

State of Arizona Workforce Report





JANET NAPOLITANO
Governor

WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 North Fifteenth Avenue, Suite 401
Phoenix, Arizona 85007
(602) 542-1500

September 1, 2006

The Honorable Janet Napolitano
Governor, State of Arizona
The Honorable Ken Bennett
President, Arizona State Senate
The Honorable James Weiers
Speaker, Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Napolitano, President Bennett and Speaker Weiers:

In compliance with the Arizona Revised Statutes section 41-763.01, I respectfully submit this report for your review.

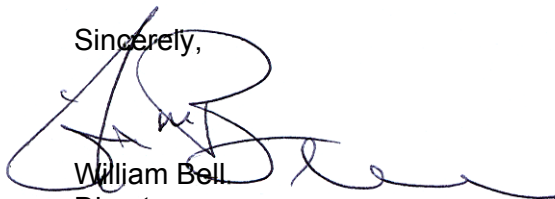
The format of this year's Workforce Report is very similar to that produced in prior years. We have provided meaningful data regarding the status of the State's workforce and the operations of the State's Human Resources System.

This report contains over 32 tables and illustrations describing the workforce of the state. Some of the key facts contained herein include:

- There were 37,114 active employees at the end of FY2006 (page 2)
- Over 81% of the workforce is covered by the merit system (page 4)
- Our workforce closely mirrors the demographics of the labor market (page 11)
- Over 55% of the active workforce is comprised of women (page 15)
- The state experienced a separation rate of nearly 20% of covered employees (page 18)
- In the next five years, over 20% of the workforce will be eligible to retire (page 26)
- The average age of a state employee is 44.7 years (page 33)
- The average length of service is 8.4 years (page 34)

I hope the information provided in this report will assist you when making decisions regarding Arizona State government and its employees. Please call me if you have any questions regarding this report.

Sincerely,



William Bell
Director

Table of Contents

Section and Title	Page Number
Table of Contents	i
Overview	ii
State Human Resources Operations Profile	iv
SECTION ONE – GENERAL EMPLOYMENT TRENDS	1
Table 1-1 Employee Headcount 1997 – 2006	2
Table 1-2 Employees by Agency 2002 – 2006	3
Table 1-3 Covered/Uncovered Employees by Agency 2006	4
Table 1-4 Rank Order of All States by Ratio of State Employees to State Population 2005	5
Table 1-5 Ratio of All State Employees to State Population (Western States) 2005	6
Table 1-6 Rank Order of All States by Ratio of Total State Payroll to State Population 2005	7
Table 1-7 Ratio of Total State Payroll to State Population (Western States) 2005	8
Table 1-8 State Employees by County 2006	9
SECTION TWO – EQUAL EMPLOYMENT	10
Table 2-1 Distribution of State Government Employees by Ethnic Group 2006	11
Table 2-2 Distribution of State Government Employees by Occupational Group 2006	12
Table 2-3 Changes in Employment by Ethnicity and Gender 1997 – 2006	13
Table 2-4 Changes in Employment of Minorities 1997 – 2006	13
Table 2-5 Minority Representation by Agency 2006	14
Table 2-6 Gender Representation by Agency 2006	15
SECTION THREE – EMPLOYEE MOBILITY	16
Table 3-1 Changes in Separations by Covered & Uncovered Employees 1997 – 2006	17
Table 3-2 Separation Rates of Covered Employees by Agency 2002 - 2006	18
Table 3-3 Voluntary and Involuntary Separations of Covered Employees by Agency 2006	19
Table 3-4 Most Populous Covered Class Titles 2006	20
Table 3-5 Covered Classes With The Highest Separation Rates 2006	20
Table 3-6 Separation Rates by Ethnic Group 2006	21
Table 3-7 Separation Rates by Occupational Code 2006	22
Table 3-8 Separation Rates by Age Distribution 2006	23
Table 3-9 Separation Rates by Length of Service 2006	24
Table 3-10 Percentage of Separations Due to Retirement 1997 – 2006	25
Table 3-11 Retirement Eligibility 2007 – 2011	26
Table 3-12 Estimated Cost of Turnover by Agency for Covered Employees 2006	27
SECTION FOUR – EMPLOYMENT CHARACTERISTICS	28
Table 4-1 Agency Comparison of Average Salary per Covered Employee 2002 – 2006	29
Table 4-2 Total Overtime Costs by Agency 2002 – 2006	30
Table 4-3 Distribution of Overtime Costs by Agency 2006	31
Table 4-4 Average Sick Leave Use and Costs Per Employee by Agency 2002 – 2006	32
Table 4-5 Age Distribution for All Employees 1998 and 2006	33
Table 4-6 Length of Service Distribution for All Employees 1998 and 2006	34

Overview

Arizona Revised Statutes (ARS) §41-763.01 requires the Director of the Arizona Department of Administration (ADOA) to provide a report to the Governor and the Legislature on the status of the state's human resources and the operation of the state human resources system. The statute requires that the report include information on the following:

- All state employees including the executive, legislative and judicial branch agencies.
- The number of employees affected by and reasons for turnover within state service.
- Overtime pay requirements of all state agencies.
- Other information as determined by the Director.

In Arizona State government the majority of agencies are subject to the jurisdiction of the ADOA Human Resources System. However, there are 23 agencies that are not included in this System. These 23 agencies have been informally grouped into 10 separate human resources systems. Each system develops its own employment, compensation, attendance/leave, and employee relations policies and procedures. Table A identifies all of the human resources systems within Arizona State Government and the number of appropriated employees within each of these systems.

Table A – Fiscal Year 2006 Appropriated Full-Time Positions

Agency	Appropriated Full-Time Equivalent Positions
ADOA Human Resources System	29,976.1
Governor's Office Personnel System	
Governor's Office	N/A
Governor's Office of Equal Opportunity	4.0
Governor's Office of Strategic Planning & Budgeting	26.0
Board of Regents & Universities Personnel System	
Board of Regents	27.9
Arizona State University	7343.3
Northern Arizona University	2079.7
University of Arizona	6148.6
Legislative Personnel System	
Auditor General's Office	184.4
House of Representatives	N/A
Joint Legislative Budget Committee	35.0
Legislative Council	47.8
Library & Archives	114.8
Senate	N/A
Courts Personnel System	
Court of Appeals	140.8
Superior Court	202.3
Supreme Court	227.6
Department of Gaming Personnel System	115.0
Governmental Information Technology Agency Personnel System	21.0
Department of Public Safety Personnel System	
Law Enforcement Merit System Council	1.0
Public Safety, Department of	1,901.8
Public Safety Personnel Retirement System	N/A
Arizona Schools for the Deaf and Blind	587.2
Office of Tourism	25.0

Source: The Executive Budget – Fiscal Year 2006 in Detail – Numbers reflect FY06 appropriations.

The largest of the human resources systems within Arizona State Government is the ADOA Human Resources System, also known as the Arizona State Service. The ADOA Human Resources System and the Law Enforcement Merit System Council (the Department of Public Safety's personnel system) are the State's only merit systems established by statute. Merit system employees may only be separated from

service for cause. Non-merit employees of all systems serve at the pleasure of the appointing authorities and can be separated without the right of appeal. They are considered "at will" employees.

The remainder of this report addresses the ADOA Human Resources System. The report is comprised of four major sections.

The introduction provides an overview of the ADOA Human Resources Operations. The responsibility of the ADOA Human Resources Operations resides with the ADOA, Human Resources Division located at 100 North 15th Avenue, Phoenix, Arizona 85007. This section describes who receives services provided by the ADOA Human Resources Division, the services provided, the organization of the division, and functional highlights of each work area.

Section One provides demographic information of the employees within the ADOA Human Resources System. The demographic information includes statewide headcount, headcount of employees by agency, covered and uncovered employees by agency, number of state employees in relation to state population, total state payroll in relation to state population, and the percentage of employees working in each county.

Section Two provides statistical information about the employees within the ADOA Human Resources System by ethnic group, gender and occupational group as defined by the U.S. Equal Employment Opportunity Commission. The statistical information includes distribution of employees by ethnic group compared to the Arizona Labor Force, distribution of employees by occupational group, trends in employment by ethnicity and gender, trends in employment of minorities, minority representation by agency, and gender representation by agency.

Section Three provides data on the mobility patterns of the employees within the ADOA Human Resources System. The data in this Section includes the trends in the separations (turnover) by covered and uncovered employees, trends in the separations of covered employees by agency, voluntary and involuntary separations by agency, most populous classes, classes with the highest separation rates, separation rates by ethnic group, separation rates by occupational code, separation rates by age distribution, separation rates by length of service, the relative percentage of separations due to retirement, future projections of retirement eligibility, and the estimated cost of turnover by agency for covered employees.

Section Four provides information on employment characteristics. The majority of the information is presented by agency with five years of historical data. This section includes average covered employee salary, total overtime costs by agency, distribution of overtime costs by agency, average sick leave use and costs per employee, distribution of average age of employees, and distribution of average length of service of employees.

The main source of the information presented in this report is the state's Human Resources Information Solution (HRIS). This is a centralized record-keeping and tracking database, however, the accuracy and integrity of the data in the system is dependent upon the personnel in each of the state agencies to enter information into the system in a timely and accurate manner. Maintenance and reporting functions of the system reside within the authority of ADOA. The HRIS system captures information from roughly 100 different agencies, boards, and commissions that are included within the ADOA Human Resources System. Many of these organizations are quite small in size. For many of the tables contained herein, organizations with less than 50 allocated positions (at the end of fiscal year 2002) have been consolidated into one line item at the top of the table, noted as "small agencies". In addition, the charts represent employees that were on the State's payroll during the pay period that included the 12th of June, 2006.

State Human Resources Operations Profile

The largest government human resources system in Arizona is managed by the Arizona Department of Administration, Human Resources Division.

Established: 1968 as the Arizona Personnel Commission
Location: 100 North 15th Avenue, Phoenix, Arizona
Employees: 174.0 full-time positions
FY 2006 Budget: \$15,185,200 Personnel Division Fund (ProRata)
 \$4,880,700 Health Insurance Trust Fund
Mission: ...provide efficient, timely, customer-driven professional human resources services...

The Division consists of the following:

Human Resources Director - Kathy Peckardt
Benefits/Insurance – Philip Hamilton, Manager
Classification/Compensation - Joanne Carew, Manager
Staffing and Recruitment – Jackie Mass, Manager
Satellite Offices/Workforce Relations - Laura Krause, Manager
Planning and Quality Assurance – Greg Carmichael, Manager
Human Resources Information Solution – John Murrin, Acting Manager

*Additional areas include: **Human Resources Consulting, Marketing/Communications and Administrative Services***

Customer Base includes over 9,000 retirees and over 62,000 employees and their dependents from 100 state agencies, boards and commissions and 3 state universities. Customers can be grouped into the following segments...

- Health and welfare agencies (e.g. Arizona Health Care Cost Containment System, Economic Security, Health Services)
- Protection and safety agencies (e.g. Adult and Juvenile Corrections)
- Transportation agencies (e.g. Department of Transportation)
- Inspection and regulation agencies (e.g. Board of Accountancy, Real Estate, Insurance and Medical Examiners)
- Education agencies (e.g. Department of Education, State Universities¹, Arizona State Schools for the Deaf and Blind)
- Natural resource agencies (e.g. Game and Fish, State Land, State Parks)
- General government agencies (e.g. Revenue, Commerce)
- State retirees¹

¹ These customers utilize the services of the Benefits Program only.

Summary of Services

- A benefits program is offered that includes medical, dental, vision, basic and supplemental life insurance, dependent life insurance, flexible spending accounts, short-term and long-term disability for active, benefit-eligible employees.
- An on-site childcare center located on the Capitol Mall is available to state employees.
- An Employee Assistance Program is available that offers counseling services and referral services.
- A Wellness Program is available that offers:
 - Health Education classes tailored to each individual worksite.
 - Free or low-cost screening programs.
 - An inter-agency wellness resource center with books, videos and audiotapes.
 - A monthly newsletter full of wellness information and a listing of upcoming events in worksites statewide.
- Human resources professionals are located on-site within the six largest state agencies and in the Tucson office complex.
- An automated employment system, Hiring Gateway, and a state job board azstatejobs.gov are maintained for hiring supervisors to utilize to fill positions.
- A pool of candidates is maintained to fill the temporary staffing needs of state agencies.
- The recruitment strategy includes a variety of methods including coordinating and hosting job fairs and community events and participating in community outreach programs.
- An up-to-date website www.hr.state.az.us is available containing information relating to job opportunities and employee benefits.
- Consulting services are offered to provide human resources expertise in such areas as employment law and Arizona State government rules, policies and practices.
- Market surveys are conducted annually and outside salary surveys are utilized to evaluate market position of state jobs to ensure external competitiveness.
- Jobs are analyzed and evaluated to determine appropriate salary ranges and job classifications to ensure internal equity.
- A staff is dedicated to handling employee relations issues including investigations, employee grievances, and personnel rule interpretation.
- Human Resource Information Solution (HRIS) is maintained to administer payroll, personnel actions and employee benefits and serves as the State's central record of employee information.

Benefits

The Benefits section fulfills the statutory responsibility to provide health and welfare benefits to the State of Arizona employees, retirees, long-term disability recipients, COBRA participants and their eligible dependents. This past year marked the second year of a significant transition from offering a fully insured medical insurance plan to our members. On October 1, 2004 the State offered a self insured medical plan – providing members a variety of network choices. The Benefit Options Program remains very comprehensive, consisting of medical, dental, vision, basic life, supplemental life, dependent life, short-term disability, long-term disability, and flexible spending accounts. Last year over 93% of members responded that they were satisfied with their medical plans.

The Wellness Program will continue to provide services at no or low cost in order to improve the health and wellness of state employees. This program is available for employees and families who work for the State of Arizona. Retirees of the State of Arizona (and their spouses) are also welcome to use wellness resources. The program includes publishing an electronic wellness newsletter, workshops/training, a library of materials, flu shots, mammography, osteoporosis, and stroke risk assessment screenings. As we move forward into the future, wellness will become a vital function to educate and promote preventative measures to reduce health care claims costs. Diabetes screening, disease prevention classes, and disease management will be necessary to incorporate into the wellness program.

Classification & Compensation

The Classification & Compensation Section designs, develops, and administers job evaluation and compensation programs for the ADOA Human Resources System. In support of these responsibilities, this section

- conducts salary surveys including the Arizona Compensation Survey (formerly JGSS) and the ASDB Salary Survey for education-related positions;
- participates in other salary and benefits studies with other public and private organizations;
- evaluates positions using the whole job classification method and makes FLSA determinations;
- prepares the Annual Advisory Recommendation to the Governor and Legislature regarding suggested changes to the salary plans;
- interprets and administers salary policy.

Consulting Services

This area provides both in-house and external services regarding various human resources related issues, such as, pending and/or changes to existing legislation, inquiries from the public, legislature and other state agencies, design, development and oversight of pilot programs and special projects.

Staffing & Recruitment

The Staffing and Recruitment Section provides staffing and recruiting services to over 90 state agencies. The section processes requests to fill positions including posting announcements, screening of resumes, and providing lists of qualified applicants. They also manage a pool of candidates to fill temporary employment opportunities in state government.

This section assists state agencies with testing and screening of applicants and developing interview questions for the selection of qualified candidates. It also provides employee survey services including design and analysis of survey results. The Office manages community outreach programs through job fairs and community events.

Additionally, this section provides a Career Center to assist employees impacted by reductions in force. Through a partnership with Maricopa Workforce Connection, State of Arizona Workforce Development Administration, and the City of Phoenix; a full service Rapid Response program has been developed that provides a series of workshops and services that prepares and assists displaced employees with the transitional process.

The section administers a recently implemented, automated employment system called Hiring Gateway. A key component of this system is the State's new website, "azstatejobs.gov" where all state of Arizona government jobs are posted.

Satellite Offices

The Division has seven satellite offices that provide professional human resources services to state agencies. The Department of Administration/Tucson Office, Department of Corrections, Department of Economic Security, Department of Health Services, Department of Juvenile Corrections, Department of Revenue, and Department of Transportation have on-site human resources offices dedicated to the agency. The remaining agencies are provided human resources services through Central Office Human Resources.

These offices provide a myriad of services that include: rule interpretation, consistency in human resources practices, compliance with laws, rules, policies and procedures, recruitment and staffing, employee relations, operations, classification, and consultation regarding human resources-related issues.

Planning & Quality Assurance

This section was established to assist State agencies in reviewing their policies, practices and procedures to ensure consistent human resources practices are maintained throughout Arizona State Government. The section also provides data analysis of key human resources information and focuses on strategic planning and best practices research which will assist the Division in becoming proactive partners with its customers.

Workforce Relations

This section provides rule interpretation to agency human resources professionals, management and employees, provides assistance with policy development; offers guidance on employee relations issues; approves and monitors FMLA usage; approves Annual Leave Carry-over and Donated Annual Leave requests; assists in administering reductions in force; investigates and prepares responses to 4th level grievances submitted by agency employees and 3rd level grievances submitted by ADOA employees, and investigates and prepares recommendations in response to requests for 2nd level classification reviews.

Another component of this section includes the Employee Assistance Program (EAP). EAP offers counseling services, referral services and management/employee workshops. The types of workshops offered include EAP Service Introductions and Crisis Debriefing.

Human Resources Information Solution (HRIS)

A team of functional and technical staff manages the state's integrated payroll, personnel, and benefits system called the Human Resources Information Solution. HRIS serves as the state's central system of record for employee information.

The system processes payroll, allows employees to enroll in the state's benefit plans, and provides management with reporting capabilities to manage the state's workforce.



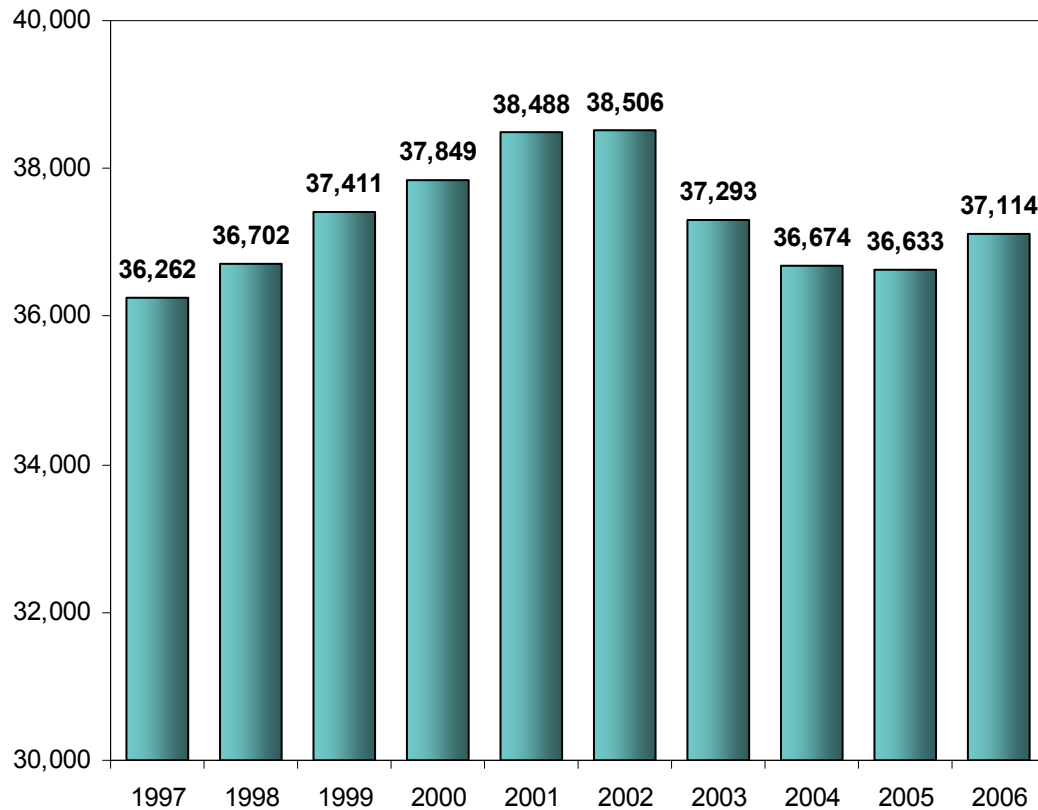
I General Employment Trends

- Employee Headcount
- Employees by Agency
- Covered/Uncovered Employees by Agency
- Rank of All States by FTEs to Population
- Ratio of State FTEs to Population
- Rank of All States by Payroll to Population
- Ratio of State Payroll to Population
- State Employees by County

... the total number of state employees increased to 37,114 – ending a three-year trend of decreases in the size of the workforce ...

2

**Table 1-1 – Employee Headcount
1997 - 2006**



Source: The state's Human Resources Management System for years 1997 through 2003. Data for 2004 through 2006 was extracted from the state's Human Resources Information Solution. Data from 1997 to 1999 represents calendar year-end (December 31); 2000 through 2006 data represents fiscal year-end (June 30). Data includes covered and uncovered active employees.

Analysis: The total number of employees increased in 2006, reversing the three-year trend of declines. The increase in the number of active employees was 1.3% (compared to last year's 0.1% decrease and 2004's 1.7% decrease). Overall there has been a 3.5% decrease from 2002.

... the majority of agencies (69%) experienced an increase in the average size of their workforce ...

3

**Table 1-2 – Employees by Agency
Fiscal Year 2002 - 2006**

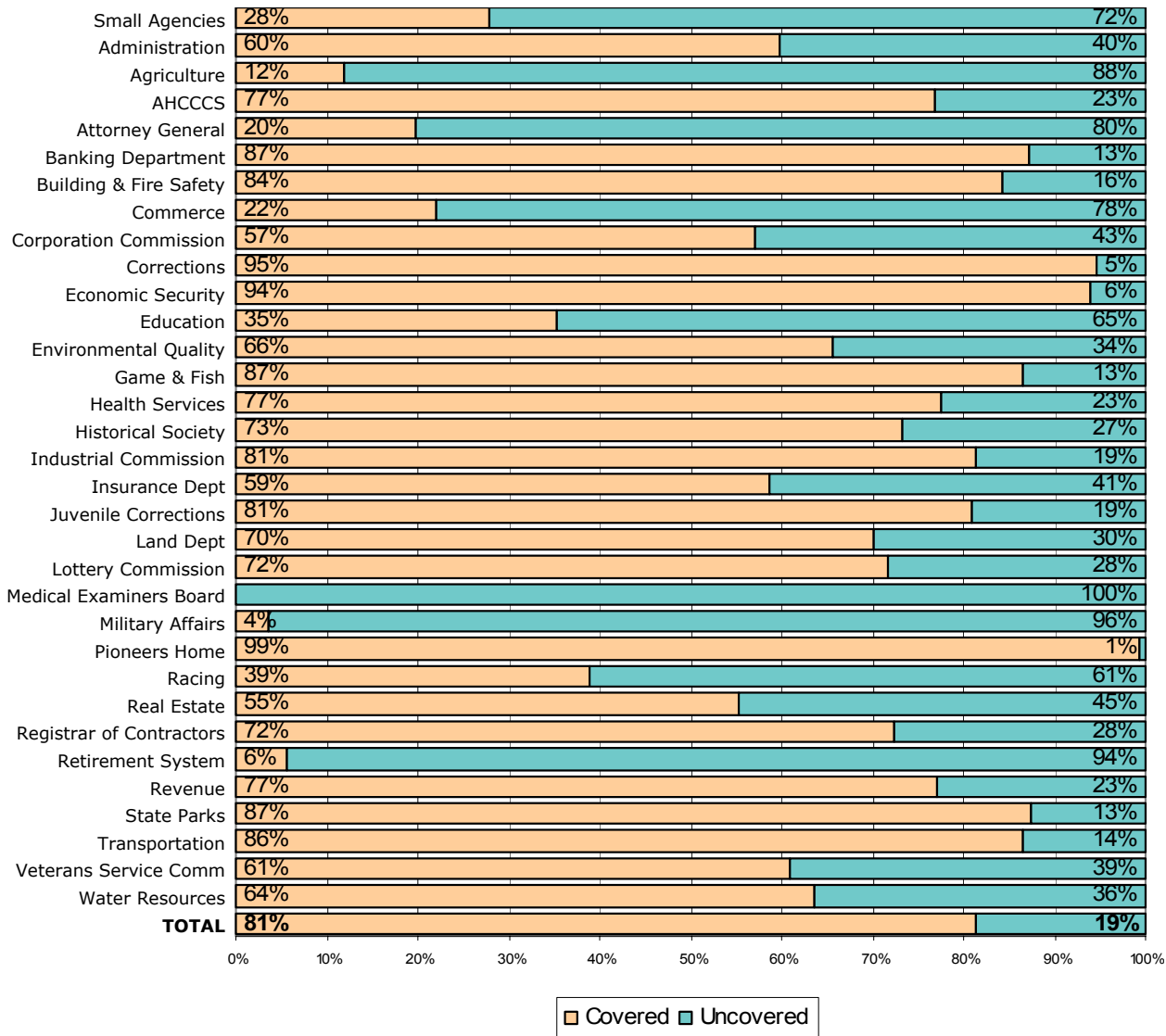
Agency Name	2002	2003	2004	2005	2006
Small Agencies	1,028	1,049	925	941	869
Administration	962	899	856	808	809
Agriculture	338	350	316	313	337
AHCCCS	1,386	1,282	1,233	1,314	1,334
Attorney General	775	638	694	697	691
Banking Department	52	50	51	54	63
Building & Fire Safety	66	52	47	50	51
Commerce	104	89	88	96	91
Corporation Commission	282	298	291	281	287
Corrections	9,334	9,426	9,813	9,080	9,061
Economic Security	10,552	9,799	9,555	10,087	10,286
Education	389	405	443	492	543
Environmental Quality	750	734	681	674	641
Game & Fish	655	680	641	658	665
Health Services	1,848	1,900	1,836	1,844	1,896
Historical Society	86	76	63	63	60
Industrial Commission	291	289	283	282	285
Insurance Dept	143	145	137	141	138
Juvenile Corrections	1,090	1,105	1,025	1,039	1,058
Land Dept	235	218	129	221	267
Lottery Commission	117	116	109	106	106
Medical Examiners Board	75	75	62	49	67
Military Affairs	507	517	489	506	510
Pioneers Home	133	132	133	129	128
Racing	60	57	46	46	49
Real Estate	65	57	58	56	65
Registrar of Contractors	134	143	136	140	123
Retirement System	170	175	181	178	210
Revenue	998	1,050	1,044	1,019	1,003
State Parks	331	333	331	329	339
Transportation	5,000	4,643	4,463	4,439	4,562
Veterans Service	288	291	296	280	289
Water Resources	262	220	219	221	231
Totals	38,506	37,293	36,674	36,633	37,114

Source: The state's Human Resources Management System for years 2002 and 2003. Data for 2004 through 2006 was extracted from the state's Human Resources Information Solution. Data includes covered and uncovered active employees at fiscal year-end (June 30).

Analysis: Over two-thirds (69%) of the larger state agencies experienced an increase in the number of employees; however nine agencies (28%) experienced a decrease. Overall the state experienced a 1.3% increase in the size of the workforce this past year. Six agencies experienced an increase of greater than 10%.

... over 81% of employees in the ADOA Human Resources System are covered by the state merit system ...

**Table 1-3 – Covered/Uncovered Employees by Agency
Fiscal Year 2006**



Source: The state’s Human Resources Information Solution. Table includes covered and uncovered active employees at fiscal year-end (June 30).

Analysis: This table illustrates the distinction between “covered” employees (employees in positions covered by the ADOA personnel rules, sometimes referred to as “merit” employees) and “uncovered” employees (employees in positions not covered by the ADOA personnel rules, sometimes referred to as “at will” employees). Over 81% of the workforce in the ADOA Human Resources System is covered by the merit system. Twenty-four out of the thirty-two larger agencies (75%) have the majority of their employees covered by the merit system.

. . . Arizona remains 46th in the nation in the ratio of full-time equivalent state employees to total population . . .

**Table 1-4 - Rank Order of All States by Ratio of State FTEs to State Population
2005**

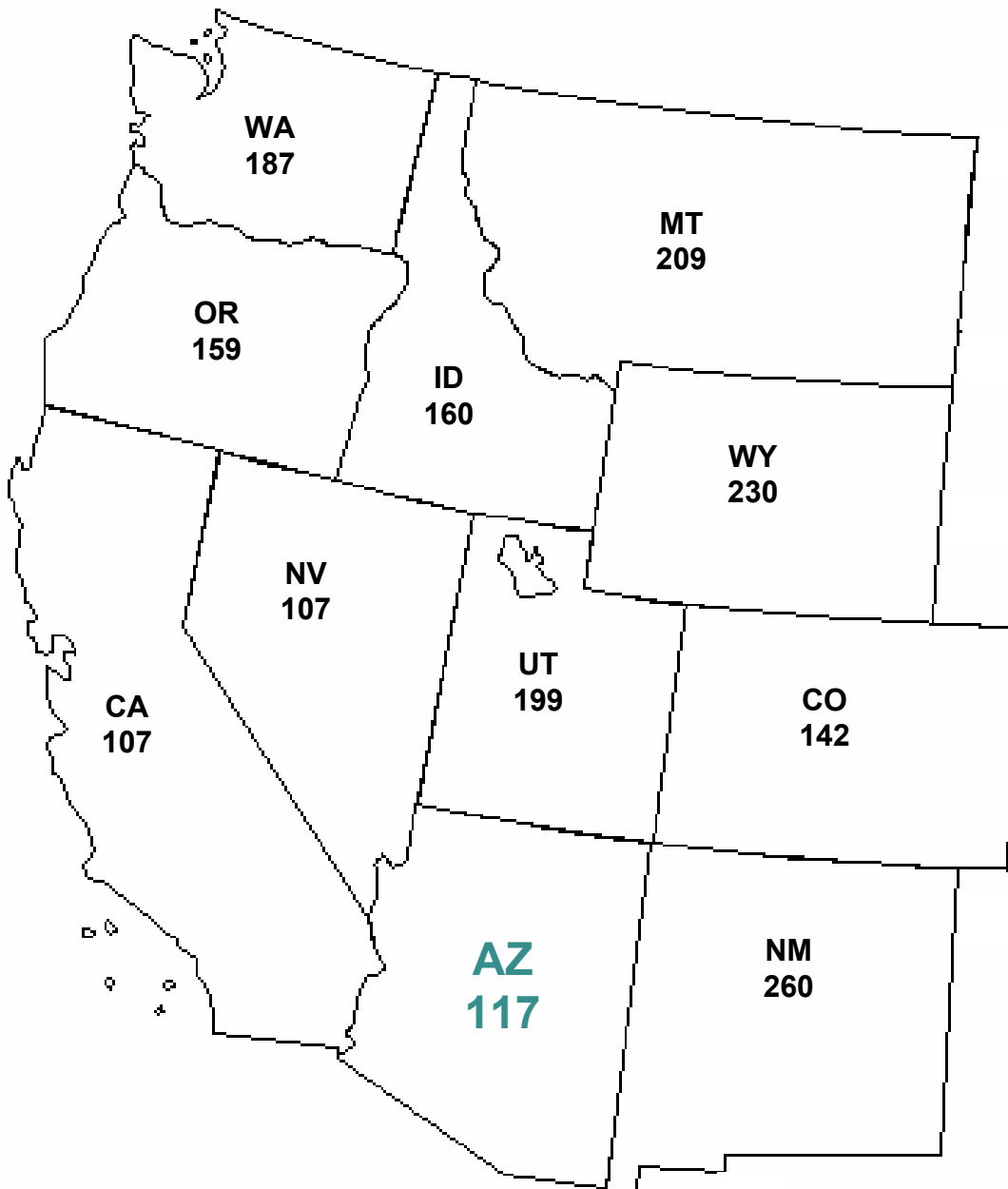
1.....Hawaii	27.....Idaho
2.....Alaska	28.....Maine
3.....Delaware	29.....Oregon
4.....North Dakota	30.....Missouri
5.....New Mexico	31.....Virginia
6.....Wyoming	32.....North Carolina
7.....Vermont	33.....New Hampshire
8.....Montana	34.....Indiana
9.....West Virginia	35.....Minnesota
10.....Louisiana	United States Average
11.....Utah	36.....Colorado
12.....Arkansas	37.....Tennessee
13.....Mississippi	38.....Massachusetts
14.....Kentucky	39.....Georgia
15.....Alabama	40.....Michigan
16.....Washington	41.....Pennsylvania
17.....Rhode Island	42.....New York
18.....Nebraska	43.....Wisconsin
19.....Oklahoma	44.....Texas
20.....South Carolina	45.....Ohio
21.....Iowa	46..... Arizona
22.....New Jersey	47.....California
23.....South Dakota	48.....Nevada
24.....Connecticut	49.....Florida
25.....Maryland	50.....Illinois
26.....Kansas	

Source: U.S. Census Bureau, Governments Division, March 2005. Population data estimate for July 2005.

Analysis: Arizona remained 46th in the nation in the ratio of full-time equivalent state employees compared to the overall population of the state. In 2004, Arizona also ranked 46th, however in 2002, Arizona ranked 45th, and in 2000, Arizona ranked 43rd. Of the Western States, only California and Nevada have fewer state FTEs compared to the overall population of the state.

... Arizona ranks 46th in the nation in the ratio of full-time equivalent state employees to total population ...

**Table 1-5 - Ratio of State FTEs to State Population
2005
Employees per 10,000 Population**



Source: U.S. Census Bureau, Governments Division. March 2005. Population data estimate for July 2005.

Analysis: Arizona remained 9th out of the 11 Western states (the same ranking as in 2002 and 2004) in the ratio of full-time equivalent state employees compared to the overall population of the state. Arizona's ratio of FTEs per 10,000 population decreased by 4.5% since 2002, compared to the national average decrease of 3.2%.

. . . Arizona still ranks 49th in the nation when comparing total payroll to the state's population. . .

**Table 1-6 - Rank Order of All States by Ratio of Total State Payroll to State Population
2005**

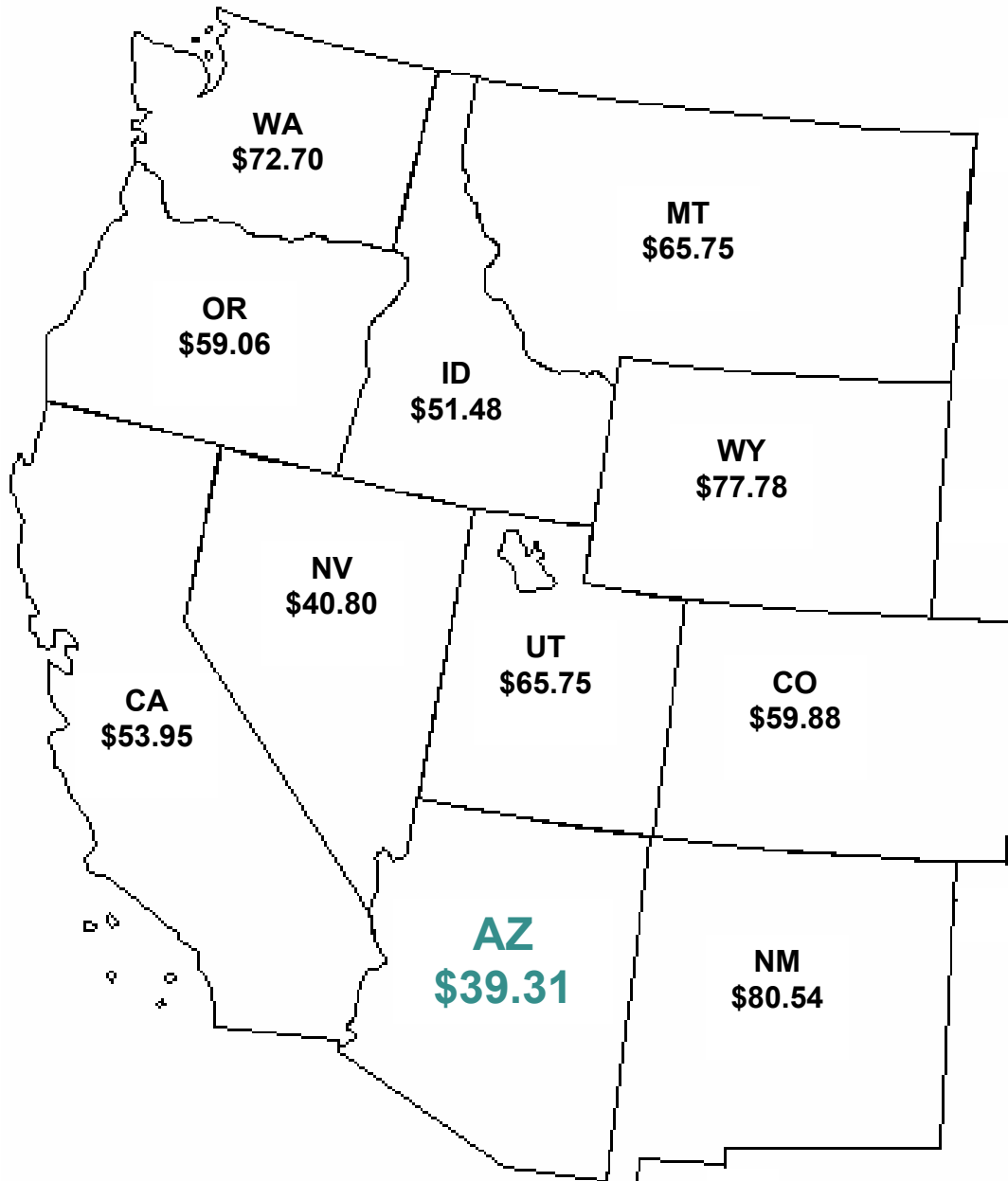
1.....Hawaii	27.....Oklahoma
2.....Alaska	28.....Maine
3.....Delaware	29.....Virginia
4.....Vermont	30.....Kansas
5.....North Dakota	31.....Nebraska
6.....New Jersey	32.....South Carolina
7.....Connecticut	United States Average
8.....New Mexico	33.....South Dakota
9.....Rhode Island	34.....California
10.....Wyoming	35.....Michigan
11.....Washington	36.....North Carolina
12.....Iowa	37.....Idaho
13.....Louisiana	38.....New Hampshire
14.....Montana	39.....Wisconsin
15.....Utah	40.....Pennsylvania
16.....Maryland	41.....Indiana
17.....Alabama	42.....Missouri
18.....Kentucky	43.....Georgia
19.....Arkansas	44.....Ohio
20.....West Virginia	45.....Tennessee
21.....Minnesota	46.....Texas
22.....Massachusetts	47.....Nevada
23.....Colorado	48.....Illinois
24.....Oregon	49..... Arizona
25.....New York	50.....Florida
26.....Mississippi	

Source: U.S. Census Bureau, Governments Division. March 2005. Population data estimate for July 2005.

Analysis: Arizona remained 49th in the nation in 2005 when comparing total payroll to the state's population. In 2004 and 2002, Arizona ranked 49th, and in 2000, Arizona ranked 47th. Arizona's ratio of total state payroll compared to the overall population of the state was 26% lower than the nationwide average in 2002 and is currently 28% lower in the 2005 census data.

... no other Western state has a lower state payroll than Arizona when compared to the state's population. . .

**Table 1-7 - Ratio of Total State Payroll to State Population
2005
Payroll Dollars per Citizen**

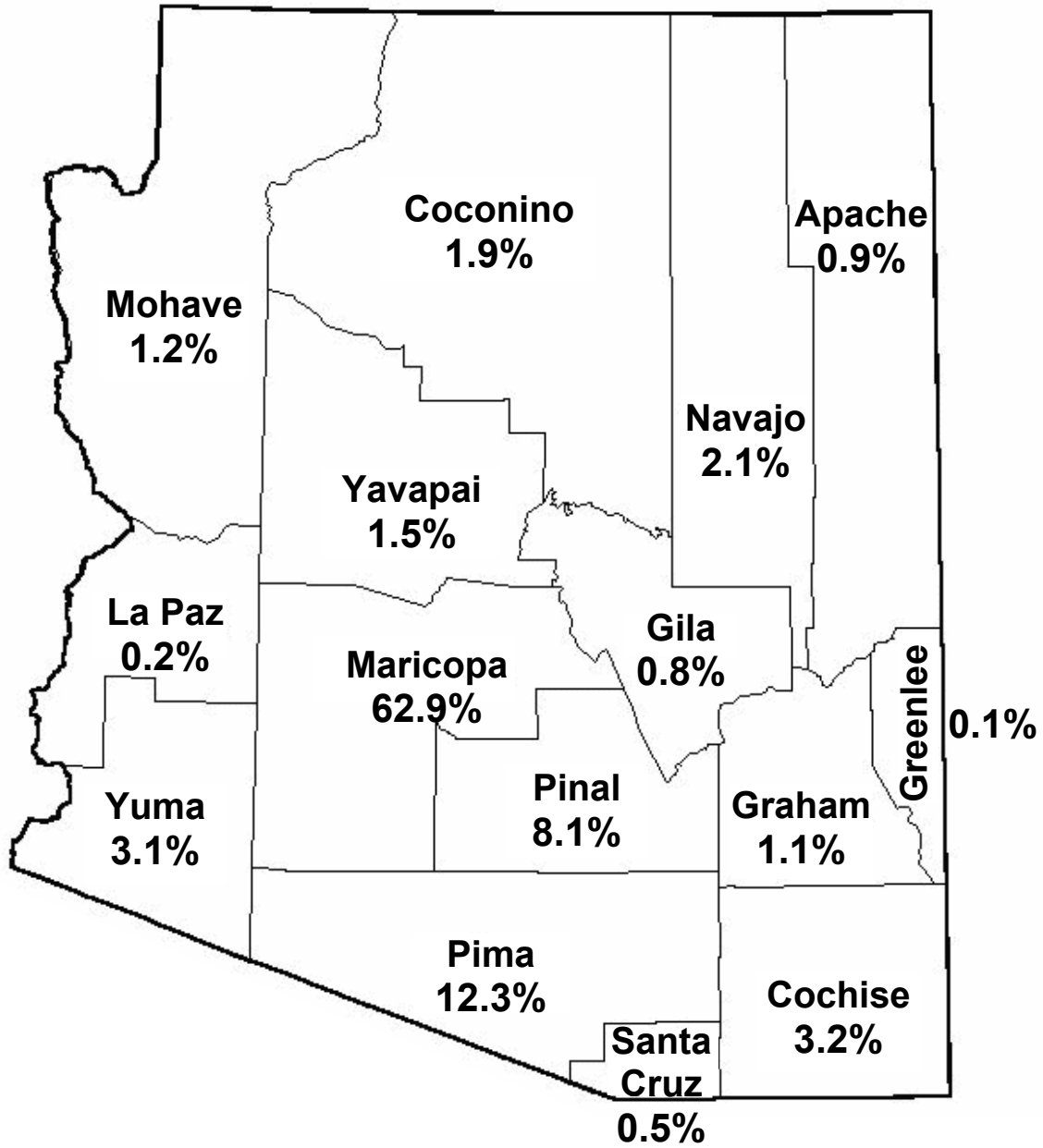


Source: U.S. Census Bureau, Governments Division. March 2005. Population data estimate for July 2005.

Analysis: Of the Western States, Arizona continues to have the lowest ratio of state payroll compared to the overall population of the state. Arizona's payroll ratio increased 3.6% since 2002, compared to the national average which increased by 5.4% and the ten other Western States which increased an average of 8.4%.

... most of the state's workforce is located in Maricopa County ...

**Table 1-8 – State Employees by County
Fiscal Year 2006**



Source: The state's Human Resources Information Solution. Data represents covered and uncovered active employees at fiscal year-end (June 30).

Analysis: The majority of state employees work in Maricopa County, followed by Pima and Pinal counties. These three counties account for over 83% of all state employees.

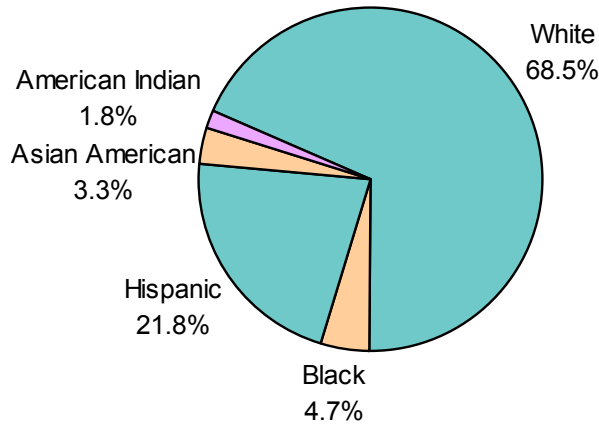


2 Equal Employment

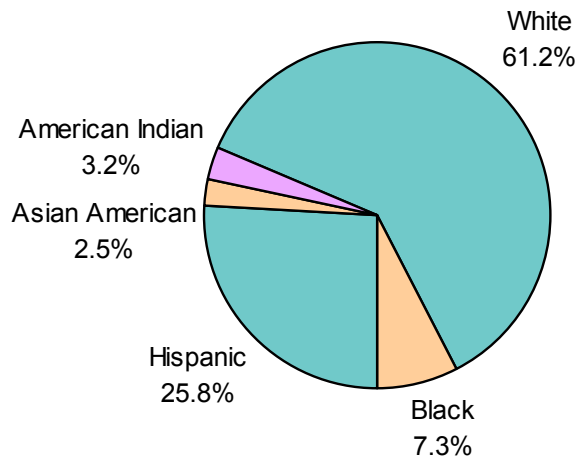
- Distribution of Employees by Ethnic Group
- Distribution of Employees by Occupational Code
- Changes in Employment by Ethnicity and Gender
- Changes in Employment of Minorities
- Minority Representation by Agency
- Gender Representation by Agency

... the state's workforce continues to be more diverse than the available labor force within Arizona ...

Table 2-1 – Distribution of State Government Employees by Ethnic Group Fiscal Year 2006



Arizona Labor Force



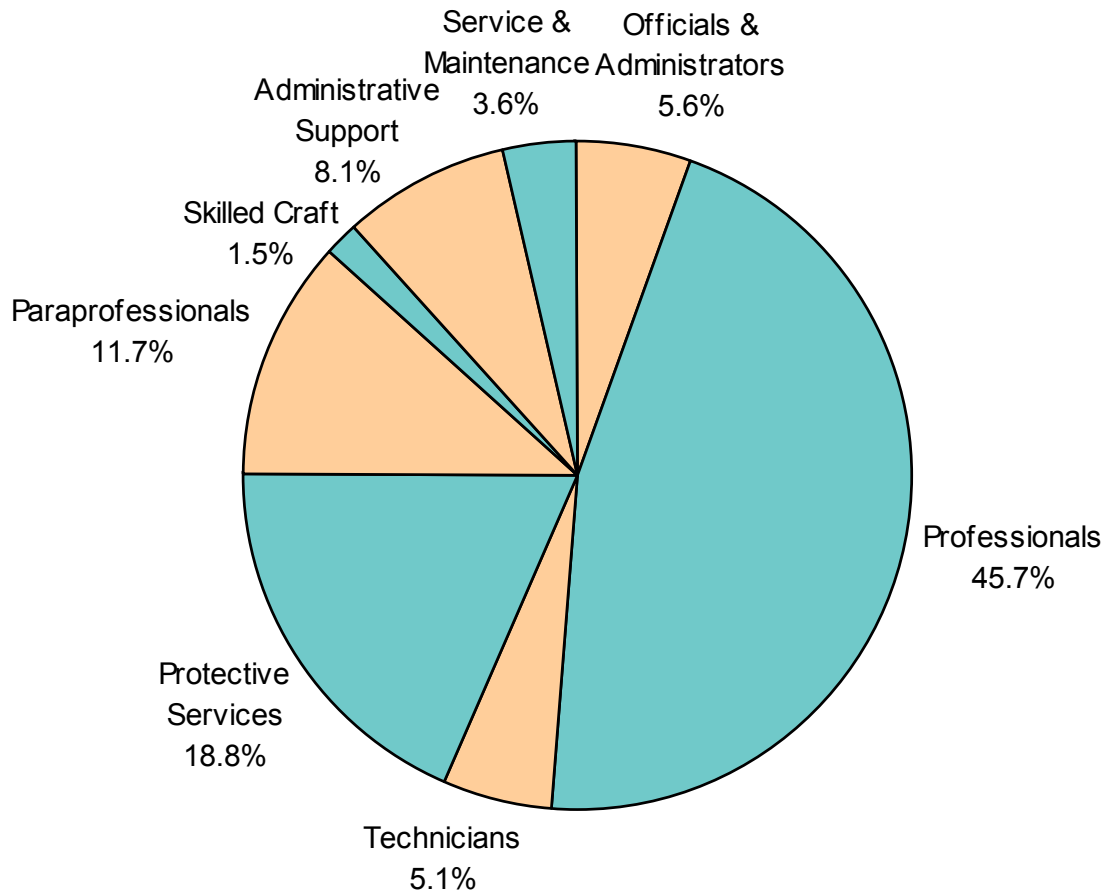
State Government Employees

Source: Arizona Labor Force data from the U.S. Equal Employment Commission 2003 EEO-1 Report; State Government Employees data from the State's Human Resources Information Solution June 2006; includes covered and uncovered employees. Percentages are based upon employees responding – a small percentage of employees choose not to disclose their ethnicity.

Analysis: The majority of the state's workforce is comprised of the White and Hispanic ethnic groups. Overall, the state government's workforce tends to be more diverse than the Arizona Labor Force.

... the professional occupational group accounts for the largest portion of the state's workforce, followed by protective services, and paraprofessionals ...

**Table 2-2 – Distribution of State Government Employees
by Occupational Group
Fiscal Year 2006**



Source: The State's Human Resources Information Solution, June 2006; includes covered and uncovered employees. Categories are based upon the Equal Employment Opportunity Commission's Occupational Categories for State and Local Government (EEO-4).

Analysis: State employees in positions categorized as Professional comprise the largest percentage (46%) of the eight occupational groupings. Skilled craft (2%) and service workers (4%) encompass the smallest percentage.

... the overall percentage of minorities has shown a steadily increasing trend over the last ten years ...

Table 2-3 – Ten Years of Changes in Employment by Ethnicity and Gender 1997 - 2006

Year	Non-Minority				Minority				Total			
	Male		Female		Male		Female		Male		Female	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1997	11,801	34.9%	11,409	33.7%	4,450	13.2%	6,178	18.3%	16,251	48.0%	17,587	52.0%
1998	11,731	34.3%	11,349	33.2%	4,679	13.7%	6,454	18.9%	16,410	48.0%	17,803	52.0%
1999	11,868	34.0%	11,439	32.7%	4,885	14.0%	6,758	19.3%	16,753	47.9%	18,197	52.1%
2000	11,732	33.4%	11,447	32.6%	4,962	14.1%	6,942	19.8%	16,694	47.6%	18,389	52.4%
2001	11,732	33.4%	11,447	32.6%	4,962	14.1%	6,942	19.8%	16,694	47.6%	18,389	52.4%
2002	11,483	32.0%	11,660	32.4%	5,147	14.3%	7,645	21.3%	16,630	46.3%	19,305	53.7%
2003	11,187	31.5%	11,322	31.9%	5,447	15.4%	7,505	21.2%	16,634	46.9%	18,827	53.1%
2004	11,242	31.4%	11,399	31.8%	5,346	14.9%	7,845	21.9%	16,588	46.3%	19,244	53.7%
2005	10,920	29.8%	11,405	31.1%	5,696	15.5%	8,612	23.5%	16,616	45.4%	20,017	54.6%
2006	10,756	29.7%	11,410	31.5%	5,475	15.1%	8,558	23.6%	16,231	44.8%	19,968	55.2%

Source: The state's Human Resources Information Solution. Percentages are based upon covered and uncovered employees responding – a small percentage of employees choose not to disclose their ethnicity. 1997 through 1999 data compiled in December; 2000 through 2006 data compiled in June.

Analysis: The percentage of female minorities increased this past year. The total percentage of females also increased.

Table 2-4 – Ten Years of Changes in Employment of Minorities 1997 - 2006

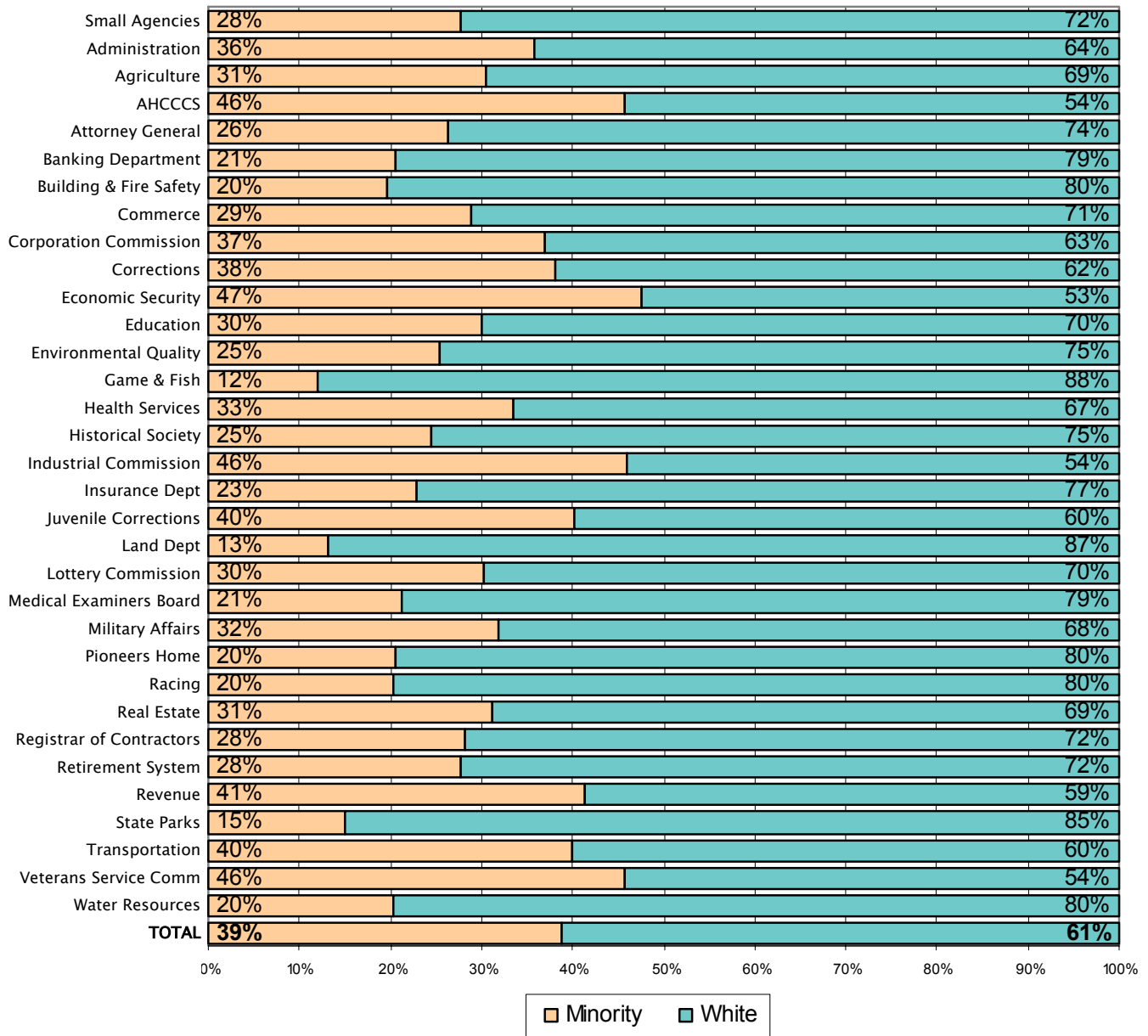
Year	African-American				Hispanic				Others			
	Male		Female		Male		Female		Male		Female	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1997	866	2.6%	1,339	4.0%	3,020	8.9%	3,939	11.6%	564	1.7%	900	2.7%
1998	914	2.7%	1,388	4.1%	3,168	9.3%	4,139	12.1%	597	1.7%	927	2.7%
1999	935	2.7%	1,422	4.1%	3,310	9.5%	4,355	12.5%	640	1.8%	981	2.8%
2000	938	2.7%	1,441	4.1%	3,376	9.6%	4,501	12.8%	648	1.8%	1,000	2.8%
2001	938	2.7%	1,441	4.1%	3,376	9.6%	4,501	12.8%	648	1.8%	1,000	2.8%
2002	950	2.6%	1,517	4.2%	3,525	9.8%	5,036	14.0%	672	1.9%	1,092	3.0%
2003	1,279	3.6%	1,493	4.2%	3,475	9.8%	4,941	13.9%	693	2.0%	1,071	3.0%
2004	992	2.8%	1,527	4.3%	3,628	10.1%	5,191	14.5%	726	2.0%	1,127	3.1%
2005	999	2.7%	1,597	4.4%	3,659	10.0%	5,368	14.7%	1,038	2.8%	1,647	4.5%
2006	1,014	2.8%	1,628	4.5%	3,668	10.1%	5,677	15.7%	793	2.2%	1,253	3.5%

Source: The state's Human Resources Information Solution. Percentages are based upon covered and uncovered employees responding – a small percentage of employees choose not to disclose their ethnicity. 1997 through 1999 data compiled in December; 2000 through 2006 data compiled in June.

Analysis: Over the past ten years, the number of minority employees in all ethnic groups has generally increased or remained relatively stable.

... minorities comprise nearly 39% of the employees in the ADOA Human Resources system ...

**Table 2-5 – Minority Representation by Agency
Fiscal Year 2006**

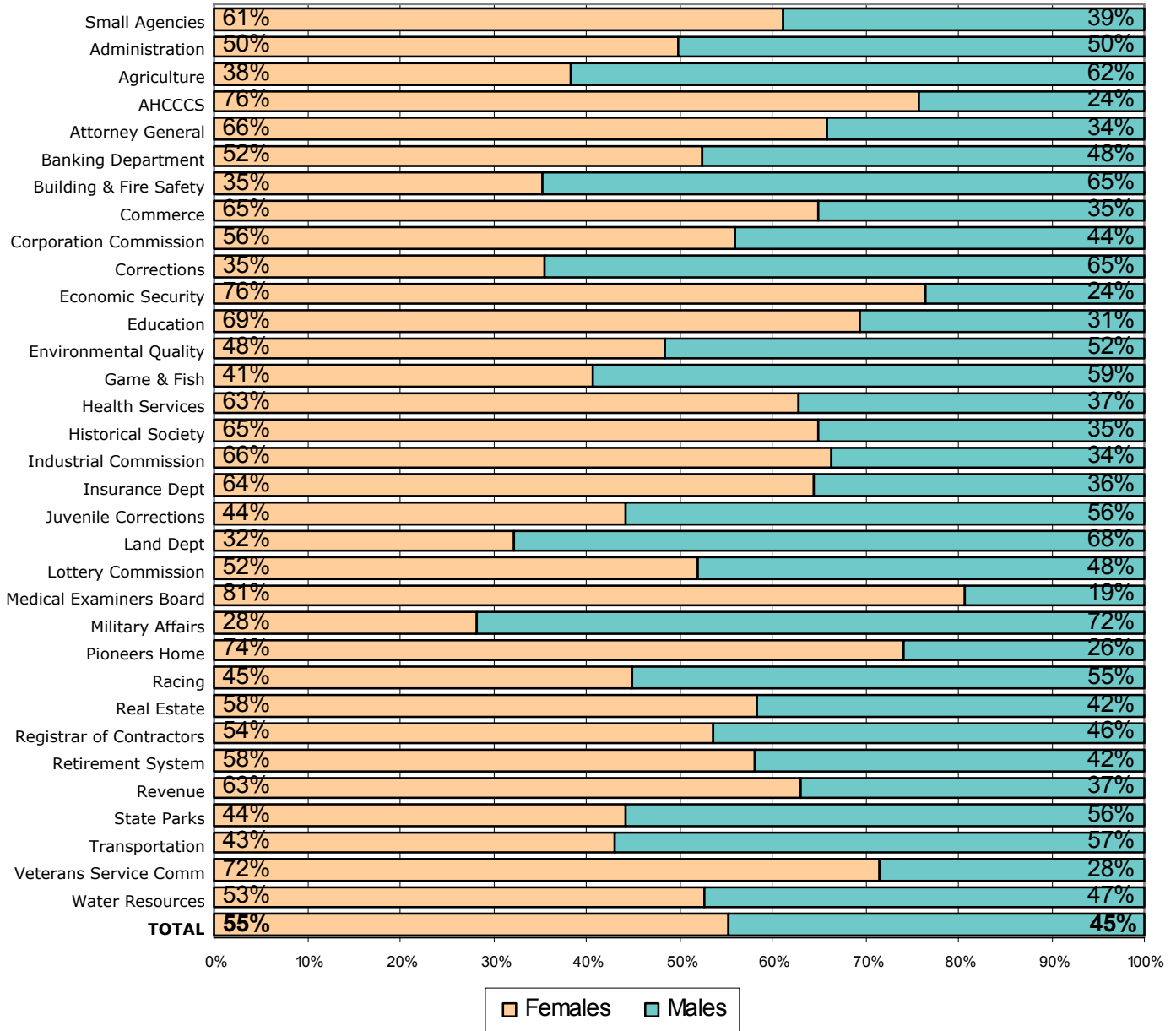


Source: The State’s Human Resources Information Solution (HRIS), June 2006. Percentages are based upon covered and uncovered employees that identified their ethnicity – a small percentage of employees choose not to disclose this information.

Analysis: The table above shows the proportion of minority employees of each of the larger state agencies. Seventeen of the larger agencies (53%) increased their minority representation compared with last year’s numbers.

... females comprise over 55% of the workforce in the ADOA Human Resources system ...

**Table 2-6 – Gender Representation by Agency
Fiscal Year 2006**



Source: The state's Human Resources Information Solution; June 2006. Includes covered and uncovered employees.

Analysis: Twenty of the thirty-two agencies (63%) have over 50% females representing their workforce. The relative percentage of females in the workforce increased again for the third consecutive year (0.8% increase from 2005).



3

Employee Mobility

- Changes in Separations by Covered & Uncovered Employees
- Separation Rates of Covered Employees by Agency
- Voluntary and Involuntary Separations by Agency
- Most Populous Covered Classes
- Covered Classes with the Highest Separation Rates
- Separation Rates by Ethnicity
- Separation Rates by Occupation
- Separation Rates by Age Distribution
- Separation Rates by Length of Service
- Percentage of Separations Due to Retirement
- Retirement Eligibility by Agency
- Estimated Cost of Turnover by Agency

... the separation rate for covered employees (19.7%) was the highest recorded turnover rate for covered employees in the past ten years ...

**Table 3-1 – Ten Years of Changes in Separations
by Covered and Uncovered Employees
1997 - 2006**

Year		Total Employees	Retirements		Resignations		Terminations		Other		Total Separations	
			Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1997	Covered	31,942	334	1.0%	3,301	10.3%	732	2.3%	342	1.1%	4,709	14.7%
	Uncovered	1,960	20	1.0%	318	16.2%	45	2.3%	59	3.0%	442	22.6%
1998	Covered	32,261	273	0.8%	3,332	10.3%	712	2.2%	282	0.9%	4,599	14.3%
	Uncovered	2,193	16	0.7%	197	9.0%	23	1.0%	44	2.0%	280	12.8%
1999	Covered	32,306	323	1.0%	3,692	11.4%	835	2.6%	298	0.9%	5,148	15.9%
	Uncovered	2,761	20	0.7%	273	9.9%	52	1.9%	86	3.1%	431	15.6%
2000	Covered	32,072	309	1.0%	3,904	12.2%	838	2.6%	244	0.8%	5,295	16.5%
	Uncovered	3,469	18	0.5%	397	11.4%	63	1.8%	72	2.1%	550	15.9%
2001	Covered	31,957	267	0.8%	3,647	11.4%	717	2.2%	233	0.7%	4,864	15.2%
	Uncovered	4,058	24	0.6%	434	10.7%	69	1.7%	57	1.4%	584	14.4%
2002	Covered	31,986	249	0.8%	2,897	9.1%	638	2.0%	292	0.9%	4,076	12.7%
	Uncovered	4,360	19	0.4%	284	6.5%	67	1.5%	63	1.4%	433	9.9%
2003	Covered	31,828	523	1.6%	3,323	10.4%	629	2.0%	423	1.3%	4,898	15.4%
	Uncovered	4,589	92	2.0%	412	9.0%	109	2.4%	142	3.1%	755	16.5%
2004	Covered	30,831	420	1.4%	1,886	6.1%	766	2.5%	1516	4.9%	4,588	14.9%
	Uncovered	5,843	114	2.0%	314	5.4%	20	0.3%	632	10.8%	1,080	18.5%
2005	Covered	30,187	444	1.5%	2,123	7.0%	815	2.7%	1,943	6.4%	5,325	17.6%
	Uncovered	6,446	270	4.2%	422	6.5%	18	0.3%	599	9.3%	1,309	20.3%
2006	Covered	30,211	639	2.1%	2,273	7.5%	849	2.8%	2,192	7.3%	5,953	19.7%
	Uncovered	6,903	157	2.3%	491	7.1%	14	0.2%	884	12.8%	1,546	22.4%

Source: The state's Human Resources Information Solution. 1997 through 1999 data represents separations from state service during the calendar year (Jan – Dec); 2000 through 2006 data represents separations during the fiscal year (July 1 – June 30). The information reflected herein for separation rates may be different than the data reported previously based on changes in methodology used to gather the information for this report.

Analysis: In both categories (covered and uncovered) separation rates increased significantly from last year. The average separation rate for both categories combined increased from 18.1% in 2005 to 20.2% last year. Among covered employees, resignations remain the leading category of separations. The percentage of retirements of covered and uncovered employees increased to the highest level in recent history.

... the majority of state agencies experienced an increase in separation rates of covered employees ...

**Table 3-2 – Separation Rates of Covered Employees
by Agency
Fiscal Year 2002 - 2006**

Agency	2002	2003	2004	2005	2006
Small Agencies	22.4%	16.0%	10.9%	14.2%	24.8%
Administration	14.4%	15.2%	9.9%	21.5%	25.0%
Agriculture	20.2%	12.9%	8.1%	26.4%	17.5%
AHCCCS	11.5%	15.3%	14.1%	14.3%	22.7%
Attorney General	13.5%	21.1%	25.7%	17.2%	22.1%
Banking Department	2.2%	8.8%	13.3%	6.4%	18.2%
Building & Fire Safety	5.0%	21.0%	15.0%	11.9%	18.6%
Commerce	2.9%	3.2%	0.0%	19.0%	15.0%
Corporation Commission	8.7%	12.3%	13.3%	17.9%	20.1%
Corrections	17.2%	17.7%	16.5%	22.1%	17.8%
Economic Security	10.7%	13.7%	12.8%	15.0%	19.7%
Education	14.8%	24.1%	20.5%	16.2%	17.3%
Environmental Quality	8.1%	8.0%	6.8%	8.1%	16.4%
Game & Fish	6.4%	6.3%	11.8%	17.0%	25.5%
Health Services	9.1%	19.7%	20.0%	20.3%	26.3%
Historical Society	17.2%	17.7%	4.3%	21.3%	31.8%
Industrial Commission	4.1%	11.0%	10.0%	14.8%	24.1%
Insurance Dept	11.9%	14.3%	32.6%	16.5%	18.5%
Juvenile Corrections	24.0%	29.6%	28.2%	22.8%	28.1%
Land Dept	3.4%	14.6%	6.6%	9.7%	15.0%
Lottery Commission	7.1%	9.3%	10.1%	7.9%	3.9%
Military Affairs	7.3%	14.1%	12.0%	33.3%	16.7%
Pioneers Home	7.8%	15.8%	35.4%	37.0%	32.3%
Racing	3.4%	19.2%	9.5%	9.1%	21.1%
Real Estate	3.7%	20.2%	10.5%	25.0%	58.3%
Registrar of Contractors	6.0%	2.5%	9.0%	19.2%	27.0%
Retirement System	58.8%	6.1%	0.0%	20.0%	0.0%
Revenue	4.9%	10.4%	10.3%	12.9%	16.0%
State Parks	4.5%	9.1%	9.7%	15.5%	16.9%
Transportation	10.8%	12.3%	13.6%	14.7%	17.4%
Veterans Service	19.8%	23.0%	39.3%	30.2%	34.7%
Water Resources	3.1%	14.7%	7.1%	6.7%	13.6%
Total	12.7%	15.4%	14.9%	17.6%	19.7%

Source: The state's Human Resources Information Solution. Data represents separations of covered employees from state service during the fiscal year (July 1 – June 30). The information reflected herein for separation rates may be different than the data reported previously based on a change in methodology used to gather the information for this report.

Analysis: The rate of separations from state service increased to the highest level in recent years. Twenty-four of the larger agencies (77%) experienced an increase in separation rates from 2005. In 2006, fourteen agencies experienced separation rates greater than 20% and four agencies experienced separation rates greater than 30%.

... voluntary separations remain the most common reason for employees leaving state service ...

**Table 3-3 – Voluntary and Involuntary Separations of Covered Employees by Agency
Fiscal Year 2006**

Agency	Voluntary		Involuntary		Total	
	Number	Percent	Number	Percent	Number	Percent
Small Agencies	49	20.2%	11	4.5%	60	24.8%
Administration	93	19.2%	28	5.8%	121	25.0%
Agriculture	7	17.5%	0	0.0%	7	17.5%
AHCCCS	187	18.2%	46	4.5%	233	22.7%
Attorney General	25	18.4%	5	3.7%	30	22.1%
Banking Department	9	16.4%	1	1.8%	10	18.2%
Building & Fire Safety	7	16.3%	1	2.3%	8	18.6%
Commerce	3	15.0%	0	0.0%	3	15.0%
Corporation Commission	23	14.0%	10	6.1%	33	20.1%
Corrections	1,380	16.1%	143	1.7%	1,523	17.8%
Economic Security	1,457	15.1%	441	4.6%	1,898	19.7%
Education	33	17.3%	0	0.0%	33	17.3%
Environmental Quality	65	15.4%	4	1.0%	69	16.4%
Game & Fish	118	20.5%	29	5.0%	147	25.5%
Health Services	302	20.6%	84	5.7%	386	26.3%
Historical Society	9	20.5%	5	11.4%	14	31.8%
Industrial Commission	48	20.7%	8	3.4%	56	24.1%
Insurance Dept	11	13.6%	4	4.9%	15	18.5%
Juvenile Corrections	197	23.0%	44	5.1%	241	28.1%
Land Dept	20	10.7%	8	4.3%	28	15.0%
Lottery Commission	3	3.9%	0	0.0%	3	3.9%
Military Affairs	2	11.1%	1	5.6%	3	16.7%
Pioneers Home	33	26.0%	8	6.3%	41	32.3%
Racing	4	21.1%	0	0.0%	4	21.1%
Real Estate	14	38.9%	7	19.4%	21	58.3%
Registrar of Contractors	21	23.6%	3	3.4%	24	27.0%
Retirement System	0	0.0%	0	0.0%	0	0.0%
Revenue	101	13.0%	23	3.0%	124	16.0%
State Parks	37	12.5%	13	4.4%	50	16.9%
Transportation	502	12.7%	185	4.7%	687	17.4%
Veterans Service	57	32.4%	4	2.3%	61	34.7%
Water Resources	14	9.5%	6	4.1%	20	13.6%
Total	4,831	16.0%	1,122	3.7%	5,953	19.7%

Source: The state's Human Resources Information Solution. Data represents separations of employees in covered positions from state service during the fiscal year (July 1 – June 30). The information reflected herein for separation rates may be different than the data reported previously based on a change in methodology used to gather the information for this report.

Analysis: Voluntary separations are the most common type of separation from state service, accounting for over 81% of separations of covered employees this past year.

... several classes have separation rates well above the average ...

**Table 3-4 – Most Populous Covered Class Titles
Fiscal Year 2006**

Class Title	Number
Corrections Officer (I, II, III, IV)	5,462
Program Services Evaluator (I, II, III, IV, V)	2,593
Customer Services Representative (I, II, III)	1,209
Administrative Assistant (I, II, III)	1,181
Child Protective Services Specialist (I, II, III)	957
Human Services Specialist (I, II, III)	946
Information Technology Specialist (1, 2, 3, 4, 5)	870
Corrections Sergeant	609
Motor Vehicle Division Customer Service Rep	541
Administrative Secretary (I, II, III)	483
Program and Project Specialist (I, II)	481
Highway Maintenance Technician (I, II, III)	477

Source: The state's Human Resources Information Solution. Data represents active employees in covered positions (June 2006).

Analysis: The title of Corrections Officer is by far the most populated class series in the state, followed by Program Services Evaluator, and Customer Services Representative.

**Table 3-5 – Covered Classes With The
Highest Separation Rates
Fiscal Year 2006**

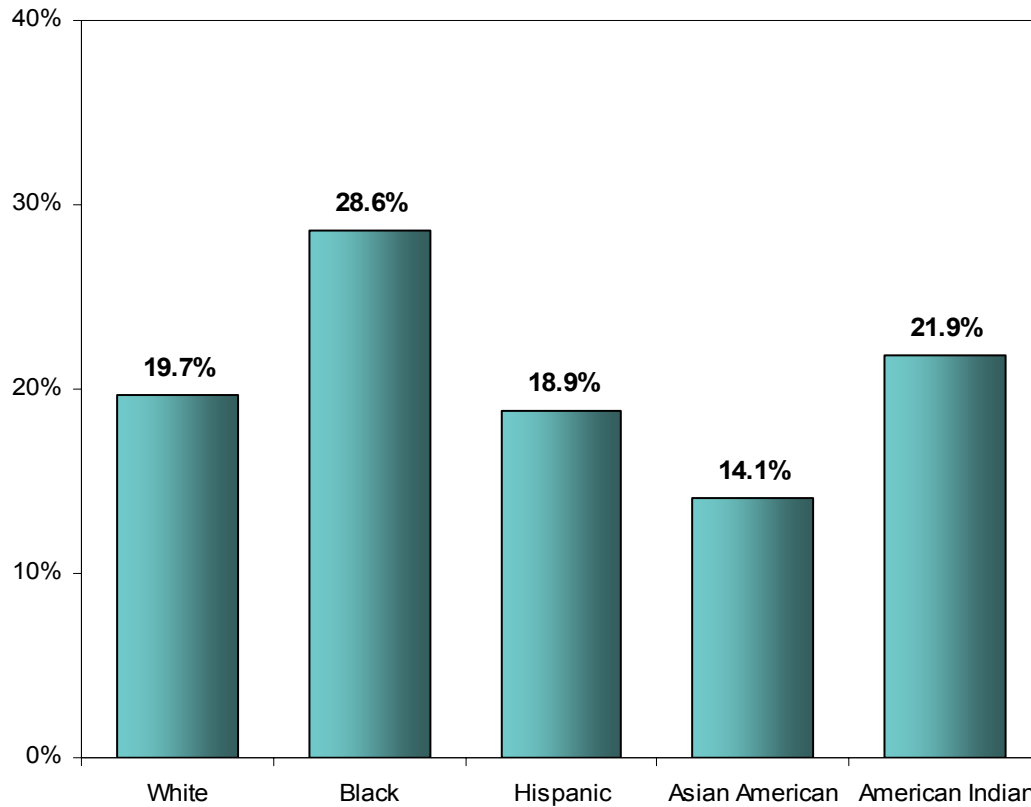
Class Title	Separation Rate
Program Services Evaluator I	75.6%
Youth Correctional Officer I	55.7%
Habitation Technician II	52.2%
Mental Health Program Specialist II	48.3%
Arizona State Hospital Security Officer I	46.5%
Park Ranger I	41.8%
Motor Vehicle Division Customer Services Associate	39.6%
CSE Technician II	39.1%
Clerk Typist II	37.5%
Federal/State Licg Surveyer	36.4%
Dept of Juvenile Corrections Educational Program Teacher	32.0%
Fiscal Services Technician	31.7%

Source: The state's Human Resources Information Solution. Classes considered in this table include those with 50 or more active covered employees in the respective class. Data represents separations of covered employees from state service during the fiscal year (July 1 – June 30).

Analysis: Classes associated with the Correctional and Social Services industries continue to experience the highest separation rates relative to the number of employees in their respective classes.

... separation rates are highest among the Black and American Indian ethnic groups. . .

**Table 3-6 – Separation Rates by Ethnic Group
Fiscal Year 2006**

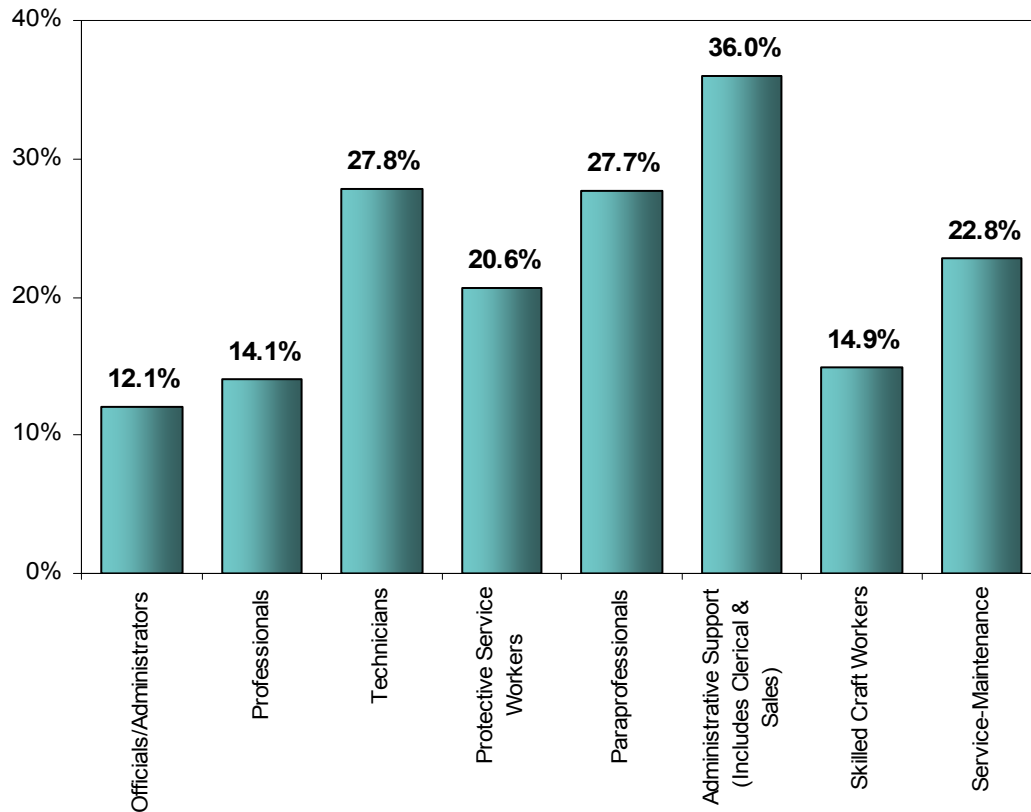


Source: The state's Human Resources Information Solution. Percentages are based upon covered and uncovered employees responding – a small percentage of employees choose not to disclose their ethnicity. Data represents separations from state service during the fiscal year (July 1 – June 30).

Analysis: The highest rate of separations was in the Black and American Indian ethnic groups. Separation rates were lowest among Asian American employees.

. . . the separation rate was highest in the Administrative Support occupational group . . .

**Table 3-7 – Separation Rates by Occupational Code
Fiscal Year 2006**

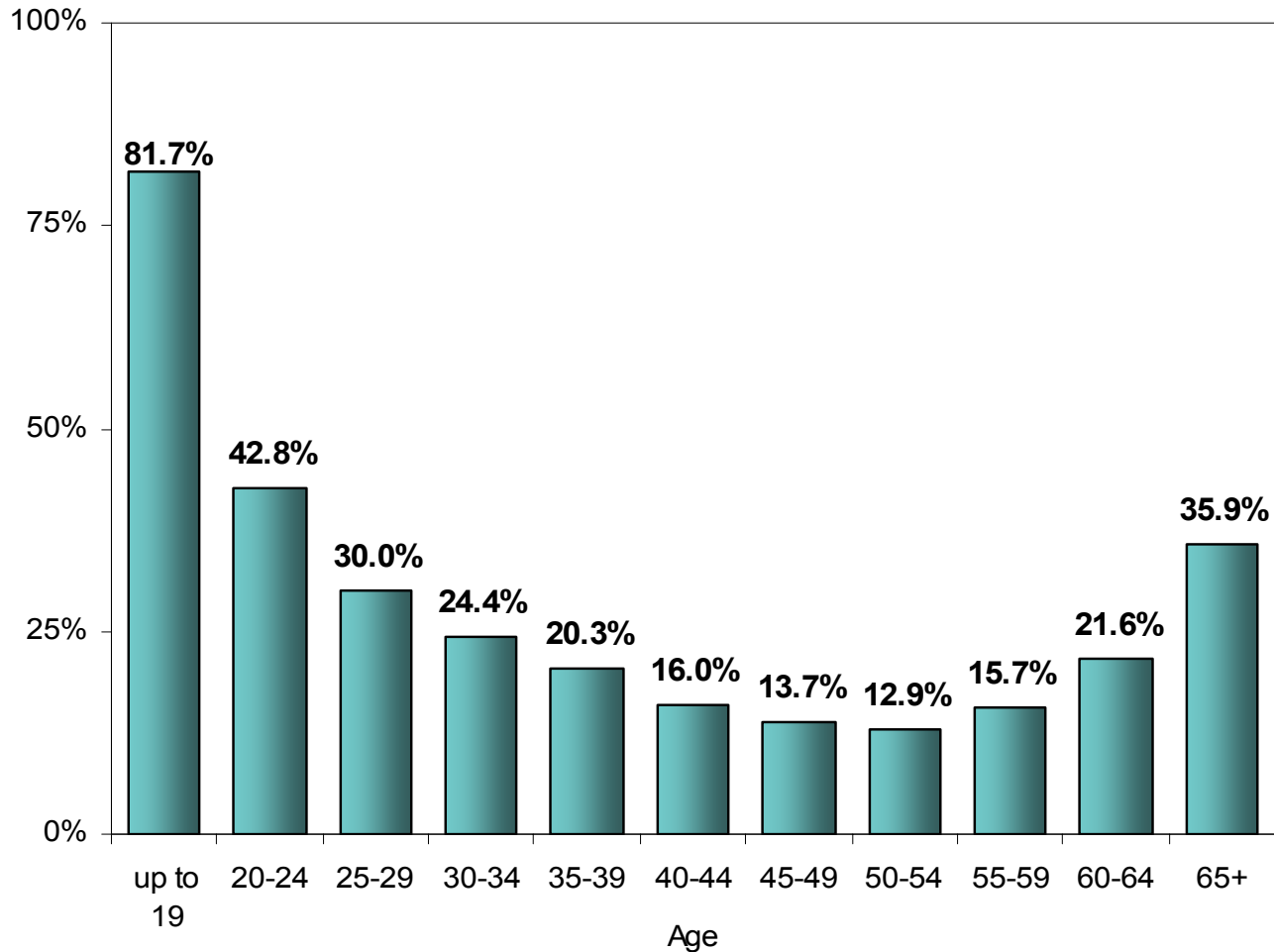


Source: The state's Human Resources Information Solution. Data represents separations from state service during the fiscal year (July 1 – June 30). Data includes covered and uncovered employees.

Analysis: The highest rate of separations was in the Administrative Support, Technicians, and Paraprofessional occupational groups. Separation rates were lowest among employees assigned to Officials/Administrators, Professionals, and Skilled Craft positions.

... separation rates are highest for employees in the two youngest age groups. . .

**Table 3-8 – Separation Rates by Age Distribution
Fiscal Year 2006**

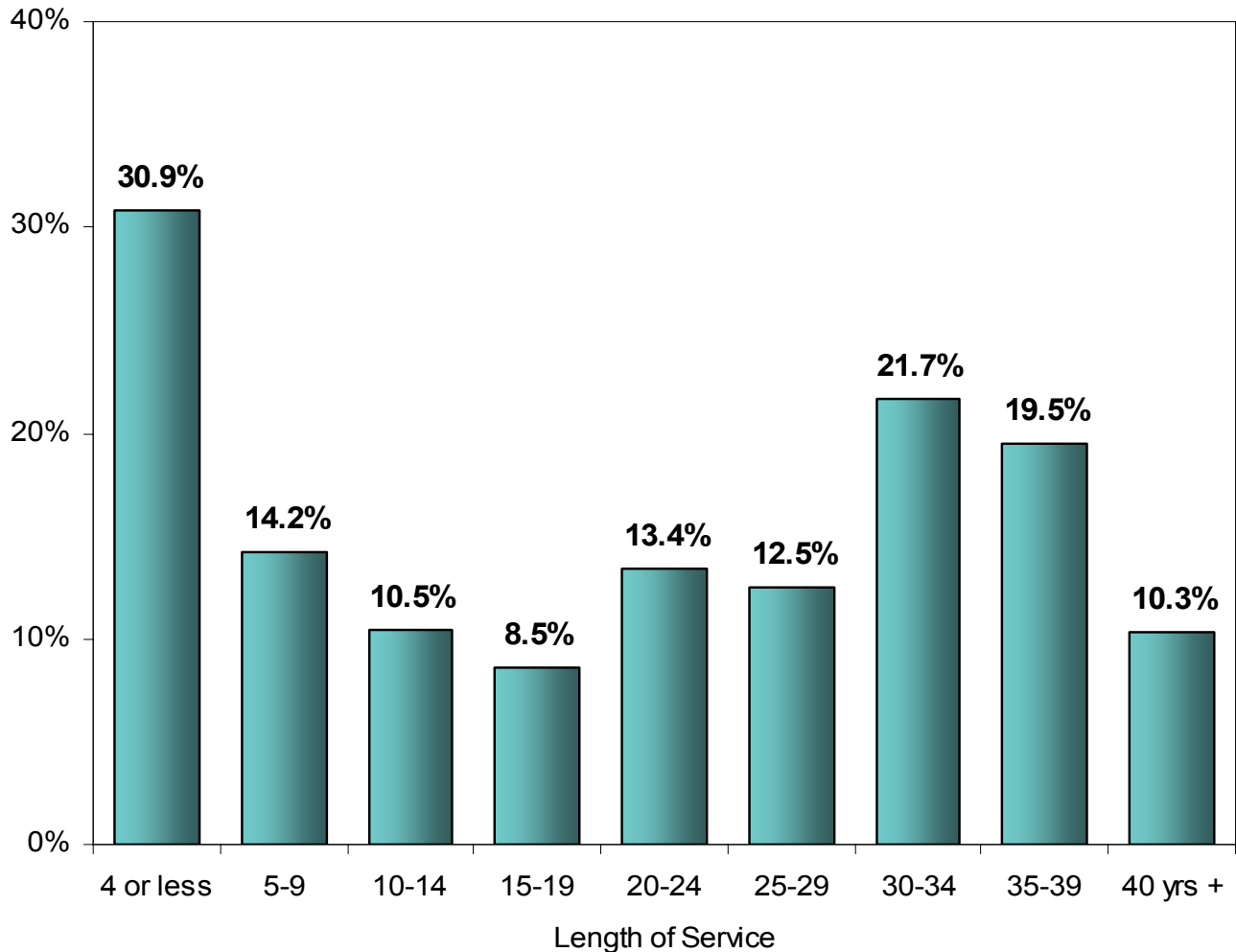


Source: The state's Human Resources Information Solution. Data represents separations from state service during the fiscal year (July 1 – June 30). Data includes covered and uncovered employees.

Analysis: The above chart shows the separation rates by age group for all employees. In 2006, employees less than 20 years of age experienced a separation rate over 80%. The separation rate gradually decreases as the average age increases until employees reach the age of 55, when the separation rate begins to climb again.

... separation rates are highest for employees with four or less years of experience ...

**Table 3-9 – Separation Rates by Length of Service
Fiscal Year 2006**

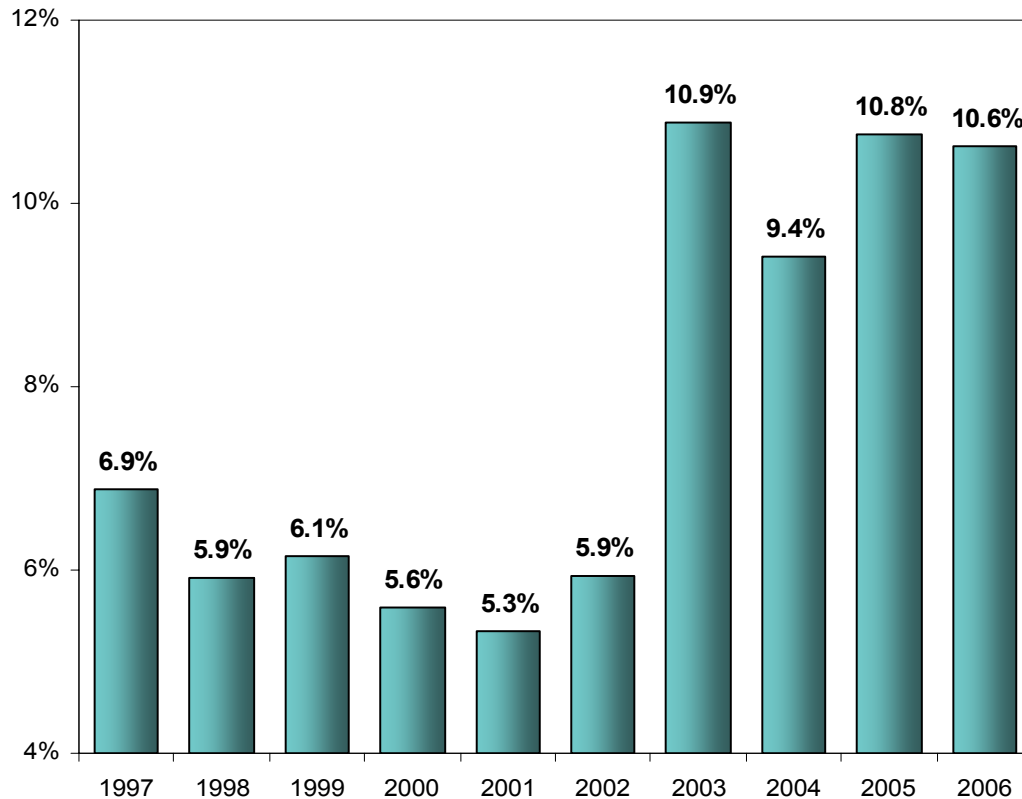


Source: The state's Human Resources Information Solution. Data represents separations from state service during the fiscal year (July 1 – June 30). Data includes covered and uncovered employees.

Analysis: The above chart shows the relative separation rates for the length of service distributions of all employees. In 2006, employees with 4 years of service or less experienced a separation rate of nearly 31%. The separation rate was lowest for employees with fifteen to nineteen years of service.

.. the percentage of separations as a result of retirement nearly returned to the level experienced in 2003 and is 57% higher than in 1997 . . .

**Table 3-10 – Percentage of Separations Due to Retirement
1997 - 2006**



Source: The state's Human Resources Information Solution. 1997 through 1999 data represents separations from state service during the calendar year (Jan – Dec); 2000 through 2006 data represents separations during the fiscal year (July 1 – June 30). The information reflected herein for separation rates may be different than the data reported previously based on a change in methodology used to gather the information for this report. Data includes covered and uncovered employees.

Analysis: The ratio of separations that are due to retirements remained above 10% as has been the case for three of the past four years. There has been an increasing trend in retirements the past four years.

... half of the state agencies are expected to have over 25% of their active workforce eligible to retire in the next five years ...

**Table 3-11 – Retirement Eligibility
2007 - 2011**

Agency Name	2007	2008	2009	2010	2011
Small Agencies	8.6%	11.0%	13.1%	16.2%	19.9%
Administration	10.0%	13.1%	17.2%	21.8%	25.5%
Agriculture	10.4%	13.6%	16.6%	19.9%	23.4%
AHCCCS	7.2%	9.4%	12.1%	15.4%	19.0%
Attorney General	9.6%	11.3%	14.2%	18.5%	21.7%
Banking Department	19.0%	25.4%	28.6%	33.3%	38.1%
Building And Fire Safety	13.7%	21.6%	27.5%	35.3%	43.1%
Commerce	7.7%	8.8%	13.2%	16.5%	22.0%
Corporation Commission	9.4%	11.5%	16.0%	20.2%	22.0%
Corrections	6.0%	8.2%	10.5%	13.0%	15.8%
Economic Security	9.1%	11.5%	14.7%	18.0%	21.7%
Education	7.0%	8.8%	11.2%	15.1%	18.8%
Environmental Quality	10.3%	12.9%	17.0%	20.4%	24.6%
Game And Fish	9.2%	10.4%	14.3%	16.2%	18.9%
Health Services	8.5%	11.4%	14.5%	17.6%	21.4%
Historical Society	11.7%	13.3%	21.7%	28.3%	36.7%
Industrial Commission	15.4%	17.5%	20.4%	23.2%	26.3%
Insurance Dept	12.3%	16.7%	20.3%	27.5%	29.7%
Juvenile Corrections	6.3%	7.4%	9.3%	11.5%	13.8%
Land Department	11.2%	16.1%	18.7%	22.8%	25.5%
Lottery Commission	13.2%	17.0%	20.8%	26.4%	30.2%
Medical Examiners Board	1.5%	3.0%	3.0%	4.5%	9.0%
Military Affairs	8.2%	10.0%	12.9%	15.7%	19.8%
Pioneers Home	9.4%	11.7%	15.6%	19.5%	27.3%
Racing	14.3%	20.4%	32.7%	40.8%	44.9%
Real Estate	15.4%	26.2%	32.3%	35.4%	35.4%
Registrar Of Contractors	9.8%	15.4%	21.1%	26.8%	34.1%
Retirement System	5.7%	5.7%	8.6%	11.0%	14.3%
Revenue	12.2%	16.1%	20.7%	25.0%	30.7%
State Parks	10.9%	13.9%	18.0%	21.5%	27.4%
Transportation	11.3%	14.6%	18.4%	22.2%	25.8%
Veterans Service	6.2%	8.7%	11.8%	14.5%	19.4%
Water Resources	11.3%	15.6%	16.5%	22.5%	27.3%
Totals	8.6%	11.2%	14.2%	17.5%	21.0%

Source: The state's Human Resources Information Solution. Projected retirement eligibility is based on years of service and age criteria for the Arizona State Retirement System and Public Safety Personnel Retirement System. Many state employees continue to remain employed with the state after they become eligible to retire, therefore actual retirement rates may differ from the numbers shown above. Data includes covered and uncovered employees.

Analysis: Half of the larger agencies (16) are projected to have at least 25% of their active employees eligible for retirement in five years, and eight agencies will have at least 30% of their workforce eligible to retire in 2011. Five agencies are anticipated to have over 35% of their active employees eligible to retire in five years.

... the State is estimated to have spent nearly \$63 million as a result of turnover ...

**Table 3-12 – Estimated Cost of Turnover by Agency
For Covered Employees
Fiscal Year 2006**

Agency	Average Salary	Separation Rate	Estimated Cost of Turnover
Small Agencies	\$35,381	24.8%	\$636,865
Administration	\$34,924	25.0%	\$1,267,759
Agriculture	\$34,538	17.5%	\$72,530
AHCCCS	\$31,925	22.7%	\$2,231,586
Attorney General	\$38,865	22.1%	\$349,785
Banking Department	\$42,376	18.2%	\$127,128
Building & Fire Safety	\$32,434	18.6%	\$77,841
Commerce	\$42,391	15.0%	\$38,152
Corporation Commission	\$40,953	20.1%	\$405,430
Corrections	\$36,675	17.8%	\$16,756,863
Economic Security	\$33,398	19.7%	\$19,016,832
Education	\$41,612	17.3%	\$411,958
Environmental Quality	\$40,276	16.4%	\$833,707
Game & Fish	\$40,488	25.5%	\$1,785,510
Health Services	\$38,574	26.3%	\$4,466,812
Historical Society	\$30,415	31.8%	\$127,742
Industrial Commission	\$33,115	24.1%	\$556,328
Insurance Dept	\$36,629	18.5%	\$164,829
Juvenile Corrections	\$36,253	28.1%	\$2,621,062
Land Dept	\$42,938	15.0%	\$360,681
Lottery Commission	\$37,441	3.9%	\$33,697
Military Affairs	\$31,540	16.7%	\$28,386
Pioneers Home	\$30,142	32.3%	\$370,753
Racing	\$40,621	21.1%	\$48,746
Real Estate	\$31,227	58.3%	\$196,729
Registrar of Contractors	\$34,586	27.0%	\$249,016
Retirement System	\$31,234		\$0
Revenue	\$33,998	16.0%	\$1,264,719
State Parks	\$32,357	16.9%	\$485,359
Transportation	\$34,048	17.4%	\$7,017,193
Veterans Service Comm	\$30,566	34.7%	\$559,354
Water Resources	\$42,518	13.6%	\$255,110
Overall Average	\$35,201	19.7%	\$62,865,164

Source: The state's Human Resources Information Solution. Average salary was calculated from prorated annual salary at fiscal year-end, separations are defined as leaving state service, and estimates for the cost of turnover are based on 30% of annual salary. Some agencies (e.g. Dept of Corrections) may have a much higher cost of turnover due to extensive training or certification programs or more intensive hiring and selection processes. Data includes covered employees only.

Analysis: Estimates of the total cost of losing a single person to turnover range from 30% of their yearly salary (Cornell University) to 150% as estimated by the Saratoga Institute, and independently by Hewitt Associates. Costs to the employer may include decreased productivity, costs of hiring a new employee, increased training time, and other indirect costs. Other turnover consequences relate to the smoothness and continuity of organizational operations, employee morale, and the difficulty of replacing the departed employee.



4 Employment Characteristics

- Average Salary of Covered Employees
- Total Overtime Costs by Agency
- Distribution of Overtime Costs by Agency
- Average Sick Leave Use and Cost
- Age Distribution
- Length of Service Distribution

... the average annual salary for covered employees increased last year ...

**Table 4-1 – Agency Comparison of Average Salary
per Covered Employee
2002 - 2006**

Agency	Average Covered Employee Wages				
	2002	2003	2004	2005	2006
Small Agencies	\$31,814	\$33,913	\$33,376	\$32,923	\$35,381
Administration	\$29,617	\$30,848	\$32,817	\$32,814	\$34,924
Agriculture	\$29,275	\$29,626	\$30,883	\$31,650	\$34,538
AHCCCS	\$24,524	\$27,600	\$29,805	\$29,529	\$31,925
Attorney General	\$34,189	\$33,950	\$36,540	\$35,448	\$38,865
Banking Department	\$34,867	\$37,012	\$39,084	\$38,528	\$42,376
Building & Fire Safety	\$26,837	\$28,696	\$31,102	\$30,460	\$32,434
Commerce	\$36,159	\$39,004	\$40,487	\$40,074	\$42,391
Corporation Commission	\$34,941	\$36,665	\$38,011	\$37,341	\$40,953
Corrections	\$30,837	\$30,478	\$31,236	\$30,534	\$36,675
Economic Security	\$25,507	\$28,934	\$31,290	\$31,047	\$33,398
Education	\$32,898	\$33,615	\$38,210	\$39,972	\$41,612
Environmental Quality	\$33,386	\$34,725	\$37,637	\$37,485	\$40,276
Game & Fish	\$35,364	\$35,860	\$35,086	\$34,454	\$40,488
Health Services	\$30,930	\$31,677	\$35,459	\$35,915	\$38,574
Historical Society	\$25,330	\$25,444	\$24,835	\$23,287	\$30,415
Industrial Commission	\$29,548	\$30,967	\$31,660	\$31,636	\$33,115
Insurance Dept	\$29,500	\$32,121	\$34,649	\$34,501	\$36,629
Juvenile Corrections	\$29,849	\$28,705	\$32,535	\$31,900	\$36,253
Land Dept	\$34,676	\$39,210	\$40,675	\$39,719	\$42,938
Lottery Commission	\$31,828	\$31,788	\$34,851	\$35,060	\$37,441
Military Affairs	\$29,776	\$30,554	\$33,041	\$30,876	\$31,540
Pioneers Home	\$23,899	\$24,202	\$25,690	\$23,599	\$30,142
Racing	\$34,669	\$37,619	\$37,465	\$37,788	\$40,621
Real Estate	\$26,448	\$29,276	\$30,731	\$30,655	\$31,227
Registrar of Contractors	\$31,100	\$32,036	\$33,161	\$32,620	\$34,586
Retirement System	\$28,456	\$28,516	\$29,663	\$31,630	\$31,234
Revenue	\$27,433	\$28,719	\$30,852	\$31,838	\$33,998
State Parks	\$29,405	\$32,063	\$29,425	\$29,456	\$32,357
Transportation	\$28,973	\$29,971	\$31,602	\$31,520	\$34,048
Veterans Service	\$22,322	\$24,774	\$27,733	\$27,423	\$30,566
Water Resources	\$37,154	\$39,447	\$40,015	\$39,486	\$42,518
Overall Average	\$28,791	\$30,174	\$31,875	\$31,589	\$35,201

Source: The state's Human Resources Management System generated data for 2002 and 2003 data and was compiled from actual dollars paid from calendar year-end files. The state's Human Resources Information Solution generated data for 2004 through 2006 and was compiled from prorated annual salary from fiscal year-end (June 30). Performance pay is not included in the 2006 figures.

Analysis: The statewide average salary for covered employees increased by 11.4% last year. However, one agency experienced a decrease in the average salary for their covered employees.

... total costs for overtime expenditures increased by over 90% last year ...

**Table 4-2 – Total Overtime Costs by Agency
Fiscal Year 2002 - 2006**

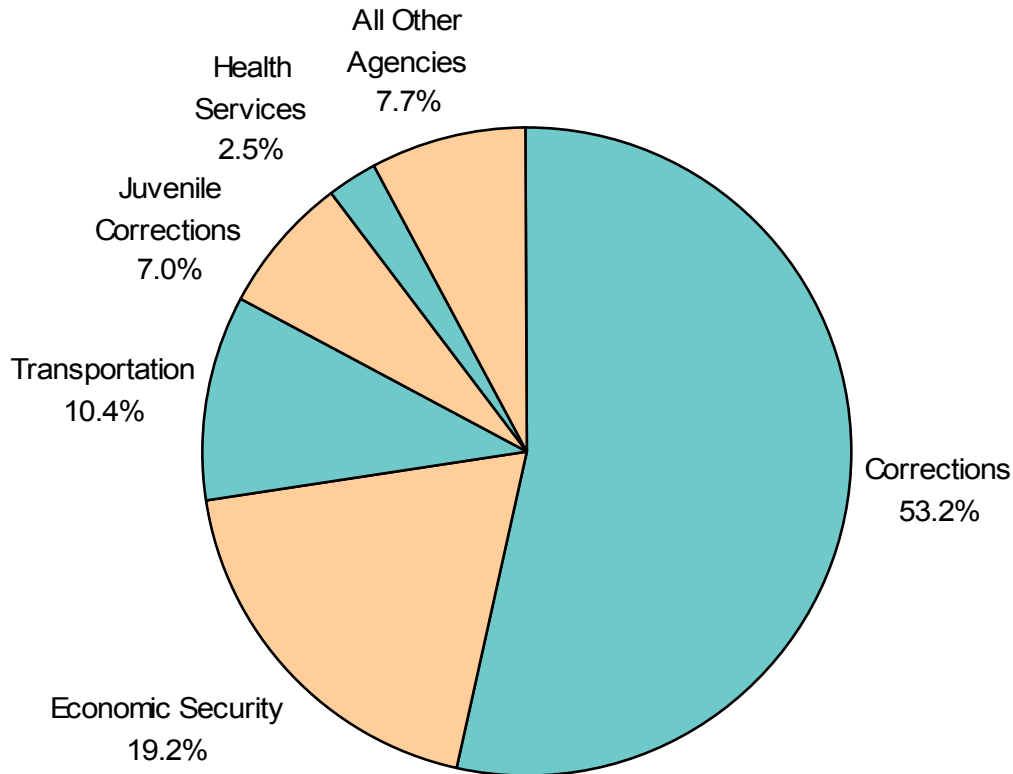
Agency	2002	2003	2004	2005	2006
Small Agencies	\$579,023	\$571,790	\$526,958	\$470,812	\$546,293
Administration	\$285,718	\$393,815	\$485,999	\$528,178	\$523,988
Agriculture	\$190,945	\$239,197	\$190,735	\$221,421	\$326,485
AHCCCS	\$136,330	\$59,761	\$183,797	\$222,911	\$115,845
Attorney General	\$25,917	\$29,184	\$88,232	\$136,598	\$226,758
Banking Department	\$182	\$0	\$1,240	\$6,801	\$8,563
Building & Fire Safety	\$0	\$118	\$0	\$0	\$0
Commerce	\$65	\$248	\$18	\$167	\$39
Corporation Commission	\$192,246	\$162,306	\$187,222	\$248,471	\$271,911
Corrections	\$8,491,476	\$6,174,851	\$7,519,398	\$5,890,566	\$29,039,050
Economic Security	\$6,813,169	\$3,853,731	\$5,555,008	\$9,958,701	\$10,492,305
Education	\$104,882	\$61,857	\$92,478	\$51,408	\$55,833
Environmental Quality	\$100,002	\$67,921	\$56,458	\$62,592	\$40,394
Game & Fish	\$76,198	\$85,462	\$115,893	\$155,114	\$188,938
Health Services	\$1,392,952	\$1,094,577	\$956,477	\$1,032,539	\$1,368,708
Historical Society	\$5,617	\$652	\$0	\$0	\$0
Industrial Commission	\$100	\$498	\$707	\$615	\$45
Insurance Dept	\$328	\$2,889	\$6,217	\$1,843	\$1,319
Juvenile Corrections	\$605,062	\$1,226,511	\$1,603,737	\$2,332,710	\$3,801,185
Land Dept	\$291,957	\$297,099	\$352,227	\$345,024	\$733,569
Lottery Commission	\$6,799	\$22,844	\$16,559	\$19,375	\$13,875
Medical Examiners Board	\$4,453	\$1,614	\$9,593	\$31,021	\$37,526
Military Affairs	\$267,302	\$341,902	\$324,961	\$407,042	\$353,525
Pioneers Home	\$31,263	\$6,104	\$4,517	\$8,969	\$9,192
Racing	\$4,634	\$4,783	\$3,372	\$4,869	\$7,035
Real Estate	\$90	\$427	\$195	\$0	\$25
Registrar of Contractors	\$2,668	\$1,997	\$543	\$47	\$36,416
Retirement System	\$65,923	\$17,378	\$3,445	\$18,727	\$28,717
Revenue	\$187,638	\$159,997	\$247,177	\$296,882	\$247,623
State Parks	\$43,635	\$70,357	\$41,926	\$18,206	\$24,517
Transportation	\$6,107,385	\$5,123,179	\$4,631,961	\$5,837,696	\$5,666,270
Veterans Service	\$260,164	\$164,980	\$232,626	\$293,208	\$391,549
Water Resources	\$0	\$151	\$1,765	\$0	\$5,589
Overall Total	\$26,274,123	\$20,238,180	\$23,441,441	\$28,602,513	\$54,563,084

Source: The state's financial system (Arizona Financial Information System). Data is based on a fiscal year after all corrections have been made at the close of the fiscal year. Expenses may be charged to prior "appropriation years" yet in general are illustrated in the year in which the expense occurred. Data includes all funding sources, but does not include expenditures for compensatory time earned by employees at the appropriate rate for their overtime hours worked.

Analysis: The State's total overtime expenses increased by over 90% from last year, and was 121% above the four-year average. Most of this increase can be attributed to the Dept of Corrections; other agencies showed an average increase of 12% from last year.

... five agencies account for over 92% of the State's overtime expenses. . .

**Table 4-3 – Distribution of Overtime Costs by Agency
Fiscal Year 2006**



Source: The state's financial system (Arizona Financial Information System). Data is based on a fiscal year after all corrections have been made at the close of the fiscal year. Expenses may be charged to prior "appropriation years" yet in general are illustrated in the year in which the expense occurred. Data includes all funding sources, but does not include expenditures for compensatory time earned by employees at the appropriate rate for their overtime hours worked.

Analysis: Five agencies accounted for over 92% of the State's total overtime expenses last year. These same five agencies have also accounted for the majority of overtime over the last six years.

... the average number of sick leave days used decreased by 0.5% while the average cost for sick leave increased by 2.2% last year ...

Table 4-4 – Average Sick Leave Use and Average Costs Per Employee by Agency 2002 - 2006

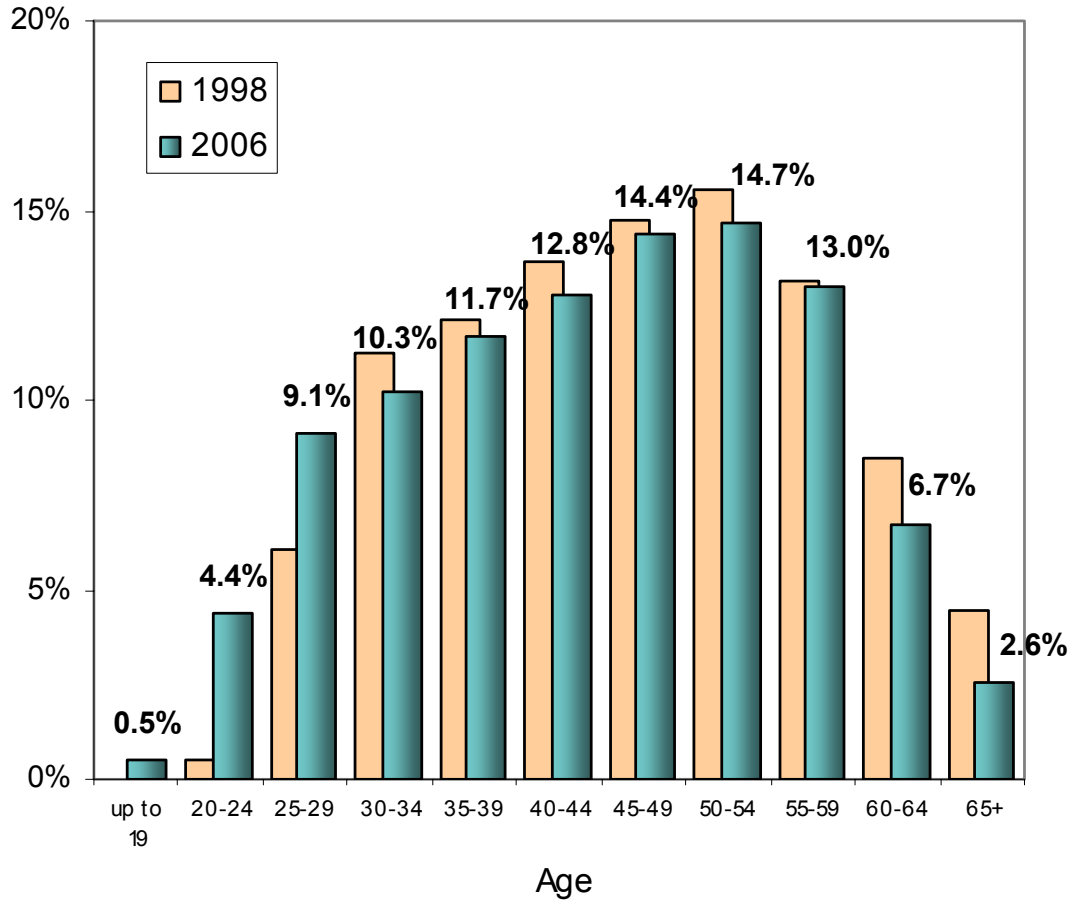
Agency	Avg Sick Leave Days					Avg Sick Leave Costs				
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006
Small Agencies	5.4	5.6	6.4	6.0	5.8	\$833	\$908	\$966	\$926	\$928
Administration	5.7	6.0	9.3	9.1	9.3	\$813	\$899	\$1,319	\$1,365	\$1,436
Agriculture	5.2	5.2	6.7	7.1	7.0	\$641	\$660	\$818	\$924	\$912
AHCCCS	6.6	7.4	9.8	9.8	10.0	\$820	\$979	\$1,233	\$1,270	\$1,345
Attorney General	5.5	5.6	7.3	8.2	8.2	\$1,072	\$1,105	\$1,280	\$1,431	\$1,486
Banking Department	6.5	4.3	7.7	7.1	6.9	\$1,043	\$687	\$1,025	\$1,072	\$1,029
Building & Fire Safety	7.6	10.5	7.6	7.8	8.3	\$924	\$1,329	\$937	\$1,100	\$1,032
Commerce	4.4	5.3	8.4	7.0	7.4	\$757	\$985	\$1,398	\$1,265	\$1,240
Corporation Commission	6.3	5.7	8.2	9.2	10.0	\$1,070	\$988	\$1,326	\$1,536	\$1,700
Corrections	6.9	6.7	9.2	9.5	9.4	\$849	\$865	\$1,131	\$1,220	\$1,241
Economic Security	6.7	7.6	9.9	9.7	9.8	\$779	\$927	\$1,189	\$1,198	\$1,215
Education	5.1	6.6	8.1	8.3	8.6	\$781	\$1,060	\$1,260	\$1,385	\$1,506
Environmental Quality	7.1	7.7	10.0	10.2	10.6	\$1,069	\$1,208	\$1,505	\$1,555	\$1,656
Game & Fish	4.1	4.1	6.2	5.7	5.7	\$575	\$593	\$806	\$800	\$759
Health Services	6.3	6.5	8.0	9.0	8.6	\$881	\$946	\$1,128	\$1,311	\$1,294
Historical Society	5.5	7.0	7.9	7.2	8.5	\$661	\$870	\$989	\$937	\$1,030
Industrial Commission	5.8	7.1	9.6	9.4	9.4	\$730	\$938	\$1,221	\$1,200	\$1,236
Insurance Dept	4.7	5.4	8.2	8.6	9.4	\$695	\$871	\$1,220	\$1,313	\$1,454
Juvenile Corrections	6.5	6.8	9.4	9.5	9.3	\$842	\$914	\$1,259	\$1,305	\$1,326
Land Dept	6.3	6.2	8.3	9.3	7.5	\$937	\$963	\$1,204	\$1,385	\$1,197
Lottery Commission	5.7	5.7	7.5	8.2	7.9	\$807	\$852	\$1,016	\$1,182	\$1,177
Medical Examiners Board	4.5	3.3	11.0	8.9	6.0	\$705	\$560	\$1,834	\$1,595	\$1,049
Military Affairs	6.1	6.6	7.8	7.9	9.5	\$768	\$888	\$1,012	\$1,065	\$1,377
Pioneers Home	6.9	7.6	8.0	7.7	6.8	\$704	\$796	\$767	\$838	\$749
Racing	9.6	6.9	3.0	4.5	5.6	\$1,363	\$1,046	\$405	\$616	\$736
Real Estate	8.4	10.8	11.1	10.0	9.9	\$1,071	\$1,409	\$1,381	\$1,310	\$1,452
Registrar of Contractors	6.6	6.2	8.0	8.2	8.8	\$881	\$855	\$1,042	\$1,090	\$1,179
Retirement System	4.4	4.2	7.7	9.3	8.4	\$724	\$762	\$1,207	\$1,421	\$1,316
Revenue	7.0	7.2	10.3	10.6	10.7	\$890	\$975	\$1,317	\$1,402	\$1,491
State Parks	6.3	6.3	6.4	7.1	7.6	\$788	\$821	\$807	\$945	\$1,038
Transportation	6.3	6.7	10.1	9.7	9.5	\$776	\$864	\$1,271	\$1,252	\$1,290
Veterans Service	4.4	5.6	8.4	8.9	9.4	\$502	\$660	\$1,050	\$1,109	\$1,113
Water Resources	5.7	6.7	8.3	9.6	7.5	\$975	\$1,228	\$1,386	\$1,624	\$1,261
Overall Average	6.5	6.8	9.2	9.3	9.2	\$821	\$907	\$1,178	\$1,228	\$1,256

Source: Data from 2002 through 2003 was derived from the state's Human Resources Management System from actual dollars paid for sick leave from calendar year-end files. The means of calculating sick leave changed in 2004 with the transition to the Human Resources Information Solution. The above calculations for 2004 through 2006 now include donated leave and family leave in addition to sick leave.

Analysis: The average cost of sick leave increased by 2.2% last year. Five agencies experienced cost increases of 10% or more, while four agencies experienced a decrease in their sick leave costs of 10% or more.

... the average age of employees increased to 44.7 years ...

Table 4-5 – Age Distribution for All Employees 1998 and 2006

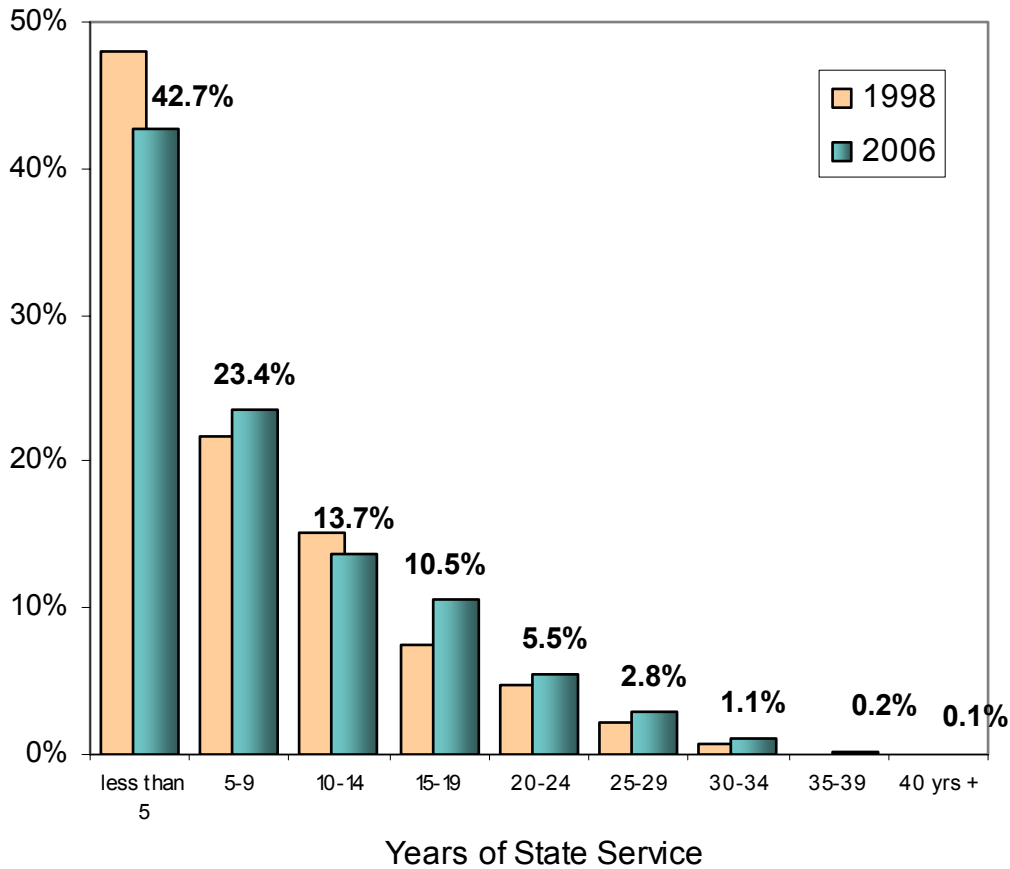


Source: The state's Human Resources Information Solution. Data includes covered and uncovered employees.

Analysis: The above chart shows the age distribution for all employees. In 2006, the average age of a state employee was 44.7 years. More employees were in the 45-49 and 50-54 age groups than any other age group. In 1998, 42% of the workforce was over 50, whereas in 2006 less than 37% of the workforce was over 50 years of age. In 1998, only 18% of the workforce was less than 35 years of age; however in 2006 24% was less than 35 years of age.

... the average length of service was 8.5 years ...

Table 4-6 – Length of Service Distribution for All Employees 1998 and 2006



Source: The state's Human Resources Information Solution. Data includes covered and uncovered employees.

Analysis: The above chart shows the length of service distribution for all state employees and the relative changes from 1998. The average length of service with the state increased to 8.5 years of service. Over 42% of state employees have been hired within the last 5 years, and over 66% of employees have less than 10 years of service with the state.