

# PURE MICHIGAN WASTE

REVISITING STRATEGIES FROM FRONTLINE EMPLOYEES TO  
MAKE STATE AGENCIES LEANER AND MORE COST EFFECTIVE

OCTOBER 2013

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## COALITION OF STATE EMPLOYEE UNIONS



Council 25



Local 517M



Local 526M



MSEA/Local 5



Local 6000

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# INTRODUCTION

Two years ago the Coalition of State Employees Unions released a report called *New Solutions for Michigan*.<sup>1</sup>

The report was a collaborative effort by the American Federation of State, County and Municipal Employees Council 25; the United Auto Workers Local 6000; the Service Employees International Union Local 517M; the Michigan Corrections Organization SEIU Local 526M; and the Michigan State Employees Association. Our labor unions represent close to 35,000 state workers who work together for the benefit of the people of Michigan.

Our goal is to strengthen the state of Michigan and its communities by providing a sustainable network of efficient and high quality public services. In the *New Solutions* report we recommended:

- **Prioritizing frontline service delivery by reducing middle management**
- **Pursing better value from contractors and consultants**
- **Improving customer service through collaboration between management and staff**

In this update we revisit these subjects and whether the state has taken advantage of the ideas of frontline employees and the commitment from our unions to build a better state. Although in large part our new findings are disappointing, our resolve to better serve the people of this state remains.

We revisit our *New Solutions* recommendations, and chart potential next steps.

# PRIORITIZE FRONTLINE SERVICE DELIVERY BY REDUCING MANAGEMENT

## Review of *New Solutions for Michigan*

In our original *New Solutions* report, we found the state of Michigan workforce to be top-heavy. Like most large governments, the state had accrued multiple layers of managerial and supervisory personnel and had relatively lower levels of service delivery personnel. Overall, the state classified workforce had a **basic staff-to-management ratio of 5.87 to 1**, meaning there were fewer than six non-supervisory staff for every manager or supervisor in April 2011. We recommended making a long term commitment to improve the worker-to-management ratio and to direct more resources to customer service by reducing management.

## Update: We're Moving Backwards

As of March 2013, **the basic staff-to-management ratio has decreased to 5.53 to 1**. Thus, managers are now responsible for supervising even fewer staff. The change from 5.87 staff per manager to 5.53 staff per manager is a drop of 6.1 percent.

The problem comes plainly into view when the numbers of staff and management are considered separately. The total number of state employees has increased modestly since *New Solutions*, from 48,080 to 48,630. However, almost all of the increase was in the employment of managers and supervisors. Classified staff increased 0.3 percent but managers went up 6.3 percent. While performance minded organizations in both the public and private sectors were continuing to strive for leaner and flatter operations, Michigan was getting even more top heavy.

Employment growth	
2011 to 2013	
Staff	0.3%
Managers	6.3%

## Staff-Management Summary

	All employees	Staff	Managers	Staff/Mgmt ratio (NSM)*	Staff/Mgmt ratio (CSC)**
April 2011	48,080	41,081	6,999	5.87	6.87
March 2013	48,640	41,197	7,443	5.53	6.53
Change	1.2%	0.3%	6.3%	-6.1%	-5.1%

\*The simple staff: management ratio used in *New Solutions* (staff/management).

\*\*The ratio used by the Civil Service Commission ratio, ((all employees-1)/management).

Source: The key information is in the Civil Service Commission bi-weekly workforce reports, referring to filled positions only. The current analysis is based on the March 2 (2013) report compared to the *New Solutions* baseline (16 April 2011).

The full review is based on statewide data provided regularly by Civil Service Commission Workforce Reports.<sup>2</sup> We use the Commission’s standard definitions, classifying “managerial” (Y98) “supervisory” (Y51) positions as management, and other positions as staff.

Consideration of individual agencies shows where the growth was most uneven. The chart below shows the number of staff, managers, and staff-management ratios in each agency, along with the changes since 2011.

The Department of Natural Resources, for example, cut its workforce nearly in half between 2011 and 2013, from 2,872 to 1,551. But nearly all of the cuts were in frontline staff; management was barely touched – just 96 out of 1,321 cuts. As a result, the staff-management ratio in Natural Resources dropped 2.09 from 6.48 to 4.39. The data also show that the Department of Transportation added 96 workers but nearly as many were managers as staff (46 compared to 50) so the staff-management ratio declined from 5.6 to 5.14.

**STATE OF MICHIGAN 3/2013  
BARGAINING UNIT ANALYSIS BY DEPARTMENT  
Pay End Date: March 02, 2013  
Managers: Y98 (Managerial) and Y51 (supervisory) ONLY**

Department	Employees	Staff	Mgrs	EEs change since 2011	Staff change since 2011	Mgrs change since 2011	NS S/M ratio*	Ratio change since NS1
AGRICULTURE AND RURAL DVLPMNT	408	342	66	20	18	2	5.18	0.12
ATTORNEY GENERAL	480	191	289	57	27	30	0.66	0.03
AUDITOR GENERAL	147	82	65	-	(1)	1	1.26	-0.04
CIVIL RIGHTS	93	74	19	8	6	2	3.89	-0.11
CIVIL SERVICE COMMISSION	434	372	62	21	22	(1)	6.00	0.44
COMMUNITY HEALTH	3,147	2,589	558	(171)	(165)	(6)	4.64	-0.24
CORRECTIONS	13,325	11,551	1,774	(1,027)	(822)	(205)	6.51	0.26
EDUCATION	522	445	77	73	67	6	5.78	0.46
ENVIRONMENTAL QUALITY	1,106	954	152	(2,656)	(2,303)	(353)	6.28	-0.17
EXECUTIVE OFFICE	52	50	2	11	9	2	25.00	
HUMAN SERVICES	11,776	10,127	1,649	1,676	1,261	415	6.14	<b>-1.04</b>
LICENSING AND REGULATORY AFF	3,035	2,570	465	3,035	2,570	465	5.53	5.53
MILITARY & VETERAN AFFAIRS	881	763	118	(63)	(55)	(8)	6.47	-0.02
NATURAL	1,551						4.39	<b>-2.09</b>

<b>RESOURCES</b>		1,263	288	(1,321)	(1,225)	(96)		
<b>STATE</b>	1,465	1,189	276	88	90	(2)	4.31	0.58
<b>STATE POLICE</b>	2,490	2,183	307	123	117	6	7.11	0.25
<b>STRATEGIC FUND</b>	692	570	122	562	467	95	4.67	0.86
<b>TECHNOLOGY, MANAGEMENT &amp; BUDGET</b>	2,641	2,227	414	215	163	52	5.38	<b>-0.32</b>
<b>TRANSPORTATION</b>	2,763	2,313	450	96	50	46	5.14	<b>-0.46</b>
<b>TREASURY</b>	1,632	1,342	290	(187)	(180)	(7)	4.63	<b>-0.49</b>
<b>Grand Total:</b>	48,640	41,197	7,443	560	116	444	5.53	<b>-0.34</b>

### Reply to Critics

After publication of *New Solutions*, the Civil Service Commission criticized our methodology for determining the staff-management ratio. In *New Solutions*, we defined the staff-management ratio as the quotient of *staff divided by management*. This methodology is routinely used by governments at the state, federal and local levels.<sup>3</sup> The Civil Service Commission, however, prefers a slightly more complicated, but also valid formula, *all employees (staff + management – director) divided by management*. For consistency we stayed with the original methodology, though we record both in the chart on the previous page.

The Civil Service Commission also cited ratios from other states, suggesting the state’s staffing mix was within expected ranges. We continue to call for a human capital strategy that is not based on the study of Ohio, Indiana, or other similar employers. We believe that major governments, including Michigan, are slow to respond to larger trends in the American workplace, that this is a chronic and widespread problem in the public sector, and that we ought to emulate cutting edge practices rather than other states.

The Michigan Association of State Employees in Management (ASEM) also criticized *New Solutions*. ASEM’s critique, however, was in large part based on our consideration of the state’s confidential employees, a large cohort of state workers. ASEM was concerned that we had inflated the management totals by treating confidential employees as managers. We did not. (We included only “managers” (Y98) and “supervisors” (Y51) in the numerator of our equation.)

**STATE OF MICHIGAN**

Staff-management ratio = (Y23+Y99+Y52+Y50) + Exclusively represented / (Y51+Y98) = 5.53

**BARGAINING UNIT ANALYSIS BY DEPARTMENT**

**Pay End Date: March 02, 2013**

Department	No. of Employees	Total Exclusively Represented	Total Non-Exclusively Represented	Non-Exclusively Represented						
				Y23 Business & Administrative	Y99 Confidential	Y52 Non-Career	Y00/Y50 Pending Assignment	Y51 Supervisory	Y98 Managerial	
AGRICULTURE AND RURAL DVLPMNT	79	408	308	100	23	10	1	0	48	18
ATTORNEY GENERAL	11	480	110	370	30	51	0	0	8	281
AUDITOR GENERAL	3	147	4	143	0	70	8	0	33	32
CIVIL RIGHTS	15	93	55	38	1	18	0	0	9	10
CIVIL SERVICE COMMISSION	19	434	0	434	5	367	0	0	10	52
COMMUNITY HEALTH	39	3,147	2,050	1,097	454	79	6	0	383	175
CORRECTIONS	47	13,325	11,255	2,070	179	116	1	0	1,621	153
EDUCATION	31	522	283	239	129	31	0	2	50	27
ENVIRONMENTAL QUALITY	76	1,106	877	229	50	20	7	0	121	31
EXECUTIVE OFFICE	1	52	0	52	0	50	0	0	0	2
HUMAN SERVICES	43	11,776	9,317	2,459	584	226	0	0	1,447	202
LICENSING AND REGULATORY AFF	64	3,035	1,786	1,249	658	96	29	1	276	189
MILITARY & VETERAN AFFAIRS	51	881	733	148	21	9	0	0	106	12
NATURAL RESOURCES	75	1,551	1,143	408	81	27	12	0	229	59
STATE	23	1,465	988	477	128	53	20	0	234	42
STATE POLICE	55	2,490	2,000	490	143	35	4	1	260	47
STRATEGIC FUND	7	692	209	483	295	40	26	0	58	64
TECHNOLOGY, MANAGEMENT & BUDGET	7	2,641	691	1,950	1,331	160	45	0	223	191
TRANSPORTATION	59	2,763	1,996	767	207	98	12	0	366	84
TREASURY	27	1,632	595	1,037	685	51	10	1	173	117
<b>Grand Total:</b>		<b>48,640</b>	<b>34,400</b>	<b>14,240</b>	<b>5,004</b>	<b>1,607</b>	<b>181</b>	<b>5</b>	<b>5,655</b>	<b>1,788</b>

# PURSUE BETTER VALUE FROM CONTRACTORS, CONSULTANTS AND AGENCY STAFF

## Review of *New Solutions for Michigan*

Our *New Solutions* report challenged two myths regarding private contracts and consultants. First, we showed that state worker salaries and benefits are only a small fraction of overall state expenditures. Indeed, only 10 percent of the total state budget went to employee compensation, while fully 26 percent went to contractors. We contended that a budget can't be balanced with staff cuts alone; that it was necessary to economize in contracting.

Second we challenged the myth that contractors do the work better or cheaper than public employees. We showed that the state often pays contractors more money to do exactly the same work. Indeed, the era of budget tightening leads agencies to reduce staff – and then hire contractors to do the same work at higher cost. Such habits need to be re-examined – especially since so much money goes to out-of-state corporations. In *New Solutions*, we demonstrated that 30 percent of Michigan contracts over \$10 million were with out-of-state businesses.

## Update: It's getting worse

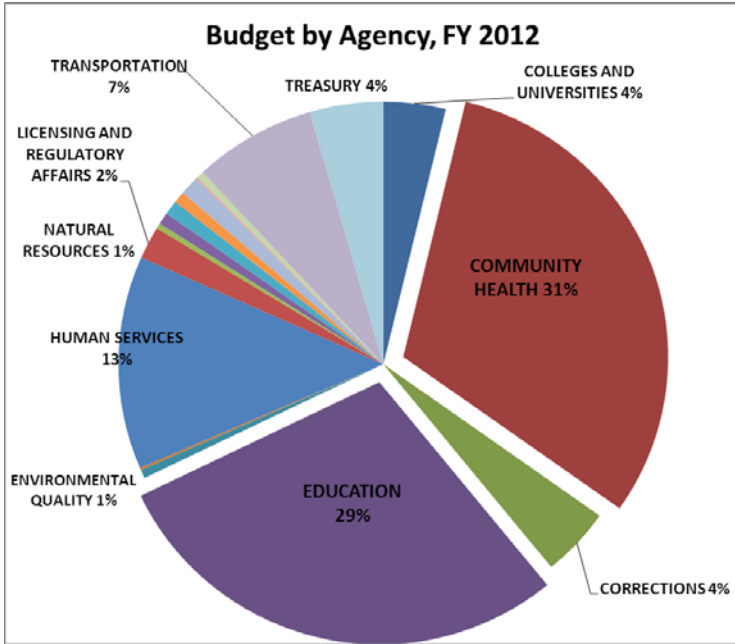
Contracting as a percent of state spending has been trending upwards. Since 2010, the share of the state budget spent on contracts increased from 25.1 percent to 26.4 percent.<sup>4</sup>

	Contracts as % of whole budget	Contract spending in whole budget	Whole budget
<b>2010</b>	25.1%	\$ 11,340,763,564	\$ 45,207,253,890
<b>2011</b>	25.9%	\$ 11,947,401,835	\$ 46,179,808,259
<b>2012</b>	26.4%	\$ 11,867,319,502	\$ 44,996,681,572

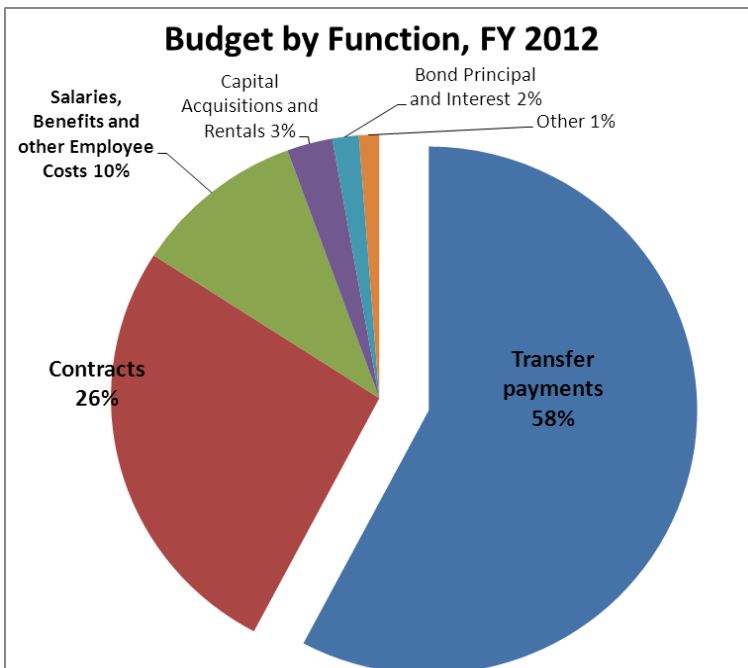
## How it's Measured

To see how much money is spent on contracting, it is necessary to review the traditional understanding of budgets. Usually people view state spending by agencies, like the pie chart below. This view shows that K-12 education is a large part of the state budget (29%) while health is another large part (31%). The traditional view is useful, and we don't mean to discount it.





To the traditional view, we add a different one. *New Solutions* slices the budget pie by function not by agency.<sup>5</sup> This view re-orders traditional data to show how much state money is spent on contracts, capital, staff or other functions *across* agencies. Seen this way, state spending looks quite different. First, it leaps out that more than half (58%) of state spending isn't even spent by the state; it is transferred through the state to towns, municipalities or other entities for their own purposes. Of the money the state spends itself, it becomes clear that by far the largest category (26%) is for contractors. Only 10 percent is spent on state employees, including salary, healthcare and other benefits.

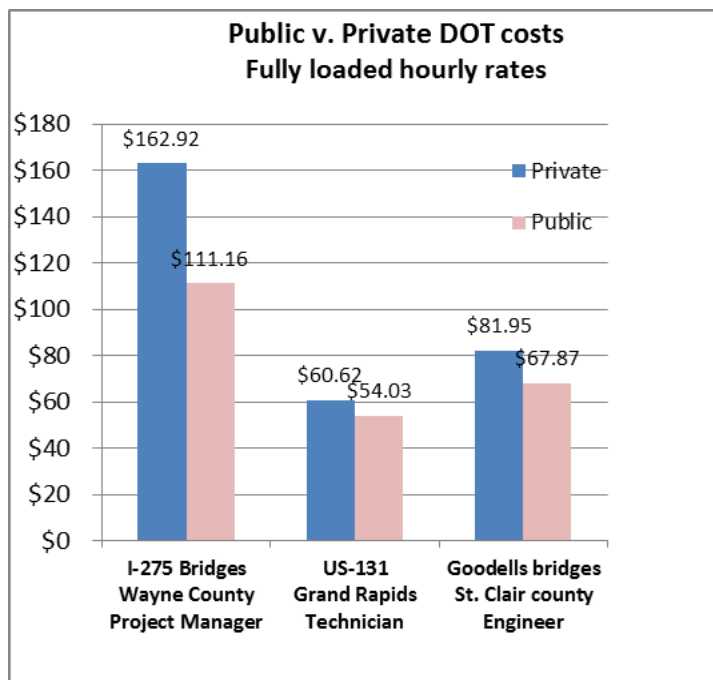


### New example: Transportation contracts

The 2011 *New Solutions* report pointed to Information Technology and Transportation as places where a great deal of money was spent on contractors with insufficient public return. We pointed to contract bridge inspectors hired by the Department of Transportation that cost between \$86.79 per hour and \$122.70 per hour, including profits, administrative overhead and all other costs. In contrast, state DOT employee inspectors cost on average \$54.04 per hour, including overhead costs and full benefits.<sup>6</sup> The state employees and contractors often work side by side, performing similar roles on the same projects – but at unequal cost. This practice makes little sense, especially for a function such as bridge inspection that is stable, ongoing and will always be needed.

Even after the publication of *New Solutions*, researchers continued to examine DOT contracts and compare them to similar work done by state employees. For the sake of representative comparison, effort was made to diversify geography and job seniority.

Findings from this research are in the charts that follow, which show comparative pay rates for employees in several DOT contracts. In each case, the public sector and private sector employees are doing equivalent or identical work.



## Hourly costs of DOT and Contract employees

			Private	Public
<b>I-275 Bridges</b>	<b>Project manager</b>	<i>Base rate*</i>	\$53.55	\$39.44
		<i>Loaded**</i>	\$162.92	\$111.16
<i>Wayne County RS Engineering, CS 82292</i>				
<b>US-131</b>	<b>Senior engineer</b>	<i>Base rate</i>	\$41.84	\$33.70
		<i>Loaded</i>	\$102.93	\$75.61
<i>Grand Rapids URS Corp., JN 87155A</i>				
<b>US-131</b>	<b>Technician</b>	<i>Base rate</i>	\$24.64	\$24.08
		<i>Loaded</i>	\$60.62	\$54.03
<i>Grand Rapids URS Corp., JN 87155A</i>				
<b>Goodells bridges</b>	<b>Project manager</b>	<i>Base rate</i>	\$45.08	\$39.44
		<i>Loaded</i>	\$170.64	\$111.16
<i>St. Clair county Spicer Group, CS 77023</i>				
<b>Goodells bridges</b>	<b>Engineer</b>	<i>Base rate</i>	\$21.65	\$24.08
		<i>Loaded</i>	\$81.95	\$67.87
<i>St. Clair county Spicer Group, CS 77023</i>				

\*The "base rate" is the salary alone.

\*\*The "loaded rate" includes health care and retirement benefits, administrative overhead and profits (private company only).

### New example: Chase Bank Debit Cards

After publication of New Solutions and with the new attention paid to contracting, another problem contract came to our attention. State employees who work in the Unemployment Insurance Agency informed us about the state's contract with JPMorgan Chase to administer unemployment debit cards.

Under the program, Michigan residents who receive unemployment insurance may receive benefits via a debit card rather than a paper check. Many states have similar programs.

In other states the bank that issues the debit card earns most of its fees from "swipe fees" when the card is used. In Michigan, however, the state pays an administrative cost in addition to swipe fees. Furthermore, Michigan's unemployed must pay fees to use the card. Fees are assessed when people check their balance, make out-of-network withdrawals and similar activities. Though the fees are small – maybe one dollar – they can add up, especially for people who are out of work. SEIU referred to this as a "triple play" – banks are paid by state administrative fees, swipe fees and user fees. Michigan user fees were some of the highest in the country, according to the National Consumer Law Center.<sup>7</sup>

State	Bank	ATM withdrawals in-network	ATM withdrawals out-network	Transaction Denial Fee	Balance Inquiry ATM in-network	Balance Inquiry ATM out-network	In-person Teller Fee
MI	Chase	4 free, \$1.50	\$1.50	One free per month then \$1.00	2 free, \$1.00	\$1.00	2 free, \$4.00
CA	BofA	Unlimited	4 free, \$1.00	Free	Free	Free	Free
OR	US Bank	Unlimited	2 free	Overdraft fee ended	Free	Free	Free
AZ	Chase	Unlimited	4 free, \$1.50	Free	Free	\$0.75	Free

For the benefit of people using the cards, state employees encouraged lawmakers to renegotiate the contract when it came up for renewal in 2011. To the state's credit, some provisions were renegotiated and the contract was improved by our efforts. State Rep. Vicki Barnett (D-Farmington Hills) spearheaded a letter signed by 16 lawmakers urging the State Budget Director and the Unemployment Insurance Agency Director to reexamine the contract.<sup>8</sup>

To their credit, they did. They negotiated reduced fees and improved the contract.

But there's still more to do. Other states pay less and other banks charge less. This contract is up for renewal again in December 2013. We can change it more substantially or change banks.

# INCREASED EFFICIENCY THROUGH STAFF-MANAGEMENT COLLABORATION

## **Review of *New Solutions for Michigan***

In *New Solutions*, the Coalition of State Employee Unions called on state government to involve frontline agency staff in determining how to make government work better through processes like Lean, Six Sigma and other approaches. While the state and Coalition made some initial progress through the New Solutions Letter of Understanding collectively bargained in 2011, there is still much work to be done. State employees of all kinds have committed their careers to public service and want to do it well. Furthermore, like all workers, they want to be part of a successful workplace. Frontline employees and their labor unions are willing partners in efforts to improve these services, and we again urge the state to authentically engage with state employees in a robust conversation about how to make our government better serve the people of Michigan.

## **Update: The New Solutions Committee should be a vehicle for change**

Michigan state government has done some good work that moves toward incorporating Lean into the culture of the organization, but this transformation is unfinished. In state government, the core idea behind Lean is to maximize taxpayer value while minimizing waste. For Lean to be truly effective in achieving long-term structural transformation, the creativity and expertise of frontline employees is vital.

As a result of contract negotiations with the Coalition of State Employee Unions in 2011, the state and state employee unions created the New Solutions Committee to address the recommendations outlined in the *New Solutions for Michigan* report. One purpose of the committee is to “explore innovative solutions to deliver better customer service and pursue better value from those who deliver the services.”<sup>9</sup> The state and state employee unions also recognized Lean optimization as a “valuable tool in achieving the effective use of resources,” requiring “joint participation between employees and management on all levels within the state.”<sup>10</sup> But this committee has been underutilized. Despite a handful of successful projects, there remains much work to be done.

## **Washington State as a Model for Lean Transformation**

In the two years since the Coalition released *New Solutions for Michigan*, Washington has become a national leader in transforming state government using Lean principles instituted by Gov. Christine Gregoire. In December 2011, Gov. Gregoire issued an executive order that required state agencies to learn about Lean concepts and tools, start to build capacity for Lean, embed it in agency culture and complete a Lean project by August 2012.<sup>11</sup>

Agency directors acted on the executive order, completing 95 Lean projects in less than a year. Directors also started to implement Lean into the culture of the organization, training more than 6,400 employees and **involving more than 60 percent of surveyed employees in planning, facilitating or participating in Lean efforts.**<sup>12</sup> Agencies reported that backlogs had been eliminated or dramatically reduced, more staff time was freed up to be allocated to mission-critical work, quality and consistency improved, and staff morale increased. State agencies did not do this alone; private sector partners with previous Lean experience like The Boeing Company were key partners in training leaders and state employees, and in facilitating process transformation.

At the end of Washington's first year implementing Lean, agencies identified the following factors that led to success:

- Developing internal Lean facilitators
- Training project teams
- Communicating results and sharing information
- Aligning Lean projects with agency priorities
- Engaging employees and leadership.

These last two factors are of particular importance as we examine Michigan's Lean efforts to date.

### **Michigan Lean Efforts to Date**

In his 2012 State of the State address, Governor Snyder announced a separate, but parallel Good Government Initiative to deliver his vision of "Value for Money Government" by making state government more innovative and efficient in order to deliver services with available revenue.<sup>13</sup> A fact sheet on the Initiative notes that "the single most important element of this effort is engaging and empowering employees at all levels of the organization."<sup>14</sup> The state also designated "champions" in each state department to implement Lean projects, created a Center of Excellence to be a resource for departments implementing Lean, and identified 90 projects on which to move forward.

The state also started working with the Michigan Lean Consortium, an organization composed of over 300 member companies who are Lean practitioners and believe that the implementation of Lean could dramatically improve Michigan's economy and government. To date, over 60 Michigan Lean Consortium members have indicated an interest in working with state agencies to help train and facilitate Lean projects.<sup>15</sup> Based on the experiences in Washington and other states, convening a group of experienced private sector partners to help the state facilitate process improvements, train state employees in Lean and build internal capacity is a key factor in undertaking Lean culture change in state government.

## Little Progress Toward Meaningful Employee Engagement

As part of the Good Government Initiative, the state conducted an employee engagement survey to create a baseline against which to measure employee morale improvements. Of the state employees who participated in the survey, only 42 percent responded that they were highly engaged and satisfied in their work. This low engagement mark was driven in part by a belief that little effort is made by management to learn opinions of employees, and that department leadership did not communicate openly and honestly with employees.<sup>16</sup>

Unfortunately, state agency heads have not agreed to partner on Lean projects as originally envisioned. The state selects its own “champions,” who are largely managers in state departments. Frontline staff do not have opportunity to identify people to include in the Good Government Initiative. Thus, instead of pursuing a partnership, the state has conducted Lean projects on its own. At the same time, it has deployed a program called Bureaucracy Busters, which allows employees to suggest improvements and vote on them – although the state chooses the winners. There’s nothing wrong with this program, but it is essentially an online suggestion box, not a high leverage strategy for worker engagement.

The state has also distributed coins to managers to give to employees who do good work. While employee recognition is important, it is no substitute for adult engagement in solving problems of mutual concern.

## When Lean Works: The DHS Lobby Project

In 2011 it took over three hours – much of it waiting time – for a Department of Human Services (DHS) client to come in, fill out required paperwork, consult a case worker, and complete the visit. People were frustrated by the waiting time, complicated paperwork and inaccessible caseworkers.

But they weren’t alone. DHS staff was also frustrated by the process. So in 2012 administrative staff, case workers and managers at two branch offices came together for a week-long *kaizen* event to fix it. Together they completed an in-depth process review of client wait times. They mapped out current processes, identified barriers to productivity and explored solutions. After the results were implemented the total time dropped to half an hour.

At first, some longer-term employees did not want to participate – they felt they had been through processes in the past where their ideas were not acknowledged or valued. But by the second or third day, these employees were excited and ready to start implementing changes. One said that “employee input was the biggest thing; process improvements were generally a top-down process in the past.” In this case it was facilitated by a firm hired mutually by the state and the union.

When employees are fully and meaningfully engaged in process improvement, dramatic changes can be made, both in service delivery and in the culture of an organization. At DHS, the Lean teams have been maintained after the project, with the employees still meeting weekly to see whether customer service requires additional changes to be made or new Lean projects implemented. As a result, frontline staff feels that their opinions and experiences are valued and are consequently more engaged with ongoing improvement projects.

Our coalition has been encouraged by the DHS project and has urged the agency to expand these Lean teams statewide. The agency has thus far declined.

### **When Lean Doesn't Work**

Unfortunately, the lobby project has been the exceptions rather than the rule. Frontline staff and their unions have attempted to actively engage with departmental leadership and the governor's office to implement Lean solutions in willing state departments. Of the 90 projects identified by the state, the New Solutions Committee proposed collaborative Lean projects for 10 to 12 where union-represented frontline staff could have direct input in the process. The Committee was rebuffed on all proposals and told the process was too far along, or that it was an improvement that only involved managers or sometimes provided with an outright "no" with little additional explanation.

One of these projects involved – like the lobby project– is a process improvement pilot at two DHS branch offices to reduce Medicaid eligibility processing time. Unlike the lobby project, state employee unions have not been engaged in the project, and only found out about it when the state solicited vendor bids for a Lean facilitator.

Despite the Medicaid project being exactly the type of collaboration opportunity for which the New Solutions Committee was formed, DHS has rebuffed requests for Committee participation. When brought up in a statewide labor-management meeting in December 2012, representatives from the state claimed they had no information about the project. A formal request was also submitted to the Department of Human Services through the labor management process. The state's response: this may not have been a good candidate for New Solutions, despite the value to be added by the UAW members who actually do this work on a day-to-day basis.<sup>17</sup> Continued information requests, four in total, have all gone unanswered.

Even if the state did not make use of the New Solutions Committee, the project could have gone through the Governor's Good Government Initiative and utilized the resources of the 60 free professional volunteer Lean facilitators available through the Michigan Lean Consortium committed to improving state government. Instead, \$250,000 of taxpayer money was allocated for the project and a \$51,000 contract was awarded to Florida-based Lean consultant Shannon Flumerfelt of Charactership Lean Consulting Inc.



This work is supposed to be embedded in state government. It is supposed to exemplify staff-management *collaboration*. The idea that we can make government more efficient by outsourcing quality assurance is not only paradoxical; it's an irresponsible use of precious public funds.

### Call to Action

If the state is serious about Lean and “good government,” it needs to genuinely engage its employees, including the frontline staff who provide the services, in a meaningful way. The Coalition recognizes that Lean is a long process and – like any attempt to change an enterprise’s culture – dramatic change is not going to happen overnight.

However, implementing a Lean culture throughout an organization requires executive leadership and a commitment from the top. In order for Lean culture to take hold, this commitment needs to be well known and communicated throughout an organization by the executive and key management personnel.

With this in mind, the Coalition calls on Gov. Snyder to:

- Direct executive branch agencies to follow the New Solutions Letter of Understanding that he negotiated, and partner with the Coalition of State Employee Unions on three projects jointly agreed upon.
- Use the Michigan Lean Consortium and its wealth of member knowledge as a resource to facilitate these projects.
- Use the Michigan Lean Consortium to train facilitators from both management and frontline staff to expand internal Lean facilitation resources.

# CONCLUSIONS AND RECOMMENDATIONS

With the release of *New Solutions for Michigan* two years ago, our Coalition of State Employee Unions launched an effort to both represent workers in a new way and to work with the state as an employer in a new way. In what were very tough times for the state, we sought to work together, bringing ideas from the frontlines to help solve our budget crisis and protect and advance vital services. Initially we were encouraged by the response from the Snyder administration and from the community at large.

Two contentious years have passed, and we now look back on what were missed opportunities.

- The state has altogether failed to improve its human capital strategy in a way that expands services to citizens, choosing instead to add hundreds of managers and supervisors and few frontline staff.
- The state has allowed its dependence on costly third party contractors to continue its gradual increase.
- Select state agencies have begun to institute worker-involved process improvement strategies on a modest scale, a move in the right direction. Only in some cases have they involved the true top-to-bottom collaboration that works best. Our state level New Solutions Committee, established in 2011 for collaborative work, has been underutilized.

## Recommendations

Our coalition recognizes that times are improving but still tough for the people of this state. The need for innovation and practical solutions remains. Michiganders deserve sustainable, effective and high performance government agencies that can efficiently deliver the services they were established to provide. To that end, we recommend the state work with us to:

- Implement a strategic approach to making agency organizations flatter, leaner and more concentrated on service delivery.
- Improve the value proposition in our work with contractors by reducing dependence on contractors for work that could be done more cost effectively in-house.
- Expand the work of the New Solutions Committee with successful approaches to process improvement, applying lessons from best practice states like Washington and from our own experiences where collaboration worked best.

While we have not made nearly enough progress in the two years since we proposed *New Solutions for Michigan*, we still believe working together is our only chance of success. We again call for a future in which management and labor, all of us who chose public service as our life's work, join together to strive for excellence for the people of our state.

## Endnotes

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<sup>1</sup> Service Employees Internal Union, *New Solutions for Michigan*, 201. **Error! Main Document Only.**

<sup>2</sup> Michigan Civil Service Commission, Workforce Reports, [http://www.michigan.gov/mdcs/0,1607,7-147-6879\\_9329\\_48076--\\_00.html](http://www.michigan.gov/mdcs/0,1607,7-147-6879_9329_48076--_00.html).

<sup>3</sup> Eg. California Research Bureau, *Flattening Organizations: Practices and Standards* (1997), <http://www.library.ca.gov/crb/97/04/97004.pdf>. Report of the City Auditor, Palo Alto, California, *Span of Control Update*, CIVIR: 333:09 (2009), <http://archive.cityofpaloalto.org/civica/filebank/blobdownload.asp?BlobID=16686>. Washington State Auditor, *Seattle Public Utilities Operations*, Report No. 1002121 (2009). <http://www.sao.wa.gov/auditreports/auditreportfiles/ar1002121.pdf>

<sup>4</sup> Michigan Department of Technology, Management & Budget 2012. <http://apps.michigan.gov/MiTransparency/>

<sup>5</sup> Ibid

<sup>6</sup> Testimony of John Eck to the Legislative Commission on Government Efficiency, March 2, 2009.

<sup>7</sup> National Consumer Law Center, *Unemployment Compensation Prepaid Cards: States Can Deal Workers a Winning Hand by Discarding Junk Fees.*}, <http://www.nclc.org/images/pdf/pr-reports/uc-prepaid-card-report.pdf>

<sup>8</sup> SEIU press release, June 6, 2012. SEIU *New Solutions*, Advocates Praise Metro Detroit Lawmakers for Demanding Action on UIA Contract with JPMorgan Chase, Contact: Cathy Bacile Cunningham, (517) 281-2979, [CathyCBC@gmail.com](mailto:CathyCBC@gmail.com)

<sup>9</sup> *New Solutions* Committee Letter of Understanding, Primary Agreement between UAW Local 6000 and the State of Michigan, 1 Jan 2012

<sup>10</sup> Ibid

<sup>11</sup> Executive Order 11-04: Lean Transformation, Office of the Governor, State of Washington, 15 Dec 2011

<sup>12</sup> Lean Transformation Report: 2012 and Beyond, The Governor's Office of Accountability and Performance, State of Washington, October 2012

<sup>13</sup> "Busting state bureaucracy," Michigan Office of the Governor, 5 Sept 2012

<sup>14</sup> Reinvent Our Government factsheet, available at

[http://www.michigan.gov/documents/corrections/Good\\_Government\\_Brochure\\_Web\\_Copy\\_387986\\_7.pdf](http://www.michigan.gov/documents/corrections/Good_Government_Brochure_Web_Copy_387986_7.pdf)

<sup>15</sup> Lieutenant Governor Calley remarks to Michigan Lean Consortium/Good Government Initiative meeting, 25 June 2012, available at <http://vimeo.com/45520676>

<sup>16</sup> 2012 Employee Engagement Survey, State of Michigan

<sup>17</sup> E-mail from DHS Personnel Director, Deb Wieber, 22 February 2013