Management or Administration of Human Capital?

> *"Did you realize that approximately 42 percent of the average company's intellectual capital exists only within its employees' heads?"*
>
> Thomas Brailsford

Your people interact with citizens to serve and protect their needs. They introduce the small and significant innovations that move your agency forward. They set the strategic direction for your organization and then put those strategies into operation. Human capital is your most valuable asset.

It is also typically *undervalued*.

Helping the organization effectively utilize its human capital is the strategic role of Human Resources (HR). HR must demonstrate positive ROI from human capital investments. HR guides the alignment of employee roles, job functions, talent and individual performance with results and goals. It finds, engages, assesses, develops and retains the talent that drives the organization. It manages administrative requirements such as payroll, benefits, the recruitment process, policy standards and holiday and sick leave tracking. Human Resources also acts on behalf of employees and in this respect is the conscience of the organization.

Four critical barriers prevent Human Resources from fulfilling its strategic role and hamper it tactically.

Barrier 1: *Lack of information in defining and selling the role and business value of Human Resources*

Senior management expects every unit to generate reports and analyses that measure performance against plan. Human Resources is no different. Research among commercial organizations suggests that better human capital practices lead to higher financial returns and have a direct impact on corporate valuation.

This is no different in government, although the metrics for success are not financial valuations. According to the U.S. Office of Personnel Management (OPM), agencies that use OPM's Human Capital Program products and services tend to demonstrate better results in the human capital area of the Executive Branch Management Scorecard, they tend to have a higher percentage of satisfied employees as indicated by results of the agency Federal Human Capital Survey (FHCS), and they tend to show better program outcomes, as indicated by PAR (Program Assessment Review) and PART (Program Assessment Rating Tool) results.

While managing administrative requirements is essential, there are other critical strategic aspects of managing human capital. Fulfilling them requires that Human Resources understands the strategic objectives of the agency, translates them into job skill requirements and individual capabilities and designs an appropriate performance tracking process. Human Resources should first assign a value to each human capital asset and, by communicating this value, underline the importance of managing its performance.

> Base salary expenses +
> Recruiting expenses +
> Transfer expenses +
> Training expenses +
> Bonus and/or incentive expenses =
> ———————————————————
> **Human capital asset investment**

Tracking these factors allows Human Resources to better manage human capital assets by asking the following questions: *What is the quality and value of the employee/employer relationship? What are the training and development needs in this specific case? How should we provide incentives and motivation for employees?* Answers may come from reports on staff turnover, high-performer retention rates, headcount growth, role definitions, job productivity and individual performance monitoring.

Assessing comparative productivity ratios such as revenue to headcount also helps manage resource requirements, both short-term and long-term. These information sweet spots demonstrate the asset's strategic value to the organization. Lack of such information impairs the ability of Human Resources to fulfill its strategic role.

Barrier 2: *Lack of visible and consistent Human Resources practices*

The credibility and value of Human Resources is often compromised by a lack of consistency in decisions and by insufficient information. This allows an "informal network" to bias the selection and promotion of employees. As a strategic partner in the organization, Human Resources should understand and define the factors defining success for employees. *Does the government organization*

depend on customer service? On innovation? On automation? Based on this understanding, Human Resources can institute practices that guide employees toward consistent and measurable milestones, creating a structured process.

Implementing visible and consistent practices requires quality information. You will not achieve the consistency you need if policy documents, performance reviews, career objectives and compensation assessments are not combined and positioned within a larger structure. Consistency requires a well defined and structured process shared across the organization.

You also need a clearly defined process for collecting Human Resources information. *How should this data be stored and retrieved? Can this mostly qualitative information be analyzed usefully and synthesized into a metrics framework?* With such a synthesis, Human Resources gains the ability to compare and contrast different performance drivers. Identifying, managing and retaining talented individuals is a key competitive requirement and consistent information and management practices allow you to achieve this.

> *"Right now, I can tell you how last fiscal year closed and the number of actual positions we had hired. I can tell you what our tentative budget was for this fiscal year, what our final budget is and what our tentative budget is for next year. And I can tell you that by location, by program, by function, everything. Without this information, we would be unable to make the kind of performance gains we have in the school district."*
> Judith M. Marte, Chief Budget Officer, Miami-Dade County Public Schools

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Barrier 3: *Human Resources has a natural ally in IT, but is not fully leveraging this asset*

Both Human Resources and IT strive to position themselves within an organization as driving value instead of expense. They can be seen as two sides of the same coin.

Human Resources is responsible for job design and ensuring that the right skills and competencies are developed or acquired to fill these jobs. In turn, performance in these jobs is defined and measured against goals and objectives. In this sense, Human Resources information needs to mirror the performance to be monitored, analyzed and planned for in a given job. IT must understand a user's responsibilities in order to include that user in planning where functionality is deployed. Both Human Resources and IT must understand how software tools and skills drive greater productivity.

As performance management information becomes more consistent and reliable, it will also enhance the performance and compensation process for which Human Resources is responsible.

Earning a Place at the Executive Table

Human Resources decision areas:

- **Organization and staffing** ➔ What job functions, positions, roles and capabilities are required to drive the business forward?

- **Compensation** ➔ How should we reward our employees to retain and motivate them for full performance?

- **Talent and succession** ➔ What are the talent and succession gaps we must address to ensure sustained performance?

- **Training and development** ➔ What training and development do we need to maximize employee performance; is there a clear payback?

- **Benefits** ➔ How do we manage costs and incentives?
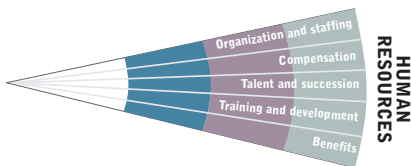
Organization and Staffing

In a human capital discussion, first define the organization's requirements. *What are the job functions, positions, roles and capabilities required to move forward?* The organization chart becomes a road map highlighting staffing needs and the necessary hierarchy. From this road map, Human Resources further refines the role, position and skill requirements needed to accurately evaluate candidates and current employees.

Organization and staffing analysis is a core Human Resources role. Typically, companies align staffing reports with information about position planning, staffing mix and staffing transaction activities (new hires, transfers, retirements, terminations, etc.). Analyzing this data helps the organization monitor policy standards and legal requirements. Human Resources must track issues such as employee overtime, absenteeism, pay/tax and termination/retirement to ensure they are managed correctly for compliance reporting.

In addition, when senior management discusses strategy and corporate goals, there are typically accompanying reports that show headcount by division/department, turnover rates, loss trends and high-level project status. These reports help ensure resources are aligned with the global priorities of the organization.

GOALS	METRICS	DIMENSIONS	
Avg. Tenure (#)	Absenteeism Days (#)	Employee Decision Roles/ Work Function Work Function Functional Position	Job Types EEO Job Type Job
Employee Turnover (%)	Applications per Vacancy (#)		
New Employee Turnover (%)	Avg. Age (#)		Organized Labor Status Union Status Union Representation
Headcount (#) / Plan (%)	New Hires (#)	Employees Full-Time/Part-Time Employee Name	
Avg. Time to Fill Positions	Authorized Position Count (#)		Work Shift Work Shift
Supervisory Ratio	Open Position Count (#)	Diversity Gender National Origin	Organization Division Department Org. Code
	Rejected Job Offers (#)		
	Retirements (#)	Reporting Period Year Quarter Month	Plan/Actual Scenario Scenario
	Sick Leave Days (#)		
	Terminations (#)		
	Transfers (#)	Job Grade Level Job Level Job Name	
	Work Function Count (#)		
	Work Time Actual Hrs. (#)		
	Staffing Changes Count (#)		
	Grievances (#)		

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
	Professionals		•	
Customer Service				
	Executives			•
Program Management				
	Executives			•
Services				
	Executives			•
Operations/Production				
	Executives			•
Procurement				
	Executives			•
IT/Systems				
	Executives			•
Risk Management				
	Executives			•
General Management				
	Executives			•

Compensation

Compensation review examines salary costs—existing and planned—across the workforce, as well as how these costs are reflected at all levels. This decision area defines how you need to reward your employees to retain them and motivate them for the best possible performance. Profiles on base pay, merit increases, promotions and incentives help you decide the total compensation strategy and individual employee compensation.

With this complexity comes the need for systematic methods for identifying and analyzing pay increases, bonuses and incentive awards. Many organizations now require that performance reviews are ongoing; tracking the review process is therefore a requirement. Plans and reports on the coverage, completeness and timeliness of the review process confirm your progress against rewards management, career planning and development targets.

Clearly one of the most effective means to improve personal performance and accountability is to tie compensation to performance. In many governments, pay for performance is becoming a hot topic as they look for ways to motivate existing employees and attract new workers into public service. Pay for performance is gaining traction increasingly at executive management levels and to some extent in middle management.

GOALS	METRICS	DIMENSIONS	
Position Description Org Coverage (%)	Actual Salary/Salary Range Mid-Point	Compensation Program Program Type Program	Job Types Job Type Job
Average Compensation Increase ($)	Average Base Compensation Increase ($)	Diversity Diversity Class Employee	O/T Eligibility Status Exempt/Non-Exempt
Average Compensation Increase (%)	Overtime ($)	Employees Full-Time/Part-Time Employee Name	Organized Labor Status Union Status Union Representation
Compensation Cost ($/%)	Bonus and Incentive Costs ($)	Reporting Period Year Quarter Month	Organization Division Department Org. Code
Overtime/Total Payroll (%)	Compensation Increases (#)	Job Grade Level Job Level Job Name	Work Function Work Function
	Compensation Reviews (#)		
	Employee Promotions (#)		
	Employees (#)		
	Base Salary ($)		
	Performance Rating (#)		

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Finance				
	Executives			•
	Managers		•	
	Analysts	•		
	Professionals		•	
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Tax				
	Professionals	•		
Customer Service				
	Executives		•	
Program Management				
	Executives		•	
Services				
	Executives		•	
Risk Management				
	Executives		•	
Procurement				
	Executives		•	
Operations/Production				
	Executives		•	
IT/Systems				
	Executives		•	
General Management				
	Executives			•

So far, the pay-for-performance schemes we have seen rely heavily on a qualitative assessment of results, although the expected results are becoming increasingly specific, such as specific improvements in program performance. As much as possible, agencies are seeking to track and quantify performance against specific targets based on actual data.

This underscores three challenges for government:

1. Desired performance is frequently politically charged and subjective, rather than objective and fact-based. Funding and management decisions are frequently heavily influenced by political expediency, rather than objective decisions quantified by data. From a CIO's perspective, assuring data is timely, accurate and complete fulfills an important part of the process, with the actual decision-makers taking such data as one of many inputs.

2. A desired result may be difficult to articulate as a metric or difficult to influence. For example, crime reduction is clearly an objective of police services. But what is the correct measure, and what tools do you have to reduce it? If a police service receives budget for 15 new officers, reported crime might increase, because the police are now better able to intercede in crime that is occurring already, but were previously not staffed do so.

3. It is difficult to determine the cause and effect of many social outcomes, which can be complicated social issues and can take years to see change. For example, a program which seeks to lower teen smoking rates may take several years to actually see a meaningful change in behavior.

Talent and Succession

An organization's talent and succession review lets management see how current and planned skills and technical qualifications meet today's and tomorrow's requirements. Human Resources must understand both the skill gaps and talent risks within the organization and plan accordingly. Talent reviews let Human Resources assess recruiting, staff transfer and succession planning needs. Other data such as turnover analysis, average tenure and time in position also help define succession plans.

This underscores one of the most pressing management issues facing government today—how to deal with an aging workforce. A significant percentage of the workforce is eligible for retirement within the next few years. This means the organization must understand where the talent gaps are and will be, put in place an appropriate succession plan for critical positions and assure the remaining employees receive the appropriate training and experience. In this way, vacated positions can be filled without upsetting the organization or the continuity of the mission.

GOALS	METRICS	DIMENSIONS	
Competency Evaluation Coverage (%)	Avg. Tenure (years)	Performance Goals	Job Types
	Avg. Age	Goal Type	Job Type
Performance Appraisal Coverage (%)	Retirements (#)	Performance Goal	Job
Position Qualifications Gaps (#/%)	Terminations (#)	Core Competency	Organization
	Avg. Performance Rating	Skill Type	Division
Job Succession Gaps (#/%)	Avg. Skill/Experience Rating (Current)	Skill	Department
	Avg. Skill/Experience Rating (Target)	Employees	Org. Code
Employee Climate Index (#)	Skills Rating Gap (%)	Full-Time/Part-Time	Work Function
Human Capital Scorecard Index (#)	Skills Rating Index (#)	Employee Name	Work Function
	Succession Reviews (#)	Reporting Period	Tenure Range
		Year	Tenure Range
		Quarter	Age Range
		Month	Age Range
		Job Grade Level	
		Job Level	
		Job Name	

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives			•
	Managers		•	
Program Management				
	Executives			•
	Managers		•	
Services				
	Executives			•
	Managers		•	
Risk Management				
	Executives			•
	Managers		•	
Procurement				
	Executives			•
	Managers		•	
Operations/Production				
	Executives			•
	Managers		•	
Finance				
	Executives			•
	Managers		•	
IT/Systems				
	Executives			•
	Managers		•	

Training and Development

The mission and the ways of doing the "business" of government are evolving. Technology, more information, increasing complexity and changing social/demographic trends are all influencing the role government is playing in society. The agency needs to fully understand its mission requirements in the next three, five or ten years and align the people resources to assure appropriate continuity.

Once an organization has defined the required skill sets—matching position descriptions with skills requirements and matching current employees against them—the next logical decision area is determining the training and development needs of those employees. The HR challenge is that there is, today, some degree of misalignment in the current skill sets and the skills required going forward. This decision area lets you review employee competencies and understand the value of improving them. *How much development time and training cost is being invested, and is there visible evidence of the benefit?* With training and development analysis, Human Resources gains a systematic picture of all training investment.

GOALS	METRICS	DIMENSIONS	
Skills Rating Gap (%)	Training and Development Cost ($)	Employee Decision Role Work Function Decision Role	Job Types Job Type Job
Training Cost/Payroll (%)	Employees (#)		
Training & Development Activity	Skills Rating Index (#)	Employees Full-Time/Part-Time Employee Name	Organization Division Department Organization Code
Training Cost/ Operating Expense (%)	Training and Development Cost Change (%)	Reporting Period Year Quarter Month	Plan/Actual Scenario Scenario
	Training Days (#)		Training Course Type Course
	Training Events Completed (#)	Job Grade Level Job Level Job Name	Work Function Work Function
	Training Events Planned (#)		

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Customer Service				
	Executives			•
	Managers		•	
Program Management				
	Executives			•
	Managers		•	
Services				
	Executives			•
	Managers		•	
Risk Management				
	Executives			•
	Managers		•	
Procurement				
	Executives			•
	Managers		•	
Operations/Production				
	Executives			•
	Managers		•	
Finance				
	Executives			•
	Managers		•	
IT/Systems				
	Executives			•
	Managers		•	

Benefits

The benefits decision area lets you manage the costs of healthcare programs, savings and pension plans and other similar initiatives. It compares the organization's benefits with those of the competition. Benchmarking benefits helps determine whether you are aligned with the marketplace. In addition, because the public scrutinizes benefits costs for fairness, understanding this area helps demonstrate your management acumen. Employee census data for employee benefits and workers' compensation insurance coverage analysis are a critical benchmark in measuring core cost changes in human capital management decisions.

GOALS	METRICS	DIMENSIONS	
Benefit Cost Increase (%)	Average Age	Benefits Program Program Type Program	Insurance Carrier Distributor/Carrier Type Carrier
Benefit Costs ($)	Average Length of Service	Claim Type Type Identification #	Insurance Coverage Type Coverage
Benefit Costs/Payroll (%)	Average Benefits per Employee ($)	Employees Full-Time/Part-Time Employee Name	Job Grade Level Job Level Job Name
Health and Safety Goal	Benefit Market Comparison Index (#)	Work Function Work Function Occupation Code	Loss Control Status Program Program Test Date
Retirement eligibility (%)	Benefits Coverages Approved (#)	Tenure Range Tenure Range	Benefits Communication Status Benefits Communication Program
	Benefits Claimed (#)	Age Range Age Range	Latest Communication Date
	Benefits Claimed ($)	Reporting Period Year Quarter Month	Organization Division Department Organization Code
	Benefits Paid ($)		
	Payroll ($)		
	Qualified Benefits Cost ($)		
	Employee enrollments (#)		
	Health and Safety Program Rating		
	Accidents (#)		

FUNCTION	DECISION ROLES	PRIMARY WORK	CONTRIBUTORY	STATUS
Human Resources				
	Executives	•		
	Managers	•		
	Analysts	•		
	Professionals	•		
Audit				
	Executives			•
	Managers	•		
	Professionals	•		
Finance				
	Executives			•
	Managers		•	
	Analysts		•	
Risk Management				
	Executives			•
	Analysts		•	
Tax				
	Professionals		•	
Legal				
	Executives			•
	Professionals		•	
General Management				
	Professionals			•

Barrier 4: *Collective bargaining agreements can constrain government's ability to make decisions*

Government is certainly not unique in needing to work with unions and collective bargaining agreements. However, unlike a commercial organization, the government has fewer options. It cannot cut back, outsource or off-shore production. For government, if there are also rising costs that impact its ability to deliver services, it has limited flexibility to increase revenue or income. Programs and services would need to be cut.

As an example, rising fuel prices are having a profound impact on any government agency that has a fleet of vehicles—coast guard, defense, police, school buses, public transportation and so on. Collective bargaining agreements may require that a government agency maintains a certain level of employment, compensation or job security. With that restriction and an inability to increase the income side of the equation, funds have to be reallocated from somewhere else, typically another program or service that must be downsized or cut altogether. This situation clearly impacts the "public good." And the right decision might have been to cut back on the services that were consuming the fuel in the first place.

In another example, due to collective bargaining agreements, government may not be able to explicitly tie pay to individual performance or even to collect data that relates individual performance to specific outcomes. Further, government may not even be able to recognize differences in personal performance and compensate with a bonus scheme, due to a rigid pay and promotion structure that is based more on years of service than on ability to do the job.

Organization and Staffing
Absenteeism Days (#)
Applications per Vacancy (#)
Avg. Age (#)
New Hires (#)
Authorized Position Count (#)
Open Position Count (#)
Rejected Job Offers (#)
Retirements (#)
Sick Leave Days (#)
Terminations (#)
Transfers (#)
Work Function Count (#)
Work Time Actual Hrs. (#)
Staffing Changes Count (#)
Grievances (#)

Compensation
Actual Salary/Salary Range Mid-Point
Avg. Base Compensation Increase ($)
Overtime ($)
Bonus and Incentive Costs ($)
Compensation Increases (#)
Compensation Reviews (#)
Employee Promotions (#)
Employees (#)
Base Salary ($)
Performance Rating (#)

Dimensions
Fiscal Year/Quarters/Months
Employee Roles
Full Time/Part Time

The Organization and Staffing and Compensation decision areas illustrate how the Human Resources function can monitor its performance, allocate resources and set plans for future financial and operational targets.