

Economy: Its Impact on Human Resources

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December 4, 2009
League of California Cities
Fire Chiefs Leadership Seminar

What main areas does the state of
the economy touch in the world of
Human Resources?

- **EVERYTHING**

Negative Effects

- Human Resources workload often increases during hard economic times
- Constraints on ability to make compensation adjustments
- Cost cutting endeavors
- Employee Morale decrease
- Employee Turnover
- Employment actions increase
- Employee anxiety about compensation, retirement and other benefits

Cost Cutting

- Typically, 70-85% of General Fund expenditures are employee and employee driven costs. These are hard personnel costs: salary + benefits.
- When you add on the tools and resources to do there jobs, it is nearly 100%.

Cost Cutting Endeavors: Labor Bargaining

- About 50% of Northern California agencies (all with Fire Departments) I surveyed (out of 41) were either in concession bargaining or had expired contracts.
- Most entities anticipate next year to be as bad as this year.
- Many entities are bracing for cuts in the next year in addition to the cuts already made

Labor Bargaining – Concessions included

- Two tiering retirement;
- Retiree medical concessions;
- Deferral of wage increases;
- Waiving of wage increases;
- Decrease in active medical benefits;
- Elimination of other benefits, such as vacation sell back provisions, lowering of vacation allowances.

Labor Bargaining

- Agencies often are doing additional employee cost cuts, such as layoffs, elimination of vacant positions, furloughs, voluntary time off program, and brown outs. All of these are mandatory subjects of bargaining, except for layoffs.
- They are often exploring these options in addition to concession bargaining.
- Layoffs have included safety personnel in this downturn.

Labor Bargaining

- Labor has come to the table anywhere from being a partner in cost cutting to not interested in helping at all.
- These approaches range and depend on the relationship going into negotiations.
- Some have been a collaborative partner.
- Some unions have struck or engaged in work actions to harass and annoy.
- This environment amplifies the existing relationship.

Employee Morale

- Employees who have a job in these times are grateful.
- Employees who do not get raises in this time are not bothered
- Employees are happy to take on more work for the good of the organization...

What do they really feel?

- Sometimes the last slide is true...
- Sometimes they feel...
 - Guilty
 - Overworked
 - Trapped
 - Unappreciated
 - Disgruntled
 - Accusatory because Management squandered money and made bad decisions and they have to “pay” for it.

Factors that cause turnover

- Leaving the workforce (RETIREMENTS)
- Performance Management
- Lack of promotional opportunities at current employer (or even better career opportunity elsewhere)
- Lack of meaningful work or challenges
- Lack of organizational fit
- Personal and familial considerations
- Seeking additional compensation or benefits

Positive Effects

- Fantastic time to be recruiting
- Negotiations of benefits contracts with outside vendors may be favorable market
- Opportunities to streamline and reorganize
- May cause good employee turnover
- You can discuss topics at the negotiations table that were formerly taboo.
- Performance Management gets a heightened importance.
- Entities are looking at how they do business.

What Foster City has Done...

Succession Planning and Workforce
Development Planning

Premised on Strategic Planning

The Problem: Critical positions are
likely to turnover in the next five years

- The City does not have internal candidates to fill the all of these gaps
- The City does not have an integrated plan to address the known gaps

The Five Year Horizon for Foster City

- 35% of all City employees will be eligible to retire in the next 5 years
- About 20% of those eligible to retire will be very likely to leave
- Of the approximately 27 positions that are at or above division manager, about two-thirds are likely to leave in the next five years.

Succession Planning

- Succession Planning is an integrated workforce plan that anticipates and identifies an organization's needs when experiencing turnover.
- A successful model is fluid and can develop, change, and adapt over time.
- It should minimize organizational disruptions from turnover and maximize organizational efficiencies and effectiveness.

Premises of Comprehensive Succession Planning

- Change is constant and will come, whether we want it to or not.
- Strategizing for anticipated changes maximizes an organization's ability to succeed.
- Investment in human capital is essential for an organization's ability to meet its present and future business needs.
- Combines Workforce Development, Strategic Staffing, Performance Management

The Keys to the Succession Planning Process - The Steps

- Step 1: Strategy Assessment
- Step 2: Data Collection
- Step 3 Data Analysis
- Step 4: Implementation

What are the components?

- Organizational and Departmental Strategy Assessment means you review of strategy and operations plans for workforce implications
- A threshold issue in developing your workforce plan is establishing what workforce you will need

What does that really mean?

- This entails establishing an organizational plan and establishing and commitment for the next 1-5 years
- This also means developing departmental goals, objectives, work plans and timelines

Strategic Plans

- Every operating department developed its own five year strategic plan.
- Extremely labor intensive. Operating departments took typically 10 days over the course of 6 months to develop strategic plans.

Strategic Plans

- The City developed its own system and forms for creating a strategic plan.
- The operating departments delivered the following to the City Manager today:
 - Mission Statement
 - Vision Statement
 - Goals and Objectives
 - Action Plans for each goal
 - Implementation Plan and Schedule

Why is this necessary?

- You cannot say someone is ready for a position unless you know what the knowledge, skills and abilities WILL be. You should assess on what you will need, not on what you have needed.
- You cannot make development plans for someone unless you know what you are developing them for.

Step 2: Data Collection

- SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats)
- Environmental Scan (analysis of internal and external factors)

Step 2: Data Collection continued

- Supply/Demand Analysis (analysis of turnover of key positions and identification of possible solutions).
- Revisiting the core competencies of all City positions (KSA's – knowledge, skills, and abilities).

Step 3: Data Analysis - Gap analysis

- Compare current talent to future talent needs
- Compare staffing gaps and surpluses
- Identify competency gaps and surpluses

Step 4: Implementation = Gap Closing Strategies

- The City's plan will be based on the KSA's (knowledge, skills and abilities) of each position
- Just as the performance evaluation is tailored to each position's KSA's, so will our overall succession plan strategy

Step 4: Implementation = Gap Closing Strategies

- Competency Model can guide strategic
 - Recruiting
 - Selection
 - Retention
 - Performance Management
 - Professional Development

The Barriers

- The City did not have a comprehensive strategic plan
- Departments make their plans in silos and with different considerations and horizons
- The City does not have a comprehensive plan to map where it is going to address known gaps
- The City does not have comprehensive training and development options to develop internal talent

The Current Barriers (continued)

- The City's performance management system does not consistently evaluate employees and is not always reflective of employees' performance
- Mentoring is not formalized or with a purpose

What we will need from Departments

- The City and each of the Departments will need to establish some strategic plans for the next 5 years
- Development of the Core Competencies will need to be fleshed out and Staff time will need to be used to establish these.
- Commitment to a formal mentor program

What we will need from Departments

- Develop employees through development plans
- Performance Management that is reflective, honest, and consistent within the department and within the City
- Recruitment systems that support identifying KSA's and future talent needs

Human Resources' Role

- Oversee, facilitate, and coordinate Succession Planning Program
- Coordinate Steering Committee
- Develop and Oversee training program
- Develop and Oversee Mentoring program
- Develop and Oversee recruitment program

Employees' Role

- Participation in anonymous surveys on employee plans to assess gap analysis
- Employees may be asked to participate in voluntary structured interviews
- Employees need to articulate their short term and long term goals and be willing to implement suggestions
- Managers and supervisors should be actively having development conversations and giving candid feedback as to the employees developmental needs

The End Product –36 months

- The City will develop an analysis of the positions that are likely to turnover and when they are going to turn over.
- The City will identify current and future KSA's
- The City will formulate plans and contingency plans to meet the challenges of instances of turnover.
- The City will anticipate the needs of future vacancies.

The End Product –36 months

- HR will develop a developmental programs for employees. Supervisors will work with employees on the individualized plans.
- HR's training curriculum will identify knowledge, skills, and abilities (KSA's) so opportunities can be accessible.
- The Recruitment Process will focus on behavioral questions that focus on the KSA's identified for the positions.
- A mentor program will be developed that focuses on the development of the KSA's.