

Department of Human Resource Management

I. Internal Scan

Introduction

The Department of Human Resource Management (DHRM) is the central human resource agency for the executive branch of Utah State government. Our mission is to “...develop, implement, and administer a statewide program of human resource management that will: aid in the efficient execution of public policy; foster careers in public service for qualified employees; and render assistance to state agencies in performing their missions” (section 67-19-6).

Utah code charges the department with the administration of human resource functions internal to state government. These include: recruitment and selection, classification, compensation, training and development, employee relations, and workforce planning. Major benefits such as retirement, health and dental care and life insurance are not administered by DHRM, but by the Utah Retirement System and the Public Employees Health Plan (PEHP).

The department’s primary customers are the managers in each department of the executive branch.

Trends

At least three trends will influence how DHRM will address the challenges and take advantage of the opportunities posed by an aging workforce. These include: the projected retirement of the “baby boom” generation; a projected shortage of workers in the aftermath of the “baby boom” retirements; and the increasing cost of health care insurance.

The retirement of the baby boom generation is of particular interest. This group is turning 60 years of age last year. The average retirement age of a state employee is 60 years of age (59.7). The retirement bubble for the state is not five years away; we are on the leading edge of it this year. Approximately 350 employees have been retiring each year for the past six years and we can expect that number to increase in the near future.

As of this writing, DHRM has not developed an actuarial model to predict how many of our employees will retire in the future but we can say with some confidence how many will become eligible to retire in the next few years. These numbers show an increasing trend through the year 2010. At the end of FY06, there were 1727 employees who met the Utah Retirement System criteria for retirement or about 10 percent of the core workforce (core employees include career service employees plus most non-career service employees in the executive branch who are eligible for a retirement benefit). In 2007 an additional 445 employees will become eligible, in 2008 an additional 484, in 2009 an additional 578, and in 2010 an additional 698 employees will become eligible for

retirement. In the next five years, 3932 will be eligible to retire or about 22 percent of the current core workforce. It would be speculation to predict how many of these eligible employees will actually retire but it is evident that we face the prospect of an increasing number of employees eligible to retire for at least the next five years.

The projected labor shortage is partially the result of the retiring baby boomers. We also know through demographic research that there are fewer workers in the generations that will replace these retirees. The competition for skilled workers will become increasingly more intense in the coming ten to fifteen years. The state is already experiencing difficulty attracting skilled workers for some technological, medical and scientific jobs. This is a cause for concern since the state employs a very educated workforce. Typically, the percentage of state employees who are college graduates is double that of the general Utah population.

The increasing cost of health care benefits is felt by all employees but is particularly tough on older workers because they tend to use more healthcare. The total cost of the state benefit has increased 10 to 11 percent each year for the past five years. Research by PEHP indicates that the cost of health care insurance rose 5 times faster than income growth from 2000 to 2004, i.e., health insurance premiums increased 66 percent while income increased 13.2 percent. During this same period, Utah's premium increase was the fourth largest in the nation. If these trends continue, and there is no indication at the moment that they won't, the legislature will face increasing pressure to pass the costs of health care premiums and medical services on to employees.

These trends are having a profound effect on a variety of state human resource management policies. Some of the more significant include:

Partnering with customers – DHRM will need to work more closely with agency management to respond quickly to specific agency needs and identify “hot spots” that need attention;

Compensation – we will have to closely monitor the competitiveness of our salary system and the effects of the escalating cost of health care and devise policies that incentivize and reward career employees;

Recruitment – the state will need to become more aggressive in our recruiting strategies and focus on marketing the state as a desirable place to work;

Retention of employees – DHRM will need to evaluate current strategies for retaining skilled employees and consider adding others that may include career enhancement programs that make wider use of educational assistance, and career mobility and the establishment of succession planning;

Benefits – the new generation of employees that are coming into the state system may be motivated by a different set of expectations for employer provided

benefits such as a transferable savings program instead of a retirement pension, and;

Work environment issues – DHRM must continue to find ways to create an attractive working environment with policies that encourage flexible work hours, meaningful work, and the use of technology to add efficiencies to work processes.

II. Priorities

Over the past 18 months, the Department of Human Resource Management (DHRM) has been engaged in a process of actively soliciting customer input and preparing a strategic plan. This was a major part of the start up phase of implementing the new consolidated DHRM. Five themes emerged from the customer input as issues the new department needed to address: recruitment and hiring; customer service; training and HR information; consistency; and compensation.

The strategic planning process builds on the customer input DHRM has received. Added to this is our own analysis of market forces influencing human resource management and a SWOT (strengths, weaknesses, opportunities, threats) analysis of the new department. Again, five themes have emerged from this process and DHRM is now in the process of developing a strategy for each. These are: partnering with customers, recruitment and selection, compensation, employee engagement and retention, and employee development. The management and leadership group for DHRM used a variety of techniques to arrive at these five including small group work and multi-voting. The criteria throughout this process were: organizational impact; customer value; resources needed in terms of cost, time and staff; and liability risk.

The three top priorities to emerge from this are:

Partnering with customers – the creation of the new department gives DHRM a unique opportunity to work closely with customers to determine if we are meeting their critical needs and to adjust our practices to best help them achieve their strategic business goals;

Compensation – a variety of issues have been identified with state salaries that negatively impact the recruitment and retention of employees that need to be addressed with well designed strategies; and

Recruitment and Selection – even with a variety of improvements in recent years, customers are demanding a faster and more user friendly system.

II. Planning

The department has initiated an action planning process to address each of the priorities identified in the strategic planning phase. The accomplishment of objectives related to the aging of the workforce will be within the strategies and operational plans of this effort. We will work closely with each department of state government, the

Governor's Office, the legislature, and universities and private entities such as the Utah Policy Partnership to achieve this goal.

A strategy team of 4 to 5 DHRM employees has been assigned to address each issue. Each strategy team will have the benefit of the market trends analysis and the SWOT (strengths, weakness, opportunities, threats) analysis conducted by the strategic planning team. Each team is charged with developing an operational plan that identifies the problem and opportunity posed by each issue, establishing a goal and the actions steps that will lead to the accomplishment of the goal.

Priority Issue #1 – Partnering with Customers

The creation of a new department brings with it an opportunity to establish a new and more productive relationship with our customers. It is DHRM's goal to be viewed as a strategic partner in the accomplishment of the state's business rather than just an "enforcer of rules".

The purpose of this strategy team is to redesign the DHRM customer service model in order to partner with customers to help them achieve their business goals. The new department has inherited several advantages from the previous organization. These include a skilled and professional workforce who are on site in each department and are familiar with local needs. Challenges are evident however; there is a natural and cynical resistance to change which will have to be eliminated by excellent performance by DHRM staff.

This team proposes the following actions:

- The development of a customer service model based on proactive rapid response to customers needs;

- The establishment of a mechanism to gather customer feedback in a variety of ways;

- Begin a procedure to conduct a value added analysis of DHRM processes and to streamline processes whenever possible; and

- Provide training opportunities to help customers better understand human resource management.

By January 2008, this team expects to have a robust customer service model fully operational. DHRM will then be better able to work closely with each department to understand local needs and issues, design responses specific to that department where appropriate, and provide professional services such as data, reports, consulting, workforce planning and training for that agency. Issues such as the aging workforce and generational differences can also be addressed in ways specific to the unique needs of each department.

Priority Issue #2 – Compensation

Few decision makers or employees fully understand the compensation process or appreciate the serious issues the state faces with its compensation system. It is DHRM's goal to create a more thorough understanding that will facilitate a better informed discussion of the issues.

The purpose of this strategy team is to educate decision makers and employees on the total compensation system. The current emphasis on the strategic role for DHRM and the use of data and information provides an opportunity to reshape the discussion on compensation. However, challenges remain in the form of tight funding, unfounded perceptions, and an unclear long range plan for employee compensation.

This team proposes the following actions:

- Build data files and produce reports that highlight the serious problems seen in the compensation system by DHRM staff;

- Refine the salary survey process to ensure we are measuring the market correctly;

- Provide a variety of options to decision makers for addressing the problems uncovered each year in the salary survey and research conducted by DHRM;

- Work with the Utah Retirement Systems and Public Employees Health Plans to create a benefit manual for DHRM employees;

- Prepare compensation training for all employees and decision makers; and

- Work with the Governor's Office to prepare changes to the Utah Code that will help the state better address compensation issues.

By January 2008, this team expects a better understanding of the compensation system and a more informed approach for addressing the problems in the system.

Priority Issues #3 – Recruitment

The State of Utah's recruitment system has improved greatly over the past few years. A website is available 24 hours a day allowing job seekers to apply for jobs at their convenience. However, there are still problems to address. Hiring managers feel the process is too slow and feels outdated, they lack flexibility and information when hiring employees, and they lack information on best practices in the hiring process. Applicants have complained that they have to continually watch for vacancies, can't search by location, can't attach resumes and a struggle with a general lack of clarity on where they stand in the hiring process as a whole.

The purpose of this strategic team is to redesign the recruitment system to address all the issues raised by customers and job seekers. It is difficult for DHRM to separate older workers and job seekers from everyone else without incurring liability. But, an improved and more flexible system will benefit older workers and job seekers alike and

make it easier for DHRM to work with departments to resolve recruitment issues specific to them.

This team proposes the following actions:

Completely revise recruitment business practices by the end of calendar year 2006;

Build an electronic recruitment worksheet to record the major milestones for all recruitments by the end of 2006; and

Complete the first release of an integrated recruitment and record keeping system by July 3, 2007.

A faster and more flexible recruitment system will help DHRM compete more aggressively in the coming tight labor markets.

