

The state of state HR agencies



Analysis of the State HR Architecture Survey

How are state human resources (HR) agencies using data to drive decision making in areas ranging from retention to succession planning? How mature are the business intelligence and analytical capabilities of states' central HR agencies? What impact has the Affordable Care Act (ACA) had on state workforces? What types of restructuring initiatives are HR agencies pursuing?

These are just a few of the areas explored in the most recent National Association of State Personnel Executives (NASPE) and Deloitte survey of central HR agencies. This report analyzes the results of the 2014 HR Architecture Survey and presents an up-to-date look at the state of central HR agencies.¹ It provides an overview of the structure of state human resource management (HRM) agencies, the services they provide, their use of data to provide those services, and past and future plans for restructuring those agencies, among a number of other areas.

Participating states included:

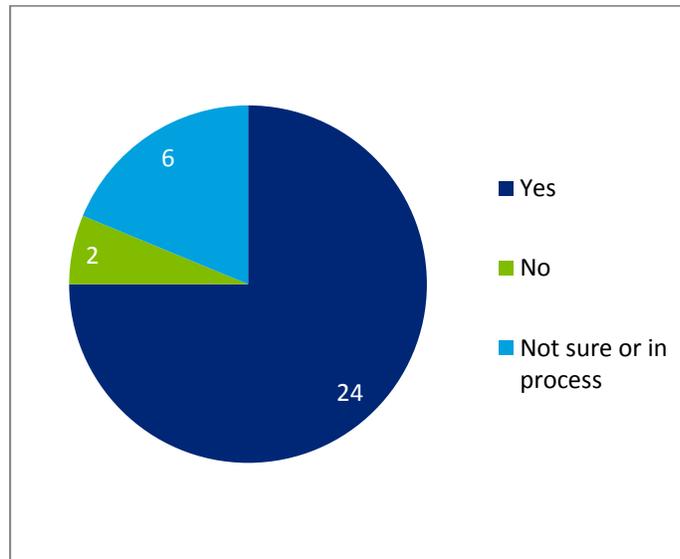
- Alaska
- Arizona
- Colorado
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Iowa
- Kentucky
- Louisiana
- Maine
- Massachusetts
- Mississippi
- Missouri
- Montana
- Nebraska
- New Jersey
- North Carolina
- North Dakota
- Oklahoma
- Ohio
- Oregon
- Pennsylvania
- South Carolina
- Tennessee
- Utah
- Washington
- West Virginia
- Wisconsin
- Wyoming

Data as a pillar of state HR operations

Consolidated view of HR reporting

As states endeavor to transform their central HR agencies into data-driven business intelligence units, a necessary first step is to have a consolidated view of HR reporting. Even though HR data is often resident in multiple systems, the majority of respondents (75 percent) indicated that their central HRM agency has a consolidated view of HR reporting (see figure 1). Just 2 of the states surveyed indicated that their central HRM agency does not have a view of consolidated HR reporting.

Figure 1. Consolidated view of HR reporting

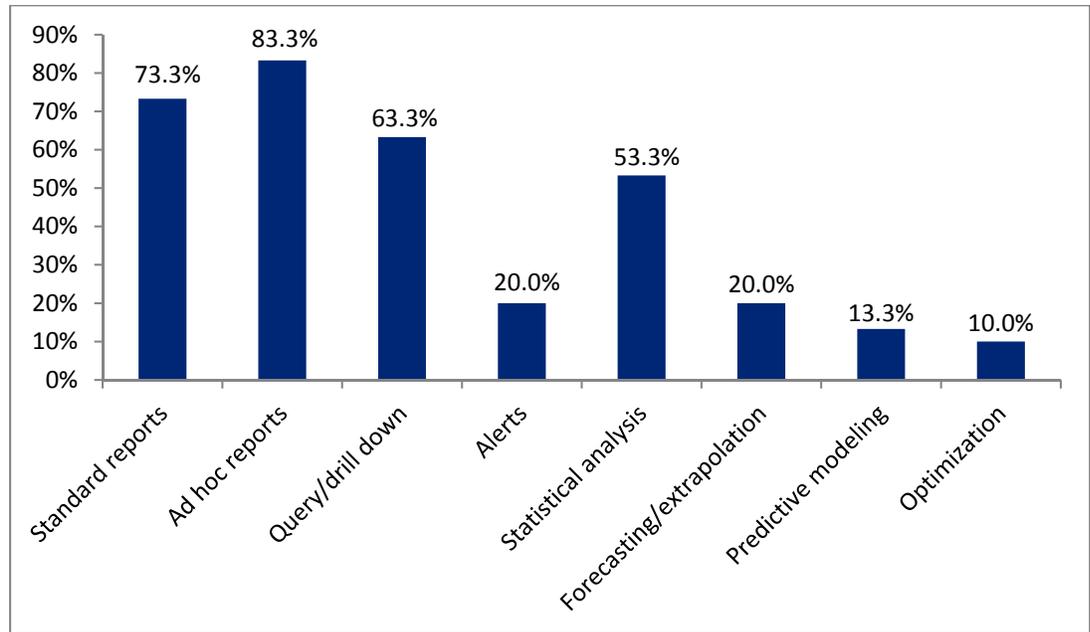


Analytical capabilities across states

Having a consolidated view of HR reporting is just the first step. As we look at how surveyed states are using that data from a business intelligence perspective, we see that the level of maturity within state HRMs varies greatly.

Figure 2 depicts the continuum of business intelligence capabilities, moving from basic capabilities on the left to more advanced capabilities on the right. Most states are using their data to generate standard (73 percent of respondents) or ad hoc reports (83 percent) and to query their data (63 percent).

Figure 2. Analytical capabilities across states surveyed



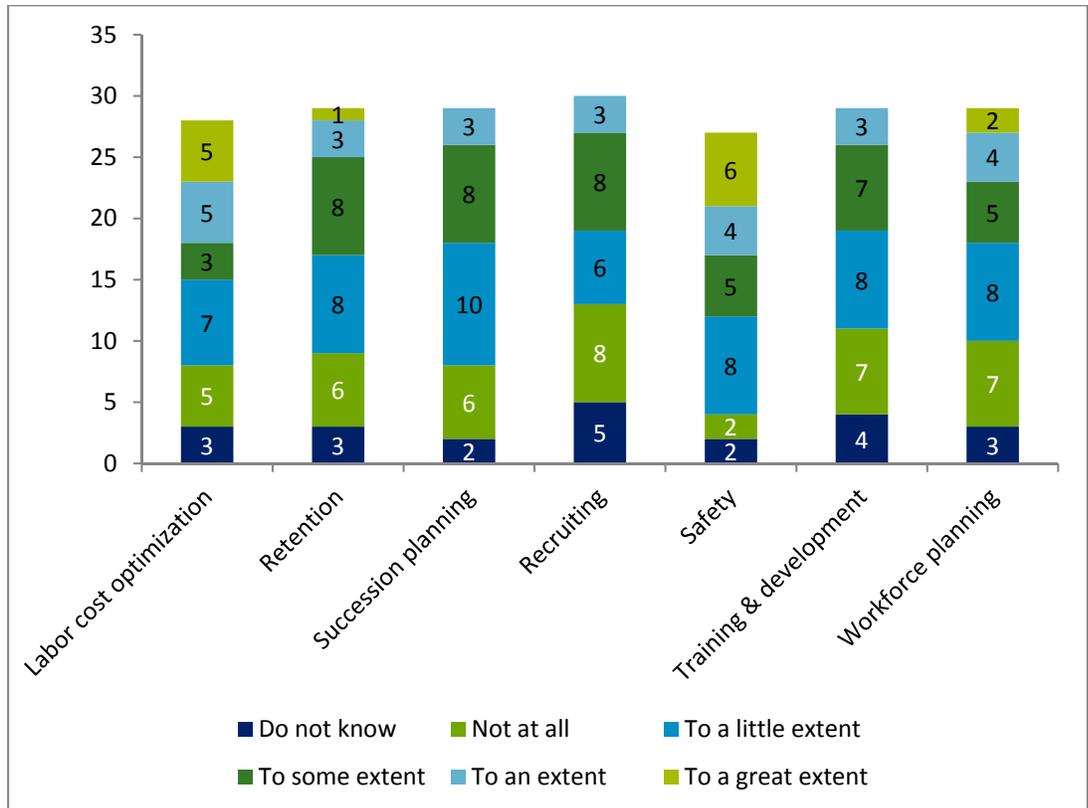
Fewer central HR agencies are able to use their data to understand what actions are needed (i.e., alerts), to understand why something may be happening (through statistical analysis), or to do forecasting (what if these trends continue?), predictive modeling (what will happen next?), and optimization (what's the best that can happen?).

Lack of talent and limitations in current data can limit what states are able to do in terms of more sophisticated analysis. Some respondents indicated that they have initiatives planned that will enable more forecasting and predictive modeling.

Use of HR data by central HRM agency to drive decision making

While many states are using their HR data to drive decision making in different areas ranging from retention to succession planning, most respondents indicated that they were not doing so to the maximum extent possible (see figure 3). Labor cost optimization, safety and workforce planning represent the three areas where surveyed states are using HR data to the greatest extent to drive decision making.

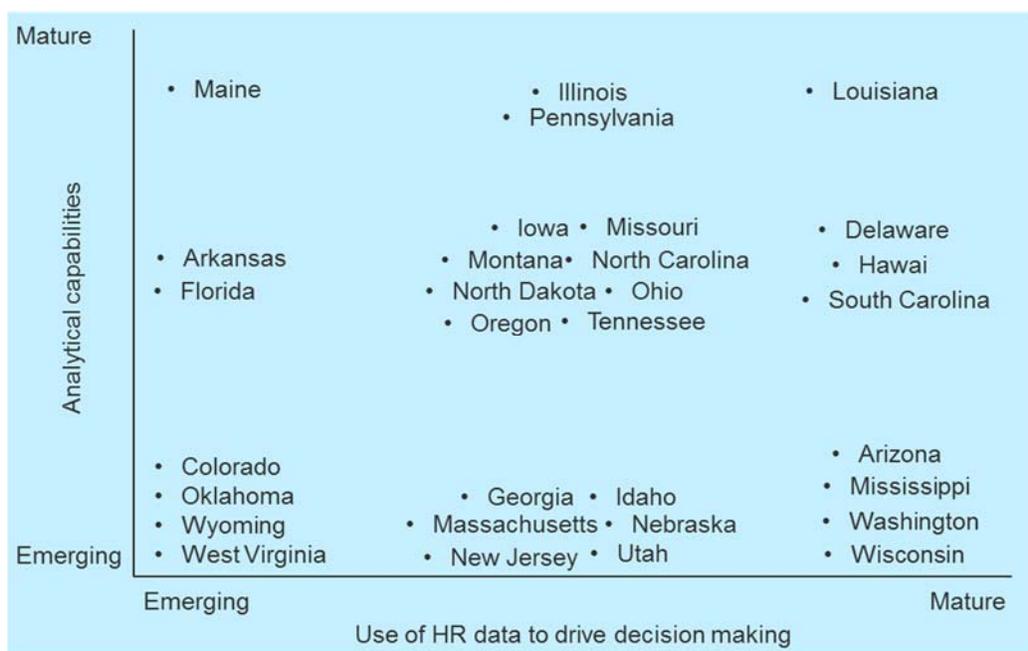
Figure 3. Degree to which HR data is used by central HRM agency to drive decision making



Analytical maturity of central HR agencies

Combining business intelligence capabilities, together with the use of data to drive decision making across the HR function, can present a picture of analytical maturity across states. We define analytical leaders as states that both have sophisticated business intelligence and analytical capabilities and that use those capabilities to turn data into insight that helps inform decision making across the central HR function.

Figure 4. Analytical maturity of central HR agencies surveyed



In the upper right quadrant of figure 4, we see that, of all respondents, Louisiana is the most analytically mature when it comes to data-driven HR operations. We also see that Illinois and Pennsylvania have invested in developing more mature analytical capabilities, but still have some room to translate those capabilities into more data-driven decision making. On the flip side, Delaware, Hawaii, and South Carolina are more mature in their use of data to drive decision making, but we see that this could be further enhanced by investing in more sophisticated analytical capabilities.

Centralization of HR services

The survey results indicate that it is not common for a state to completely or mostly decentralize its responsibility for a given area. Instead, it is more often the case that responsibilities are completely or mostly centralized in the central HRM, are split between the central HR and operating agencies, or given over to be handled by a completely different agency (see table 1).

Responsibilities that are most likely to be completely or mostly centralized in the central HR agency include HR policy development, compensation, and classification. Among those responsibilities that are most often split between the central HR agency and operating agencies are training and development, performance management, recruitment, employee relations, Equal Employment Opportunity (EEO) compliance, and workforce planning. The responsibilities most often handled by a central agency other than the central HR agency include retirement, unemployment, health insurance, and workers' compensation.

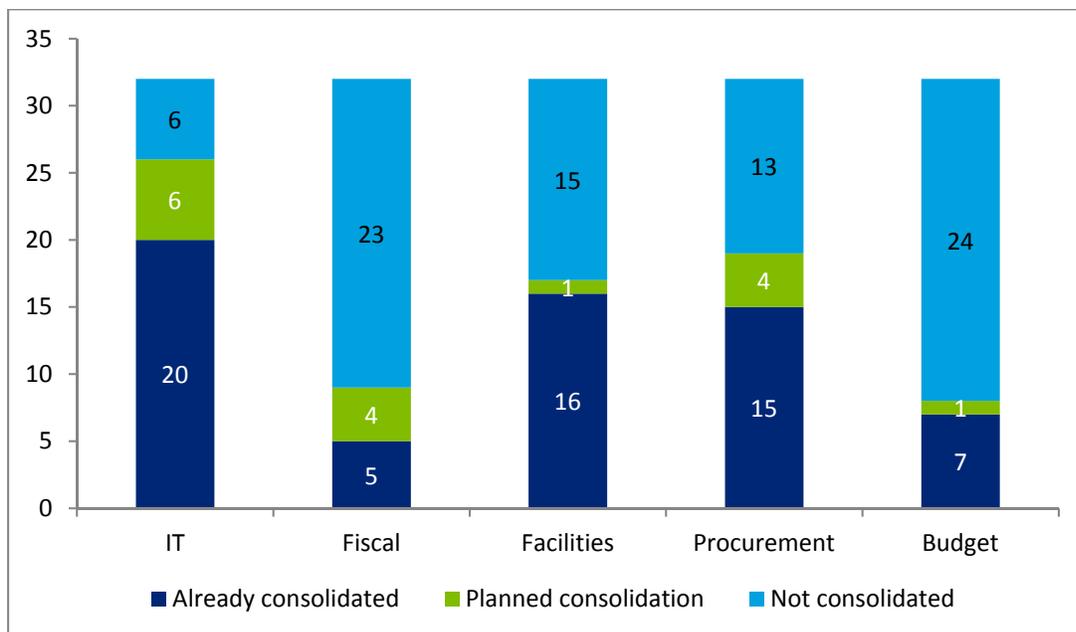
Table 1. Trends in centralization/decentralization of HR service delivery

Completely or mostly centralized in the central HRM	Responsibilities split with central HRM and operating agencies	Completely or mostly decentralized to the operating agencies	Handled by a central agency other than the central HRM
<ul style="list-style-type: none"> • HR Policy development • Compensation • Classification 	<ul style="list-style-type: none"> • Training and development • Performance management • Recruitment • Employee relations • EEO • Workforce planning 		<ul style="list-style-type: none"> • Retirement • Unemployment • Health insurance • Workers' compensation

Centralization of administrative functions

Along with centralization of responsibilities for various HR activities, the survey also looks at whether or not states are centralized with regards to other administrative functions (see figure 5). The survey shows that states are most often consolidated in information technology (IT) (63 percent of respondents reported they are consolidated in IT). The next most common administrative function that states are consolidated in is facilities, at 50 percent. Procurement is consolidated for 47 percent of respondents, 22 percent are consolidated with administrative services regarding budget and fiscal is consolidated for 16 percent. 6 percent of respondents stated that they are consolidated in other administrative areas as well.

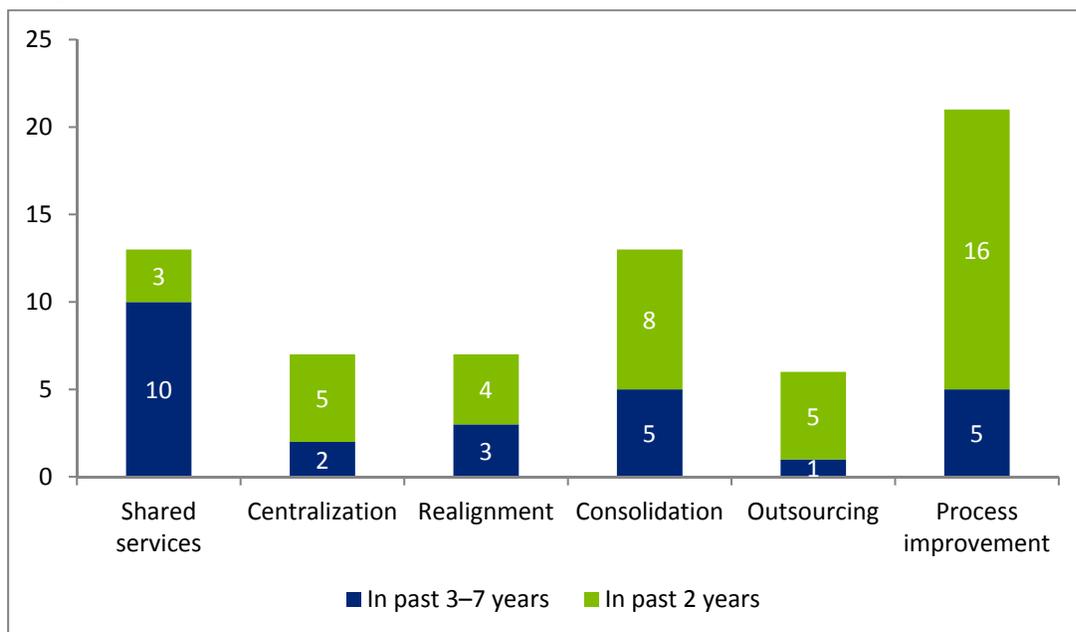
Figure 5. Consolidation across other administrative services



Restructuring initiatives: Previous and planned

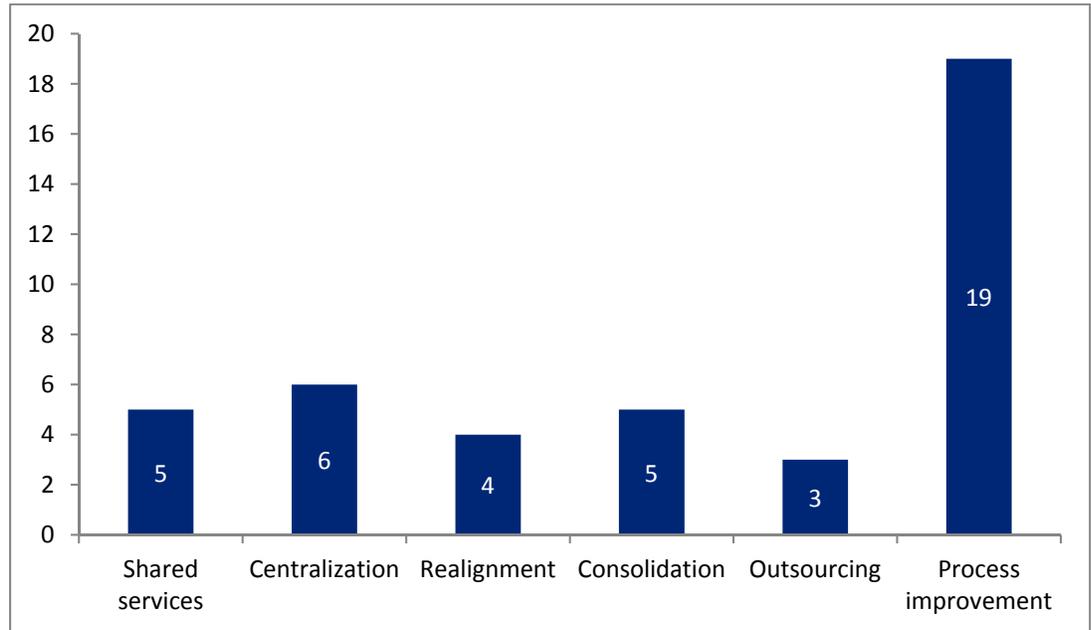
Looking back at restructuring initiatives that surveyed states have implemented in the past three to seven years, the trend appears to favor shared services (43 percent of respondents), consolidation (22 percent), and process improvement (22 percent). In the past two years, more states have pursued process improvement (70 percent) and consolidation initiatives (35 percent)—see figure 6.

Figure 6. Restructuring initiatives for HR services being planned or considered for the next two years



Looking ahead to restructuring initiatives planned for the next two years, process improvement initiatives (90 percent of respondents) overwhelmingly dominate state HR agency reform agendas (see figure 7). Given that a change of administration and funding issues frequently prevent planned restructuring initiatives from being implemented effectively, it makes sense that state HR agencies' restructuring efforts tend to focus on process improvement initiatives, which lie squarely within the purview of the central HRM agency.

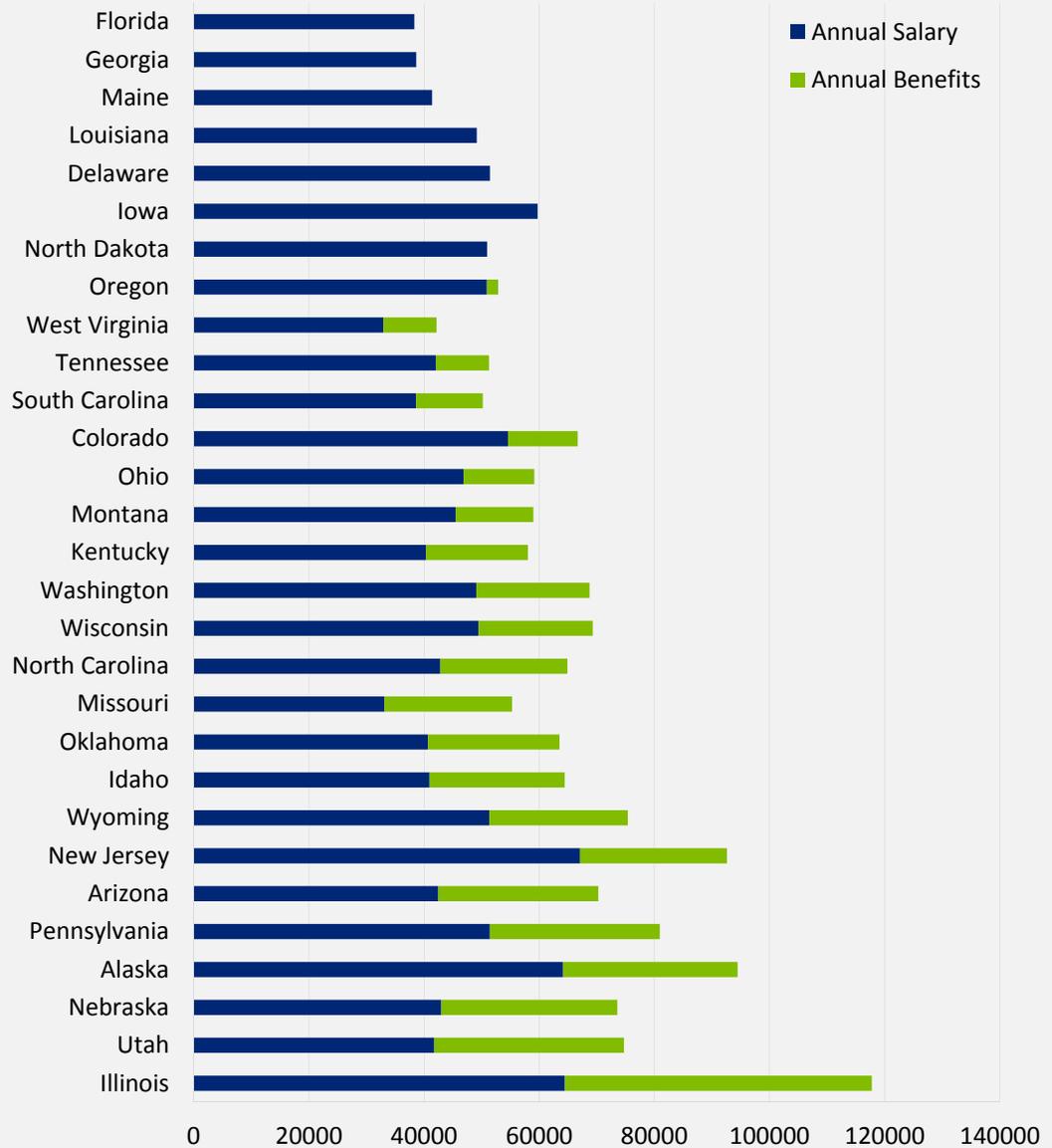
Figure 7. Restructuring initiatives for HR services being planned or considered for the next two years



By the numbers

- Average executive branch salary across states surveyed (as of the latest fiscal year): \$46,999
 - Low-end of spectrum: West Virginia--\$32,940
 - High-end of the spectrum: New Jersey--\$67,092
- Average executive branch fringe benefits across states (as of the latest fiscal year) – see figure 8: \$21,488
 - Low-end of spectrum: Oregon—\$1,940
 - High-end of the spectrum: Illinois—\$53,350
- Average percentage of respondent state workforces eligible for retirement based on standard retirement eligibility: 12.6 percent
 - Highest: Tennessee—14 percent of workforce currently eligible for retirement
 - Lowest: Ohio—1 percent of workforce currently eligible for retirement

Figure 8. Average executive branch salary and fringe benefits across states surveyed



Affordable Care Act: State readiness and impact on state workforces

ACA readiness

Looking at the data we have from 22 states, with a few exceptions, most states are either on track or ahead of schedule when it comes to identifying state employees affected by the 30-hour requirement which provides that all employees working an average of 30+ hours per week in a month be offered “affordable” health coverage by their employer, understanding the budget implications of the 30-hour requirement, and developing a strategy for monitoring ACA-related regulations.^{vi}

Impact of ACA on state workforces

Out of 29 respondents, 25 states (86 percent) are not planning to make any changes to the makeup of their workforces as a result of ACA. Among the four states that are planning on making changes to their workforces in the wake of ACA, some of those changes include reducing temporary hours and increasing hiring in certain agencies (such as the Department of Human Services and the Department of Insurance).

In terms of the percentage of the state government workforce that states provide health care coverage to as a result of ACA, the results are more mixed. Just over a third of respondents indicated that a greater percentage of their workforce will receive health care coverage as a result of ACA. This low number is likely due to the fact that states already provided healthcare coverage to a large percentage of their workforces prior to the enactment of the Affordable Care Act.

When we look at the question of who pays for health care coverage in the wake of ACA, the survey results indicate that the Act has not significantly changed how the majority of states approach employer/employee cost sharing, with a few exceptions. From the data, it appears that barring a couple exceptions, most states (73 percent of respondents) do not anticipate any changes in salary growth as a result of ACA.

Conclusion

As we look ahead, it's evident from the survey results that process improvement initiatives will continue to figure prominently on state HR agency reform agendas.

Moreover, given the solid foundation the majority of states surveyed have already developed around their business intelligence capabilities, it's likely that we'll also see an increasing number of states advance along the analytical maturity continuum toward more advanced analytical capabilities that will enable them to do more forecasting and predictive modeling. As a result, the analytical capabilities of central HR agencies will continue to evolve from being more retrospective in nature to more prospective in the coming years provided that states find new ways to attract analytical talent to the HR function and are able to overcome current limitations in their data that preclude more sophisticated analysis.

Lastly, the impact of the aging workforce will be felt unevenly across states. The aging of state workforces will continue to challenge some, but certainly not all, states to rethink how they go about attracting the next generation of workers to join the ranks of state government.

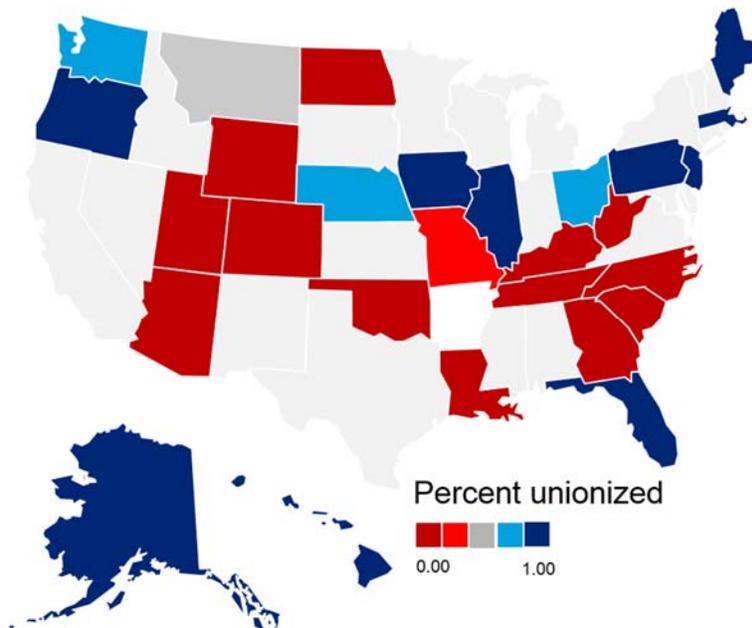
Appendix: Structural overview of state HRM agencies

State government workforces differ greatly from one another, as do the HR agencies that support them. In this appendix we offer some supplemental statistics on state government workforces and the HR agencies that support them drawn from NASPE's 2014 HR Architecture Survey.

Labor relations

When looking at all states surveyed, the average number of unionized state employees is 42 percent (see figure 9). The average number of unionized workers for just those states that have any union workers at all is 73 percent. Within those states that are unionized, the average number of contracts that are bargained is 20.

Figure 9. Degree of unionization across surveyed state workforces

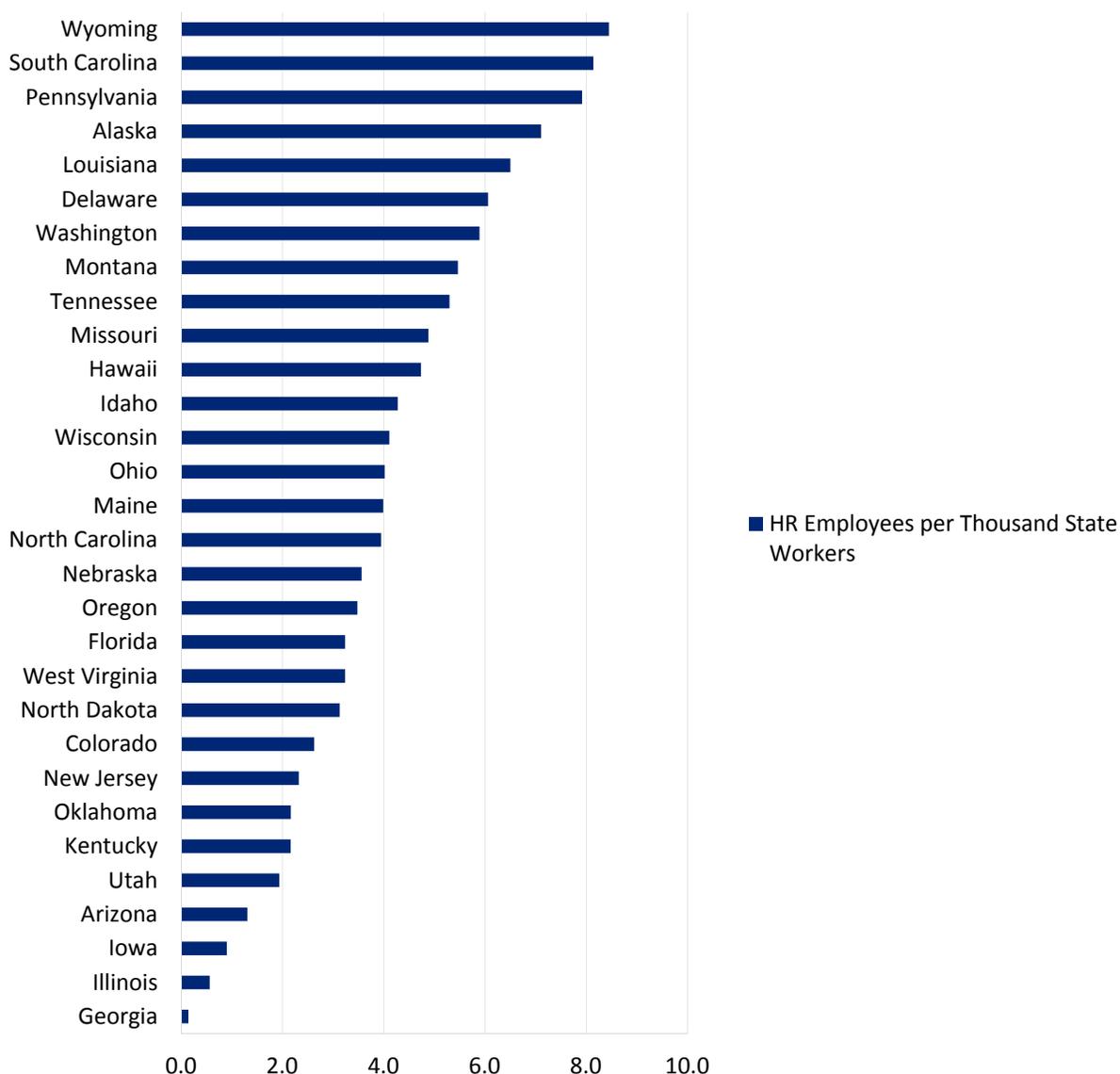


How many employees are in the HR agencies?

Staffing levels in central agencies tend to vary depending on the service delivery model (see figure 10). Those with a heavily centralized structure will likely have more employees than those with a heavily decentralized structure. The average number of employees across surveyed central HR agencies is 84, with the greatest number being Pennsylvania, with 285 employees and the lowest being Idaho, with 8 employees and North Dakota, with 13 employees.

According to the survey, the average number of HR employees in the operating agencies that are supported by the central HR agency is 377.

Figure 10. Full-time HR professionals per thousand state government employees



Over which agencies do state HR agencies have authority?

Out of 32 respondents, 100 percent of them report having authority over the executive branch. The least represented were the legislative and judicial branches with only 9 percent of surveyed state HR agencies having authority over those workers. 22 percent of respondents have authority over higher education employees whereas 16 percent have authority over quasi-state agencies. 16 percent reported having authority over other employee groups (e.g., boards and commissions).

Under what authority are state HR agencies created?

The most common source for authorizing state HR agencies is statute, as 94 percent of respondents reported their state’s HR agency is created by statute. The next most common authorization comes from the other means (16 percent). 13 percent of agencies surveyed reported that their authorization comes from the constitution. Note that some states reported having more than one source of authority. These are Louisiana (constitutional and statute), Missouri (constitutional and statute), New Jersey (constitutional and statute), and Pennsylvania (statute and “other”).

How are the state HR agencies funded?

62 percent of respondents reported that they receive funding through agency transfers and 56 percent reported that they are funded with state general funds. 19 percent of agencies surveyed reported that they receive other sources of funding. Almost half (44 percent) of the respondents receive funding from multiple sources.

How is HR leadership selected?

88 percent of respondents stated that the head of their central HR agency is appointed. 50 percent reported that the agency head is appointed by the governor, 43 percent indicated appointment by an agency head, and 7 percent stated that the agency head is appointed by a board or commission. Agency directors are by and large unclassified (88 percent).

- i. The central HR agency in each state was invited to take the survey; and out of those 50, 32 states responded, giving a response rate of 64 percent.
- ii. As an index of centralization, we used the responses to NASPE's questions on which of the 21 main HR functions were centralized, decentralized, or mixed. As a measure of staffing levels relative to the state government workforce as a whole, we used the total number of HR officers in the HRM, plus external departments per thousand state government employees.
- iii. As an index of centralization, we used the responses to NASPE's questions on which of the 21 main HR functions were centralized, decentralized, or mixed. As a measure of staffing levels relative to the state government workforce as a whole, we used the total number of HR officers in the HRM, plus external departments per thousand state government employees.
- iv. State of Nebraska Administrative Services Agency. (2013). 2013 Annual Report.
http://das.nebraska.gov/directors_office/documents-dir/AR-2013.pdf.
- v. State of Colorado, Department of Personnel and Administration. (2014). 'FY 2015-2016 Performance Management Plan.'
<https://docs.google.com/a/state.co.us/file/d/0BzIopKKDzSSTZkxmN3Y3WG1MdVk/edit?pli=1>.
- vi. For more information on the impact of the Affordable Care Act implementation of state HR departments, see:
http://www.naspe.net/assets/docs/Research-and-Publications/Healthcare/wp_aca.pdf.

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