
EXECUTIVE SUMMARY

Times are tight. Lawmakers have settled on a budget with cuts to schools, public safety, roads and other public services that will deeply impact Michigan communities. But other important issues have been substantially overlooked.

As front-line workers with ultimate insider knowledge, we have identified innovative solutions that could save the state tens of millions of dollars in agency spending without diminishing services or lowering standards.

- Prioritize front-line service delivery by reducing management
- Pursue better value from contractors, consultants and agency staff
- Deliver better customer service through collaboration between agency leaders and front-line employees

Prioritize front-line service delivery by reducing management

Michigan has cut its workforce dramatically in recent years, but remains top heavy. Information provided by the Civil Service Commission shows the state classified workforce has a **basic staff-to-management ratio of 5.87 to 1**, meaning there are fewer than six nonsupervisory staff for every manager and/or supervisor.

Other states have begun to look more closely at directing scarce human resources to customer services rather than multiple layers of management. Texas and Iowa, with broad bipartisan support, have instituted policies setting ratios at 11:1 and 14:1, respectively, closer to private sector “span of control” norms. Iowa is seeking to increase its ratio to 20:1 by 2016.

Although the fiscal impact of changing the staffing mix is difficult to measure, a preliminary analysis for Michigan, which has nearly 1,300 unfilled managerial positions, suggests that improving the ratio by one (from 5.87:1 to 6.87:1) could save the state approximately \$75 million annually in compensation costs (not including benefits). Over the long term, moving toward an 11:1 target could save hundreds of millions of dollars in annual spending. We found little evidence the state is even aware of this problem or making efforts to fix it.

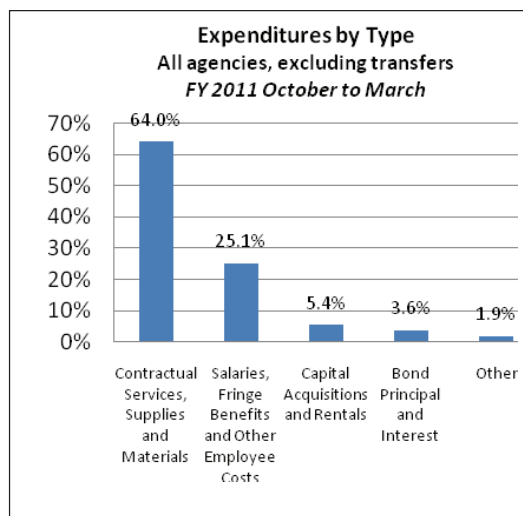
Recommendation: Michigan should begin a long term effort to improve its worker to management ratio, beginning with a one staff per manager increase in FY 2012.

Pursue better value from contractors, consultants and agency staff

Information newly available on the Michigan Transparency website (www.michigan.gov/spending) sheds new light on how state agencies are using available funding. Year-to-date information for FY 2011 shows that 64 percent of executive branch spending is on contractors and 25 percent is on compensation for state workers. Although the state has sharply reduced its workforce and raised employee contributions to benefit plans, it has done

little to lessen its dependence on third-party contractors. Every major agency expends tens of millions of dollars per annum on purchased services, often from out of state firms.

As the state looks to maximize value for taxpayers, it clearly cannot ignore its largest spending category, the purchase of contractual services and supplies. In some cases, contracts can be renegotiated or terminated. In other cases, state employees can successfully provide services at a lower cost than now spent on contractors. As the agencies begin to realign resources toward service delivery, they should seek to become more self-reliant, while also pursuing better value from private sector partnership with Michigan firms.



Recommendations: Curtail spending on contracted services by 10 percent in FY 2012, for a savings of more than \$100 million. Enact Public Service Accountability Act.

Deliver better customer service through collaboration between agency leaders and front-line employees

Michigan has begun a new era of transparency and performance-mindedness but has yet to truly modernize and streamline how its agencies function. A growing literature on best practices in state government, which features top-to-bottom collaboration for performance improvement, can help inform Michigan's approach to modernization.

Front-line workers are essential partners because they know the impediments to their own productivity, can help identify waste, and best understand the customer experience. When front-line workers feel ownership and authorship of their outcomes, they will lead the change. Groundbreaking reforms in other states have shown that strong collaborations with front-line workers can have spectacular success.

Recommendation: Involve agency personnel at all levels in serious, collaborative, outcomes-oriented performance improvement strategies, starting with agencies most in need of service improvement.