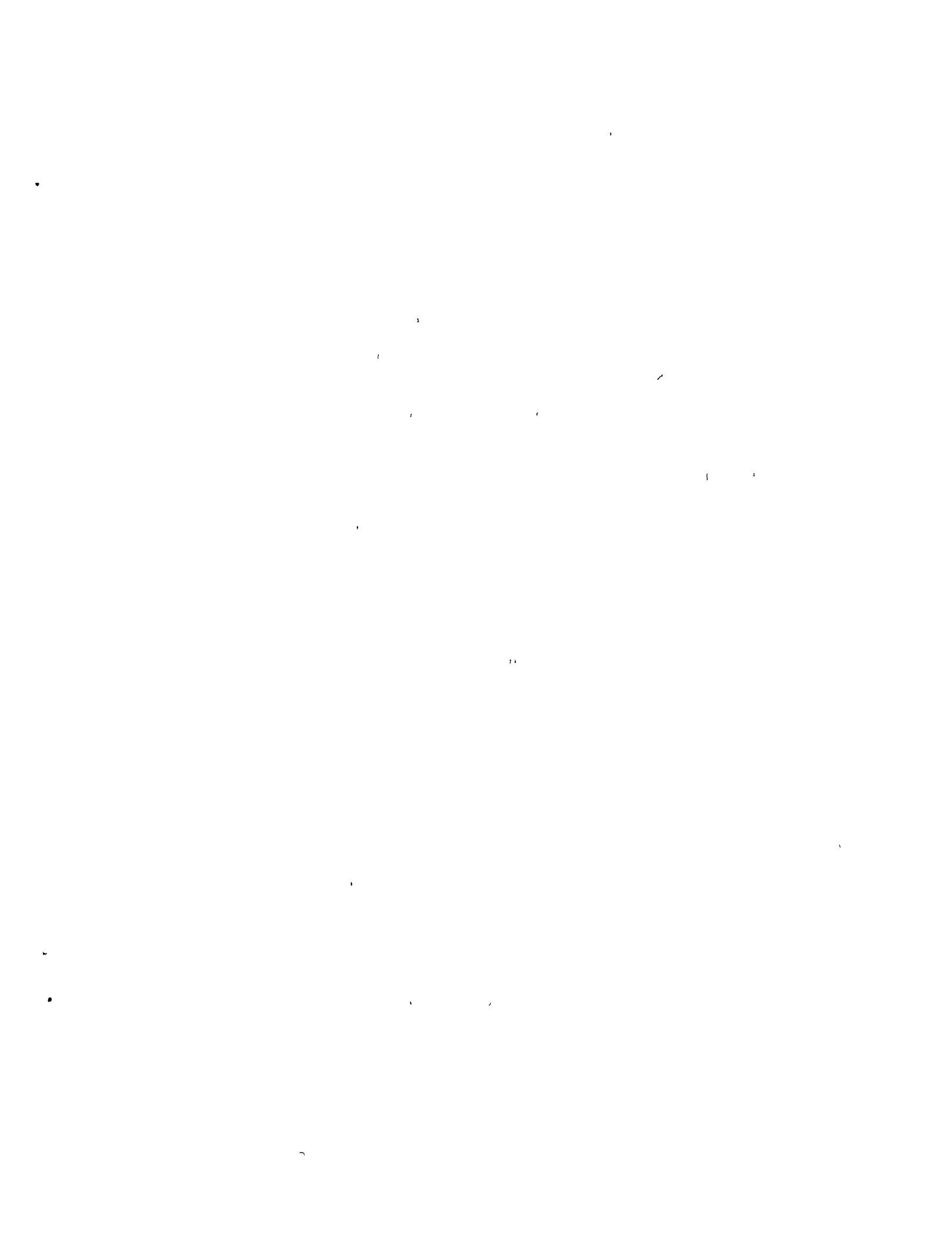
"1. Commitments have been made to employees and to prospective employees which are not in accordance with the law and regulations under which appointment must be made. This has frequently placed the local officials in a position of urging upon the central controlling authorities and upon the Civil Service Commission action which is inconsistent and contrary to established policy. The form of the commitment may be evasive and equivocal; it is sufficient if there is implanted in the mind of the employee the fact that a promise has been made.

"2. Employees have been recruited and appointed to positions above the entrance level without apparent consideration for the opportunity this offered to promote an eligible older employee within the same unit of organization.

"3. Recent appointments have been made under titles more favorable than those by which older employees in identical positions are designated.

"4. Transfers in assignments, which have resulted in position classification in consistencies have been made by supervisors without reference to the personnel office.

"5. Employees lack correct information about various matters touching upon their status. Many do not know what their exact Civil Service titles are, what is meant by a



salary range and how it is applied, and when and under what conditions increments are granted. The attempt to dispel misinformation or distortion born of wishful thinking is usually a disillusioning process which can and should be avoided."

By a memorandum titled "Resignation, a danger barometer" dated June 27, 1947, the President of the Civil Service Commission was informed that:

"The State of New Jersey has never had an accurate picture of the number and causes of voluntary resignations. With our present tabulating equipment certain data are now available which may aid in pointing out serious personnel problems.

"Resignations are attributable to many causes. A true analysis of these causes can not be obtained without an exit interview in each case. Generally, however, most resignations in a situation like ours can be attributed to:

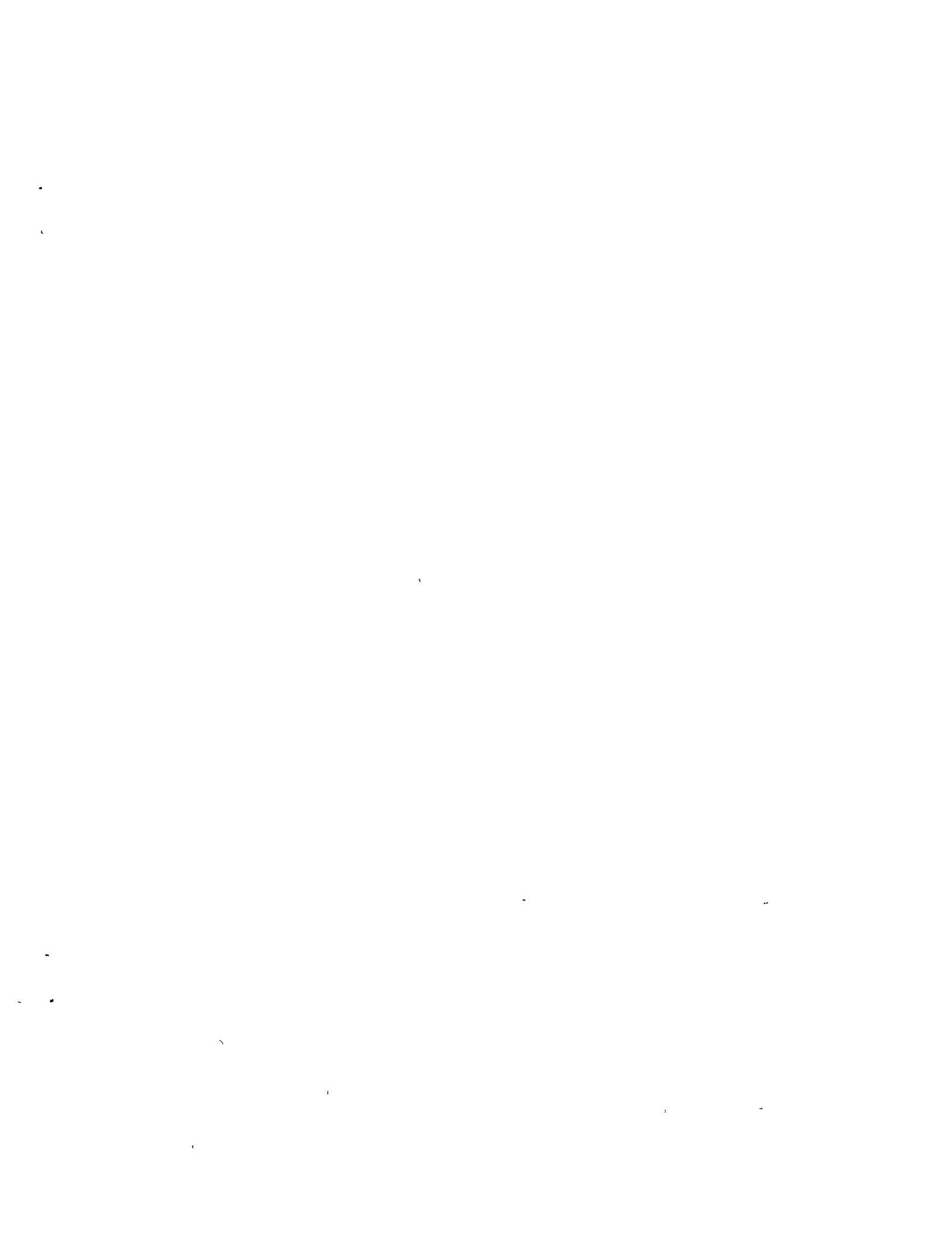
- "A. Salary received and inequalities in pay.
- B. Physical conditions of work.
- C. Level of work (unsuited to ability).
- D. Supervision.
- E. Promotional prospects.

"All of these factors can be controlled and minimized through:

- "A. Proper placement.
- B. Training
 - pre-service
 - in-service, on-the-job
 - supervisory
- C. Periodic examination of wage rates.
- D. Inspection of work situations.

"Placement is in its infancy in this state; training is sparse and spotly; wage rate analysis is by and large being carried on in an unscientific manner and is not being done in any quantity; inspection of work environment is not present.

"Voluntary resignations for the period July 1, 1946 - June 15, 1947 totaled 4,182 out of a maximum personnel complement of approximately 16,000. In other words one employee in four resigned voluntarily from the State service this year. These resignations occurred mostly regularly in the following titles:



Institutional Aide	81
Building Service Worker	44
Food Service Worker	240
Senior Food Service Worker	50
Cook	53
Laundry Worker	46
Institutional Attendant	1671
Prison Officer	69
Graduate Nurse	63
Laborer	105
Clerk	183
Clerk Typist	164
Clerk Stenographer	178
Senior Clerk Stenographer	49

"It will be noted that the higher turnover took place in positions which are either poorly paid, have a low level of duties, feature poor promotional prospects, include disagreeable work and duties, or are notoriously lacking in the application of training and supervisory techniques. Scientific selection is applied to only six of the above classes of positions.

"Further, since the 4,182 resignations are voluntary, should the number of separations from the service for involuntary reasons, such as failure to qualify in examinations, curtailment of funds, etc., be considered, it is quite possible that 40 per cent of the State service was in a state of flux this fiscal year.

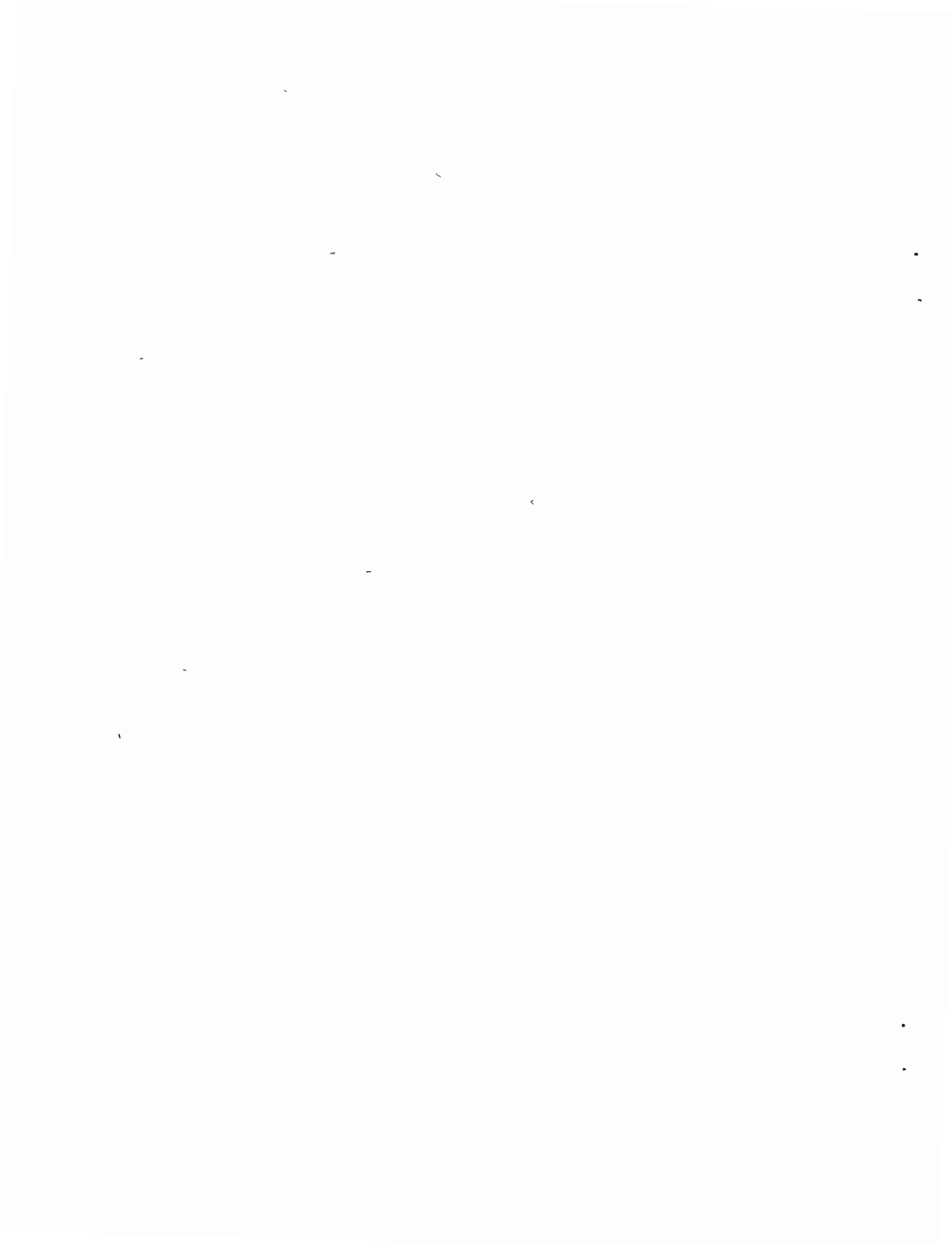
".....With 500 to 1,000 personnel actions taking place each month in the offices of the Civil Service Commission the unwholesome situation of mass personnel change is present. Employees there-fore can not help but be in a mental condition of self-agitation and dissatisfaction resulting in serious loss of man-hours of work and inefficiency.

"Such a situation calls for action now and as a long range program. High turnover rate and unplanned personnel change result in:

- "A. Loss of thousands of man-hours of work.
- B. General inefficiency.
- C. Need for more personnel to accomplish work lost through turnover and neglect in training.

"To counteract these conditions certain programs must be inaugurated immediately.

- "1. Wage evaluation for the lower levels of positions and elimination of pay inequalities.
- 2. Training and orientation as a continuing program.
- 3. The building of a personnel officer class throughout the State who will be well grounded



in

Placement
Training
Employee relations
Classification and pay principles.

4. The setting up of a personnel council composed of the personnel representative of each department. In this group the program should find sponsors.

By a report titled "Fish Hatchery and Game Survey Report October 16, 1947" the President of the Civil Service Commission was informed that:

"At the Rockport Game Farm all employees for a long time past and are still working 84 hours a week from May 1st to August 15th and 56½ hours a week for the rest of the year without compensatory time off or any monetary adjustment for time involved.....At the minimum of \$14.40 per year the above arrangement at Rockport represents an attempt to recruit employees at less than 44¢ an hour..... It should be noted that the extraordinarily excessive hours..... have already had the effect of discounting the attractiveness of having employment, not only at this particular game farm but also by imputation and implication at nearby state institutions including the Fish Hatchery at Hackettstown.

"The minimum of the range of the entrance grade is too low and has undoubtedly brought about the situation described above. Prevailing rates for unskilled and semi-skilled work outside of State Government service within the respective localities of these State enterprises are generally higher than the rate offered by the State. The local superintendents are quite emphatic in presenting the difficulty they have encountered in manning the various permanent and seasonal positions with any except those who may be considered the least desirable. Their comment on this point implies that there is available to them only men who have been almost universally rejected by other employers within the region. One employee interviewed had a record of eleven positions within the last eighteen months. The situation is understandable when it is noted that the Town of Hackettstown pays 85 cents per hour for its street and highway maintenance employees and factories and industries within the locality have a more or less uniform entrance rate of at least 75 cents per hour with provisions for advancement to higher rates within relatively short periods. Farmers, in the meantime, in the vicinity are offering \$1 and more an hour for farmhands."

By memorandum the former Assistant Chief Examiner of the Civil Service Commission was informed:

"Agreement has been reached on the necessity for changing the minimum of the entrance grade of Assistant Engineers from \$1800 to \$2400 It should be noted, that this proposed schedule for New Jersey, grade for grade, is still below the ranges established for New York State.....

".....The situation in the Water Policy Division is illustrative of the need and urgency for the adjustment now pending. Since January 1, 1945, the Water Policy Division has had great difficulty in recruiting for three vacancies which, according to the proposed schedule, can be represented under the titles of Junior Engineer, Hydraulic, 2400-3000, and Assistant Engineer, Hydraulic, 3000-3600. Since the above date this Division has had three succeeding incumbents for only one of the above vacancies. Because of the inability to employ after repeated and protracted efforts anyone over such a long period at \$1800, the Division received authorization to employ under the title of Assistant Engineer one, Harry Levy, who began his tenure January 6, 1947 at \$2400. This man subsequently received an offer from the Federal Government at or about \$3600. An attempt was made to retain his services by requesting the classification of the position under the unique title of Associate Engineer, Hydraulic, 3000-3600. This request, in view of the pending adjustments, was not approved by the Department of Taxation and Finance. Mr. Levy is now with the Federal Government. In his place Mr. Daniel Kelly, a recent graduate without any experience except that which he gained in the war, was appointed August 1, 1947 as Assistant Engineer at \$2400..... In the meantime, the other two vacancies, one for a Junior Engineer, Hydraulic and the other for Assistant Engineer, Hydraulic, continue to be unfilled."

By a very recent report titled "Farm Survey Report" the President of the Civil Service Commission was informed that:

"The minimum for the entrance class is too low to permit economical recruitment. It appears to be extremely difficult to hire at \$1200 any one sufficiently well qualified to assume even a minor responsibility for the operation of farm equipment, care of stock, or to exercise some initiative and independent judgment in planting, cultivating, and harvesting crops. One institution which had six vacancies out of a total of nine budgeted positions for a particular unit was compelled to permit timothy hay valued at \$2,000 to remain uncut until August 1st, at which time its value of stock feed had diminished to the vanishing point. In another case be-



cause of the lack of men qualified to operate equipment eight acres ready for planting was left without a crop. In the meantime, such men as were available operated tractors with trailing equipment in other fields requiring more urgent attention until sundown, day after day. A recent check indicates that considerable overtime accumulated has not been adjusted through compensatory time off, because the farm is still being operated with too many vacancies unfilled."

