

COUNTY OF MILWAUKEE
DEPARTMENT OF HUMAN RESOURCES
INTER-OFFICE COMMUNICATION

DATE : August 24, 2016

To : Theodore Lipscomb, Chairman, County Board of Supervisors
Luigi Schmitt, Chairman, Personnel Committee

FROM : Kerry Mitchell, Chief Human Resources Officer

SUBJECT: **Informational report regarding the Department of Human Resources**

Background

In light of the formation of a new Personnel committee in 2016, I would like to present a general overview of the Department of Human Resources, including general background, key areas of focus, and where we are headed.

The Human Resources function at the County consists of 6 key functional areas:

- Talent Acquisition & HR Operations (led by Rick Ceschin)
- Employee Relations (led by Luis Padilla, Jr.)
- Learning & Development and Diversity (led by Ted Fancher)
- Retirement Plan Services (led by Marian Ninneman)
- Benefits, HR Metrics & Leave Management (led by Matt Hanchek)
- Compensation & HRIS (led by Mike Blickhahn)

Introduction

When I arrived at Milwaukee County four years ago, I was struck by the passion of those who work in public service to help others, and intrigued by the many complexities of our organization. I was also astounded at the lack of any strategy around people – talent – and energized by the opportunity to help build an organization that understood the value of the employee as its greatest asset. By creating best-in-class programs and processes, and ensuring all efforts support a progressive vision, I believed we could all work together to transform Milwaukee County into a model government agency that provides high-quality, efficient, top-notch service to our community.

Below is a summary of key challenges I faced when I arrived at Milwaukee County, what we've done to address them, and what is on the horizon.

Human Resources (HR) was Decentralized and Fragmented

YESTERDAY: Some HR functions reported into other parts of the organization that weren't Human Resources. For example, the Benefits function reported into Administrative Services. The Retirement Plan Services area also reported into Administrative Services, but was separate from Benefits. The Employee Relations function was not even part of HR – these staff members reported into the various business units across the organization. The employee training & development function had been eliminated approximately 10 years prior to my arrival. The Compensation function had no manager for more than seven years. The Human Resources function was in a state of disarray, and did not meet the needs of the organization. HR's reputation was very poor – not due to the staff, but due to the lack of investment in employees at the County. *HR was viewed as a transactional function, rather than as a strategic business partner focused on building and sustaining human capital strategies or employee programs.*

TODAY: After centralizing all HR functions under one roof in Human Resources, we built the Compensation, Learning & Development, and Employee Relations functions from the ground-up. For the first time, Human Resources had a defined mission, vision and core values, which ensured all team members were focused in the same direction. The team now has goals & objectives, and understands how it will be held accountable for results. We developed a servant leadership model within HR, focused on how we can best serve customers, coworkers, and direct reports. The centralization of Human Resources was a significant undertaking, but led to greater efficiency and much improved service. *We put a stake in the ground that employees are the County's most valuable asset, and set out to build programs that attract and retain a diverse, talented workforce.*

TOMORROW: Our people strategy will tie directly into the overall business and service strategies at Milwaukee County. HR will help drive business decisions through people, data, and innovation, utilizing integrated and advanced business and HR systems. *We will achieve operational excellence through diligent process improvement.*

No Internal Employee Communications Strategy

YESTERDAY: Upon my arrival at the County, I found that there was very little regular communication by the County with employees. In this post-Act 10 environment, there had been no focus on working with or collaborating with employees regarding the massive shift taking place regarding organized labor. There were no new policies developed to help employees understand the Post-Act 10 landscape, or for employees to provide feedback or input. Employees who happened to have e-mail accounts received sporadic e-mails from day to day with information about random County topics, from multiple sources, and primarily learned about what was going on within the organization from the media. Also, employee policies were not documented in one place for employees to access. **Employees were out of the loop.**

TODAY: Our team completed an intensive study of all non-public safety union contracts, and met with each union to discuss the various provisions, and attempt to come to one common understanding of recommended new policies and practices. While these recommendations were not ultimately supported by the Board (instead, the Status Quo ordinances were developed to

ensure employees maintained some of their separate labor contract provisions), we developed a first-time employee handbook.

The handbook was developed by consolidating key employee policies found in State Statute, Ordinances and Civil Service Rules, so at a minimum employees now have one place to go for important information. More than 200 employees across multiple parts of the County participated in focus groups to provide input prior to rollout. Also, we worked with the Information Management Services Division to consolidate the disparate, unfocused employee messages into just one weekly blast. Finally, we developed and now publish a monthly employee HR newsletter to keep this critical stakeholder group informed of opportunities and other important County news. *We've established new employee tools and communications that didn't exist before.*

TOMORROW: Employees will receive vital information via multiple channels, such as robust web, social media and mobile technologies. We will establish greater accountabilities for leaders to communicate effectively with employees about key County or departmental information. *Our employees will be more connected and informed than ever before.*

No Centralized Employee Relations Function

YESTERDAY: When I arrived at the County, the HR staff that supported employees and managers across the County in various departments reported directly into each department. In other words, the HR staff that was there to investigate and help resolve employee concerns also reported into management of the business unit. Due to this structure, it was difficult for employees to report concerns into their department's HR representative, knowing that the HR representative worked at the direction of their Department. There was a fundamental lack of trust in HR, as HR was seen as tied to or part of management. *Employees didn't feel supported.*

TODAY: Beginning January 2012, HR-Employee Relations staff now reports centrally into Human Resources. This allows much greater neutrality for Human Resources when researching and responding to employee concerns, and aligns us with HR best practices. When employees bring forward issues that require investigation, we are now able to assign an HR partner who supports a different part of the County to investigate, to create a more comfortable, neutral environment for analysis of the issue. In 2016, the number of investigations conducted as the result of an employee complaint have more than tripled over the number conducted in 2015. *This tells us that more employees are trusting HR to listen and address their concerns.* Of the investigations HR conducted in 2015, we found about 50% of them to be substantiated, and 50% were unsubstantiated. Our Employee Relations team has done significant work coaching both employees and managers on establishing a more professional, productive work environment. We launched an employee engagement initiative in 2016 that began with a first-ever engagement survey, to be followed with employee focus groups and action planning to improve our work environment. *We are on a path to stronger, more trusting employee-management relationships.*

TOMORROW: We will lead the employee engagement initiative through survey administration, manager coaching, involving employees and leaders in the action planning

process, and monitoring progress. Employee engagement will become a business imperative at the County. Our goal is to improve the workplace and become a top employer in Milwaukee, where we can attract and retain the best talent. ***Employees will have a voice, and will actively participate in making the County a great place to work.***

Antiquated and Inequitable Compensation System

YESTERDAY: The compensation system and structure had fallen into a state of disrepair prior to my start at the County. The pay ranges for County jobs were not tied to the competitive market in any way. In fact, we found that in some cases, the maximum pay for a job was still below the market pay minimum for that position. Also, the very structure of the compensation system was driving pay inequities in many parts of the organization. The County was still using an old compensation model, referred to as a “step system,” which went out of widespread use in the United States roughly 25 years ago. Pay grades that are part of a pay step system include designated hourly salaries – or “steps” – within each pay grade, which employees move to after a certain amount of time in the job. Modern compensation structures move employee pay through a pay range system that includes a minimum, midpoint and maximum salary that is tied to the competitive market, based upon knowledge, skills, ability, and performance.

Rather than migrating to a more modern pay structure approach, the County had continued to utilize this obsolete step system, despite the fact that this approach did not tie to the market or ensure competitive pay, did not ensure fair pay practices, and actually drove some of the pay inequities across the organization. For example, under this old system, employees in the same or similar jobs, who worked in different parts of the County, were in some cases paid very differently. Employee step increases were also inequitable between employees. Some employees had five steps in their job grade, while others had 15 or 20. There were multiple Fair Labor Standard Act compliance concerns. Moreover, employees were not being rewarded for their excellent results. ***The County had a limited ability to attract and retain talent.***

TODAY: Upon building a team of highly experienced compensation professionals, we completed a two-year project to evaluate every job at the County, and apply a consistent approach to evaluating each job and establishing common titles, grades and job descriptions. We developed a market-based compensation structure and administrative guidelines to manage it. Our proposal included moving about 500 front-line employees below the new grade minimums up to minimum, as a first step in addressing employee compensation problems. We are eager for approval to proceed with implementation. In addition, we proposed an Employee Spot Award Program (denied by the Board in the 2015 budget) that would have provided all employees opportunities for additional cash compensation tied to their performance and innovative, cost-savings ideas. Human Resources also proposed and implemented an increase in employee compensation between 2015 and 2016 of 2.5%. ***HR is driving better pay for employees.***

TOMORROW: If approved by the Board, we will complete a full implementation of the new pay structure and procedures for Milwaukee County, including manager and employee training and massive data-related system updates. Ultimately, we will reduce turnover, increasing retention of talent. This will result in lower overtime expense, a reduction in employee burnout, and decreased turnover and hiring expenses. Further, the migration to our newly designed pay

structure will reduce the legal risk and expense associated with our current pay practices, and will target employee pay in a much more competitive and fair manner. We will have greater success attracting talent for key positions, and employees will be rewarded for their excellent successes. *We have designed a compensation system that will finally allow the County to pay competitively and fairly.*

Lack of Performance Management Programs

YESTERDAY: Employees were generally not provided information about the goals they were expected to reach. They were not consistently provided feedback or coaching on their work performance, or counseled on how they might improve. There was no documented Countywide policy regarding employee discipline, but it frequently involved multiple suspensions (one day, three days, five days, 10 days, 30 days), which equated to punishing employees with unpaid time off.

TODAY: We rolled out training to managers on how to develop SMART (Specific, Measurable, Attainable, Relevant, Time-Bound) goals and objectives with employees, and how to effectively write performance reviews. We rolled out a new Corrective Action Policy that eliminated the use of employee suspensions, and focuses on helping turn the performance or conduct situation around vs. simply punishing the employee.

TOMORROW: Our focus will be on building management competency in the area of managing performance. Managers will understand their role in providing the tools, training and support necessary for employees to succeed, as well as how to provide effective coaching and feedback to improve work performance.

Lack of Employee Onboarding Program

YESTERDAY: For many years, employees hired by the County started work in their department, and received information about the County, benefits, and policies from an employee in their work area. Not only was this terribly inefficient, but information was not presented in a consistent or accurate manner. Employees did not receive all of the information and tools necessary to be successful, and did not receive a clear picture about the County as a whole. *This led to a poor overall onboarding experience for our new hires, who should be provided all of the information and tools up-front to be successful, and be made to feel welcome at the County.*

TODAY: 100% of new hires attend a centralized New Employee Orientation (NEO) program together on their first day of employment. They receive important information about the County and what we do, as well as benefits and other pertinent information. Not only has this program created significant efficiency and accuracy of information provided, but new hire (first six months) turnover has dropped by 44.1 %. *Our new hires now feel welcomed and informed.*

TOMORROW: We will develop online components to supplement the New Employee Orientation, including web-based videos that are reviewed by new hires as they prepare for their start date. Human Resources will also work with departments to ensure that the departmental

onboarding process is well-designed and provides a positive and supportive experience for new hires. *New hires will already feel engaged and part of the team on Day 1.*

No Employee or Manager Development Programs

YESTERDAY: As mentioned earlier, the training function had long since been eliminated by the time I was hired. There was little focus on employee development. Both employees and managers expressed intense interest in the County providing job and career development programs. *The County was not investing in employee or management development.*

TODAY: We re-established and built up this function, with the support of the County Board, through the annual budget process over the past three years. Our team has developed more than 30 classroom training courses for County employees. In 2015 we rolled out a new Employee Development Center – an online learning management system (LMS) that provides employees access to hundreds of learning opportunities. Our goal is to build a learning environment that provides employees the development they need to succeed and grow in their careers. In 2016, with the support of the County Board and the County Executive, we launched a brand new Tuition Assistance benefit to replace the old Tuition Loan Program. In just four months, the implementation of this new program resulted in a 379% increase in employee participation compared to all of 2015. In addition, we launched two successful management development programs – Leadership Excellence and the Management Development Program – as well as piloted a new leadership development program for employees interested in getting into management. *There are now many resources available to employees for development, and we've seen improvement in management performance.*

TOMORROW: HR will continue to offer employee and management development programs and courses that build competency and skills across Milwaukee County. A major focus moving forward is ensuring employees are fully aware of the tools and resources available to them through our Employee Development Center. We will measure the effectiveness of our development programs and adapt accordingly. *We will build a learning culture by being an organization that fully values employee development.*

Extraordinarily Complex Pension System

YESTERDAY: It is well known that the County pension system has been plagued through the years with problems – most notably the 2002 “Pension Scandal.” While most organizations have a central Pension Plan Document that outlines and provides governance for the plan, the County does not have this. Instead, the pension plan is outlined in County ordinance. This means that over decades, with many iterations of the County Board, the Pension Board, and County Executives, numerous changes or variations in the program have been implemented and codified into ordinance. As a result, there are currently more than 51 different versions of the pension plan in place. This means that each time an employee retires, there is significant manual review necessary to ensure each pension is calculated properly. *This also means that, over the years, the potential for human error has been high, and many errors have been made.*

TODAY: While we cannot erase the pension problems of the past, we are engaged in a relentless pursuit of operational excellence in Retirement Plan Services. We re-built our staff in this area, and incorporated new processes. We re-focused on seeking out, uncovering and addressing past administration errors. A recent example was the Buy-In/Buy-Back operational errors we discovered and reported to the public, which included approximately \$25mm in pension overpayments, and an additional \$10mm in overpayments that would occur if the problem was not corrected. No matter how challenging it can be, past errors must be brought to light and addressed in collaboration with multiple parties. *I am very proud of the integrity of this team for its consistently honest and open approach to the pension system.*

TOMORROW: Our team will continue to focus on building operational excellence in this area, as well as increasing the overall level of service provided. We will be implementing all of the parameters outlined in our IRS Voluntary Correction Plan, which will include updated ordinances. In addition, we have established new service level standards with respect to addressing customer questions and concerns, and are developing new learning programs for employees at various points in their careers (early, middle and late). *We will achieve operational and service excellence.*

Fiscal Crisis

YESTERDAY: In 2012, the County was facing seemingly insurmountable structural deficits, and post-employment benefit liabilities expected to eclipse the \$2 billion mark. The County was faced with the difficult position of eliminating staff and cutting benefits, or cutting the services this government provides to its taxpayers. *We were in a fiscal crisis.*

TODAY: By fostering an environment that supports and encourages innovation, taking calculated risks, and collaboration between County stakeholders, we've stabilized the cost of employee benefits plans and made our programs and workforce more sustainable through implementing a wide range of strategies. This was a complete team effort, involving all levels of County government, our business partners and vendors, and other large local public entities. The end result of this unprecedented collaboration was a decrease in Other Post-Employment Benefit (OPEB) liabilities in excess of \$650 million, more efficient use of County resources, greater stability/minimized disruption in County benefit plan design and premiums, the launch of new programs for employees (such as Wellness and Tuition Assistance), and an enhancement in benefits to Medicare-eligible retirees (Medicare Advantage). *Innovation in HR led to a significantly stronger fiscal position for the County.*

TOMORROW: We will continue to seek ways to provide competitive, affordable benefits to our employees and retirees, while reviewing additional innovative benefit plans and programs.

Golden Handcuffs

YESTERDAY: In the past, and over many years, various lucrative employee benefit and pension deals were implemented in Milwaukee County ordinances to provide some employees additional benefits. Some examples include Backdrops (lump sum payments at the start of retirement), premium-free lifetime retiree medical insurance, and the Buy-In and Buy-Back

programs (opportunities to purchase years of service to increase pension credits). These programs have ended, but a large number of employees were grandfathered into them. With a benefit provision like the Backdrop, for example, when you know you will have a large lump-sum payment when you retire, why would you ever leave? .

This has created a large, long-term employee base who will remain at the County, even if they are unhappy, unproductive, or generally do not feel fulfilled in what they are doing. Hence the name *golden handcuffs* – no matter how young they are, they won't leave, even if they want to. They are tied to the County until retirement, otherwise they would lose their exceptional benefits. While there are many solid, hard-working employees who have these benefits and are excited to be here, there are others who feel stuck and unhappy. This creates a major challenge from an employee engagement and employee performance perspective. It also creates difficulty in our ability to churn – to post open positions and bring in new talent and a fresh perspective on the work we do.

TODAY: The best resolution to this issue was to implement a wide variety of employee and management programs that professionalize the workforce and create a better work environment. Initiatives that create much greater accountability for both leaders and employees – such as goal setting, performance reviews, and corrective action – have helped develop a greater sense of purpose for why we are here and what is expected. This enabled us to point leaders and employees in the same direction, as one team working for the same common goals. Launching a brand new Wellness program also provided employees (at all levels) the opportunity to come together through a wide variety of activities and work toward improving physical, mental and emotional health and well-being.

TOMORROW: Our focus is to continue building programs that involve employees and help them build upon their careers or personal/professional growth. We will work with managers as coaches and mentors to build and sustain a strong, high-performing workforce. ***Our focus will be on employee well-being and success.***

General Lack of Trust

YESTERDAY: When I arrived at the County, there was a fundamental lack of trust occurring on multiple fronts. Employees generally heard information about the County either from their union or the media. In several areas (not all), the employee-management relationship was hurting. For decades, several unions represented most County employees. Many managers grew accustomed to following union contracts, and accepting the unions as the go-between with employee communications. When Act 10 happened, it not only left employees feeling more anxious and distrustful, but it left managers ill-equipped to effectively manage their teams in a new way.

TODAY: One of the first things our team implemented was an Open Communications policy that offered employees a wide array of avenues to resolve issues. Employees were encouraged to bring concerns directly to their supervisor, manager or department head, as well as to their department's HR partner, or central Human Resources. We invested significant time and effort in building and developing our Employee Relations team, to ensure they could effectively listen and research/investigate/resolve employee issues. We have invested heavily in building

accountability for managers to effectively lead, which includes new management tools and training programs. While I believe we still have a long way to go to improve employee-management trust, significant improvement has occurred in this area.

TOMORROW: Our employee engagement results will be critical to determining our top priorities in this area. We will work with employees and managers to understand the survey results, and will provide guidance on the action planning process to implement improvements. In addition, we are building a Diversity & Inclusion strategy for Milwaukee County, which will lead to a much greater appreciation for our differences, and how our differences make our organization stronger and more vibrant. ***Employee-manager trust will improve, and employees will feel respected and valued for their many contributions.***

Summary

It's the citizens of Milwaukee that make it an exceptional place to live. Milwaukee County provides the environment where we can all make a direct and positive impact on the quality of life of countless people. The County is focused on creating an environment where Milwaukeeans can make it a vibrant place to live; a place where people, families, and businesses thrive. As a component of this, Milwaukee County provides key services to some of the most vulnerable people in our community. In Human Resources we strive to build an engaged, positive, innovative work culture that helps make all of this possible. We enable leaders to seek out the best possible talent to work at the County. We develop rewards systems that attract and retain great employees. We help employees and managers navigate challenges in the workplace, in order to pave the way for a positive, service-oriented work environment. It is through the talent and commitment of our employees that Milwaukee succeeds.

I am very proud of our Human Resources team's work over the past 4 ½ years, and I am happy to answer any questions about it.

Thank you.


Kerry Mitchell
Chief Human Resources Officer

cc: Chris Abele, County Executive
Raisa Koltun, Chief of Staff to the County Executive
Department of Human Resources Staff