

## Executive Summary

The Department of Personnel has modified the scope of the 2006 Marine Employees' (MEC) Survey. Participation was limited to two ferry systems, four shipyards and three other public sector employers. Legislation passed in the 2006 session moved up the timing of the Marine Employees Commission (MEC) Survey in order to support collective bargaining between the Governor's Labor Relations Office, the WSFS and the labor organizations representing its employees. It was agreed by all parties, having an interest in the MEC Survey, that a smaller but representative participant group would be selected in order that the survey could be completed by the agreed upon June 1, 2006 deadline. Key findings from this survey are presented below.

- Based on actual reported wage rates the WSFS continues to lag the Ferry System and Administration-Office and Terminal markets. The lag is 8.5% and 13.1% respectively. When benefits are factored in with base salaries in these comparisons the lag is reduced to 6.8% and 8.1% respectively.
- When cost-of-living differentials (COLD) are removed from the basic wage rates of Alaska Marine Highway System employees and benefit costs are compared the overall lag is significantly reduced.
- On an overall average basis, the WSFS is essentially paying at market in both salary and salary and benefit comparisons of skilled trades' positions in the shipyards. However, it lags the typical skilled trades (benchmarks 101-106) by 4.4%. Additionally, the lag among the Leadman and Foreman positions averages 4.7% and 16.0% respectively. Benefits paid by the WSFS are, on average, slightly better than those provided by shipyard participants.
- The health care subsidy provided by the Provincial and the Canadian governments continues to increase. The US dollar equivalent of a typical Canadian employer health care plan is \$1025/month nearly 55% greater in cost than the State of Washington's plan.
- Both ferry systems are planning general wage adjustments for 2006/2007 as follows: Alaska Marine Highway System 6%/6% for all employees and the BC Ferries Corporation 5%, 3%/5%, 3% depending on the specific benchmark position. Shipyard participants are planning no additional wage or benefit adjustments for 2006 but are negotiating for the 2007/2008 contract period. Most WSFS employees will receive a general wage adjustment effective 9/1/06 other planned/anticipated adjustments are identified in **Section V – Planned for Wage Adjustments Not Included in the Survey Salary Data.**
- The cost-of-living for the Greater Seattle area April 2005 – April 2006 is 4.3% and the Employment Cost Index is 2.7%. However, the Economic Research Institute (ERI) projects that the July 2005-July 2006 cost-of-living for the Seattle/Greater Seattle area will approach 5.0%.

## **SECTION I – Introduction, Background and Important Note**

Chapter 47.64 Revised Code of Washington (RCW) was enacted by the Washington State Legislature in 1983. RCW 47.64.220 provided for a biennial salary survey of comparable maritime employers. Surveys were conducted by the Washington State Marine Employees' Commission (MEC), as required, in 1983, 1985, 1987, and 1989. However, the provisions were such that only one employer in the marine industry could be found that was eligible for comparison.

In 1987, Section 14 of House Bill 6076 directed the MEC to secure advisory information and to make recommendations concerning changes in the salary survey provisions of RCW 47.64. A contract for such a study was concluded between Carey Associates, Inc, of San Mateo, California and MEC in 1988, and a report was submitted on July 25, 1988.

The "Carey Report" compiled and analyzed pay and benefit data from various ferry and shipyard organizations, and provided guidelines for future conduct and use of surveys. It specifically recommended that surveys not be used to define or limit pay and benefits. The report did recommend that surveys be used as a background for collective bargaining between employee representatives and management.

Finally, House Bill 1520 in 1989 provided for the expansion of the survey from Washington State employers to public and private sector employers in states along the west coast of the United States, including Alaska, and British Columbia, Canada.

In March 1991, the MEC presented the first expanded geographical salary survey report to Governor Booth Gardner, the Washington State Ferry System (WSFS) and ferry employee organizations for their use in the collective bargaining process. This is the ninth wage and benefit report published by MEC since the 1989 geographical expansion.

The MEC has contracted with the Washington State Department of Personnel (DOP) to conduct and publish the 2006 Salary Survey Report.

The MEC depends upon the voluntary efforts of ferry and marine operations, shipyards and other employers. We would like to thank those organizations that regularly participate. This participation increases the validity of the survey. Each participant will receive a copy of the 2006 MEC Salary Survey Report.

### **Important Note for the 2006 Survey**

Substitute House Bill 3178, as amended by the Senate, passed by the State Legislature and signed into law by Governor Gregoire during the 2006 legislative session, shifts the responsibility for collecting bargaining for state ferry employees from the Washington State Ferries/Washington State Department of Transportation to the Governor's Office (Labor Relations Office). This legislation also established the date of September 1, 2006 for concluding collecting bargaining

**Important Note for the 2006 Survey (continued)**

agreements with ferry system labor organizations for the 07/09 biennium. The MEC survey provides data to support the salary and benefits portions of the collective bargaining process. It has been conducted in the fall (October-December) of every even numbered year preceding the legislature session since 1989.

Consequently, the timing of this year's survey has been moved up to June 1, 2006 in order to coincide with the revised timing for collective bargaining.

It was decided by the MEC, at their April 2006 monthly meeting, that a "modified" survey should be conducted. The Department of Personnel recommended that the same salary and benefits data be collected for the same benchmarks as previous surveys, but with fewer participants, in order to meet the June 1, 2006 agreed upon deadline for collective bargaining. This is a one time special "modified" survey. The next comprehensive MEC survey will be conducted in either the fall of 2007 or the spring of 2008 to support collective bargaining for the 09/11 biennium.

Two major ferry systems, three local shipyards and three other local public sector employers comprise the modified participant list. Details provided in past surveys such as calculation of wage area differentials for shipyard employers have not been provided in this survey because all participants are located in the same geographical labor market and therefore there is no need to adjust participant data for differences in the cost of living for areas such as Portland, San Francisco, Los Angeles and San Diego. Additionally, previous benefits data from the 2005 MEC survey for Shipyard employers, not surveyed in 2006 is also included. Calls to these shipyards confirm that their reported benefit plan provisions have not changed.

## **SECTION II - Survey Process and Review**

Prior to the 2001 Salary Survey, the Marine Employees' Commission solicited comments from labor organizations, which represented ferry employees and WSFS management. Updated job description summaries were provided to DOP by the WSFS. Benchmark descriptions are reviewed prior to each survey and adjustments are made, if necessary, to more accurately reflect the work. The latest job descriptions for survey benchmarks are included in **Appendix Section B**. Base and premium pay and benefits questionnaires sent to survey participants are included in **Appendix Section C**.

Participants for the 2006 modified survey were chosen from those who participated in the 2005 survey. Additional criteria included location or proximity to the WSFS labor market and the relevance and importance of collecting their salaries, pay practices and benefits data in order to support the collective bargaining process. It was agreed by all parties that, given the need to select fewer participants due to survey completion timing, the employers selected should be the most representative of the WSFS labor markets. As in previous salary survey reports, the DOP, for purposes of collecting data on ferry and terminal classifications, considered the comparability of the WSFS positions to survey participants. The Department of Personnel used the tonnage figures of 3,925 and horsepower of 16,000 of the vessels operated by the WSFS system compared to those vessels operated by public sector employers as indicated by the sponsors of HB 1520. Deep-sea maritime employment, in the Alaska Marine Highway System (AMHS) was excluded because payment of wages and benefits were deemed to be based on different criteria than in employment closer to home ports. The AMHS employs both types of work.

All prospective survey participants were contacted by telephone to identify and solicit the attention of appropriate persons within the operations to whom questionnaires were to be mailed. Survey packets included instructions, job descriptions, wages, premium pay and benefit questionnaires (**see Appendix Sections B - Benchmark Titles and Job Description Summaries and C - Survey Questionnaires**). Employers were instructed to compare job descriptions with jobs in their organizations and report on only those comparable.

Data compiled and submitted by the WSFS includes pay rates, employer health and welfare contributions, and other premium pay and benefits established in the 2001-2005 labor agreements between ferry system employee organizations and the WSFS.

### **Please Note:**

**The premium pay and benefits data identified in this report is comprehensive and accurate. However, due to the sheer volume of highly specific premium and benefits data, and their applications to the specialized work in the Ferry System, not all salary and benefits data provided by an employer may be represented in this survey report.**

## **SECTION III – Definitions and Terms**

### **Base Rate**

Average base pay rate per hour or per month for a job classification. Also see **Exchange Rate** below.

### **Benefits Data**

Benefits which accrue to employees in addition to wages, including health, vision and dental care; life insurance, vacation, sick leave, provision of travel passes where applicable, etc. Health and welfare benefits data are reported for employee, spouse and two children.

### **Compensatory Time**

The allowance of time off at the rate of one and a half time in lieu of paid overtime.

### **Consumer Price Index (CPI)**

Measures the price changes in a predetermined (by DOL) “market basket” of goods and services. It is largely influenced by changes in the cost of homes/rentals and transportation. Data is gathered and reported by the US Bureau of Labor Statistics.

### **Cost of Living Differential (COLD)**

COLD payments are a geographical differential reflecting the calculated difference in the cost of living between Seattle and Anchorage/Juneau Alaska (averaged). The cost of living calculation is taken from Bureau of Labor Statistics data and is applied to the base hourly rate of specific positions with the Alaska Marine Highway System.

### **Employment Cost Index (ECI)**

Measures the changes, on a rolling twelve month cycle, in wages/salaries, benefits and a combination of these categories. Data is gathered and reported by the US Bureau of Labor Statistics.

### **Exchange Rate**

Canadian pay rates adjusted to U.S. dollar equivalent at \$1 United States = \$.9067 Canadian, exchange rate published for June 1, 2006 by the Federal Reserve Bank of New York as reported in the June 2, 2006 Wall Street Journal.

### **Ferry and Terminal Employees**

Ferry personnel are employees onboard vessels, including deck and engine room personnel, both licensed and unlicensed. Terminal personnel include terminal agents, ticket sellers, ticket takers, terminal attendants/watchmen, information clerks, and shoregang.

### **Office Employees**

Office and other administrative personnel including custodial positions.

## **SECTION III – Definitions and Terms (Continued)**

### **Premium Pay Data**

Extra pay earned by a worker in a specific classification. Includes extra pay for overtime; work on Saturday, Sunday or a holiday; handling of dirty or hazardous materials, etc.

### **Range**

Lowest to highest base salary rate reported by an employer for a specific job classification. This data is reported in U.S. dollars, but is not otherwise adjusted.

### **Shift Differential**

Additional pay per hour worked on either swing (4:00 p.m. –12:00 a.m.) or graveyard (12:00 a.m. – 8:00 a.m.) shifts. Actual scheduled hours worked on either shift may vary due to employer's specific work schedule policy.

### **Shipyards**

Shipyards trades, include shipwrights/carpenters, machinists, electricians, welders, pipefitters, sheet metal workers, truck drivers, warehouse workers etc.

### **Weighted Benefit**

Total hourly or monthly benefits, divided by the number of employees in one job classification.

### **Weighted Rate Plus Benefits**

Weighted wage rates reported (adjusted for wage area differential), plus hourly rates for health, dental and vision care. **Does not include** sick leave, LTD, paid vacation time, OASDI tax, thrift savings plans, annuities or Social Security or other retirement plans. British Columbia health care benefits are not included in the data tables but are discussed in **Appendix Section A - Canadian Health Care Information/Analysis and Assessment**. Data does not include wages and benefits reported by WSFS. For purposes of comparison, WSFS wages and benefits are reported separately. Also see **WSFS Rate Plus Benefits** below.

### **Weighted Rate**

Total wages, divided by the number of employees reported as of May 15, 2006.

### **WSFS Rate Plus Benefits**

Straight-time rates paid by WSFS as of May 15, 2006 plus health and welfare benefits, including the contribution made by the WSFS per employee for medical, dental and vision insurance. **Does not include** sick leave, LTD, paid vacation time, OASDI tax, thrift savings plans, annuities or Social Security or other retirement plans. Benefits data are reported for employee, spouse and two children.

## **SECTION IV - Survey Analysis and Data Presentation**

The 2006 MEC Salary Survey results are reported in three categories: Ferry System, Shipyards, and Administration – Office and Terminal employees.

Participation in the 2006 survey was selective and included two Ferry Systems, three Shipyards and three other public sector employers and a participating Shipyard which provided data on Office and Terminal employees. Survey participants are identified in **Appendix Section A - Exhibit C Survey Participants by Category**. Specific benchmark titles and job description summaries are found in **Section B - Benchmark Titles and Job Description Summaries**.

Information and data collected for each category, and formatted into **Exhibits I through Exhibit X** includes base salary ranges (comprised from the lowest reported minimums and the highest reported maximums), pay practices and basic provisions of employer benefit plans.

Employers were asked to provide data effective of the date of their submittal April 17, 2006 through May 31, 2006. Information was also collected on the percentage and timing of their most recent and planned increases in CY 2006. This data provides a context for determining the status of their salary adjustment planning.

Retirement benefits for WSFS employees are determined by the Washington State Legislature by statute and are outside the scope of collective bargaining. In 1991, maritime unions objected to the omission of data regarding retirement benefits; they argue that maritime workers engaged in collective bargaining in years past have opted to sacrifice wage increases to supplement their retirement benefits. The 2006 MEC Salary Survey "Premium Pay and Other Benefits" questionnaire sent to ferry system participants did ask employers to include data regarding their contribution to retirement and other benefit plans. Ferry and shipyard operators, maritime employers and other participants report a wide range of retirement and other benefit plans. Retirement plan data is reflected in the comparisons of premium pay and benefits between the major Ferry Systems, Shipyards and Administration – Office and Terminal employers and the WSFS, (Exhibits IV, V, VI, VIII and X).

### **Ferry Systems**

Twelve of the benchmarks were matched by both employers and five by one employer or the other. State of Alaska employees provide ticket and terminal management support to the Alaska Marine Highway System (AMHS). Although they are not covered under its collective bargaining contracts, their work matches up with the WSFS benchmarks and therefore their data is included in the survey report. **Exhibit I - 2006 Base Salary Comparison (Excludes Benefits and Includes COLD Where Applicable)** shows the WSFS trailing the Ferry System market on an overall basis by 8.5%. Twelve benchmarks lag the market and five slightly lead the market rate. The impact of higher employer paid health care by the WSFS on average is evident in **Exhibit II – Salary Data Presentation (Includes Benefits and COLD Where Applicable)**. When the hourly benefit is added the overall WSFS's lag is reduced to 6.8%.

The lag among the pilots and engineers (deck officer benchmarks 1-6) is considerable, averaging 18.1% but drops to 14.8% when benefits are factored in.

## **Ferry Systems (continued)**

This lag is largely influenced by the Cost of Living Differential (COLD) paid to certain positions in the Alaska Marine Highway System (See Section III Definitions and Terms page 5).

**Exhibit III - Alaska Cost of Living Differential Data (COLD)** identifies the COLD rates paid to benchmarks one through three, five through seven and nine through twelve.

The COLD amount for the Pilots and Engineers is typically adjusted at the time of the general wage adjustment. The COLD amount for benchmarks seven and nine through twelve is included in the base rate and is not separately negotiated. The IBU which represents employees in these benchmark positions expresses the COLD through the difference between resident and non resident rates. The 2004 and 2006 COLD amounts were used in the MEC 2005 and 2006 surveys respectively. There were no material changes in pay practices and benefits except in the employer-paid cost of health care. The average rate/hour for health care among the Ferry System participants was \$3.34/hour, an increase of 21.5% over the average rate reported in the 2005 Survey. While the employer-paid rate is fixed in the AMHS contracts (now \$4.54/hr), it changes annually among Canadian employers depending upon the level of federal government subsidy. The BC Ferries Corporation reports their health care benefits rate for 2006 at \$2.14/hour.

## **Shipyards**

### **Exhibit VII - 2006 Data Presentation and Comparison (Includes Benefits)**

identifies the rates and market comparisons of the three Puget Sound shipyards surveyed with the WSFS. On an overall basis (salary rates only) the WSFS is even to market with a slight market lead of .2 %. When benefits are included the lead increases slightly to 1.6%. However, the WSFS does lag 4 of the 8 benchmarks by an average of 6.6% among several of the more difficult to recruit for skilled trades. An additional concern is the WSFS's lag among the Leadman and Foreman base pay rates for those same skilled trades. While an exact comparison of health care cost increases is difficult because of the reduced sample size there appears to be no material changes in pay practices and benefits among Shipyard participants. The data on benefits of Shipyards from several other geographic areas who are not participants in the 2006 survey was included for context. Reports from these Shipyards are consistent with results from participating shipyards which show no substantive changes in benefit plan provisions, since the 2005 MEC Survey.

## **Administration – Office and Terminal**

### **Exhibit IX - Administration – Office and Terminal Data Presentation (Includes Benefits)**

shows the WSFS trailing the local public sector market by an average of 13.1%. This lag decreases to 8.1% when both salaries and benefits are compared. Four local employers, including one Shipyard (Foss) provided data to this survey category. Nineteen (19) of twenty-five (25) WSFS benchmarks showed a lag to market averaging 20.3%. The effects of a stronger benefits plan show clearly here as the overall lag drops to 8.1% when benefits are included in the comparison.

## **Cost-of-Living and Employment Cost Index Determinations**

The chart entitled **National and Regional CPI and ECI Data** identifies both the CPI and ECI changes nationally and for the greater Seattle area over the 12 month period April 05 to April 06.

### **National and Regional CPI and ECI Data**

	<b><u>National</u></b>	<b><u>Greater Seattle Area</u></b>
Cost-of-Living (CPI <sup>1</sup> )	3.7%	4.4%
Employment Cost Index (ECI <sup>2</sup> )	2.6%	2.7%

#### Sources:

1. Bureau of Labor Statistics CPI - March 2005 - March 2006
2. Economic Research Institute, Redmond, WA

While the cost-of-living continues to rise due to increased costs of homes and oil prices the employment cost index has seen a more moderate increase as employers continue to balance out higher benefits cost with lower salary increase budgets. Seattle's cost-of-living remains above the national average while the employment cost index remains pretty much in line with the national trend. Seattle/Greater Seattle area data was obtained from the Economic Research Institute located in Redmond, Washington. In addition to their national and international work they have been collecting and reporting wage and benefit economic data and cost-of-living data for the Seattle/Greater Seattle area market for over 25 years.

## **Canadian Health Care**

Canada, like the United States, continues to experience significant cost increases in most areas of its health care system, which is socialized. Health care in British Columbia costs more than in any other Province in Canada and has a cost trend factor that continues to exceed 20.0%. The Canadian government (Federal/Provincial) and Canadian employers, however, continue to bear the brunt of these cost increases. While Canadian employers are paying more for employee health care, the percentage of their subsidized cost has been dropping slightly since 2004 due to the federal government's picking up an increased portion of the health care bill. Employees are essentially paying very little in the way of premiums or co-pays for their various levels of health care coverage. Provincial and federal government individual tax rates, however, continue to increase, in part, to offset this extraordinary health care subsidization.