

**STATE OF MICHIGAN
CIVIL SERVICE COMMISSION
COORDINATED COMPENSATION PANEL**



**COORDINATED COMPENSATION PROPOSAL
FOR
FISCAL YEAR 2013**

**Recommendations for Nonexclusively Represented Employees of the State of
Michigan Classified Service for the Fiscal Year Beginning October 1, 2012**

Table of Contents

Introduction	2
Economic Overview.....	3
Proposals and Party Positions.....	3
I. WAGES AND BENEFITS	3
II. MISCELLANEOUS	5

Introduction

Rule 1-15.4(c) states that the Employment Relations Board shall serve as the coordinated compensation panel. Rule 5-1.3 charges the panel as follows:

The coordinated compensation panel shall send a recommended coordinated compensation plan for all nonexclusively represented classified employees to the civil service commission. The panel shall consider negotiated collective bargaining agreements, any impasse panel recommendations, and any recommendations of the employer or employees.

Regulation 6.06 establishes a process for employee participation and guidelines for the Panel in making its recommendations. Under the regulation, participants in the Coordinated Compensation Plan (CCP) process include the Office of the State Employer (OSE) and organizations granted limited-recognition rights under Rule 6-8.3. The following limited-recognition organizations (LROs) participated in this year's CCP.

- Association of State Employees in Management (ASEM)
- Michigan Association of Governmental Employees (MAGE)
- Michigan State Police Command Officers Association (MSPCOA)

Nonexclusively represented employees (NEREs) who are not members of LROs may also participate upon leave granted by the Panel. Employees Karla DeJesus, Ellen Jensen, and Carlton Korzeniowski requested and were granted permission to participate in the CCP process. Ms. Jensen presented a position statement, while the other two employees did not. None of the three appeared at the CCP hearing.

The Panel held a hearing on December 13, 2011. All parties were allowed to make presentations and respond to proposals of other parties. Having reviewed the arguments and submissions of the parties, the Board offers the following summary and recommendations to the Commission:

Economic Overview

Consistent with Regulation 6.06, which calls for the Panel to consider “the current and forecasted financial condition of the State” in making its recommendations, the Panel received evidence on fiscal year (FY) 2013 revenue forecasts and budget projections as part of the OSE’s presentation. The following is a brief summary of the information provided by the OSE:

The last decade saw a decrease of over 800,000 jobs in Michigan and an increase in unemployment of over eight percentage points. Although job creation occurred in 2011, a weak economy and tax-structure changes have created continuing budgetary problems. While larger than estimated revenues have been received this year, severe budget pressures continue with modest economic growth forecasted for the next few years.

A wage survey conducted by the OSE indicated that Michigan’s wage and benefits package compares favorably with those received by other public and private employees. The average vacancy posting receives over 80 applicants and turnover rates have not increased.

Health care costs continue to increase rapidly. Premiums for the State Health plan have doubled since 2001. Operating expenses for employee and retiree insurance plans exceed \$1.2 billion and health insurance costs are almost 85% of this total. Beginning in April 2010, premium sharing rates and plan design changes were made for new hires to improve the sustainability of these insurance benefits.

Proposals and Party Positions

I. Wages and Benefits

The OSE recommends a 3% general wage adjustment for all NEREs on October 1, 2012 and a 2% lump-sum payment at the start of October 2012. The lump-sum payment would be prorated for employees who do not work full-time. Voluntary agreements reached this fall with unions included a 1% general wage increase with a 1% lump-sum award. During FY 2011, unionized employees received a 3% raise, while NEREs received no increase.

The OSE also recommends increasing the employee premium share for the State Health Plan PPO from 10% to 20%. The employee premium share for HMOs would also increase by 10%, with the employer share capped at the amount paid for the State Health Plan. Identical premium increases were agreed to with the unions this fall.

In its final written submission, ASEM expressed appreciation for the OSE's recognition of past concessions by NEREs and disappointment that OSE's proposal did not include retroactive compensation to achieve parity with represented employees. ASEM requested the opportunity for NEREs to have lump-sum payment placed into 401(k) or 457 accounts.

MAGE requests a retroactive 3% raise for two years. MAGE argues that the basis for the initial denial of NERE raises for FY 2012 was a budget deficit, which appears to no longer justify continued inequitable treatment. MAGE cites studies on compensation of public employees and highlights specific examples of pay compression or pay inversion caused by the lack of comparable treatment between NEREs and represented employees. Several supervisory classes earn less than classes that they supervise. Corrections Shift Supervisors are seeking demotions back to Corrections Officers. Past denials of raises have worsened morale. While the OSE's proposal may eliminate some of the more egregious examples, severe pay compression issues still remain in some classes that should be studied so that the problem can be addressed comprehensively.

MSPCOA's written submission highlighted that NEREs have received no raise in three of the last four years and 1% in the other. MSPCOA criticized the abandonment of longstanding pay-equity notions between NEREs and represented employees and requested an unspecified salary increase. At hearing, MSPCOA indicated its agreement with the OSE's proposal and its satisfaction that the LROs and OSE could come together amicably to address these issues.

OSE responded at hearing that reexamination of the structure of the workforce is ongoing. The system will be examined carefully to decide the best way to deliver services, including what differentials make sense. The OSE urged that caution be exercised before mandating any treatment of pay differentials based on one moment in time.

Recommendation

During the CCP process for FY 2011, NEREs were denied the 3% wage increase received by the exclusively represented workforce. During FYs 2011 and 2012, this represented roughly \$100 million in additional NERE concessions. During the CCP process for FY 2012, commissioners voiced concern with the ongoing disruption of pay equity between the union and NERE workforces. The OSE proposal would restore NERE pay for FY 2013 to the level where it would have otherwise been under traditional pay-equity principles.

While the Panel sympathizes with the LRO requests for retroactive pay increases, decisions for those past fiscal years have been made. The past two years' concessions were considered

in determining the current fiscal year's concessions. The Panel does not believe that granting retroactive raises would be appropriate.

As for the premium increase for health insurance, the same equitable principles that call for recommending adoption of the OSE's proposal on wages also support adopting its proposal on premium sharing. The increases are reasonable, track new premium-sharing requirements under state law affecting other public employers, and represent equitable treatment across the classified workforce.

Accordingly, **the Panel recommends** that the Commission adopt the OSE's proposal as to wages and benefits. **The Panel recommends** that the Commission take no action on the proposals of MAGE to order further study of pay compression and of ASEM to establish a process for special treatment of lump-sum awards. If MAGE identifies specific continuing problems, those may be raised during next year's CCP process. As for ASEM's request, representatives of the DTMB Budget Office clarified at hearing that employees already can adjust their contribution rates to effectuate the relief sought.

Additionally, the Board wishes to commend the parties for working together constructively during this year's CCP process to address recognized inequities while restoring trust and credibility in the process.

II. Miscellaneous

LROs initially had offered several proposals on miscellaneous compensation issues, which were later withdrawn after the OSE submitted its position statement. The only outstanding request is from an employee, Ellen Jensen, who seeks an unspecified special wage increase for the Social Services Administrative Supervisor (SSAS) class to make wages equivalent to other managers performing similar duties. Ms. Jensen indicates that two of her direct reports earn more than she does. She also points to other supervisors supervising similar numbers of employees who earn a higher salary.

The OSE does not support the request. The OSE indicates that the employee is recently promoted and will be scheduled to earn more than the referenced subordinates after receiving a step increase in a few months. The OSE also notes that the other supervisory classes referenced have additional educational requirements.

Recommendation

Insufficient evidence has been presented to suggest that a special pay increase for the SSAS classification is warranted. Previous special pay increases awarded have required more detailed evidence of need, such as high turnover rates or recruitment issues. Additionally,

the two subordinate positions earning more than the SSAS position are frozen positions, so the problem is not systemic but results from unique organizational changes. The Panel does not find sufficient rationale for an increase based on a single explainable anecdote. **The Panel recommends** that the Commission deny Ms. Jensen's request for a special pay increase for the SSAS class.