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PRESS RELEASE
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Administrators' compensation should be performance-based.

October 24, 2007. "Administrators compensation should be performance-based," said William Felkner, President of the Ocean State Policy Research Institute, today responding to the recent criticism of Governor Carcieri's bid to raise state cabinet members' salaries during the last budget cycle and the Governor's criticism of cost-of-living increases and generous health benefits for legislators.

"If the state were a business, we'd be firing our salaried staff. That includes legislators and department heads, because the administrative functions -- setting company policy and implementing that direction -- are separated in state government. Neither legislators nor department heads should be awarded automatic 'Cost of Living' increases.

"The misguided belief that state compensation for these positions is below the private market and must be brought more in line using automatic cost of living increases and more generous benefits is the same mentality, applied to the state workforce at large, that got us into this mess in the first place. While it may have been true to some measure at some time in the past, the Faustian Bargain, to raise salaries and pay higher benefits (reflecting increased costs to the state even with co-pays) without regard to the economic condition of the state and the productivity of the state workforce coupled with increasingly complicated civil service protections and union contract constraints has proven anything but the recipe for a sober year to year consideration of appropriate compensation.

"To some extent, we expect the ballot box to handle the hiring and firing decisions for legislators. But voters vote only for their own legislator and do not currently have an effective voice in the direction of the legislative body politic. We should return to an initiative process for setting legislative compensation and benefits as a manner of overall referendum on legislative performance.

"As far as department heads go, the Governor was wrong to say that, " pay raises and health-care co-shares should be applied equally and evenhandedly to ... department directors ". While the Governor was only trying to award his cabinet a compensation package similar to those recently awarded state workers as a whole, using this generic measure rather than performance sets a bad example.

"While it may seem that department heads, faced with entrenched upper management responsive to other than the director's prerogatives and contradictory laws fueled by the many interests holding sway over the legislature, would be unfairly taken to task for the performance of the agencies they oversee. But these complications are understood going in and require a Governor and his cabinet to use the bully pulpit to persuade the legislature to reconsider counterproductive statutes. Further, while it is admittedly very difficult for a department head to impart a sense of direction and performance expectation to a huge bureaucracy that went

on before them and will continue ad infinitum after their departure -- since the state never goes out of business -- some guidance can be delivered utilizing the power that department heads do wield.

"Metrics for demonstrating performance and efficiency as well as the overall health of the state's economy should inform department head compensation, not simply following the compensation plans for state workers. In fact the approach to administrative compensation can set a new tone and direction for bargaining with public employee unions, even if only tiny gains can be effected given the current imbalance of power in these negotiations.

"The recent law directing the Department of Administration (DOA) to set salaries for unclassified employees after hearings which consider "salaries paid executive positions in other states and levels of government, and in comparable positions anywhere which require similar skills, experience, or training", with resulting compensation to take effect unless 'vetoed' by the legislature would be considered a separation of powers violation under federal constitutional principles. Rather the federal model would demand that administrative departments make recommendations and then the Senate and House enact those recommendations into law subject to the Governor's veto.

"But most importantly, the statutory guidance for the DOA process is not performance oriented. To the extent that comparisons are directed to incorporate those with similar skills in the private market, those settings do not have the straightjacket of civil service rules. In the private sector, someone compensated at executive level is subject to swift termination for lack of performance. In contrast, experience with public workers in Rhode Island tells us that vast majority of upper level administrators whose performance is questioned are transferred into other, often newly created, positions rather than terminated. The law should be reformed so direction to DOA on compensation of these 'unclassified employees' recognizes the distinction between private and public compensation of officials with similar skills, and a performance component should be added to the compensation calculus.

"It is true that Governors do fire department heads, and that such appointed officials very plainly serve at the pleasure of the Governor. The law also needs reforming to allow the Governor the flexibility to award compensation to appointed cabinet officials on a performance basis. The Governor should support legislation to this effect and back away from the 'raises for the sake of raises' mentality.

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