



SENATE FISCAL AGENCY

STATE NOTES: Topics of Legislative Interest

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THE IMPACT OF THE HIRING FREEZE ***by Jessica Runnels, Fiscal Analyst***

As a result of efforts to help balance the State budget during an economic recession in the early 1990s, a hiring freeze on full-time classified State employees was instituted in fiscal year (FY) 1991-92. This hiring freeze has been continued in all subsequent fiscal years. The imposition of the hiring freeze occurred in language that has been annually included in the appropriation bills for each State department.

The Language

Although there may be slight variations, the hiring freeze language included in each of the appropriation bills reads as follows:

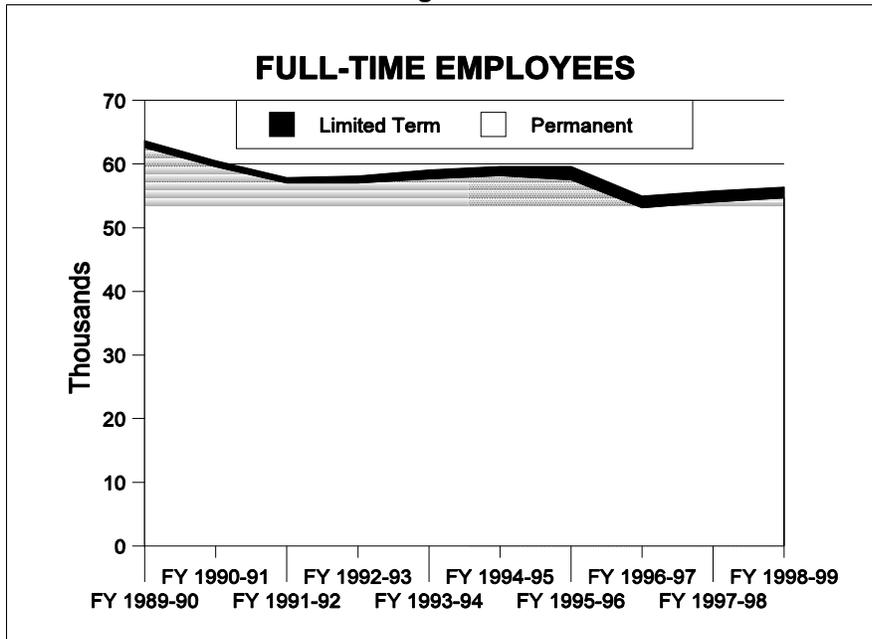
- 1) Beginning October 1, a hiring freeze is imposed on the State classified civil service. State departments and agencies are prohibited from hiring any new full-time State classified civil service employees and prohibited from filling any vacant State classified civil service positions. This hiring freeze does not apply to internal transfers of classified employees from 1 position to another within a department or to positions that are funded with 80% or more federal or restricted funds.
- 2) The State Budget Director shall grant exceptions to this hiring freeze when the State Budget Director believes that the hiring freeze will result in rendering a State department or agency unable to deliver basic services. The State Budget Director shall report by the fifteenth of each month to the chairpersons of the senate and house of representatives standing committees on appropriations the number of exceptions to the hiring freeze approved during the previous month and the reasons to justify the exception.

Level of Employment

The hiring freeze language prohibits departments from hiring additional employees or filling vacancies other than pursuant to exceptions authorized by the State Budget Director. Since the hiring freeze became effective, 37,505 new employees have been hired and 50,848 employees have left the State workforce, resulting in a net loss of 13,343 State employees over eight years. There were 5,558 fewer employees at the close of FY 1998-99 than at the close of FY 1989-90.

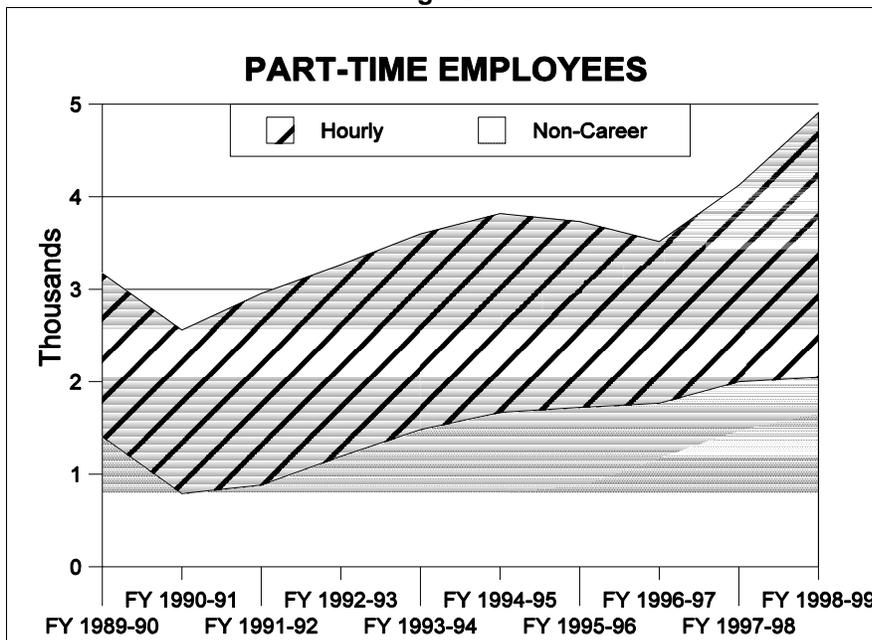
Since the imposition of the hiring freeze, the number of permanent and limited term full-time employees has decreased by 2.6% ([Figure 1](#)). These are the positions subject to the hiring freeze. The hourly and noncareer employees have increased by 66.2% ([Figure 2](#)) and are not subject to the hiring freeze since they are part-time employees. The latter group, however, constitutes only 8% of the State's employees and does not compensate for the decline in full-time employees. During the year, employment patterns are cyclical, with a dip in the workforce during the winter months and a rise during the summer for seasonal employment.

Figure 1



programs, eligible employees may choose to retire and receive retirement benefits at an earlier age than usually allowed, contingent on the employee's age and years of service to the State. Occasionally, the State offers an additional incentive or bonus to encourage eligible employees to take advantage of the early retirement option. [Table 1](#) outlines the fiscal year in which the option affected employment, the window of time employees had to enlist in the program, the number of employees choosing the option, and notes on incentives.

Figure 2



The impact of the early retirement options is evident in [Figure 3](#) by the dips in employment figures. Despite these dips, the number of employees tended to rise quickly after the options expired as departments hired new employees to compensate for the large number of lost employees. The early retirement option in 1997 had the largest effect on State employment. Almost as many people took advantage of this opportunity as did in all of the previous early retirement options combined. [Table 1](#) shows that 5,237 people participated in the first six early retirement options, only slightly higher than the 5,169

Early Retirement Options

Since 1984, the State has offered seven early retirement options to its employees. Under these

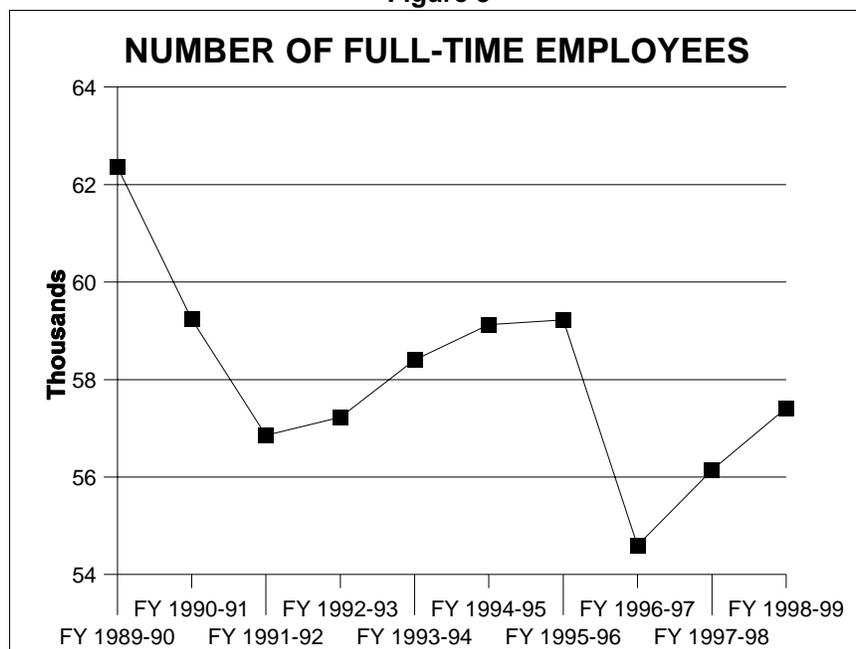
people who partook of the FY 1996-97 option. The first window in FY 1991-92 reflects the second most popular early retirement option, when 1,874 employees chose to leave.

Table 1

EARLY RETIREMENT OPTIONS			
Fiscal Year	Window of Option	# of People	Notes
1983-84	6/2/84 - 9/30/84	1,806	Incentive: Monthly supplement of \$240-\$360 until age 62.
1988-89	4/1/88 - 4/1/89	855	
1991-92	9/1/91 - 4/1/92	1,874	
1991-92	7/1/92 - 8/1/92	605	
1992-93	1/1/93 - 2/1/93	28	Legislative employees only.
1994-95	1/1/95-2/1/95	68	Legislative employees only.
1996-97	4/1/97 - 6/1/97	5,169	Incentive: Increase standard multiplier by 0.25%.

Source: Bureau of Retirement

Figure 3



Conclusion

Monthly reports show that over 2,000 exceptions are being made to the hiring freeze every year. Overall, the number of full-time employees has decreased 2.6% in the eight years since the hiring freeze was imposed (Figure 1). The most substantial movement in employment figures has resulted from participation in early retirement

options. A look at individual departments shows that most have remained steady in their employment levels. While the declines in State employment are slightly greater than the increases, they constitute a minimal reduction in the State workforce. Additionally, in FY 1989-90, there was a sudden jump to a few thousand

workers' leaving yearly as compared with a few hundred in the preceding years. Figure 4 compares the number of new and lost employees for the last 11 years. The sharp increase in lost employees occurring two years prior to the imposition of the hiring freeze, with later peaks coinciding with early retirement options, implies that the hiring freeze is not a significant cause of the decline in the State workforce.

Note: All data supplied by the Department of Civil Service Annual Work Force Reports, Fiscal Years 1984-85 to 1998-99.

Figure 4

