

Geographic Differential Study

April 30, 2009

Background:

The executive workgroup created under [A.O. No. 237](#) related to recruitment and retention recommended that a geographic differential study be completed to address compensation discrepancies in various regions of the state. The Legislature appropriated \$400,000 to the Department of Administration in 2008 for completion of a study.

The department issued a request for proposals in August 2008 and awarded a contract to the McDowell Group in September. McDowell conducted its work during the fall and winter and submitted its report to the department in April 2009.

History:

The cost of living differential is established in AS 39.27.020 and is based on the 19 election districts in place in 1961. State statutes still reflect these original districts.

The state conducted studies in 1970, 1972, 1976, 1985 and 1995, although for a variety of reasons, most have not been implemented.

The most recent update of the differential adopted by the legislature was the study conducted in 1970.

The most extensive study (prior to the current one) was conducted in 1985, also by McDowell. It surveyed a total of 91 communities, 2,478 households, and 2,106 retail outlets.

The current study surveyed a total of 74 communities, 2,547 households, and 634 retail outlets, plus numerous providers of various services including health care, transportation, communication, insurance, and others. Modern day techniques using the internet and other sources of information improved the data gathering efforts and reliability of the current study.

Issues:

Six labor unions (General Government; Supervisory; Correctional Officers; Public Safety; Confidential; Labor, Trades & Crafts) have geographic differential provisions in their contracts. Non-covered employees (exempt and partially exempt) are covered by statutory provisions.

Differentials have been established either as a percentage over base or steps over base, resulting in different rates for different groups.

In several instances, there are up to four different rates for the same community, depending on bargaining unit.

The Labor, Trades & Crafts unit has a complex differential that makes meaningful comparisons with other units impossible.

Over time, arbitrators have made different awards for different units.