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THE 2015-2016 CONTRA COSTA COUNTY GRAND JURY
725 Court Street
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Report 1613

Human Resources Management

Adrift on the Sea of Change

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Contra Costa County Grand Jury Report 1613

HUMAN RESOURCES MANAGEMENT

Adrift on the Sea of Change

TO: Contra Costa County Board of Supervisors, Contra Costa County Administrator, Contra Costa County Human Resources Department

SUMMARY

Human Resources Department (HR) in Contra Costa County (County) is in the midst of change. After many years of struggling to meet the demands of the County's many departments, and to define its role in a complex personnel management environment, HR is poised to take advantage of a new opportunity resulting from a major systems upgrade effort. In 2015, HR was directed to "go paperless". For an organization that depended on paper documents in every stage of its work, the directive posed a major challenge. This report will focus on the operations of Personnel Services Unit.

Systems are now in the implementation phase that will change the way HR and other County departments, which it serves, do their work. It may also change the organizational relationships between HR and those departments, and the relationships within HR itself.

However, more can be done to help HR fulfill its vital role within County government, including:

- Hiring a permanent HR Director as soon as is reasonably possible;
- Developing a Strategic Vision (plan) to guide HR;
- Reviewing and revising the Personnel Services Manual;
- Reviewing and revising personnel management regulations and salary; regulations (in concert with affected parties);
- Working with the County Administrator to end the delegated authority for the Health Services Department;
- Recognizing the importance of proactive, countywide classification and compensation review and HR staffing to facilitate that effort; and
- Beginning a comprehensive review of the current job classification structure to reduce complexity and address inconsistencies or conflicts.

BACKGROUND

Contra Costa County is a multifaceted, complex organization. Approximately 10,000 employees, multiple Memoranda of Understanding (MOUs), 1,400 job classifications, outmoded computer systems, lack of clarity about personnel rules, and a system that relies on handwritten paper documents, only partially describe the HR management challenge that the County continues to face. Paper transactions, often transmitted by interoffice mail or hand carried have been the rule in HR. In fiscal year 2015, the HR Transactions Unit manually processed 27,548 individual transactions (all paper) or about 2,300 per month.

In 2014, the HR Director resigned and the Department was struggling. In the absence of a permanent Director, HR focused on maintenance of effort, reacting to departmental requests rather than managing the overall Human Resources system in the County. Lack of direction, lack of agreement about the role that HR should play vis-à-vis other County departments and the public, poor communication with some of the departments it served, overwhelming workload, employee turnover, and low marks for promptness in managing recruitment and hiring were epidemic. Complaints about inefficient procedures and non-responsiveness were frequent; departments “did their own thing” in an effort to meet their own staffing goals. HR’s pivotal role in payroll processing was error-prone and inconsistent. However, other County departments lacking consistent training in personnel procedures and responding to the internal objectives of their own department management—also bore some of the responsibility. Antiquated computer systems exacerbated the difficulties.

Looking to automation for help, the County chose to tackle timekeeping first. In 2012, the County contracted with ADP to install a new timekeeping system. In the meantime, individual departments also designed homegrown systems or used off-the-shelf software to manage internal personnel processes like timecards and personal leave management.

After three years, ADP’s system was terminated when it became clear it could not accommodate the County’s complex personnel structure. Complicating the software problems were difficulties with a key personnel system—PeopleSoft. Originally installed in 1999, its last update was in 2000. Oracle Corporation (PeopleSoft’s owner) is no longer able to support this obsolete version.

Frustration with actual and perceived obstacles, particularly delays in hiring and recruitment, prompted some departments to request independence from HR altogether. The County’s two largest departments, Health Services (HSD) and Employment and Human Services (EHSD) each requested “delegated authority” – the permission to manage many of their own personnel operations.

Health Services received delegated authority, while EHSD did not. The HSD experiment (from the perspective of most sources external to HSD) has created more

problems than it solved. Transparency has suffered, error rates have risen and communication continues to be a problem. Lack of oversight has led to problems such as position misclassification, incorrect use of overtime and inconsistent attention to personnel rules.

Changing times at HR

In 2014, after two unsuccessful attempts to recruit a new HR Director, the County hired a consultant to provide high-level advice about human resource matters. The County also sought to address the inefficiencies resulting from a largely paper-based operation. A directive was issued to “eliminate the paper” and to “streamline” operations. The need to manage internal HR operations and systemize the growing need for HR services led to the hiring of a new HR Assistant Director.

The County began its move toward streamlining HR’s operations by implementing an online job application system, which proved very successful. Ninety-nine percent of all job applications are now filed online. The rest of the application review and selection process remains largely manual. The County contracted with Cherry Road Consulting (a PeopleSoft partner) to move the PeopleSoft system from version 8.1 to version 9.2. The County further decided to replace its existing recruitment and hiring software (NeoGov) with another Oracle product (Taleo).

Implementation of the new software systems is fully underway, with anticipated “go live dates” of October 2016 for PeopleSoft and December 2016 for Taleo. These systems, once fully operational, will eliminate much of the paper flow and will provide enhanced abilities to monitor key elements of the recruitment and onboarding process. Onboarding refers to recruitment, hiring, and processing new County employees. Front-end editing will allow more accurate data entry and facilitate some “self-service” functions (e.g. benefit selection) for employees. Most importantly, the systems will improve accountability. Time-stamping at each step in every process will track who did what, and when. Management information “dashboards” will allow managers to monitor workload and identify problems.

The literature on the impact of automation on organizations is extensive, and one conclusion is almost universal: Automation changes the way we work and the culture in which that work is done. Managing employee resistance to change is fully as important as successful installation of the new computer systems. Likely some employees have concerns about learning and understanding the coming technical and procedural changes. However, automation will provide better management information, making it easier to monitor workflow and improve accountability on many levels. For the County, solving technical problems will create an unprecedented opportunity to address the organizational issues of managing the County’s human resources system.

DISCUSSION

HR management in a nutshell: Complexity begins with the rules

A multiplicity of rules governs County personnel management. The County operates under the Merit System¹, as do most public jurisdictions in California. Key merit system principles include the following:

- Employee selection and advancement should be determined on the basis of relative ability, knowledge and skills after fair and open competition, which assures that all receive equal opportunity;
- Employees and applicants should receive fair and equitable treatment without regard to race, color, religion, age, national origin, gender, disability or political affiliation; and
- Equal pay should be provided for work of equal value.

Moreover, most positions in the County fall under union rules. There are 16 unions, 19 MOUs, and 42 bargaining units. The MOUs establish work rules, pay, benefits and other employee related issues. The Personnel Management Rules (PMRs) implement the Merit System and specify procedures for most HR management operations. The County's PMRs last significant revision happened in 1982. The Salary Regulations, last updated in 1983, govern salary administration, conditions of employment, training, etc. With all of these rule systems operating simultaneously, control of countywide personnel management presents a significant challenge.

Complexity reflects County organization

The County has 25 separate departments with budgeted positions ranging from less than 30 to over 3,000. These departments operate in a semi-autonomous manner with regard to personnel management. In fact, some of the larger departments include personnel management units comparable in size (on a per capita basis) to HR. These units are responsible for a variety of personnel transactions including payroll reporting, time sheets, leave tracking, and performance appraisal. Two examples of the impact of organizational complexity follow:

- The 2014-2015 Grand Jury Report 1511 investigated County timekeeping practices. It found that 230 separate pay codes were required for recording variable compensation governed by various MOUs. Substantial variance in the accuracy of timekeeping reports occurs because multiple payroll clerks in multiple departments are responsible for submitting payroll reports. These personnel do not receive standardized trainings, so the likelihood of errors is

¹ California Code of Regulations, Title 2, Division 5

high. When payroll reports are submitted to the Transactions Team in HR, employees are responsible not only for inputting the reports but also for verifying their accuracy. The volume of data that must be input combined with complexity of the time code structure, auditing transactions for compliance with personnel rules, rule compliance, and the time pressure associated with payroll processing can affect accuracy.

- Inconsistent communication, decentralized authority, and internal departmental objectives, particularly in larger departments, make effective position control difficult. For example, of the approximately 1,400 separate job classifications in the County, 364 are “single person classes”. Management positions are not the only ones occupied by only one employee. Departments will sometimes request a new job class, which is functionally equivalent to a position in another department, but is justified based on presumed unique characteristics. HR has not always been effective in controlling these requests when HR recommendations run counter to departmental priorities. This pays off for the department, but adds another position to be added to an MOU and more complexity for the County.

HR management operates in a conflicted environment. Charged with implementing personnel rules, but widely disrespected by the departments it serves and with little real authority to challenge departmental decisions or effect change, HR is placed in a position where the most prudent option is to be reactive rather than proactive.

HR Department organization

County HR management has three functions:

- Recruitment and initial selection, which includes advertising; resume/qualifications assessment, testing and development of an applicant list from which the hiring department selects its employees;
- Classification and compensation, which includes job analysis for current positions, job design for new positions and compensation analysis for both present and new positions; and
- Management of a broad array of health care and retirement benefits for approximately 10,000 active employees and 8,000 retirees through HR’s Employee Benefits Administration.

HR is organized into three divisions:

- Personnel Services Unit (PSU), which includes both recruitment and classification;
- Employee Benefits Administration; and
- Administrative Support, which includes computer technical support and transactions management.

Reorganization

The effort to streamline HR's operations began with an internal reorganization of the PSU. A key objective was changing internal procedures for managing recruitment and selection to improve productivity and accountability.

Prior to 2015, one supervisor was responsible for both recruitment and classification. The staff working under this supervisor (Human Resources Consultants), performed both functions. The supervisor assigned each Consultant to work with a specific number of departments. The reorganization nominally separated recruitment from classification and compensation. A second supervisor was hired, allowing one supervisor to oversee recruitment and the second to oversee classification and compensation. Additionally, several vacant positions were filled.

The reorganization, however, was more apparent than real. Departmental assignments have remained unchanged; experienced and new Consultants may still handle both recruitment and classification duties. This has led to confusion in lines of authority and communication as a single Consultant may report to different supervisors depending on which task he or she is performing. Much of the training is on-the-job. Employees report that existing documentation is not necessarily helpful in specifying job duties or procedures.

Functional differences: A growing need for comprehensive classification review

Recruitment and classification require different skills and expertise, with classification considered the more complex and time-consuming of the two. While the current trend is to separate the two functions organizationally², in the County's HR this is not the case. HR's current configuration does not allow for the separation of recruitment from classification. HR employees consider classification as an opportunity for promotion, having gained sufficient departmental knowledge through managing individual recruitments. However, the current organization does not allow for classification specialists since all employees are still expected to be generalists.

Recruitment is a continuing function with tight deadlines and many processes to manage. Of necessity, the primary focus of HR is on managing recruitment demands. Job classification and compensation review occurs on an ad hoc basis when a new position or classification change is requested, but overall review and adjustment of the classification structure has less priority.

Appropriate classification and compensation review is key to ensuring that Merit System rules are followed (equal pay for equal work) and that each job classification accurately

² See Evan Berman, et.al., *Human Resource Management in Public Service*, SAGE Publications 2016

reflects the required qualifications, experience and duties. One result of the County's complex structure is that the number of job classes has grown without consistent attention to the *relationships* between classes and across departments, resulting in a large number of classes.

Recruitment and selection: Causes of delay

Perceived delay in hiring new employees has been a recurring concern of the departments served by HR. In the first nine months of 2015 HR processed 326 recruitment requisitions, which included 29 from EHSD and 98 from HSD. Twelve of the requisitions from EHSD and HSD were designated as "continuous". Continuous recruitments apply to job classifications with many employees (e.g. clerical staff, Welfare Eligibility Workers etc.) where there is high staff turnover and a constant need for new hires. Application review, testing and selection occur at defined intervals maintaining a current list of potential employees. The process for running continuous recruitments is well defined, so they often serve as a training ground for new HR Consultants.

Individual recruitments occur when there is a vacancy in a class that does not have a continuous list, or when a new position is requested. For new positions, the Consultant assigned to the recruitment must first complete a job analysis and compensation review, working closely with the requesting department. This process can take considerable time. Additionally, the County Board of Supervisors must approve (and possibly fund) the proposed position before recruitment can begin.

One system, many steps

The Personnel Services Unit Procedures Manual (last updated in 2007) specifies each step in the recruitment and selection process and who is involved during those steps. The following is a very simplified description of the major steps:

1. As soon as a vacancy is confirmed, the department with the vacancy issues a requisition request to HR (AK-9);
2. A job announcement and description is developed by HR and the requesting department, which the requesting department must approve;
3. An announcement is circulated and applications opened;
4. Applications are entered electronically by applicants and evaluation starts concurrently with opening;
5. The application period ends, at which time rejection letters are sent to non-qualifying applicants; after the rejection letters are sent, non-qualifying applicants have 5-days to appeal the decision. (5 working days, effectively 7 days);
6. Invitations mailed to qualifying candidates;
7. A written exam is held; the results of the exam are tabulated and analyzed by an outside firm;

8. Applicant takes other tests, as required (up to five different job related skills tests depending on the job);
9. Oral exam is held, if required;
10. The final employment list is developed (two days after the last exam is completed and scored); and
11. Employment list is sent to department for selection and hiring.

The average time to complete a recruitment from requisition to filling a vacancy is less than three months (87 days). However, the time varies widely. The process can be complicated (and lengthened) by several factors, including:

- Background checks (if required);
- Departmental delays in issuing the AK-9 as soon as a vacancy occurs;
- Errors in the AK-9 requiring return to the department for correction;
- Delays in approving job announcements;
- The 5 day appeal period;
- Using U.S. mail to send rejection and acceptance letters;
- Scheduling tests;
- The number of tests and exams held; and
- Timely selection of an oral board by the department (if required).

As noted above, job analysis and compensation review for new positions can substantially lengthen the time required.

Once the requesting department receives the list, HR's direct role in the process ends. However, departmental action (or inaction) can result in hiring delays. For example, a department may decide to wait to fill a position or not to fill it at all; or may make inaccurate representations to new hires regarding salary and benefits, which requires HR to rectify the errors.

The posted job descriptions also affect recruitment. The HR Consultant assigned to the individual recruitment is responsible for making sure that job descriptions and descriptions of minimum qualifications needed to do the job are accurate and up to date. HR has not taken a proactive approach to evaluating how well existing job descriptions actually describe the work to be done and whether minimum qualifications are realistic, instead, performing individual job position analysis only when requested. The influence of technology, for instance, can make some current qualification requirements irrelevant or inadequate. Recruitments also can fail because there simply are not enough qualified candidates applying.

Improving communication and training

In the past, HR frequently received low marks for communication with other departments, but the problem went both ways. The new management team has exerted considerable effort to meet with departments to discuss issues and arrive at solutions. As a result, communications have improved and there is a new spirit of

cooperation from HR. Improved communication will facilitate identifying and addressing departmental training needs.

The lack of an ongoing HR training program for departmental staff who deal with personnel-related functions contributes to recruitment delays, document errors and confusion about HR processes. Outdated documentation does not help. While HR provides occasional training to particular departments on request, it has no consistent training plan for departments. In mid-2015, HR hosted a 6-part training program for departmental staff, informally dubbed “HR Academy”. Attended by more than 40 departmental staff, the event was well received, although the curriculum was developed by a consultant and was not targeted specifically to the County. To date it has not been repeated.

Employee turnover in the County poses a challenge in ensuring that new employees are effectively taught relevant rules and procedures. The County’s practice of relying on “on the job” training was noted repeatedly in our interviews. In a rule-bound environment such as the County, leaving the training responsibility to departmental employees (who themselves may be unclear about the rules) can create problems.

There is also a critical need to train staff how to implement the new systems. The PeopleSoft consultants have developed extensive training materials and plans for introducing the systems across all County departments. The training will include both printed materials and interactive instruction. This should greatly improve consistency and control of these complex processes. PeopleSoft has hired a “Change Manager” to assist HR and other County departments with technical and organizational issues.

Future opportunities: Creating a strategic vision for HR

With respect to many of the processes and challenges discussed above, new automation will have significant benefits. For example:

- Documents will “flow” seamlessly between the originator and the receiver, instead of arriving by inter-office mail, courier or other “low tech” methods;
- Accuracy will increase, e.g., front end editing minimizes errors by blocking access to incorrect entries;
- “Consumers” will be able to input their own data, e.g., new hires will be able to select from a menu of customized benefit plans and blocked from plans not approved;
- Accountability will be enhanced, e.g., documents will be time stamped to minimize confusion about who did what, when;
- Management “dashboards” will provide managers with a variety of customized program and project management data; and
- The onboarding process will be clarified and major gaps will be alleviated, (e.g., consistent format and schedule for issuing offer letters, automatic confirmation of hire.

Solving the technical aspects of human resources management through automation is only part of the picture, however. The organizational issues that affect personnel management throughout this complex County remain to be resolved. An example of the advantage automation can bring to these organizational issues is illustrated by the following:

- Automation can create an opportunity for HR to begin addressing the complexity problem and to improve accountability across all County departments. Engaging in a comprehensive effort to rationalize the classification structure is long overdue. As the recruitment process becomes automated and the steps within it come to be seamless, HR can focus on improving the classification structure. HR faces a key decision in deciding how to staff that effort for maximum benefit, whether by creating specialists, continuing to use the generalist model, or some combination of the two.
- Developing a consistent approach to departmental training and *a commitment to providing training on a regular basis* will not only improve accuracy and timeliness, but also can also increase communication and proactive problem solving between HR and the departments it serves.
- The size of County government makes the need for some decentralization of HR functions inevitable. However, accountability resulting from improved management information can allow HR to consider the questions: What HR functions can be effectively decentralized without sacrificing appropriate HR oversight, and which functions should be centralized?

Devoting attention to issues such as these will go a long way toward improving HR's efficiency and effectiveness as well as enhancing HR's relationship with the departments it serves. Defining a more proactive role for HR will require strong leadership for the department. As the focus on systems implementation ends, the need for a permanent Director to move the department forward will be increasingly critical.

FINDINGS

- F1. HR has been without a permanent Director since mid-2014.
- F2. A consultant has provided high-level advice to the County Administrator concerning to human resources since March 2015. The consultant's principal focus has been on preparing the department for major computer system upgrades.
- F3. Recruitment and classification of County workers is governed by a complex set of rules.
- F4. Decentralization of personnel management in large departments has negatively impacted communication, transparency and adherence to personnel rules.
- F5. The Delegated Authority granted to the Health Services Department to manage many of their own personnel operations has exacerbated difficulties the Health Services Department experiences related to personnel management rather than solved them. Lack of oversight from HR has led to problems such as position misclassification, incorrect use of overtime and inconsistent attention to personnel rules.
- F6. The Personnel Management Regulations have not been updated since 1982, the Salary Regulations have not been updated since 1985, and the Personnel Services Procedures Manual has not been revised since 2007.
- F7. HR was directed to streamline its operations and eliminate paperwork due to ongoing concerns about delays in the recruitment and selection process.
- F8. The principal computer system used by HR, PeopleSoft, has not been upgraded for years.
- F9. Most HR transactions are still largely manual.
- F10. A major effort managed by HR and Cherry Road Consultants is underway to upgrade PeopleSoft and to install a new recruitment and "onboarding" system called Taleo.
- F11. New computer systems will significantly streamline HR processing by eliminating most paper documents, facilitating tracking and process management and providing customized management information both to HR and departmental managers.
- F12. The HR Personnel Services Unit is responsible for both recruitment and selection, and classification and compensation for 25 departments.

- F13. Recruitment represents the bulk of ongoing work in the HR Personnel Services Unit.
- F14. In April, 2015, the PSU reorganized to separate the recruitment function from the classification function, which are now separately supervised.
- F15. The reorganization did not result in an effective separation of recruitment from reclassification work because work is assigned by County department rather than by the type of work, blurring the lines of communication and supervision within HR.
- F16. The complexity of the County personnel class structure creates many problems resulting in a need for a comprehensive classification review. Appropriate classification and compensation review is key to ensuring that Merit System rules are followed (equal pay for equal work) and that each job classification accurately reflects the required qualifications, experience and duties.
- F17. The continuing demands of the current recruitment process leave inadequate time to concentrate on broader classification and compensation analysis required to begin revising and rationalizing the current classification structure, in addition to simply responding to department requests.
- F18. Lack of consistent HR training for staff handling personnel matters in the departments that HR serves has sometimes resulted in confusion, communication problems, delays and errors.
- F19. The goals of the PeopleSoft upgrade and the Taleo implementation are to streamline recruitment and hiring and improve management accountability and control. This can create opportunities for addressing needed organizational and procedural change.
- F20. The Cherry Road Consulting group has assigned a Change Manager to assist HR and other county departments with both the technical and organizational issues associated with system implementation.

RECOMMENDATIONS

- R1. The Board of Supervisors should consider hiring a permanent HR Director as soon as is reasonably possible.
- R2. The Board of Supervisors should consider directing HR to develop a strategic plan that (1) defines HR's role and authority in personnel management vis a vis the departments it services (2) provides the degree to which centralizing specific personnel management processes is feasible and advisable, and (3) provides what processes can or should be decentralized to the departments.

- R3. The Board of Supervisors should consider directing HR to assess the skills and abilities of current staff as a basis for rationalizing the separation of Recruitment from Classification, and develop a staffing plan to maximize the benefit of the new configuration.
- R4. The Board of Supervisors should consider directing the County Administrator to end the delegated authority to the Health Services Department for personnel actions.
- R5. HR should assess the potential impact on HR staffing resulting from withdrawal of the delegated authority.
- R6. The Board of Supervisors should consider directing HR, in coordination with County Counsel, the County Administrator and County department heads, to review and update the Personnel Management Regulations and the Salary Regulations as needed.
- R7. The Board of Supervisors should direct HR to review and update the Personnel Services Manual as needed.
- R8. The Board of Supervisors should consider directing HR to begin a comprehensive review of the current County job classification system and develop recommendations for change as appropriate.
- R9. The Board of Supervisors should direct HR to implement an organized departmental outreach and training effort to ensure that all County departments fully understand HR's policies and procedures.
- R10. The Board of Supervisors should consider directing HR to play a key role in the Change Management effort.

REQUIRED RESPONSES

	<u>Findings</u>	<u>Recommendations</u>
Contra Costa County Board of Supervisors	F1 – F20	R1 – R10

These responses must be provided in the format and by the date set forth in the cover letter that accompanies this report. An electronic copy of these responses in the form of a Word document should be sent by e-mail to epant@contracosta.courts.ca.gov and a hard (paper) copy should be sent to:

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