FURLOUGH, PAY FREEZES NEGOTIATED BY STATE EMPLOYEES UNIONS AND OREGON

A tentative contract settlement between Oregon and the two largest state employee unions, the Service Employees International Union (SEIU) and the American Federation of State, County and Municipal Employees (AFSCME), would reduce the state’s costs through a combination of pay freezes and unpaid furlough days. The tentative agreements with the two unions, which together represent 21,500 state employees, meet savings targets set during the legislative session for the 2009-2011 biennium, trimming $32 million from current labor contract costs. The agreements also meet the goals of saving jobs and preserving services by asking all state employees to share the burden of challenging budget times, according to Governor Ted Kulongoski (D).

If ratified in upcoming membership voting, the new 22-month contracts would take effect September 1 and extend until June 30, 2011, the end of the state’s two-year budget cycle. The unions’ 2007-2009 contracts have been extended through August 31, 2009, while awaiting ratification by the unions’ memberships.

The settlements with the SEIU and AFSCME are expected to serve as a model for settlements with other state employee unions and will extend to the state’s 7,400 unrepresented and management employees. When applied to all state executive branch agencies, the savings will total approximately $71.5 million for the 2009-2011 biennium. The savings do not include the Oregon University System, which negotiates separately with faculty and classified employees. In addition, the state will achieve $39 million in administrative and legal cost reductions identified in part in the legislative budget to reach the $130 million savings target, Kulongoski says.

Highlights and associated savings of the tentative agreements include:

- **Salary Freeze**—the agreements do not provide cost-of-living increases. In addition, there would be no salary increases for 12 months, from September 1, 2009 through August 31, 2010. The 12-month freeze will save $30.7 million when applied to the entire workforce in all of the state’s executive branch agencies.

- **Furloughs**—the agreements call for an average of 12 unpaid furlough days, ranging from 10 days for the lowest-paid workers to 12-14 days for higher-paid workers. The furloughs include 10 statewide closure days for all state offices except 24-hour institutions. The first of these closure days would be October 16, 2009. The furlough days will save $40.8 million when applied to the entire workforce in all state executive branch agencies.

- **Health Insurance**—the state will pick up the first 5 percent of any premium increases for health insurance and will ask the Public Employees Benefit Board to pick up any increases between 5 percent and 10 percent. The state’s commitment reflects the $32 million budgeted for this purpose by the legislature for all state agencies and the Oregon University System.