Commonwealth of Kentucky

PERSONNEL MANAGEMENT

FINAL REPORT
AND
RECOMMENDATIONS

Prepared by

The Governor's Commission

on

Quality and Efficiency

November 1, 1993

PERSONNEL MANAGEMENT

Table of Contents

*Introduction . . . . . PE 1.1

Role of the Department of Personnel
- Mission and Role . . . . . PE 2.1
- *Organization, Structure, and Operating System . . . . . PE 3.1
- *Statutes/Regulations (The Merit Law) . . . . . PE 4.1
- Policies/Procedures/Practices . . . . . PE 5.1
- Five Systems . . . . . PE 6.1

Human Resources Planning
- Staffing . . . . . PE 7.1
- *Minority/Gender Issues . . . . . PE 8.1
- Turnover . . . . . PE 9.1
- Advancement/Promotions . . . . . PE 10.1

Training and Development
- Manager Training . . . . . PE 11.1
- Employee Training . . . . . PE 12.1
- Role of the Governmental Services Center . . . . . PE 13.1
- Training for Statewide Technologies . . . . . PE 14.1
- New Employee Assimilation/Orientation . . . . . PE 15.1
- Employee Suggestion System . . . . . PE 16.1

Compensation and Benefits
- Classification System . . . . . PE 17.1
- Compensation System . . . . . PE 18.1
- Benefits . . . . . PE 19.1
- Flexible Benefits . . . . . PE 20.1
- Retirement System Administration . . . . . PE 21.1
- Early Retirement Incentive . . . . . PE 22.1

Employee Relations
- Employee Evaluation System . . . . . PE 23.1
- Communication and Conflict Resolution . . . . . PE 24.1

Minority Report . . . . . MR 25.1

The detailed recommendations included in these issue papers reflect the combined expertise of team members from the public and private sectors. The papers also reflect their different writing styles and grammatical preferences.

*This issue paper was modified as a result of issues raised at the Commission retreat.

PERSONNEL MANAGEMENT

INTRODUCTION

Today's fiscal condition, the size of the state's investment in its Executive Branch and the realities of an organization's needs and expectations in the 1990s demand a contemporary approach to human resource management. Modern human resource management requires consistent, stable leadership that supports and sustains the kind of employee morale, motivation and involvement necessary for people to achieve a high level of performance in terms of efficient, quality services, at reasonable cost.

By this standard, the merit system, in its present form, creates a condition which causes the Department of Personnel (DOP) to function less than effectively in its philosophy, structure and operating methods. Judging from the results of the recent employee opinion survey, responded to by 30 percent of the workforce and verified through hundreds of personal interviews, this system leaves a significant number of employees thinking they are underpaid and unappreciated...and feeling unchallenged, underutilized, underdeveloped and insecure in their jobs.

Personnel statutes, which originated in 1960, require...and in fact limit...the Department of Personnel to administer the state's merit system in accordance with federal merit standards. And, according to a majority of informed opinion, the federal government's merit system has worked poorly for many years.

The original (and valid) principles underpinning the merit system, at both the federal and state levels, were intended to protect employment and employees from partisan politics. The principles were simple and direct: fair and open competition for jobs, admission to the competitive service only on the basis of neutral examinations and protection for people in the service from political influence and coercion. The federal and state systems that have grown from these principles, however, are neither simple nor direct. Today, rules and regulations related to both federal and state personnel administration fill thousands of pages. These procedures have created conditions where recruitment, testing and hiring of employees is often conducted independently of those who will manage and be responsible for the employee's performance. The personnel function has become isolated from employee, as well as management and organizational concerns, expectations, needs and priorities. Many employees and managers argue that the time spent trying to understand the system overshadows whatever benefits the merit system provides.

Most people feel that the system has become an elaborate maze of confusing rules, regulations and procedures, and is outdated and inappropriate for contemporary technology and the changing demographics and economic conditions of the 21st century.

While effective, affordable government still rests on the state's ability to recruit, develop, engage and retain a competent, motivated workforce, the state's restrictive merit system severely inhibits that ability. The term "merit" has also come to signify a narrow and negative focus on positions and jobs, rather than competence, accountability, and effective public service.

The results of this study are based upon a very thorough and comprehensive inquiry into **FIVE (5) MAJOR ISSUES:**

1. Is the Department of Personnel and its operating system designed to deliver needed programs and quality services in a timely, efficient way?

2. Do human resource planning activities contribute to efficient work force management?

3. Do training and development programs encourage employee involvement and support continuous improvement?

4. Are compensation and benefits competitive?

5. Is there an effective employee relations program providing for fair, consistent and equitable treatment of all employees?

THE PERSONNEL STUDY TEAM'S **METHODS** INCLUDED:

- An analysis of existing documentation, previous studies and reports,

- Personal interviews with more than 100 Executive Branch employees, employee representatives, managers, agency secretaries, commissioners and specific issue focus groups,

- A careful, thorough examination of the state-wide employee opinion survey conducted in April - May 1993, which was responded to by over 30 percent of Executive Branch employees at all levels and

- A comprehensive comparison of issues/findings with other states and the private sector (bench-marking).

THE GOALS OF THE STUDY are to:

- Identify opportunities to improve the Department of Personnel's operations and the quality of the services and programs the department provides,

- Recommend specific measures for improving employee recognition, fair and consistent employee relations practices, and employee morale,

- Suggest a framework for employee involvement and continuous improvement and

- Provide recommendations that support an attitude and feeling of trust. As part of this effort, measures will be suggested for downsizing the state's workforce without reducing services and without layoffs.***

BACKGROUND

The Department of Personnel is part of the Executive Branch of state government. The department administers the state merit system for all employees of the Executive Branch (as of June 22, 1993...42,483 people). The department currently employs 123 individuals and has an operating budget for 1992-93 of approximately $6.6 million, not including transfer payments. In addition, there are four (4) other personnel systems, and at least 145 agency employees conducting personnel functions.

The department was created by the Kentucky General Assembly in 1956. The first DOP was headed by a commissioner appointed by the Governor.

Four (4) years later, a uniform merit system was adopted. It was headed by a five-member Personnel Board appointed by the Governor to four-year terms. One of the roles of the board was to present candidates for the merit position of personnel commissioner of to the Governor, for his appointment.

During the 1972 session of the Kentucky General Assembly the law was changed to permit the Governor to appoint the personnel commissioner without input from the Personnel Board. The amendment also removed the commissioner from the merit system. The commissioner's rules and regulations still, however, had to be submitted to the Personnel Board for its promulgation.

Between 1973-74 the Personnel Board was attached to the Department of Personnel. Subsequently, the General Assembly changed the law to permit the personnel commissioner to prepare and submit to the Governor rules and regulations governing non-merit employees.

During 1980-82 the Department of Personnel was moved twice.

In 1982 the General Assembly re-wrote the merit system law completely. The Personnel Board became an independent agency of the Executive Branch.

***Item added as a result of issues raised at the Commission retreat.

An attempt to re-write the merit system law again, in 1984, failed.

During the 1986 session, an executive order attaching the Department of Personnel to the Office of the Secretary of the Governor's Executive Cabinet was ratified, and the merit system law was amended to further strengthen the separation of the Department of Personnel and the Personnel Board.

The Department of Personnel made another attempt at becoming the exclusive promulgator of personnel regulations during the 1988 Session, but the bill died in the Senate State Government Committee.

CURRENT SITUATION

Personnel statutes define the mission of the Department of Personnel..."to administer the state merit system, and to ensure compliance with regulations established under KRS Chapter 18A" (the merit law). The Department is, therefore, transactional and records processing oriented. DOP activities are limited, essentially, to:

- Maintaining employee records,
- Maintaining the job classification and salary compensation system,
- Certifying employment candidates who meet merit system requirements,
- Coordinating the state's insured benefits and other fringe benefit programs,
- Reviewing all personnel actions relating to state employment,
- Coordinating the state's affirmative action and equal opportunity programs,
- Reviewing personal service contracts,
- Administering the payroll function and
- Monitoring the employee counseling and assistance programs.

LIST OF OBSERVATIONS

(Role of) Department of Personnel

- Agencies disagree with or misunderstand role/mission
- Programs not reflective of modern practices
- Too control oriented, limits quick response (vs. "service"..."support")
- Ineffective communication/coordination with agencies

- Confusion, compensation inequities in multiple systems
- Too many rigid, confusing statutes and regulations
- Merit law obsolete and ineffective
- Time consuming regulatory process
- Inconsistent interpretation/enforcement of policies and procedures

Human Resources Planning

- Lack of flexibility to move staff where they are needed
- Lack of re-engineering work processes and jobs
- Limited opportunities for growth/advancement
- Too many regional test centers
- Cap on employment is overly restrictive
- Appropriateness of very high test results (or veterans' preference points) to score in the "top five" for many classes is questionable
- Cumbersome and lengthy hiring processes
- The state's affirmative action goals and implementation efforts need review
- There is an unusually high turnover rate in many job classes
- Requirement to generate a P-1 for simple changes in employee records is unnecessary

Training and Development

- Managers have not been required to attend training since 1983.
- Lack of management training has contributed to inconsistent management practices, low employee involvement, and an increasing number of appeals and grievances.
- Incomplete training records make it difficult to know who has been trained, in what and at what cost to the state.
- State government's overall investment in training is far below the national average.
- Access to training and organizational development services is limited.
- Governmental Services Center is underfunded and understaffed for meeting the state's training and development needs.
- Training needs assessments are conducted irregularly and results are unreliable.
- Most employees have no career development plan.
- Decentralization of computer training services is confusing and hampers timely delivery of some services.
- Employee orientation is insufficient and lacks consistent standards.
- The employee suggestion system is weak and reflects lack of commitment to employee involvement.

Classification

- There are too many job classifications and salary grade levels.
- Job descriptions (class specifications) are too restrictive and detailed, preventing flexibility in transferring staff, assigning duties.
- In order to grant increases, employees are promoted or reclassified to positions of supervision.

Compensation

- The compensation plan is unpredictable. Other than for the initial probationary increment, salary increases are sporadic and across-the-board. There are no performance-based incentives and no cost-of-living adjustments. Even the 5 percent automatic increase provided for in the statutes is subject to budget limitations. In fact, the full automatic 5 percent increase has not been granted in 5 of the last 11 years.
- A recent General Assembly commissioned salary survey shows Kentucky's career service salaries are behind 15 southeastern states by 9 percent.

Benefits

- Kentucky offers a (generally) competitive benefit program.
- The Commonwealth offers limited cafeteria benefits in the form of flexible spending accounts for health and dependent care in which 1500 employees are participating. It also has a Deferred Compensation program in which 15,000 state employees participate.
- Kentucky does not offer disability insurance to its employees (except through the Retirement System).
- Kentucky offers a lump sum flat rate life insurance policy worth $6560.
- Kentucky practices minimal flextime and little (if any) job sharing, voluntary reduced work time, or similar contemporary work alternatives (some of which have potential savings to the state, as well as advantages to employees.)

Retirement

- Kentucky has six retirement programs. There is duplication and extra cost associated with separate staffs, facilities, technologies, management, communication and operations. The possibility of maintaining the separate retirement plans through central administration needs to be studied thoroughly.
- An early retirement incentive needs to be offered accelerating retirement through employee paid service credit purchasing, followed by a tight work process and job re-engineering program managed effectively in order to reduce the workforce, while increasing quality and productivity and preserving positive employee relations (morale).

- Retirement plans need to reflect emerging demographic and economic trends toward more employee participation and contribution. A thorough study should be conducted to assess the possibility of switching from a defined benefit to a defined contribution program for future employees.

Career Service

- While Kentucky has a merit system (in law), it does not have (in fact) the kind of professional career service that provides the environment necessary to produce quality, efficiency, consistency and continuity of programs and services at reasonable cost. Lacking is a long term mutual commitment between the employees of the Executive Branch and their customers. Career service jobs in the Executive Branch should start at the level of commissioner.

Employee Relations

- Little or no academic and professional qualifications are required for many management positions.
- There are no funds appropriated for performance incentives.
- Political pressures influence assessment of job performance.
- Three ratings are inadequate to measure job performance.
- There is little opportunity for employee(s) to receive meaningful job related counseling.
- Agencies are inconsistent in disciplining and rewarding employees.
- Employees lack information concerning career development and growth.
- There needs to be an effective employee communications program.
- Workload is unequally distributed.

PRINCIPLE FINDINGS AND RECOMMENDATIONS

MISSION AND GOALS OF THE DEPARTMENT OF PERSONNEL

FINDING:

The Department of Personnel's statutory mission is "to administer the state merit system, and to ensure compliance with regulations established under KRS Chapter 18A."

RECOMMENDATION:

The department should adopt a mission that reflects a commitment "to provide the leadership necessary to advance quality and efficiency of state services, through the recruitment, development, engagement and retention of a competent, motivated workforce."

The department's goals should reflect a commitment to:

(1) Organize and manage its operating system in a manner that supports the delivery of needed programs and services in a timely fashion,

(2) Initiate and maintain a human resources planning effort that contributes to efficient workforce management,

(3) Guide training design and implementation, and organizational development efforts to strengthen the skills necessary and the environment required to encourage employee involvement and continuous improvement,

(4) Maintain competitive compensation and benefit programs and

(5) Ensure an effective employee relations program that provides for fair, consistent, equitable treatment of all employees.

****ORGANIZATION STRUCTURE**

FINDING:

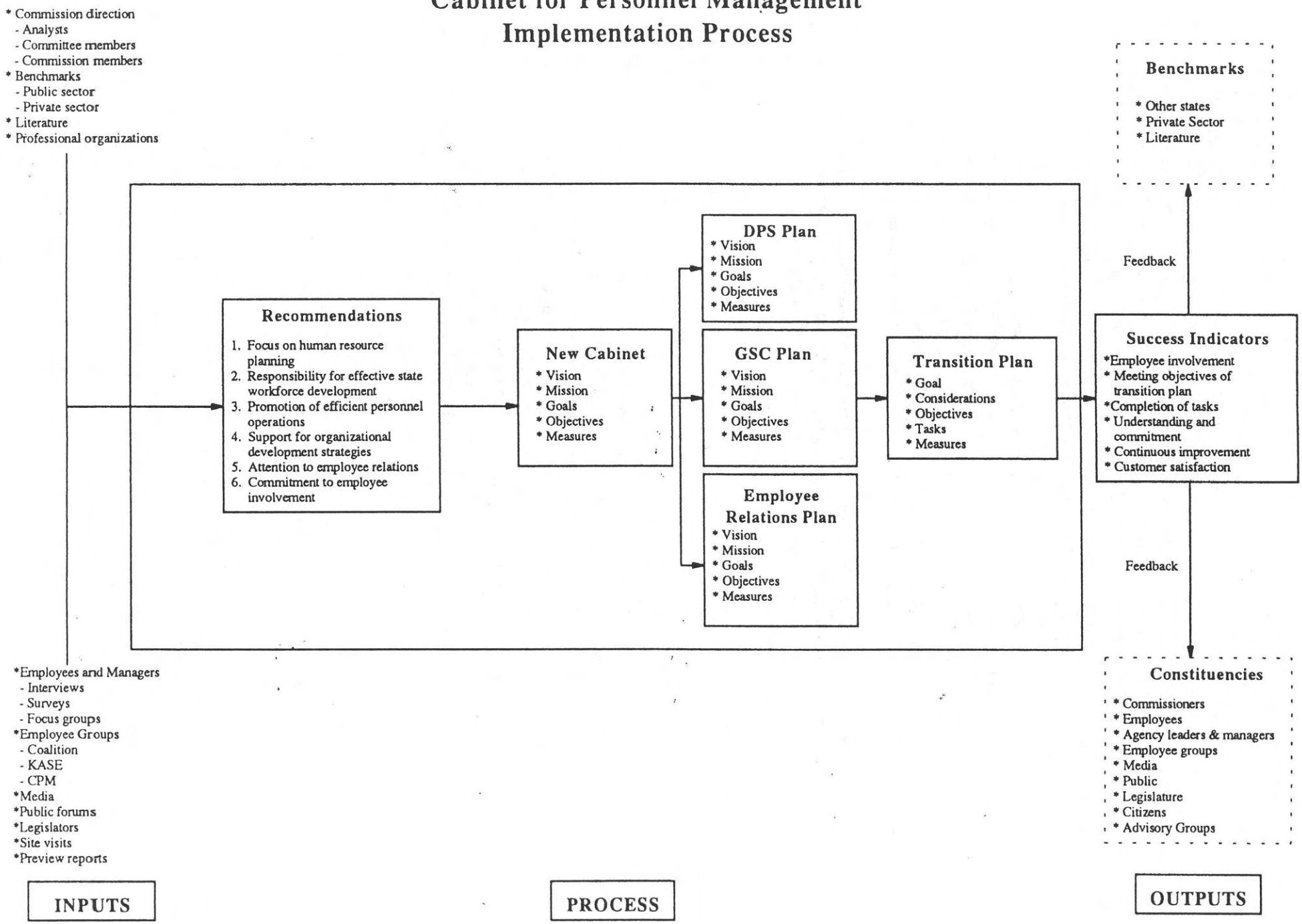
The Commissioner of the Department of Personnel reports to the Secretary of the Executive Cabinet. The commissioner must receive approval for many personnel decisions from the Secretary of Finance and Administration. The commissioner must submit the department's administrative rules and regulations through the Personnel Board (an independent agency of the Executive Branch) for promulgation. Training and (organizational) development is provided by the Governmental Services Center, a department of the Finance and Administration Cabinet. Personnel services are divided into five (5) separate systems.

RECOMMENDATION:

The Department of Personnel should become the Cabinet for Personnel Management. The Cabinet for Personnel Management should be made up of the Department of Personnel Services, the Governmental Services Center and the Department for Employee Relations (Exhibit 1 - Cabinet for Personnel Management Implementation Process). The Department for Personnel Services should include the divisions of applicant counseling and exams, classification

** Denotes opportunity for cost savings

Exhibit 1
Cabinet for Personnel Management
Implementation Process



PE 1.9

and compensation, benefits administration, and administration and processing (payroll and employee records). The Governmental Services Center should include training, education and facilitation of strategic planning, assessment, work process and job re-engineering and retraining services. The Department for Employee Relations should be responsible for ensuring fair and equitable practices, proactive employee relations, effective employee communications and early conflict resolution and employee assistance services.

Appropriate education and professional experience requirements should be strengthened to guide appointments of the Cabinet Secretary and the three department heads. Personnel management executives should be held responsible for accomplishing the mission and goals of the cabinet through annual plans containing specific, measurable objectives. Career service jobs in the Executive Branch should start at the level of commissioner.

The separate Executive Branch personnel systems should be merged, and the various agency personnel officers should report to the new Personnel Cabinet functionally, and to the commissioner of their respective agencies, administratively.

THE MERIT SYSTEM

FINDING:

The merit system was originally designed to screen large numbers of applicants for a limited number of positions in a fair manner, without partisan interference. The system was intended to protect not only the employment process, but also employees from political manipulation. While its principles are valid and appropriate, the volume of elaborate and confusing rules, regulations and procedures created to implement the system is outdated, inappropriate and impedes the ability of government to recruit, develop, engage and retain a competent, motivated workforce...and restrains effective public service.

RECOMMENDATION:

The new Secretary of the Cabinet for Personnel Management should be given the responsibility to convene a work team. The work team should provide for the **equal number** of representatives from each of the following areas:

Administration/Management

Department of Personnel Services, the Governmental Services Center, the Department for Employee Relations, Personnel Board, Agency's personnel services offices, other Administration officials

Legislative

Appropriate members of the General Assembly

Employees

Merit employees representing the five separate systems

Private Sector Professionals

Human Resource professionals, corporate managers, other interested persons***

NOTE: Minority and female membership on this work team is important to advancing policies that encourage equal opportunity at all levels in state government.

The work team will be responsible for drafting proposed legislation which would provide the broad framework of a new and updated career service system for the Commonwealth. The legislation should give overall direction and serve to define the parameters of authority as well as the enabling statute for the secretary to develop personnel management policies and procedures to replace the current administrative regulations. It is envisioned that the secretary would utilize the same or a similar work group, to the one involved in developing the enabling legislation to assist in preparing new, general regulations which would incorporate a new Personnel Management Policies and Procedures Manual by reference. The new manual would be created in simple and direct language which is to be free of bureaucratic euphemisms and legal jargon and would cover and define all of the issues pertinent to achieve a clear understanding of the terms and conditions of the state career service. This new concept would continue to provide for legislative oversight and review through the administrative regulations process (KRS 13A) and at the same time provide employees and supervisors with a fair and equitable system and an understandable manual which would guide their work environment.

The law, establishing the new career service system, **MUST** include a statement of ethics prohibiting members of the legislature, statutory officers, the judiciary, their staffs and executives of the Executive Branch including cabinet secretaries, staff of the Office of the Governor, the Governor and other politically interested persons or groups from interfering in the employment process, and with the terms and conditions of employment of individual career service employees. The provision should include legal consequences for violation of these ethics rules.***

***Text modified as a result of issues raised at the Commission Retreat.

**STAFFING

FINDING:

There is a moratorium on staff additions above current authorized staffing levels. Vacancies, however, can be filled if the agency remains under its employment cap.

RECOMMENDATION:

As of June 22, 1993, there were 42,483 employees in the Executive Branch. This number includes 35,483 full-time and approximately 7000 full-time equivalents. (Full-time equivalent covers seasonals, temporaries, federally funded time limited and permanent part-time employees). Current vacancies (1913 positions as of June 22, 1993) are to be eliminated. There is an annual turnover (attrition) that averages 7.6 percent. Assuming that 30 percent of the new vacancies occur in critical positions that must be refilled, the remaining vacancies should be eliminated and the work re-engineered. Work re-engineering involves eliminating unneeded work activities and redistributing only the essential work elements remaining to other job holders ... whose enriched jobs often justify a pay raise.

The average annual cost of an employee is $27,202. The re-engineering of all current vacancies and 70 percent of the new vacancies would generate net savings of $70,381,533 after 20 percent of the total cost savings are allocated for pay increases to job holders whose positions receive added duties, and for costs associated with work re-engineering activities and retraining.

THE ROLE OF TRAINING AND DEVELOPMENT

FINDING:

The Governmental Services Center located at Kentucky State University is responsible, according to the law, for the development, coordination, content, approval, and implementation of all training, employee development, and related programs for state government. The center also offers consultation in matters concerning organizational development, education and facilitation of strategic planning and assessment services. The center is attached to the Finance and Administration Cabinet for administrative purposes, is headed by an executive director, and is governed by a board consisting of the President of Kentucky State University (who serves as the chairperson), the Secretary of the

** Denotes opportunity for cost savings

Finance and Administration Cabinet, the Commissioner of Personnel, two (2) members appointed by the Governor, two (2) other members appointed by the board chairperson.

RECOMMENDATION:

Manager and employee training and organizational development is clearly the responsibility and an integral part of a modern personnel management program. Training and development is a critical, inseparable piece of an effective personnel management system and should be attached to the Cabinet for Personnel Management.

****EMPLOYEE SUGGESTION SYSTEM**

FINDING:

The current employee suggestion system is weak and reflects a lack of commitment to employee involvement. Less than 1 percent employees participate and, since the program has been in place, only 4 to 12 percent of suggestions submitted annually have been awarded payment.

RECOMMENDATION:

In many (private sector) organizations today, the suggestion system is encouraged and supported as a means of generating employee involvement and commitment, improvements in quality and efficiency, and genuine cost reduction.

At one Kentucky company the suggestion system receives over 80 percent employee participation, and more than 90 percent of the suggestions submitted are implemented and rewarded.

The EXECUTIVE BRANCH should strengthen its suggestion system and hold the heads of agencies accountable for annual participation objectives.

The potential for annual savings from the suggestion system, when compared with the results of good private sector programs, is $5,250,000.

** Denotes opportunity for cost savings

CLASSIFICATION/COMPENSATION

FINDING:

There are too many job classifications and salary grade levels. In 1982, 1800 classifications were reduced to 1200. Since 1982, the number of classifications have returned to 1600. Job descriptions (class specifications) are too restrictive and detailed, preventing flexibility in transferring staff and assigning duties. Job descriptions include a job title, job duties and minimum qualifications but lack dimensions that measure job knowledge, degree of problem-solving, complexity, level of planning, initiative, independent decision-making, supervision/leadership/communication and accountability involved.

RECOMMENDATION:

Through work process and job re-engineering, the number of job classifications should be dramatically reduced. The Cabinet for Personnel Management should work toward flattening the structure of the Executive Branch. Job descriptions should be developed in order to reflect, not only specific duties and minimum qualifications, but dimensions that can later be evaluated in order to assign the appropriate salary grade. These dimensions should include knowledge required, the degree of problem-solving, complexity, planning, initiative, independent decision-making, supervision, leadership communication and accountability involved.

COMPENSATION

FINDING:

The compensation plan is unpredictable. Other than for the initial probationary increment, salary increases are sporadic and across-the-board. There are no performance-based incentives, and no cost-of-living adjustments. Even the 5 percent automatic increase provided for in the statutes is subject to budget limitations. In fact, the full automatic 5 percent increase has not been granted in 5 of the last 11 years. A recent salary survey commissioned by the General Assembly shows Kentucky's career service salaries are behind the other 15 southeastern states by 9 percent. When private sector jobs and public sector jobs are combined in the 15 southeastern states survey, Kentucky, overall, trails by 15 percent.

RECOMMENDATION:

Through work process and job re-engineering, and the downsizing of the

Executive Branch, fewer people will be doing more. As this more efficient, increasingly more productive career service emerges, fewer salary grade ranges should be needed and individuals who fill the fewer job classifications (with enriched job standards) should realize compensation advancement commensurate with the position they hold and their performance. The Cabinet for Personnel Management should develop a new compensation system designed to achieve these results, including incentives for superior "group" as well as "individual" performance.

****RETIREMENT PROGRAM ADMINISTRATION**

FINDING:

There are six retirement systems:

- Kentucky Employees Retirement System (KERS)
- County Employees Retirement System (CERS)
- State Police Retirement System (SPRS)
- Teachers Retirement System (KTRS)
- Legislative Retirement System (LRS)
- Judicial Retirement System (JRS)

Previous studies have recommended that the separate retirement programs be centrally administered in order to save significant costs and improve efficiency.

RECOMMENDATION:

Consolidate the **administration** of the various state employee retirement plans. Estimated savings ... $1.9 million annually.

****RETIREMENT PROGRAM EARLY RETIREMENT INCENTIVE**

FINDING:

Kentucky has successfully offered a retirement incentive in the past. Many states have offered early retirement incentives, successfully, during the past few years.

** Denotes opportunity for cost savings

RECOMMENDATION:

Offer early retirement to those employees who are willing to use their final payments to purchase enough service credit to achieve full retirement benefits. This inducement would not incur any extra costs to state government. Estimated savings, $4 million.

****RETIREMENT PROGRAM**
DEFINED CONTRIBUTION
VS. DEFINED BENEFIT

FINDING:

Many private sector employers have found that employees, especially those at the early end of their career, prefer a defined contribution rather than a defined benefit retirement plan. Defined contribution plans are much easier and less costly for the employer ... and "portable" for employees.

RECOMMENDATION:

Study, carefully and thoroughly, the mutual advantages to the state and to future (new) employees of closing present state retirement plans to new hires, and replacing these plans with a defined contribution plan. Estimated savings $250,000 per year ... cumulative (i.e., $500,000 year-two ... $750,000 year-three ... $1,000,000 year-four ...).

** Denotes opportunity for cost savings

ROLE OF THE

DEPARTMENT OF PERSONNEL

DEPARTMENT OF PERSONNEL: MISSION AND ROLE

Issue

How can the department's mission and role be clearly defined and better communicated to state agencies?

Background

The department (DOP) was created in 1956. As today, the commissioner was appointed by the Governor. Chief among its responsibilities then (and now) was the testing and certification of applicants for state government, the largest employer in the Commonwealth. During the next 30 years, the department was reorganized numerous times reflecting gubernatorial initiatives and trends in the personnel arena.

Various legislative and gubernatorial actions also altered the relationship between the department and the Personnel Board and split responsibility to promulgate specific administrative regulations between them. In 1982, the Personnel Board was declared an independent agency of the executive branch. Four years later the merit system law was amended to further strengthen the separation of the department and the Board.

Currently, Kentucky Revised Statutes Chapter 18A distributes specific authority for personnel management between:

- Department of Personnel
- Personnel Board and
- state agency (appointing authority)

The Department's statutory mission is "to administer the state merit system and to ensure compliance with regulations established under KRS Chapter 18A."

Findings and Recommendations

Finding: While the department desires to be viewed as a "service agency" to ensure that Kentuckians are served by a well-qualified state work force, its regulatory mandates and technical nature overshadow that aspect.

- Mission focuses on overly detailed statutes and regulations.
- Major functions are limited to processes and transactions.
- User agencies misunderstand or disagree with mission.
- Personnel issues often play a subordinate role in driving executive and

budgetary policies and decisions.

- Perception of DOP by state agencies, the legislature, and the general public is not always positive.

- Many DOP staff have never worked in another state agency nor participated in management or employee development training programs.

- DOP line staff have little opportunity to better understand the agency program issues.

Finding: Management of today's executive branch work force of more than 42,000 employees demands a different, contemporary human resources approach to assist agencies in selecting and developing employees who can contribute to accomplishing the employing agency's mission.

Yet the department has clearly not been given responsibility nor accountability to take a leadership role on human resource issues as:

- Evolving work place demands (technological, changing programs and constituent needs, alternative work arrangements, innovative programs).

- Societal factors (Americans with Disabilities Act - unequal access to jobs due to testing process, AIDS, employee needs, emerging trends, conditions).

- Assessment of projected work force demands in state government programs.

- Strategies to attract and retain scarce skilled labor and professionals to occupational categories or geographic areas.

Finding: Purpose of the Personnel Board has changed from its original intent as an oversight agency.

Relationship between DOP and the board appears to be based upon the philosophy and personalities of its leaders--not an optimal determinant.

The board's legislative mandate to promulgate administrative regulations has resulted in micro-management by the board of some personnel operations:

- An emergency regulation filed by the Governor cannot go into effect until board reviews.

- The board writes the rules, then judges them.

- Some board regulations conflict with DOP regulations.
- Workload is heavy because much is grievable.
- Hearing officers review cases and the board bases decisions on their review.

Recommendation 1: **Expand the mission and role of the Department of Personnel. The following actions are proposed:**

1) In conjunction with recommendation to elevate DOP to cabinet level, and rename the "Cabinet for Personnel Management", **locate current DOP functions in the Department of Personnel Services within the new cabinet.**

2) **Adopt** the **recommended mission/goal statement (Exhibit 1).**

3) **Re-focus new cabinet** to:
   - Assume a leadership role on human resource issues.
   - Review all areas of processing to delegate approval authority to agencies where feasible.

   Many talented, competent staff in the cabinet would then be more productively employed in leadership and development roles instead of performing administrative functions.

4) **Implement** plan to guide the transition to the new cabinet. (See attachment-proposed transition plan)

5) **Enhance Executive Personnel Council** for better inter/intra agency communication and understanding of issues.

6) **Rotate cabinet employees** among agencies to broaden knowledge.

7) **Require cabinet to develop strategies** to enhance image of state government as an employer.

8) **Encourage closer, more constructive work relationships among the new Personnel Cabinet, the Governor's Office for Policy and Management, and the Personnel Board.**

9) (With exception of the appeals process) **Restore the new cabinet's traditional rule making function** over:

   - Promotions, transfers, disciplinary actions, grievances, probation and reinstatement.

EXHIBIT 1
CABINET FOR PERSONNEL MANAGEMENT

RECOMMENDED MISSION/GOAL STATEMENT

MISSION:

The Cabinet for Personnel Management provides leadership for advancing quality and efficiency of state services through the recruitment, development, engagement and retention of a competent, motivated workforce.

GOALS:

1) To organize and manage its operating system in a manner that supports the delivery of needed programs and services in a timely fashion,

2) To initiate and maintain a human resources planning effort that contributes to efficient workforce management,

3) To guide training design and implementation, and the organization development efforts to strengthen the skills necessary and the environment required to encourage employee involvement and continuous improvement,

4) To maintain competitive compensation and benefits programs and

5) To ensure an effective employee relations program that provides for fair, consistent and equitable treatment of all employees.

(Recommendation 1 continued)

10) **Investigate the possibility of the Personnel Board utilizing administrative law judges** vs. contract hearing officers for greater efficiency, more objectivity.

11) **Take steps** to develop a closer, more constructive work relationship between the Legislature and the new Cabinet for Personnel Management.

12) **Assign DOP staff to work with the employment work group** of the Governor's Task Force on ADA and a liaison from the Department for Vocational Rehabilitation.

Implications

Service - The redesign and refocus of the current Department of Personnel will result in a contemporary approach to managing state government's workforce. In its new leadership role, the proposed new cabinet will function in a proactive mode to be responsive to changing workforce demands as well as supportive of the needs and priorities of employees and managers.

Staffing - No implications.

Budgetary - Through operating method changes, work process and job re-engineering efforts, budgetary reduction in overall personnel management system costs should be possible.

DEPARTMENT OF PERSONNEL
Attachment to MISSION AND ROLE

PROPOSED TRANSITION PLAN
for the
Cabinet for Personnel Management

Summary of the need for change:

Effective, affordable state government rests on the ability to recruit, develop, engage and retain a competent, motivated workforce. The narrow focus of the current personnel structure severely inhibits that ability.

Goal of transition plan:

To offer a framework that allows the Department of Personnel Services, the Governmental Services Center, and the new Department for Employee Relations to successfully evolve into the Cabinet for Personnel Management.

Considerations for planning the transition:

- Ensure that human resource management principles are incorporated into the new cabinet's mission, goals, and structure.
- Seek top-level and staff commitment to the new mission and goals.
- Involve key leaders early in the transition process.
- Anticipate questions and issues relating to the new structure and to the people and programs involved.
- Ensure that the structure supports continuing improvement activities and cultural change.

Transition tasks:

1. Appoint a transition team that reflects membership of the ad hoc work team described in Recommendation 1, "Department of Personnel: Statutes/ Regulations." Arrangements should also be made for technical support.***
2. Ensure that the new cabinet vision, mission, goals, objectives and new linkages are communicated.

***Item modified as a result of issues raised at the commission retreat.

3. Establish means for regular information flow with internal staff and external customers in all state agencies. (Examples might include electronic mail, newsletter, hot line, information packets, etc.)

4. Acquaint staff with the principles of Reinventing Government and corresponding recommendations for the new Cabinet by the Quality and Efficiency Commission.

5. Attend to public relations through communication with legislators and press.

6. Specify the reporting relationships among all cabinet personnel.

7. Lay out a "from-to" organization chart (old to new) and outline how each position will be affected.

8. Draft an executive order and administrative orders for a transition period.

9. Draft enabling legislation to begin implementation of new personnel management system.

10. Write new policy and procedures and develop corresponding administrative regulations that reflect the cabinet mission, goals and objectives.

11. Identify training needs resulting from the new cabinet mission and goals.

12. Arrange for training.

13. Arrange for facilitation of strategic planning sessions to help each department (GSC, DOP, and Employee Relations) develop its own internal vision, mission, goals, objectives and measures reflecting the new cabinet mission.

14. Target one-to-three projects that will demonstrate the new organization to state government staff and to the public.

Time line for completion of key tasks:
(Exhibit 2)

Measures of effectiveness (Examples):

- Completion of tasks
- Communication climate inventory
- Post-training evaluation
- Organizational diagnosis questionnaire
- Public sector quality audit
- Customer feedback

Exhibit 2

Cabinet for Personnel Management
Proposed Transition Time Line

TASK	TIMING/ COMPLETION	[1993] Sept	Oct	Nov	Dec	[1994] Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
• Acquaint staff with recommendations of CQE	Oct. 1993														
• Governor appoints transition team	Nov. 1														
• Establish means for internal communication	Nov. 2 - Ongoing														
• Communicate new mission, goals	Nov. 15														
• Attend to public relations	Ongoing														
• Specify all reporting relationships	Nov. 1-30														
• Layout 'from-to' organization chart	Nov. 1-30														
• Draft Executive and Administrative Orders	Dec. 1-15														
• Draft enabling legislation	Nov. 1 - Jan. 4														
• Conduct strategic planning sessions for Cabinets	Nov. - Jan.														
• Identify employee/supervisor training for managing change	Nov. - Dec.														
• Arrange training	Dec.- Ongoing														

Exhibit 2 (continued)
Cabinet for Personnel Management
Proposed Transition Time Line

TASK	TIMING/ COMPLETION	[1993] Dec	[1994] Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	[1995] Jan
• 1994 General Assembly meets	Jan - April 15, 1994														
• Senate confirmation hearings	March														
• Governor appoints ad hoc work team	April 15														
• Develop administrative regulations	April 15 - Sept. 15														
• Write new policies and procedures manual	April 15 - Sept. 15,														
• File administrative regulations and policy/procedure manual	Sept. 15														
• Develop training plan for new system	Sept. 15-30														
• Publish in administrative register	Oct. 1														
• Arrange training	Begin Oct. 1														
• Public comment	Oct. 1 - 31														
• Administrative regulation Subcommittee review and standing committee	Nov. or Dec.														
• Amend administrative regulations and manual as needed	Nov. - Dec.														
• Regulations effective	Jan. 1, 1995														
• Statute effective	Jan. 1, 1995														

DE 79

DEPARTMENT OF PERSONNEL: ORGANIZATION, STRUCTURE AND OPERATING SYSTEM

Issue

Is the department's organization, structure and operating system conducive to delivering needed programs and services?

Background

The department is composed of five divisions, each headed by a division director (Exhibit 1):

- Applicant Counseling and Examination
- Classification and Compensation
- Administration and Processing
- Employee Services
- Benefits Administration

The department processes the paperwork for over 42,000 state employees in the five personnel systems. The department also processes transactions for approximately 750 employees not covered by the merit system in small agencies (like KET) and on boards and commissions.

Within DOP there are 123 staff. There are also at least 145 employees in state agencies having primary responsibility to perform personnel functions in their respective agencies.

The Commissioner of the Department of Personnel reports to the Secretary of the Executive Cabinet. The commissioner must:

- Receive approval for some personnel actions from the Secretary of Finance and Administration.
- Submit the department's administrative regulations through the Personnel Board before promulgation.

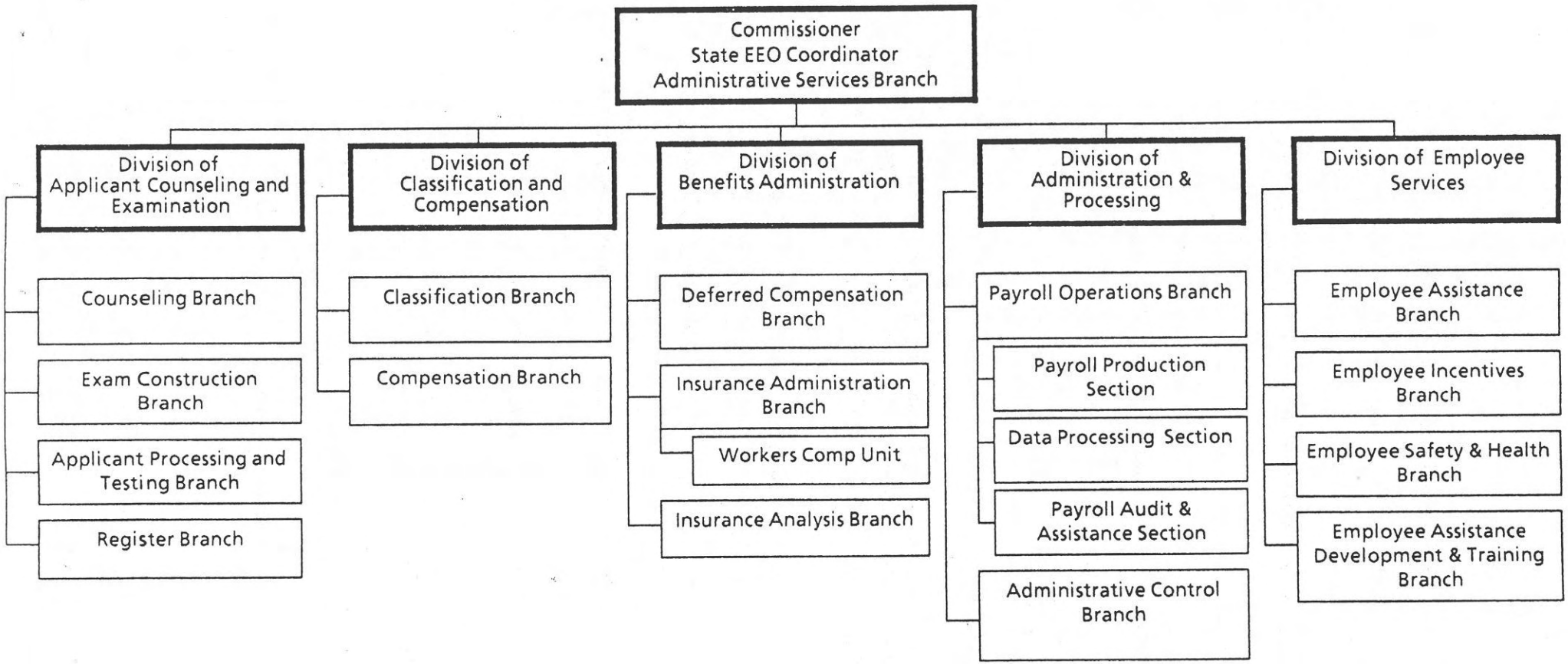
Training and (organizational) development, typically a personnel function, is provided by the Governmental Services Center currently attached to the Finance and Administration Cabinet and located at Kentucky State University.

Findings and Recommendations

Finding: Agencies perceive DOP's processing of personnel actions to be slow, frustrating and cumbersome.

Exhibit

DEPARTMENT OF PERSONNEL (04-01-93)



- Personnel system is control oriented and limits agencies' abilities to quickly respond to changes in user demands and fiscal conditions.

- Unwieldy process of approving personnel actions between DOP and agencies causes problems in maintaining full staff levels in critical areas and local offices (see Exhibit 2 for "Typical Procedure").

- Average time to hire a new employee is 4-8 weeks, even for filling critical positions like social workers. Agencies report a range of from one week to as long as five months to hire new people.

- Agencies do not have computer access to DOP registers.

- DOP processes and generates voluminous amounts of paperwork, some of which is not used.

- Some agencies also maintain their own personnel management information systems (Cabinets for Human Resources and Transportation).

Recommendation 1: **DOP should review all transactions and delegate approval authority to the employing agency whenever possible.**

DOP will be responsible for:

- Developing standards for performance of delegated activities
- Auditing and monitoring actions of employing agency
- Correcting errors
- Withdrawing delegated authority when necessary
- Simplifying and expediting the time to fill a position
- Improving communications between agencies and DOP
- Being responsible for providing policy guidance

Recommendation 2: **DOP should computerize basic employee data, such as address, telephone number, name, shift codes, etc., provide direct access to agency personnel administrators and eliminate as much paper as possible.**

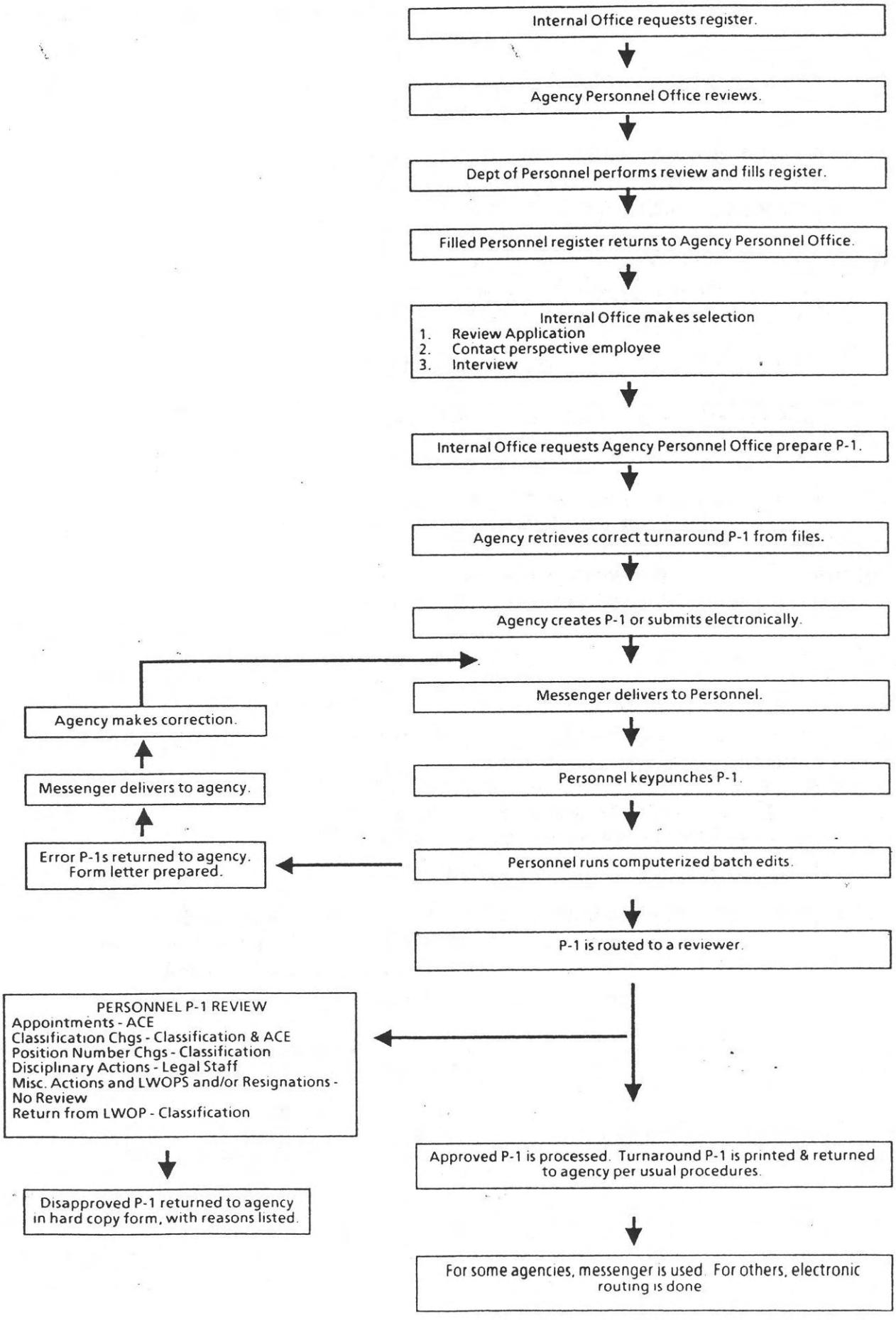
Recommendation 3: **Examine personnel information management systems in other agencies to identify and eliminate duplication.**

Finding: General understaffing, particularly acute in Benefits Administration, precludes DOP from providing a desirable level of services to more than 42,000 state employees.

- Understaffing prevents state employees from receiving optimal benefits as they

Exhibit 2

Typical Procedure for Processing Personnel Action Documents for KRS 18A Employees



are not made aware of what is available to them (Exhibit 3).

- DOP operates the second largest health care plan in Kentucky, with four staff for 250,000 participants.

- DOP operates the deferred compensation program serving 30,000 participants with seven staff.

- DOP has had to assume the billing for life insurance policies with minimal advance notice.

- Counseling and referral services for state employees are provided by four staff within the department. Employees needing long-term mental health, chemical dependency, and related care are referred to qualified professionals outside state government.

Recommendation 4: **Address staffing shortages in the Benefits Administration Division and the Employee Services Division.**

Finding: Several state agencies were grouped together to form the Public Protection and Regulation Cabinet. Similar grouping has occurred for Education, Arts and Humanities.

Personnel functions, however, have not been centralized for the employees of either cabinet. This lack of centralization increases costs and precludes employees from receiving optimal human resources services.

Recommendation 5: **Establish central personnel offices to coordinate human resource issues.**

Finding: Even though the Division of Applicant Counseling and Exams does not provide recruitment services and that there have been intermittent hiring freezes, approximately 135 individuals seek employment at DOP in Frankfort each day.

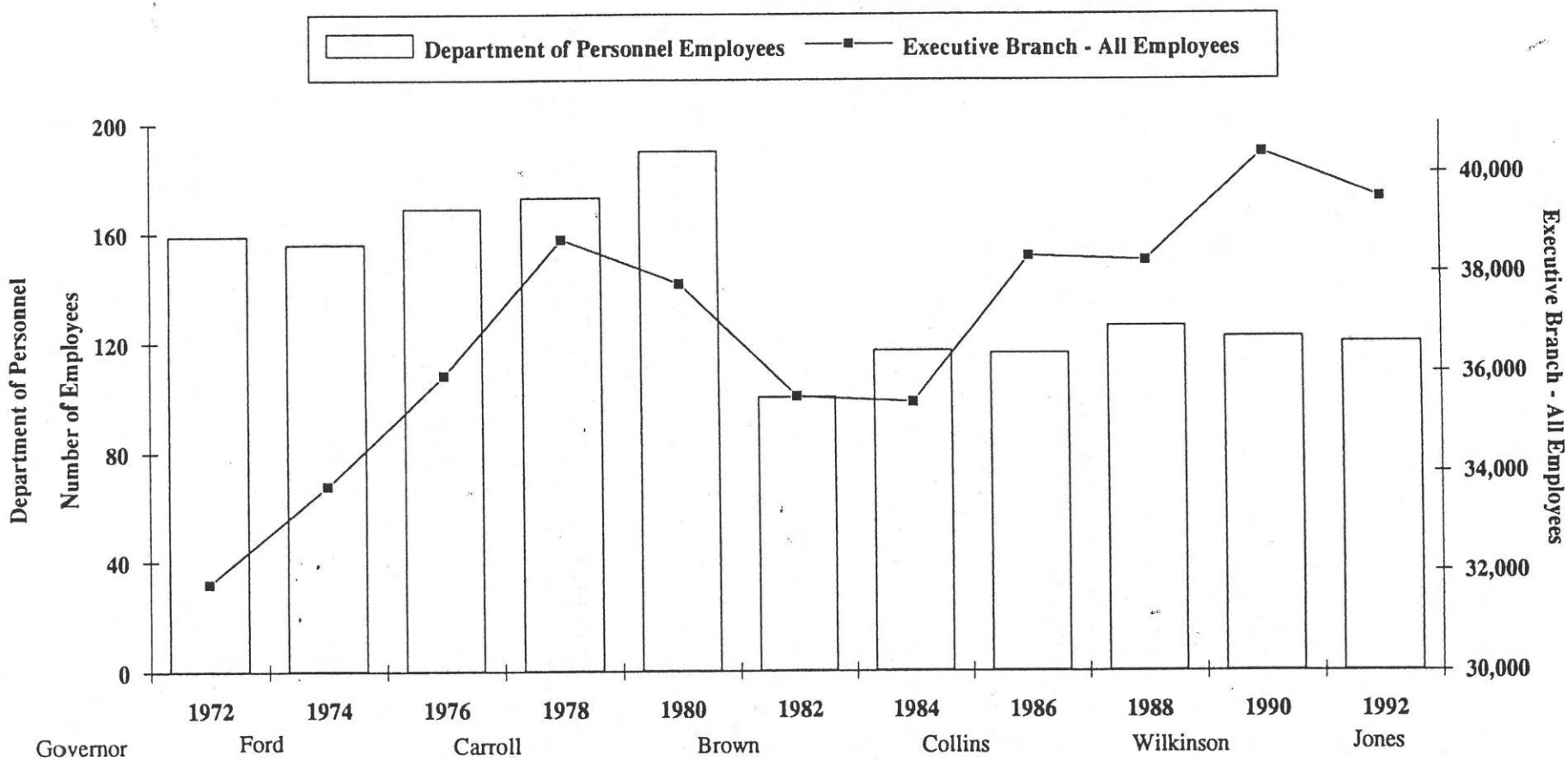
- DOP also operates 15 regional test centers outside Frankfort. These centers are costly, cumbersome and typically have 48 percent no show rates. Security is also problematic once tests leave Frankfort.

- DOP does not know if the vacancies within agencies are to be filled until a register is requested.

- The current system of continuous testing is inefficient and causes some registers to have massive numbers of applicants. This practice generates false expectations for applicants who incur expense in time and travel to Frankfort.

Exhibit 3

Department of Personnel Employees and Executive Branch - All Employees



- On some registers, agencies do not have many applicants from which to choose; choice is often narrowed to two or less.

- The top five (5) scores for 75 classes require a score of 95 or better; many applicants have difficulty in scoring that high.

- Good applicants may be eliminated simply because their scores are not high enough to get into the top five scores.

Recommendation 6: **Commensurate with the refocus and transformation of DOP into a contemporary, human resource management agency, the following structure is needed:**

The Department, newly created as the Cabinet for Personnel Management, should consist of:

- Department of Personnel Services
- The Governmental Services Center
- Department for Employee Relations

Personnel Management executives from these three (3) units should be responsible and accountable for accomplishing the cabinet's mission and goals through annual plans containing specific, measurable objectives. Education and professional experience requirements should be strengthened to help guide appointments of the three department heads, as well as the cabinet Secretary. Benchmark qualifications for private sector positions equivalent to cabinet secretary indicate that qualifications should include minimum 15 years experience in human resource management and an undergraduate degree, although most companies indicate that an advanced degree is desirable. Qualifications for the individual department heads should include minimum 10 years experience in the field, including 5 years management experience. Department heads should have at least an undergraduate degree. career service jobs in the executive branch should start at the level of commissioner.***

Recommendation 7: **Agency personnel administrators and their staffs should be placed under the auspices of the new Cabinet for Personnel Management.**

These employees would be assigned to the agency in which they currently work. Such arrangement would enable the new cabinet the desired flexibility to rotate staff as needed, promote a more professional, knowledgeable human resources workforce and eliminate adversarial relationships between the cabinet and the state agencies. The personnel directors would remain employees of their current agency reporting administratively to their cabinet secretary and functionally to the Cabinet for Personnel Management.

***Text modified as a result of issues raised at the commission retreat.

Implications

Service - Delegated authority to the agencies in areas of processing personnel actions will result in a more expeditious, streamlined approach in meeting state government's workforce needs. More timely action will especially address the problem of maintaining critical staff levels particularly in state institutions and facilities.

Staffing - There is a need for four (4) additional specialists and three (3) clerical staff in the Benefits and Employee Services Divisions. Restructuring of the new Cabinet for Personnel Management provides the opportunity to reassign current staff.

Budgetary - Elimination of some currently centralized processes would result in savings. Automation for agency access will also aid efficiency and effectiveness.

DEPARTMENT OF PERSONNEL: STATUTES/REGULATIONS (THE MERIT LAW)

Issue

Are current personnel statutes and administrative regulations too numerous, restrictive and difficult to interpret?

Corollary Issue

Does the merit system support the ability of state government to recruit, engage and retain a competent, motivated workforce?

Background

The majority of the personnel system - probably 90 percent - is mandated by Kentucky Revised Statutes (KRS) or dictated by the biennial budget bill. As mandated by KRS 13A.100, the department is also required to put all personnel policies through the administrative regulation process.

Responsibility to promulgate administrative regulations on personnel matters is currently divided between the department and the Personnel Board:

Dept. of Personnel Regulations

- Classified Service
  - Classification plan
  - Compensation plan
  - Applications qualifications
  - Registers
  - Certification
  - Vacancies, detail to special duty
  - Classified service
  - Leave
  - Employee suggestion system
  - Workers' Compensation
  - State safety program
  - Kentucky Employee Assistance Program
- Unclassified Service
  - Leave
  - Classification, compensation
  - Promotion, transfer, disciplinary actions

Personnel Board Regulations

- Probation
- Employee actions
  - demotions
  - transfers
  - reinstatement
- Disciplinary actions
- Appeal procedures
- Coverage - board hearings
- Grievances, complaints
- Military duty
- Promotion

The 1982 General Assembly gave expanded regulatory authority to the Board. This has been problematic.

Findings and Recommendations

Finding: Current statutes are so detailed that it is difficult to change the system through the administrative regulation process.

- Too much is in the law making it difficult to make policy by regulation. For example, the employee evaluation is not a good system, but "it's in the law." (KRS 18A.112)

- Changing laws and regulations involves a lengthy process.

  - The General Assembly meets every two years.
  - Six months can be required to process a regulation.

Finding: Personnel laws and regulations have become voluminous, confusing and rigid and restrain agencies abilities to provide effective public service.

- One department attorney spends one-fourth of his time interpreting regulations for other attorneys.

- Statutes must be read together with regulations to make sense:

  - Interpretation of administrative regulations by agencies is often inconsistent.
  - Changes to administrative regulations are not communicated to agencies in a timely manner.

- Some Department of Personnel and Personnel Board regulations conflict or do not clarify jurisdiction.

- When agencies draft administrative regulations, the language used in the statute cannot be repeated. This is frustrating and detracts from clarity.

- Too many rigid, complex statutes and regulations make efficiency and effectiveness almost impossible and hinders innovation.

- Current laws "rule by exception" rather than assuming good manager - employee relations.

Recommendation 1: **The Secretary of the new Cabinet for Personnel Management should be given the responsibility to convene an ad hoc work team.**

This work team should provide for the **equal number** of representatives from each of the following areas:

Administration/Management

Department of Personnel Services, the Governmental Services Center, the Department for Employee Relations, Personnel Board, agency's personnel services offices, other administration officials

Legislative

Appropriate members of the General Assembly

Employees

Merit employees representing the five separate systems

Private Sector Professionals

Human Resource professionals, Corporate Managers, other interested persons***

NOTE: Minority and female membership on this work team is important to advancing policies that encourage equal opportunity at all levels in state government.

The work team will be responsible for drafting proposed legislation to provide the broad framework of an updated career service system. The legislation should provide direction and define the parameters of authority as well as the enabling statute for the Secretary to develop personnel management policies and procedures to replace the current administrative regulations. (These new general regulations would incorporate a new Policies and Procedures Manual by reference.)

- The new personnel management policies and procedures would be crafted in plain, clear English free of bureaucratic euphemisms and legal jargon to replace personnel statutes and regulations.
- The law establishing a new career service system must include a statement of ethics to prohibit political interference in the employment process.
- Provide for legal consequences for individuals who violate the ethics rules.

***Text modified as a result of issues raised at the commission retreat.

Other issues which the work team would need to address include:

- Removing obstacles to permit job re-engineering or reassignment.
- Addressing classification and compensation problems.
- Removing the evaluation system from the law.
- Enhancing delegation of authority to agencies.
- Improving definition of terms (seasonal and temporary).

Recommendation 2: **The new cabinet and the legislature should work together to reduce the Personnel Board's regulatory authority only to the appeals process.** (See separate issue: Mission and Role)

Recommendation 3: **Train personnel administrators in every agency to ensure consistency of interpretation and application of Personnel Cabinet policies and procedures.**

Recommendation 4: **Effective July 15, 1994, the Secretary of Personnel should be authorized to implement no more than 3 pilot programs in agencies and waive the KRS 18A statutes and related administrative regulations.**

The aggregate number of employees involved in the pilot programs shall not exceed 10 percent of the total permanent full-time workforce in the Executive Branch.

Prior to approving a pilot program, the Secretary of Personnel shall develop and publish, pursuant to KRS 13A, the criteria and guidelines for pilot program authorization and evaluation. Any agency wishing to submit a pilot program proposal must prepare a written proposal which reflects the goals, purpose and projected benefit to the Commonwealth.

The Secretary of Personnel Management shall publish the proposal and approval authorization. A pilot program may be approved for 12 months. An additional 12 months may be authorized if the interim results are published prior to the final month of the initial 12 month period.

Implications

Service - Total re-writing of the 30 year old merit system law and companion administrative regulations (Exhibit 1) will be an enormous undertaking requiring the full cooperation, team effort, and expertise of many individuals. The new law, policies and procedures will support the new cabinet's proposed mission and goals.

Staffing - No implications.

Budgetary - No implications.

Exhibit 10

Rewriting KRS 18A - - - The Merit System Law*

(To Executive Branch Personnel Management Policies and Procedures)

CURRENT SYSTEM	NEW SYSTEM
	Ad hoc work team drafts new Personnel Management Policies and procedures, ratified by General Assembly
Kentucky Revised Statutes Chapter 18A - voluminous (79 pages) - confusing, rigid - outmoded, ineffective - impedes a motivated workforce	**New Career Service Law** - Broad frame work defining responsibility, authority and purpose.
Kentucky Administrative Regulations - confusing, some conflict - lengthy process to change (mandates of KRS 13A)	**Revised Ky Administrative Regulations** - Regulatory-General regulations to reflect intent of career service legislation.
	New Personnel Management Policies and Procedures Manual -Simply and concisely define conditions of career service. -Written simply and free of bureaucratic euphemisms and legal jargon. -Provide allowance for future revision. -Include ethics statement to protect career service employees from political interference.
Personnel Board Regulations (Chapter 1)	**Personnel Board retains regulatory authority over appeals process only.**

PE 4.5

(* New Cabinet Transition plan provides for enabling legislation for ratification by the 1994 General Assembly)

DEPARTMENT OF PERSONNEL:
Attachment to STATUTES/ADMINISTRATIVE REGULATIONS

During the interview process conducted by the personnel team, agency personnel administrators and others cited the need to revise an array of statutes as well as administrative regulations.

The listing below, while not all inclusive, outlines those areas which were identified as being especially problematic for agency staff and would need to be considered by the proposed ad hoc committee when drafting the new policies and procedures.

1) Identification and subsequent revision of laws and regulations which would hinder the process of reengineering jobs and reassigning employees

2) Revision of statutes/regulations to clarify jurisdiction between the Personnel Board and the Department of Personnel. (Personnel team has recommended that the Personnel Board's regulatory authority be amended to the appeals process and that early conflict resolution be conducted by the new Department for Employee Relations.)

3) Disciplinary actions:

- Uniform procedures on disciplinary actions need to be adopted. KRS 18A.095 which permits an employee to file the same complaint with more than one jurisdiction should be eliminated.

- Need to address situation where an employee has broken the law (committed a very serious offense) but cannot be dismissed unless it occurred while "on the job."

4) Reversion rights (non-merit employees revert back to merit status). (KRS 18A.115)

- Whether employees should retain their pay level upon reversion.
- There needs to be only one regulation.

5) Lay-off law. (KRS 18A.113)

Current law is cumbersome. Problems are created when agencies misinterpret and when laid-off employees block registers for five years.

6) A second medical opinion should be required for extended sick leave. (101 KAR 2:100)

7) Promotion regulations for state police needs more flexibility (next person in line for a promotion may not be suited for a post commanders position, yet must be given that

position if a vacancy occurs).

8) "Whistle blower" law.

Needs to be reviewed and the possibility of fabrication by an employee considered.

9) Flexibility to hire "above the midpoint".

Current regulation prohibits hiring of new employees at salaries above the midpoint for the position.

10) Grade changes should not be restricted as were mandated by the 1992 General Assembly (House Bill 468). Decisions of this nature should be made by the new Cabinet for Personnel Management.

11) The evaluation system needs complete rework under new cabinet policies and procedures in order to address clarification of performance measures, professional development and impact on salary increases, promotions, deviations, etc.

12) Restore job bank/flexible promotion program.

13) Definitions of terms (seasonal and temporary).

Improvement/clarification is needed.

DEPARTMENT OF PERSONNEL: POLICIES/PROCEDURES/PRACTICES

Issue

How can the state Department of Personnel better develop and communicate consistent policies, procedures and practices to all state agencies?

Background

Personnel administrators complain that the department transmits very little in writing to the agencies and information is slow to reach them. Federally mandated and related program policies (ADA, EEO, etc.) are communicated through memos but with little or no training provided. Agencies frequently must telephone DOP for interpretation of policies and regulations. Orientation training on personnel matters is provided inconsistently across state agencies. The Employee Handbook is updated infrequently and not widely distributed.

Findings and Recommendations

Finding: KRS 13A.100 enacted as a result of the legislature's desire that state government should not be "governed by memorandum" requires the department to put personnel policies through the administrative regulation process.

While this statute is a good concept, the regulatory process is time consuming (can take six months to get a regulation approved). This statute in effect hinders the department from conveying much policy/procedure in writing.

Typically only a few DOP individuals can interpret statutes and regulations:

- Is frustrating when those persons are unavailable.
- DOP responsiveness to agency questions is often slow.

Finding: DOP frequently changes policies and procedures. Changes are often communicated verbally to agencies.

Managers sometimes have to retract decisions because they were not informed of changes. Verbalization of policies to agencies has resulted in application inconsistencies.

Much time is wasted by personnel administrators having to continually answer the same questions regarding leave policy.

Finding: Agencies have formulated differing policies in areas such as tuition assistance, work schedules (flex-time), promotion, voting leave, snow schedules and time sharing.

State employees cannot be treated equally when agencies interpret policies and procedures differently, for example:

- Time and attendance policies are inconsistently applied.
- Sick leave sharing policy is misinterpreted.

Many agencies transfer DOP directives onto their own letterhead frequently resulting in misinterpretation of policy.

Inconsistent policies are demoralizing and not necessarily reflective of agency needs.

Recommendation 1: **Prepare new, general administrative regulations which will incorporate a new policies and procedures manual.** (See separate issue: Statutes/Regulations).

Recommendation 2: **Improve communications with personnel administrators and employees statewide.**

- continue use of numbered personnel memoranda
- update Employee Handbook every two years
- use electronic mail system to improve communications

Recommendation 3: **Take the lead training managers in areas such as EEO and ADA.**

Recommendation 4: **Expand and activate personnel council to include small agencies.**

Recommendation 5: **Place personnel administrators and staff under the new cabinet.**

Implications

Service - Good communication is a cornerstone to sound human resources management. It is especially critical in providing leadership to a workforce as large as Kentucky state government. Development of better methods to communicate vital information from the new cabinet to agency personnel administrators and state employees will help eliminate policy inconsistencies and enhance efficiency.

Staffing - No implications.

Budgetary - No implications.

DEPARTMENT OF PERSONNEL: FIVE SYSTEMS

Issue

Creation of hybrid, agency specific personnel systems has resulted in a fragmented state personnel system that is cumbersome, inefficient and inequitable. How can this be remedied?

Background

Most state employees are covered by Kentucky Revised Statutes Chapter 18A which established a system of personnel administration based on merit principles.

Because of the perception and conviction that KRS 18A (the Merit System) did not provide all state agencies the desired flexibility and timeliness in hiring staff, other separate systems have evolved:

KRS 151B System - 1,800 employees (Workforce Development Cabinet)
KRS 16 System - 1,600 employees (State Police)
OVEC Contracts - 50 employees (Department of Education)
Legislative Research Commission - 350 employees (Note that these are employees of the legislative branch.)

DOP processes paperwork for all five systems which has required staff to be knowledgeable of an array of differing statutory and regulatory requirements.

Findings and Recommendations

Finding: Rather than revise KRS 18A to accommodate agency needs (fixing the system) agencies have been allowed to be exempt from that statute resulting in today's multiple system in which there is:

- duplicity,
- no reciprocity or portability between systems,
- confusion among employees and legislators who do not understand the systems, and
- inequity in salaries (no continuity and compatibility in compensation for employees of the various systems).

Finding: Agencies continue to lobby to remove themselves from KRS 18A because they insist that:

- The merit system hinders the needed timeliness to hire in accordance with immediate staffing needs.
- Salaries under KRS 18A are not competitive to attract the best available talent.
- The top five scores procedure has failed to identify the best personnel with the requisite "specific" skills.
- The merit system cannot accommodate the hiring of highly skilled, management type executives who are employed for a brief period of time to accomplish a specific task within state government.

Recommendation 1: Construct a single personnel system.

Such system would have organizational and financial advantages and is synonymous with a single employer concept (i.e., the Commonwealth of Kentucky).

Recognizing that the multiple personnel systems in the executive branch basically resulted from classification and compensation problems, the new system would also need to provide for these classes:

- a limited number of policy maker positions,
- three or four classes of management,
- professional staff - licensed personnel,
- technical staff such as computer programmers, and
- generic classifications used by all agencies.

Implications

Service - The recommendation to create a single personnel system will likely be met with resistance from those agencies which have been allowed to establish their own systems outside KRS 18A. Critical to constructing a unitary system will be the accommodation of every agency's unique personnel needs.

This recommendation complements the personnel team's recommendation to re-write merit system (KRS 18A) law into contemporary policies and procedures in **plain, clear English free of bureaucratic euphemisms and legal jargon.**

Staffing - No implications.

Budgetary - A singular personnel system will decrease processing costs and greatly contribute to efficiency and fairness.

HUMAN RESOURCES

PLANNING

HUMAN RESOURCES PLANNING

STAFFING

Issue

Are staffing levels adequate for state government?
Can methods for filling vacancies in state government be improved?
Are agencies receiving an adequate number of good applicants from which to select?

Background

The executive branch of Kentucky's state government consists of 42,483 employees. This figure is comprised of 35,483 permanent full-time employees and 7000 full-time equivalent employees. (Full-time equivalent covers seasonals, temporaries, federally funded time limited and permanent part-time employees.) The total workforce continues to grow and is at an all time high as of June 22, 1993. (Exhibit 1).

The executive branch is divided into 13 cabinets. (Exhibit 2). Employees are located throughout the state. (Exhibit 3).

Findings and Recommendations

Finding: There are 1913 full-time funded vacancies in the listing of positions for the executive branch as of June 22, 1993.

While benchmarking other states, it was discovered that Iowa had eliminated 100 vacant positions that had previously been funded and saved $4.2 million per year.

Finding: The average annual turnover (attrition) rate for state government is 7.6 percent.

The total state workforce in Kentucky continues to grow while the revenue needed to sustain this growth continues to decline. There is a great need to move to a leaner, better trained and more productive workforce.

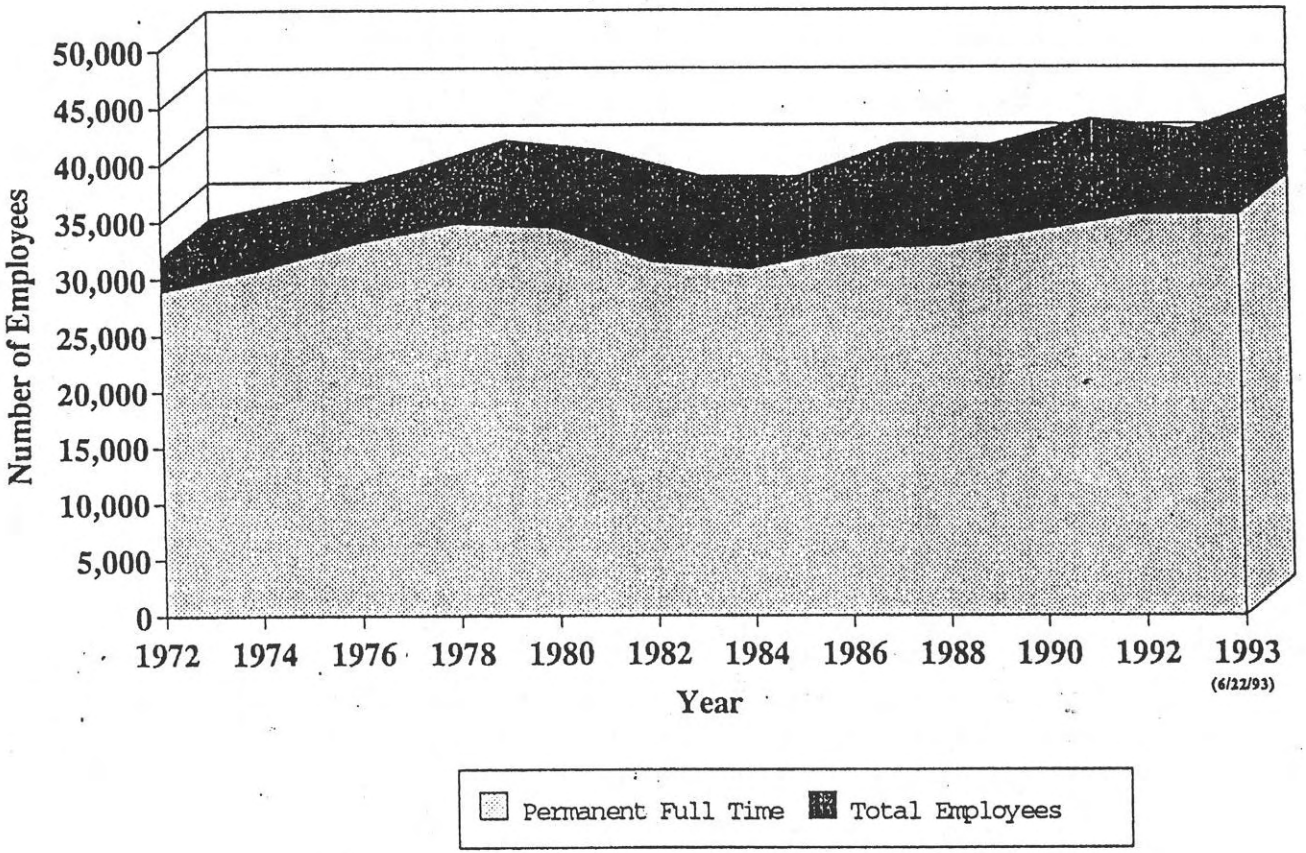
Recommendation 1: **Freeze and abolish current and future vacancies that are not considered critical positions and re-engineer those jobs.**

Assuming that 30 percent of the new vacancies occur in critical positions that must be refilled, the remaining vacancies should be eliminated and the work re-engineered. Work re-engineering involves eliminating unneeded work activities and redistributing only the essential work elements remaining to other job holders ... whose enriched jobs often justify a pay raise. The average annual cost of an employee is $27,202. The re-engineering of all current

Exhibit 1

Executive Branch Employees

(as of October of years indicated)



PE 7.2

Exhibit 2

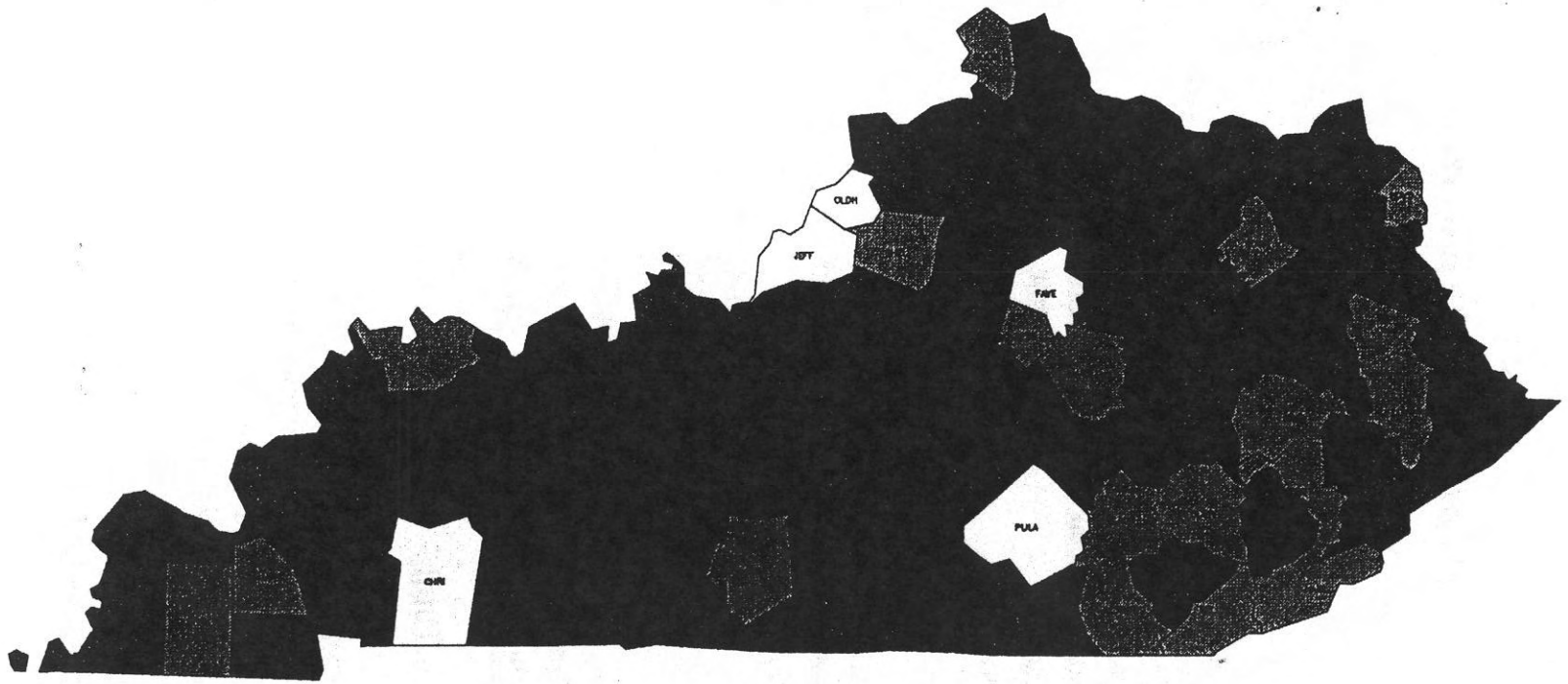
Number of Positions in the Executive Branch

Cabinet	---Budgeted Positions--- Permanent Full-Time	Full-Time Equivalent
Economic Development	130	17
Education, Arts and Humanities	1,311	235
Finance and Administration	1,161	189
Higher Education	204	65
Human Resources	12,282	1,100
Justice	4,938	94
Labor	459	64
Natural Resources and Environmental Protection	1,785	337
Public Protection and Regulation	1,048	112
Revenue	1,003	157
Tourism	1,549	2,198
Transportation	6,397	1,288
Workforce Development	2,810	1,957
General Government *	2,393	968
Statewide Total	**37,470**	**8,781**

*Includes the elected offices of the Governor, Lt. Governor, Secretary of State, Treasurer, Attorney General, Auditor of Public Accounts, Commissioner of Agriculture, and Superintendent of Public Instruction as well as the major departments of Personnel, Local Government, and Military Affairs. These figures also include the various boards and commissions as well as 387 permanent full-time and 468 full-time equivalent Commonwealth's Attorney and County Attorney positions.

Exhibit 3

Commonwealth of Kentucky
Workforce Location
Number of State Workers in each County



Workforce
1-200
501-1,000
Over 12,000
201-500
1,001-5,000

PE 7.4

vacancies and 70 percent of the new vacancies would generate net savings of $70,381,533 after 20 percent of the total cost savings are allocated for pay increases to job holders whose positions receive added duties, for costs associated with work re-engineering activities, and retraining.

In order to effectively implement this plan, achieve projected savings and re-engineering, a very rigid and strict definition of critical vacancies must be adopted and enforced. Positions that would fit into the category of critical are those that:

- directly provide care to patients.
- provide for protection of public health or safety of persons or property and
- would, if not filled, result in a funded state service being discontinued due to lack of any other option or alternative to provide the service within the agency and delay of service will result in hardship to the public or financial loss.

Reinstatement of frozen vacancies should occur only after a formal process of work reengineering is completed. In other words, reevaluate each job as it is vacated to determine which duties can be eliminated, performed by someone else, or handled by technology. Jobs that are reinstated should be limited to replacement by current state employees. This proposal should be considered as an alternative to layoffs and should be reevaluated in 4 years.

Recommendation 2: **Retrain staff and award pay increases to job holders whose positions receive added duties from re-engineering process.**

Finding: The danger of downsizing is that it creates a lack of new talent entering state government.

Recommendation 3: **Develop a method for hiring some new talent into state government.**

Possible ideas for hiring new talent into state government include an internship program with state colleges and universities or advertising for critical vacancies when it is not possible to fill a vacancy internally.

Finding 4: Employment caps are ineffective. Since 1982 the caps have restrained hiring but not prevented overall growth. (Exhibit 1)

Finding 5: Agencies report that adhering to caps create problems for them.

Caps prevent hiring additional employees during peak periods or when business increases. Caps create understaffing in critical areas where turnover is high and caps increase the length of time that it takes to hire an employee. Getting a cap raised is a difficult, lengthy process.

Agencies must go through a complicated, time consuming, inefficient process of abolishing positions in one area to allow for establishment in another area.

Recommendation 4: **Replace the caps imposed by the legislature with a budget driven system. Require agencies to reduce state employment through work process and job reengineering systems over a period of four years.**

This recommendation is an alternative to general and selective layoffs.

Finding: While some agencies are overstaffed, many are understaffed, and agencies lack the flexibility to move staff to understaffed, overworked areas. In these difficult economic times, the workforce needs to be adjusted.

Many agencies complained that more flexibility is needed to move staff to areas with heavy workloads. Since transfers that are management initiated are often viewed as punishment and are appealable to the Personnel Board, managers don't transfer staff as needed.

Job consolidation and reevaluation of jobs isn't consistently and continuously being done by all agencies. Also, there is little retraining going on in state government.

Recommendation 5: **Develop a means to relocate staff, with the understanding that the transfer is for administrative purposes, not punitive purposes.**

This would be done for the good of the agency in an attempt to balance the workload. Statutes and regulations that would need to be changed include: 1) 18A.005(34) - definition of transfer, 2) 18A.0517 - definition of penalization, 3) 101 KAR 1:335 (Sect. 3), and 4) definitions of demotion and promotion (switch back to "and" instead of "or").

Recommendation 6: **Create a "conditional employment" category where employment would be based upon continued funding or need for service.**

Discontinue employment when funding or need ceases to exist. Award full merit status after 3 years of service.

Recommendation 7: **Implement a voluntary and temporary employee rotation program.**

Two employees could voluntarily rotate jobs for a period of 1 to 2 years. This would provide professional enhancement and better serve the state.

Finding: State government cannot quickly fill critical positions.

Agencies are extremely frustrated by the number of steps that they have to go through to fill a vacancy, i.e. writing letters of justification and obtaining various forms of approvals.

There is a wide range in agencies' responses to how long it takes to hire someone -- ranging from one week to five months). Note: Much of this time is spent on the front end of the process in the agencies.

DOP has automated many of the steps, which has helped to reduce the length of time it takes to hire. Registers are filled within 24 hours by the Register Branch. Turnaround time on P-1s (employee record documents) is 24-48 hours in DOP.

Recommendation 8: **Exempt critical classes in order to quickly fill critical positions.**

Note: This is a proposed list which may need additions or deletions.

Correctional Officer	Juvenile Counselor Sr.
LPN	Nurse Registered
Family Services Worker	Nurse Aide - State Registered
Family Services Worker Principal	Police Communications Dispatcher
Patient Aide	Mine Inspectors
Juvenile Treatment Asst.	Cooks
Juvenile Treatment Asst. Sr.	Revenue Collectors
Juvenile Treatment Asst. Prin.	Deputy State Fire Marshal
Juvenile Counselor	Hazardous Material Inspector

Recommendation 9: **Exempt classes with high turnover.**

Agencies would not have to write a letter of justification as to why this is a critical vacancy to fill if turnover exceeded 1 1/2 times the 11 percent national average.

Recommendation 10: **Require agencies to streamline their hiring process.**

Reduce agency forms and levels of approval. Establish 2-3 days of turnaround time on paperwork in the field offices and agency personnel offices.

Recommendation 11: **For classes with a high turnover, allow agencies the flexibility to appoint as many employees as needed from a single register certificate as needed on date of appointment.**

Finding: There are currently 1913 full-time vacancies. The Department of Personnel has a continuous testing program for 520 classes, and doesn't announce actual vacancies that are going to be filled.

Other states test on an as needed basis.

The current system of continuous testing causes some registers to accumulate massive numbers of applicants on them. It is an inefficient system. Less testing will free up more resources to recruit applicants for critical classes. (Exhibit 5)

CLASS	NUMBER ON REGISTER AS OF 7-27-93	NUMBER OF REGISTER CERTIFICATES ISSUED IN THE LAST YEAR
Light Equipment Operator	580	126
Clerical Assistant	807	43
Transportation Engineer Aide I	401	22

Recommendation 12: **Allow continuous testing for classifications with a high turnover rate.**

Recommendation 13: **Develop a system for determining which vacancies are going to be filled, and test for those vacancies. (Discontinue practice of open, continuous testing for a large number of classes.)**

Agencies could let DOP know which classes that they plan on filling during the next quarter. DOP could open the class for 2 months, then close it for 6 months. While this would slow the hiring process, it would encourage a higher quality applicant because they would know where vacancies exist.

Finding: There are high absentee rates at many of the 15 regional test centers. If Frankfort and Louisville are excluded, the average percent of attendance is 48 percent.

The Department of Personnel currently operates regional test centers at Ashland, Bowling Green, Covington, Cumberland, Elizabethtown, Hazard, Hopkinsville, Jackson, Louisville, Middlesboro, Murray, Owensboro, Paducah, Pikeville and Somerset. This is in addition to the main test center in Frankfort. (Exhibit 6)

It costs approximately $130 per test session to administer state merit exams at a regional test

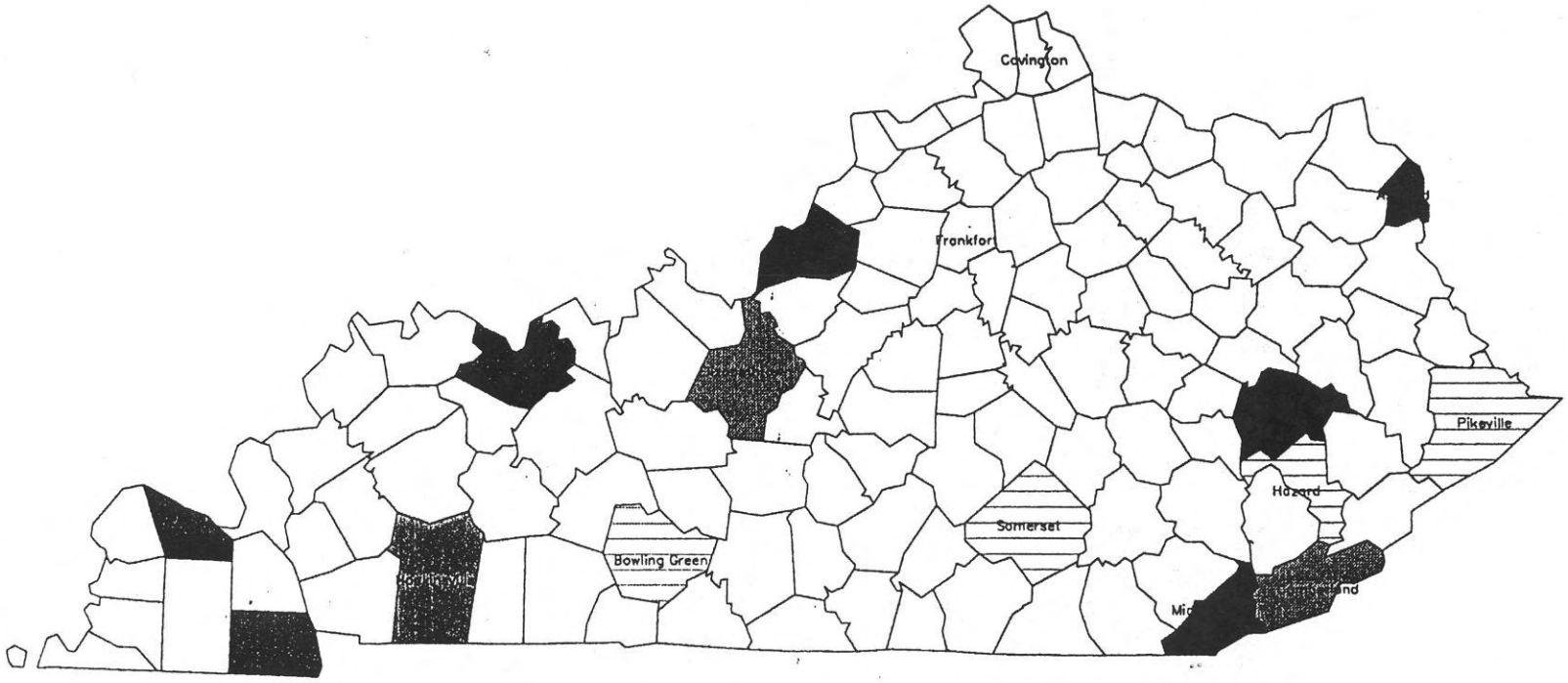
Exhibit 5

Applicant Processing History

Fiscal Year	Number of Applications Processed	Number of Appointments	Percent Hired
1985	41,017	3,443	8.39%
1986	48,003	4,173	8.69%
1987	55,506	3,017	5.43%
1988	38,797	3,121	8.04%
1989	44,579	4,337	9.72%
1990	35,780	4,389	12.26%
1991	42,969	4,375	10.18%
1992	34,152	2,733	8.00%

Commonwea. of Kentucky
Regional Examination Centers

Exhibit 6



PE 7.10

JUL93 • DIS-DNS-CSB-DOW

center. The frequency of testing ranges from daily at Frankfort to once every three months at Cumberland.

Recommendation 14: **Reduce the number of test centers from 15 to no more than 6.**

While having 15 regional test centers is excessive, the regional test centers should not be cut out entirely. Kentucky is a large state, and a few test centers would provide a valuable service to applicants who are also taxpayers.

Staffing - If the recommendations to test for vacancies and reduce the number of test centers are implemented, the staff for the unit in DOP could be reduced by one.

Finding: Currently state agencies must generate a P-1 form to make simple changes in addresses, birthdates, social security numbers, names, and shift codes.

These simple changes make up 11 percent of the P-1s that are generated. The current system requires that a piece of paper is created which must be sent through the Department of Personnel for appropriate checks. (Exhibit 7)

Recommendation 15: **Modify the computer system to allow agencies to automatically change addresses, birthdates, social security numbers, names and shift codes.**

This recommendation would require some computer programming changes. (The existing system could be utilized. Use the Express P-1 system, but don't generate a document. This would create history and payroll transactions.) The cost of the computer programming would be $800, which would quickly be offset by the reduction in P-1s that are generated and sent through DOP.

Finding: The Public Protection and Regulation Cabinet and the Kentucky Retirement Systems do not use the Express P-1 system.

The Express P-1 system is an automated system which makes the personnel system more efficient. More time and effort is expended, if agencies don't use the Express P-1 system.

Recommendation 16: **Require all agencies to use the Express P-1 system.**

(See the issue on personnel's organization, structure, and operating system for centralizing personnel functions in the PP & R Cabinet.)

Finding: The highway district offices in the Cabinet for Transportation use the old P-1 form and sent it to the central personnel office in Transportation to have it placed on the newer P-1 form.

Form No. P-1
Revised 9-86
Department of Personnel

Exhibit 7

COMMONWEALTH OF KENTUCKY

REQUEST FOR PERSONNEL - POSITION ACTION

date typed

☐ Employee Only

See reverse side for explanation of codes

☐ Emp. & Pos. _____ Cabinet/Department _____ Social Security Number _____ Effective date ☐ Pos. Only _____ Position Number _____ Effective Date

		1. last name	2. first name	3. middle initial	dual code	4. social security number	5. racial origin code	6. sex
01	From:							
	To:							
	Next:							

		7. p.o. box or apartment number	8. home street address/route number	9. home city	10. home state	11. home zip code
02	From:					
	To:					
	Next:					

		12. effective date	13. nature of action code	14. description of action.
03	From:			
	To:			
	Next:			

		15. position number cabinet - department - division - branch - section - unit - serial	16. class code	17. abbreviated class title	18. home county code	19. home area code & phone number
04	From:					
	To:					
	Next:					

		20. increment date	21. promotional increase date	22. remarks	22. A. FLSA code	22. B. RET code
05	From:					
	To:					
	Next:					

		23. pay type code	24. pay grade	25. salary/rate	27. lump sum payment(s) YTD	28. emp stat code	29. full/ part code	30. emp merit code	31. pos merit code	32. fed fund code	33. date of birth (mm-dd-yy)
06	From:										
	To:										
	Next:										

		34. register number	34. worker's comp code	36. previous state service	37. shift code	38. 2nd shift rate	39. 3rd shift rate	40. state tax code	41. local tax code	42. work week code	43. OT code	44. work county code	45. work area code & phone number
07	From:												
	To:												
	Next:												

		46. work street address	47. work city	48. work state	49. work zip code
08	From:				
	To:				
	Next:				

		50. cabinet	51. department	52. division
09	From:			
	To:			

APPROVALS FOR CURRENT REQUEST		APPROVALS FOR NEXT REQUEST		FOR PERSONNEL DEPARTMENT USE ONLY			
APPOINTING AUTHORITY OR DESIGNEE		DIVISION DIRECTOR	DATE	PROC	DATE	ACE	DATE
	DATE	APPOINTING AUTHORITY OR DESIGNEE	DATE	CLASS	DATE	NMER	DATE
COMMISSIONER OF PERSONNEL		ADDITIONAL SIGNATURE IF REQUIRED	DATE	GSC	DATE	COMM	DATE
	DATE	COMMISSIONER OF PERSONNEL	DATE	REG	DATE	PROSUP	DATE

DEPARTMENT OF PERSONNEL (NEXT ACTION) - WHITE

PE 7.12

EXPLANATION OF CODES USED ON THE REVERSE SIDE OF THIS FORM

ITEM 5. Codes for racial origins defined by Federal Government

0 — White
1 — Black
2 — Hispanic
3 — Asian American
4 — American Indian or Alaskan Native
5 — Other

ITEM 6. Sex Code

M — Male
F — Female

ITEM 10. Home State Code. Codes for states not shown are in the Personnel User's Manual.

KY — Kentucky
TN — Tennessee
OH — Ohio
IN — Indiana
IL — Illinois
VA — Virginia
MO — Missouri
WV — West Virginia

ITEM 22.A FLSA Code

0 — Non-Exempt (Eligible for Overtime)
1 — Exempt (Not Eligible for Overtime)

ITEM 22.B Retirement Code

0 — No Retirement
1 — KERS
2 — Teacher's
3 — Hazardous
4 — State Police
5 — Judicial I
6 — Judicial II
7 — Legislative

ITEM 23. Pay Type Code

H — Hourly
S — Salaried
P — Per Diem

ITEM 28. Employment Status code

A — Probationary
B — Permanent
C — Provisional
D — Emergency
E — Temporary
F — Seasonal
G — Scholarship
H — Co-op.
I — Federally-funded

ITEM 29. Full/Part-Time Code

F — Full Time
P — Part-Time (100 or more hours per month)
L — Part-Time (less than 100 hours per month)

ITEM 30. Employee Merit Status Code

1 — Covered
2 — Not Covered

ITEM 31. Position Merit Status Code

1 — Covered
2 — Not Covered

ITEM 32. Federal Fund Source Code

0 — Not Federally Funded
1 — CETA
2 — WIN
3 — PSC
4 — PSE
5 — Other Federal Funding

ITEM 36. Previous State Service Code

Y — Yes
N — No

ITEM 37. Shift code

10 — First Shift
24 — Second Shift
34 — Third Shift
44 — Shift varies

ITEMS 40 & 41. State and Local Tax Code

Refer to the Personnel User's Manual for a list of these codes.

ITEM 42. Work Week Code

1 — 37.5 Hours
2 — 40.0 Hours
3 — Other

ITEM 43. Overtime Status Code

1 — No Overtime Pay Allowed
3 — Overtime Pay Allowed

ITEM 18. Home County Code

ITEM 44. Work County Code

KENTUCKY COUNTIES AND THEIR CODE NUMBERS

Out-Of-State 000

Adair 001	Carroll 021	Grant 041	Knox 061	Mason 081	Robertson 101
Allen 002	Carter 022	Graves 042	Larue 062	Meade 082	Rockcastle. . . . 102
Anderson. 003	Casey 023	Grayson 043	Laurel. 063	Menifee 083	Rowan 103
Ballard. 004	Christian 024	Green 044	Lawrence 064	Mercer 084	Russell 104
Barren 005	Clark 025	Greenup 045	Lee 065	Metcalfe 085	Scott 105
Bath 006	Clay 026	Hancock 046	Leslie 066	Monroe. 086	Shelby 106
Bell 007	Clinton 027	Hardin 047	Letcher. 067	Montgomery . . 087	Simpson 107
Boone 008	Crittenden 028	Harlan 048	Lewis 068	Morgan. 088	Spencer 108
Bourbon 009	Cumberland. . . 029	Harrison 049	Lincoln. 069	Muhlenburg. . . 089	Taylor. 109
Boyd 010	Daviess 030	Hart 050	Livingston. . . . 070	Nelson 090	Todd 110
Boyle 011	Edmonson. . . . 031	Henderson . . . 051	Logan 071	Nicholas 091	Trigg 111
Bracken. 012	Elliott 032	Henry 052	Lyon 072	Ohio 092	Trimble 112
Breathitt 013	Estill. 033	Hickman 053	McCracken . . . 073	Oldham 093	Union 113
Breckinridge . . 014	Fayette 034	Hopkins 054	McCreary 074	Owen 094	Warren 114
Bullitt 015	Fleming 035	Jackson 055	McLean 075	Owsley 095	Washington . . . 115
Butler 016	Floyd 036	Jefferson 056	Madison 076	Pendleton 096	Wayne 116
Caldwell 017	Franklin 037	Jessamine. . . . 057	Magoffin. 077	Perry 097	Webster 117
Calloway 018	Fulton. 038	Johnson 058	Marion 078	Pike 098	Whitley 118
Campbell. 019	Gallatin. 039	Kenton 059	Marshall 079	Powell 099	Wolfe 119
Carlisle 020	Garrard. 040	Knott 060	Martin 080	Pulaski 100	Woodford 120

Recommendation 17: **Require the highway district offices to use the current P-1 form.**

Finding: Agencies need an adequate list of names to be able to choose a good employee.

Agencies report that they do not have enough applicants to choose from with just the top five scores certified. For various reasons, the choice of applicants is often narrowed to two or less. (For example, applicants may already have a job; they may have moved and left no forwarding address; they may turn the job down after they find out the working conditions or pay; or they may not respond to the request for an interview.

The system to award five or ten veteran's preference points has been expanded over the years to award points for people who served in non-combat years or the U.S. Military Reserves or Kentucky National Guard. For eight classes, applicants can't score in the top five scores unless they have veteran's preference points. For 75 classes, applicants need to score a 95 or better to score within the top five scores. Veteran's preference points contribute to this problem.

Recommendation 18: **Increase the number of applicants certified to agencies to the top ten scores.**

Note: Sending all the names would allow too much political abuse. Hiring would not be based on merit.

Recommendation 19: **Continue to award five and ten veteran's preference points, but make the maximum score for all registers 100 points.**

For example:	Written test score	=	93
	Vet's. pref. points	=	10
	Total		103
	Actual Score	=	100

Note: We certainly must maintain the veteran's preference points for all people who have served in the military, U.S. Military Reserves, Kentucky National Guard and currently eligible dependents. It is imperative that the veteran's preference points be continued. This is just a modification, so that applicants in addition to veterans can be considered.

Implications

Service - Downsizing the workforce will help from a budgetary viewpoint, but may hurt areas that are already understaffed. Steps to streamline the hiring process would decrease frustration for the agencies. Providing a vacancy list would provide a higher quality applicant. Also, providing a register certificate with applicants having the top 10 scores

should help the agencies to have more choice. CAPS - Agencies would be able to speed up the hiring of employees. GOPM would not have as clear a picture of actual personnel costs. Policy makers would have to carefully monitor their budgets. Developing a means to relocate staff to understaffed, overworked areas would provide better service for taxpayers.

Staffing - Additional staffing from within state government would be needed at GSC to handle the job reengineering process.

Budgetary - Savings will be realized in the following areas:

- Freeze 70 percent of the current and future vacancies - save $70 million the first year. (This is after costs are allocated for re-engineering, retraining, and pay increases.)

- Reduce the number of test centers from 15 to no more than 6 - save approximately $10,000 per year.

- Allowing agencies to automatically change addresses, social security numbers, names and shift codes will result in nominal savings.

HUMAN RESOURCES PLANNING

MINORITY/GENDER ISSUES

Issue

Is state government's Affirmative Action Program effective?

Background

The 1990 census figures state that Kentucky's population is made up of 7.9 percent minorities and 51.5 percent women.

Kentucky's Affirmative Action Plan employment goal is 7.4 percent minorities and 52 percent women. The goals for officials or administrators is also 7.4 percent minorities and 52 percent women.

Agencies aren't told which applicants are minorities. (Page 4 of the state application form which gives race and sex information is not sent to the agencies because of the Department of Personnel's concern that it could lead to discrimination.) The Department of Personnel strongly encourages agencies to contact the state EEO Coordinator's Office for assistance with minority and female hiring.

Findings and Recommendations

Finding: Current state employment in general is 7.08 percent minorities and 48.39 percent women. (Both figures are very close to Affirmative Action Plan goals.)

Finding: Current figures for administrators are 4.54 percent minorities and 33.46 percent women. (Both figures are below Affirmative Action Plan goals of 7.4 and 52 percent.)

Recommendation 1:	**Mandate manager training in managing diversity in the workplace.*** **
Recommendation 2:	**Assign an additional professional level employee to the state EEO Coordinator's Office for recruitment purposes.**
Recommendation 3:	**Monitor advancement opportunities for women and minorities and set goals and timetables for measuring success.*** **

***Recommendation modified as a result of issues raised at the commission retreat.

Establish a minority/female talent bank to facilitate upward mobility.

Recommendation 4: **Develop a voluntary mentorship program to provide development opportunities.**

Recommendation 5: **Ensure the support of top management for aggressive affirmative action efforts through annual planning goals, objectives, and performance measures.*****

Implications

Service - If the above recommendations are implemented, the state's Affirmative Action Program would become more effective.

Staffing - One additional professional level employee from within state government would be needed to increase recruitment efforts.

Budgetary - Establishing a minority/female talent bank and a mentorship program could have minimal administrative costs. These costs would possibly be negated by reduced court costs from discrimination cases.

***Recommendation modified as a result of issues raised at the commission retreat.

HUMAN RESOURCES PLANNING

TURNOVER

Issue

How can the high turnover rates for many job classifications be reduced?

Background

Nationally the median turnover rate for states is 11 percent. The average turnover rate for Kentucky state government is 7.6 percent. Some classes such as police communications dispatcher have a much higher turnover rate. (18 percent)

There are various reasons for the high turnover rates in some classes, but the major reason seems to be low pay. Other reasons include lack of shift differentials in pay, workload, stress, complexity of tasks, overtime, lack of professional enhancement and training, etc. (Exhibit 1)

Findings and Recommendations

Finding: Although Kentucky's average turnover rate is below the national average, there are some problem classes that need to be carefully examined.

The state loses a great deal of money in training costs and productivity when turnover is high.

Recommendation 1: **Gather turnover statistics by class to determine which classes have a high turnover rate.**

High turnover is defined as 1 and 1/2 times the national average of 11 percent (or 16.5 percent).

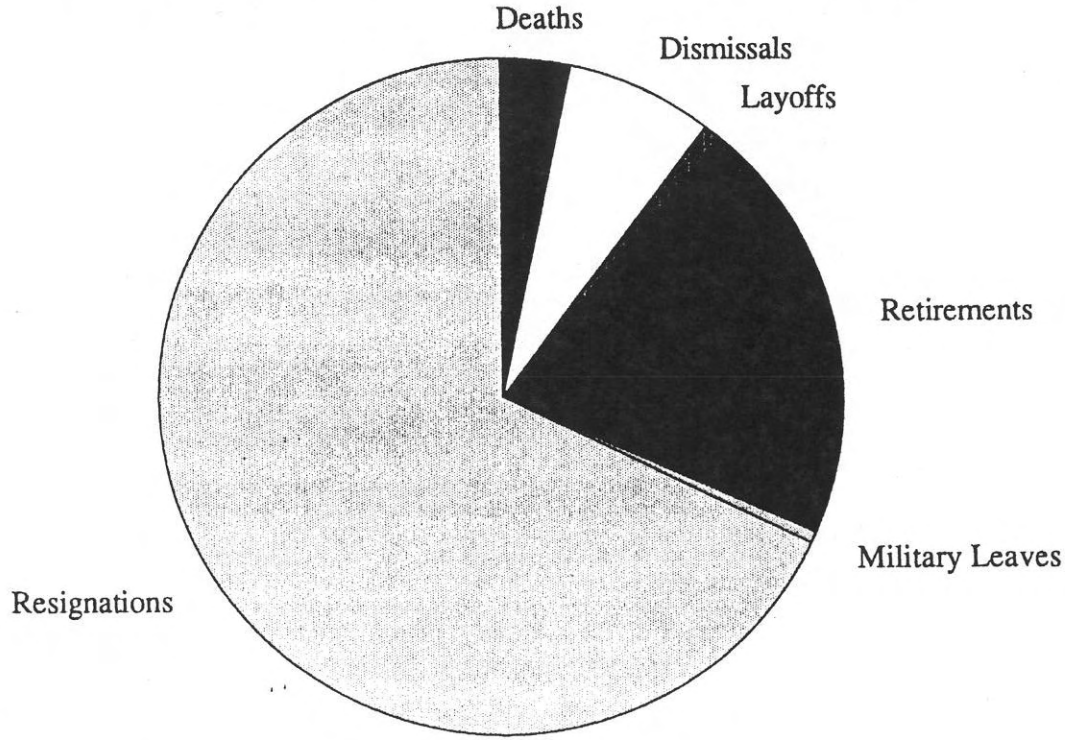
Implications

Service - Before high turnover can be reduced, statistics are needed to determine which classes have an extremely high rate of turnover. Not only could the problems causing the high turnover be addressed, but also, the following steps to more quickly hire employees in these classes could be implemented:

- Stop the requirement for a justification letter when filling a position.
- Allow additional appointments from a single register certificate.
- Allow continuous testing.

Exhibit 1

SOURCES OF EMPLOYEE TURNOVER



Total number of separations 652

Total number of employees 35145

6/30/93

PE 9.2

Detailed statistics on classes with high turnover would provide valuable information to agencies. Then, the agencies and DOP could begin to address the problems that contribute to the high turnover.

Staffing - No additional staff would be needed.

Budgetary - Additional computer programming would be needed to gather turnover statistics by class. This nominal cost ($150) would be offset by reduced turnover.

HUMAN RESOURCES PLANNING

ADVANCEMENT/PROMOTIONS

Issue

What avenues are available for professional advancement?

Findings and Recommendations

Finding: It's difficult for employees to find out about the few advancement opportunities that there are in state government.

State Police, Fish and Wildlife, Corrections, CHR and Transportation have promotional programs but all have different policies and procedures. Some of the vacancies that occur in these agencies are posted internally. The remaining agencies do not have a formal promotional program.

Finding: The job bank was discontinued because it wasn't authorized in the statutes.

This was a vehicle for state employees to let agencies know that they were interested in transferring to another position. If an employee met the minimum requirements and passed the appropriate selection method, his/her name went on the job bank register for that specific class.

Several people who were interviewed by the personnel Team requested that the job bank issue be revisited.

Recommendation 1: **Implement a <u>flexible</u> promotional program across state government.**

Provide broad guidelines for all agencies to follow, such as:

- Allow appointing authorities to exempt positions from being filled through the promotional program. Two examples of exemptions include in-house employees who have specific training in the immediate area and a critical position that needs to be filled immediately such as a nurse.

- Allow agencies the option of posting vacancies internally or posting statewide.

  Note: Due to the Personnel Board decision of June 13, 1991, <u>any</u> merit full-time employee may apply for advertised positions.

- If posting statewide, send a copy of the bulletin to DOP. The DOP could mail

statewide listings and provide an 800 number for employees who want to find out where vacancies are located.

- Include vacancies for all pay grades.

Recommendation 2: Reinstitute the job bank with modifications.

The employee's name who applied through the job bank would remain on the job bank for a period of one year. Employees would be allowed to go on the job bank for 10 classes for which they would accept employment if the job was offered to them.

Note: See the issue paper on the Mission and Role of the Department of Personnel for a recommendation that the DOP be given the authority to promulgate regulations on promotions.

Implications

Service - State employees would be more aware of advancement opportunities. Agencies would be able to hire state employees who are already partially trained.

Staffing - This would increase the workload for agencies and DOP. However, existing staff should be able to handle the additional administrative duties.

Budgetary - Statewide mailings would require approximately $900 per year to cover postage and printing. The 800 number would cost $125 to install and approximately $200 a month. ($2,525 - first year)

TRAINING

AND

DEVELOPMENT

TRAINING AND DEVELOPMENT

MANAGER TRAINING

Issue

Are state government managers being trained in leadership skills that support employee involvement and continuous improvement?

Background

Managers in state government have the option of attending management training courses at the Governmental Services Center (GSC) at Kentucky State University (KSU). The Kentucky Career Manager (KCM) program offered through GSC allows managers to participate in a structured curriculum that leads to Certified Public Manager accreditation (Exhibit 1). As of June 15, 1993, 28 employees have achieved Certified Public Manager status, 39 have received an intermediate Certificate of Management Fundamentals and over 900 employees are actively working toward certification (Exhibit 2). Managers who do not choose to participate in the KCM program can attend individual workshops of their own choosing.

Findings and Recommendations

Finding: Executive Order 82-868, which requires that all executive branch managers attend management training programs provided by GSC, has not been enforced since December 1983.

executive order 82-868, Item 5, states that "The Governmental Services Center at Kentucky State University shall conduct, or cause to be conducted, ongoing management training programs for all state managers within the Executive Branch of state government, and attendance at such training shall be mandatory with the cost of the training incurred shared on a pro-rated basis by the organizational unit from whence the manager comes."

The executive order was enforced from September 1982 until December 1983. Subsequent administrations have offered varying degrees of support for management training, although none has required it. As a result, employees who have become managers since 1983 may easily have managed 10 years without ever having participated in leadership training. An exact figure, however, is unavailable since the state has no reliable data to indicate the number of managers in state government who have been trained.

Recommendation 1: **Require all executive branch managers to the level of director to attend a 3 1/2 day Executive Development Seminar.**

The seminar will cover high involvement leadership practices that are fundamental to

EXHIBIT 1

KENTUCKY CAREER MANAGER
CERTIFIED PUBLIC MANAGER

CORE CURRICULUM

All workshops and tests in the core curriculum must be completed.

	Hours:
Creative Problem Solving/Decision Making	14
Dealing With Conflict	14
Discipline and Disciplinary Action	14
Equal Employment Opportunity and You	7
Fundamental Principles of Budgeting	7
Improving Interpersonal Communication	14
Introduction to Computers	14
Leadership I: Fundamentals of Effective Leadership Prerequisite: New Managers Survival School (for nonmanager candidates and managers with less than one year experience)	25
Leadership II: Developing Self and Empowering Others Prerequisite: Leadership I	32
Leadership III: Achieving Organizational Balance Prerequisites: Leadership I and Leadership II	25
Managing Organizational Change Prerequisite: Leadership I	14
Managing Relationships at Work	14
Performance Management Prerequisite: Leadership I	14

ELECTIVE CURRICULUM

Candidates must complete an additional 100 hours of workshops and activities from the following:

	Hours:
Americans with Disabilities Act	3.5
Behavioral Interviewing	14
Building Assertiveness Skills	14
Building Effective Teams	14
Building Self Esteem	7
Current English Usage	7
Coping With Stress	7
Customer Service	7
Developing Effective Presentation Skills	14
Enhancing Your Professional Image	7
Getting Things Done: How to Manage Your Time	7
GSC Computer Workshops	up to 28
New Managers Survival School	14
Sexual Harassment Prevention	3.5
Techniques for Reading "Smarter"	14
Training for Trainers	21
Writing Better Letters and Memos	14

Up to 10 hours may be completed through structured readings approved by your KCM advisor. Up to 20 hours may also be completed through agency in-house training or agency-approved external training approved by your KCM advisor.

Exhibit 2

KENTUCKY CAREER MANAGER PARTICIPANT DEMOGRAPHICS

Graduates: Certified Public Manager

Minorities	- 3 (11%)
Nonminorities	- 25 (89%)
Women	- 14 (50%)
Men	- 14 (50%)
Frankfort	- 22 (21%)
Field	- 6 (79%)
Manager	- 12 (43%)
Nonmanager	- 16 (57%)

Recipients: Certificate of Management Fundamentals

Minorities	- 3 (8%)
Nonminorities	- 36 (92%)
Women	- 17 (44%)
Men	- 22 (56%)
Frankfort	- 29 (67%)
Field	- 13 (33%)
Manager	- 14 (36%)
Nonmanager	- 25 (64%)

Active Participants (Total = 900+)

Minorities	- 6%
Nonminorities	- 94%
Women	- 49%
Men	- 51%
Frankfort	- 80%
Field	- 20%
Manager	- 42%
Nonmanager	- 58%

Kentucky's changing style of management. Topics include vision, mission and goal setting; managing diversity; managerial ethics; creating an empowering organization; team building; managing risk taking, experimentation and change.

Recommendation 2: **Require all new managers below the level of director to attend the New Managers Survival School within 6 months of appointment. Require all managers to attend minimum 4 days of training per year selected from the Kentucky Career Manager curriculum. As part of meeting this requirement, managers shall complete the Leadership series within 5 years of appointment or implementation of this proposal.**

Training requirements can be difficult for agencies who are already understaffed and who spend significant amounts of time in technical training. Nevertheless, consistent, competency-based training for all state government managers is critical to effecting real employee involvement for continuously improving state government systems and services.

Use of the Kentucky Career Manager curriculum ensures that all managers are acquainted with high involvement principles and skills that are regularly reviewed by a national consortium of accredited government organizations. The Leadership Series consists of 3 workshops central to this curriculum. Courses in this series include Leadership I - Fundamentals of Effective Leadership, Leadership II - Developing Self and Empowering Others, and Leadership III - Achieving Organizational Balance. Results are measured by testing participants in key leadership skills and through reactive evaluations. The Governmental Services Center should also extend its evaluation procedure to post-workshop assessment of on-the-job learning.

Virtually every consultant report and benchmark agency referenced for this issue paper supported centralized management training requirements. (Benchmarks include Toyota Motor Manufacturing, Rohm and Haas International, United Parcel Service and the states of New Jersey and New York. Reports were leveraged from Washington, North Carolina, Maryland and Texas. Benchmarks were chosen in consultation with the Council of State Governments. Reports were leveraged in consultation with Peat Marwick consultants.) These requirements should be codified in statute.

Recommendation 3: **Establish a clear definition of "manager" and determine human resource issues for which managers will be held responsible and accountable.**

Only then will agencies have consistent criteria for measuring manager performance and for determining individual management training requirements. Consistent definition of "manager" will also facilitate record keeping activities.

Finding: The Personnel Board estimates that 25 percent of appeals could be avoided if

managers were trained.

Without training, some managers mishandle such standard management responsibilities as performance evaluation, hiring, discipline, conflict resolution, and fairness and grievance procedures. Offering managers consistent training in modern leadership practices supports equitable treatment for employees throughout the organization and, consequently, results in fewer appeals.

Recommendation 4: **Involve representatives of the Personnel Board and private benchmark companies in management training policy development and content review.**

Personnel Board representation ensures input about issues that frequently come before the board. Participation by private sector benchmark companies would allow GSC to incorporate state-of-the-art human resource practices into its regular development processes. With respect to both groups, input should be solicited through regular advisory board involvement. (See Issue: Role of the Governmental Services Center for further description of advisory board participation.)

Implications

Service - Integration of high involvement leadership practices results in a workforce committed to continuously improving systems and services. Participation in leadership training at all management levels also promotes networking and better communication among the various state government agencies. High involvement management practices improve employee morale and promote better customer service.

Staffing - In some agencies, managers will commit more time to training than they are currently. Additional GSC staff will be needed as a result of increased requests for training. This can be accomplished with no net increase in staff by hiring qualified applicants from within state government.

Budgetary - While Kentucky does not maintain data indicating the amount of money awarded employees as a result of sexual harassment, wrongful termination, and discrimination claims, it is safe to say that reducing these claims by the Personnel Board's estimated 25 percent would result in cost savings. The cost of increasing GSC staff is outlined under Issue 3.

TRAINING AND DEVELOPMENT

EMPLOYEE TRAINING

Issue

Are non-managerial staff being trained in skills that support employee involvement and continuous improvement? [Note: For purposes of this issue analysis "non-managerial staff" will be referenced as "employees."]

Background

Employee training programs that complement management training are available at the Governmental Services Center. Although GSC occasionally conducts central training needs assessments, agencies are responsible for identifying their employees' own training needs and for approving their enrollment. Agencies determine their own training policies.

Employees also have the option of attending classes at agency expense through the state's tuition assistance program. Tuition assistance policy states that "All employees who live or whose work station is in Franklin or an adjoining county will receive educational assistance only for courses at Kentucky State University (KSU) unless the course or degree program required is not available or offered there." Agencies arrange their own job-specific and technical training.

Findings and Recommendations

Finding: Comparison of GSC training content and content offered by benchmark agencies indicates a need for development of standard problem-solving modules.

GSC training content compares favorably with training offered by benchmark organizations. Missing, however, is training in standard problem-solving tools applicable to all agencies. Examples of common tools include cause and effect (fishbone) diagrams, flow charts, force-field analysis, checksheets and standardized problem-recommendation report format.

Recommendation 1: **Develop training in standard team problem-solving techniques to facilitate problem solving in interagency, cross-functional groups.**

Public and private sector benchmark agencies (Toyota, Rohm & Haas, City of Phoenix, Florida Power and Light) and experts in the field of Total Quality Management (Deming, Lawler, Weisbord) strongly advocate processes involving employees in different fields and organizational units. The most effective way to implement this is by training all employees in standard problem-solving tools.

Finding: Inconsistent agency policies for employee development detract from efforts to effectively involve employees and to continuously improve service to customers.

Commitment to professional development and training is a common element among organizations that value quality and continuous improvement. In many Kentucky agencies, training policy is unclear and employees have no development plans. In fact, comments on employee surveys and in interviews indicate that some employees are unaware the state offers training that does not incur additional cost to either them or their agencies. As a result, employees are generally uninformed about methods important to high involvement including customer service, team problem-solving, conflict resolution, and other skills.

Recommendation 2: **Clarify and publish training policies that encourage employee development and involvement at all levels.**

The impact of training is valid and beneficial only if the skills learned are shared by all agency personnel. Training policy should, therefore, reflect the importance of complementary training at all levels.

Managers should be held responsible for ensuring that employees are aware of training and development opportunities and for encouraging participation. It is also important that managers tie employee training to advancement.

Finding: Agency and GSC needs assessments are conducted irregularly and results are unreliable.

In order to be truly valuable, training needs assessments should be conducted at regular intervals and be competency-based. Both agency and GSC needs assessments tend to simply poll employees to determine which workshops they would like to attend in the short-term.

Recommendation 3: **Improve needs assessment process both generally and with respect to development of individual employee training plans.**

The Governmental Services Center should improve the validity and frequency of their own state employee needs assessment process and work with agencies to help them identify training needs specific to their cabinets.

Individual employee training needs assessment should be incorporated into the performance appraisal process. Two things are necessary to facilitate this. First, managers need to be trained in developing customized, competency-based training plans based on individual employee's performance evaluation, existing skills and professional goals. Second, the performance appraisal process needs to be revised to support clarification of performance measures, identification of training needs and career development plans.

Finding: There is no coordination of job-specific and technical training among cabinets.

As a result, agencies may be paying private vendors to provide technical training that could be available at another state agency at no cost. For instance, an agency may elect to send an employee to training in the use of certain chemicals when the training could be obtained at no charge from another cabinet. Since there is no effective coordination of technical training activities, reliable cost figures are unavailable.

Recommendation 4: **Develop an electronic records management system with remote capability to record all training activities, expenses, equipment, facilities and instructor expenses.**

In this way, agencies could identify in-house training resources available at little or no cost. Efforts to facilitate information sharing should also be promoted through creation of a trainers' resource organization that facilitates networking among trainers in the various agencies.

Finding: In order to take advantage of tuition assistance, employees whose work station city or residence is closer to schools in cities other than Frankfort are required to travel to Frankfort for classes at KSU.

Surveys and interviews indicate that this restriction can result in lost time and added expense for the employee.

Recommendation 5: **Allow employees to attend state-supported schools in addition to KSU.**

While this offers no real savings to the state, it does offer savings for the employee and demonstrates concern for employee needs.

Implications

Service - Implementation of these recommendations would result in an integrated employee development system that includes needs assessment, employee training and career planning. Employee involvement would be facilitated by common understanding of standard problem-solving tools and team processes. Agency networking would also be improved through promotion of inter-agency teams and records management. There are service implications for internal and external customers as a result of these recommendations. First, better understanding of other organizational units and overall processes results in more accurate information sharing and reduced duplication of services. Second, training in high involvement and team skills emphasizes customer service as a core value for quality organizations. And, finally, employee involvement encourages a more highly motivated and productive workforce.

Staffing - Additional GSC staff will be needed as a result of increased training requests and needs assessment services. This can be accomplished with no net increase in staff by hiring

qualified applicants from within state government.

Budgetary - According to the Department of Information Systems (DIS), development of an electronic records management system can be accomplished at relatively low cost if existing equipment on the networks can be used. Anticipated cost includes software development by DIS ($34,200) and ongoing system support ($18,100 per year). Estimates were calculated in consultation with DIS using comparable statewide record keeping systems. Cost savings would be generated through increased use of in-house facilities, equipment and expertise identified by the new records management system. A conservative estimate of cost savings can be calculated using GSC-30 Training Authorization forms that reflect dollars spent on private vendor training. If agencies saved only 10 percent of funds currently allocated for outside training ($1,004,089), the state could save $100,408 a year.

** Estimated first year savings:	$100,408	
	-34,200	development (6 months)
	- 9,050	system support (6 months)
	57,158	
** Ongoing savings/yr	$100,408	
	-18,100	system support
	82,308	/yr

The cost of increasing GSC staff is outlined under Issue 3.

** Denotes opportunity for cost savings

TRAINING AND DEVELOPMENT

ROLE OF THE GOVERNMENTAL SERVICES CENTER

Issue

Is the Governmental Services Center's mission, organizational structure and operating system conducive to delivering needed training programs and organizational development services?

Background

The Governmental Services Center (GSC) was established by statute in 1981. KRS 164.357 requires that GSC "be responsible for the development, coordination, content, approval and implementation of all training, employee development, and related programs conducted for or on behalf of all program cabinets, departments, administrative bodies and program managers of state government." The statute has been revised twice to allow GSC to contract to do training for city and county governments in conjunction with the Department of Local Government and to conduct employee assessment services for private business in conjunction with the Economic Development Cabinet.

Specifically, the center provides leadership training, general employee development workshops, computer training, strategic planning, assessment center services, organizational development and consultation. GSC administers the Public Sector Quality Audit and delivers customized training for agencies who choose to implement Total Quality initiatives. Recently, GSC has been charged with coordinating training in American Sign Language and delivering statewide training required by the Americans with Disabilities Act and sexual harassment laws and regulations. GSC also coordinates the state's educational tuition assistance program and authorizes training by private vendors using the GSC-30 Training Authorization form. GSC maintains a Management Information System and Student Tracking System to document the services it provides.

GSC consists of 3 branches -- Administrative Services, Management and Employee Development, and Computer and Technical Services. There are 23 full-time staff -- one (1) executive director, three (3) managers, eight (8) training consultants, one (1) research consultant, and ten (10) administrative staff. (There are three vacant staff positions.)

GSC is funded using a formula that divides the center's budget by the total number of existing management positions as determined by the Department of Personnel and GSC. The current cost assessment is $150.44 per management position per year. The current assessment total is $1,050,974 per year. (In FY 1992, GSC earned $70,025 additional income by conducting assessment centers for private sector businesses and providing training to city and county governments.)

GSC is governed by an authority board consisting of the President of Kentucky State

University (KSU) as chair, the Secretary of Finance Cabinet, the Commissioner of Personnel, two (2) members appointed by the Governor, and two (2) members appointed by Authority chair.

University affiliation allows GSC to offer the Certified Public Manager (CPM) program and to conduct assessment centers, research projects, and survey development in association with the School of Public Affairs. GSC also awards continuing education units under the auspices of KSU.

Findings and Recommendations

Finding: Training in Kentucky is seriously underfunded compared to other public and private sector organizations.

Well-run organizations need a central reference point for responding to organizational development and training needs in a manner consistent with the larger organizational mission. For the past 12 years, the Governmental Services Center has provided that service to the extent that limited resources allow. Kentucky's investment in training, however, is far below the national average. Kentucky spends .2 percent of personnel costs for training and tuition assistance compared to the national average of 1.4 percent (Exhibit 1). Annual agency cost assessments for the Governmental Services Center average .09 percent of agency personnel costs (Exhibit 2).

Recommendation 1: **Expand GSC's staff and fiscal resources in order to fulfill all elements of the statutory mission, to accelerate facilitation of strategic planning and needs assessment services, and to proceed with reengineering and retraining activities.**

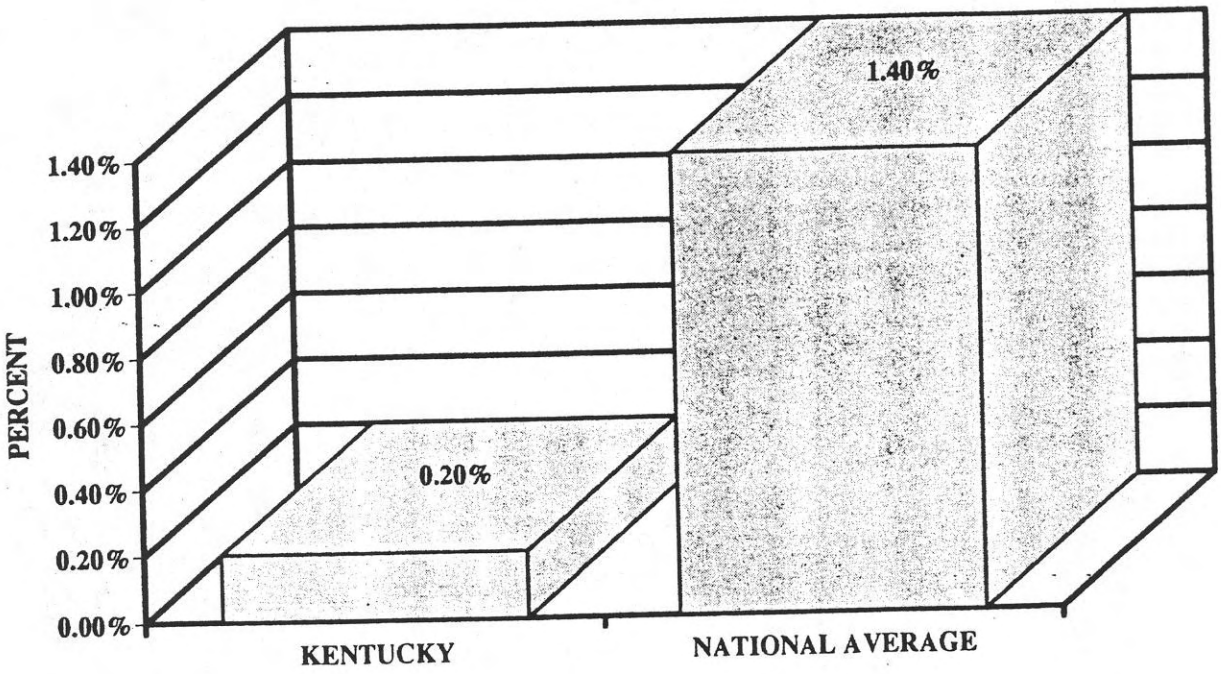
GSC's current staff levels are insufficient for accomplishing its current mission. Commission on Quality and Efficiency recommendations expand and add to that mission. Once Commission recommendations have been finalized, GSC needs to conduct analyses of all jobs at the center, redesign jobs where necessary, and conduct a staffing needs analysis to determine the extent to which staff levels need increasing.

Finding: GSC is organizationally separate from other human resource management functions in state government.

Programs such as training, strategic planning, assessment center services, needs analyses and organizational development consultation are core human resource functions that complement central personnel operations. GSC's location in the finance cabinet separates these functions from the state's personnel structure. As a result, the Department of Personnel by statute concentrates on administrative operations while human resource development is located elsewhere in state government's operating structure.

Exhibit 1

TRAINING AND DEVELOPMENT AS A PERCENT OF PAYROLL



Source(state): Kentucky object of expenditure code E133 which is Employee Training Expense.

Source(national): Modernizing Maryland's Personnel System, Maryland Commission on Efficiency and Economy, Final Report, December 1992.

Exhibit 2

Govermental Services Center

Cabinet Assessment as a Percent of Personnel Costs

CABINET	POSITIONS	DOLLAR AMOUNT	PERSONNEL COSTS	PERCENT OF PERSONNEL COSTS
Revenue	171	$25,725	$50,184,700	0.05%
General Government	307	46,185	5,737,000	0.81%
Justice	346	52,052	67,201,400	0.08%
Education	719	108,166	36,411,800	0.30%
Natural Resources	433	65,141	68,045,800	0.10%
Transportation	1,159	174,360	234,642,700	0.07%
Economic Development	66	9,929	9,511,400	0.10%
Public Protection & Regulation	265	39,867	41,295,500	0.10%
Human Resources	1,909	287,190	420,751,200	0.07%
Finance	365	54,911	44,080,100	0.12%
Corrections	682	102,600	107,698,200	0.10%
Tourism	485	72,963	63,439,100	0.12%
Labor	79	11,885	16,921,900	0.07%
Total	6,986	$1,050,974	$1,165,920,800	0.09%

Recommendation 2: **Revise KRS 167.357 to attach the Governmental Services Center to the new Cabinet for Personnel Management.**

GSC should become a vital part of the state's human resource management team consisting of the Secretary of the Cabinet for Personnel Management and the heads of the Department of Personnel Services, the Governmental Services Center, and the Department for Employee Relations. GSC's connection to KSU should be maintained through establishment of an advisory board to replace the current authority board. Membership on the advisory board should reflect expertise that supports the state's short- and long-term strategic plans, that encourages modern training and organizational development, and that reflects the needs of state government employees. To accomplish this, the advisory board should include the President of KSU, the Secretary of the Cabinet for Personnel Management, the Executive Director of the Personnel Board, at least two (2) human resource professionals from private sector benchmark companies, representatives of the Secretary of the Executive Cabinet and the Kentucky Long-Term Policy Research Center, and the president of the Kentucky Society of Certified Public Managers.

Finding: There is insufficient access to training, especially for regional field offices.

Some agencies have long waiting lists for selected workshops, such as WordPerfect I and II, Windows, Dealing with Conflict, Stress Management, and Improving Interpersonal Communication. Access is a particular problem for employees in field offices. Since they have fewer local opportunities for training, field staff spend more time and money attending workshops in Frankfort. Intensifying this problem is GSC's dependence on stand-up classroom delivery by GSC trainers.

Recommendation 3: **Create alternatives to standard classroom delivery and increase the availability of programs in Frankfort and the field.**

Consistent, readily available training that supports standard problem solving processes, customer service and team skills is crucial to benchmark agencies in both the public and private sectors. In order to ensure that employees have access to these and other training programs, GSC should explore self-study and telecommunications delivery options and should expand its program for certifying trainers in individual agencies to deliver GSC workshops.

Finding: State government does not have a system to fully support job reengineering and retraining activities.

"Job reengineering" involves job redesign and subsequent retraining of personnel. Reengineering activities pay careful attention to analysis of the job and work processes in combination with review of cabinet mission, department goals and current objectives within the organization's structure. Ongoing reengineering of vacancies is essential to a personnel management system in Kentucky that is cost-efficient and ensures meaningful work.

Recommendation 4: **Expand GSC's mission to include education for job reengineering efforts.**

GSC currently provides some elements important to reengineering through strategic planning, quality audits, job analysis, training needs analysis and delivery of training. GSC should add to this the ability to facilitate work redesign and retraining functions as part of a comprehensive re-engineering effort in the individual agencies.

Implications

Service - Accessible, uniform training provides the framework for positive cultural change in state government. It offers the workforce a common language of quality -- a language that focuses on customer, service, goals and measures. Effective training facilitates an efficient structure supported by staff who all understand and practice skills necessary to continuous improvement and constructive team relations. Implementation of these recommendations would result in more accurate determination of employee training needs relative to the employee's current position, development plan and the agency's strategic goals. Participation in training, as outlined here, would contribute to improved customer service and employee morale.

Staffing - In order to provide these services (as well as increased strategic planning education services being recommended by the fiscal management team), additional staff are needed at GSC. Although a comprehensive staffing needs assessment should be done after the commission's final recommendations are complete, initial estimates indicate that GSC would need to increase staff by 15 people. In order to avoid net increase in state government personnel, qualified staff should be hired internally.

Budgetary - In order to adequately meet the state's training and development needs, there must be a significant funding increase for training and development services. Fiscal reality makes unrealistic any chance of reaching the national average (1.4 percent of payroll) in the near future. At that rate, Kentucky would have invested $18,092,527 in training in FY 92 ($15,507,880 over the actual investment that year). In order to adequately meet current needs and Commission recommendations, GSC would need an estimated $1,299,700 in addition to funds currently allocated. This would bring GSC's total budget to $2.5 million or .2 percent of FY 92 payroll. Increased funding for GSC would increase the state's total investment in training to .3 percent, an increase of .1 percent over current spending. (It is important to consider options to GSC's current funding formula. Simply increasing the agencies' current cost assessment runs the risk of decreasing training funds earmarked for in-house technical training.) NOTE: Throughout the study, the commission's work teams have identified training and development needs within state government. Increasing GSC funding provides the initial resources for meeting these needs. Kentucky, however, should continue to augment funds for training, using national standards as a target.

Cost savings generated by training investment are difficult to document. However, Baldrige

award winning company Motorola estimates that for every dollar spent on quality training, $33 were realized in increased productivity (Harvard Business Review, July/August 1990).

TRAINING AND DEVELOPMENT

TRAINING FOR STATEWIDE TECHNOLOGIES

Issue

Is training available for new and existing statewide technologies?

Background

To the extent that Kentucky has (and will) implement statewide technological systems, operating personnel must have the advantage of training to support using these systems to the fullest. Current statewide systems include STARS (Statewide Accounting and Reporting System), the GOPM Budget Template, HOBOS (Host Based Office System), KICS (Kentucky Imprested Cash System), KAPS (Kentucky Automated Purchasing System), as well as common PC packages such as WordPerfect, Windows, Spreadsheets, Lotus and others.

Two state agencies offer computer and systems training for state government employees. They are the Department of Information Systems' Training Branch (DIS) and the Computer and Technical Services Branch (CTS) at the Governmental Services Center (GSC). **DIS** is responsible for all mainframe training for statewide information systems and provides mini-computer training, some personal computer (PC) training, and Local Area Network and Communications training. DIS also maintains a lending library with self-paced training materials. **CTS** offers PC-based training in entry and intermediate level software skills for packages on the DIS recommended purchase list. Both agencies provide consultation services.

In regard to facilities, DIS has two PC classrooms and one mainframe AS400 classroom for mini-computer training. CTS has three PC classrooms and enough laptop capability for one more class. DIS charges agencies directly for training, while funding for CTS is absorbed in GSC's annual management training cost assessment. DIS has one manager and five computer trainers; CTS has one manager and two full-time computer trainers. Two CTS trainer positions are currently vacant.

Findings and Recommendations

Finding: There is very little coordination of training by CTS and DIS.

Without formal means of ensuring coordination between the two training providers, coordination depends on informal networking between staff. This is unreliable and can result in miscommunication between the two agencies and in confusion for participants who must sort through separate schedules, course descriptions and registration procedures.

Recommendation 1: **Transfer CTS training staff and equipment to the Systems Training Branch at DIS.**

In this way, all phases of information management -- equipment, software, and training -- would be centrally located to promote interaction of PC/Mainframe systems and allow better data/information sharing.

Finding: Training is neither timely nor readily available.

CTS provides basic computer training that DIS requires for many of its more advanced workshops. With only three (3) training providers, CTS tends to have long waiting lists that contribute to corresponding delays at DIS.

While DIS provides HOBOS training and CTS provides GOPM Template training, no central training agency provides training for STARS, KICS and KAPS. As a result, the systems are underutilized and training, when it is provided, may be inconsistent.

Recommendation 2: **Increase scope and sources of computer training delivery.**

The consolidated training branch should develop plans to certify and guide qualified computer trainers in the individual agencies. Plans should include continuing education and evaluation components. Alternative delivery systems should continue to be promoted and developed with ongoing evaluation of their effectiveness.

Consistent, centrally guided training should be available for all statewide systems. Ongoing training needs analyses should be conducted to identify training required on existing technologies.

Finding: The state's purchase recommendation process does not include a plan for development of training on recommended software and hardware packages.

Recommendation 3: **Devise a plan to identify training needs during the purchase recommendation and approval process for systems with statewide applications.**

Consideration should be given to development time, delivery systems, equipment needs, staff requirements and cost. Contracts for private vendor training should be encouraged only if they prove to be cost efficient.

Implications

Service - Coordinated scheduling, registration, and service delivery leads to less confusion among employees. Coordinated, accessible delivery results in more widespread and efficient use of statewide technologies and software applications. More efficient use of systems

improves the accuracy and timeliness of service to customers.

Staffing - This recommendation would result in reallocation of CTS training staff from GSC to DIS.

Budgetary - Cost savings as a result of more efficient use of technology. Following recommendations by the Fiscal Management Team, general fund appropriation, rather than interagency billing, should be made for these activities.

TRAINING AND DEVELOPMENT

NEW EMPLOYEE ASSIMILATION/ORIENTATION

Issue

Do new employees have sufficient access to orientation programs?

Background

New employee orientation is an important first step for ensuring that employees feel invested in overall agency success. To date, state government as a whole has failed to provide thorough orientation that lays the groundwork for constructive employee involvement.

Findings and Recommendations

Finding: Orientation is decentralized among agencies, resulting in inconsistent practices and information.

Without central planning for orientation activities, agencies that offer new employee orientation often duplicate efforts to gather information. Others gather information from contradictory sources and, as a result, give employees conflicting messages. And, according to employee surveys and interviews, some agencies offer no orientation program at all.

Recommendation 1: **Establish a thorough orientation framework for agencies to follow.**

The framework should include information applicable to all state government employees and provide a format for communicating agency-specific information. The Governmental Services Center should be responsible for developing and maintaining an updated framework for new employee orientation in consultation with the Department of Personnel (benefits, procedures), the Executive Personnel Council (agency-specific issues), Governor's Office (strategic direction), and the Attorney General's Office (political guidelines, legal issues). The new Department of Personnel Services should be responsible for maintaining and regularly updating the employee handbook. Managers and personnel administrators in each agency should work together to facilitate and provide orientation, as outlined by the central framework, for all new employees.

NOTE: Explicit attention should be given to ensuring that field offices have equal access to all orientation materials.

Finding: Lack of orientation detracts from employee involvement efforts and general job satisfaction.

Employees are more satisfied and more productive if they have good first impressions of the job. It is important that they understand their new organization and feel welcome in it. Employees who do not have the advantage of orientation are often confused about their places in the system and, as a result, are frustrated early in their careers with state government. As we move toward a culture that encourages involvement and teamwork across agencies, common understanding of the whole organization -- including structure, mission and goals -- becomes even more critical at the earliest stages of employment.

Recommendation 2: **Provide new employees with information that communicates the organization's and agency's direction and purpose.**

Specifically, orientation information should include:

- a clear picture of what the organization offers to and expects from employees,
- an introduction to people with detailed knowledge of various aspects of the organization,
- an overview of the work they will do and an introduction to others who do similar work and are willing to serve as mentors to the new employee, and
- information about what to do in the event of a problem.

The orientation program should include welcome from key agency personnel. Also, a video should be prepared from the Governor to welcome new employees and communicate his/her overall goals and philosophy of state government.

Implications

Service - Consistent orientation encourages teamwork among state government agencies and shared understanding of overall mission and goals. Clear understanding of goals and broad organizational structure improves service delivery and reduces duplication of services.

Staffing - These recommendations can be accomplished with no increase in proposed staff levels.

Budgetary - Minimal expense ($520) for video distribution to each department.

TRAINING AND DEVELOPMENT

EMPLOYEE SUGGESTION SYSTEM

Issue

Does the current employee suggestion system effectively involve employees in continuous improvement efforts?

BACKGROUND

The Kentucky Employee Suggestion System was established under KRS 18A.202 and 101 KAR 2:120 in 1981. The system's purpose is to recognize and reward state employees for their suggestions that result in improvement to government operations.

The employee suggestion system is located in the Employee Incentives Branch of the Employee Services Division of the Department of Personnel. The system has one staff member who divides her time between coordinating the system and Americans with Disabilities Act requirements. Each cabinet has a suggestion system coordinator to whom suggestions are submitted. Most cabinet coordinators serve on a suggestion system council. The council meets quarterly to approve all suggestions for cost savings and, upon request of suggestor, to conduct reviews of rejected suggestions.

Once a suggestion has been submitted, the coordinator for the cabinet to which the suggestion applies, refers the suggestion to a subject matter expert to determine whether the suggestion is acceptable and can be implemented. Once the council has reviewed the suggestion, the decision is passed on to the coordinator of the employee's cabinet who, in turn, notifies the employee whether the suggestion has been accepted or rejected.

Employees are awarded 10 percent of documented or estimated savings to the state over a one year period up to $2,500. Employees may receive $100 for an intangible suggestion award. On average, 200 suggestions a year are received.

Findings and Recommendations

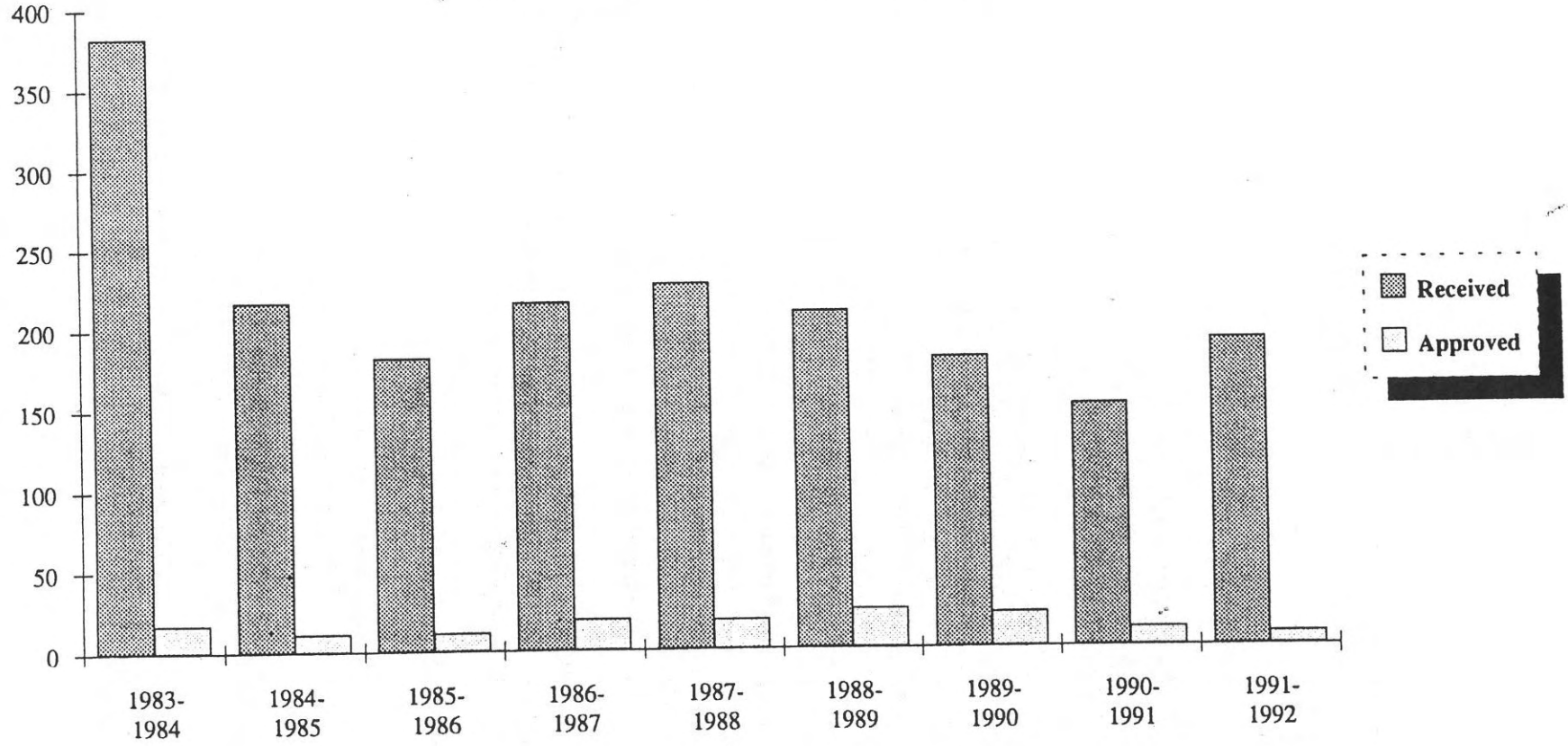
Finding: The current employee suggestion system is weak and reflects a lack of commitment to employee involvement.

Less than 1 percent of employees participate (Exhibit 1) and only from 4 percent to 12 percent of suggestions submitted are approved (Exhibit 2). Furthermore, suggestion system guidelines focus primarily on the administrative aspects of the system. The guidelines do not encourage coordinators or managers to work with employees to promote employee participation in the suggestion system.

Exhibit 1

Employee Suggestion System

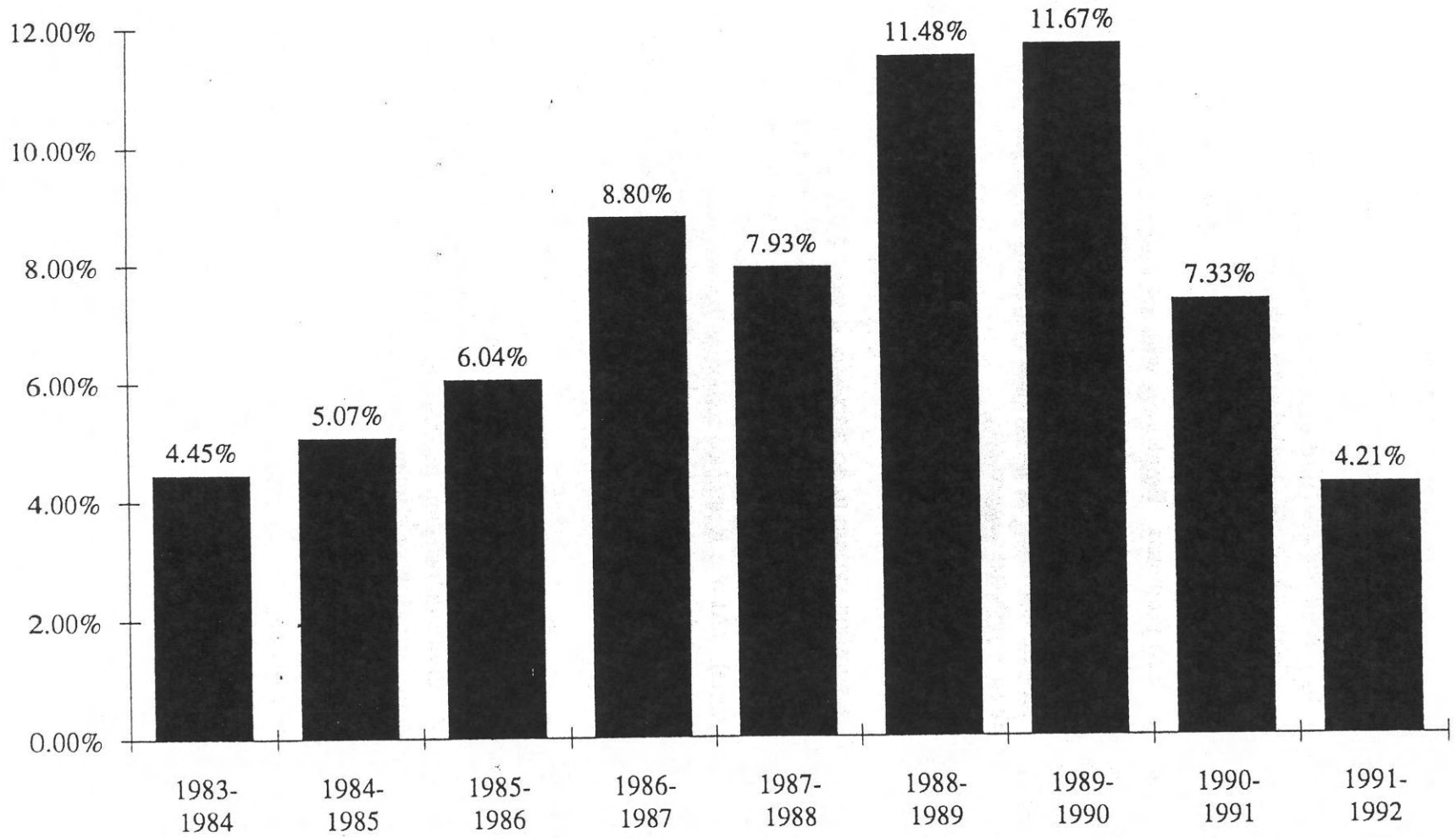
Suggestions Received and Approved



PE 16.2

Exhibit 2

Percentage of Implemented Employee Suggestions



PE 16.3

Recommendation 1: **Change the focus of the current system to provide a more receptive framework for employee suggestions.**

First, orient and train coordinators, council members and supervisors to help them understand the suggestion system and its importance to the state's continuous improvement efforts. Second, rewrite suggestion system guidelines to incorporate proactive involvement in continuous improvement efforts throughout state government.

Finding: There is lack of commitment to suggestion system goals.

The system is not well promoted. Employees who are aware that a suggestion system exists may not know how to use it or worry that suggestions will be perceived as criticism by agency directors. Many employees are convinced that suggestions never make it beyond their front-line supervisors. Interviews with employees and suggestion system personnel indicate that some managers are unwilling to spend time evaluating employee suggestions and make no attempt to improve rejected suggestions.

Recommendation 2: **Hold managers accountable for annual participation objectives of the employee suggestion system.**

In order for the suggestion system to be effective, it must exist within a larger organizational culture that values employee input. Employee input is not currently a pervasive, core value within state government. Managers and employees must be trained in high involvement, team skills and process improvement methods before the employee suggestion system can begin to meet its full potential. (At one Kentucky company the suggestion system receives over 80 percent of employee participation, and more than 90 percent of the suggestions submitted are implemented and rewarded.) Suggestion system processes should also be included in new employee orientation information.

Implications

Service - Recommendations would increase efficiency as a result of employee suggestions and increase productivity as a result of improved employee morale. Since line staff are often involved in direct service delivery to the customer, employee suggestions tend to result in better customer service and more efficient supporting systems.

Staffing - Recommendations would result in no net increase in staff.

Budgetary - The potential for annual savings from the suggestion system, when compared with the results of good private sector programs, is $5,250,000.

COMPENSATION

AND

BENEFITS

COMPENSATION AND BENEFITS

CLASSIFICATION SYSTEM

Issue

Does the existing classification system serve the changing needs of Kentucky state government and its work force?

Background

The job classification system groups together all positions or jobs with similar duties and required qualifications. Each class is assigned to a pay grade. The classification and compensation program is intended to ensure internal equity and market competitiveness externally.

Kentucky's classification and compensation system was established with the first statewide merit system created by legislation in 1960.

The Classification Branch consists of a manager, five analysts, and one support employee.

Except for an overall review made of state government programs in 1982, the classification system has not received comprehensive review since. At least 23 other states have not reviewed their classification plans in the last five years. Missouri has not reviewed its classification plan since 1946. There are, however, twenty states that require periodic comprehensive classification plan reviews.

In 1982, 1800 Kentucky classifications covering 35,506 employees were reduced to 1200. This figure has crept back up in the intervening eleven years to 1600 classifications covering 42,483 employees.

The number of classifications varies from 551 covering 8400 employees in South Dakota to 7300 classifications covering 200,000 employees in New York.

Nationally the average number of classifications per state is 1969 covering (an average of) 44,949 employees ... or 23 jobs per classification. This compares with 26 employees per classification in Kentucky. (Exhibit 1)

Findings and Recommendations

Finding: Kentucky's classification system has not received a comprehensive review since 1982.

Exhibit 1

COMPARISON OF NUMBER OF EMPLOYEES WITH NUMBER OF CLASSIFICATIONS

STATE	NUMBER OF EMPLOYEES COVERED BY CLASSIFICATIONS	NUMBER OF CLASSIFICATIONS	NUMBER OF EMPLOYEES PER CLASSIFICATION
Alabama	28,000	1,600	18:1
Alaska	13,500	1,050	13:1
Arizona	27,000	1,500	18:1
Arkansas	23,000	1,900	12:1
California	179,000	4,324	41:1
Colorado	27,000	1,348	20:1
Connecticut	50,000	2,600	19:1
Delaware	11,500	1,434	8:1
Florida	108,232	1,596	68:1
Georgia	58,000	1,570	37:1
Hawaii	22,682	1,660	14:1
Idaho	10,200	1,550	7:1
Illinois	64,187	1,680	38:1
Indiana	38,470	1,500	26:1
Iowa	20,000	1,250	16:1
Kansas	29,196	1,142	26:1
Kentucky	**42,483**	**1,614**	26:1
Louisiana	60,000	3,800	16:1
Maine	12,900	1,500	9:1
Maryland	61,933	3,000	21:1
Massachusetts	72,000	1,150	63:1
Michigan	61,519	2,700	23:1
Minnesota	40,727	2,140	19:1
Mississippi	28,242	2,053	14:1
Missouri	30,000	1,100	27:1
Montana	12,862	1,350	10:1
Nebraska	14,000	1,300	11:1
Nevada	11,000	1,300	8:1
New Hampshire	9,000	1,490	6:1
New Jersey	78,000	6,400	12:1
New Mexico	17,000	1,200	14:1
New York	200,000	7,300	27:1
North Carolina	73,167	3,500	21:1
North Dakota	9,743	1,075	9:1
Ohio	55,523	1,804	31:1
Oklahoma	33,845	1,418	24:1
Oregon	30,000	1,100	27:1
Pennsylvania	83,473	2,782	30:1
Rhode Island	19,000	1,500	13:1
South Carolina	64,870	2,318	28:1
South Dakota	8,400	551	15:1
Tennessee	40,425	2,258	18:1
Texas	108,455	1,339	81:1
Utah	15,000	2,500	6:1
Vermont	6,989	1,280	5:1
Virginia	83,641	1,888	44:1
Washington	48,924	2,100	23:1
West Virginia	22,000	2,000	11:1
Wisconsin	60,000	2,000	30:1
Wyoming	9,480	774	12:1
Puerto Rico	68,421	1,107	62:1
AVERAGE	45,157	1,969	23:1

PE 17.2

Finding: There are too many levels within classes and distinctions become meaningless. For example, a clerk may range from a trainee to operating to senior to principal to chief -five levels - when perhaps three - trainee, operating, senior - could better describe working and skills levels. Classes are artificially created to achieve salary increases.

Finding: There are no established scientific/technical/professional classes for engineers, occupational therapists, teachers, etc.

Finding: Inadequate staffing in the Division of Classification prevents field work, in order to monitor the effectiveness of the system improve communications with agency employees in the field and to provide technical assistance.

Finding: There is duplication in titles and classes. There are many classes which have only one employee in them.

Finding: Because there is no on-going nor periodic comprehensive review among positions (Finding 1), there are instances of inconsistency and inequity. For example, a branch manager or an equivalent position may be classified at a higher level than an Assistant Director for the entire department.

Finding: Many non-merit jobs at the level of division director and above require a high level of technical knowledge and managerial skill. Very few of these jobs, however, have requirements established to assure even a minimum level of expertise.

Recommendation 1: **The new Cabinet for Personnel Management should incorporate within the new policies and procedures, provisions that clearly address the following:**

- Develop a standard for job classes, in order to reflect dimensions that measure job knowledge, the degree of complex problem-solving required, expected initiative and independent decision-making, supervision and accountability involved. This would achieve greater flexibility in assigning and reassigning staff where they are needed, and in providing greater career mobility. This broadening of classes, titles and positions flattens the classification plan and can lead to redesign and simplification of the compensation system.

- Consider dual career tracks which provide employees with greater opportunities for vertical growth without having to enter supervision to get a pay increase. An employee on a dual career track could stay on a non-management track if he/she so chose and continue to receive salary increases based upon performance and increased job proficiency. (Exhibit 2)

- Strong consideration should be given to incorporating career manager (CPM) training and other professional/academic requirements in job specifications.

Exhibit 2

Dual Career Tracks

Band	Managerial	Technical
11	Executive Director	
10	Director	Senior Technical Administrator
9	Senior Manager	Technical Administrator
8	Manager	Senior Advisor
7	Supervisor	Advisor
6		Senior Specialist
5		Specialist
4		Senior Technician
3		Senior Administrative Support, Technician

State of North Carolina

- Establish broad scientific/technical/professional classes for engineers, vocational teachers, occupational therapists, doctors, other allied health and similar occupations.

- Provide a mechanism for regular updating of the classification system.

Recommendation 2: **Develop minimum requirements for highly technical non-merit jobs (at the level of Division Director and above).**

COMPENSATION AND BENEFITS

COMPENSATION SYSTEM

Issue

Does the present compensation plan meet the needs and requirements of Kentucky state government and its workforce?

Background

The state's compensation system, like the classification system, was established with creation of the state-wide merit system in 1960. Like 35 other states, Kentucky's compensation plan is established through statute.

Responsibility for maintenance and implementation of the compensation system rests within the Division of Classification and Compensation in the Department of Personnel. The Compensation Branch has one manager, three analysts and one support staff.

ANNUAL SALARY SURVEY

An annual salary survey using an average of 85 to 90 job classes for comparison, has been conducted by the branch for many years. It has included as many as 400 private Kentucky businesses and 15 neighboring southeastern states. Kentucky generally has lagged approximately 15 percent behind in recent surveys. The last annual salary survey was done in 1991. It has been replaced this year by a study begun in November 1992 at the direction of the Kentucky General Assembly. It includes the 15 southeastern states and covers 599 job classes. The 1992 study will be ready in August 1993. Unofficial (preliminary) results show Kentucky is behind in comparison to the other states by approximately 9 percent ... and many of the participating states will grant an average 3 percent pay increase July 1, 1993.

SALARY SCHEDULES (Merit/non-merit)

Kentucky has a two-pronged salary schedule -- one consisting of 19 grades for the classified service and one consisting of 21 grades for the unclassified or non-merit service. Each grade has a minimum, midpoint and maximum with a 60 percent spread between minimum and maximum ranges. Pay grades are approximately 10 percent apart. When an employee is hired, he/she is to begin at the minimum of the pay range. A higher starting salary may be requested if the employee has training and/or experience above the minimum required, and if that training/experience is directly related to the specific duties of the position to which the person is being appointed.

Upon successful completion of the initial probationary period (usually 6 months) the employee receives a 5 percent probationary increment which is always paid. Completion of the initial probationary period marks the employee's future increment date. On that date each year the employee is scheduled to receive an automatic 5 percent increase in base pay. This increment, however, can be reduced or eliminated if the legislature is unable to budget enough money. This has happened in 1984-85, 85-86, 88-89, 92-93, 93-94. (Exhibit 1)

In addition to annual increments, employees may receive additional salary increases if they are promoted or reclassified to a higher grade.

State employees are paid on the 15th and 30th of each month. If a payday falls on a holiday or weekend, checks are issued the last workday preceding the 15th or 30th. Employees are paid one pay period in arrears as they receive their pay checks for work performed during the previous pay period. There is some sentiment toward establishing paydays every other Friday. There are, however, some administrative concerns on this proposal, which is being addressed by the fiscal management team.

There is no provision to reward employees for increased job proficiency or superior performance.

FEDERAL AND STATE LABOR LAWS

Under federal (FLSA) and state law (KRS 337 and the KAR - Kentucky Administrative Regulations), positions are classified as "exempt" or "non-exempt" depending upon whether they meet or do not meet certain criteria such as: a specified weekly wage amount, number of employees supervised, the exercise of judgement/discretion, etc.

Exempt positions must be either "professional", "executive", "supervisory" or "administrative". They may earn compensatory time off for any hours worked over 40 hours in a given work week.

Non-exempt positions can only earn compensatory time off for hours worked over their designated week - i.e. 35, 37.5 hours to 40 hours. Beginning with the forty-first hour, non-exempt employees must be paid time and a half (1.5) their regular rate of pay - they cannot be compensated by being given time off. The state's official work week is 37.5 hours.

BLOCK 50S

State employees who are exempt from cash paid overtime - i.e. professional, executive, administrative and supervisory - are given compensatory time off.

After an employee accumulates 200 hours, he/she is paid automatically in cash for these hours, in blocks of 50 hours, at the regular (rather than time and a half) rate of pay.

Exhibit 1

Comparison of Salary Increase with Cost of Living Increases

Fiscal Year	Increase in Salary Rate	Increase in CPI*
1983	5.0%	3.9%
1984	2.0%	3.8%
1985	3.0%	2.0%
1986	5.0%	3.0%
1987	5.0%	3.9%
1988	2.0%	4.4%
1989	5.0%	2.0%
1990	5.0%	7.0%
1991	5.0%	6.2%
1992	0.0%	3.0%
1993	3.0%	3.0%
	40.0%	42.2%

Prepared by the Department of Personnel July 1993

* Consumer Price Index

Findings and Recommendations

Finding: State employees received a total of $3.2 million in Block 50 payments in 1992, up from $2.5 million in 1989. The increase occurred after approximately 758 full-time positions were reduced that year in the Executive Branch. According to state reports, these full-time staff reductions saved $21.7 million.

Finding: The administration has taken steps to reduce Block 50 payments. Exempt employees received a total of $551,621 in Block 50 payments during the first quarter of 1992. The amount paid for the same period in 1993 is $448,364 ... 19 percent less.

Finding: In an effort to continue to curb Block 50 payments, exempt employees are being encouraged to take compensatory time before they reach 200 hours.

Finding: Kentucky does not use cost of living adjustments (COLAS). In 1982, the Brown administration attempted to replace the automatic annual increase with a combination of a salary structure (tied to market conditions) and performance pay (WPPR - a performance evaluation and reward system). The plan was abandoned in 1984 after the administration changed. The only salary grade structure change implemented since 1984 was a 10 percent across-the-board salary grade increase in 1990.

Finding: Outstanding Merit Increase (OMI), a form of pay for superior service, was instituted in 1988 but only lasted two years.

Finding: The automatic 5 percent increment established by statute has not been paid in (5) of the past 11 years, including 1993.

Recommendation 1: **Implement "broad-banded" pay schedules to complement the flatter classification system.**

Recommendation 2: **Separate highly technical and professional jobs from the standard classification system. These jobs should have their own market competitive system. Technical/professional occupations in this group might include doctors, nurses, therapists, and engineers.**

- Examine hazardous duty pay (KRS 61.592). While this premium has a legitimate purpose, pressures have expanded to questionable occupations.

- Develop standards to effectively manage overtime, and the use of part-time, temporary, seasonal and recurring positions.

COMPENSATION AND BENEFITS

BENEFITS

Issue

Does state government provide an adequate benefits program for state government employees?

Background

The Commonwealth provides an excellent, very competitive benefits program. Benefits add more than 30 percent to the cost of a state employee (Employee Handbook, p. 29). According to a recent survey of employee benefit costs by the United States Chamber of Commerce, employee benefit costs are growing faster than wages, and now total 39.2 percent of payroll costs on the average. Medical benefits took up 60 percent of the increase (accounting for 10.4 percent of payroll, up from 9.9 percent in 1990 and 9.3 percent in 1989). Employee payroll deductions for benefits reached 12 percent of payroll, up 11.6 percent from 1990. Growing retirement expenses and regulation of defined benefit plans seem to be pushing employers toward defined contribution plans - i.e. the percentage of firms paying into defined benefit plans declined from 41 percent to 39 percent from the year before, while those paying into 401(K) type savings plans increased from 52 percent to 55 percent. Employers paid an average of $3465 for medical costs per employee in 1991. (Policies and Practices Warren, Gorham, and Lamont, Human Resources, January 18, 1993, Bulletin 2)

Findings and Recommendations

Finding 1: (Exhibit 1) Full benefits are provided to permanent full time state employees (who work 37.5 hours/week and are required to contribute to a state administered retirement system). Permanent part-time state employees (who work at least 100 hours/month and are requested to contribute to a state retirement system are eligible for most benefits. Temporary employees (working 100 hours per month or more) receive sick leave. All employees (except per diem, who receive only social security and worker's comp) are eligible for jury, military and compensatory leave, holidays, voting leave, social security and worker's compensation.

Finding 2: The state observes 12 holidays annually for full time workers; annual leave on a graduated basis depends upon years of service; sick leave at the rate of one day for each month of service; court, voting, military, educational, adoptive leaves, life and health insurance. Sick leave sharing (BANK) has been in effect since 1988. Employees must retain a minimum of 75 hours of sick leave before donating leave to another employee.

Finding 3: All full-time and part-time employees working 100 or more hours per month receive paid annual or vacation leave in an amount determined by length of service and type of appointment.

EMPLOYEE BENEFITS KENTUCKY STATE GOVERNMENT
Exhibit 1

Benefits	Full Time	Part-Time 100 hrs./Month	Part-Time Less Than 100 hrs./month	Fed. Fd. Time-Ltd Full Time	Seasonal Full-Time	Temporary	Emergency	Per Diem	Comments
Health Insurance	X	X		X	Only for Positions Lasting Nine Months or Longer				State pays fixed amount. Employee pays additional options. Coverage effective first of second month.
Life Insurance	X	X		X					State provides: $6,560. Optional available for purchase. Effective first of second month.
Retirement (KERS)	X	X		X					(For non hazardous duty) State provides 7.45%. Employees provide 5.00%.
Annual Leave	X	X		X					Amount increases by years of service; 7.5 hrs. per month, first 5 years.
Sick Leave	X	X		X	X	X			After 10 years - 10 bonus days. No limit on accumulation - 7.5 hrs. per month.
Court Leave	X	X	X	X	X	X	X		Granted with pay if not an employee -initiated action.
Military Leave	X	X	X	X	X	X	X		Ten days per year.
Compensatory Leave	X	X	X	X	X	X	X		200 hrs. maximum/100% paid at termination.
Holidays	Employees receive holiday if it falls on a day they are due to work. Paid accordingly.								10.5 days a year - if holiday is on Sunday, then Monday off; if on Saturday, the Friday off.
Credit Union	X			X					Must complete probation to eligible to borrow.
Educational Tuition	X								With probation completed then agency decision.
Social Security	X	X	X	X	X	X	X	X	Contribution (7.51% of salary) by employee and employer.
Workers' Compensation	X	X	X	X	X	X	X	X	Report immediately any injuries to supervisor.
Voting Leave	X	X	X	X	X	X	X		Reasonable time to vote; 4 hours maximum.

Kentucky Employee Handbook, p.33, 1989

Seasonal, temporary, emergency and per diem employees do not earn annual leave.

The vacation accrual schedule is graduated (based on years of service):

Years of Service	Leave Accrued Annually
0 - 5	12 days/yr; 1 day per month
5 - 10	15 days/yr; 1.25 days per month
10 - 15	18 days/yr; 1.5 days per month
Over 15	21 days/yr; 1.75 days per month

The accumulation limits for carrying annual leave forward from one year to the next consist of the following:

Years of Service	Leave Accrued Annually
0 - 59 months	30 working days
60 - 119 months	37 working days
120 - 179 months	45 working days
180 - 239 months	52 working days
240 months and over	60 working days

Leave accumulated in excess of the above maximum amounts is converted to sick leave at the end of the calendar year.

If an employee resigns from state employment, he/she is paid for all accumulated annual leave provided 14 calendar days notice of resignation is given; if laid off an employee also will be paid for unused, accumulated leave. If dismissed, an employee may have to forfeit all unused annual leave.

Finding 4: All state employees (except emergency, per diem and part time employees working less than 100 hours a month) accumulate paid sick leave at the rate of one day for each month of service. There is no limit to the number of sick days which may be accumulated.

Extended sick leave with pay not exceeding six months requires that the employee be returned to his/her same position; if longer than six months, then to a comparable job.

Unused sick leave is credited toward retirement.

If an employee leaves state employment, he/she is credited with any unused sick leave which is restored if the employee returns at a later date.

Full time employees and part-time employees working 100 hours or more a month whose career work for the state reaches 120 months receive a bonus of 10 additional sick leave days for their length of service.

Finding 5: Kentucky has no disability insurance program for its employees.

The Kentucky Employees Retirement System, however, provides for disability retirement if an employee has worked for the state at least five years and has not been off the state payroll longer than 12 months.

Finding 6: Kentucky has plans for establishing a cafeteria system of benefits by early 1995 but recent staff and budgeting shortages may possibly delay this target date.

Finding 7: Under the state's flexible benefits plan an employee can pay for health and/or dependent/day care expenses on a pre-tax basis. (Commonwealth Choice Flexible Spending Accounts) (FSAs). Only 1500 employees currently participate in this three-year old program.

Group Life Insurance - more than 115,000 active employees of state government, local school boards and local health departments are provided coverage.

The matching amount funded for boards of education employees is $3,935. Employees may purchase additional amounts. Claims in excess of $2 million have been paid in each of the past three years.

Finding 8: Kentucky's term life insurance was recently increased to a flat $6,560. Executive branch employees can purchase additional insurance.

Finding 9: A deferred compensation program provides tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions who have chosen to participate.

There are two plans: a 457 and a 401(K). About 30,000 employees participate in the program and, of these, 15,000 are state employees. More than 14,200 still have accounts with the troubled Kentucky Central Company.

Kentucky's deferred compensation program is among the 20 largest (in terms of assets) in the United States. Its total plan assets are $310 million as of June 1993. It achieved all-time participant volume and account value highs with its 1992 statement of account - an all-time 28,501 total statements prepared (an increase of 2,899 over the June 30, 1991 numbers) and an all-time $276 million account value compared to $236 million in 1990.

FLEXITIME (FLEXTIME)

Finding 10: Flexible work schedules are used sparingly in state government and vary across state agencies.

Other work alternatives, such as job-sharing, flex place (or) telecommuting, compressed work weeks, voluntary reduced work time, phased and partial retirement alternatives, are not utilized.

EDUCATION/TUITION ASSISTANCE

Permanent employees who have completed the probationary period and merit/unclassified employees with six or more months of continuous service may apply for education assistance from the state.

EDUCATIONAL LEAVE

A special leave of absence may be granted, with or without pay, for up to 24 months, with the approval of the appointing authority and the Commissioner of Personnel.

Special leave of absence may be used to attend college, university or business school, or to receive training in work-related subjects when it is in the best interest of the state.

Employees do not accumulate annual sick leave while on special leave with pay. If a leave is without pay, it must be made through the system's payroll officer to continue health and life insurance coverage. The employee must pay the total premiums.

ADOPTIVE LEAVE

An employee can take up to six calendar weeks of personal leave for a newly adopted child who is less than seven years old.

A written request for leave must be made in advance and any combination of paid or unpaid leave may be used.

The new Family Leave Act is in the process of being implemented. It became effective August 5, 1993.

HEALTH AND LIFE INSURANCE BENEFITS WHILE ON LEAVE WITHOUT PAY

If an employee exhausts paid leave, he/she may continue group health and life insurance coverage by paying the total amount of the premiums him/herself.

Arrangements for this benefit must be made through the agency group administrator. Then, the employee must make out a monthly check payable to the insurance company and send it to the carrier in a timely manner.

VOTING LEAVE (KRS 118.035)

Employees are allowed four hours off to vote or to apply for an absentee ballot. To be eligible, employees must be registered to vote, be scheduled to work on election day during the hours of 6am - 6pm local time, and notify supervisors prior to receiving voting leave.

Employees who work in lieu of taking voting leave receive four hours of compensatory time.

MILITARY LEAVE

Employees who are active members of the United States Army Reserve, the United States Naval Reserve, the United States Air Force Reserve, the United States Marine Corps Reserve, the United States Coast Guard Reserve, the United States Public Health Service Reserve or the Kentucky National Guard, are entitled to a maximum of ten working days per year of paid military leave, provided military orders require absence from a state job.

Any additional military leave time must be charged to accumulated annual or compensatory leave balance, or be charged as leave without pay.

Any employee of the state who enters active military duty must be granted a leave of absence without pay for the period of that duty up to six years.

When returning from active duty, the employer must restore the employee to a job of like seniority, status and pay.

SAVINGS BONDS

All employees may purchase U.S. Savings Bonds through the payroll deduction savings plan.

Series EE savings bonds are the only type of bonds which can be bought through the payroll deduction savings plan. These bonds may be purchased at 50 percent of their face amount. The series EE bond reaches full maturity in 10 years, but may be redeemed, with interest earnings, after six months.

CREDIT UNIONS

State employees can join the Commonwealth Credit Union or the Kentucky Employees Credit Union.

Each offers a wide range of financial services, including secured and unsecured loans, savings plans and payroll deductions.

KENTUCKY EMPLOYEE ASSISTANCE PROGRAM (KEAP)

The Kentucky Employee Assistance Program (KEAP), administered as a referral service by the Department of Personnel, is available to employees for personal, marital, family, emotional, financial, alcohol and drug related and legal problems.

All state employees and their families are eligible for KEAP services, and there is no cost. Contacts with KEAP are strictly confidential. Any personal information disclosed is kept under strict rules of privacy.

Recommendations

Review insurance programs and consider the possibility of adding disability coverage.

Consider expanding flextime opportunities in light of resulting benefits for the state and its workforce. Benefits demonstrated in other organizations include increased morale, productivity and lower absenteeism.

COMPENSATION AND BENEFITS

FLEXIBLE BENEFITS

Issue

Are flexible benefit packages available to state employees?

Background

Flexible benefits plans or "cafeteria benefits" are some of the newest developments in contemporary benefits administration. They recognize individual factors such as age, family status and life style, and allow employees to choose their own mix of benefits or levels of coverage (so called "variable" benefits).

They can range from a required CORE of fixed benefits supplemented by a few limited choices to a full blown flex program with a fixed CORE (or) no required CORE of benefits at all.

Within the context of flexible benefits plans, are flexible spending accounts (FSAs) which allow employees to set aside pre-tax earnings in dependent health care amounts to cover costs for day/home dependent care or health care expenses, including health care premiums, deductibles, co-payments and uncovered medical expenses.

Flexible benefits plans, according to a Prentice Hall survey, now cover more then nine percent of employees nationwide, Flexible spending accounts covered 23 percent of employees in the same survey, up from five percent in 1986.

While a comparative chart (Exhibit 1) relating to flexible benefits shows that Kentucky and other states are not participating heavily, all states are beginning to reflect the shift to flexible benefits.

Findings and Recommendations

Finding: Currently, Kentucky does not have a full cafeteria style plan.

Finding: The state anticipates establishing a full-blown flex plan in early 1995 (to coincide with current contract expiration dates).

There is concern, however, that even that target date may not be met because of budgetary and staffing shortages and the tentative nature of the health care issue.

Finding: Kentucky has very little employee participation in FSAs (flexible spending accounts) covering health and/or dependent care.

A total of 1,500 state employees participate in these two programs, which are three-years old. Of these, two-thirds, or 1,000 employees, participate in the health FSA and one-third, or 500

Exhibit 1

Survey of State Employee Health Benefit Plans

Flexible Benefit Features

State*	Premium Only	Health FSA	Dependent Care FSA	Full Flex Plan: Core Medical +Options	Full Flex Plan: Pre-Selected Choices	Full Flex Plan: Cafeteria Choice
Alabama	X					
Alaska	X		X			
Arizona	X		X			
Arkansas	X	X	X			
California	X	X	X			
Colorado	X	X	X			
Connecticut	X		X			
Delaware				X		
Florida	X	X	X			
Georgia	X	X	X			
Hawaii	X					
Idaho	X					
Illinois	X	X	X			
Indiana	X					
Iowa	X		X			
Kansas	X	X	X			
Kentucky	X	X	X			
Louisiana	X	X	X			X
Maryland	X	X	X			
Massachusetts	X					
Michigan	X	X	X			
Minnesota	X	X	X			
Missouri	X	X	X			
Montana	X	X	X			
Nebraska	Response Delayed					
Nevada	X	X				
New Hamshire	X	X	X			
New Mexico	X					
New York	X		X			
North Carolina	X		X			
North Dakota		X	X			
Ohio	X		X			
Oklahoma	X	X	X			
Oregon-SEBB	X		X	X		
-BUBB	X		X			
South Carolina	X	X	X			
South Dakota	X	X	X			X
Tennessee	X	X	X			
Texas	X	X	X	X		
Utah	X	X	X			
Vermont	Response Delayed					
Virginia	X	X	X			
West Virginia	X	X	X			
Wisconsin	X	X	X			
Wyoming	X	X	X			

* The following six states do not offer flexible benefit features: Maine, Massachusetts, New Jersey, Pennsylvania, Rhode Island and Washington.

Source: The Segal Company, April 1993.

employees, participate in the dependent care program.

Recommendation 1: Increase the scope of flexible benefit plans.

There is a wide array of benefits the state may want to consider. Examples include long-term disability and insurance programs and day care and dependent care options. As is the case with any benefit plan, implementing flexible benefits plans requires:

- assessment of needs usually through employee surveys,
- plan design and pricing,
- communications, and
- administration.

Recommendation 2: Improve communication about flexible spending accounts.

The FSAs in Kentucky have not been communicated widely--which partly explains the low number of participants. Communications are critical to effective implementation of flexible benefits. Focus groups during enrollment periods, enrollment sessions with individual meetings, telephone hotlines, computerized simulations along with standard communication tools such as payroll staffers, newsletters, videotapes, enrollment packages--are all communications tools that should be considered.

Recommendation 3: Conduct a staffing needs assessment of the Insurance Administration Branch.

The Insurance Administration branch of the Division of Benefits Administration has a total of 4 employees. Staffing may be inadequate.

Savings - Improving employee participation in flexible spending accounts with pretax dollars reduces tax liability for employees and reduces FICA contributions by the state. A more aggressive approach to employee participation could save over $2 million a year.

COMPENSATION AND BENEFITS

RETIREMENT SYSTEM ADMINISTRATION

Issue

Should the various retirement systems be merged?

Background

There are six retirement systems that cover Kentucky State Government employees. These include:

- Kentucky Employees Retirement System (KERS)
- County Employees Retirement System (CERS)
- State Police Retirement System (SPRS)
- Teachers Retirement System (KTRS)
- Judicial Retirement System (JRS)
- Legislative Retirement System (LRS)

An additional system,

- TIAA-CREF (Teachers Insurance and Annuity Association and the College Retirement Equities Fund) is a private (not for profit) system operating on a national basis.

Findings and Recommendations

Finding: Participation in state employee retirement systems is mandatory in all states. In 40 states, employees are required to contribute. Kentucky is one of the states where employees contribute five percent of base salary; the Commonwealth contributes 7.45 percent.

Recommendation 1: **Merge administration and support services of the Kentucky Employees Retirement System (KERS), the County Employees Retirement System (CERS), the State Police Retirement System (SPRS), and the Teachers Retirement System (KTRS). The funds should remain separate.**

Although merging the administration of the separate retirement plans may be controversial many private or public sector employers administer multiple plans, centrally. There is the potential to save up to 15 percent of the current cost for retirement plans administration.

COMPENSATION AND BENEFITS

EARLY RETIREMENT INCENTIVE

Issue

Should the state offer early retirement to state employees at this time?

Finding: Seventeen states, including Kentucky, have offered early retirement incentives in an effort to reduce the size of the active workforce.

Finding: In 1988, an early retirement incentive (ERIP) was offered to employees of the Executive Branch. Approximately 28 percent of those eligible, or 1,876 employees, chose to retire.

Finding: Agency heads indicated the 1988 ERIP had no impact or some positive impact on the efficiency and effectiveness of their agencies. Positive benefits include the increased flexibility in shifting personnel and the freeing of program money.

Finding: The 1988 ERIP resulted in a $6.8 million loss in Fiscal Year 1989 and a savings of $28.8 million in FY 1990, for a net savings of $22 million.

Finding: The hiring freeze and postponed hiring resulted in a $3.7 million savings in FY 1989 and a $5.5 million savings in FY 1990, for a net savings of $9.2 million.

Finding: Combined, the FY 1989 and 1990 savings have been estimated at $31.2 million.

Finding: Despite these reductions, total state employment from 1986 to 1993 rose by more than 5,000 employees to approximately 42,000.

Even though ERIP eliminated 3,295 positions, 4,217 have been created since the early retirement window (1988 to 1990), for a net increase in that period of 922 positions.

Recommendation 1: **Offer early retirement to those employees willing to purchase enough service credit to achieve full retirement benefits. Employees could use final payments for accrued annual and compensatory leave to purchase service credit.**

Estimate of eligible employees:	1500
Estimate of willing retirees:	300 (20%)
(Less) critical occupations:	150 (50%)

Savings:

Retirees	150	
Average cost per senior employee	$ 39,568	
Total:	$5,953,200	
Final payments cost (estimated)	760,000	
First year savings	$5,193,200	
Job Reengineering costs	1,194,400	
Net first year savings	$3,998,200	
Net annual (recurring)savings		$4,475,800

EMPLOYEE RELATIONS

EMPLOYEE RELATIONS

EMPLOYEE EVALUATION SYSTEM

Issue

How can the current Employee Evaluation System be improved?

Background

A 39 member committee of state employees was formed in April 1985 to work on ideas for the development and implementation of a new system of job performance evaluation. The committee was scheduled to have final recommendations to the Governor (Martha L. Collins) and Commissioner of the Department of Personnel (Tommy Greenwell) by November 1, 1985. Governor Collins' implementation goal was February 1, 1986.

Thirty-six of the committee members were nominated by their cabinet secretaries to represent a cross section of pay grades and job classes, while three members were selected by the Personnel Board.

The committee studied evaluation concepts and methods, and it looked at ways to reward outstanding employees with pay increases during the period before the new evaluation plan began. This new system was designed to give agency managers an effective means of measuring work performance while simultaneously bridging the communications gap between employees and employers.

As of January 1993, the Commonwealth of Kentucky entered the seventh year of utilizing the employee performance evaluation form (Exhibit 1), as mandated by Chapter 18A.112 in the personnel laws and regulations. It is slowly becoming an effective management tool despite its imperfections. Effective use of performance evaluation could eliminate position description questionnaires which duplicate paperwork time and effort.

Findings and Recommendations

Finding: No funds appropriated for rewarding performance.

Finding: Managers lack training in conducting effective performance evaluations.

Finding: Employee survey comments report that political pressures and compensation budget restrictions influence honest assessments of job performance.

Finding: Agencies are slow to train supervisors and managers.

Agency liaisons contact DOP to inform them of new managers who need training. DOP's turn around time in response to their request is less than two weeks.

Exhibit 1

Revised 1/92

Commonwealth of Kentucky - Department of Personnel

EMPLOYEE EVALUATION FORM

1. Employee Name (Last)	(First)	2. Social Security Number

3. Date of Evaluation Period Mo./Day/Yr. to Mo./Day/Yr.	4. Type of Evaluation ☐ Mid Year ☐ Year End	5. Organization (Department/Division)

6. Position Number	7. Class Title (Abbreviation)	8. Code

9. Job Description: Accurate and complete description of this employee's job as formulated by the evaluator(s) in conjunction with employee. Evaluator should rate employee on this present job. (Only attach a separate sheet if additional space is needed once this section is completed.)

_____ Evaluator's Initials
_____ Employee's Initials
_____ Reviewer's Initials (If necessary)

CRITERIA USED FOR EVALUATION
(Check applicable box)

☐ Criteria from Employee Evaluation Handbook
☐ Copy of Criteria Attached

SECTION I — JOB CATEGORIES

Evaluator: Please check the rating which clearly expresses the employee's work.

	Exceeds Performance Criteria	Meets Performance Criteria	Fails to Meet Performance Criteria
1. **Job Knowledge/Skills**	☐	☐	☐
2. **Quality of Work** Quality standards (i.e. accuracy, neatness and thoroughness)	☐	☐	☐
3. **Productivity** Quantity of work expected of the job assignment	☐	☐	☐
4. **Improvement in Performance** (Work progress as an employee or supervisor) EMPLOYEE: Performs work without close supervision or assistance and/or exhibits initiative. SUPERVISOR: Makes decisions, delegates responsibility, gives guidance and direction to employees and contributes toward employees' development. *NOTE:* If employee is a working supervisor, consider both areas above.	☐	☐	☐
5. **Employee Conduct** (Responsibility/Interpersonal Skills) Base evaluation on applicable areas, i.e. punctuality, attendance, safety, acceptance of responsibility and interpersonal skills.	☐	☐	☐

MID YEAR RATING OF PERFORMANCE	YEAR END RATING OF PERFORMANCE	RECONSIDERATION OF RATING *(If requested, see Section IV)*
☐ Exceeds ☐ Meets ☐ Fails to Meet	☐ Exceeds ☐ Meets ☐ Fails to Meet	☐ Exceeds ☐ Meets ☐ Fails to Meet

SECTION II — EVALUATOR'S SUMMATION *(If necessary, attach separate sheet)*

Complete this section providing justification if the employee received any ***"EXCEEDS"*** or any ***"FAILS TO MEET"*** ratings. An **OVERALL RATING** must be justified in this section for ***all employees.*** Note significant contributions made to the agency and any suggestions for improvements.

1. Job Knowledge/Skills

2. Quality of Work

3. Productivity

4. Improvement in Performance

5. Employee Conduct

OVERALL RATING

This reflects my evaluation of the employee's job related performance. I have discussed this evaluation with the employee.	**Evaluator's Signature**	**Position Title**	**Date**

SECTION III — EMPLOYEE'S RESPONSE *(If necessary, attach separate sheet)*

Check One:	**Employee's Signature** *NOTE: If employee refuses to sign, the evaluation will not be eligible for reconsideration.*	**Date**
☐ **Agree with evaluation and waive right of appeal.** ☐ **Disagree with evaluation but accept.** ☐ **Disagree with evaluation, request reconsideration.** *(Employee's comments required below.)*		

SECTION IV — RESULTS OF CONSIDERATION OF OVERALL RATING ☐ Check if documentation attached

Reviewer's Statement: I hereby certify that prescribed reconsideration procedures have been properly followed to the best of my knowledge and I have thereby thoroughly reviewed the original evaluation with the following results:

THE ORIGINAL RATING IS:

☐ **Confirmed**

☐ **Changed to:** ☐ ***Exceeds*** ☐ ***Meets*** ☐ ***Fails to Meet***

(A copy of the evaluation has been forwarded to the employee)

Reviewer's Signature	
Reviewer's Position Title	**Date**

Finding: Performance evaluation form is lacking.

Three-tier system is inadequate for assessing job performance, clarifying performance measures and establishing goals.

Finding: Too many "exceeds" ratings given. (Exhibit 2)

Finding: Inadequate staff to implement and monitor evaluation system (Kentucky has one person assigned to administer employee evaluation system for all 42,000 employees).

Finding: System too time consuming for managers evaluating many employees.

Recommendation 1:	**Remove current evaluation system from law and mandate that Secretary of Personnel Management implement a standard evaluation system for all employees.**
Recommendation 2:	**Establish pay for performance for individuals and groups.**
Recommendation 3:	**Reorganize DOP to establish and staff Employee Evaluation Branch.**
Recommendation 4:	**Give managers an effective tool to accurately measure job performance.**
Recommendation 5:	**Use "Peer Review" procedure for disputed evaluation cases.**
Recommendation 6:	**Evaluate employees once per annum instead of two times annually.**
Recommendation 7:	**Change name of employee evaluation system to: Performance Planning and Development Program.**

Implications

Service - No implications.

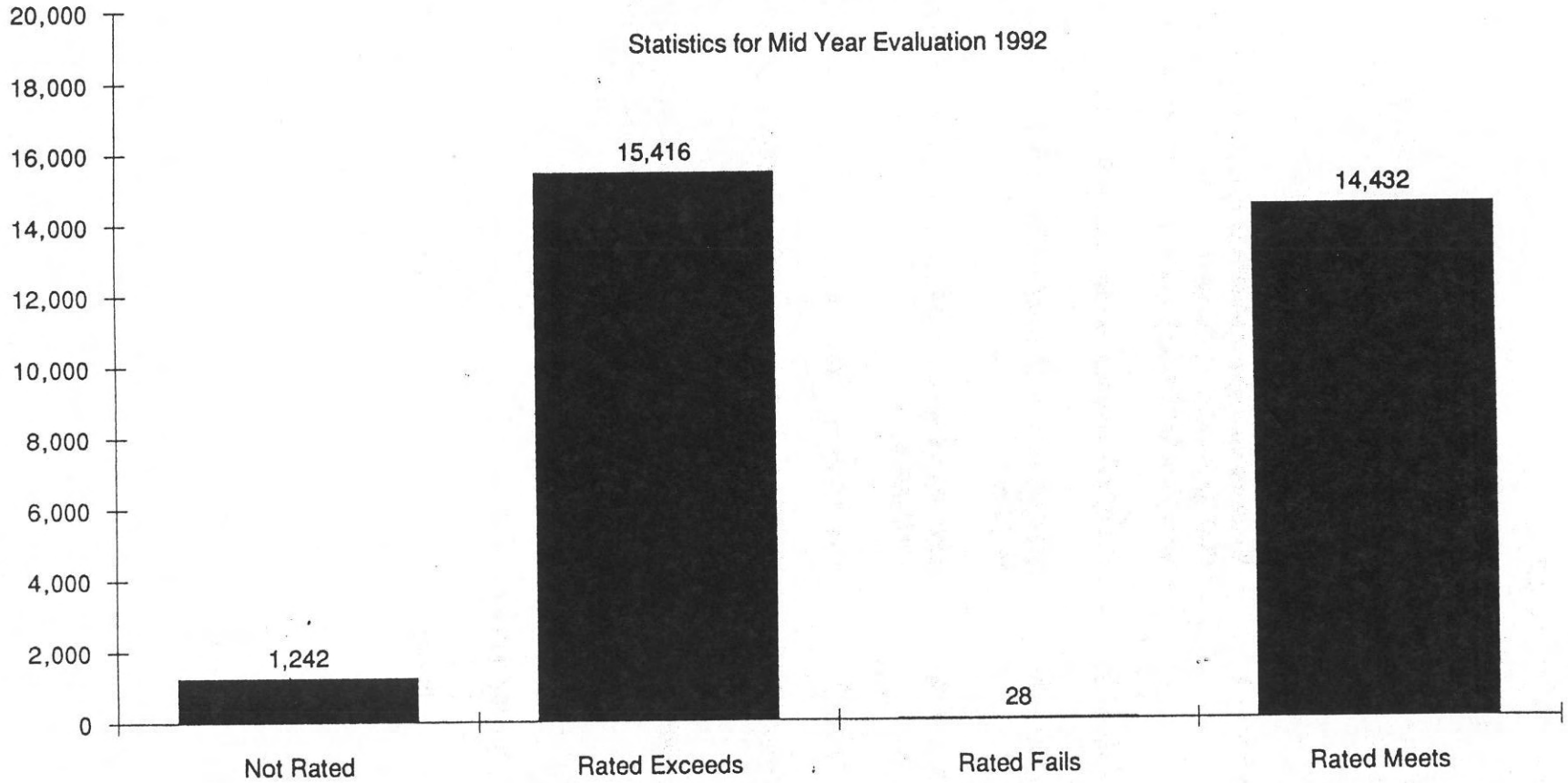
Staffing - No implications.

Budgetary - Funding appropriation by General Assembly and training cost will nominally impact budget.

Exhibit 2

Employee Performance Evaluation

Statistics for Mid Year Evaluation 1992



EMPLOYEE RELATIONS

COMMUNICATION AND CONFLICT RESOLUTION

Issue

Is communication an integral part of conflict resolution?

Background

What does an employee do, or where can an employee go to resolve conflicts such as Equal Employment Opportunity (EEO), sexual harassment, Americans with Disabilities Act (ADA) or problems with their supervisor or manager without filing complaints with the Human Rights Commission? Employees fear confiding in agency EEO oordinators. Moreover, many coordinators lack the skills necessary to resolve grievances. In either case, "communication" seems to be absent in our efforts to establish and maintain good employee relations.

The umbrella heading "employee relations" takes into consideration the entire merit system with employee evaluation, communication and conflict resolution as the primary issues to analyze.

Serious managers spend anywhere from 25 to 50 percent of their work day managing conflicts.

Finding: Employees lack information concerning advancement opportunities.

Finding: Vacant positions are not timely and regularly posted in all agencies.

Finding: Many non-merit positions are filled by persons who appear to lack knowledge of their agency's mission which results in questioning their qualifications.

Finding: Grievance and discipline problems are handled in a slow, costly and ineffective manner.

Finding: There is no office or person outside the commissioner's office to discuss employee's perception of problems.

Finding: Employees fail to understand DOP programs, rules and regulations.

Recommendation 1:	**Mandate conflict management training for supervisors and managers.**
Recommendation 2:	**Use a peer review dispute resolution process (see attached peer review article, at Coors Brewing).**

Recommendation 3: **Establish a Department for Employee Relations in the Cabinet for Personnel Management which should:**

- minimize lawsuit costs, legal fees, settlement and judgments,
- research statutes,
- consult with alternative dispute groups,
- bridge communication gaps between Executive and Legislative branches, and employees, and
- help resolve issues by implementing productive, "win - win" strategies,

Recommendation 4: **Establish an internal communication office in the Department for Employee Relations.**

Implications

Service - No Implications.

Staffing - No implications.

Budgetary - No implications.

Peer Review at Coors Brewing

Why would a nonunion employer voluntarily start a program giving workers veto power over management decisions? In order to stay union-free and reduce the "us versus them" mentality between employees and supervisors, says Mary Drummond, employee relations manager at Golden, Colorado-based Coors.

Under the Coors peer review process, employees can appeal all disciplinary actions up to and including discharges; Complaints about company policies themselves are not allowed. Drummond credits the program with improving the quality of decisions involving possible disciplinary actions while reducing the company's legal exposure. Peer review board decisions are final and binding, but employees do not lose their right to sue, Drummond adds.

The process. A nonvoting representative from the employee relations department chairs the hearing. The supervisor whose actions are challenged describes the circumstances surrounding the discipline. The appealing employee explains why the supervisor's action was not correct and asks questions of either the supervisor or the employee during the hearing.

Written witness statements are admissible and usually sufficient. The procedure assumes that there has been full disclosure before the hearing, and neither party is allowed to use surprise evidence. The chairperson has the authority to permit oral testimony by witnesses and to decide other issues on the admissibility of evidence.

When panel members are satisfied that they understand the information, the supervisor and employee leave the room. The panel then discusses the case and votes; a simple majority rules. The board can decide to uphold the action, reduce the severity, or overturn the action completely. The supervisor and the employee are later notified of the decision, but the actual vote and details of the discussion remain confidential.

Finally, the chairperson prepares a brief summary of the meeting, to be signed by all panel members, documenting the decision and capturing key elements of the proceeding.

Board selection. All voting board representatives -- three peers and two management personnel -- are chosen at random. Management representation is selected from vice presidents and those who report directly to the vice presidents throughout the company.

Prior to the board meeting, the employee relations representative provides the appealing employee and his or her supervisor with five separate lists generated by information systems in the HR department. Three of the lists contain the names of three randomly selected peers from the employee's work category. Two of the lists contain the names of three randomly selected management members.

Both the aggrieved employee and supervisor may strike the name of one person on each of the five lists. The first names are struck on each of the five lists will comprise the board.

Company experience. Another Coors employee relations manager, Edward Cruth, says there have been no serious negatives during the company's many years of experience with the procedure. An early method of permitting the complaining employee to select the peer representatives was abandoned in favor of random selection, but otherwise the procedure has worked well.

The company has not experienced a flood of appeals, although the number of appeals has increased fairly steadily over the years since the program started in 1975. Still, the percentage of disciplines appealed in 1992 was quite small -- only 14 percent. Of the 65 appeals carried through the procedure, management's decision was upheld in 38 (58 percent), modified in 17 (26 percent), and reversed in 10 (15 percent).

MINORITY RESPONSE TO THE REPORT OF THE COMMISSION ON QUALITY AND EFFICIENCY

Issued by: Morgan Bayless

INTRODUCTION

The very presence of an organized labor chair on this distinguished Commission lends credibility and relevance to its mission. By designating a voice for labor on this panel, Governor Jones has placed intrinsic value on the opinions, abilities and practical experience of state government employees and private sector workers engaged on behalf of the Commonwealth.

Tantamount to any effort to create a more efficient and quality-conscious enterprise must be a sincere recognition and appreciation of the dignity, rights and abilities of the workforce. Likewise, the work of this Commission must endow employees with a true sense of job ownership if it is to be deemed a successful venture. The impact of employee morale, the presence of genuine, mutual trust among all parties and state employees themselves must not be discounted in the plans we formulate toward the goal of fostering quality and a more efficient bureaucracy.

Although largely speculative and theoretical as opposed to tested and proven, the Commission's research procedures and subsequent findings provide a viable basis for realizing cost savings and enhanced efficiency, productivity and quality. Still, some central recommendations adopted by the majority of the Commission pose potentially devastating effects on the workforce and, therefore, on the excellence this Commission was empaneled to promote.

While several separate sections of the Commission Report are challenged in this minority response, all items in dispute herein are centered upon topics pertaining to personnel. It is, after all, the employees of state government and the citizens of Kentucky whom they serve who ultimately stand to win or lose depending upon the final outcome of the Commission's work. Further, it is state employees who have the ability and the desire to effect change in their work environments which will allow for increased government efficiency and heightened performance quality. The incentive for such employee-driven change must be adequate compensation and job security free from political pressure and influence.

Therefore, in observance of my responsibility to the labor constituency of this Commission's work and given labor's opposition to fundamental objectives contained in the final report, I respectfully submit this dissenting response, appeal to the Commission for reconsideration of the points delineated herein and ask that this response be entered into the official record of this Commission's proceedings.

Minority Report to the Report of the Commission on Quality and Efficiency

Personnel

Labor concedes that the Merit System, given the spectrum of powers, duties and issues it must address, is less than perfect. However, elimination of the existing system, carte blanche, would give rise to the very real potential for exploitation and abuse of powers and of the workforce itself. Strict, enforced employee protection against political influence--in the strict sense of personnel management based upon or affected by partisanism, patronage or philosophical idealism--must be a fundamental component of any alternative personnel system so much as considered by state government.

The report of the Personnel Management Team of the Commission on Quality and Efficiency contains some justifications for merit system changes. Although the response rate was relatively low, those responding indicated that the existing system fails in its objective to both protect employees and render a fair system of personnel management practices. However, the legislative process provides the means for all indicated change. While it is difficult to achieve change in this manner, it is not impossible. Labor supports specific line-item changes in KRS 18A and, as it has in the past, will support any lobbying effort to effect those specific changes. The very strict definition of employee protection from political influences, however, must not be reduced or limited in any way through legislative or other means if labor is to support state personnel code changes.

Mission and Role

The mission and role of the DOP should be clarified and updated to reflect a commitment to: 1) enhanced and timely service and program delivery; 2) efficient human resources planning; 3) employee involvement and continuous improvement of training design and working environment; 4) maintain a competitive compensation and benefits program; and, 5) an effective employee relations program which stresses fairness, consistency and equal treatment of all employees.

The Merit System

Labor maintains that Collective Bargaining is the single most viable, efficient and comprehensive alternative to the existing Merit System. Negotiated agreements, likewise, offer the most functional option to personnel administrative regulations.

Any alternative career service system proposed for adoption by the General Assembly must contain restoration of political freedom with a statement of ethics forbidding political interference or influence in personnel matters on all levels of classification coverage. Legal consequences for violations should be adopted. Labor strongly support enactment of Collective Bargaining legislation as a means to address all matters of personnel management, conditions of work, work rules, compensation, benefits and conflict resolution.

In the absence of mutually negotiated terms and provisions through collective bargaining, administrative personnel regulations should serve only to clarify and support enabling legislation and in no way to reduce or provide exception to statutory employee protection.

All employees must have total access to information and adequate training in any new regulations upon implementation and employee input must be a basic component of any efforts, work teams or other measures put forth to create alternative personnel systems, manuals, guidelines, regulations or other governing work rules. Under no circumstances should employee behavior on his/her own time, affiliations or other personal choices be indicative of any condition of employment, unless such can be reasonably considered a clear and present danger to the employee or others in the workforce. Again, the presence of a properly negotiated contract with state employees could provide for definitive solutions, objectives and methods of government and personnel operations, prevent arbitrary interpretation of regulations and statutes and reduce the likelihood of litigation as a means of dispute resolution--a tremendous cost savings.

Staffing

Labor strongly opposes layoffs of non-management and Merit System employees. Hiring freezes, attrition and job re-engineering would create the desired effect in terms of manpower reductions. Any personnel assigned to "re-engineered" positions which impose increased workloads, responsibilities, authority or oversight of staff should receive automatic salary increases. All savings from such workforce reduction plans should be earmarked for wage increases.

Management (non-merit) positions have grown to unmanageable proportions and currently provide only minor and often non-existent oversight functions in far too many instances. A rational, objective review should be conducted to determine the necessity, degree of waste and cost advantages of these political appointed positions. As unpopular as such a move may be, the fact remains that highly paid, political positions constitute significant waste, duplication and obstruction of efficient service delivery. Elimination of some non-merit positions is essential to a real reform of state government personnel management.

However, all effort must be given to avoid unnecessary and unreasonable overburdening of existing staff.

Labor strongly opposes criteria used to identify "critical" positions which do not adequately reflect employee performance, productivity and job impact on service delivery. Definitions allow further over-burdening of employees to justify pay increases, permit chronic overtime to perform additional duties and impose redistribution of duties as the prerequisite for pay increases or upgrades. Limiting reinstated jobs to current state employees as an alternative to lay-offs is preferable, and far more humane and just. Non-Merit jobs must be included among the reinstated positions made available to the existing workforce.

Labor strongly opposes non-voluntary staff relocations and favors instead exploring voluntary transfers/relocations with retraining guarantees and credit and consideration given on evaluations for two years as a more viable means of redistribution and efficient job management.

In cases of non-voluntary transfers/relocations, strong anti-punitive, anti-coercive measures must be assured; employees should receive guaranteed retraining and credit and consideration on evaluations for three years. The same three-year window should also apply in preventing further non-voluntary transfers during that period.

Organization Structure

Establishing a Cabinet for Personnel Management could enhance recruitment, hiring, training and monitoring efforts, help assure more uniform personnel policies across all agencies and generally enhance fairness and equitable treatment of state employees. Cabinet status could also provide a more conducive structure for Collective Bargaining. Additional emphasis on management training and employee skills and education enhancement are positive goals. Emphasis on empowering employees to recommend and implement workplace innovations should also be among the goals of the new Cabinet-status personnel agency.

Any efforts to alter existing conflict resolution mechanisms must provide for due process, impose no jurisdictional or burdensome time restrictions and provide choices for both employees and managers through which to hear and reconcile grievances. Justice for all parties must be the foundation of any alternative conflict resolution mechanism considered by state government. Qualified and continuously trained personnel should be placed in those positions where conflicts are heard and resolved internally and constant monitoring of procedures and results should be conducted and reviewed on a regular basis as a means to detect inconsistencies and/or failures in this system. In no way should employees be denied due process and recourse through the courts if internal resolutions are judged by employees to be unacceptable. Again, a fairly and properly negotiated grievance-handling procedure within a collective bargaining agreement would serve as the most efficient and mutually agreeable method of dispute resolution.

Job re-engineering must be an available option to lay-offs, transfers or other involuntary workforce reduction efforts. Employee input must be a primary component in job re-engineering, changes in work duties, locations, ergonomic considerations, etc. The goal of such work changes must be to enhance effectiveness and efficiency of service delivery and optimum utilization of personnel. At no time, under no circumstances should job re-engineering be used as a retaliatory or punitive objective. Ongoing, life-long training and education of career employees should be a top priority of the personnel agency, ensuring a capable workforce.

Existing personnel systems should be merged and a consistent, fair and security-conscious system implemented across all of state government, again, retaining the most stringent

employee protection.

Retirement Program Administration: Strongly opposes plans for mergers and/or exclusions with regard to administration and membership in retirement funds which could conceivably lead to complications, reductions in jobs or negative impact on retiree benefits. Specifically, the teachers' retirement system should remain a separate entity with separate administration and funding mechanisms.

Further, manpower reduction will have a critical impact upon retirement fund contribution levels. We must not neglect or renege on our promise to retirees by allowing retirement funding, administration, mergers or others maneuvers in the name of efficiency and cost savings to reduce retiree benefits. All possible scenarios of all proposed retirement system changes must be carefully analyzed to ensure adequate funding is maintained and to guarantee a stable and secure retiree benefits system. Much attention must be given to the effects of placing new hires in alternative retirement funds, changing active employee compensation levels, and other occurrences which could potentially impact the soundness of retirement system funds and service delivery.

Early Retirement Incentive

Service Credit Purchase cost is a disincentive and few employees will elect or be able to afford to participate in this plan. Savings sufficient to grant service credit and still save money by hiring new employees at entry-level wages.

Advancement/Promotions

All state employees should be granted equal access to vacancies in state government. Internal promotion policies discriminate against minorities and women and have contributed to the state's inability to achieve its own affirmative action goals. Labor supports statewide vacancies postings.

Privatization

Privatization produces short-term savings to the Commonwealth, but usually leads to long-term cost increases to government: the state forfeits all quality control to private contractors; workers are exploited with low wages and few or no benefits; it is difficult to force private contractors to comply with strict state standards, etc. Once privatization becomes routine, the state has eliminated and/or failed to upgrade and maintain equipment and has lost trained employees, a situation which is difficult and costly to reverse.

Conclusion

Toward the commendable goal of increasing quality and efficiency of state government operations and service delivery, labor has offered its enthusiastic support. However, the

methodology for achieving this goal--specifically, through means which present a clear threat to the security, moral and dignity of state employees, efficiency and responsiveness of state government to the citizens of the Commonwealth and an unreasonable expectation of success primarily through workforce reductions which will impose further fiscal burdens on an already over-committed budget--are strongly opposed. This report has attempted to offer alternatives to layoffs and other methods of workforce reduction, while emphasizing the value and positive contributions of state employees toward achieving and maintaining the objectives of this Commission.

Political influence in personnel management and unrestricted patronage hiring, while an administrative perk, must be seen for the negative, unnecessary and costly practices they are. Real consideration of limiting the "jobs-for-support" and "who's who" methods of determining the necessity of jobs and specific appointments to those jobs should be eliminated, thereby ensuring qualification, performance and ability remain the primary criteria for job placement and retention in state government on all levels of classification.

Manipulation of existing funding mechanisms, benefit levels, administration and services of retirement systems, likewise, is yet another methodology proposed by the majority of the Commission to achieve cost savings. Again, this method must be more closely studied in order to assure adequate and necessary services and benefit levels continue to be provided to state government retirees.

Finally, labor recommends institution of Collective Bargaining as the most viable, comprehensive and efficient personnel management alternative currently available to quickly and thoroughly achieve the goals of enhanced quality and efficiency in state government.