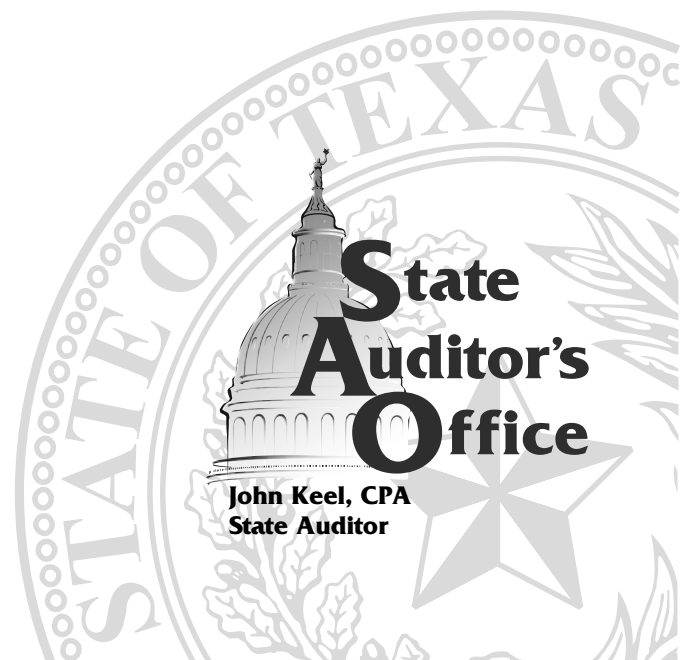


A Summary of the

State of Texas Workforce for Fiscal Year 2004

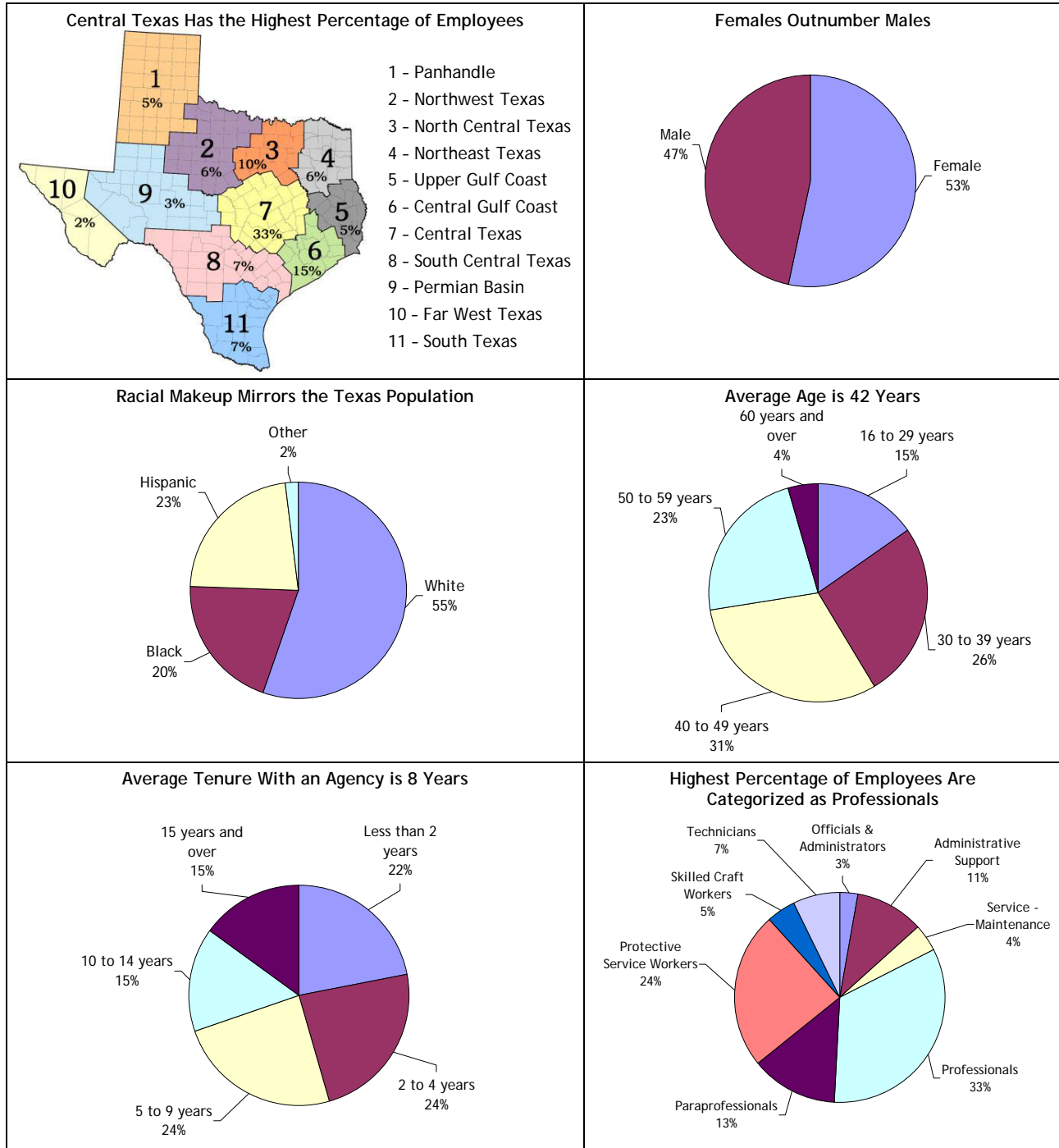
December 2004

Report No. 05-704



**State of Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	142,394
Average Annual Salary	\$32,681
Turnover Rate	14.8%



A Summary of the State of Texas Workforce for Fiscal Year 2004

SAO Report No. 05-704
December 2004

State of Texas Workforce

Texas state government employs 142,394 full-time, classified employees. There are an additional 11,174 employees in part-time, temporary, exempt, and unclassified positions and 174,513 employees working at institutions of higher education. This report focuses on the demographics of only full-time, classified employees, hereinafter referred to as "state employees."

The average state employee is 42 years old, makes an annual salary of \$32,681, and has been with his or her current agency for 8 years. The majority of state employees are female and white, work in the Central Texas region, and work in professional and protective service positions.

What Does This Mean for the State of Texas?

Due to changes in demographic trends and the demand for higher skills, there will continue to be workforce challenges for the State of Texas:

- Turnover can be expensive for the State.
- The workforce is inexperienced.
- The workforce is rapidly becoming eligible for retirement.
- Salaries remain below those of civilian workers.

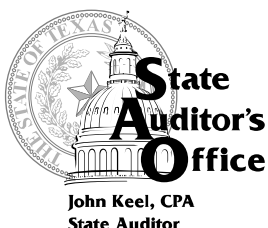
The level of attention given to workforce planning will determine how successfully the State will meet its service obligations to the citizens of Texas.

The demographics in this report are just a beginning. There are self-service tools available to allow agencies and legislative staff to examine trends on a statewide, regional, or agency basis to look toward the future, plan ahead, and prevent surprises.

The workforce challenges faced by the State are, to some degree, the same risk factors facing the United States, as shown in the table on the next page.

Workforce planning is a systematic process for identifying the human capital required to meet agency goals and developing the strategies to meet these requirements.

Source: *Workforce Planning Guide*, State Auditor's Office Report No. 04-704



For more information regarding this report, please contact Tony Garrant, Acting State Classification Officer, at (512) 936-9500.

Workforce Challenges	
National	Texas State Government
Aging Workforce Means Increasing Retirements	
With the aging of the baby-boom generation (persons born between 1946 and 1964), the workforce is projected to grow older. Over the 2002-2012 period, the oldest baby-boomers will be aged 56 to 66. The median age of the workforce will increase from 40.0 in 2002 to a projected 41.4 in 2012. The labor force will continue to age, with the annual growth rate of the 55-and-older group projected to be nearly 4 times the rate of growth of the overall labor force. ^a	The median age of a state employee is 42.8 years old. Approximately 7,828 state employees were eligible to retire in 2004. The average number of retirements over the last five years was 3,826. Many baby-boomers (born between 1946 and 1964) turned 58 years old in 2004, an age at which many employees start looking seriously at retirement.
More Minorities and Women in the Workforce Means a More Diversified Workforce	
The labor force is projected to become much more racially and ethnically diverse. The labor force is expected to exhibit steady growth, and the numbers of Hispanics and women are expected to increase. ^b	The composition of the state workforce generally mirrors that of Texas's civilian labor force, although there are more females and more minorities in Texas state government.
Labor Shortage Means the War for Talent Will Continue	
"Total employment is projected to increase by 21.3 million jobs over the 2002-12 period." ^c "The United States may face tight labor markets in part because of changes in demographic trends and demand for higher skills." ^d	The U.S. Bureau of Labor Statistics has predicted occupations with the largest job growth for the years 2002 through 2012. Texas also has 12 job class series containing 16,979 employees that fall within the largest growth occupations. The State of Texas should expect tough competition for occupations with the largest job growth (as well as other high-skilled occupations) should these trends continue.
Rising Health Care Costs Mean Additional Strain on Already Tight Budgets	
"Premiums for employer-sponsored health insurance rose by 11%, the fourth consecutive year of double-digit growth. Premiums continued to increase much faster than overall inflation and wage gains. Average annual premiums for employer-sponsored coverage rose to \$3,695 for single coverage and \$9,950 for family coverage." ^e	On average, the State pays \$4,708 annually for a full-time employee's health insurance coverage. For employee and family coverage, the average is \$6,227. According to the Employees Retirement System's Health Plan Financial History, the State's expenditures for employee health care have risen 47 percent over the past five years, from \$798 million to \$1 billion, and are expected to rise another 5 percent in fiscal year 2005.
<p>^a Toossi, Mitra, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," <i>Monthly Labor Review</i>, February 2004, pp. 37, 55.</p> <p>^b Ibid, p. 37.</p> <p>^c Hecker, Daniel E., "Occupational Employment Projections to 2012," <i>Monthly Labor Review</i>, February 2004, pp. 80-105.</p> <p>^d United States Government Accountability Office, "Workforce Challenges and Opportunities For the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies" p. 8.</p> <p>^e The Kaiser Family Foundation and Health Research and Educational Trust, "Employer Health Benefits, 2004 Summary of Findings," pp. 1, 3.</p>	

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Detailed Results

Chapter 1

Workforce Characteristics

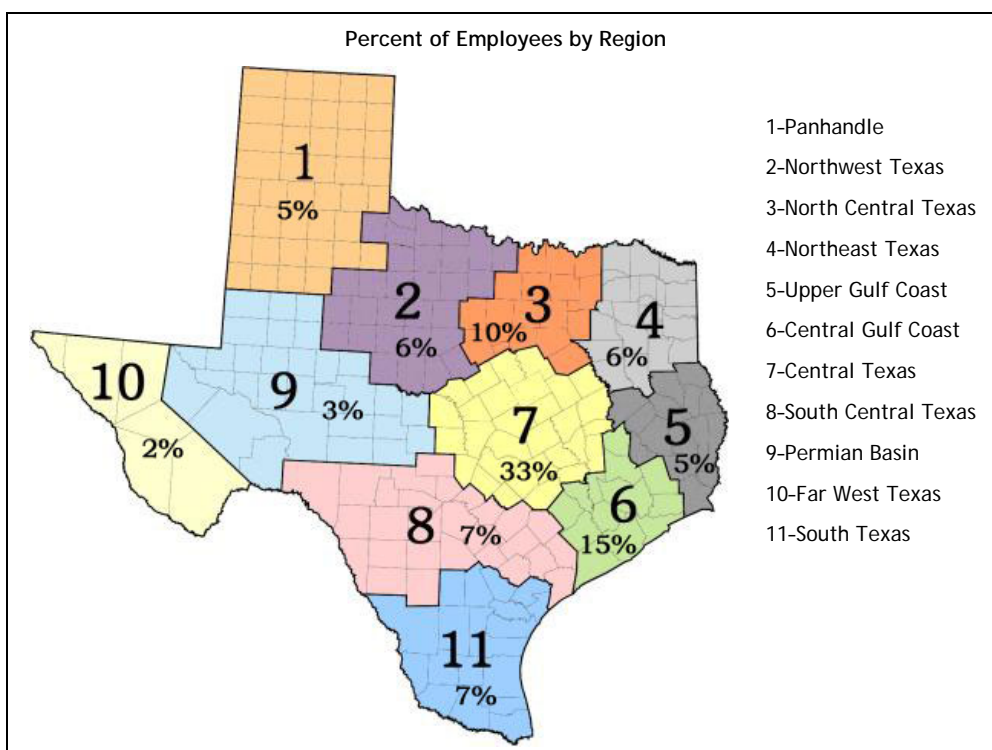
Chapter 1-A

General Workforce Characteristics

The following demographics describe the State of Texas's workforce during fiscal year 2004. Wherever appropriate, a five-year history is shown to highlight significant trends, and comparisons are made to other populations, such as the Texas civilian labor force.

Regions

The highest percentage of state employees (33 percent) work in the Central Texas region, more than twice the number of employees as in the Central Gulf Coast, the second largest region (15 percent).



Headcount and Turnover Rate Methodology Change

The methodology for defining a headcount and turnover rate has changed. In the past, an employee who terminated during the quarter was not included as a headcount, no matter how many days he or she had worked. This methodology slightly increased turnover rates, particularly at small agencies and in undefined results (division by zero).

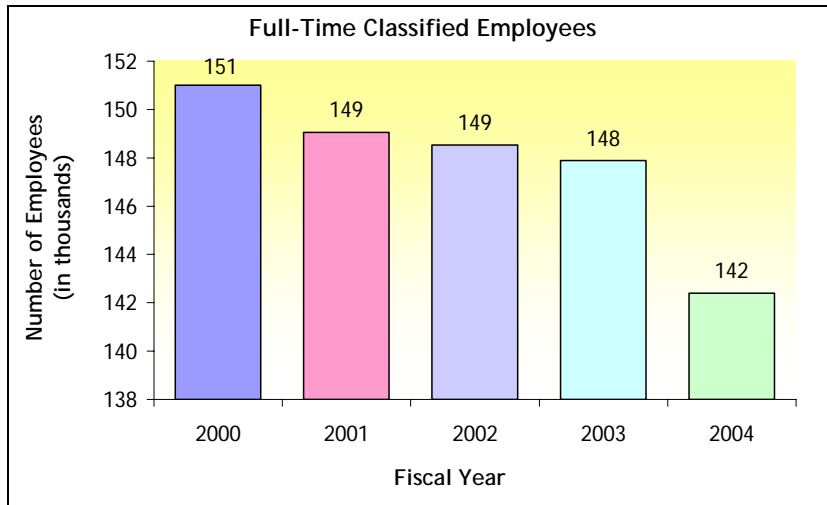
The new methodology counts all employees who worked at any time during the quarter as a headcount and, therefore, in the denominator of the turnover rate calculation. The new methodology results in slightly lower, but more accurate, turnover rates as compared to the old methodology.

Headcount

The number of state employees has steadily decreased, most significantly in 2004.

The retirement incentive offer to state employees and reductions in force have contributed to the decline in the number of state employees.

The change in methodology in counting employees has also affected the number of employees reported for fiscal years 2000 through 2004 (see text box).



Turnover

The turnover rate for fiscal year 2004 (14.8 percent) has decreased from the previous fiscal year (16.6 percent). The change in methodology has slightly affected the turnover rate reported for fiscal years 2000 through 2004.

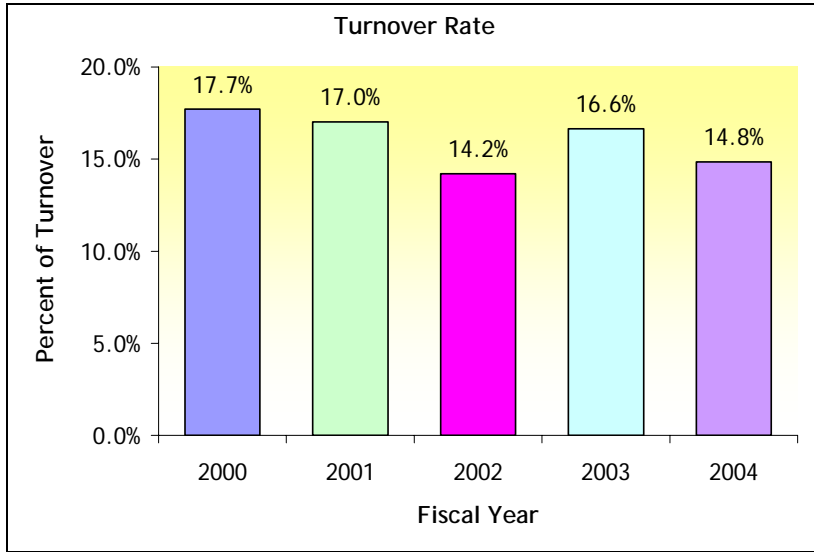
Risk Factor

The cost of turnover:

- \$345 million - Fiscal year 2004
- \$400 million - Fiscal year 2003

According to the 2003–2004 Survey of Organizational Excellence, 82 percent of respondents intend to remain with the State for the next two years. Conversely, the percentage of employees who do not intend to remain (15 percent) is relative to the State's turnover rate.

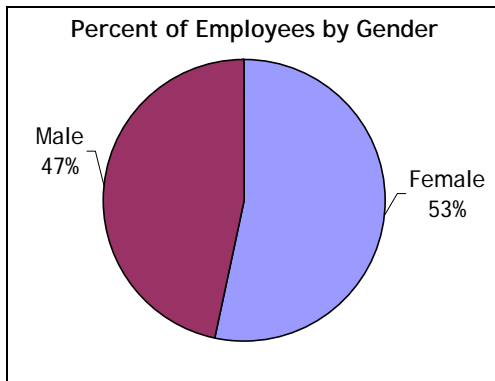
Turnover can be expensive. The 2004 Turnover Survey conducted by Compensation Resources Inc. estimates that the cost of turnover, on average, is one-half to one times the employee's annual salary. Using the more conservative estimate (one-half times the employee's salary), turnover cost the State approximately \$345 million in fiscal year 2004.



Chapter 1-B

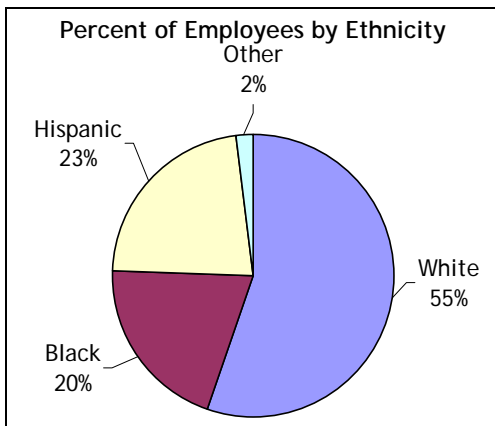
Workforce Demographics

Gender



Females make up slightly more than half (53 percent) of the State's workforce. This is almost the opposite of the Texas civilian labor force, which is 55 percent male and 45 percent female.

Ethnicity



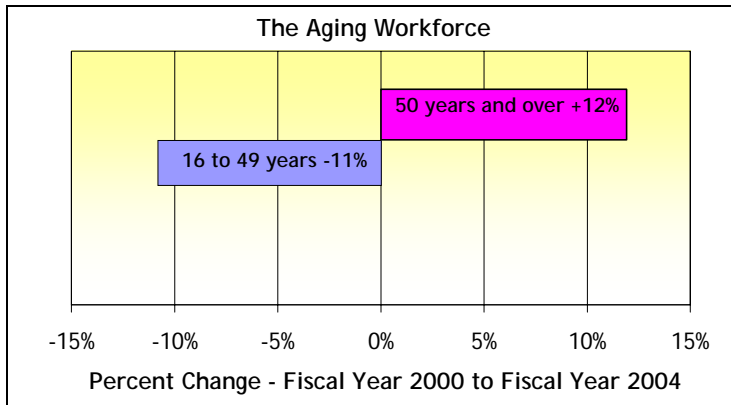
The State's workforce is racially diverse, with 55 percent white, 23 percent Hispanic, and 20 percent black employees. These percentages have not changed significantly in the past five years.

This compares favorably with Texas's civilian labor force percentages of 58 percent white and 11 percent black. The civilian labor force statistics do not count Hispanic as a race. Instead, Hispanic people are counted as an ethnic group and account for 28 percent of the civilian labor force.

Age

The workforce is aging. The average age for a state employee has risen from 41 years old in 2000 to 42 years old in 2004. The median age for state employees in 2004 was 42.8, which is older than the median age of 40.0 for the Texas civilian labor force in 2002 and the 41.4 median age that is projected for 2012.

In the past five years, the number of employees between the ages of 16 and 49 has decreased by 11 percent, while the number of employees 50 years and older has increased by 12 percent. This trend will continue as the baby-boomers age.

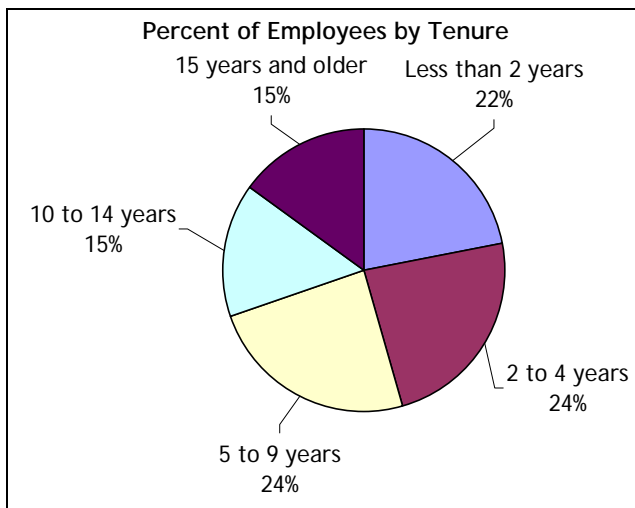


Tenure

State employees lack significant experience. Almost half (46 percent) have fewer than five years of experience with their current agencies. Average tenure with an agency is 8 years, compared with average tenure with the State, which is 10 years.

Risk Factor

The workforce is inexperienced. Almost half (46 percent) of state employees have fewer than five years of experience with their current agencies.



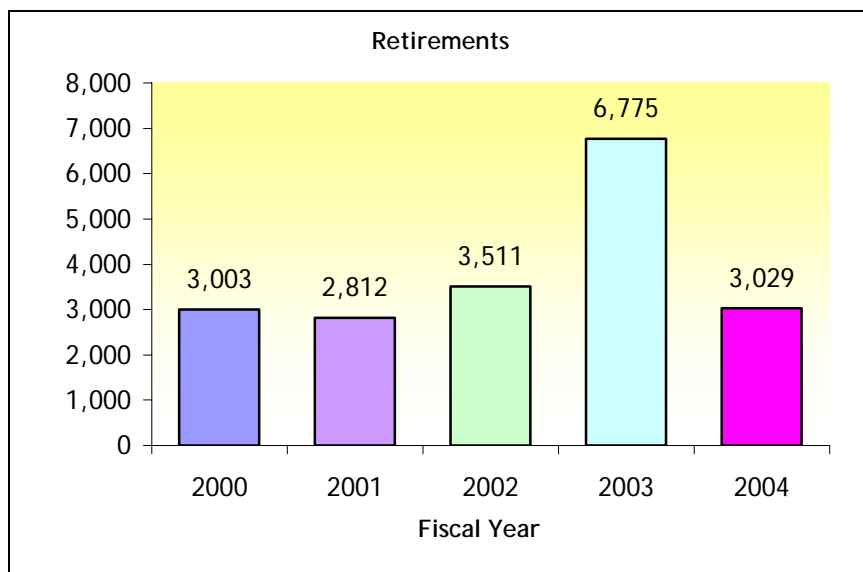
Retirement

Risk Factor

- Approximately 7,828 state employees are eligible to retire today.
- Many baby-boomers (born between 1946 and 1964) turn 58 years old in 2004, an age at which many employees start looking seriously at retirement.

The number of retirements in fiscal year 2004 (3,029) has decreased by more than half since last fiscal year (6,775). The State offered a retirement incentive to state employees, which contributed to the increase in retirements in fiscal year 2003. The average number of retirements over the last five years is 3,826.

There is an estimated number of employees (approximately 7,828) who are eligible to retire but have opted not to retire at this time. The baby-boom generation, born between 1946 and 1964, also represents a large and growing pool of pending retirees.

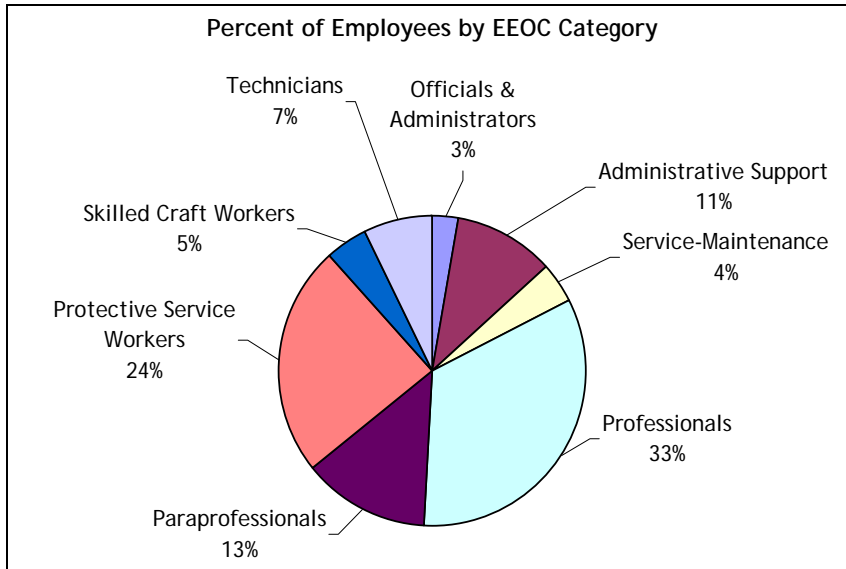


Job and Salary Characteristics

Equal Employment Opportunity Commission (EEOC) Categories

Workforce distribution of state employees by EEOC category reflects a diverse workforce.

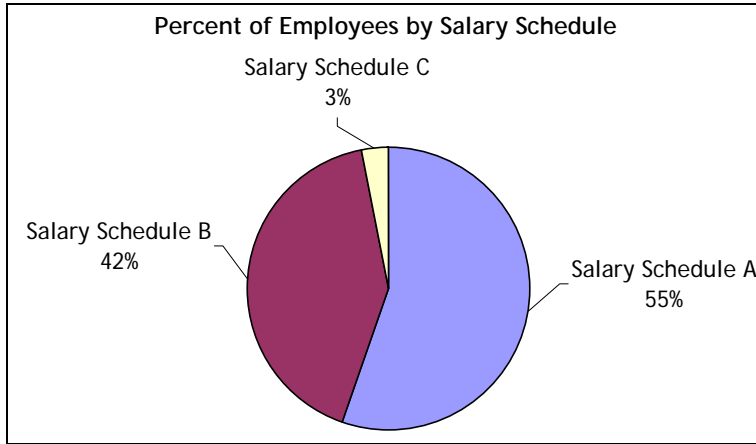
State employees categorized as Professionals compose the largest percentage (33 percent) of employees in the eight EEOC occupational categories.



Salary Schedules

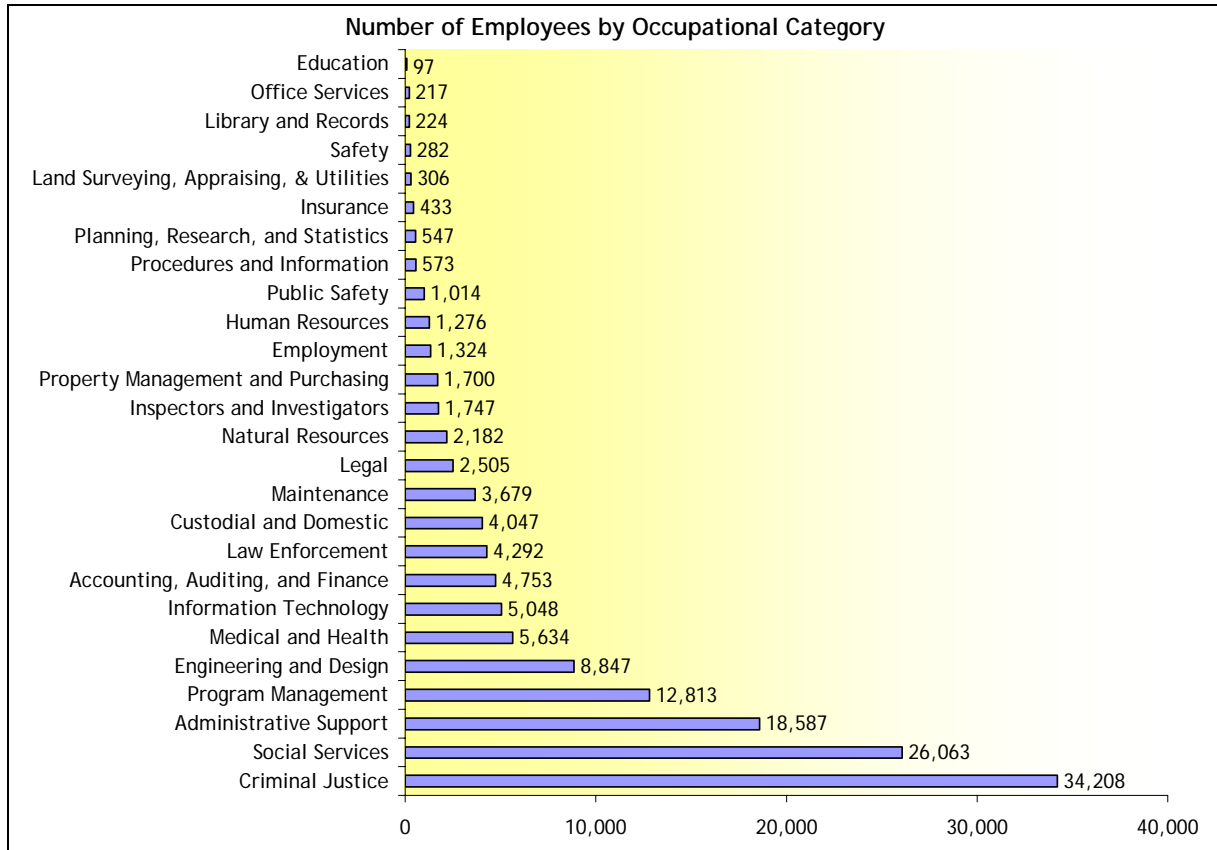
The majority of state employees (55 percent) are in Salary Schedule A. The State has three salary schedules:

- Salary Schedule A consists of administrative support, maintenance, technical, and paraprofessional positions.
- Salary Schedule B consists of professional and managerial positions.
- Salary Schedule C consists of law enforcement positions.



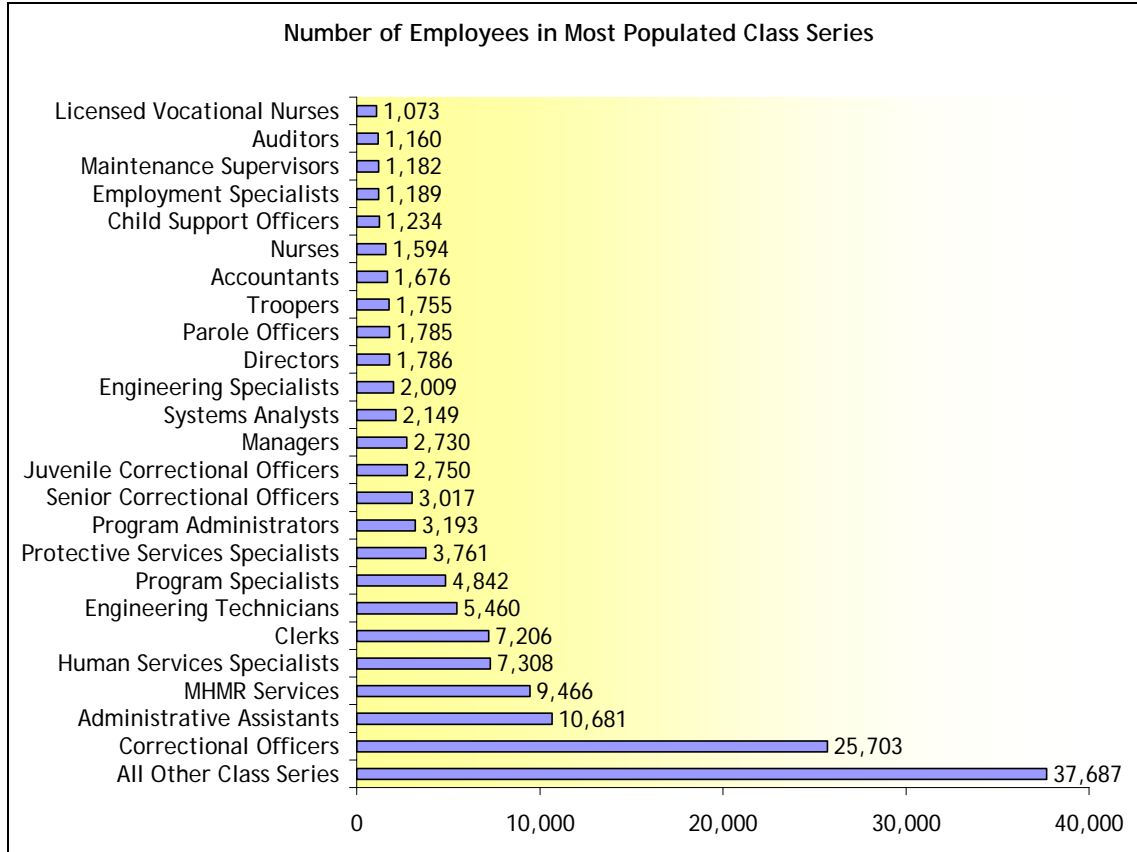
Occupational Category

The Criminal Justice, Social Services, and Administrative Support occupational categories have the highest number of employees. These categories contain the most populated class series (for example, Correctional Officers; Administrative Assistants; and Mental Health/Mental Retardation [MHMR] Services Aides, Assistants, and Supervisors). Typically, these occupations are found in numerous facilities statewide due to the nature of the work.



Class Series

The Correctional Officer class series has the largest number of state employees, followed by the Administrative Assistant class series. The following chart shows the most populated class series (those with more than 1,000 employees).



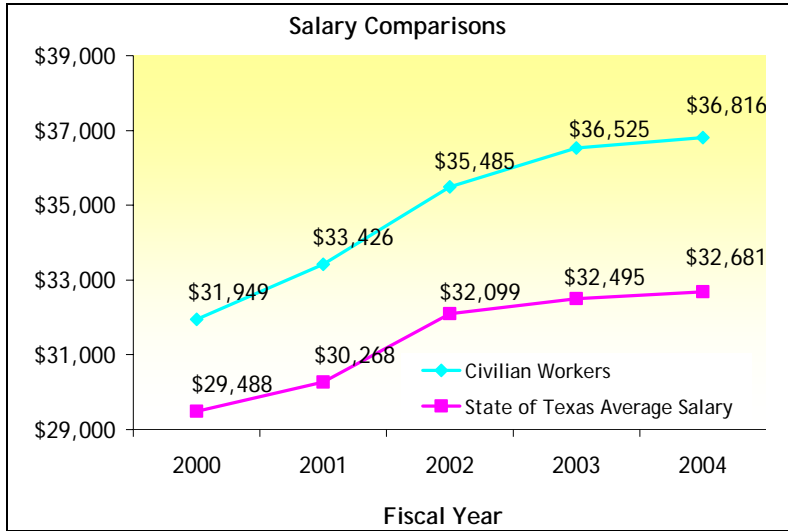
Salaries

Salary Comparisons

The average annual salary for state employees is \$32,681. Average salaries for state employees have increased over the last five years. The average salary has increased by 11 percent since 2000. Average salaries, however, remain below the average salaries for the civilian worker population.

Risk Factor

Average state employee salaries are not competitive with average salaries of the civilian worker population.



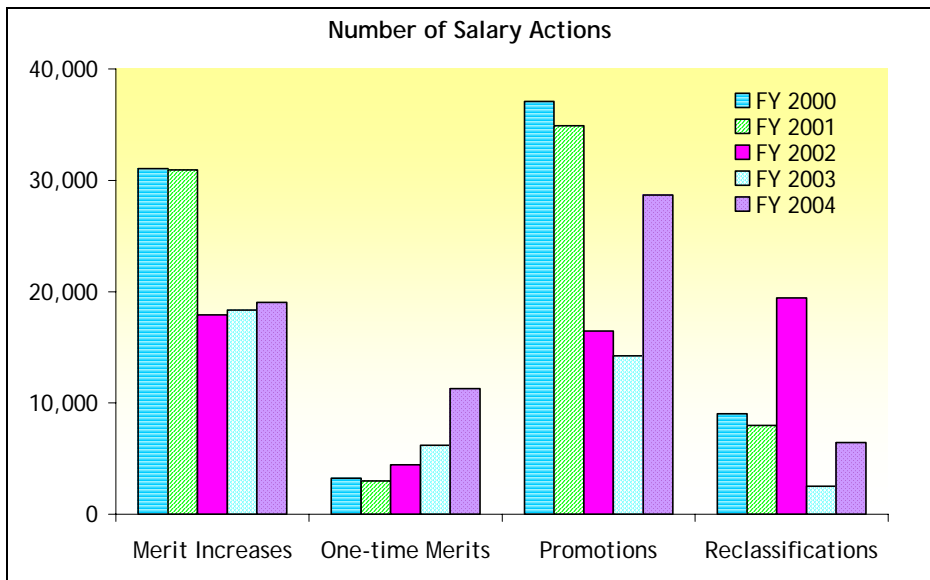
Salary Actions

Salary actions have varied considerably over the past five years.

Risk Factor
Without legislative salary increases, salary actions are the only means to grant salary increases to employees.

Merits, one-time merits, promotions, and reclassifications increased in fiscal year 2004. Specifically, one-time merits, promotions, and reclassifications either almost or more than doubled.

Without legislative salary increases, salary actions are the only means to grant salary increases to state employees.

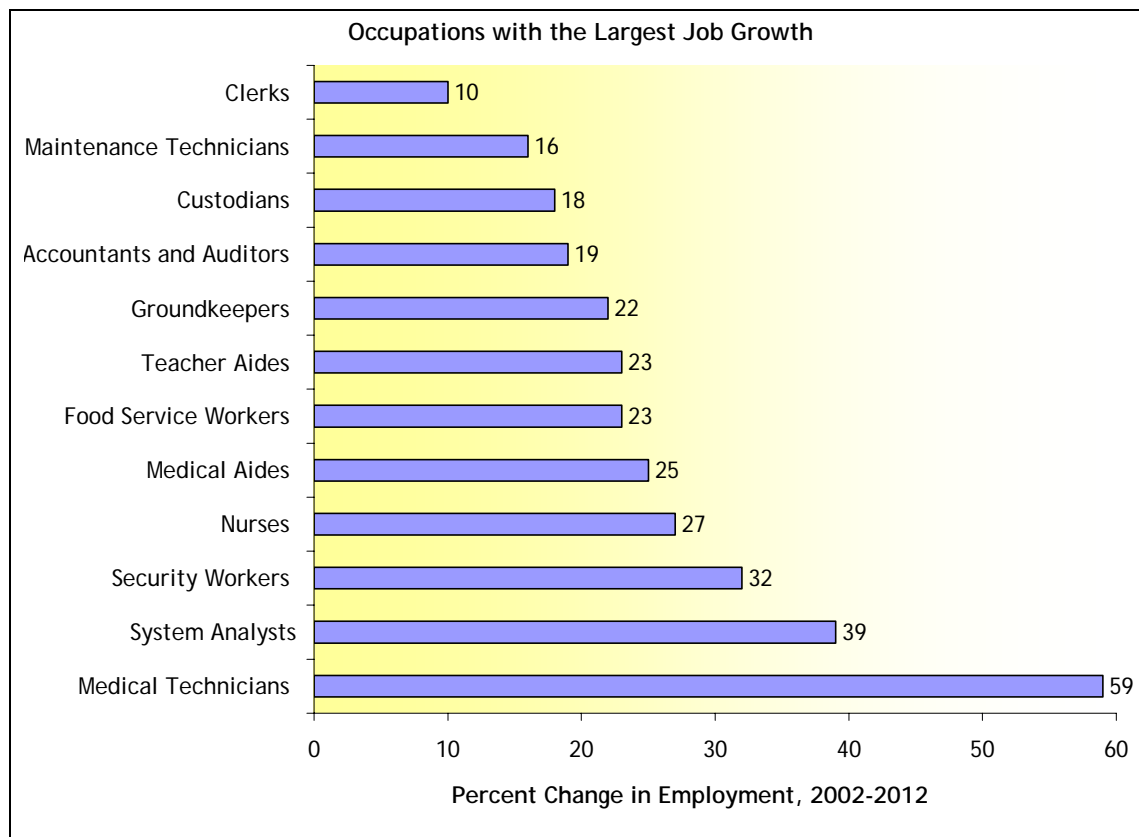


Occupational Demands

The U.S. Bureau of Labor Statistics has predicted occupations with the largest job growth and decline for the years 2002 through 2012. Where applicable, comparable job class series for state employees were matched to these occupations and are shown on the following two graphs.

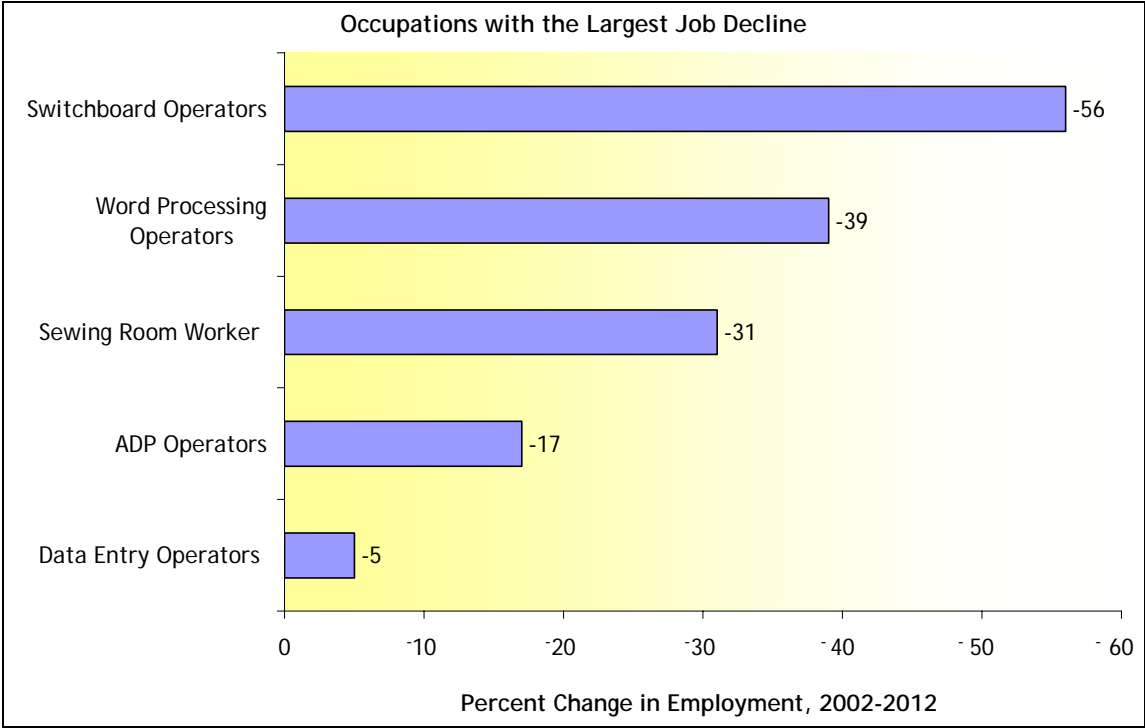
Occupations with the Largest Job Growth

Texas has 12 class series within the largest-growth occupations. The State of Texas should expect tough competition for occupations with the largest job growth should these trends continue. The occupations that will generate the most jobs range widely in their skill requirements.



Occupations with the Largest Job Decline

Texas has five class series within occupations identified as having the largest job decline. Overall, the number of state employees within these class series has also declined in the past five years. Should this trend continue, these class series may become obsolete within the State of Texas, as well as throughout the United States.



Resources for Further Analysis

The State Classification Office provides several tools that can be helpful to state human resources professionals or legislative staff. These tools provide workforce and statistical information and guidance. The State Classification Office highly encourages human resources professionals to access the following tools on a regular basis to assist them in managing their workforces more efficiently and effectively.

Human Resources Web Site (<http://www.hr.state.tx.us>)

The State of Texas human resources Web site was developed and is maintained by the State Classification Office. Anyone can access the site, but the target audience is state human resources professionals. It provides information on statewide human resource programs, policies, and procedures, as well as relevant human resources information.

Electronic Classification Analysis System (<http://www.hr.state.tx.us/apps/eclass/>)

This system contains unaudited information on the statewide workforce (excluding institutions of higher education) including turnover, headcount, termination, and salary data. Users can view turnover report tables or create custom queries.

Full-Time Equivalent System ([http://www.sao.state.tx.us/apps/ftesystem/\(ttqtiirx3ije4fbyzbvtqp55\)/](http://www.sao.state.tx.us/apps/ftesystem/(ttqtiirx3ije4fbyzbvtqp55)/))

The Full-Time Equivalent (FTE) System captures statutorily required data from state agencies and institutions of higher education regarding the number of full-time equivalent employees and the number of consultants and individuals on contract during each fiscal quarter. The system can also be used as an analytical tool to evaluate FTE trends, full- and part-time headcounts, and consultant and contractor headcounts at the agency level, by functional area of government, or on a statewide basis.

Employee Exit Survey System (<https://www.sao.state.tx.us/apps/exit/>)

The online exit survey system developed by the State Classification Office allows employees to provide feedback about their reasons for leaving state employment. Quarterly reports that summarize employee responses to the exit survey are available to agency management. By analyzing this information, agencies can identify and plan effective retention strategies to reduce turnover rates.

Workforce Planning Guide (<http://www.hr.state.tx.us/Workforce/workforceplanning.html>)

The State Classification Office developed the *Workforce Planning Guide* to help agencies develop their statutorily required workforce plans. It outlines the

importance of strategically anticipating workforce changes through workforce planning and offers basic planning steps, issues to consider, and workforce strategies. An effective workforce plan is an essential tool in identifying appropriate workload staffing levels and in justifying budget allocations so agencies can meet their objectives.

Self-Assessment Guide
(<http://www.hr.state.tx.us/apps/hrsag/>)

The Self-Assessment Guide is an online human resources assessment tool that helps agencies determine human resources management strengths and weaknesses. The guide helps agencies better manage their human resources by providing:

- A data collection and analysis tool to assess the effectiveness of their human resources management.
- Performance measures that help the agency determine its human resources contribution to the efficiency and effectiveness of the agency.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this report is to provide comprehensive statistical information on trends in the State of Texas workforce.

Scope

Statistical information for this report was provided for full-time classified employees during fiscal year 2004. In some cases, five years of historical data was shown to highlight significant trends. State statistical comparisons were also provided for selected demographic data. This report does not include data for employees of institutions of higher education.

The State Classification Office will provide agency-specific workforce summaries in a separate report.

Methodology

The data in this report were obtained from the Comptroller of Public Accounts' Human Resources Information System, the Uniform Statewide Payroll/Personnel System, and the Standardized Payroll/Personnel Reporting System. These data are self-reported by each agency and have not been audited or verified by the State Auditor's Office.

Additional statistical information was obtained from the following sources:

- U.S. Department of Labor, Bureau of Labor Statistics
- U.S. Department of Commerce, U.S. Census Bureau
- U.S. Government Accountability Office

Percentage totals may not be 100 percent in selected graphs due to rounding. In most cases, data were rounded to whole numbers. Additionally, records with missing values were excluded from selected graphs and may not match overall statewide headcounts. Differences, however, are minimal.

The methodology for defining a headcount and turnover rate has changed. In the past, an employee who terminated during the quarter was not included as a headcount, no matter how many days he or she had worked. This definition resulted in some very high turnover rates, particularly at small agencies and in undefined results (division by zero).

The new methodology counts all employees who worked at any time during the quarter as a headcount and, therefore, in the denominator of the turnover rate

calculation. The new methodology results in slightly lower, but more accurate, turnover rates compared to the old methodology.

Turnover rates that appear in this report exclude interagency transfers, which are not considered a loss to the State.

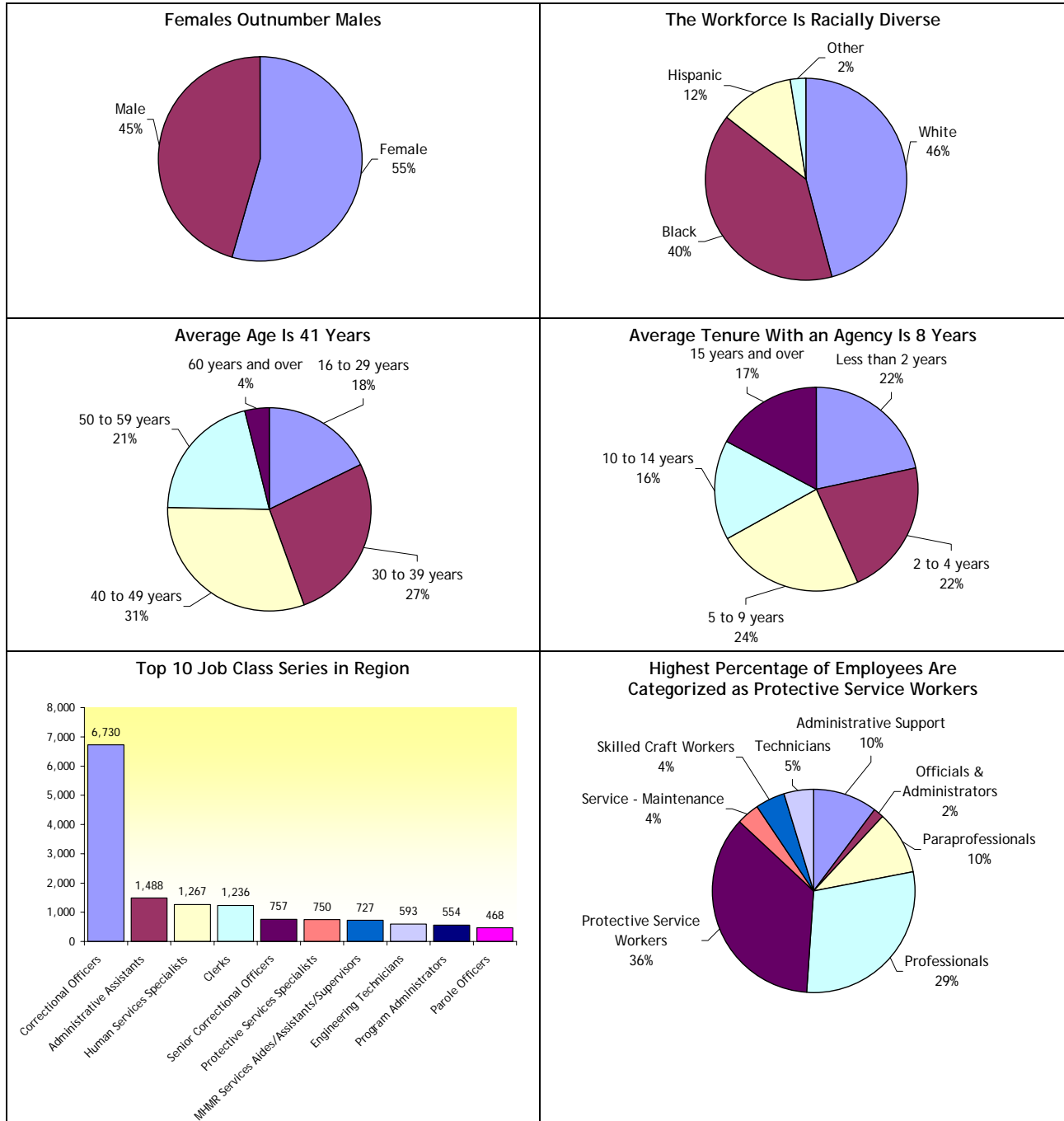
The following members of the State Auditor's staff prepared this report:

- Juliette Torres, CCP, PHR, Project Manager
- Sandra Donoho, MPA, CISA, CIA, Quality Control Reviewer
- Tony Garrant, PHR, Acting State Classification Officer

Regional Workforce Demographics

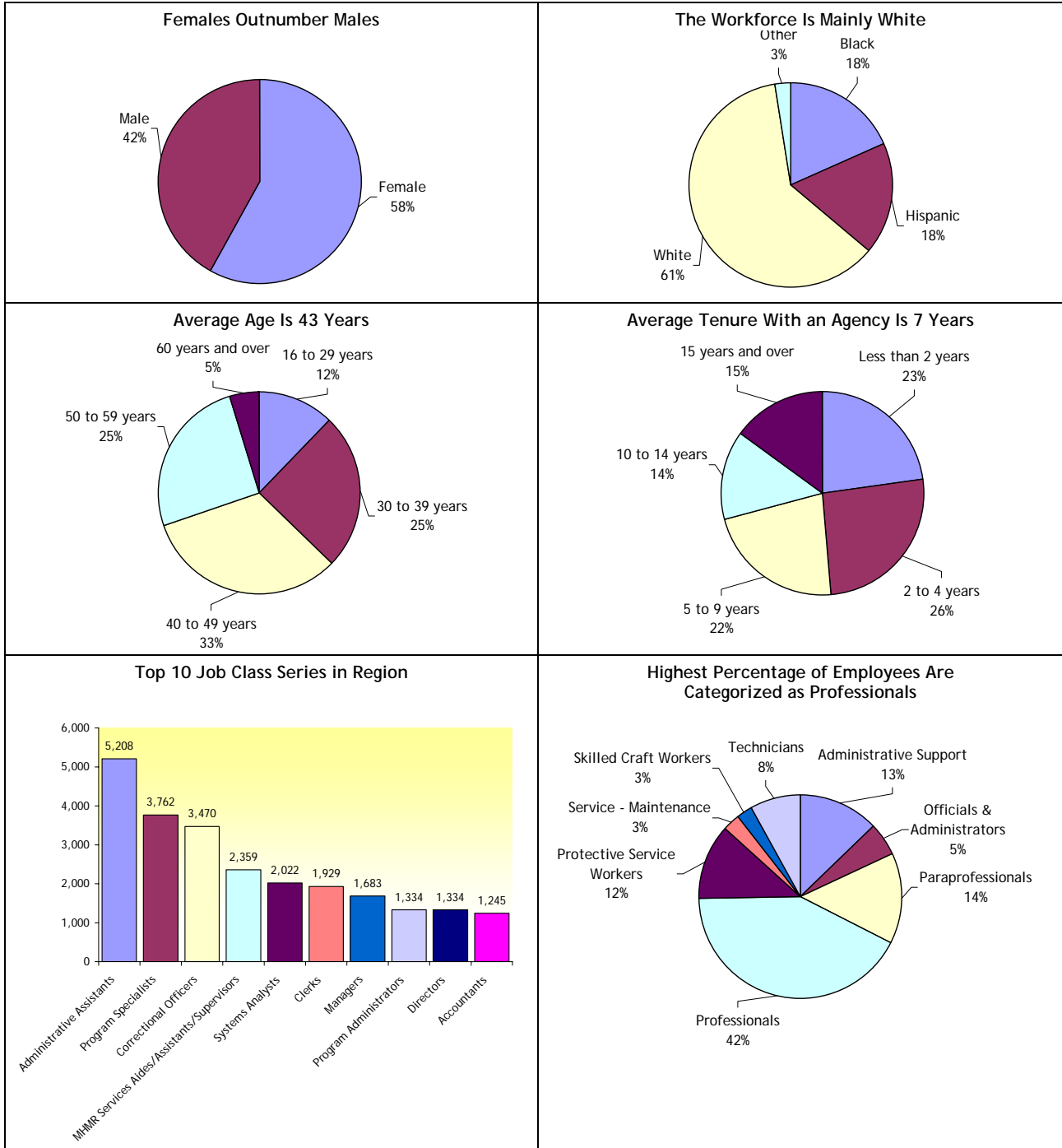
Central Gulf Coast Full-Time Classified Employees Fiscal Year 2004

Number of Full-Time Classified Employees	21,681
Average Annual Salary	\$30,554
Turnover Rate	15.1%



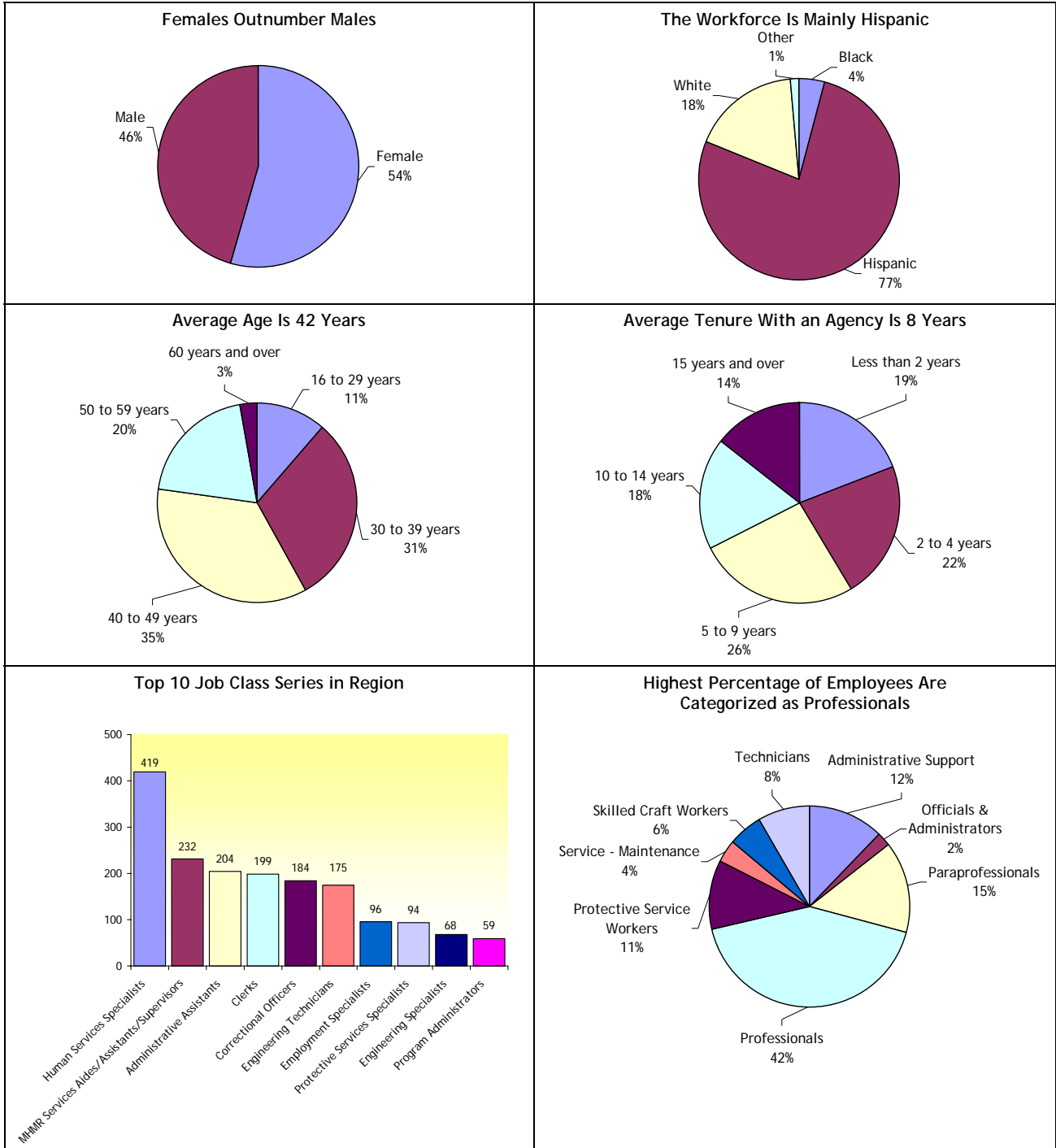
**Central Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	47,027
Average Annual Salary	\$37,592
Turnover Rate	13.0%



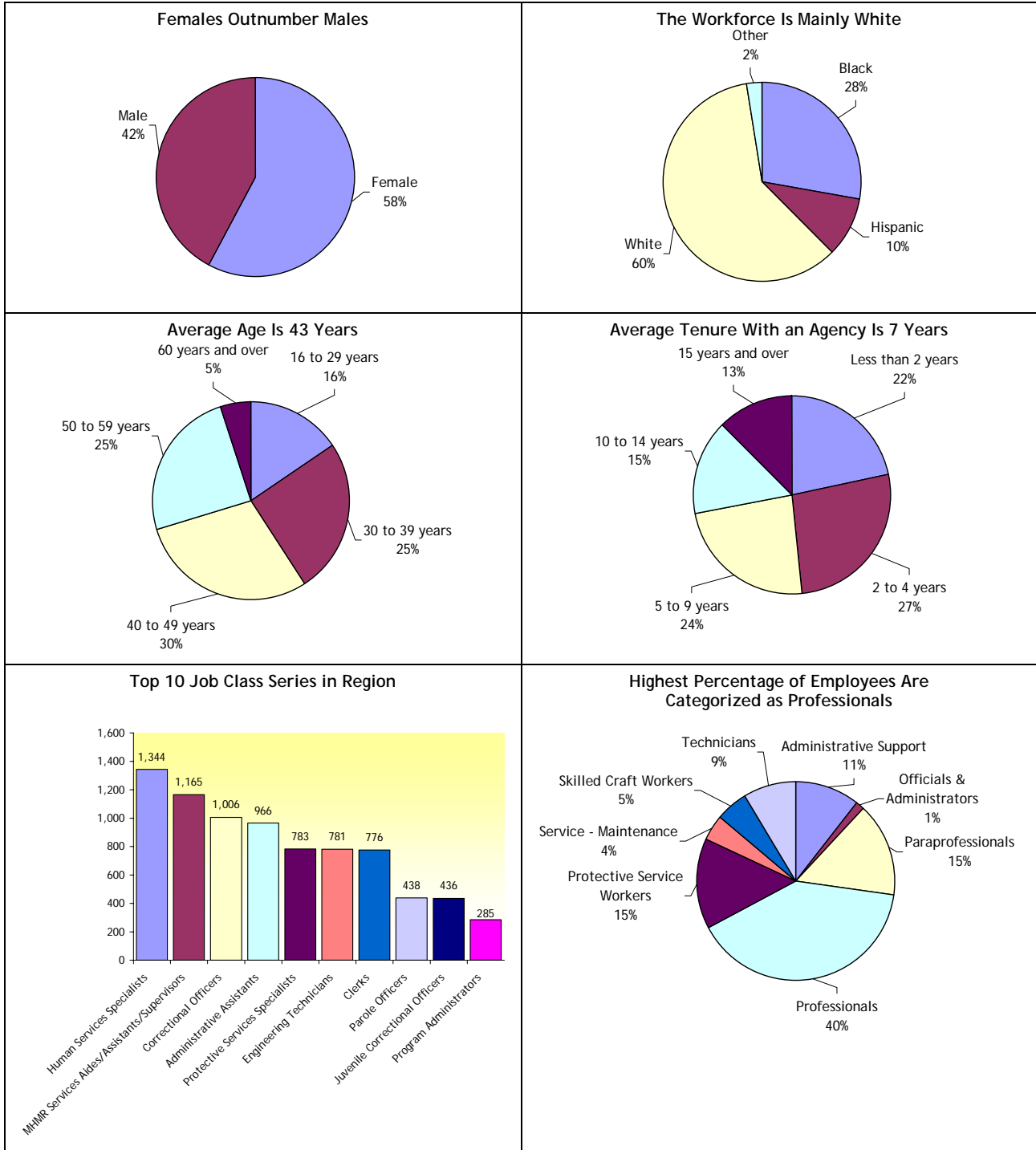
**Far West Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	2,852
Average Annual Salary	\$31,022
Turnover Rate	12.9%



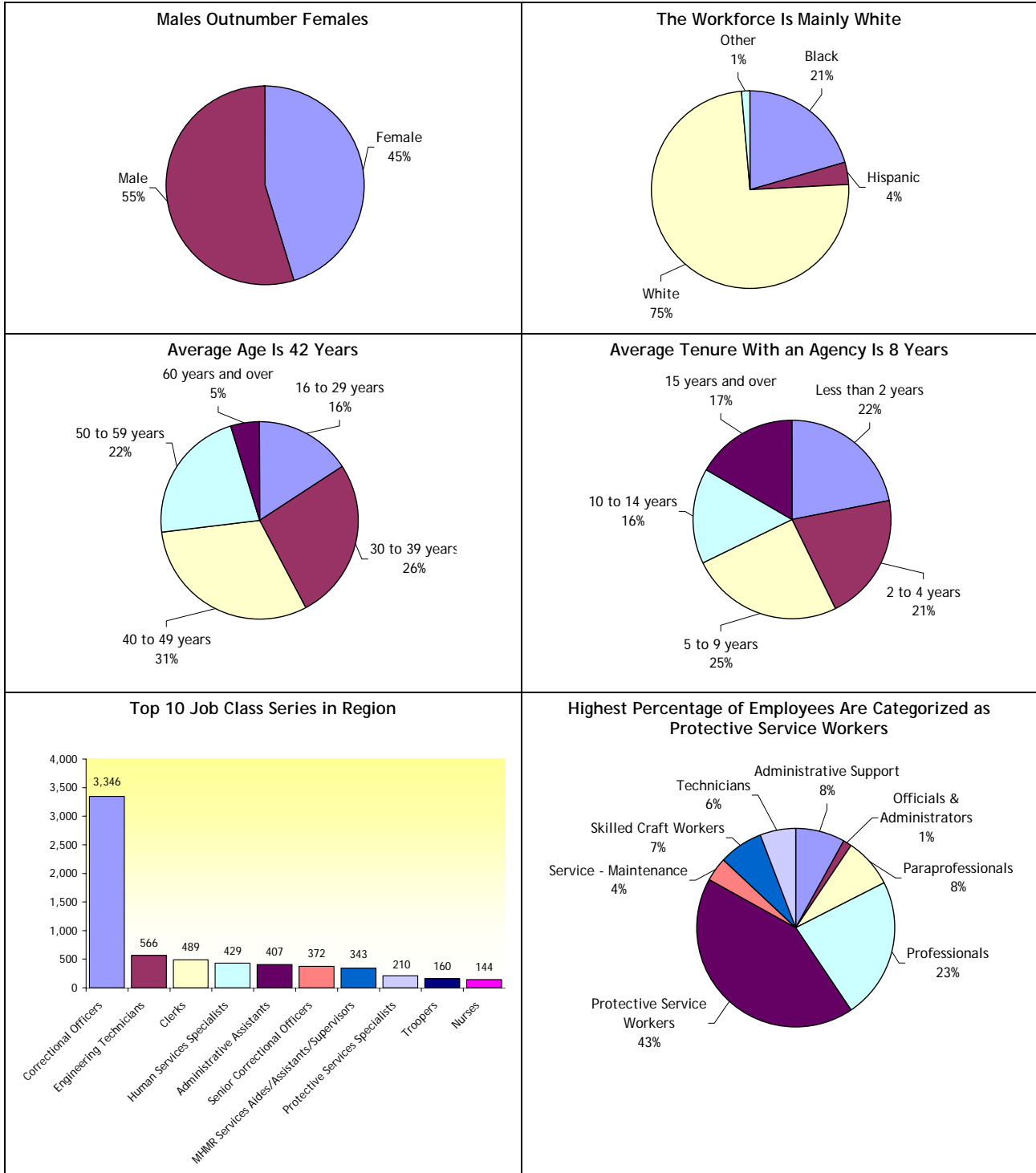
**North Central Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	13,545
Average Annual Salary	\$31,263
Turnover Rate	16.0%



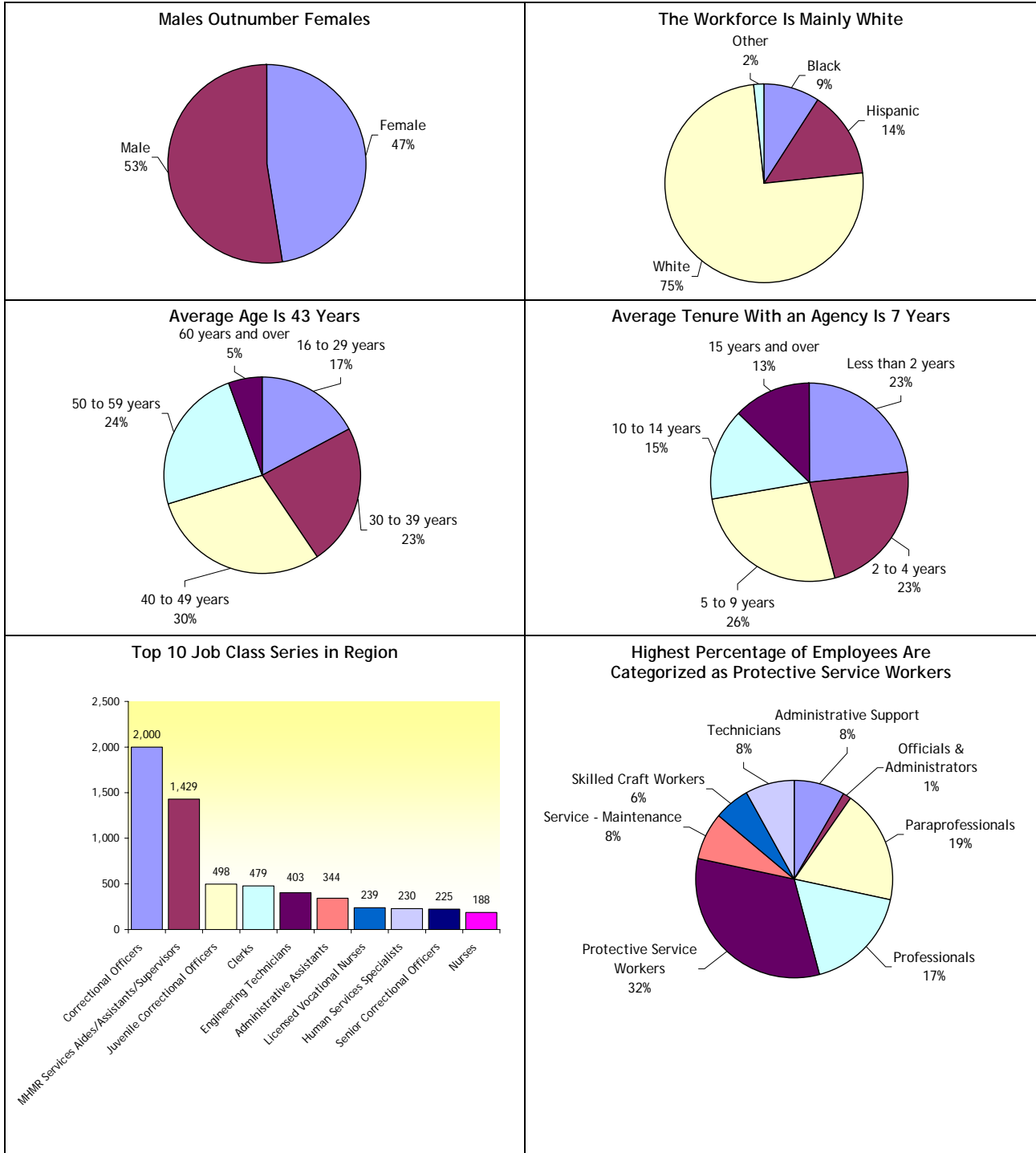
**Northeast Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	9,109
Average Annual Salary	\$30,680
Turnover Rate	15.6%



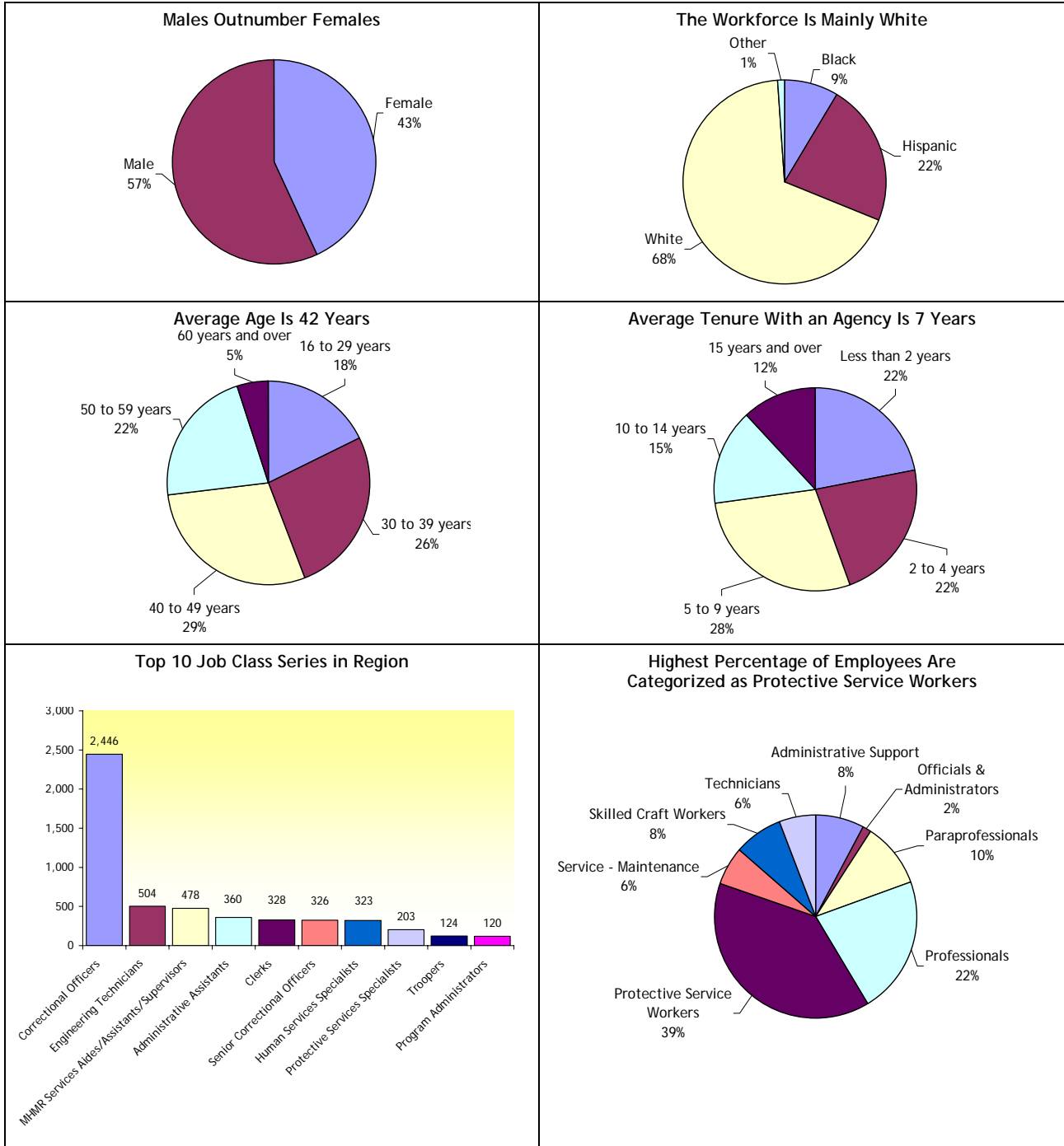
**Northwest Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	9,029
Average Annual Salary	\$28,110
Turnover Rate	17.5%



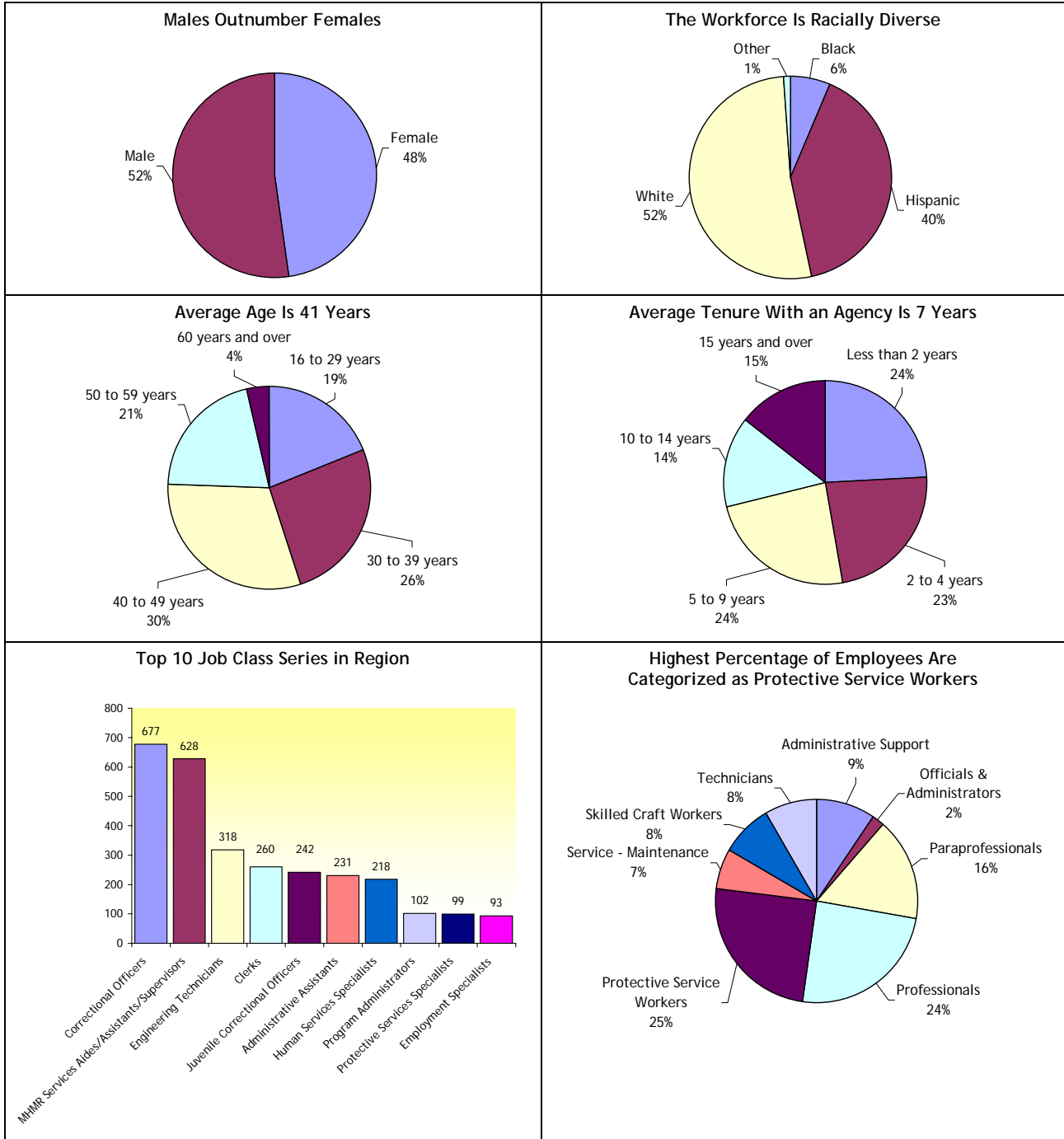
**Panhandle
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	7,393
Average Annual Salary	\$30,187
Turnover Rate	15.6%



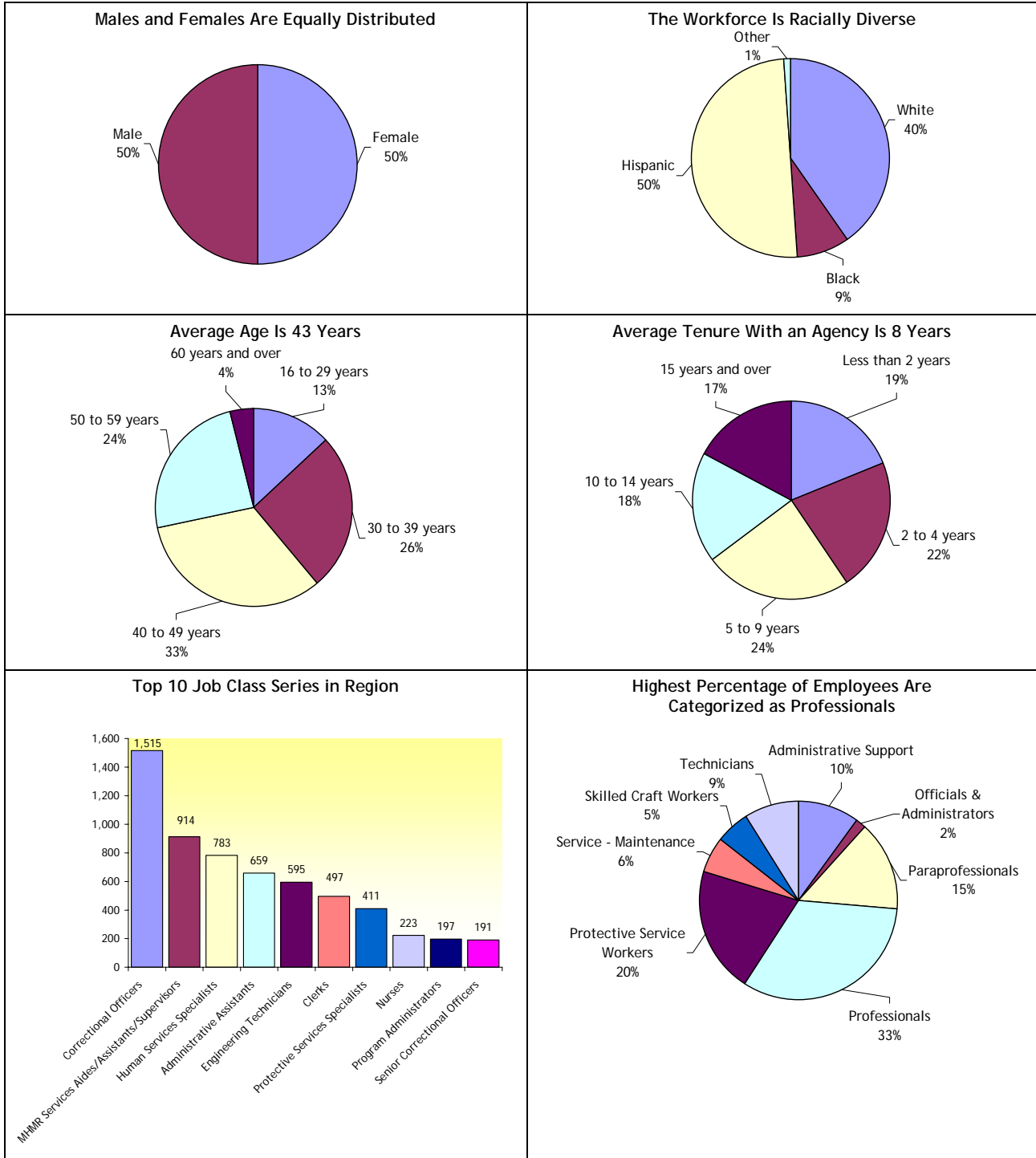
**Permian Basin
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	4,681
Average Annual Salary	\$29,291
Turnover Rate	18.3%



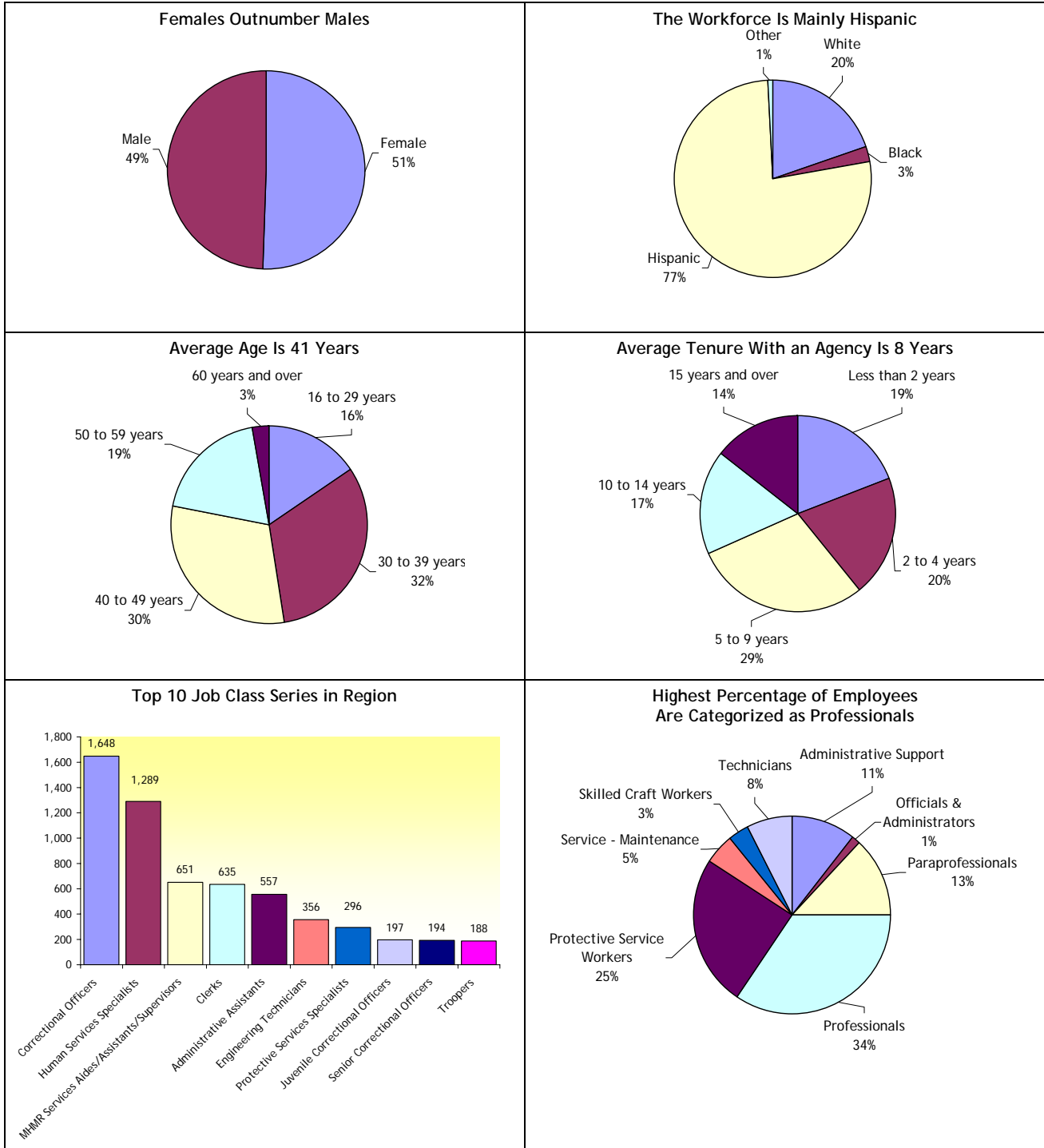
**South Central Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	10,019
Average Annual Salary	\$31,005
Turnover Rate	14.2%



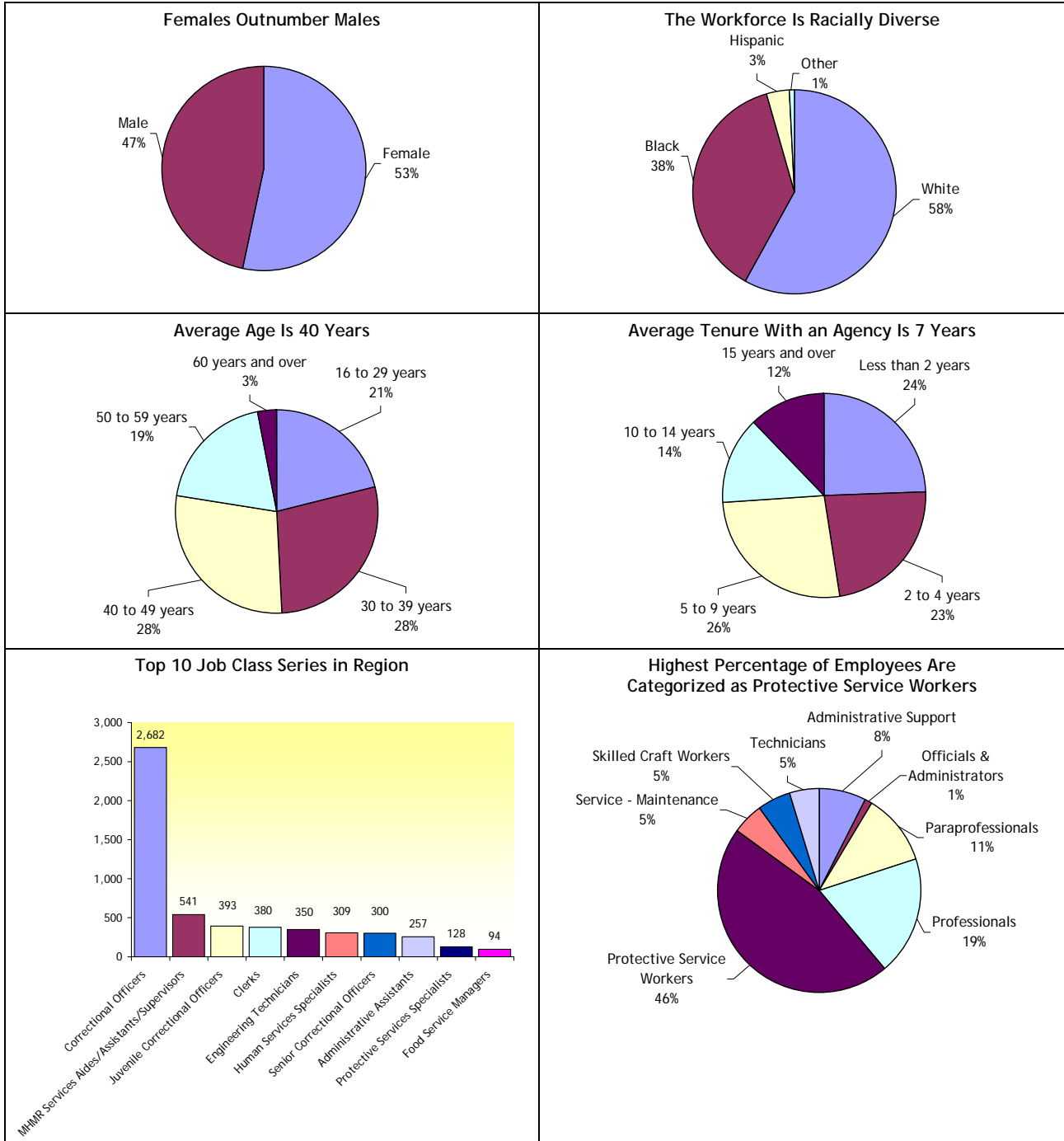
**South Texas
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	9,551
Average Annual Salary	\$30,227
Turnover Rate	15.2%



**Upper Gulf Coast
Full-Time Classified Employees
Fiscal Year 2004**

Number of Full-Time Classified Employees	7,501
Average Annual Salary	\$29,094
Turnover Rate	17.7%



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The Honorable Tom Craddick, Speaker of the House, Joint Chair

The Honorable Steve Ogden, Senate Finance Committee

The Honorable Thomas “Tommy” Williams, Member, Texas Senate

The Honorable Jim Pitts, House Appropriations Committee

The Honorable Brian McCall, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor



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