

# Department of Personnel & Administration



Presented by:  
Jeff Schutt  
Director,  
State of  
Colorado  
DPA Division  
of Human  
Resources

State of  
California  
Little Hoover  
Commission

August 26,  
2004





## Strategic HR

A strategic approach means taking a "longer" term, "big picture" approach to HR. Being strategic means operating HR programs or initiatives with the goal of making a direct contribution toward meeting major corporate long-term objectives. Rather than focusing on internal HR "issues," a strategic focus means addressing and solving "business" problems through the effective use of people management programs.

- What does HR do to help the organization achieve its goals? Business is ahead of advocacy for employees -HR must be integrated into the business strategy of the organization, not merely a resource for employees in navigating policy, handholding through transactional business, obtaining assistance in handling disputes, etc.
- Moving transactional business away from HR staff and toward technology
- Using measurable metrics to calculate return on investment and to implement achievable goals: reducing time to hire and turnover rates, implementing sound succession planning based on retirement data, mitigating risk due to employment claims, providing greater employee self-service, etc.
- Integrated approach to all of these key trends.



## HR Architecture –Technology

In their research-driven, highly acclaimed book, *The HR Scorecard: Linking People, Strategy, and Performance* (Harvard Business School Press, 2001), authors Brian E. Becker, Mark A. Huselid, and David Ulrich conclude that: “Firms with more effective HR management systems consistently outperform their peers.”

- Sophisticated HRMS and applicant screening, assessment, selection and data tracking systems have altered the question – highly centralized technology enables decentralized usage. Hiring managers can bypass field HR to access data and write hiring requisitions. More employee self-service.
- Can you afford a \$100 million dollar investment? Is outsourcing the answer? Michigan and Massachusetts – strategy and architecture driven by technology decisions.
- Colorado – what happens in a highly decentralized environment when centralized legacy systems don't serve individual department's needs? Chaotic, disjointed, inefficient and shortsighted technology development.



## HR Architecture – Policies & Reporting Structure

- Centralized corporate-level policy development and HR strategy decision making.
- Do field HR practitioners report to the department or a centralized office? Massachusetts and Alaska models?
- Regardless of reporting relationships, clear delineation of roles between corporate-level office and field practitioners - partnership with field or agency-level HR professionals
- No one right approach - Each state must find the balance that best supports its business model and HR strategy.
- One thing is certain - the least desirable model is a highly centralized environment in conjunction with outdated legacy systems.
- Trend toward centralized administration is accompanied by the implementation of sophisticated and centralized IT systems - Iowa and Wisconsin have folded independent HR into central administration departments.



## Flexible Governance/Civil Service Reform

Civil service reform is usually a supporting strategy for more efficient and accountable government operations or service delivery. Civil service reform is not an end in itself – one does so in order to provide services better, manage resources more efficiently, or support other general business goals.

- Whether it is the constitution, statutes, or work rules and procedures, rigid restrictions on a personnel system create bureaucracy and inefficiency.
- Flexible governance moves from strict constitutional language, over legislation and/or work rules for every conceivable issue to a broader framework and parameters that demand accountability - Seven pages of work rules on buying flowers for an ill employee – the death of common sense.
- Constitutional language, statutes and rules cannot create good management. Often HR and managers hide behind the “rules” and operate without accountability.
- Create the framework that supports business and can respond more nimbly to market conditions - IT or health shortage, pay differentials, in-range hiring, etc.



## Civil Service Reform Models

- **Implementing flexible governance demands negotiation and balance: -Georgia - at will employment; Florida - finding a balance between merit protections and pure at will employment; Washington - trade-offs - collective bargaining for labor support**
- **Colorado's strategic approach - Bi-partisan Commission with members from private sector; Statewide Town Hall Meetings with employees (direct feedback from employees); Commission meetings, debates and final report; proposed legislation; negotiations with employee groups; legislation introduced**
- **The reform issues considered in Colorado - The role of classified employees in higher education; Temporary employment; Discipline; Rule of three; What is the merit principle?; Employee protections and bumping; Role and number of appointments and at-will employment; Greater ability to outsource based on sound business practice**
- **Ultimately - what framework supports business, alleviates impediments, and fosters accountability?**



## Total Compensation – The Mindset

**Total Compensation or Total Rewards is the investment an employer makes in its workforce in order to recruit, retain, and motivate a qualified workforce, and includes salaries, contributions to group benefit plans, paid time-off, retirement, premium pay practices, work/life programs, incentives, training**

- **Getting all stakeholders - Legislature, Budget, Policy, Employees (and Employee Associations or Unions) - to think total compensation and understand the total investment philosophy; this takes clear and effective communication.**
- **How does the total investment support the recruitment, retention and motivation of the workforce?**
- **Legislature/JBC/OSPB/Governor = Board of Directors Compensation Committee and decides how much is needed?**
- **HR strategic compensation experts recommend the best mix of dollars to maximize the investment.**



## Total Compensation – In Action

- **Creating a more flexible and competitive total compensation package based on sound and comparable market data - credible survey process = credibility with General Assembly and employees**
- **Competitive salary ranges, broadbanding, pooled paid-time off, and incentives, bonuses, work-life and other components part of an integrated program**
- **Meaningful performance awards as mechanism for advancement within a salary range**
- **Self-funding group insurance plans, consumer-driven health care, tax-advantaged products - HSA-qualified high deductible health plans**
- **One size does not fit all! Steps toward cafeteria style total compensation where employees can select from what they want - Colorado and Georgia moving in this direction**



## Outsourcing

Outsourcing is an agreement concluded between a business and a third party for the ongoing management and the improvement of activities related to a part or to the whole of: business functions (e.g. human resources, marketing, payroll, billing); an infrastructure (e.g. information systems, security systems, telecommunications networks); operating processes (e.g. procurement of raw materials, industrial production, operation of a telecommunications network).

- How can government replace outdated legacy systems? Business need? Is it cost-effective to buy and maintain new systems? Can State governments afford to keep up with state-of-the-art technologies this way?
- Meeting the demands for cost-effective government
- What are the core business functions and competencies of government? Should government be in businesses that don't fit?



## Workforce Planning

Workforce planning is a management framework for making staffing decisions and related investments based on an organization's mission, strategic plan, budgetary resources and current competencies measured against desired workforce competencies.

- Governments must proactively prepare for the impending loss of the baby boomers. In Colorado almost 45% of the workforce could retire in the next seven years - "Age Bubble" study & workforce planning guide - IPMA/CPS/NASPE
- Pennsylvania - go beyond macro-level analysis of age and retirement eligibility; instead focus your analysis at a more micro-level: on selected jobs or occupations; identify jobs with high "retirement probability factor"; focus on jobs that are hard to fill, and find out what the retention factors are?
- Do we have the hiring practices, and training and development programs in place to help identify new leaders and prepare them for their roles? Maine - well established leadership training programs.
- How can state governments make state service more attractive to college graduates and younger generations? Flexible and competitive total compensation, less restrictive and more portable retirement plans, better access to state-of-the-art work tools, and more and earlier opportunities to make a difference without having to fight through bureaucracy?)