

2013 Living Wage Task Force Report

Task Force Charge:

- Define a Living Wage for UWSP and Central Wisconsin.
- Analyze current wages for Classified staff at UWSP to see if employees earn a living wage and to see how wages compare to others in the area.
- Choose appropriate wages and determine cost estimates of how much it would take to adjust wages at UWSP to appropriate levels.

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Executive Summary:

The Task Force arrived at the following conclusions and recommendations:

I. Living Wage Definition and UWSP Wages

- The estimated Living Wage necessary for UWSP employees ranges from \$9.36 to \$10.95 depending on the assumptions used in the calculations.
- While likely not enough to independently support a family, even the lowest starting wage of \$11.397 set by the Office of State Employee Relations (OSER) is above both the UWSP living wage estimates suggesting that UWSP does pay a living wage for Central Wisconsin.

II. Comparable External Market Wages and UWSP Wages

- The starting wages paid at UWSP are generally well below market comparison wages for jobs requiring the given skills and duties. Starting market wages are 41.3% higher on average in the public sector and 38.6% higher on average combining both the public and private sector.

III. Cost Estimates and Recommendations for Procedure

Steps to Raise Wages for Existing Low Wage Classified Staff:

- Raise wages of Blue-collar, Security, and Technical workers in pay ranges 8 and 9, and Administrative staff in pay range 8, making less than \$13.054 up to two within range pay steps as defined by OSER, with a maximum wage of \$13.054. Workers would need to be in good standing to receive the adjustment.
- Raise wages of Blue-collar, Security, and Technical workers in pay range 10, and Administrative staff in pay range 9 making less than \$14.038 up to one within range pay step as defined by OSER, with a maximum wage of \$14.038. Workers would need to be in good standing to receive the adjustment.
- The proposal would affect 60 employees and cost \$77,996 per year. The money would be allocated using the DMC process and ideally would be “new” money for the departments.
- Evaluate and monitor the effects of the pay plan on the unit’s compensation dynamics, and use the existing DMC process to alleviate any issues that arise.

Steps to Help Seasonal and Administrative Classified Staff:

- Explore the possibility of finding extra work to bring those employees who are interested up to a full year, full-time schedule.

Steps to Help Recruit New Classified Staff:

- Raise wages of employees in pay range 8, and Technical, Blue-collar, and Security staff in pay range 9, one within range pay step upon successfully completing their probationary period.

Steps to Help All Classified Staff:

- Conduct a general job classification and compensation study to examine the relationship between current wages at UWSP and external market comparisons for all pay ranges.
- Continue to push for greater flexibility in the wage setting process within UWSP.

I. Living Wage Definition and UWSP Wages

The first step of the Task Force was to establish the level of the Living Wage in Central Wisconsin. The concept of a living wage is a wage that allows an individual (or family) working full time in a specific area to earn an income that can support them in a manner consistent with social norms. This level of income allows the individual to meet the basic necessities of life, but also generally gives some allowance for limited entertainment and engagement in the social life of the community. There may also be an allowance for some limited savings so that the group is able to accumulate enough resources to survive minor financial shocks without falling into poverty. While the idea of a living wage is generally accepted, there is no universal definition or method as to how to calculate the appropriate living wage. The method which we prefer is to estimate the cost of the things that an individual needs to live and work in an area (food, housing, child care, medical care, transportation, taxes, etc.) and convert the necessary level of income into an hourly wage based on full-time work.

An issue that arises with the living wage is that unlike the minimum wage which is set at one level for all by politicians, there is no one true living wage. Since the cost of living varies by location, the necessary wage must vary by location as well. In addition, because the reasoning behind the living wage is a level of income capable of supporting the relevant economic group, the level of the living wage entirely depends on how many people are supported by the wage earner. An acceptable wage for a single worker will not be adequate to survive if the worker is also supporting a child. This issue complicates the choice of which living wage to use. While many low wage workers often support other family members, should the employer be expected to pay a wage that supports just the employee or also other people who are not even employed at the organization? Legal issues may also arise if equivalent workers are paid different wages solely due to family structure. We decided to use the single worker living wage definition since this is who the University actually employs, acknowledging that workers at UWSP may well have families to support.

Table 1: Living Wage Estimates by County and for UWSP

	MIT Living Wage - 2013 ^a			Vital Signs - 2010 ^b	Committee Est. - 2013 ^c	
	Portage County	Marathon County	Wood County	Wood County	UWSP – MIT	UWSP – Vital Signs
One Adult	\$8.81	\$8.06	\$7.87	\$10.49	\$9.36	\$10.95
One Adult, One Child	\$19.04	\$19.18	\$18.83	\$16.57	\$19.92	\$18.14
Federal Poverty Wage: One Adult ^d	\$5.52	\$5.52	\$5.52	\$5.52	\$5.52	\$5.52

^a Detail of estimates for Living Wage Calculator available at <http://livingwage.mit.edu/states/55/locations>.

^b South Wood County Homelessness Initiative Committee. 2010. Cited in: Cray, Randy F., Scott Wallace, James P. Draxler, and Brittany J. Melby. "Vital Signs: Measuring the Vitality of South Wood County." *Central Wisconsin Economic Research Bureau*. March 2011.

^c Estimates use MIT information for Portage County and Vital Signs information for Wood County, adding in specific UWSP information for health insurance and pensions.

^d U.S. Department of Health & Human Services, Office of the Assistant Secretary for Planning and Evaluation. <http://aspe.hhs.gov/poverty/13poverty.cfm>.

A few estimates of a living wage in Central Wisconsin are presented in Table 1. The first three columns contain information for 2013 from the Massachusetts Institute of Technology Living Wage Calculator which is able to break down estimates to the county level. The fourth column presents a 2010 estimate for Wood County from a Central Wisconsin Economic Research Bureau report, while the last two columns contain two estimates from the Task Force of a living wage here at UWSP. The single adult estimate of most importance is given in the first row, with estimates for an adult supporting a child and the Federal poverty wage for a single adult also given for comparison.

The wage estimates for a single adult from MIT range from \$7.87 in Wood County to \$8.81 in Portage County. The Vital Signs estimate is a bit higher than those from MIT at \$10.49, due primarily to higher tax and housing estimates. Our UWSP estimates in the last columns are \$9.36 and \$10.95. Our first estimate uses the basic MIT information for Portage County supplemented by the specific aspects of being employed at UWSP. The second estimate does the same using the basic Vital Signs information for Wood County. Our estimates factor in the \$85 single premium for health insurance and the 6.65% pension contribution, subtracting them out of the monetary wage received by the employee. The estimates also assume that the individual pays the entire out of pocket \$500 coinsurance limit incurred by consuming medical services. This assumption may not be true for everyone and raises our wage estimate. However, the primary reason the UWSP estimates are higher is the inclusion of the mandatory pension contributions. While these contributions undoubtedly benefit the worker in the future, they are a significant current cost reducing take home monetary pay.

Given the estimated living wages in Central Wisconsin we were able to assess where UWSP employees fall in regard to a living wage. The Office of State Employment Relations (OSER) sets the starting wage for job titles in all state agencies and UW institutions. This institutional wage setting process limits the flexibility and discretion of UWSP in setting wages. Beginning July 1, 2013 the lowest starting wage within the system is \$11.397 which is greater than all of the estimates for a living wage shown in Table 1 for a single adult. While the UWSP estimate varies depending on which assumptions are used as a base, either estimate falls below the basic starting wages making the exact amount less important. Employees with longer tenure, with higher level job classifications, or who have received merit bonuses would be at even higher wages. While the lowest starting wage is well below the wage needed to support an adult and a child, using the single adult reference point it is safe to conclude that UWSP does pay a living wage in Central Wisconsin. The next question is whether UWSP pays wages comparable to other employers in the region.

II. Comparable External Market Wages and UWSP Wages

The competitiveness of UWSP wages relative to other employers in the region is very important as it leads directly to the ability to recruit and retain quality workers. The inability to recruit quality applicants due to uncompetitive wages raises costs directly by increasing training costs and indirectly by contributing to a lower productivity workforce. The inability to retain quality workers raises costs directly by raising both hiring and training expenditures.

A selection of job titles along with the OSER starting wages paid by UWSP and the wages paid by other employers in the region are presented in Table 2. We chose to use starting wages for the comparison as entrance level positions are the jobs most closely linked and competing with the external labor market. Once workers are hired into the University, institutional procedures may push wages away from the external market comparisons. We also chose to limit the initial analysis to those job titles at UWSP with starting wages equal to or less than the OSER wage threshold of \$13,054, which is the minimum wage for Administrative staff in pay range 9. This wage also roughly corresponds to the minimum wages in pay range 10 for Technical (\$12,973) and Blue Collar (\$13,021) staff. Staff below these wages would be in the two lowest pay ranges at UWSP. While the competitiveness of wages in higher paying jobs is important as well, the limitation to the lower wage jobs serves as a starting point in a complicated analysis and more closely matches the living wage portion of the Task Force's charge. The comparison wages were taken from the "Central Wisconsin Custom Survey Report on Base Compensation" conducted by Carlson Dettmann Consulting during the summer of 2012. The survey includes detailed job descriptions for a variety of positions allowing us to find comparable positions to those at UWSP. When an exact survey match was not available, we used a comparison that required less than at UWSP. For these positions the comparison wages would be on the lower end of what a UWSP employee could expect in the external market. Because the consultant report did not include starting wages we used the average minimum wage reported by the employers as a comparison, under the assumption that most people starting a job would start at the lowest wages.

Examining the wages at UWSP presented in Table 2 compared to outside the University it is clear that the starting wages set by OSER are well below comparable market wages for both public sector employers and for all employers combined. All of the starting wages paid at UWSP fall below those of public employers in the external market, with a minimum shortfall of 4.8% for the University Services Associate 1 job classification and a maximum shortfall of 77.6% for the Tree Pruner classification. The average shortfall of wages at UWSP relative to the public sector is 41.3%. As stated previously this comparison likely understates the true difference for some positions as the comparison job titles used at times required less skill than at UWSP. In addition, the comparison survey did not include a "lead" job category for custodian or grounds crew so we used the basic custodian and parks maintenance worker wages as a comparison. This should also understate the shortfall for the two "lead" positions. When both public and private employers are combined the shortfall is slightly less with an average shortfall of 38.6%, but the size of the gap is still considerable.

The considerable gap between UWSP and external starting wages suggests that the University may experience significant retention and recruitment issues for these positions in the future. It is quite possible, and even probable, that similar shortfalls exist for higher level job classifications as well, suggesting that UWSP may have the same trouble with other positions. Given the significance of the wage gap problem, the next section investigates what can be done about the situation, particularly for the lower pay ranges at UWSP.

Table 2: Comparison of UWSP and External Starting Salaries

UWSP Classification	OSER Start Wage/Hr July 1, 2013	Comparable Survey Job Title	Survey Avg. Min. Wage - Public ^a	Survey Avg. Min. Wage – Public & Private ^a	Survey Difference from UWSP - Public	Survey Difference from UWSP – Public & Private
Auto Equip. Tech.-Dev.	\$12.069	Maintenance Tech	\$18.26	\$17.81	51.3%	47.6%
Computer Print. Tech.	\$12.973	Duplicating Technician	\$14.22 ^b	\$14.22 ^a	9.6%	9.6%
Custodian	\$11.397	Custodian (Janitor)	\$14.47	\$13.84	27.0%	21.4%
Custodian-Lead	\$12.069	Custodian (Janitor)	\$14.47 ^c	\$13.84 ^b	19.9%	14.7%
Facility Repair Worker	\$13.021	Maintenance Tech	\$18.26	\$17.81	40.2%	36.8%
Grounds Crew-Lead	\$13.021	Parks Maintenance Worker	\$18.94 ^c	\$18.94 ^b	45.5%	45.5%
Groundskeeper	\$11.397	Parks Maintenance Worker	\$18.94	\$18.94	66.2%	66.2%
Inventory Control Coord.	\$13.021	Administrative Assistant	\$17.98	\$17.47	38.1%	34.2%
Laborer	\$11.397	Laborer	\$17.98	\$17.23	57.8%	51.2%
Lab Prep Tech S	\$11.994	No Match Available	-	-	-	-
PE/Sports Equip. Area Coord.	\$11.397	Administrative Assistant	\$17.98	\$17.47	57.8%	53.3%
Security Officer 2	\$12.531	Parking Enforcement Aide	NA	NA	NA	NA
Tree Pruner	\$12.069	Arborist/Tree Trimmer	\$21.43 ^b	\$21.43 ^a	77.6%	77.6%
University Services Assoc. 1	\$13.054	Secretary/Admin Asst (Entry)	\$13.68	\$13.68	4.8%	4.8%
Avg. % dif.					41.3%	38.6%

^a Comparison wages taken from Carlson Dettmann Consulting, 2012. “Central Wisconsin Custom Survey Report on Base Compensation.”

^b The 25th percentile wages were used instead of average minimum wages due to data availability.

^c No “lead” job category was available in the comparison survey so the wage understates the difference from UWSP wages.

III. Cost Estimates and Recommendations for Procedure

The focus in Table 2 on those workers making less than or equal to \$13.054 reflects the initial charge of the Task Force. While these workers may technically be making a living wage, they are also clearly the workers most susceptible to financial struggles. As shown, this group of workers is also making less than comparable wages in the external market. In an effort to address both of these issues, as well as broader issues at UWSP, the Task Force has arrived at a number of recommendations.

Steps to Raise Wages for Existing Low Wage Classified Staff:

In an effort to raise wages for the lowest earning employees currently at UWSP the Task Force recommends the following two part plan:

- Raise wages of Blue-collar, Security, and Technical workers in pay ranges 8 and 9, and Administrative staff in pay range 8, making less than \$13.054 up to two within range pay steps as defined by OSER, with a maximum wage of \$13.054. Workers would need to be in good standing to receive the adjustment.
- Raise wages of Blue-collar, Security, and Technical workers in pay range 10, and Administrative staff in pay range 9 making less than \$14.038 up to one within range pay step as defined by OSER, with a maximum wage of \$14.038. Workers would need to be in good standing to receive the adjustment.

Cost estimates for these recommendations are presented in Table 3. Overall, our recommendations would impact 60 employees and cost \$77,996 per year.

Table 3: Groupings of UWSP Low Wage Pay Ranges with Recommendations and Cost Estimates

Category	Employee Group	Pay Range	Range Min.	Within Range Pay Step	Recommendation	# of Emps.	Cost
1	Blue Collar	08	\$11.397	\$0.342	2 Steps - max \$13.054	52	\$70,599
	Security	08	\$11.595	\$0.348	2 Steps - max \$13.054	0	\$0
	Technical	08	\$11.761	\$0.353	2 Steps - max \$13.054	0	\$0
2	Technical	09	\$11.994	\$0.360	2 Steps - max \$13.054	0	\$0
	Blue Collar	09	\$12.069	\$0.363	2 Steps - max \$13.054	2	\$2,833
	Administrative	08	\$12.078	\$0.363	2 Steps - max \$13.054	0	\$0
	Security	09	\$12.531	\$0.376	2 Steps - max \$13.054	1	\$570
3	Technical	10	\$12.973	\$0.390	1 Step - max \$14.038	1	\$814
	Blue Collar	10	\$13.021	\$0.391	1 Step - max \$14.038	4	\$3,180
	Administrative	09	\$13.054	\$0.392	1 Step - max \$14.038	0	\$0
	Security	10	\$13.545	\$0.407	1 Step - max \$14.038	0	\$0
4	Technical	11	\$14.038	\$0.422	No Adjustment	NA	\$0
	Blue Collar	11	\$14.053	\$0.422	No Adjustment	NA	\$0
	Administrative	10	\$14.108	\$0.424	No Adjustment	NA	\$0
	Security	11	\$14.644	\$0.440	No Adjustment	NA	\$0
Totals						60	\$77,996

Given the limited flexibility imposed on UWSP for at least the next two years, the mechanism to implement the proposed plan would need to be the existing DMC process. Ideally the money for the adjustments would be “new” money coming from outside the departments and would be in addition to the existing money available for DMC raises. This would allow the lower wages to be boosted while still giving departments the ability to reward a meritorious employee.

On the surface a plan to raise wages may seem simple, but in reality the Task Force encountered a number of issues. One issue is the identification of which group of workers is most in need of a wage increase. As shown in Table 3, the lower pay ranges at UWSP form four general categories. Our decision to use the wage threshold of \$13.054 essentially means raises for the bottom two categories. These two groups have the lowest absolute wages, but also have low wages relative to the market. We chose to use \$13.054 as the cutoff as it is the highest of the minimum wages for the relevant pay ranges in the third category. The Security minimum is higher, but there are currently no employees who fit in this range. Using the higher wage makes sure that the Administrative employees in the lower pay range get the maximum benefit from the plan along with the other employee groups.

A second issue is the effect on the overall wage structure when the lowest ranges receive raises. While the low pay ranges likely deserve raises, bringing up the lower wage groups to a level greater than the range above them would likely cause severe morale issues. Our plan addresses this wage inversion issue two ways. First, we recommend a single step raise to employees in the third category making less than \$14.038. Although these workers are not in the bottom wage ranges, in absolute terms they are still on the low end of the wage spectrum. By giving them a raise, although proportionately smaller than the lower categories, it helps move them forward and keeps them ahead of workers in the pay ranges behind them. Second, we cap the raises at a maximum wage so that no workers move ahead of others in the pay range above them. This does mean that some workers may not receive as large a raise as others, but they would still be raised up to a higher level while maintaining the wage structure as much as possible. By choosing \$14.038 which is the lowest of the minimums in the fourth category we also assure that people getting raises in category three do not move ahead of people in category four who are not receiving raises.

Despite these efforts to limit wage inversion, the recommended pay plan does compress wages in the low wage pay ranges. Therefore, we recommend that relevant decision makers do the following for their unit:

- Evaluate and monitor the effects of the pay plan on the unit’s compensation dynamics, and use the existing DMC process to alleviate any issues that arise.

While no pay plan is perfect, this step should help minimize any ongoing issues related to the plan.

A final issue is the practical issue that any pay plan must be affordable. Given the estimated size of the market wage gap, a full adjustment would be prohibitively expensive at any time, particularly in an environment of tight resources. The levels we recommend are not enough to get deserving workers up to their market equivalents, but this is hopefully the first of many steps towards that goal.

Steps to Help Seasonal and Administrative Classified Staff:

The plan described above would give at least some boost to employees in the lower three pay range categories. However, the plan may not adequately address issues for seasonal or administrative

workers whose hourly wage might overstate their actual earnings. Some staff work full-time but on a seasonal or academic year schedule. Similarly, some administrative staff is reduced to half-time during the summer months. These workers may be making a wage high enough to miss the pay plan raises when they are fully employed, but due to less than a full year of employment their annual income may fall below that of others at lower hourly wages who did receive raises. Additionally, some of these workers may desire a full year, full-time schedule if they could get it. To address this issue we recommend the following:

- Explore the possibility of finding extra work to bring those employees who are interested up to a full year, full-time schedule.

This recommendation would help those workers who would prefer the extra work, while still leaving the option for those who prefer the current arrangement.

Steps to Help Recruit New Classified Staff:

The plan above would only apply to existing employees at UWSP. In an effort to help recruit quality workers into UWSP we also recommend the following for incoming workers:

- Raise wages of employees in pay range 8, and Technical, Blue-collar, and Security staff in pay range 9, one within range pay step upon successfully completing their probationary period.

This would require the commitment of a smaller, but indeterminate amount of funds in the future depending on the number of workers hired.

While UWSP is limited by the OSER starting wages for incoming workers, there is some flexibility to adjust wages through the DMC process once workers are inside the University. The promise of a step wage increase would be an extra incentive to motivate high-quality prospective employees to join the University.

Steps to Help All Classified Staff:

Outside of the lower wage segment of the workforce that was specifically targeted in the Task Force charge, we recommend the following to benefit all Classified staff:

- Conduct a general job classification and compensation study to examine the relationship between current wages at UWSP and external market comparisons for all pay ranges.
- Continue to push for greater flexibility in the wage setting process within UWSP.

As stated previously, it is very likely that differentials exist between UWSP and market wages in higher pay ranges as well. Further work should be done to identify the extent of the problem. Additionally, it is important that UWSP leadership continues to push for greater flexibility so that the University has the tools to implement any recommendations that may come from the broader compensation study.

Although these general recommendations may not have an immediate impact on the wages of current Classified staff, they are likely the most important for any long-term benefit. In order for UWSP to be able to fulfill its commitment to recruit, retain, and fairly compensate high-quality Classified staff the University must know the full extent of the problem it faces and must have the flexibility to address the problem as it sees fit.