

Minutes of the Meeting of the Utah Privatization Policy Board
Wednesday October 25, 2006 10:00 a.m.
Room 3150, State Office Building
Salt Lake City, Utah

Attendees:

Senator Brent Goodfellow - Chair, Representative Fred Hunsaker, Senator Chris Buttars, Steven Dickson, Steve Wrigley, Jim Kesler, Ted Boyer, Gretta Spendlove, Douglas Richins

Absent

Norm Tarbox, Robin Riggs, Tanya Henrie

Visitors

Jean Mills-Barber - DHRM, Con Whipple - DHRM, Jeff Herring - DHRM, Nannette Rolfe - Department of Public Safety, Wally Wintle - Department of Public Safety, Richard Ellis, Department of Administrative Services

Welcome and Introductions

Senator Brent Goodfellow, Chair conducted the meeting.

Approval of Minutes:

Ted Boyer motioned for approval of the minutes of the meeting held September 27, 2006. Mr. Kesler seconded that motion. The minutes were unanimously approved.

Mr. Richins reminded the board that in last months meeting we had a presentation from Convergys Corporation about the services that they provide to Florida and Texas on an outsourced basis for human resource management. The board then invited Mr. Herring and representatives of the Utah Department of Human Resource Management to offer their perspective on potential for privatization in the human resource area.

Presentation by Jeff Herring – Department of Human Resource Management (DHRM)

In July of 2006 a major reorganization and consolidation of the human resource functions within state government took place bring all of the HR employees under DHRM. Prior to that DHRM had responsibility for HR policy, each of the agencies had their own human resource staff. DHRM now coordinates both the policy and through 12 field offices located in the different agencies provide HR services to the agencies of state government. Mr. Herring gave a slide presentation and a handout (see attachments) and there was a healthy discussion on this subject. Mr. Whipple also distributed a handout titled “Basic Metrics (Tentative)” (see attachment) and there was a discussion on this handout also. Mr. Herring explained that it would be difficult to compare DHRM’s services with those provided by Convergys to Texas and Florida, and it is also somewhat difficult to compare one state’s human resource function to another as well.

Presentation by Nannette Rolfe, Division Director – Utah Drivers License Division

Ms. Rolfe provided an overview of the Drivers License Division staffed. They are challenged with having to hire a large number of part time seasonal employees (without benefits) because of budget constraints. This results in a large (30%) turnover. This challenge is compounded by the fact that takes about six months to train a new employee. She discussed ways that the division is

attempting to reduce lines and improve efficiencies at the division. The Drivers License Division is asking the legislature for the ability to turn 20 of these part time positions into full time positions to help with the high turn over rate.

There was a healthy discussion on ideas of how the Drivers License Division could possibly run more efficiently.

Election of Vice-Chair

Senator Butters made a motion to nominate Jim Kesler to be Vice Chair. The motion was unanimously approved.

Discussion Items for Future Meetings

Mr. Richins was asked to invite representatives of the Division of Motor Vehicles from the State Tax Commission to attend the next meeting and address their use of the private sector to improve their efficiency and also to address initiatives that other state's may have taken using the private sector in this important area that touches each citizen.

November Meeting

The next meeting will be on November 29, 2006 at 10:00 a.m. in the offices of the Division of Purchasing – 3150 State Office Building, Capitol Hill, SLC.

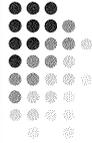


Department of Human Resource Management

Cabinet Meeting Presentation

June 2, 2006

Contact:
801-538-3025
www.dhrm.utah.gov





HR Reorganization

Highlights

- Effective July 1, 2006
- HR staff in the State moves into DHRM
- 12 Field Offices (New Direct Service Structure)
- Billed based upon Agency FTE's (monthly)
- Service Agreements being finalized
- Opportunity for HR staff cross-training and development





HR Initial Projects

- Bi-Monthly State Employee Newsletter
 - Rotating Agency Message (Executive Directors)
- HR/IT Projects
 - Integrated HR Systems
 - Data/Recruitment/Training
 - Employee Self Service Project
 - DTS/URS/PEHP/Finance/DHRM
 - Employee Portal
- Formal Cross-Training Program with HR Staff
 - Field to Policy and Policy to Field
 - Field to Field





DHRM Mission



DHRM will add **value** to the State of Utah through:

- Increased customer service
- Increased efficiency
- Decreased liability



Strategic HR



Goal = be a strategic partner with agencies

Definition

- **Strategic** = Important or essential in relation to a plan of action; Highly important to an intended objective
- **Partner** = A member of a **business** partnership; A spouse; Either of two people dancing together



Strategic HR



What does it mean to be a Strategic Partner?

- Manager's perspective
 - "Why should I spend time with HR?"

Focus must be on adding **value** to the organization

- Value is defined by the receiver (agency/employee)



Strategic HR



How to add value to an organization?

- Linking customer's (agencies/ employees/ public) desires to the Organization
 - Governor's Vision – Mission – Values
 - ↓
 - Agency's Vision – Mission – Values
 - ↓
 - DHRM's Vision – Mission – Values



Barriers to Strategic HR



Common views towards HR

- "A necessary evil"
- Part of the bureaucracy
- Paper – pushers
- Only deal with recruitment and termination
- A cost-center



Barriers to Strategic HR



Not generally business people

- Enter HR because we "want to be helpful" or "like to work with people."
 - Good reasons but the focus needs to be on raising the **value** of the organization
- Lack of understanding of customer's business goals
 - HR needs to understand business to add value to those business goals



Solutions to adding Value



Metrics and Measures (M&M's)

- Business world uses them
- To keep up HR needs to adopt and develop them
- Must focus on outcomes rather than activities
 - Training attendance ≠ training effectiveness
 - Recruitment ≠ effective hire
 - Turnover ≠ engaged employee



Solutions to adding Value



Develop a SWOT analysis for our organizations:

- What constraints keep our organizations from reaching goals (generally people issues)
- What can HR do to help overcome the constraints
- Moves HR into a proactive consultant role for business solutions



Solutions to adding Value



Accountability for actions with HR impact:

- Top down management accountability
 - Managers (right KSA's)
 - Supervisors (kind vs. nice)
 - Employees (clear communication and expectations)

Adopt a common HR language:

- HR using the common methods and language



Solutions to adding Value



Get out of the Defensive Posture

- Traditional view = HR the bad cop
 - Lose support from management and employees
- Standardization
 - State's business is too complex
- Afraid of exceptions
 - Fear of opening up floodgates (slippery slope)



Solutions to adding Value



Be a Business Partner

- Provide solutions
 - Managers need to communicate end-state goal
- Take an open-minded approach
 - Think outside of the box
- Do not be afraid of exceptions
 - Exceptions drive business



Solutions to adding Value



Equilibrium is Death

- Yellowstone Fires of 1988
- Law of Requisite Variety
 - "Survival of any system depends on its capacity to cultivate (not just tolerate) variety in its internal structure"
 - Fish tank model



Conclusion



HR as a Business Partner

- HR should be a part of every decision as one common factor in business decisions is employees (Organization, engagement, demographic, marketing, etc.)
- Reframe problems to find solutions
 - Alexander the Great



References



- *The HR Value Proposition*; Ulrich and Brockbank (2005)
- *Surfing the Edge of Chaos*; Pascale, Milleman and Gioja (2000)
- *Peak Performance*; Katzenbach (2000)
- *The HR Scorecard*; Becker, Huselid and Ulrich (2001)
- *The Wisdom of Alexander the Great*; Kurke (2004)
- *Why We Hate HR*; Hammonds (2005)
- *HR as a Strategic Partner*; Wert and Liwanag (2002)
- *How can HR be a Strategic Business Partner*; Bly (2005)



Department of Human Resource Management



Questions?

Basic Metrics (Tentative)
Utah Department of Human Resource Management
Executive Branch Only*
25 October 2006

Operating expense per FTE
(System) = \$286,261

Compensation as percentage
of operating expense (System) = 21.6%

Total FTE per HR FTE (DHRM) = 147

Annual HR expenditure
per FTE (DHRM) = \$761.65

Rookie ratio (core, System) = 17.3%

Health benefit payment
per employee (System) = \$9227

Paid days off (System) = 27.25

Voluntary turnover (System) = 10.45%

Involuntary turnover (System) = 1.38%

* Executive Branch FTE = 19,719.79
Executive Branch Employees = 23,421
Appropriated Budget for Executive Branch = \$5,645,007,155

DHRM Employees = 184
DHRM Budget = \$15,019,500

Data Bank Annual Workforce Management

Internal HR:

BASIC METRICS

Average for common measures of costs and returns, 2004

Revenue per FTE	\$324,523
Operating expense per FTE	\$226,046
Compensation as percentage of operating expense	28.7%
Human capital ROI	1.52
Percentage of HR executives reporting to CEO	65%
Total FTE per HR FTE	87
Recruiting/staffing FTE as percentage of total HR FTE	18%
Annual HR spend per employee	\$1,554
Recruiting/staffing costs	\$120
Nonlabor benefit costs	\$87
Training costs	\$676
Per session	\$121
Payroll costs	\$93
Per payment	\$3
Rookie ratio (employees with less than two years service/total headcount)	20.4%
Employees eligible for retirement in less than five years	17.4%
Health benefit payment per employee	\$6,393
Employer contribution to total health benefit cost	81.8%
Health benefit payments as percentage of operating expense	2.7%
Paid days off per employee	28.6
401(k) utilization rate	72%
Employer 401(k) cost per participant	\$2,258
Performance pay as percentage of total compensation	9.4%

Note: Survey of 288 U.S. organizations.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)

Internal HR:

TRENDS IN BASIC METRICS

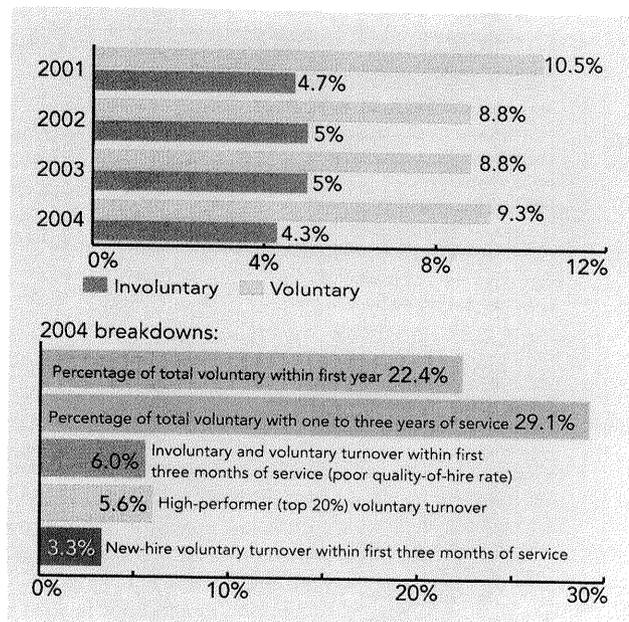
Metric and/or percent change from previous year, national medians, 2001-2004

	2001	2002	2003	2004
HR/headcount ratio	1/86	1/84	1/84	1/87
HR spend per employee	\$1,342	\$1,432	\$1,472	\$1,554
Revenue per FTE employee	\$264,429	\$271,803	\$312,738	\$324,523
Expense per employee	\$198,600	\$182,585	\$204,611	\$226,046
Labor costs as percentage of revenue	20.8%	25.8%	26.6%	28.0%
Average cost per hire	\$2,477	\$3,092	\$2,936	\$3,270
Time to fill	44 days	45 days	46 days	48 days
Offer-acceptance rate	-	93.0%	94.8%	93.9%

Note: Surveys of more than 200 organizations for each year.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)

Internal HR: TURNOVER

Annual average turnover rates, 2001-2004



Note: Survey of 288 U.S. organizations.
Source: Saratoga Institute, PricewaterhouseCoopers Human Resource Services (www.pwcservices.com/saratoga-institute)