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CRC

EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

February 2004

Report 336

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EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

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EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

In Brief

From FY1966 to FY2004, Michigan's state civil service workforce experienced considerable fluctuation in both size and composition. The overall number of state employees rose steadily from around 36,000 employees in FY1965 to its peak of nearly 70,000 full-time equivalent employees in FY1980. This period of expansion was followed by a modest downward trend, resulting in the current employment level of approximately 55,000 in FY2003. The overall decline in the state workforce after FY1980 belies increases in the areas of state government pertaining to the environment, safety and defense, and corrections. The most striking increase has been in the Department of Corrections, where employment increased from 5 percent of the state's workforce in FY1966 to 7 percent in FY1980, swelling to 31 percent in FY2003. Human services employment increased from 46 percent of the state workforce in FY1966 to a high of 49 percent in FY1980, only to decline to 28 percent in FY2003.

Corresponding to the relative growth or decline of departments, specific types of classified workers have become either more or less prevalent. Protective Services employees, the majority of which are affiliated with the Department of Corrections, have

increased from around 5,000 in FY1980 to more than 13,000 in FY2003. By contrast, levels of paraprofessionals and office/clerical staff have both dropped to less than half their FY1980 levels of 17,000 and 15,000, respectively.

In addition to fluctuations in the size and departmental affiliation of the state workforce, the proportion of minorities in the state workforce has generally increased. The level of combined minority employment currently rests at approximately 23 percent of the overall workforce. Though FY2003 levels of minority employment are higher than in FY1980 (20 percent), current figures mark a decline from a high of 25 percent seen in FY1989. The overall percentage of women in the state classified workforce has declined since FY1980 from almost 54 percent of the workforce to 51 percent in FY2003. However, if one disregards the rapid increase in corrections employment, which consists overwhelmingly of males, the proportion of female state employees has risen from 56 to 59 percent of the workforce. Finally, expenditures on classified employment have dropped gradually to 10 percent of state spending in FY2003, down from 17 percent in FY1982.

Scope and Definitions

This study examines several dimensions of change in the State of Michigan's classified workforce. The Michigan Department of Civil Service defines classified employees as those under the jurisdiction of the state's Civil Service Commission, including full-time, part-time, seasonal, and intermittent employees. Efforts were made to obtain data on personal services contracts to determine if outsourcing or privatization of state functions has changed significantly and contributed to the changes in the numbers of state employees. Unfortunately, data are not available over a long period of time and the existing data do not include the number of external employees contracted to perform state work.

In some cases, the data contained in this report date from FY1966, directly following the reorganization of state gov-

ernment pursuant to Michigan's Constitution of FY1963. The Department of Civil Service (MDCS) collected annual average data on classified employment levels for each department culminating in Annual Workforce Reports, first published by the MDCS in FY1980. The time periods chosen for the analysis in this study closely conform to those available from Workforce Reports. Characteristics of the workforce such as gender, ethnicity, and union membership are examined to determine the nature of changes occurring during the period for which data are available. The analysis also examines trends in the base payroll for classified employees and the costs of fringe benefits and taxes paid by the state as an employer. Included in this section of the report are data compiled by the Department of Civil Service on the relationship between compensation for employees and total state government spending.

Four Decades of State Government Employment Change

The Expansionary Period

After a period of relatively stable employment levels in the late 1950s and early 1960s, state government began rapid increases in employment that spanned the FY1963-FY1980 period. During that period, average employment increased from 31,781 to 69,906, a 120 percent increase. Within this increase, changes in state policies and responsibilities are reflected in changes to the internal composition of many departments. Although data for individual departments are not available for FY1963, employment changes from FY1966 to FY1980, a period when total employment grew 93 percent or 33,638, reveal many large increases. Four departments accounted for over two-thirds of the total growth: Social Services (11,795), Mental Health (4,973), Labor (3,694), and Corrections (3,137). Only one department, Transportation, declined during the period.

Two significant tax adoptions implemented in 1967, the Personal and Corporate Income taxes, helped fund the surge in state employment. The Corporate Income Tax replaced the Business Activities Tax and generated additional revenue. The individual income tax, whose growth as a revenue source outpaces that of the economy, contributed to a steeper course of growth for the State's revenue structure. In 1971, rates were increased both for the Personal Income Tax and Corporate Income Tax, and the State Lottery began in 1973. The increase in the income tax rate resulted from expenditure pressures and a recession in the early 1970s.

The combination of new revenue sources and a generally strong economy made it possible for the state to accommodate expansion of the workforce and increase spending in other areas, such as education, public assistance, and Medicaid. This trend of employment increases came to a halt beginning in FY1981.

A Period of Contraction

The national recession of the early 1980s produced a fiscal crisis in state government. Between FY1980 and FY1983, average classified employment dropped by 10,396 (15 percent). While spending reductions necessitated by the budget problems accounted for staffing reductions in almost every department, changes in the public mental health system had a significant impact on employment in state mental health institutions. From FY1980 to FY1983, average

employment in the Department of Mental Health dropped 5,559 (34 percent), while patient populations dropped 25 percent. The only department to reflect significant employment increases was the Department of Corrections, which added 584 employees, or 12 percent. The first state early retirement program in FY1983 helped make the overall workforce reduction possible without large scale layoffs.

A Period of Growth and Changing Composition

During the post recession period from the mid-1980s through 1990, the workforce expanded by 12 percent (6,980) and its organizational composition reflected significant change as well. The Department of Corrections increased 8,186 (145 percent) while the Departments of Mental Health and Transportation and the Michigan Employment Security Commission (MESC) all declined significantly. MESC, which administered the Unemployment Insurance Program in the 1980s and before, dropped 1,925 employees (47 percent), in part reflecting the improved economy. Employment in the Department of Mental Health dropped 992 (9 percent), mirroring the continuing decline in institutional populations, and the Department of Transportation fell 436 (10 percent). Most departments saw a reduction in their proportion of total employment as the Department of Corrections increased from 10 percent to 21 percent of the state workforce.

The 1990s to Present—A Period of Declining Employment

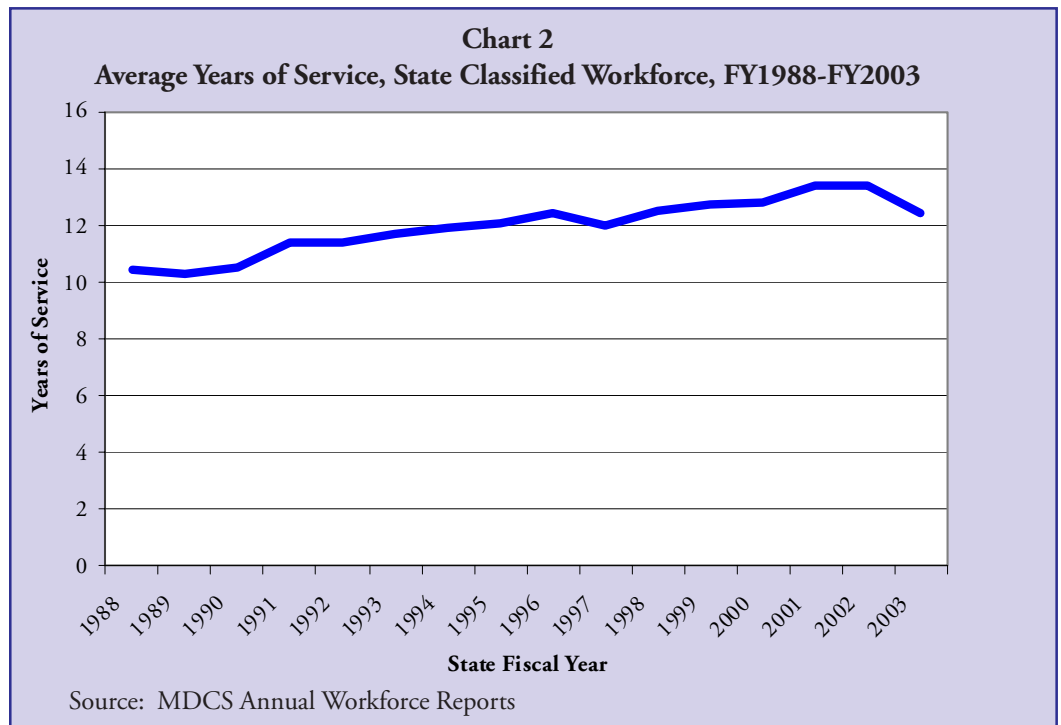
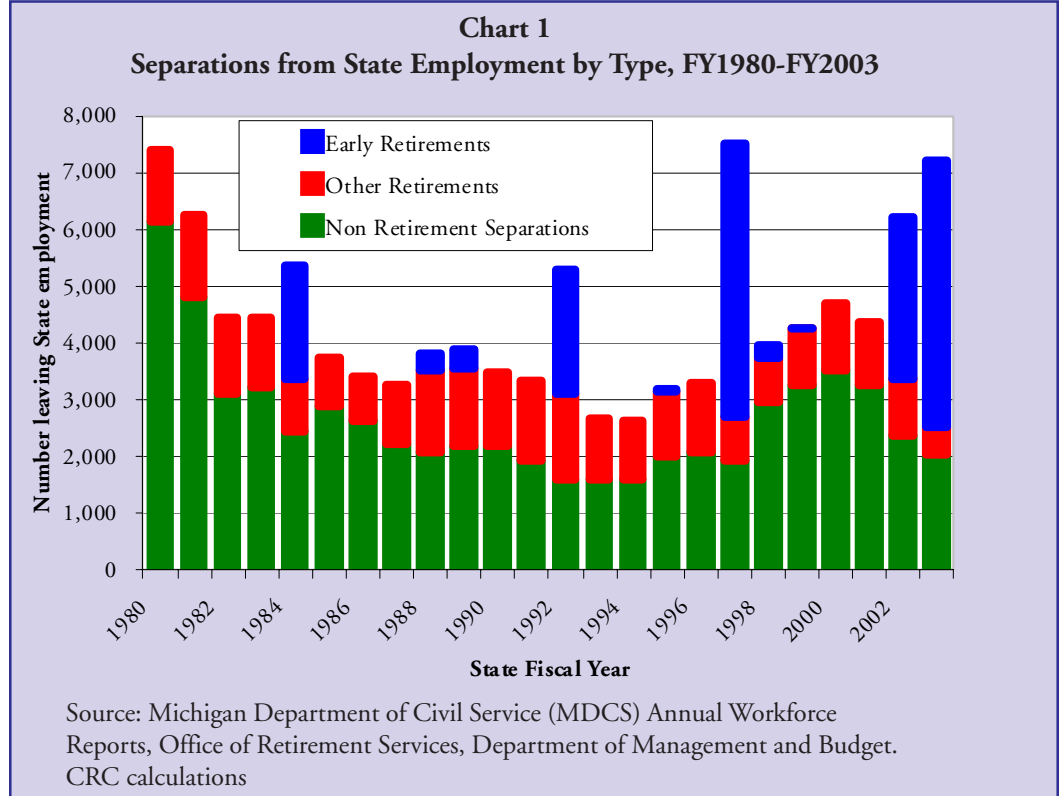
From FY1990 to present, classified employment dropped 11,925 (18 percent). This period included two recessions and their attendant pressures on the budget and three early retirement programs designed to reduce the state workforce. The current level of employment is at its lowest point since FY1974, more than a quarter of a century ago. The decline in overall employment conceals a large increase in the Department of Corrections employment and its share of total employment. During the 13-year period between FY1990 and FY2003, Corrections employment increased 3,400 (almost 25 percent) and its share of total employment jumped from 21 percent to 31 percent, making it the largest department in state government. During that same period, human services departments, formerly Social Services, Mental Health and Public Health, and now Community Health and the Family Independence Agency, experienced a decline in employment of 11,552 (44 percent).

EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

Early Retirement Programs

During the last two decades, in response to budget-driven goals to reduce the workforce, the State has offered 6 early retirement programs to classified employees. Each program allowed employees to retire earlier than the standard 55 years of age with at least 30 years of service or at age 60 with at least 10 years of service. The two most recent programs provided financial incentives as well, by increasing the percentage of final average compensation paid for each year of service from 1.5 percent to 1.75 percent. In all programs, significant numbers of additional retirees were induced to end their employment with the state. In total, more than 18,000 employees have departed under early retirement programs since FY1984.

Despite intermittent waves of early retirement, the average years of experience across the state workforce steadily increased after FY1988, from 10.4 years to a high in FY2001 and FY2002 of 13.4 years, on average. The most recent early retirement phase reduced average experience to 12.4 years of service in FY2003.



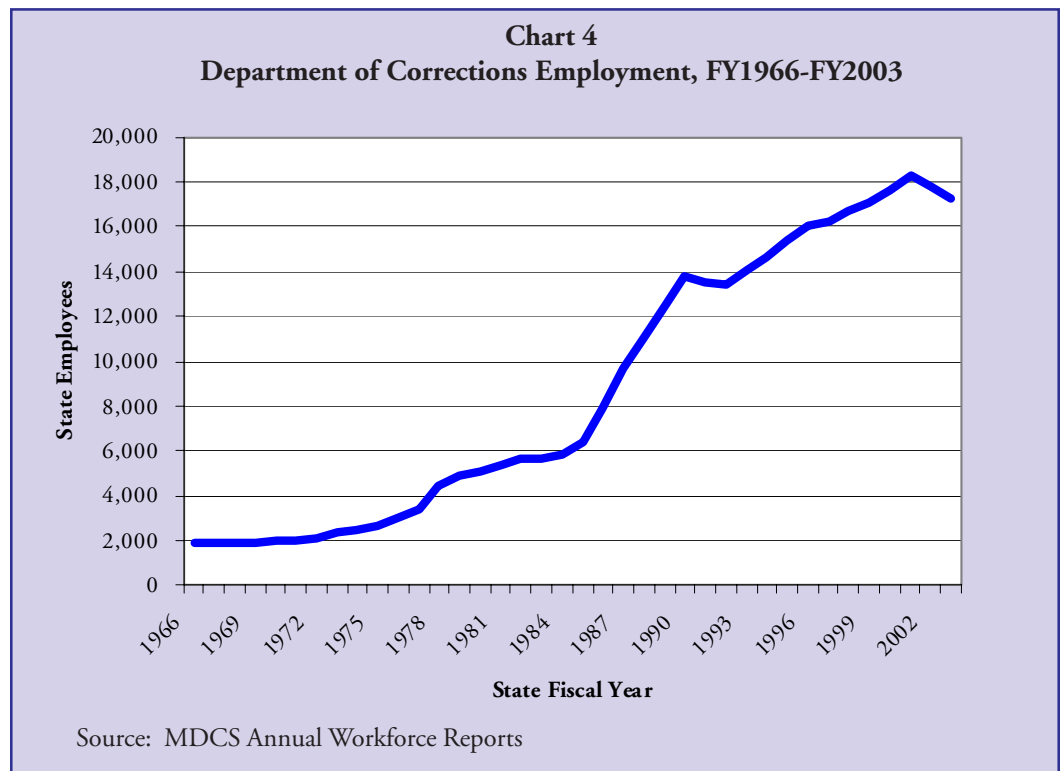
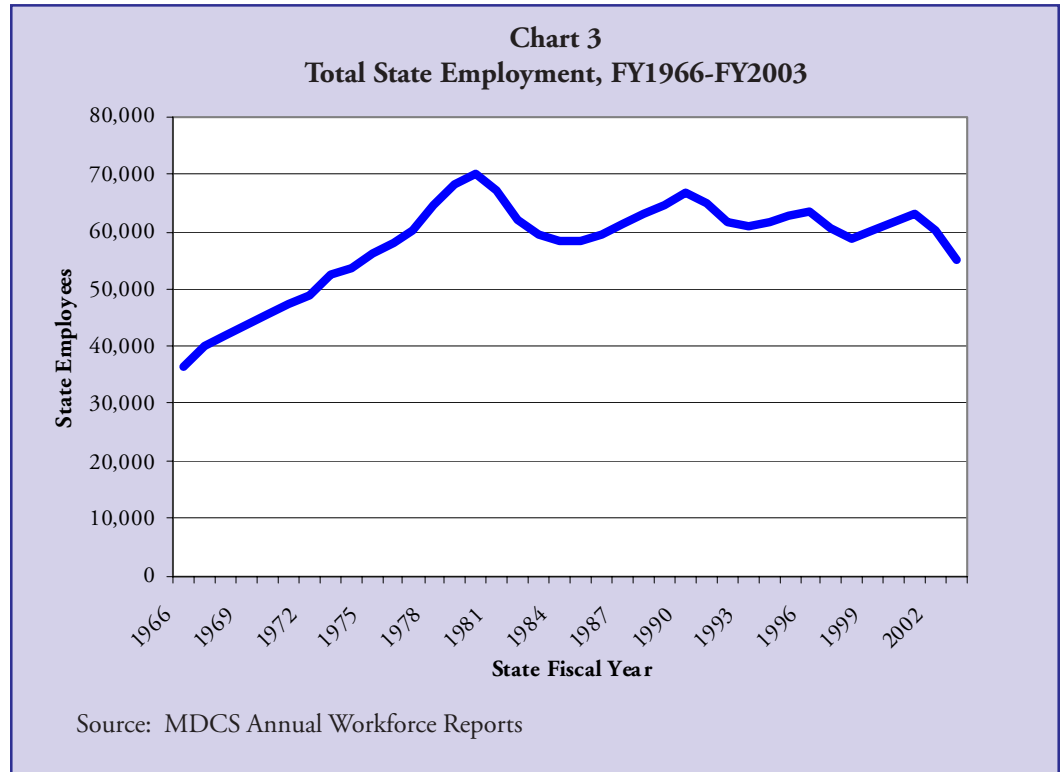
Changes in Selected Components of State Employment

Broad Trends

As indicated earlier, there have been two major trends in state employment since FY1966. First, the overall size of the workforce almost doubled between FY1966 and FY1980, rising from 36,000 to nearly 70,000 employees. Following this period of rapid growth, the workforce later contracted to its current level of nearly 55,000. Second, changes in personnel levels in certain functional areas have changed in a manner other than the overall workforce. Human services employment peaked in FY1973, when it represented 49 percent of the state workforce of nearly 53,000. During the same year, Corrections employees constituted 5 percent of the workforce. At present, Corrections employment represents 31 percent of the state workforce of approximately 54,866, while human services functions occupy 27 percent.

Corrections

The Department of Corrections has emerged as the largest program in state government employing about 32 percent of the total workforce. Most of the total state budget (more than 80 percent) consists of payments made by the State to entities outside state government: school districts, local government, universities and



EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

community colleges, hospitals, physicians, etc. Of the programs actually delivered in the form of services, Corrections is by far the largest. It has not always been that way, however. In FY1980, the peak year of total employment, Corrections employed just over 5,000. Currently, the department employs over 17,000.

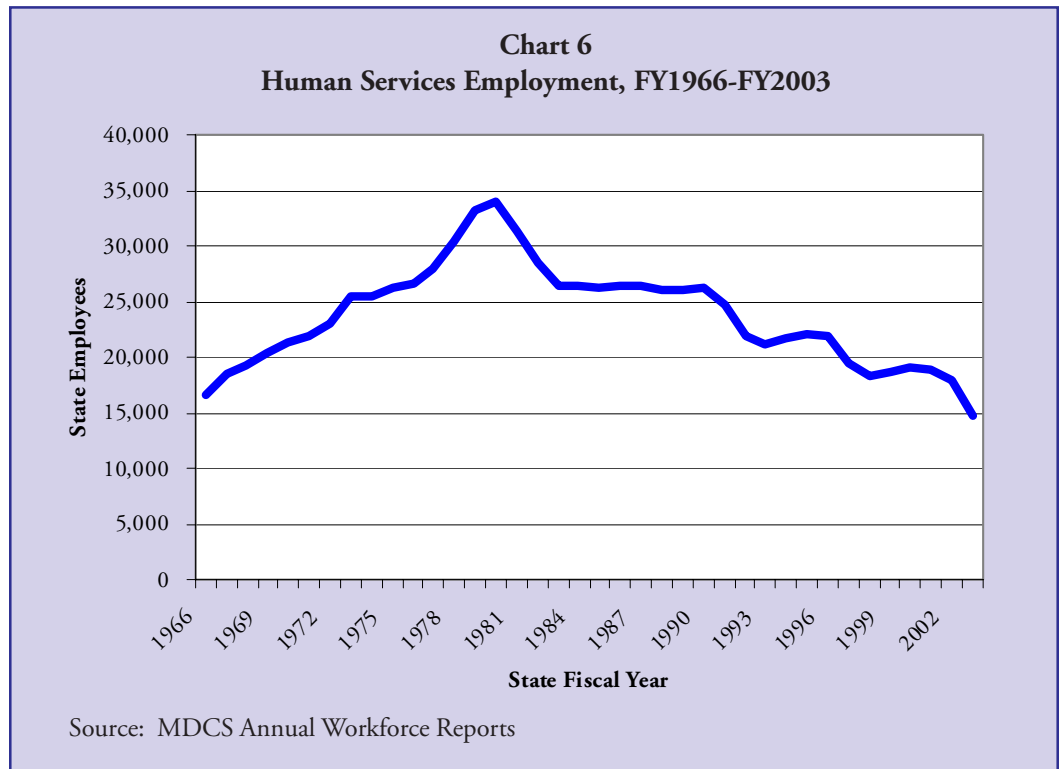
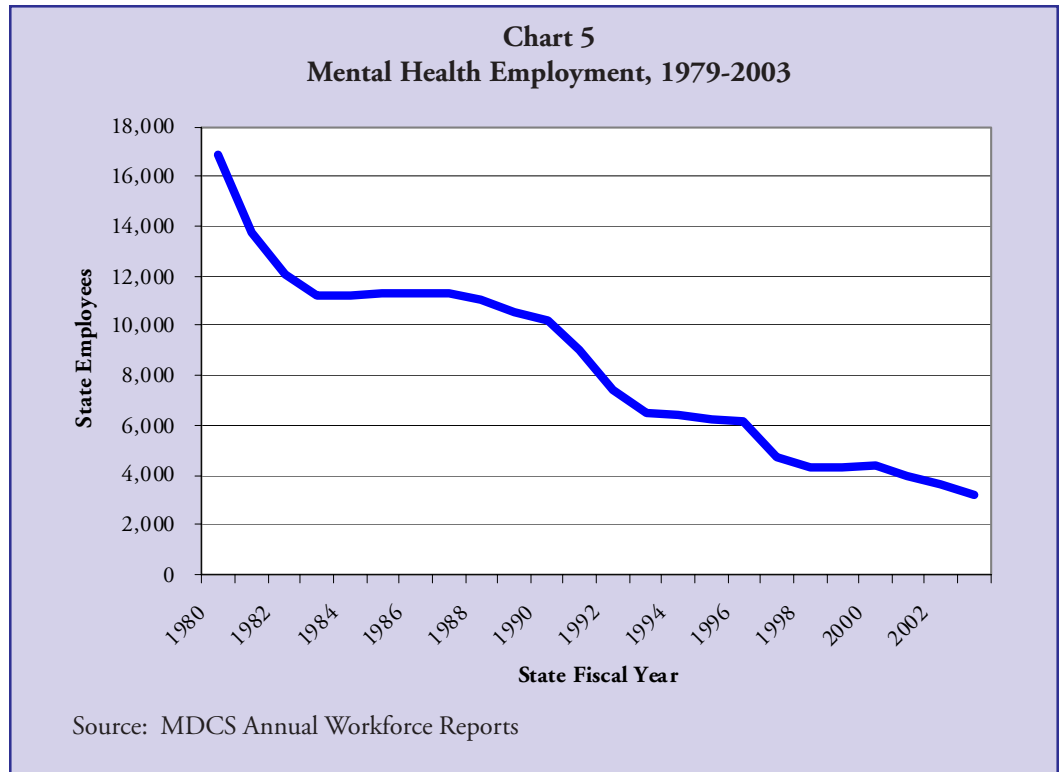
Human Services

Mental Health. In FY1980, the Department of Mental Health employed nearly 17,000, 24 percent of the workforce. Since that time, the State has transferred the program responsibilities for most of the clients of public

mental health programs from the state to the local level, closing most of the state hospitals and centers and reducing the workforce in these facilities. The FY2003 level is approximately 3,200 employees.

Human Services, General.

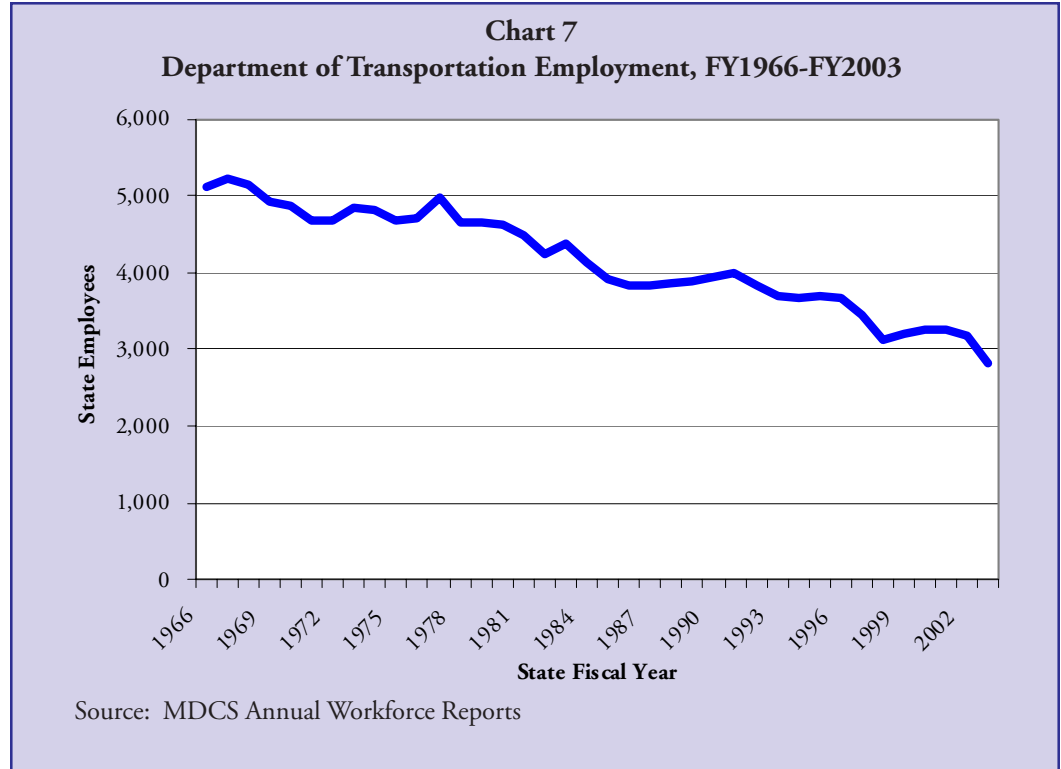
During the 1990s, the State reorganized the human services departments, formerly the departments of Mental Health, Public Health, and Social Services into a new alignment: the Family Independence Agency and the Department of Community Health. In FY1980, the three human services departments employed 34,000, nearly half the workforce. Currently, the two human services departments employ fewer than 15,000, approximately 27 percent of total employees. While the decline in employment in Mental Health facilities associated with the shift in program delivery to community mental health boards



accounts for the majority of the decline, welfare reform contributed to a decline in the Family Independence Agency employment levels in the latter half of the decade.

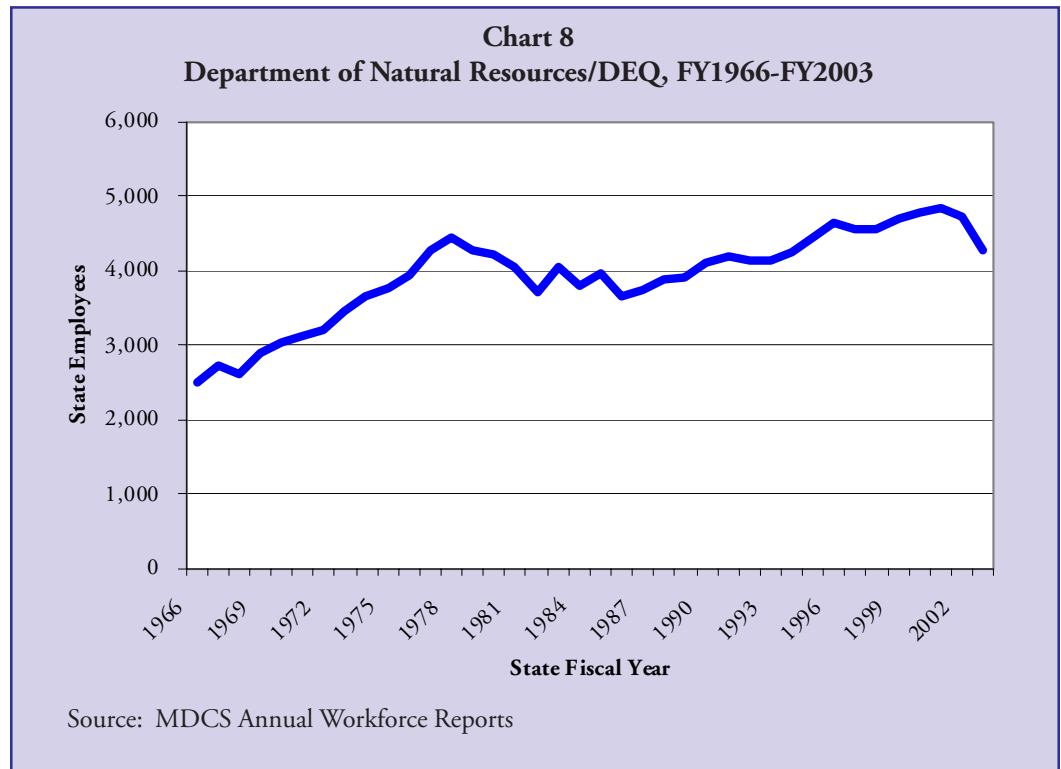
Other Programs

Transportation. Employment in the Michigan Department of Transportation, formerly the State Highway Department, has declined fairly steadily since the mid-sixties. Employment in FY1966 totaled about 5,100, 14 percent of the workforce. Currently the department employs about 2,800, 5 percent of total state employment.



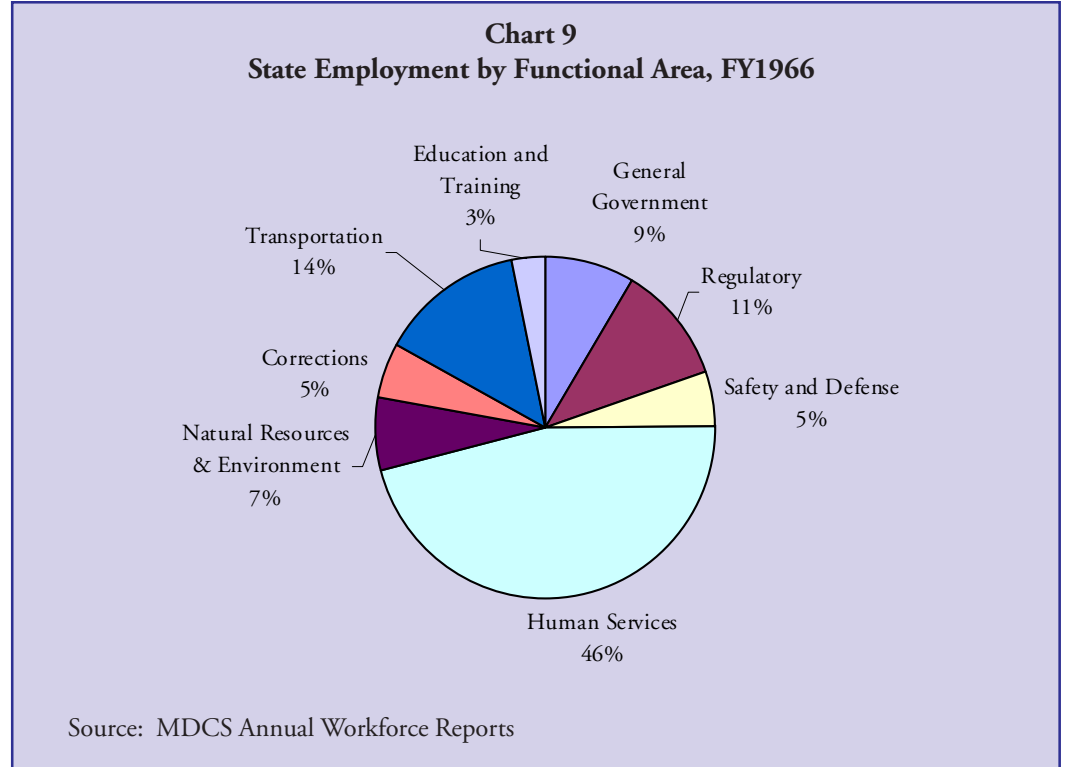
Natural Resources/Environment.

Employment in the departments of Agriculture, Environmental Quality and Natural Resources has experienced fluctuations throughout the 1990s, but generally reflects an upward trend. As a share of total employment, this category increased from 6 percent of the workforce to its current level of almost 8 percent. This general category gained nearly 600 employees during the past decade, although approximately one quarter of the increase can be attributed to a transfer of employees from the former Department of Public Health.



Changes in the Mix of State Employment¹

In FY1966, the four largest areas of state government were human services, with 46 percent, of the workforce, followed by transportation, with 14 percent. The third largest functional area was regulatory, with 11 percent, and fourth was general government, with 9 percent. Together, these four areas accounted for 80 percent of state employment.



¹ The areas used in this section conform to the groupings that were used in the state budget process for most of the period of this analysis. Reorganizations over the period render the data not strictly comparable.

General Government- Attorney General, Auditor General, Civil Rights, Civil Service, Executive, History, Arts and Libraries, Information Technology, Management and Budget, State, Treasury

Human Services-Mental Health, Public Health, Social Services, Community Health, Family Independence Agency

Regulatory-Commerce, Labor, Licensing and Regulation, Consumer and Industry Services, Michigan Jobs Commission

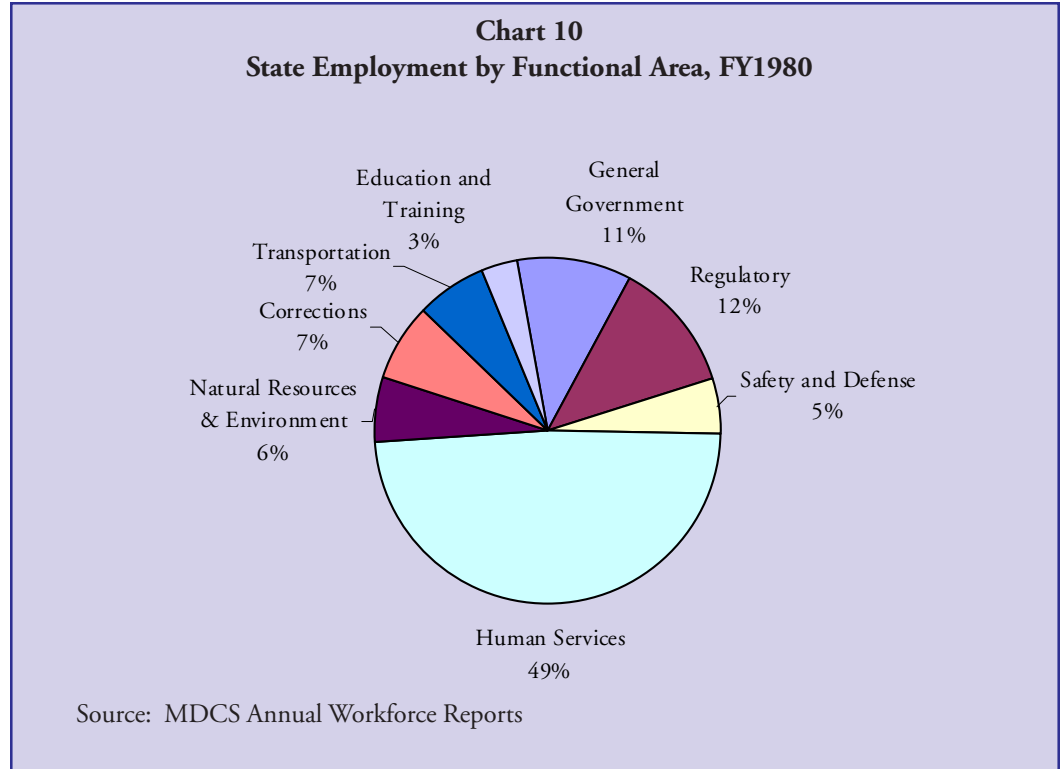
Safety and Defense-Military and Veterans Affairs, State Police

Natural Resources and Environment-Agriculture, Environmental Quality, Natural Resources

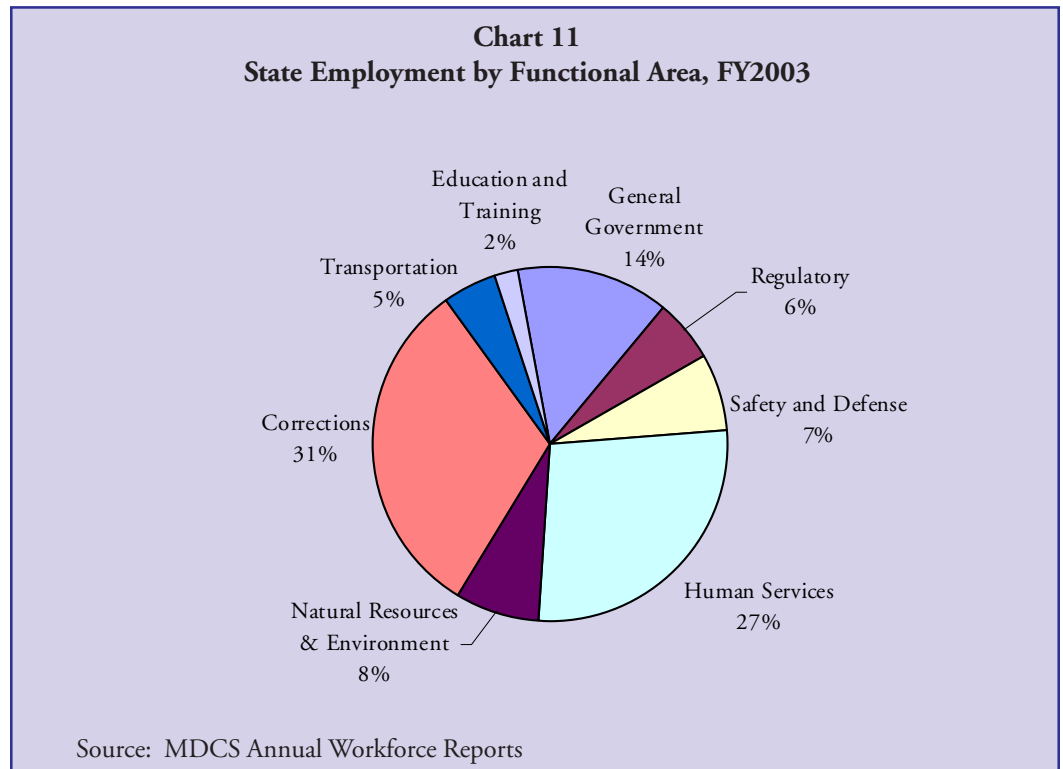
Education and Training-Career Development, Education

Corrections and Transportation are single departments

Between FY1966 and FY1980, the most significant change in the composition of the workforce was that transportation fell to 7 percent, leaving the top four employment areas as human services (49 percent), regulatory (12 percent), general government (11 percent), and corrections (7 percent).



Currently, the largest functional area of state government is corrections, comprising 31 percent of the workforce. This is followed by human services (27 percent), general government (14 percent), and regulatory functions and natural resources (6 and 8 percent, respectively). During the period from FY1979 to FY2002, the area of education and training fell from 3 percent of the workforce to 2 percent.

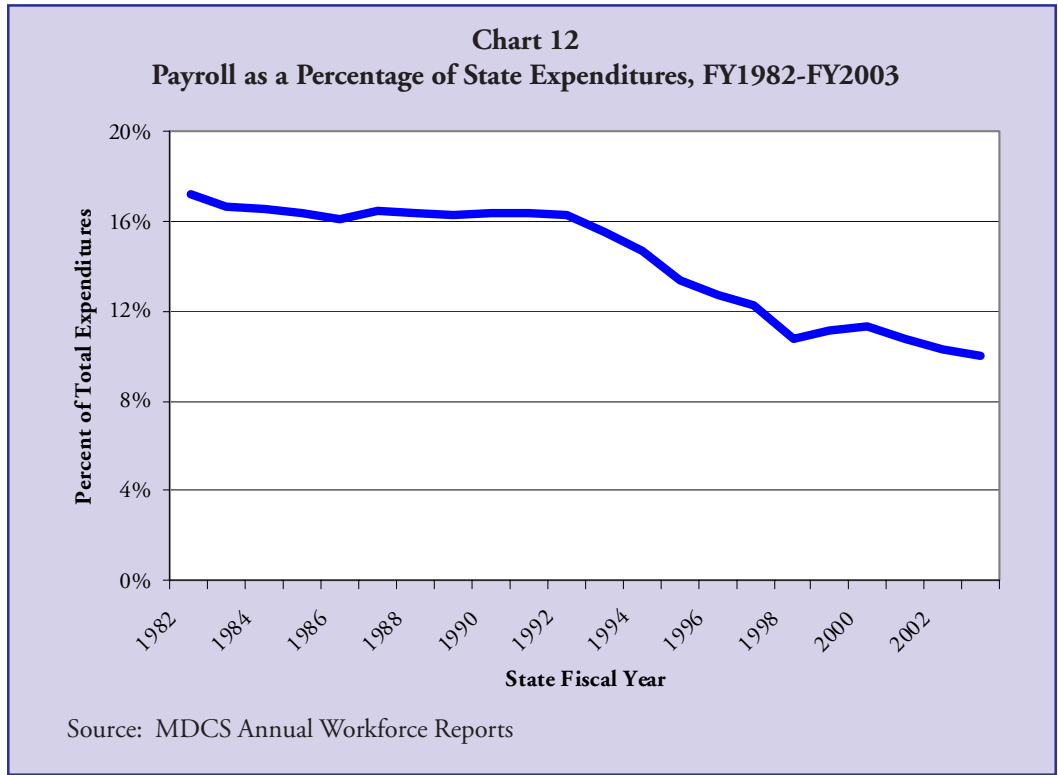


EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

Compensation as a Share of State Spending

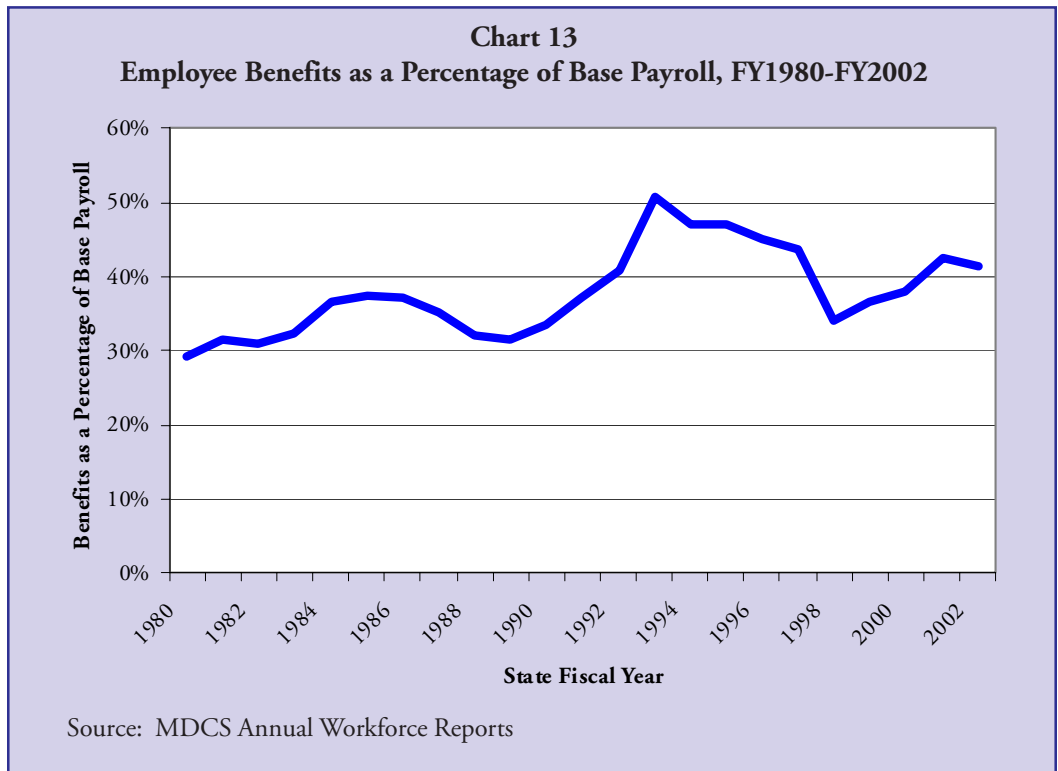
Since FY1977, state spending has increased more than five-fold, from near \$7 billion to almost \$38 billion in FY2003. Adjusted for inflation, using the Consumers Price Index for the Detroit area, the increase in inflation-adjusted terms is 80 percent. The amount of the state budget devoted to classified payroll has declined fairly consistently since FY1982, moving from nearly 17 percent to around 10 percent in FY2003. The current figure of just over 10 percent represents the lowest proportion of state expenditures devoted to employee compensation since consistent data have been

available. Prior to FY1982, state payroll figures did not capture all direct and indirect payroll expenditures and therefore are not strictly comparable to payroll expenditures following FY1982.

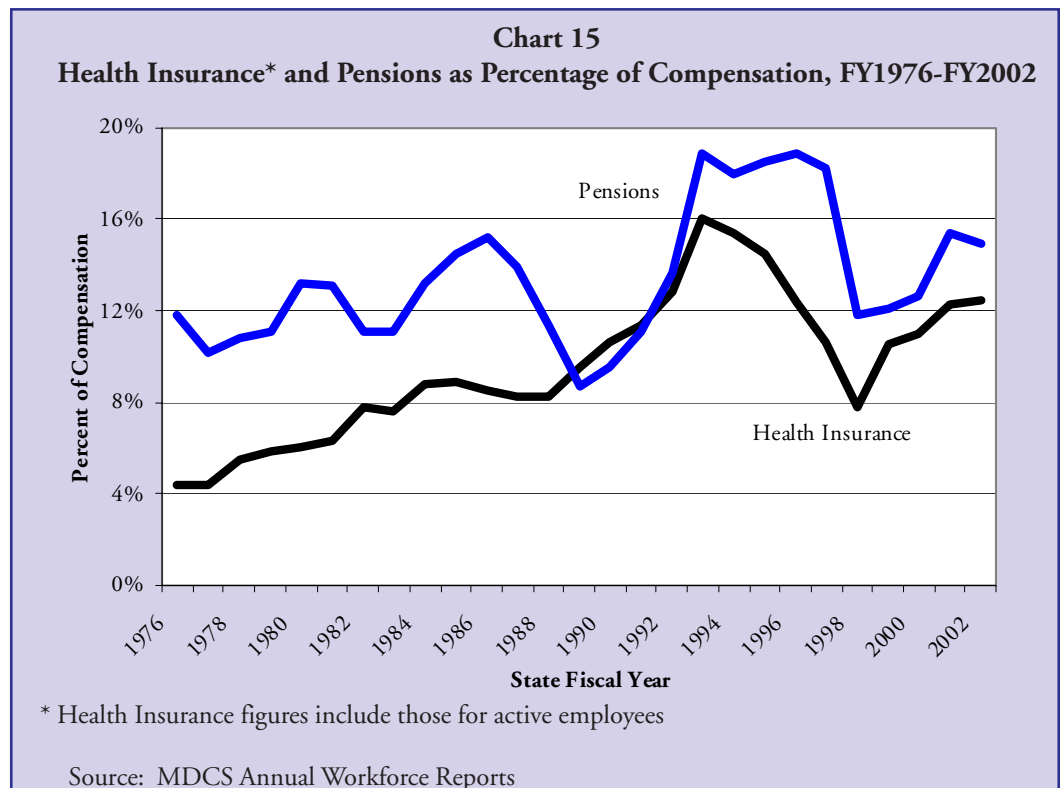
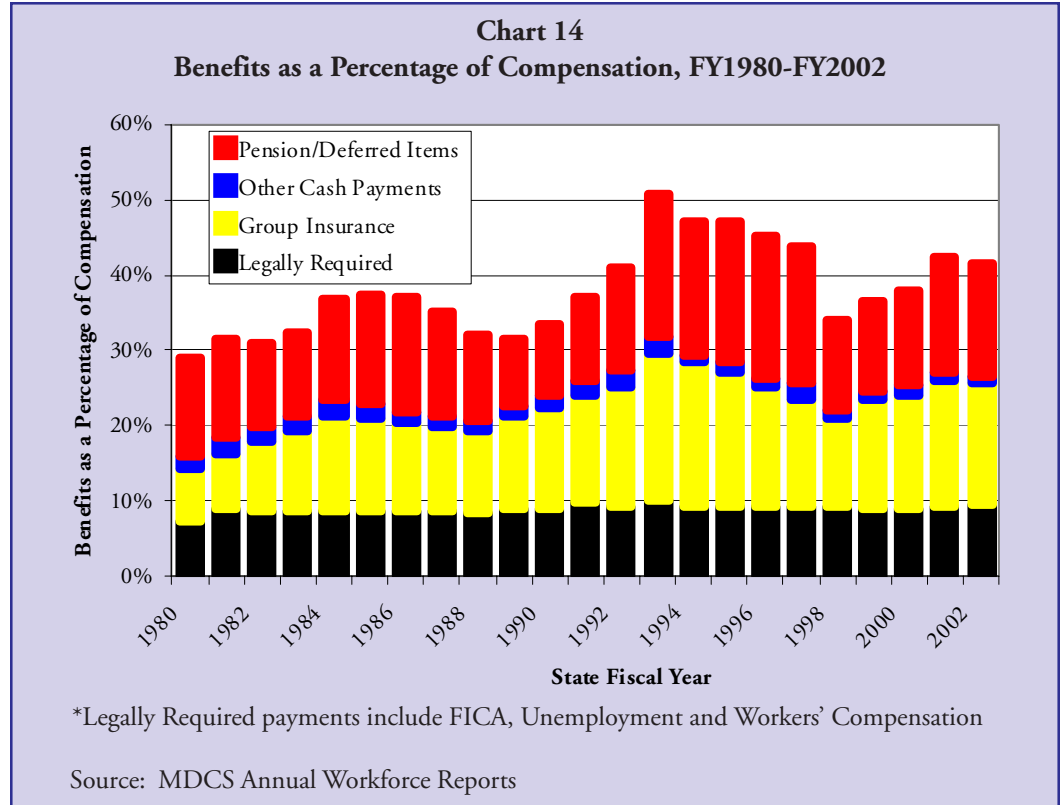


Fringe Benefit Trends

During the period of substantial increases in state expenditures and in direct payroll expenditures, the amount spent on benefits has ranged from 30 to 50 percent of base payroll, depending primarily on fluctuations in health insurance premium costs and retirement contribution rates. Fringe benefit payments include legally required payments, which consist of FICA, unemployment insurance, and worker's compensation. In addition, insur-



ance programs, such as health, dental, vision, and life insurance payments are included in this figure. Finally, cash payments, such as sick leave, longevity bonuses and professional development and pension plan payments for active employees are included under the category of fringe benefits. The large fluctuations in fringe benefit percentages reflect such factors as the use of reserves to delay group health insurance premium increases, the increased use of health maintenance organizations and other lower-cost health care providers, changes in actuarial methods resulting in changes in employer pension contribution rates and fluctuations in stock market gains and losses affecting the retirement portfolio.



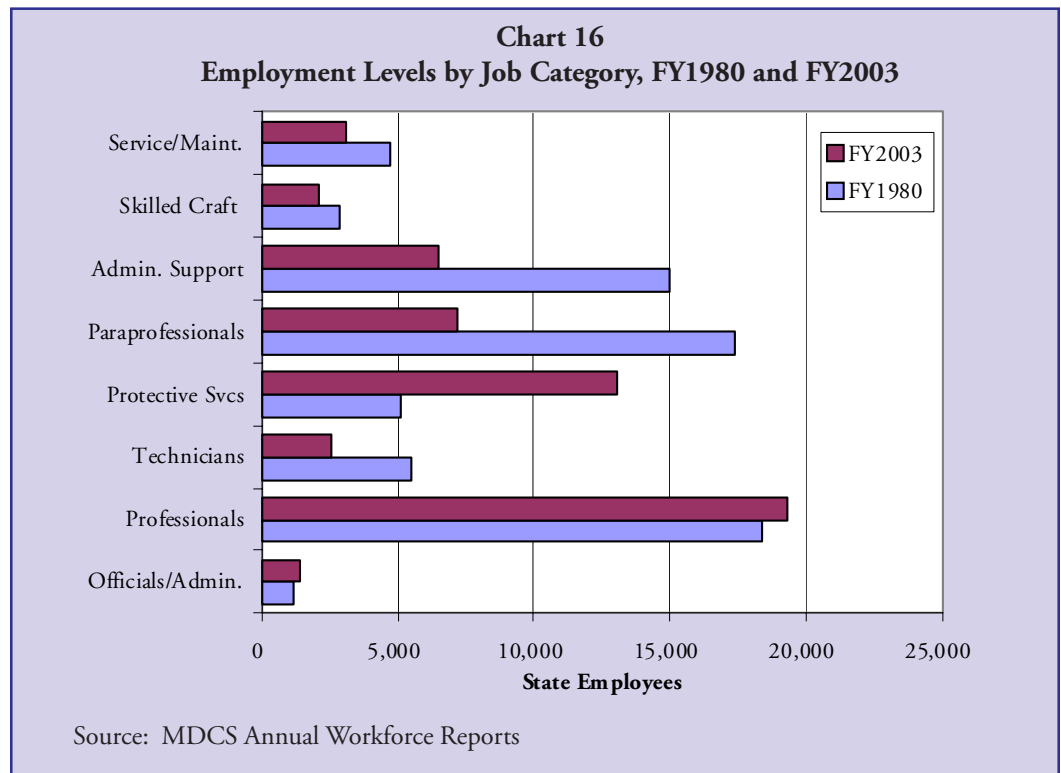
Changes in Characteristics of the State Workforce

The increase in state employment during the 1970s and 1980s and the more recent decline have brought about changes not only in the number of civil servants but also in the composition of the state workforce, as measured by the changing levels of employment across eight primary job categories used by the state. Despite fluctuations in type of employment, general trends emerge. Overall, the state workforce currently has a smaller percentage of women than in FY1980. However, the rapid rise in Corrections em-

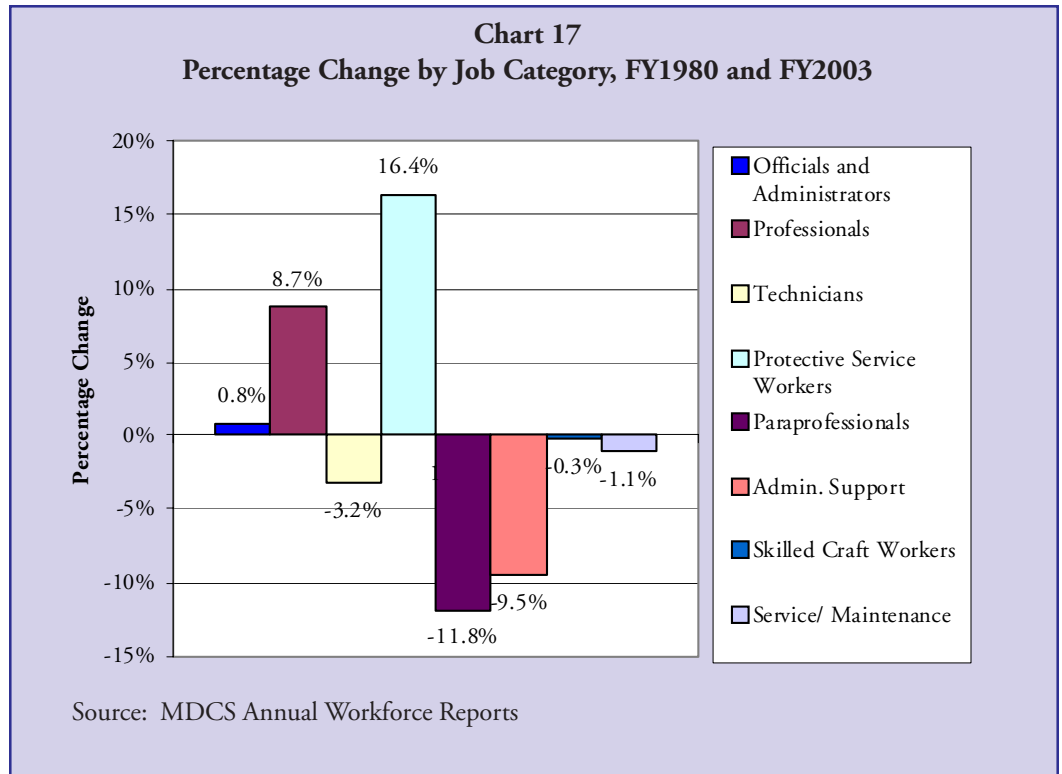
ployment has masked an increase in female staff in all other departments. In addition, the state workforce has become more diverse, and salary parity both between men and women and between white and non-white employees has steadily improved. Finally, union membership has not changed dramatically since FY1980, with approximately 70 percent of the state's employees belonging to an exclusively represented union.

Job Category

State employees fall into one of eight primary job categories closely aligned with federal Equal Employment Opportunity Commission (EEOC) guidelines. The eight categories are Officials and Administrators, Professionals, Technicians, Protective Service Workers, Paraprofessionals, Office and Clerical, Skilled Craft, and Service and Maintenance. Despite the overall decline in the size of the state workforce since FY1980, reductions have not been proportional across departments or across categories of workers. The largest increase was in Protective Service Workers, which is discussed in greater detail in the following section of this analysis. The largest declines were seen among Paraprofessionals, Office and Clerical staff and Technicians.



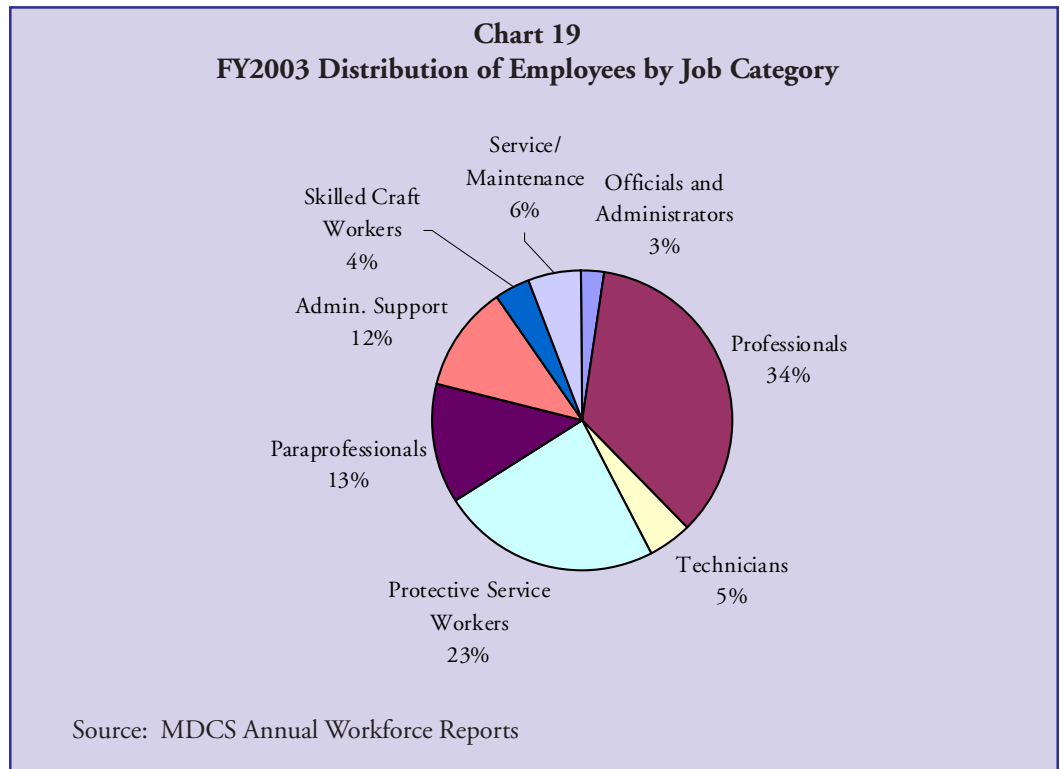
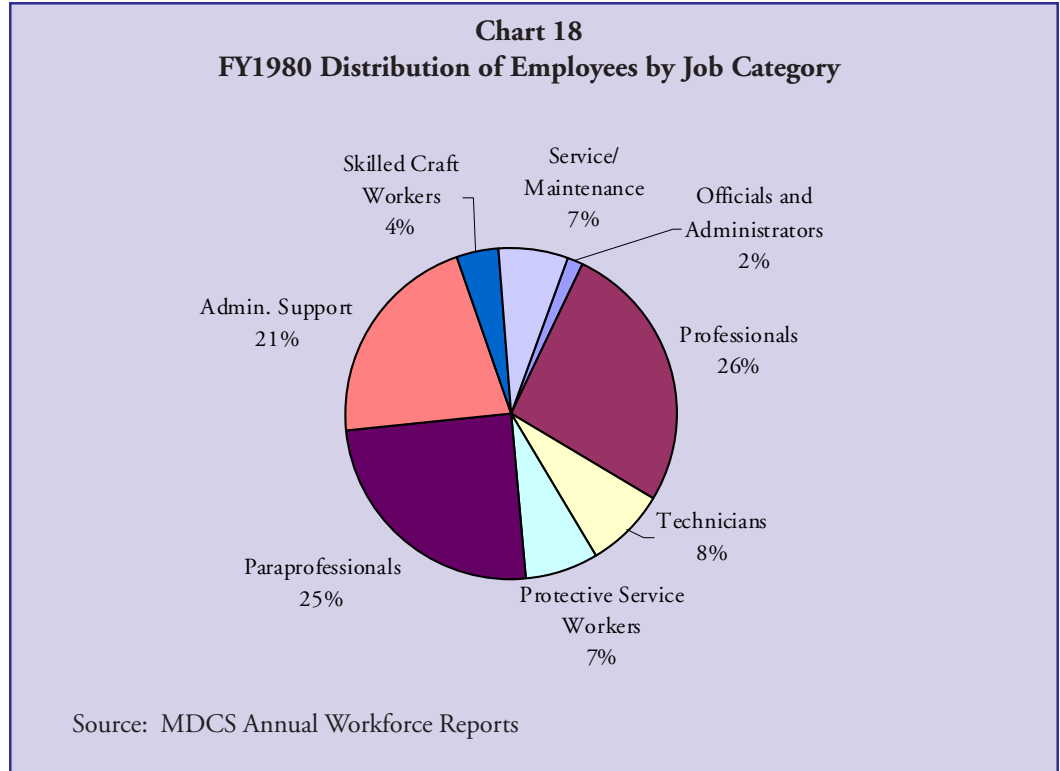
This change in composition may also be viewed in terms of overall percent change for the 8 primary job categories. Protective Service Workers went from 7 percent of the state workforce in FY1980 to 23 percent in FY2003. The categories of Officials and Administrators and Professionals also increased greatly. Professionals, which constituted 26 percent of the FY1980 workforce, now represent 35 percent. In addition, Officials and Administrators rose from 1.7 percent to 2.5 percent of the civil service. All other job categories experienced an overall decline between FY1980 and FY2003.



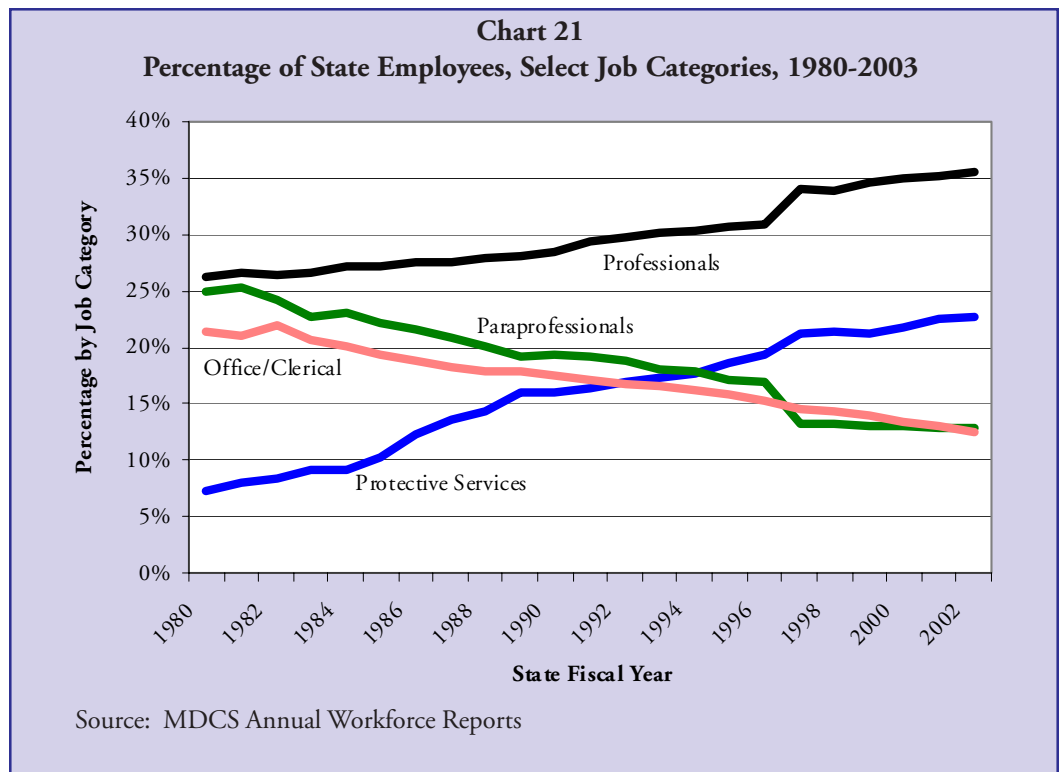
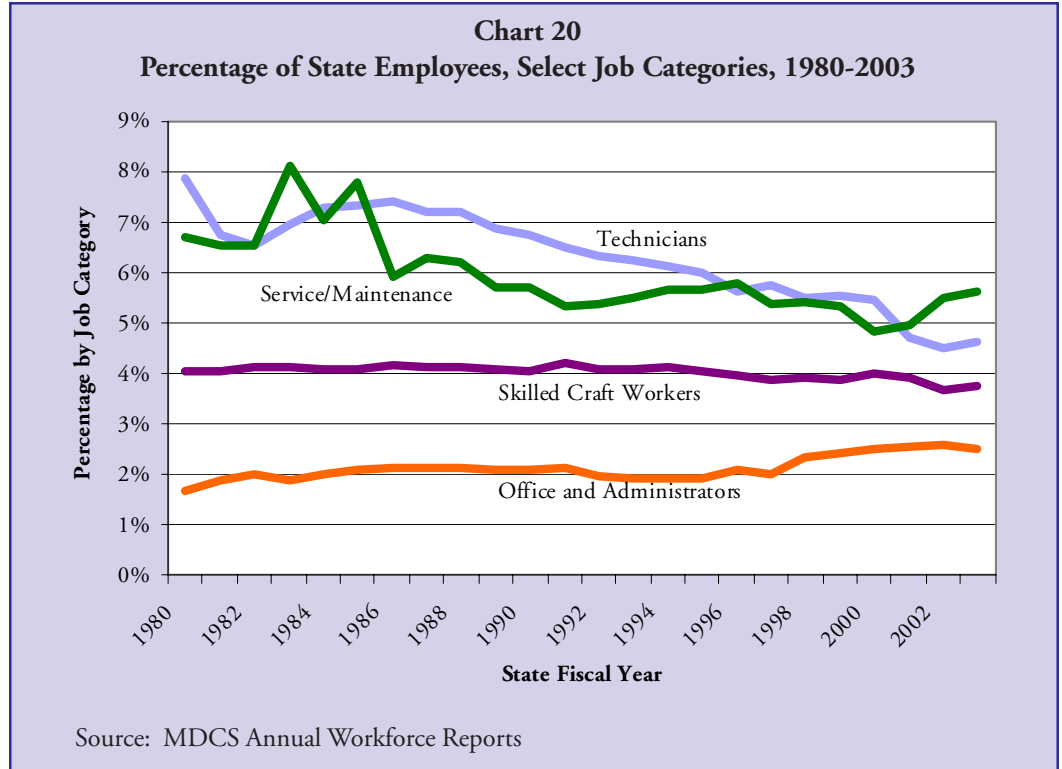
EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

In FY1980, the largest job categories were Professionals and Paraprofessionals, closely followed by Office and Clerical staff. In FY2003, the largest categories were Professionals and Protective Service Workers.

The four categories comprising the smallest portion of the workforce have not been immune to changes in the composition of state workers. Among these categories, the proportion of Skilled Craft Workers has remained relatively constant since FY1980, moving from 4 percent of the workforce to 3.8 percent. However, Technicians have fallen from 7.8 to 4.6 percent of the workforce and Service and Maintenance staff has decreased from 6.7 to 5.6 percent between FY1980 and FY2003. The category of Officials and Administrators, however, has increased from 1.7 percent of the workforce in FY1980 to 2.5 percent in FY2003.



The remaining 4 job categories, which constitute 83.5 percent of the FY2003 workforce, have undergone dramatic changes in the past two decades. The proportion of Paraprofessionals has dropped from 24.8 percent of the workforce in FY1980 to 13 percent in FY2003. In addition, Office and Clerical (Administrative Support) staff has declined to 11.8 percent of the workforce in FY2003, from 21.3 percent in FY1980. During the same interval, the proportion of Professionals rose from 26.3 to 35 percent.



EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

Protective Service Workers

The most dramatic shift in the classified workforce has been in the category of Protective Service Workers, which has increased from 7.3 percent in FY1980 to 23.7 percent in FY2003. The Protective Service Worker category includes not only public safety workers, such as state police officers and prison guards, but also detectives, harbor patrol officers, game and fish wardens, and park rangers. The bulk of the increase between FY1980 and FY2003 can be directly attributed to the expansion of the Department of Correc-

tions, which employed approximately 77 percent of the state's Protective Service Workers in FY2003. During the same year, the Michigan State Police and the Departments of Natural Resources and Community Health employed 13, 5 and 4 percent, respectively, of the Protective Services workers, respectively. Together, these four departments account for 99 percent of the state's employees in this category. As can be seen in the charts below, the administrative home of Protective Service Workers has shifted as well.

Chart 22a
Protective Service Workers, 1980
n=5,118

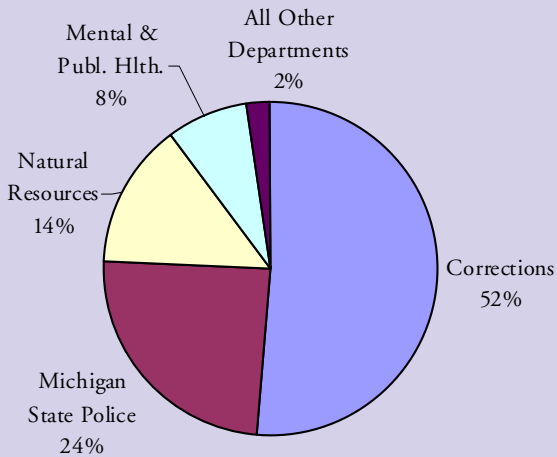
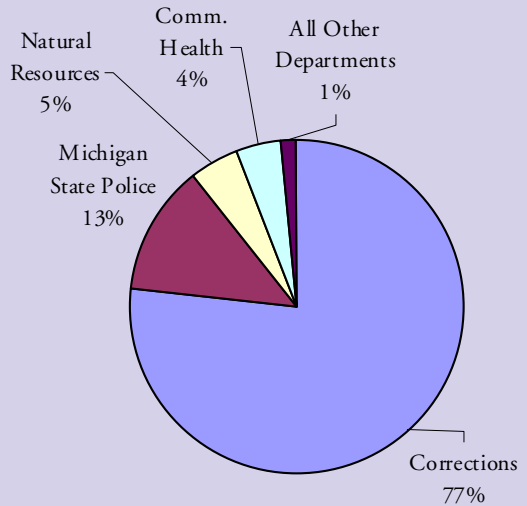
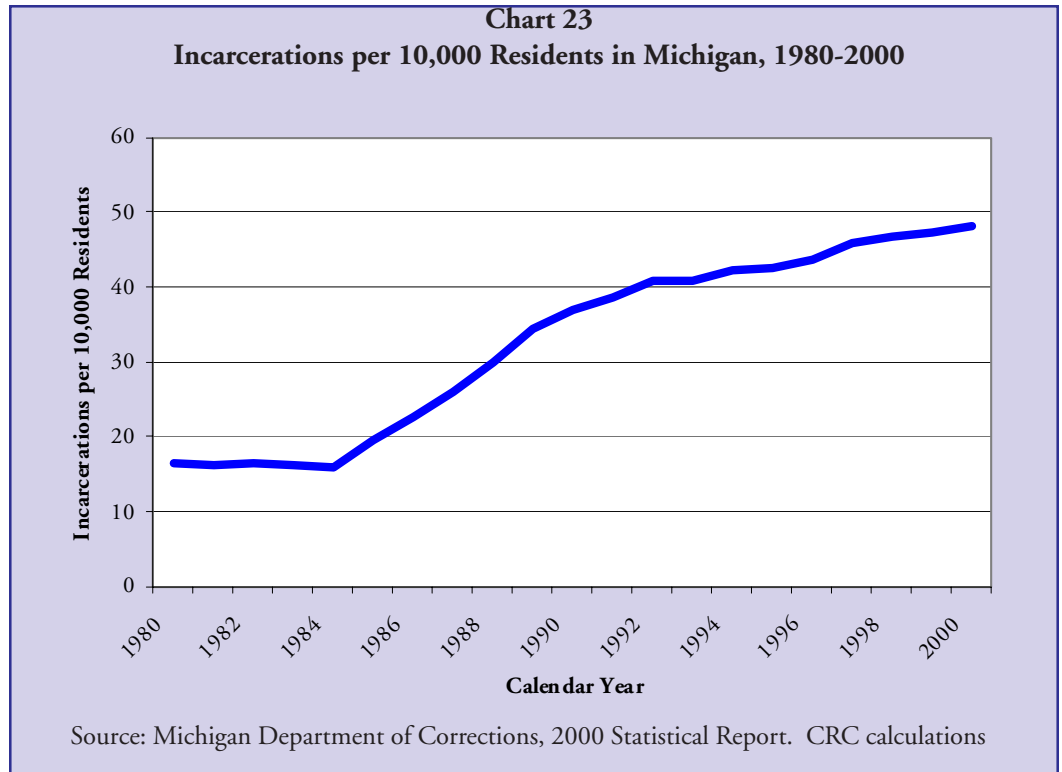


Chart 22b
Protective Service Workers, 2003
n=13,074



Source: MDCS Annual Workforce Reports

The striking increase in Protective Service Workers is directly correlated with the increase in Michigan's prison population. According to the U.S. Department of Justice's Bureau of Justice Statistics, violent crime in the United States has been declining since 1993. Mandatory sentencing laws for certain drug-related offenses and strict incarceration requirements for parole violators have contributed to a rising prison population in Michigan.



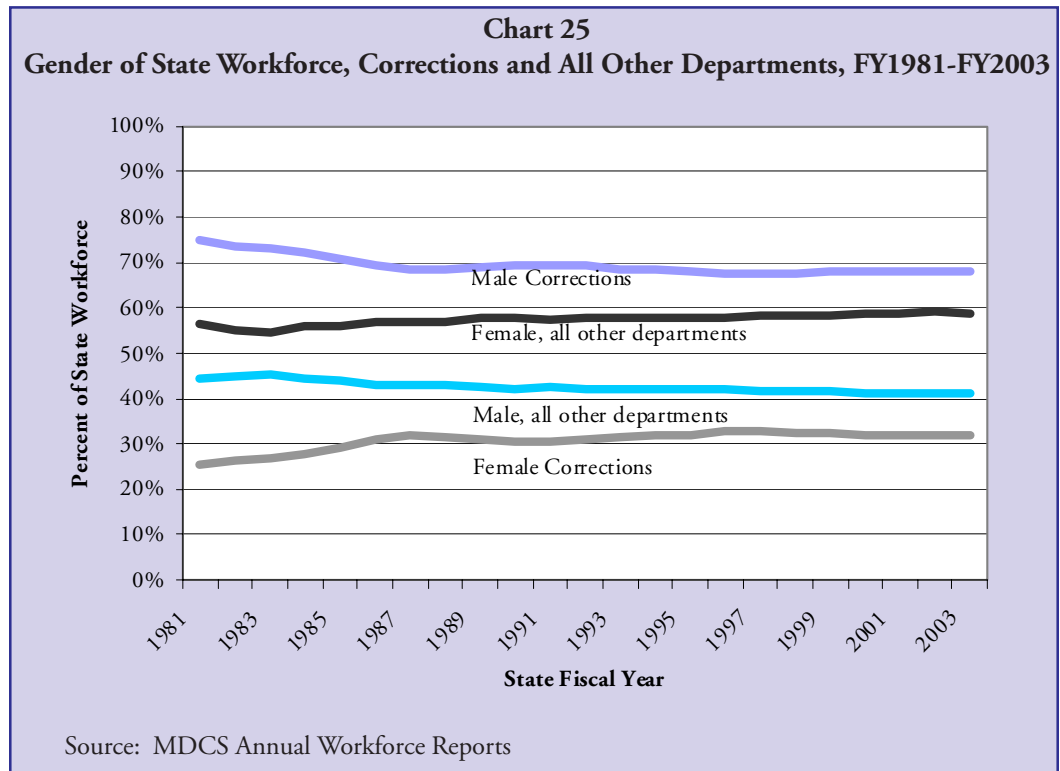
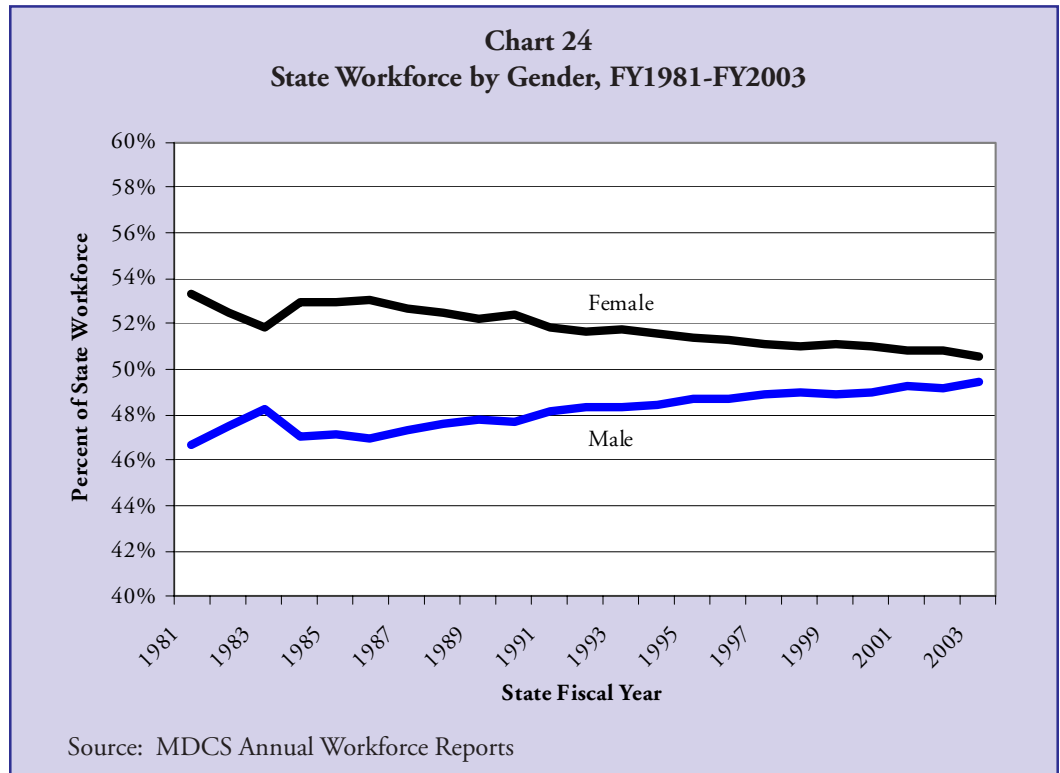
EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

Gender

From FY1980 to FY2003, the overall percentage of females in the state workforce has declined from 54 percent to less than 51 percent. As Corrections employment has increased dramatically during the past two decades, the proportion of males in state government has accordingly increased, from 46 to 49 percent. When Corrections positions are not included in this calculation, however, the proportion of females employed by the state rose from 56 percent in FY1980 to 59 percent in FY2003.

In addition, salary parity for female state employees has improved. In FY1977, the average female employee earned \$0.76 per dollar earned by a male employee. In FY2001, females earned an average of \$0.92 for every dollar earned by males.

Of the 8 primary job categories, two retained a relatively constant proportion of female employees between FY1980 and FY2003. Seventy-two percent of paraprofessional positions were filled by women in FY1980, rising to 74 percent in FY2003. Similarly, the Office/Clerical staff has remained overwhelmingly female, moving only slightly from 93.6 percent in FY1980 to 94.5 percent in FY2003. Aside from a modest decrease in the proportion of females in the Service/ Maintenance category, from 40 percent to 37 percent the proportion of women in every other job classification has increased. The most marked increases occurred in the Officials and Administrators category, rising from 9.5 percent female in FY1980 to almost 41 percent in FY2003.

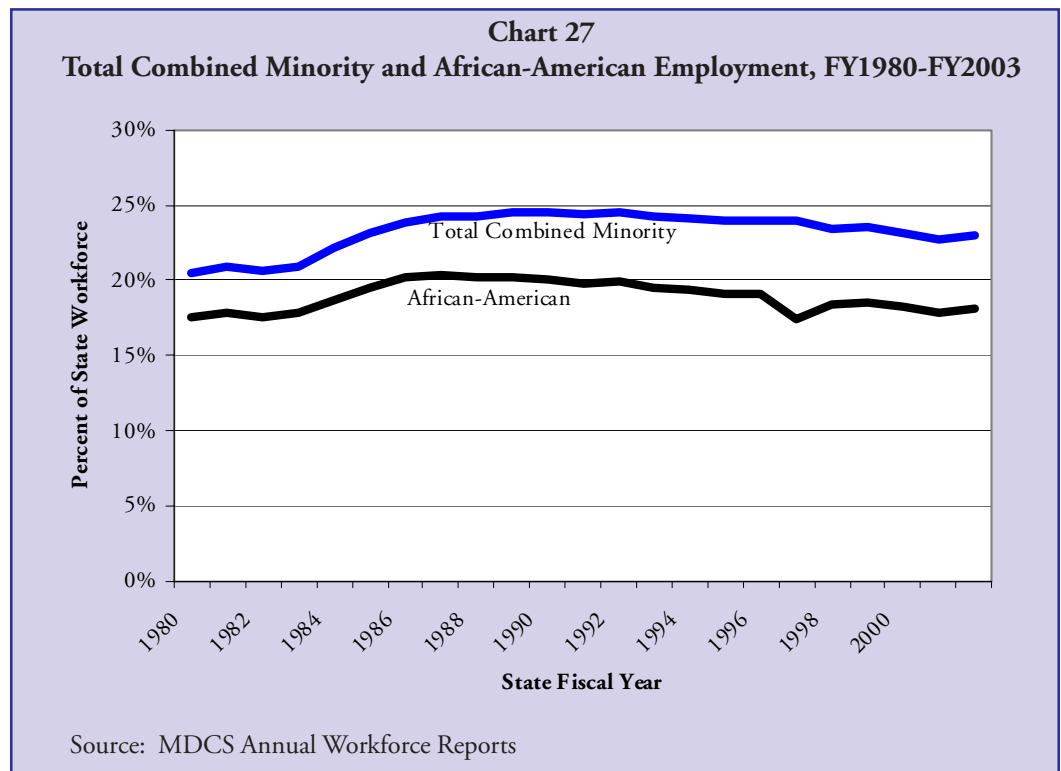
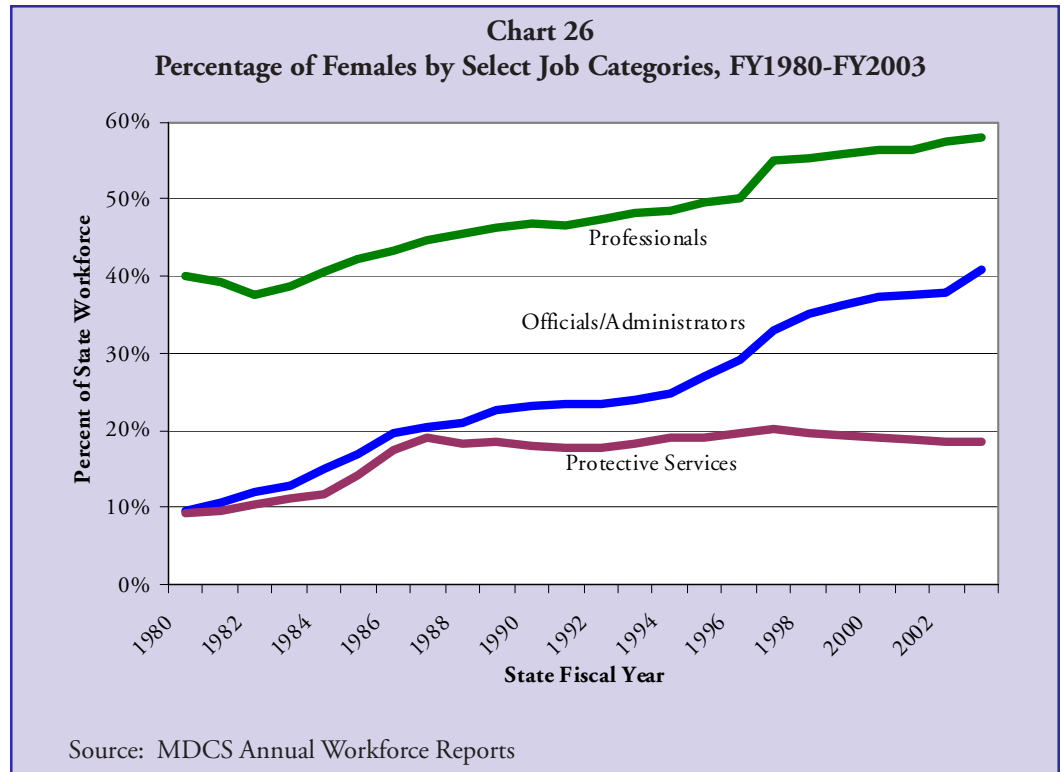


Ethnicity

In general, the workforce of Michigan's civil service has become more diverse, increasing from almost 21 percent minority in FY1980 to 23 percent in FY2003. The current level of 23 percent is lower than the high near 25 percent, reached in both FY1989 and FY1992.

The only area of state employment in which the proportion of minority employees has declined is that of Service/Maintenance, which moved from 25 percent minority in FY1980 to less than 18 percent in FY2003. Dramatic increases were seen among the category of Professionals, moving from 16 percent to almost 26 percent minority, and among Officials and Administrators, which increased from 14 percent to almost 19 percent. In addition, the Office and Clerical category increased from nearly 20 to 23 percent minority.

Salary parity for minority state employees has historically been relatively high. In FY1984, the average minority employee earned \$0.94 per dollar earned by a non-minority employee. In FY2001, combined minority employees earned \$0.99 for every dollar earned by white employees.



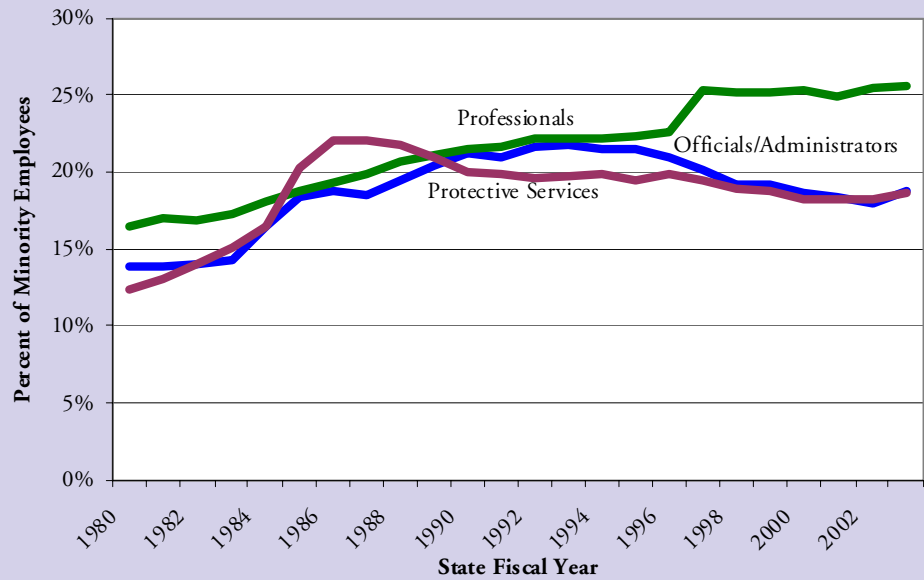
EMPLOYMENT TRENDS IN STATE GOVERNMENT, FY1966-FY2003

Union Membership

Overall, union membership has remained relatively unchanged since FY1980. The state workforce is represented by various unions which exclusively represent approximately three-fourths of the state workforce among ten union bargaining units. These are Administrative Support, Human Services, Human Services Support, Institutional, Labor and Trades, Safety and Regulatory, Scientific and Engineering, Security, State Police Enlisted and Technical. The remainder of the workforce falls into non-unionized categories, including Business and Administrative, Managerial, Supervisory, Non-Career and Confidential.

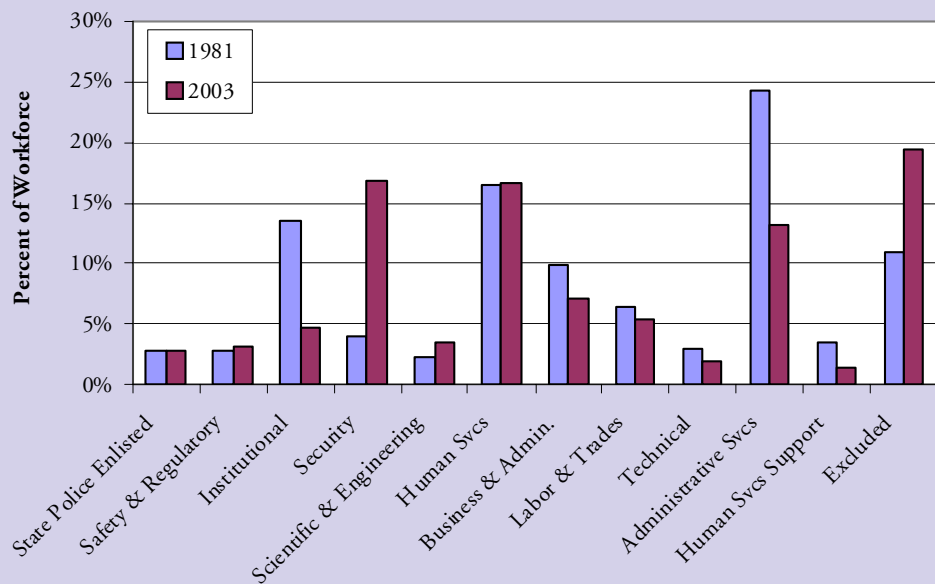
The composition of the various unions representing state employees has shifted in concert with the changes occurring in the state's personnel base since FY1980. The percentage of the workforce included in the bargaining unit of Security, to which Corrections officers belong, has increased from 4.2 percent of the state's workforce in FY1982 to 16.5 percent in FY2003, thus paralleling the rapid increase in the state's prison population. Employees falling under the Institutional bargaining unit title have decreased from 11.4 percent in FY1982 to 5 percent of the workforce in FY2003. The reduction in Institutional employees reflects the movement of mental health clients from a state-level institutional setting to group homes or regional care facilities.

Chart 28
Percentage of Minority Employees by Select Job Categories, FY1980-FY2003



Source: MDCS Annual Workforce Reports

Chart 29
Union Affiliation of State Workforce, FY1981 and FY2003



Source: MDCS Annual Workforce Reports

Future Trends and Issues

The state budget for FY2004 excluded any funding for the increased employee compensation costs arising from a three percent across-the-board pay raise, a higher employer contribution rate for pensions, and increased group insurance premiums, primarily health insurance. Concessions that reduced compensation costs were negotiated with employee unions to reduce the number hours each week an employee is paid and provide leave (vacation) time instead. Failure to achieve concessions would have likely resulted in a reduction in the workforce exceeding 3,000. Since the concessions expire after a year, the total compensation costs for

the workforce in FY2005 will increase by approximately six percent, reflecting the expiration of one-time savings from concessions. In addition, the third year of the contracts negotiated in 2002 calls for a four percent across the board increase for employees. Added to these increased costs will likely be higher health insurance premiums. Combining the expired concessions with the contracted increase yields an incremental year-to-year change in compensation costs exceeding ten percent. With the state's budget already under great stress, concessions will again be an issue as policy-makers work to balance the budget.

Conclusion

By virtually all measures, the state government workforce has changed significantly in its size and composition in the past several decades. The number of employees in major state programs has tracked such significant policy developments as the transfer of most public mental health programs to the community level, welfare reform, and lengthening years in prison for convicted felons. The composition

of the workforce has changed over the quarter of a century for which data are available. Most measures used to gauge equal employment opportunity efforts show improvement. The state's workforce consumes a smaller share of the total state budget currently than in any previous year for which comparable data are available.