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SALARY DISPARITIES IN THE STATE GOVERNMENT WORKFORCE

More than 700 classified employees in the state government workforce currently earn higher salaries than the unclassified top management personnel of their agencies. Table 1 (next page) gives departmental totals. In the commerce department, for example, 42 classified employees earn more than the salary paid to an unclassified deputy (\$47,300) and the salaries paid to one of those classified employees also exceeds that paid to the department director. In the mental health department, 230 classified employees earn in excess of the \$69,300 salary paid to the director. Such disparities cast doubt upon the extent to which the state values the attraction and retention of top level managers. They may also influence top level unclassified managers to relinquish their positions to assume subordinate but higher paying classified positions within their departments. For example:

- In June of 1984 the director of corrections announced he was resigning from his \$58,400 a year unclassified post to become a classified deputy within the department at a (1983-84) salary of \$60,445.
- The unclassified position of chief assistant attorney general, though budgeted at \$55,900, has been listed by the department of civil service as vacant since January, 1984. The individual who previously held the position now occupies a classified position within the department paying \$72,696.
- In January of 1981, the director of public health resigned from his \$60,000 post to assume a classified medical position within the department at a (1980-81) salary of \$85,000.

In addition, classified civil service employees may choose not to be considered for unclassified top management positions because the pay would be lower:

- In the spring of 1984, the director of the Michigan Employment Security Commission announced his intention to resign from his position, which is unclassified. Most of the top level classified employees of the agency chose not to apply because their salaries were higher than that of the director.

The salary disparities noted above derive from several factors.

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Table 1

SALARIES OF SELECTED UNCLASSIFIED AND CLASSIFIED POSITIONS
IN MICHIGAN STATE GOVERNMENT - 1984-85

DEPARTMENT Subunits	Title	Unclassified Positions		Classified Employees Earning More Than Unclassified Positions*	
		No.	Salary Range	No.	Salary Range
AGRICULTURE	Director	1	\$55,900		
	Deputy	1	47,300	13	\$47,445-55,432
ATTORNEY GENERAL	Attorney General	1	75,000		
	Chief Assistant	1	55,900	46	58,094-72,696
AUDITOR GENERAL	Auditor General	1	66,100		
	Deputy	1	55,900	1	63,523
CIVIL RIGHTS	Director	1	52,400	4	55,432-63,523
	Deputy	1	39,700	15	40,123-51,272
COMMERCE	Director	1	61,000	1	63,523
	Deputy	3	47,300	41	47,445-58,781
Mich Housing Bev. Auth.	Director	1	55,900	2	58,781-63,461
Financial Inst. Bureau	Commissioner	1	52,400	1	55,432
Liquor Control Com.	Commissioners	5	44,800-47,300	8	47,445-55,432
Public Service Comm.	Commissioners	3	52,400-55,900	15	53,309-58,781
CORRECTIONS	Director	1	61,000	27	63,170-95,056
EDUCATION	Superintendent	1	65,600	22	68,182-88,026
	Deputy	1	55,900	9	56,514-64,376
LABOR	Director	1	61,000		
	Deputy	2	47,300	55	47,445-58,781
Workers Comp. Bureau	Director	1	44,800	29	47,445-58,781
Mich. Emp. Sec. Comm.	Director	1	52,400	4	54,309-63,523
LICENSING & REGULATION	Director	1	52,400		
	Deputy	3	33,100	23	36,254-50,794
Insurance Bureau	Commissioner	1	52,400	1	54,600
MANAGEMENT A BUDGET	Director	1	61,000	2	63,523
	Deputy	1	55,900	6	58,781
Lottery	Commissioner	1	55,900	3	58,760-58,781
MENTAL HEALTH	Director	1	69,930	230	69,742-95,056
	Deputy	3	52,400-55,900	59	53,810-68,182
NATURAL RESOURCES	Director	1	61,000		
	Deputy	1	52,400	12	52,437-58,781
PUBLIC HEALTH	Director	1	69,300	14	75,005-95,056
	Deputy	1	55,900	11	58,677-67,829
SOCIAL SERVICES	Director	1	61,000	8	63,190-88,026
	Deputy	4	52,400-55,900	29	53,810-58,781
STATE	Secty of State	1	75,000		
	Deputy	1	55,900	3	58,781-62,816
STATE POLICE	Director	1	55,900	2	58,781-63,523
	Deputy	2	52,400	3	55,432
TRANSPORTATION	Director	1	61,000		
	Deputy	1	55,900	2	58,781
TREASURY	Director	1	61,000		
	Deputy	3	47,300	30	47,445-58,781
Tax Commission	Chairman	1	44,800	3	47,445-55,432
			Total	734	

SOURCES: CRC calculations using FY 1985 unclassified salaries, civil service position inventory (October 1984), and printout of classified employees earning in excess of \$35,000 annually based on November 14, 1984 bi-weekly pay period.

*The number-and salary range in each row represent individuals earning more than the unclassified positions in that same row. The numbers for subunits have been subtracted from totals for the departments involved.

1. The Michigan constitution divides the state workforce into three categories — a classified civil service and two types of unclassified employees.

- Classified employees (approximately 57,000 in number) comprise the bulk of the workforce. These employees work in the state’s 19 principal departments and in the office of the auditor general. They are covered by the civil service personnel management system, with its standardized job classifications and associated pay levels.
- Unclassified employees are either excepted or exempt. Excepted employees are removed from the civil service classification system by explicit constitutional direction. This category includes elected officials, heads of principal departments, and members of boards and commissions (as well as employees of the judicial and legislative branches of state government). Exempt employees are removed from the civil service classification system by permissive constitutional language. The constitution authorizes as many as five exempt positions in each principal department, four of which must be of a policy-making nature, and eight exempt positions in the governor’s office.

These distinctions are intended to serve managerial aims: The classified civil service insulates career state employment from politics, while unclassified positions provide the governor with a means to hire top management personnel to carry out his policies and programs within state agencies. But any organization that pays top managers less than their subordinates creates a problem in recruiting and retaining well-qualified higher level management.

2. Some classified employees are highly paid professionals. Many of the 734 classified employees earning more than their unclassified superiors are trained in specialized areas which command substantial salaries in the private sector (e.g., law and medicine). The state may feel constrained to offer physicians, for example, high salaries if it is to attract quality personnel to perform medical duties. Table 2 indicates that 319 (43%) of the 734 classified employees earning more than agency top management are physicians, and another 106 (14%) are lawyers; but another 271 (37%) are categorized occupationally as business/administrative or executive/administrative fields in which departmental directors and/or deputies might fall. And over half of the 734 are working in job positions categorized as “officials and administrators,” indicating they are managerial in nature. Evaluating professional vs. managerial components in all these jobs, and deciding on the pay differentials between such positions and departmental top management, would be difficult at best – but because state pay-setting systems are fragmented, there is no assurance that such considerations are taken into account at all.

Table 2

OCCUPATIONAL AND JOB CATEGORIES OF CLASSIFIED EMPLOYEES
EARNING MORE THAN AGENCY TOP MANAGEMENT

Employee's Occupational Service Title ¹	Employee's Job Category ²			Total
	Officials & Administrators	Professionals	Technicians	
Physician/Psychiatrist	60	259		319
Business/Administrative	104	33		137
Executive/Administrative	134			134
Legal	53	53		106
Human Services	8	12	1	21
Engineering/Scientific	6	4		10
Safety/Security/Regulatory	3		3	6
Law Enforcement	1			1
TOTAL	369	361	4	734

1 Civil service occupational service groups*

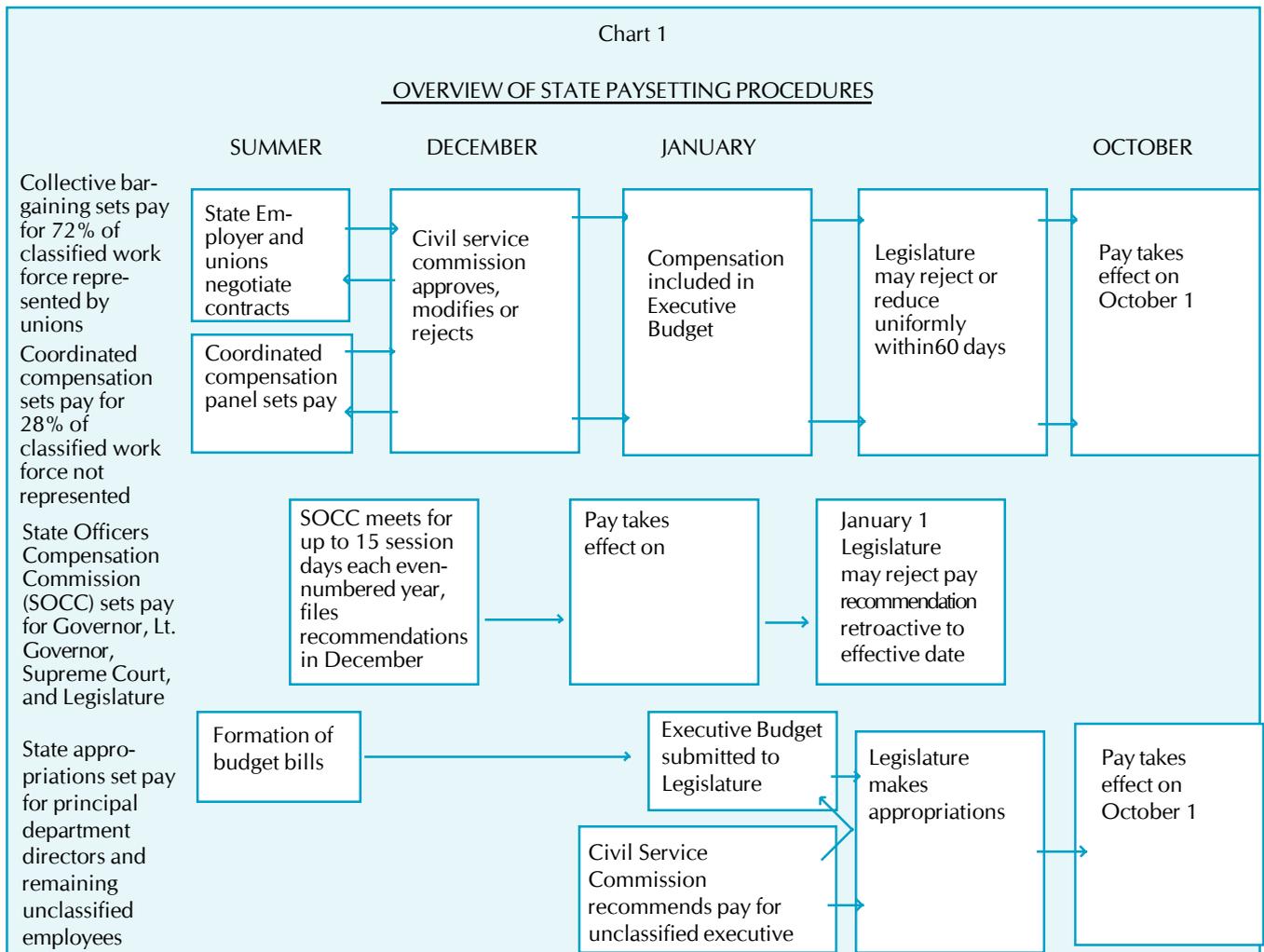
2 "Officials & administrators," "professionals," and "technicians" are among job categories used by the state for equal employment opportunity reporting.

3. There are four paysetting procedures for state employees, each covering only a portion of the workforce. Paysetting recommendations for state employees derive from four procedures, as demonstrated in Chart 1, and no one has complete control over the results. Article XI, Section 5 of the state constitution authorizes the civil service commission to fix the compensation for all employees who are part of the classified civil service. The commission's direct involvement in paysetting has diminished over time, however, due to the advent of collective bargaining for most civil service employees. The office of state employer (under direction from the governor) negotiates collective bargaining agreements with employee unions, although matters affecting merit principles and management rights (e.g., organizational structure, hiring and disciplining for cause) are excluded topics.

Compensation for those classified employees not represented by an exclusive bargaining agent is established by a three-member coordinated compensation panel appointed by the civil service commission, which ensures that nonexclusively represented employees maintain parity with their exclusively represented counterparts. Collective bargaining agreements as well as the coordinated compensation plan may be rejected or modified by the civil service commission but when finally approved are transmitted to the governor, who is bound by the constitution to include the results in the executive budget. The legislature by two-thirds majority vote may reject these recommendations or reduce them uniformly within 60 days of receipt. Otherwise they take effect at the start of the new fiscal year, unless the legislature by majority vote specifies a different date.

Article IV of the state constitution was amended in 1968 to provide for the state officers compensation commission. The seven-member commission establishes rates of pay for the governor, lieutenant governor, supreme court justices, and members of the legislature. The commission, appointed by the governor, meets for no more than 15 session days each even-numbered year. Recommendations take effect on January 1 following the filing date. The legislature’s role is limited to rejection of state officers compensation commission recommendations, or any part of them, by February 1 of the year after the recommendations are filed. Legislative rejection, which must be by two-thirds majority vote, is retroactive to January 1 and leaves existing compensation levels in effect.

Compensation for other unclassified employees is determined through the budgetary process. The civil service commission is required by the constitution to recommend to the governor and legislature rates of compensation for all unclassified appointed positions in the executive branch. The commission in recent years has recommended salary ranges rather than flat amounts for these unclassified positions, which would permit pay to vary according to individual position responsibility and agency size. These recommendations have not been followed. The governor includes his own recommendations in the executive budget and the legislature sets pay rates for those unclassified



positions in passing appropriation bills. (Salaries of the attorney general and secretary of state may not be altered during a term of office, by constitutional directive, and are raised only every fourth year.)

The salary ranges for unclassified appointees recommended by the civil service commission for fiscal 1985 could have alleviated many of the disparities identified in this report. For example:

- The unclassified director of the bureau of workers compensation disability is paid \$44,800. The commission recommended for fiscal year 1985 a salary range of \$41,000-\$54,700. Had the range been adopted and had the director been paid at the maximum, only three classified employees would have exceeded him in salary rather than the 29 classified employees who presently earn more.
- The unclassified director of state police is paid \$55,900. The commission recommended for fiscal year 1985 a salary range of \$51,300-\$72,600. Had the range been adopted and had the director been paid at the upper end, none of the classified employees in the department would have exceeded him in salary.

Salary disparities for unclassified employees who are responsible for managing principal state departments and subunits represent a serious flaw in the state's compensation system.