

Presentation to the
Senate Insurance, Commerce & Labor Committee

By

Chris Kershner on behalf of:

Canton Regional Chamber of Commerce
Cincinnati USA Regional Chamber
Columbus Chamber
Dayton Area Chamber of Commerce
Greater Akron Chamber
Greater Cleveland Partnership
Ohio Chamber of Commerce
Toledo Regional Chamber of Commerce
Youngstown/Warren Regional, Chamber

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Chairman Bacon and members of the Senate Insurance, Commerce and Labor Committee, thank you for allowing me the opportunity to testify before you today. My name is Chris Kershner and I am Vice President of the Dayton Area Chamber of Commerce, however, today and I am representing the 9 Ohio metro chambers of commerce from Canton, Cincinnati, Columbus, Dayton, Akron, Cleveland, Toledo, Youngstown/Warren and the Ohio Chamber. Together, we collaborated on strategic state budget recommendations that were released in the December 2010 report, *Redesigning Ohio*. I am here today with representatives from these chambers and others from throughout the State of Ohio that are committed to working closely with the legislature and the administration on the consideration of these recommendations.

Redesigning Ohio was a project we began more than a year ago. It was a response to our recognition that Ohio's economic recovery is dependent upon coming to grips with the unsustainable cost of our governmental institutions. We knew there were no quick or easy solutions to the fiscal and structural problems facing Ohio. We were, and continue to be convinced that we must work together to make transformative changes that address our immediate challenges; and even more importantly, the way in which we govern ourselves over the long term.

Redesigning Ohio was developed with the able assistance of two well-respected experts. We were pleased to be guided by David Osborne, a national expert on government reform who has authored five books on the topic including *The Price of Government* and *Reinventing Government*. We were also fortunate to have Dr. Greg Browning on our team. Many of you may know Dr. Browning as one of Ohio's foremost advisors on state budgets and governmental processes. He served as Director of the Ohio Office of Budget and Management from 1991 to 1998.

Our report includes ten areas for redesigning and streamlining government. Each of them is an innovative and bold approach to reform. None of them are easy and many of them may be

controversial, but together we believe they reflect the kind of action Ohio must take to reinvigorate our economy and make our state great again.

Today, I am going to focus on two areas of the report, civil service reform and public pension reform. I commend Senator Shannon Jones and this committee for undertaking some of the most needed state reform opportunities that are included in Senate Bill 5. Senate Bill 5 should be dealt with the utmost sincerity and respect, as it not only impacts the lives of public employees, but also impacts the lives of all Ohio citizens. As the public sector's administrative overhead continues to spiral out of control, all Ohioans feel the impact of this administrative burden. For example, when a business owner has increasing costs, they may be forced to increase their consumer prices to maintain fiscal solvency. The same scenario is true with the public sector. As payroll, healthcare and pension costs continue to escalate to unreasonable levels, this cost burden may be forced along to the Ohio taxpayers, so that public sector budgets can be fiscally balanced. If we do not work together to address these rising costs, we are fearful that Ohio taxpayers could again be asked to help subsidize this administrative burden.

The civil service system was first established in United States over 100 years ago. The intent behind the implementation of a civil service system was to prevent political bosses of the era, from terminating thousands of employees when a new party took control and losing the continuity of service that is important in government administration. In the past, public employees were paid below market wages for their work, however, they received a form of deferred compensation through a generous public pension plan. Since that time, public employees have broadened the civil service system, engaged employee unions and collectively bargained for union contracts; resulting in public sector wages and benefits becoming even more generous than their private sector counterparts. Additionally, public pensions have continued to maintain the generosity in which they were conceived. Public pension contributions and employee's cost shares must be reformed to bring this system back into line with the market. This broadening and extension of the civil service system has created multiple layers of bureaucracy that included hundreds of job classifications. This bureaucracy has removed the public sector's ability to make sensible employee management decisions that are based on employee performance and merit. Instead, managers have become pawns of union contracts and their freedom to make decisions and manage employees has been taken away.

To this end, *Redesigning Ohio* recommends significant changes in Ohio's civil service system that will reign in personnel costs and give government managers the ability to act like managers and incentivize and react to employee performance.

The first focus needs to be on giving managers the freedom to manage their employees. By decentralizing the hiring, firing and promotion process, and giving it to the agencies and departments, you are empowering the managers that best understand the performance of their employees to make strategic personnel decisions. Additionally, giving managers the ability to use objective performance expectations when making personnel decisions allows the public sector to retain the high performing employees that create good government service and public efficiency. A shift to broad job classifications would allow agencies more flexibility to shift personnel as new skill sets emerge and public employees evolve. Managers would no longer be restricted by narrow job classifications and could move employees around in a department to create maximum efficiency.

Secondly, linking employee compensation to performance is a key aspect in reforming Ohio's public administrative budget burden. Automatic pay increases that are based on employee longevity should be eliminated. Salaries should be market based and should be competitive to attract and retain high performing employees. Additionally, variable compensation rates would be extremely beneficial in

rewarding public employees for new or challenging assignments and for delivering results as a team. By allowing managers to give bonuses and salary increases based on new skill acquisition and for accepting challenging assignments, you will be rewarding the employees that are meeting the public call of duty.

Finally, a strategic focus on professional workforce development would be extremely beneficial in strengthening the performance of dedicated public sector employees. Many public employees are passionate about their careers and their commitment to performance. By investing in their skill and capacity development, you will be creating greater efficiency and reducing costly employee turnover.

Through significant civil service reform that allows managers to make strategic personnel decisions, reward employees for performance and merit, and directly invest in human capital – public employers will be able to attract and retain high performing employees, reduce public administrative costs and overhead and ultimately provide better service to Ohio's citizens.

The State of Ohio is in a time of fiscal crisis and now is the time to enact these changes, many of which are included in Senate Bill 5. We know that these changes will not be easy and that the hearing rooms will be packed with concerned citizens. Please keep in mind that all of the citizens that are impacted by this legislation, are not with us in the hearing room today. If these changes are not enacted quickly, legislators will have to look to other means to recoup these escalating costs, which may involve additional financial burdens on Ohio's citizens.

Thank you for your willingness to address this difficult issue and thank you for allowing me to testify before you today. My colleagues and I would be happy to answer any questions you may have.