

EXECUTIVE SUMMARY

At the request of the Speaker of the House, State Representative Andy Dillon, the House Fiscal Agency (HFA) compared wages and benefits of State of Michigan classified employees to wages and benefits for similar positions in the private sector.

Data sets used for wage and benefit comparisons included:

- 2007 Michigan Employee Compensation Survey conducted by O. William Rye & Co., LLC, Okemos, Michigan.
- 2007 American Community Survey, U.S. Census Bureau.
- Demographic Profile DP-2 Profiles of Selected Social Characteristics, DP2007-DP2014, Michigan Center for Geographic Information.
- Data provided by Michigan Civil Service Commission.
- 2006 Comparative Study of Major Public Employee Retirement Systems.
- 2008 National Study of Employers, financed by the Alfred P. Sloan Foundation and conducted by the Families at Work Institute.

The Michigan Employee Compensation Survey data set is smaller and more focused; approximately 10 percent of state jobs that represent approximately one-third of the state labor force are included in the survey. Although the American Community Survey data set is much more broad-based than that of the Michigan Employee Compensation Survey, the results of the surveys were remarkably similar.

The data in this report demonstrate the following:

- Michigan's workforce tends to be more highly educated than the private-sector workforce: 54.8 percent of the state workforce has earned a college degree compared to 26.9 percent of the private-sector workforce. (Table J)
- Michigan state employees who do not hold a college degree tend to be compensated somewhat better than private-sector employees. Over three-quarters of the state jobs listed in the Michigan Employee Compensation Survey as requiring only a high school diploma received higher compensation, on average, than similar jobs in the public or private sector. (Table I)
- Michigan state employees with college degrees tend to earn appreciably less than their counterparts in the private sector. (Table K)
- The difference in earnings between Michigan state employees and private-sector employees grows significantly as the level of educational attainment rises. Wage and

salary increases under the current contract—0.0 percent in the first year (FY 2008-09) and 1.0 percent in the second year (FY 2009-10)—are likely to exacerbate these differences. (Table B)

- Unlike the majority of private sector jobs, the majority of state classified civil service positions require a college degree. (Table H)
 - ◆ 74.3 percent of all state civil service positions require some college courses.
 - ◆ 51.4 percent of all state civil service positions require a college degree.
- Benefit information from the Michigan Employee Compensation Survey demonstrates that before employee concessions made in the 2007 contracts, state employees paid a lower portion of their health insurance premiums, on average, than workers in the private/public sector. Under the new contract, effective in FY 2008-09, the state employee portion of health care premiums will be higher than that paid, on average, by private/public sector employees in 2007. (Table D)
- Of private firms reporting retirement benefit data (Table F):
 - ◆ 56.3 percent offered defined contribution retirement plans only.
 - ◆ 29.4 percent offered defined benefit retirement plans only.
 - ◆ 9.5 percent offered both defined contribution and defined benefit plans.
 - ◆ 4.8 percent offered no retirement plan.
- The 2008 National Study of Employers found the following trends in retirement benefits offered by private employers (Table G):
 - ◆ In 1998, 48 percent of employers provided defined benefit plans, while 90 percent provided defined contribution plans.
 - ◆ By 2008, the number of employers providing defined benefit plans had declined to 29 percent, while employers offering defined contribution plans remained constant at 90 percent.
- In comparison with retirement plans of all other states, the defined benefit retirement plan for state employees in Michigan uses the second lowest multiplier—1.5 percent—for calculating retirement compensation. (Page 19)
- Michigan is one of only two states that has a mandatory defined contribution retirement system for its new employees. Data from the Office of Retirement Services indicate that since Michigan moved to a mandatory defined contribution retirement plan for all employees hired after March 1997, the state has saved an estimated \$143 million.

This publication begins with a description of Michigan's classified civil service system, and describes the process for negotiating compensation increases and setting compensation levels and benefits for Michigan Civil Service Employees. Descriptions of the Michigan Employee Compensation Survey and the American Community Survey are provided, along with descriptions of recent employee contract changes and concessions and tables compiled from survey data sets. Additional data are provided in the appendices; complete data sets are available upon request.