

**GOVERNOR'S
MANAGEMENT
REVIEW
COMMISSION**

**OPERATIONAL REVIEW
OF
CONTINGENCY STAFFING**

March 22, 1991

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GOVERNOR'S MANAGEMENT REVIEW COMMISSION

OPERATIONAL REVIEW OF

CONTINGENCY STAFFING

OBJECTIVE:

To review the state's use of contingency staffing, identify opportunities for utilizing contingency staffing more effectively, identify constraints which inhibit the use of a broader range of workforce alternatives and recommend the long range actions necessary to achieve a more efficient workforce.

INTRODUCTION:

The nature of America's workforce is changing. The 1980's have been a decade of remarkable restructuring of both employer and employee needs and opportunities. The days of the single income family have dwindled as the costs of housing, transportation, education and other goods have dictated dual income solutions. Nor can an employer afford to staff for peak demand level and keep employees on during slow periods.

The growth in dual income families has created conditions where fringe benefits are less important for some employees, mostly secondary wage earners, than the flexibility of certain employment opportunities. Conversely, fringe benefits are as important as the level of compensation for other employees even though they may be working in less than a permanent, full-time capacity. Data indicates that in the future the available labor pool will continue to change both in number and quality of skills as well as the motivational factors influencing employment decisions (see Appendix A, "Characteristics of Future Labor Pool").

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The eighties have been the genesis of a variety of workplace strategies to balance economic and societal needs. Broadly defined, these strategies can be described as contingency staffing alternatives. Some of the techniques which have been commonly used include part-time employment, flextime, telecommuting, periodic or intermittent employment, as well as more traditional methods such as overtime and contract labor.

In many private and public sector organizations, contingency staffing is a common approach to respond to workload demands. In these organizations core staffing is comprised of a mix of full-time and part-time workers, supplemented, as needed, by overtime and contracted employees.

The Governor's Management Review Commission identified the use of contingency staffing as an area holding promise for meeting the state's service demands in a cost effective manner. This review explores the range of contingency staffing alternatives utilized in today's workplace, assesses the degree to which the state currently uses such employment practices and recommends opportunities to build upon the experiences of others. The present environment in which managers must operate with regard to both the procedures and the perceptions governing the use of contingency staffing is also discussed. Through the expansion of these ideas, public services can be delivered more efficiently and the workforce broadened by offering opportunities to a segment of the state's citizens which otherwise could not be accommodated.

METHODOLOGY:

A Task Force of experienced managers interviewed selected personnel and reviewed available reports and documents. Members of the Task Force had experience as directors of personnel or operating managers and represented agencies with experience regarding contingency staffing or in meeting staff needs.

The Task Force members are as follows:

Natalie Havran, Task Force Chairperson, Director of Human Resources, Department of Transportation

Patricia Blinn, Executive Assistant, Department of Personnel

Peter Calderone, Assistant Commissioner, Department of Personnel

Robin Fogel, Assistant State Treasurer, Department of Treasury

Frank Gatti, Assistant Director, Financial Management, Office of Management and Budget, Department of the Treasury

Dan Jordan, Management Resource Analyst, Department of Law and Public Safety

Charles Myers, Acting Director of Personnel, Department of Human Services

Dennis Salamandra, Director, Office of Human Resources, Department of Corrections

James T. Smith, Management Improvement Specialist, Office of Management and Budget, Department of the Treasury

Ronald Sost, Assistant Director, Department of Law and Public Safety

David Strathern, Assistant Chief, Personnel Services, Department of Labor

John K.I. Walsh, Management Analyst, Governor's Management Review Commission

OVERVIEW OF STAFFING ALTERNATIVES:

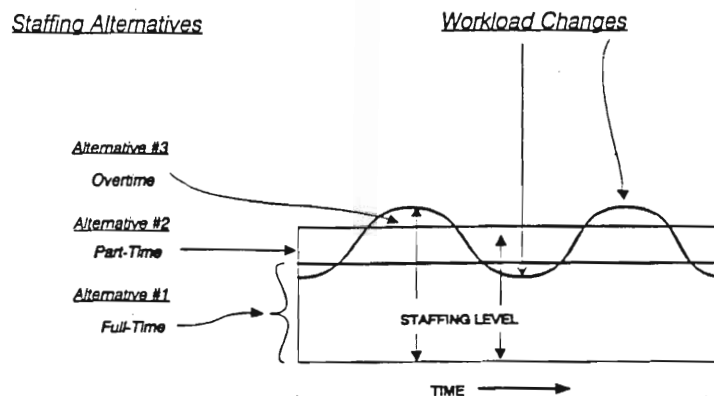
The Task Force conducted an extensive review of writings on the use of contingency staffing to determine the present status of these employment techniques in the private and public sectors (see bibliography in Appendix B). From this research, it was clear that a wide range of staffing alternatives are available to employers today which can improve productivity and lower overall operating costs without impairing the delivery of essential services.

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The following two Charts provide a graphic representation of the potential benefits of contingency staffing to meet fluctuating workload demand. Chart 1 portrays a staffing pattern utilizing the traditional workforce strategies of full-time, part-time and overtime staffing to meet variations in workload. Note that a total of 100 Full Time Equivalents (FTE's) are required to meet the work demand and that this model portrays instances where not all employees are being fully utilized.

CHART 1

Selected Employment Alternatives Before Workload Analysis



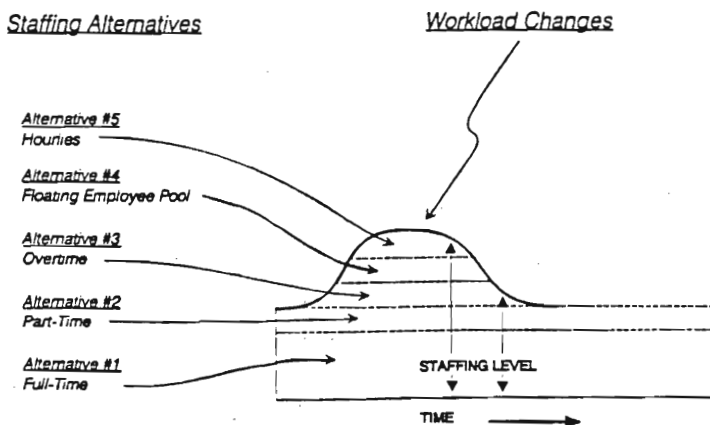
- Limited Use of Employment Alternatives
- Workload Changes Often
- Full Time Staff Level Set to Respond to Workload Peaks which Results in Excess Staff During Workload Valleys
- 100 Full Time Equivalent Staff (FTE) Broken Out As Follows:

95 - FTE (Full-Time)
2 - FTE (Part-Time)
3 - FTE (Overtime)
<hr/> 100 - FTE

Chart 2 portrays an alternative approach utilizing a broader range of employment strategies as well as "fitting" the traditional techniques more appropriately with a resultant requirement of 85 FTE's. Note that when there are slow periods staffing has been adjusted downward.

CHART 2

Selected Employment Alternatives
After Workload Analysis



- Maximum Use of Employment Alternatives
- Workload Changes Minimized
- Full Time Staff Level Set to Respond to Workload Valley with Contingency Staffing Used to Meet Workload Peak
- 85 Full Time Equivalent Staff (FTE) Broken Out As Follows:

70 - FTE (Full-Time)
5 - FTE (Part-Time)
6 - FTE (Overtime)
3 - FTE (Floating Employee Pool)
1 - FTE (Hourlies)
<u>85 - FTE</u>

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So what are the staffing alternatives which might be used to gain this improvement? Each is described briefly below:

FULL-TIME EMPLOYEE: An employee who works the regular workweek for which his/her title is assigned.

PART-TIME AND HOURLY EMPLOYEES: An employee whose regular hours of work are less than the normal workweek (typically 20 to 30 hours). Part-time work may be used when an employee cannot work full-time, to ease employees back into the workforce after a long absence, to prepare employees for retirement, and when there is a need for less than full-time effort. Research indicates that in the private sector part-timers normally represents 5% - 6% of the total staff component.

OVERTIME: Payment at a premium rate for work performed beyond the normal workweek. Overtime provides experienced personnel to address temporary increases in workload or decreases in available workers. As a rule of thumb, the private sector allocates 5-10% of all work to be addressed with overtime.

ADJUSTED HOURS OF OPERATION: Modification of an agency's hours to accommodate operational and/or employee needs. The total number of hours worked and the annual salary remain the same, only the start and ending times change.

ALTERNATIVE WORKWEEK: Establishes a different workweek such as a four day workweek with longer hours or working different days of the week than Monday through Friday. The total hours worked and annual salary remain the same.

TEMPORARY EMPLOYEE SERVICES: Employees are paid at an established rate of pay on an hourly basis without benefits. Employees can be hired on an "as needed" basis. State rules note that the work cannot last more than six months in the aggregate in a one year period.

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INTERMITTENT EMPLOYEE: Appropriate for functions characterized by unpredictable work schedules on a less than year round basis. Employees are paid on an hourly basis and may earn prorated leave and holiday time but typically do not receive health benefits.

JOB SHARING: Two or more individuals sharing the job functions of one position. The Council of State Governments reports that job sharing works particularly well in those jobs with little carry-over work and for professional jobs where staff can share the caseload or a weekly work schedule with a minimum need for the coordination of their efforts.

EMPLOYEE POOLS: A variation on job sharing is employee sharing, in which specific skill needs are drawn from an employee pool or designated cadre for recurrent work needs which do not necessitate a full-time employee at a single work location.

SPECIAL PROJECT RATE COMPENSATION: Full-time employees work in a different job than the employee regularly works and are compensated accordingly. This option provides "backfill" training and enhances career development among employees.

TELECOMMUTING: An employee maintains contact via electronic equipment and does not go to the office more than twice a week. It is ideal for piece work, computer work, or for employees recovering from an illness or maternity leave. Studies indicate that when effective controls exist, employees enjoy the responsibility and typically work longer hours. It reduces travel time, cost and traffic congestion.

PROFESSIONAL SERVICES: The employment of private sector personnel or firms, used mostly for specialized services such as engineering, medical, financial, legal, data entry or clerical functions. This category is also referred to as contracted services.

VOLUNTEERS: Typically, used in agencies delivering services to children, the incarcerated, the elderly or families of sick or disabled individuals.

Contingency Staffing Costs and Benefits

With the exception of cost savings associated with part-time workers, information on specific cost savings is not normally available nor are specific standards offered to guide the manager in the use of contingency staffing. This is understandable as the strategy for the use of contingency staffing should be tailored to each individual work environment.

However, in terms of part-time work, up to 20% cost savings were reported by using part-time staff during peak workload periods thereby reducing the required number of full-time staff. In one study nearly every one of the organizations surveyed used part-time staff to some degree with 43% using part-time staff to fill 6% or more of their total positions (Administrative Management Science Association, Page 21).

The general thinking on overtime is that 5% to 10% is an acceptable standard for operating units, without being concerned with increased fatigue or reduced work quality (Heisler, "Managing Human Resource Issues", Page 107). As with any staffing decision, the nature of the work, workforce and the work environment should dictate the full-time and contingency staffing make up. Appendix C, "Strategic Staffing for the 90's" is an article that discusses the potential benefits of contingency staffing.

Contingency staffing provides both economy and productivity benefits that significantly exceed the associated administrative costs. Summarizing the basic themes which emerged from the research, the most frequently mentioned benefits are:

- enhances organizational responsiveness;
- increases cost efficiency through improved staffing allocation;
- avoids or minimizes the cost of fringe benefits in many instances;

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- decreases absenteeism and lateness; and
- provides flexibility to adjust to changes in workload and in the future labor pool.

Some firms experience increased administrative costs to utilize contingency staffing related to training, record keeping, accounting, and increased supervisory or management time. However, in many instances these costs were minimal in comparison to the benefits of economy, productivity and flexibility provided to the organization.

Each of the above mentioned alternatives is appropriate under a variety of circumstances and operating environments. Not all are suited for addressing the same situation, nor are they all mutually exclusive. To give an indication of when each variation has applicability to staffing needs, Chart 3 portrays typical instances when each contingency staffing alternative tends to be appropriate.

CHART 3

WORKLOAD DEMANDS

Contingency Staffing Options	PLANNED			UNPLANNED		
	Fluctuating Peaks	Vacation Coverage	Special Projects	Unanticipated Absences	Unanticipated Workload Peaks	Emergency Services
Overtime	X			X	X	X
Contract Services	X	X	X		X	
Part-Timers	X	X			X	X
Seasonal	X					
Flexible Workweek	X					
Volunteers	X		X			
Floating Pool		X	X	X	X	X

The above matrix indicates that management should have options to address both anticipated and unanticipated workload demands. There is no one appropriate option. The option will depend on the individual situation and therefore should be a decision made by operating management.

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CURRENT USE OF CONTINGENCY STAFFING BY THE STATE

State employees perform diverse functions including operating prisons, caring for the disabled and mentally ill, insuring public health and safety, operating state parks, and building and maintaining roads, among others. These responsibilities translate into a broad range of workload demands. Depending on the nature of the work and the workforce required, contingency staffing options provide an appropriate method to deal with fluctuations and peaks in workload demand.

For example, the Department of Environmental Protection has dramatic workload increases in the summer because more people use state parks. They have used seasonal and part-time workers to deal with fluctuating demand. Also, state institutions and prisons operate 24-hours-a-day, 7-days-a-week and require continuous staff coverage with special training. For this type of work, overtime or a more flexible workweek may be the appropriate solution.

The state spends roughly \$2.8 billion on salary and fringes for all employment alternatives. Normally, contingency staffing is a strategy used by management to satisfy their obligations in an economical and efficient manner. The available data indicates that all departments use contingency staffing to some degree. In Chart 4 below, state-wide utilization for FY 1991 is shown.

CHART 4**STAFFING ALTERNATIVES (FY 1991)**

<u>FTE</u>	<u>Category</u>	<u>Expenditure</u>	<u>Percent</u>
72,955	Full-time staff	\$1,693.7M	88.3%
597*	Part-time	13.9M	0.7%
1,038*	Hourlies	24.1M	1.3%
109*	Per diem	2.5M	0.1%
3,851*	Overtime	107.9M	5.6%
N/A *	Contract Services	77.2M	4.0%
Total Staffing Related Expenditures		<u>\$1,919.3M</u>	<u>100%</u>

* Positions and dollar amounts are estimates and exclude fringe benefits.

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Greater information on the individual level of departmental use of the above categories of staffing alternatives by category can be found in Appendix D, "Departmental Use of Staffing Alternatives".

In general, it is clear that the state does not use most contingency staffing alternatives to the degree that the Task Force's research found common of other employers, both public and private. The primary technique utilized by state managers is overtime, and even this is scrutinized by OMB and a popular topic at the legislative appropriations hearings each year. Yet it is well recognized in many sectors that the carefully planned use of overtime is a cost effective method for meeting many work requirements.

The remaining categories which the Task Force was able to develop information on are used to an even lesser degree. The use of hourlies ranks second in FTE usage, with part-time and per diem employment ranking well below the other alternatives. This chart does not reflect flextime or other alternatives to reschedule full-time employees to better match workload peaks, but these techniques are not used to any large degree either.

Moreover, a review of the data and discussions with agency personnel indicates that use is not always motivated by cost effectiveness. A particular alternative is used because it is administratively more convenient than a more appropriate one. For example, departments could share certain resources such as doctors, nurses and psychologists. Unfortunately, because of administrative difficulties most departments contract separately for these as professional services. Examples of the state's use of contingency staffing are described below.

Overtime

Managers utilize overtime because they are comfortable with the quality of the services provided and there are minimal training and supervisory considerations. A review of overtime indicated that the state's cost for an hour of work via overtime versus hiring an

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additional employee is the same (see Appendix E, "Cost of an Hour of Work"). For work of short duration, overtime is preferable to adding staff and can be a very cost effective alternative if used appropriately.

The state budgeted roughly \$108 million in FY 1991 on overtime or 5.9% of total personnel costs (see Appendix F, Contingency Staffing Alternatives). These costs are within the range of 5 to 10% described for private sector experience. When one considers that Human Services and Corrections account for 77% of the state's total overtime expenditure, utilization at the other departments appears to be well below the experience of others. In Corrections, overtime equates to 13.5% of the full-time staff equivalent and in Human Services the ratio is 6.4% of FTE while in 17 of the 20 departments overtime is less than 3% of FTE.

Presently, some of the reasons overtime is used include:

- a lack of planning;
- to avoid disruption caused by reallocating other staff;
- to allow institutional employees weekends off;
- as labor contract provisions (45.8% of the overtime in the Department of Corrections results from labor agreements, see Appendix G, Corrections Overtime for details);
- as an unofficial salary increase;
- to address unanticipated sick leave.

Overtime, as a quick fix, may make management's job easier, but it increases costs. This is not the answer. Authorizing overtime to address these issues results in employees working greater hours, which tends to reward employees for attendance rather than for results. As employees work longer hours, the potential for fatigue, illness, on the job injuries and complaints about the quality of client care occur.

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The Task Force observed that overtime can address a variety of management, human resource, employee relations and policy issues in an efficient and economical manner over and above just meeting staffing and workload needs. In some instances the use of overtime offers benefits well beyond those that accrue directly to the state. For instance, using overtime to perform highway maintenance and repair at night may actually increase the direct cost to the state, but the resultant benefits to the other employers and travelers in the state who would otherwise be delayed by day time construction activity may offset the increased costs. However, such overtime has been curtailed in recent years to "save" money.

Part-Time Employees and Hourlies

The use of part-time or hourly employees can be a cost effective alternative to full-time staff. For simplicity, in this review we will use the term "part-time" to encompass hourly employees as well. While the private sector uses part-timers as 5% to 6% of the total staff component, in the state, part-time workers represent approximately 2% of the workforce. Only the Department of Human Services makes a significant use of part-time workers, where they represent 3.0% of the Department's FTE.

A review of state agencies indicates that the use of part-timers is uneven and is not necessarily as cost effective as it might be. This raises questions about the need for monitoring and encouraging state agency use of effective contingency staffing.

Flextime and Alternative Workweeks

Work scheduling alternatives can be used by state agencies to respond to certain workload demands. The two most common scheduling alternatives are flextime and adjusting the workweek. In New Jersey state government, this approach is only utilized in certain agencies. Many state managers have the perception that it is an expensive and inefficient option, and is frowned upon. In reality, it can be an economical and efficient option when used properly.

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Some examples of flexible work scheduling include staggering start and end times for a workday to ensure full office coverage within the limitations on a seven hour work day. This reduces the amount of overtime which would otherwise be necessary. Alternative workweeks can be used to address peaks in service demand on specific days when work is not evenly dispersed throughout the week. Motor vehicle agencies, among others, often experience greater demand for services at the end of the month and many other offices see greater demand on certain days than others on a regular basis. By adjusting work hours and days off, greater utility of the existing workforce can be achieved.

Professional and Contract Services

On occasion, state agencies may meet fluctuations in workload demand or workforce availability by contracting with individuals, consultants, or firms outside state government to provide services such as clerical, auditing, medical and engineering services.

It had been the intent of the Governor's Management Review Commission to analyze the professional and contract service expenditures to determine which agencies have utilized such services most effectively. Unfortunately, the Commission's Operational Review of Professional Services recently reported that the state cannot determine accurately the total amount spent on contracted services or what particular services were used.

The Task Force was only able to develop reliable information on clerical services by reviewing state-wide contracts, vendors, and creating a special computer report. This analysis indicated that the use of clerical services is very limited within the agencies as a whole. To the degree it is utilized at all, it is concentrated in the Departments of Environmental Protection, Law and Public Safety and Community Affairs. While excessive, long term use of temporary secretarial services is not cost effective, short term use for vacation coverage and special office production peaks can be appropriate.

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Conversely, an example of the potential inappropriate use of professional services to perform work for which in-house staffing is available is in the area of highway design and engineering. Limitations on the use of transportation bond funds for state salaries has forced DOT to contract for these services when they have staff with the requisite skills available.

Job Sharing

The Task Force was unable to obtain any data on the state's use of two or more individuals sharing the job functions required of one position. It is infrequently used because the current human resource and budgeting systems penalize departments who split a full-time position by counting it as two full-time people for staffing purposes.

As noted earlier, information from many other states indicate that job sharing has been used successfully. The only disadvantage seems to be added administrative costs.

Flexible Work Assignments

The Commission, in other reviews of state operations, has identified a number of potential areas where alternative staffing techniques offer the potential for greater economies. Specifically, bringing the Senior Executive Service into a state-wide program commonly administered through the Department of Personnel provided a mechanism for employee pools, in this case of highly talented managers. Also, in the review of the Sick Leave Injury program, the Commission recommends sharing medical support personnel among departments to speed the processing of employees who have suffered job related injuries through to the appropriate medical determination.

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Volunteers

Another way to meet service needs cost effectively is through the use of volunteers. There have been many instances where individuals or corporations have offered their services to the state in meaningful and significant ways. The Governor's Management Review Commission itself is an example of the use of volunteers to help meet public needs, with the assistance that has been provided by many private corporations and the major accounting firms located in New Jersey.

In addition, the Governor's Office of Volunteerism provides an important mechanism for promoting volunteer efforts and matching public needs with willing resource providers. Among the areas which this office has been able to contribute skills and resources are the encouragement and coordination of existing volunteer programs within state government and in the provision of support and technical assistance for the design and development of new volunteer programs. To meet this objective, the office provides regular and ad-hoc forums in which volunteer managers from state government can choose from a wide variety of technical assistance and networking opportunities.

For example, the Office of Volunteerism was instrumental in the establishment of the Volunteerism Unit in the Office of the Ombudsman for the Institutionalized Elderly. As a result of those efforts the Volunteerism Unit was able to train directors of volunteers in more than 160 nursing homes throughout the state, who in turn have recruited and retained the services of thousands of volunteers to extend the sorely needed services of the facilities. The Office of Volunteerism also has a state-wide volunteer link through a central 800 number for community referrals and volunteer related information. The office relies heavily on donated resources, both in person power and monetary donations, to implement its programs.

Other Technology Based Options

Technology should be taken into consideration in addressing how work gets done. Telecommunication technology provides opportunities to interact with clients in a less labor intensive way. For example, 800 and 900 numbers utilizing a touch tone phone menu and taped response is a common method for responding to certain requests for services. The public has the ability to interact with an employee if the taped message requires clarification. In most instances the taped response can address the issue. Employers benefit as the phone system replaces the need for an operator or customer service representative to channel the calls.

The computer is a critical tool in most work environments. With the advent of portable computers, modems and fax machines, telecommuting is beginning to be considered a viable employment approach for a sector of the workforce. Flextime, non-traditional workweeks and job sharing will become more prevalent as telecommuting is more fully accepted. At present, the state does very little in this area.

MANAGING AND MONITORING CONTINGENCY STAFFING

One of the key ingredients to the successful management of workloads and staffing levels is the environment the manager must work within. This includes both the process one must go through to gain innovative staffing alternatives (both legal and procedural), support systems to aid cost effective staffing alternatives and the perceptions and prejudices which managers must overcome. The following section discusses the environment in terms of who monitors staffing decisions and what constraints exist which inhibit cost effective staffing decisions.

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Responsibility for Setting Policy & Regulating Contingency Staffing

The Departments of Personnel and Treasury (Office of Management and Budget {OMB}) and (OER) Office of Employee Relations are the state agencies that have primary responsibilities concerning contingency staffing policy and procedures. Presently, the state's primary focus regarding contingency staffing is to minimize it.

The Department of Personnel deals with contingency staffing when an employee/employer relationship exists and oversees state legal requirements for hiring, promoting, or firing.

The Office of Management and Budget within the Treasury Department ensures that state employees and vendors get paid and provides positions (full-time or contingency) and associated dollars based on authorized appropriations. Treasury also reviews all agency requests to engage professional services. OER is mainly responsible for representing the state in contract negotiations and serving as the liaison with state employee unions.

None of these agencies however, is charged with the overall responsibility to encourage and monitor the cost effective use of contingency staffing. No one provides support or direction on the advantages and disadvantages of contingency staffing alternatives. No one analyzes departmental use of contingency staffing, and data is very deficient. As a result, state agencies use contingency staffing without a clear state policy or guidelines, or worse, do not use contingency staffing even when it is an appropriate alternative.

Contingency Staffing Policy

In principal, the state affords managers various employment staffing alternatives within the boundaries of civil service, labor contracts and internal control policies (see Appendix H, "Staffing and Work Environment Alternatives"). These varying workforce requirements challenge managers to respond with appropriate, cost effective staffing alternatives within the context of the workload demands.

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Too often managers do not know what options are available or do not understand when and how they can be used most effectively. Moreover, many aspects of the administrative system discourage the use of certain alternatives.

The absence of a clear state-wide policy or direction on these issues almost encourages managers to fall back on the conventional full-time employee staffing approach. If New Jersey expects to take advantage of the potential benefits of contingency staffing, this issue will have to be addressed and clearly communicated to management at the operating level.

Contingency staffing may or may not offer civil service protection, pension, health or leave benefits. The provisions of tenure and fringe benefits have a direct bearing on the type of employee the state will be able to recruit for these non-traditional employment situations. The array of benefit alternatives provided by staffing options is shown below in Chart 5, "Staffing Benefit Alternatives".

CHART 5

EXAMPLES OF STAFFING BENEFIT ALTERNATIVES

<u>Core Staffing Alternatives</u>	<u>Tenure</u>	<u>Benefits*</u>		
		<u>Pension</u>	<u>Health</u>	<u>Leave Entitlements</u>
• full-time workers	varies	yes	yes	yes
• overtime	N/A	N/A	N/A	N/A
• part-time workers	varies	yes	no	prorated
• hourly:				
intermittent	yes	no	no	prorated
temporary	no	no	no	no
• professional services (includes consultants)	no	no	no	no
• volunteers	N/A	N/A	N/A	N/A

* Current legislation limits providing health and pension benefits to contingency workers.

Staffing Standards and Workload Analysis

In order for state agencies to use contingency staffing effectively they need to determine the workload, the appropriate productivity standards and the mix of staffing alternatives. The Task Force believes that staffing standards logically flow from the above analysis. This information allows managers to make effective employment decisions based on staff resources and anticipated performance levels. Presently, operating managers have very little technical assistance to help them perform a workload analysis and develop alternative staffing patterns

The Task Force reviewed the extent of staffing standards in the various state agencies. In its' institutions, the Department of Human Services has utilized direct care standards. However, neither the Department of Human Services nor OMB have agreed to rely on them as the basis for staffing allocations. The Department of Corrections extensively relies on manning standards, but unfortunately, they do not have agreement with OMB to use them as the basis for staffing allocations.

Surprisingly, neither OMB nor the Department of Personnel have been assigned responsibility to assess the appropriateness of staffing standards. In general, state agencies have not adequately evaluated the cost effectiveness of various staffing alternatives; they lack agreed upon staffing standards and the expertise to develop staffing standards.

The Commission observed that the state's human resource and budgeting systems do not provide appropriate incentives to encourage cost effective alternatives to full-time staffing. In fact, the human resource compensation system sets manager's and supervisor's salary levels in part on the number of full-time employees managed (the more employees, the higher the salary). The compensation/classification system discourages managers from reducing staff and does not reward those who provide more services with the same number of staff.

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Additionally, the budgeting system penalizes managers and supervisors for reducing costs. Appropriations are scaled back in subsequent years, when staff and costs are reduced. The budgetary and administrative systems must provide incentives rather than disincentives to operating managers.

Approval to Use Contingency Staffing

The state needs appropriate management controls to encourage the appropriate options for cost effective contingency staffing by agencies.

Presently, state managers have the flexibility to use overtime without adequate management authorization because prior approval is not always required. Managers may use overtime when they either have specific funds appropriated or when they can fund it from salary balances. The ease of this option often precludes serious consideration of other alternatives which may be more cost effective.

Managers are rarely required to demonstrate that existing staff cannot be shifted from other programs or that another staffing alternative is more cost effective.

For the sake of expedience, agencies sometimes misuse certain contingency staffing alternatives to address limitations in the current system, rather than use a more cost effective alternative.

FISCAL IMPACT OF USING CONTINGENCY STAFFING

The Task Force believes that the state can reduce costs significantly by encouraging and actively managing the use of contingency staffing. This conclusion is based on various management studies on the subject and the state's current passive management of contingency staffing.

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One area of potential savings is expanding the use of part-time workers. Currently, part-time workers represent approximately 2.1% of full-time staff. The Task Force estimates that increasing the use of part-time workers to a level of 4% could reduce annual state total staffing costs by \$18 to \$22.5 million (see Appendix I, Staffing Alternatives). This is well below the private sector average of 5% to 6%. The savings are based on the following assumptions:

- Agencies employ approximately 73,000 workers. If part-timers averaged 4% rather than the current 2.1% of the workforce, part-time employees would constitute 2,918 positions. This would be an increase of 1,283 positions.
- Full-time staff average \$31,500/year including fringes. Part-time staff currently do not receive health benefits which are estimated at \$3,500/year. If a part-timer works half of the normal workweek their annual salary would be \$14,000, which would result in an annual savings of \$22.5 million.
- If the state provided full health benefits for these part-timers, the annual cost would be \$17,500 and the total savings would be \$18 million.

Although the Task Force did not address the issue of providing health benefits to part-time workers, the analysis indicates that even if health benefits were provided, the state's staffing costs would be lower if part-timers were more fully utilized to cover certain functions. Clearly, the over reliance on full-time employees has resulted in instances where some employees may not be fully utilized.

SUMMARY:

The state has no clear policy dealing with the cost effective use of contingency staffing. It is missing an opportunity to position itself to meet its long term workforce needs and to achieve many other benefits including reducing annual staffing costs by a minimum of \$18 to \$22.5 million through greater use of part-time employees alone.

The lack of management attention occurs partly because no agency has been assigned the responsibility of making available and encouraging cost effective contingency staffing. No single state agency has a sense of the state-wide opportunities for contingency staffing, the problems with current use, or the potential that could be realized. This tends to limit the state's focus on contingency staffing as a viable, cost effective alternative.

On occasion, state agencies may utilize contingency staffing for reasons unrelated to cost effectiveness. Contingent staff allow an agency to bridge gaps when either workload demands or certain human resource issues jeopardize an agencies' ability to provide services.

The state faces significant challenges to effectively manage contingency staffing. Generally, state agencies lack agreed upon staffing standards which would allow contingency staffing to be considered as a viable employment alternative. Furthermore, the system provides only disincentives to consider contingency staffing as a cost effective alternative.

RECOMMENDATIONS:

The appropriate use of contingency staffing offers the state many benefits. Some agencies have realized these benefits but, in general, the state can do a much better job of promoting these opportunities to all agencies. The Commission recommends the

following proactive approach to contingency staffing as an economical, efficient and responsive employment alternative.

1) Develop a human resource management strategy which enables agencies to utilize cost effective contingency staffing and incentives to use them.

The state's contingency staffing strategy should aim to achieve the following goals:

- The state's workforce should comprise the appropriate mix of contingency staffing alternatives so that agency missions are accomplished in a cost effective manner by a qualified and committed workforce; and
- Staffing levels should be based on standards for specific accomplishments within a specified time period; measurable performance standards and the total staff resources required by a unit. Measurable standards, when possible, should be incorporated into an employee's performance review.

The strategy should be developed under the guidance of the Treasurer's Office in cooperation with Personnel, OER and in consultation with representatives of operating departments. The proposed plan should be submitted to the Governor's Office for review and approval.

2) Agencies should perform workload analysis and reschedule work to minimize fluctuations.

Program managers considering contingency staffing should:

- evaluate workload (volume, quality, time frames, client expectations);
- identify the number of staff hours required;

-25-

- manage the workload by modifying deadlines, schedules, etc. to minimize workload fluctuations;
- manage the workforce by modifying schedules and coordinating with other units; and
- determine appropriate staffing patterns including the use of contingency staffing alternatives.

Agency managers should be responsible for managing its use of a full range of staffing alternatives.

3) Support and assistance should be provided to agency managers to assist them in identifying opportunities to effectively utilize contingency staffing alternatives:

- Treasury should provide technical assistance to agencies in determining workload needs and staffing alternatives;
- Treasury should evaluate all requests to engage Professional Services including consultants to determine when their use is cost effective;
- Each agency should designate an individual with responsibility for agency proposals to use contingency staffing alternatives;
- Agency management should focus on the effective management of their staffing budgets, not just their "head counts"; and
- Treasury should work with agency management to promote opportunities to share staff in response to workload demands. An example would be the establishment of a pool of workers who could "float" between agencies as required with the cost charged to the appropriate work center.

IMPLEMENTATION:

The Treasurer's Office should develop a strategic plan, identifying opportunities to more efficiently and effectively utilize contingency staff. The Department of Personnel would review and implement human resource policies consistent with the strategic plan in cooperation with representatives of the Office of Employee Relations, OMB, the Division of Pensions and agency management from the Departments of Labor, Corrections, Human Services, Transportation, Environmental Protection and Law and Public Safety, among others.

OMB should assist agency managers in developing productivity and staffing standards employing "core staffing" patterns utilizing the appropriate mix of full-time, part-time, intermittent and hourly workers.

The Treasurer and the Governor's Office should propose the necessary legislation, policy and strategic plan to implement the Commission recommendations no later than January, 1992.

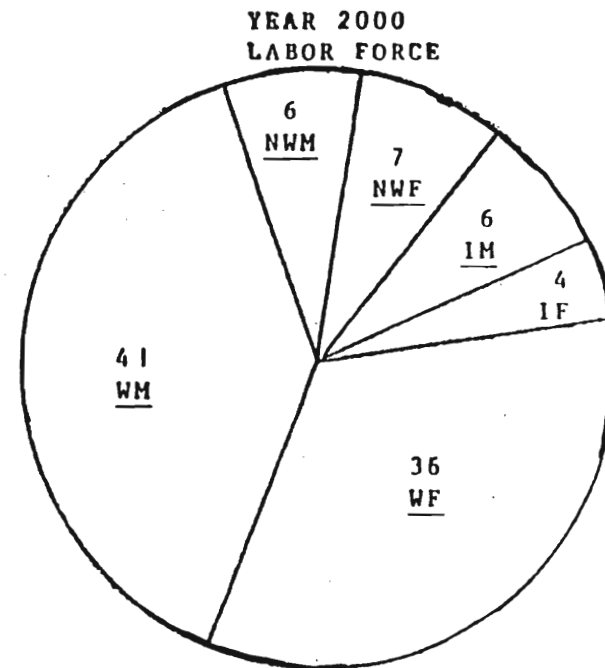
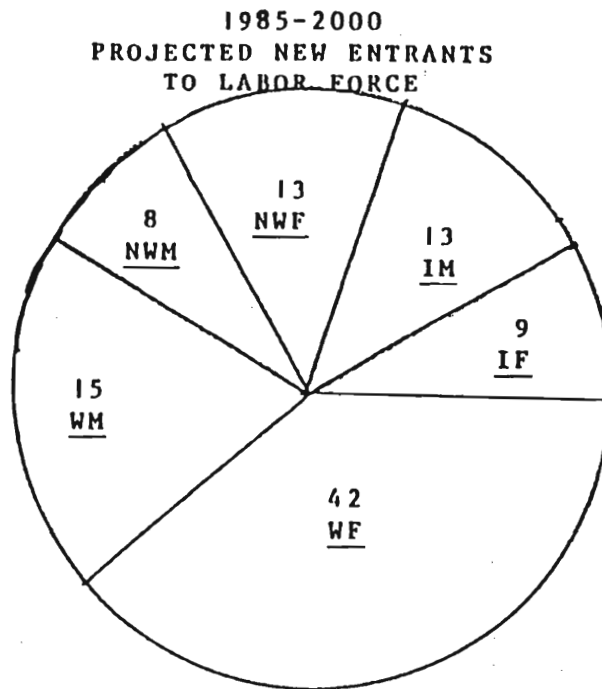
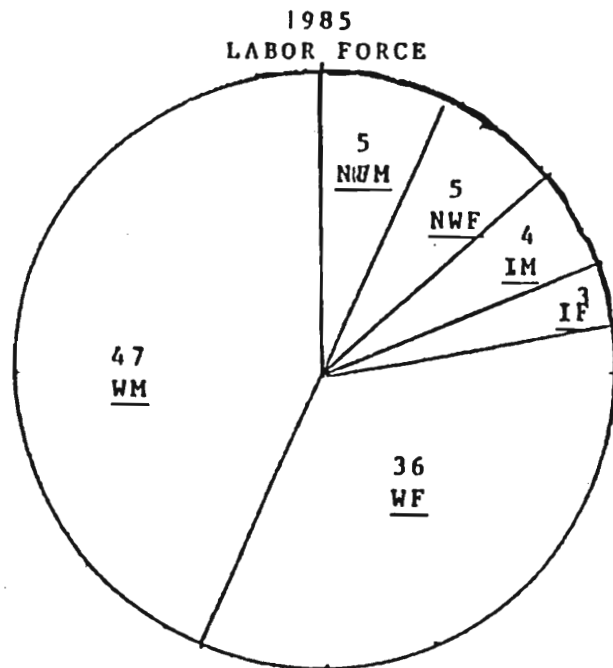
APPENDIX A

CHARACTERISTICS OF FUTURE LABOR POOL

Current data indicates that there will be substantial shifts in the sex, race and age of the workforce and in the level of skill required to perform in the workplace. The proportion of older workers, women, immigrants and minorities entering the workforce will increase significantly. Skill level requirements will change from unskilled and semiskilled occupations to skilled and highly technical occupations. Minorities and immigrants are currently the least advantaged in terms of skill levels and educational backgrounds and without the remedial support from employers will find the transition particularly difficult.

The skill level of workers hired over the next 10 years will have a major impact on employers. Employers should consider designing and implementing cost effective technology based programs to improve these skill levels. The most likely place for breakthroughs in training and hiring young, disadvantaged workers, will be at "second chance schools" developed by employers at the work site.

In the year 2000 the economy will provide "good jobs" mostly for those with high level, service oriented skills.



KEY

WM-US BORN WHITE MALE
WF-US BORN WHITE FEMALE
NWM-US BORN NON-WHITE MALE
NWF-US BORN NON-WHITE FEMALE
IM-IMMIGRANT MALES
IF-IMMIGRANT FEMALE

1985
LABOR FORCE

47
36
5
5
4
3

PROJECTED NEW
ENTRANT 1985-2000

15
42
8
13
13
9

YEAR 2000
LABOR FORCE

41
36
6
7
6
4

***POPULATION AND WORKFORCE WILL GROW AT SLOWEST RATE SINCE 1930's**

Population growth: 1.9% in 1950
2.9% in 1970
0.7% in 2000
Net growth of 15% by 2000

Workforce will grow by 22% by 2000, averaging the slowest growth rate since in 1930's

***THE AVERAGE AGE OF THE WORKFORCE WILL RISE AND THE POOL OF YOUNG WORKERS ENTERING THE LABOR MARKET WILL SHRINK**

The mean age of the workforce in 2000 will be 39

The number of young workers (16-25) entering the workforce will drop by 8% between 1985 and 2000

In 1950, there was one (1) retiree to every 17 workers; by 1992, there will be one (1) retiree to every three (3) workers

In 1964, 83% of all men (55-64) worked; in 1984, the number dropped to 68%; by 1992, this number will drop to 63%

***MORE WOMEN ENTER THE WORKFORCE**

64% of all new entrants to workforce will be female between 1985 and 2000

61% of all women of working age will be in the workforce in 2000

47% of the workforce will be female in 2000

Presently:

73% of all working women are of child bearing age

60% of school age children have mothers working

Largest growth rate of female employment is women with children under six (6) years of age

***MINORITIES WILL BE A LARGER SHARE OF NEW ENTRANTS INTO THE WORKFORCE**

21% of new entrants to the workforce will be minorities

13% of the workforce will be native born minorities

***IMMIGRANTS WILL REPRESENT THE LARGEST SHARE OF THE INCREASE IN THE POPULATION AND WORKFORCE SINCE THE 1920's**

500,000 plus, legal immigrants enter the United States each year

20% of the legal immigrants are admitted for job skills

There are 2,000,000 to 4,000,000 illegal immigrants in the United States

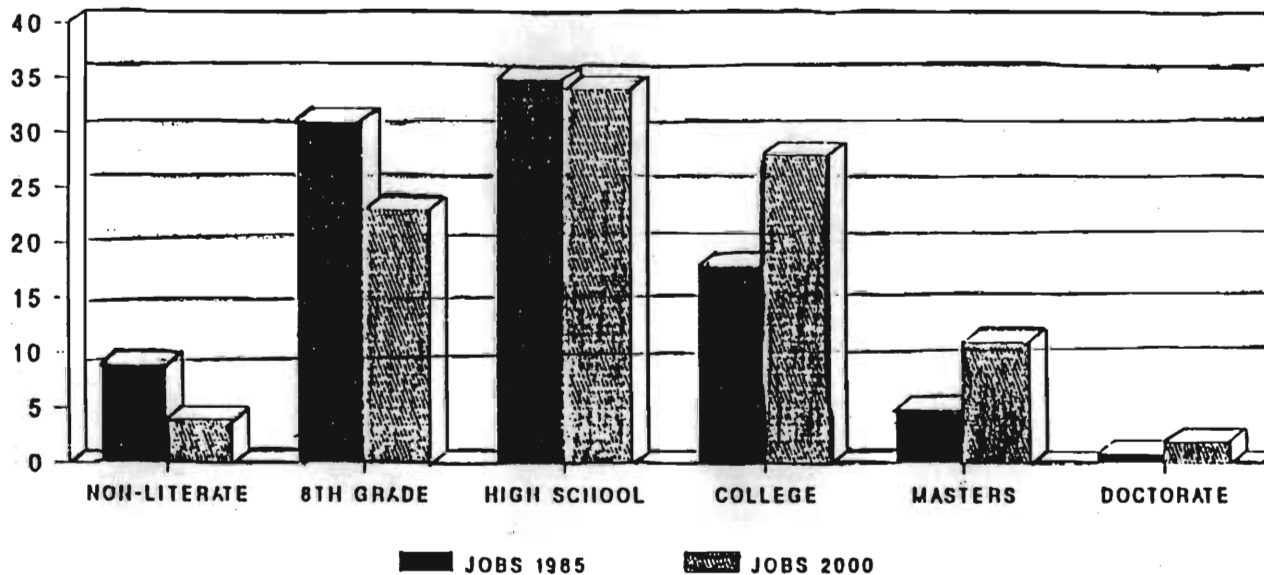
22% of new entrants to the labor force will be immigrants

In 1988, United States hospitals will hire 20,000 foreign nurses on five (5) year Visas

In the 1980's, immigrants, primarily from South America and Asia, counted for 20% of the United States population growth

JOB MARKET 1985 - 2000

BY READING LEVEL



READING RATE	95-125	190-215	280-320	350+	350+	350+
WRITING SKILL	SIMPLE SENTENCE	COMPOUND SENTENCE	SIMPLE REPORT	BUSINESS LETTER REPORT	JOURNAL ARTICLES SPEECHES	
JOB	LABORER HELPER GROUNDS FOOD SERV	FARMER DRIVER CLERK	COOK POLICE INSPECTOR SECRETARY	TEACHER NURSE ACCOUNTANT ANALYST	LAWYER ENGINEER PROFESSOR ARCHITECT	DOCTOR SCIENTIST PSYCHOLOGIST ACTUARY

THE WORK PLACE IS CHANGING; WORK IS BECOMING MORE KNOWLEDGE INTENSIVE

*LOW SKILLED JOBS ARE DECLINING

Negative occupational growth in areas of:

Agriculture; mining; forestry; fisheries; unskilled and semiskilled factory production work

Very low growth (less than 10%):

Blue collar supervisors; helpers and laborers; precision factory production workers

Growth rate greater than 40%:

Natural computer and mathematical scientists; health diagnosing and treating occupations; technicians; engineers; architects and surveyors; lawyers and judges; other professionals and para-professionals

*EDUCATIONAL AND SKILL REQUIREMENTS ARE RISING

In new jobs created between 1984 and 2000, more than 50% will require education beyond high school; 30% will be filled by college graduates

Most new jobs will require workers to have solid reading and writing skills. Fewer than one (1) in four (4) new workers will be able to function at needed skill levels without remedial training

In 1984, the median years of education for the workforce was 12.8 years; by 2000, it will have to be at least 13.5 to meet the requirements of the new jobs being created

2,300,000 workers are displaced each year; 1,000,000 of these workers have been on the job three (3) or more years

300,000 of the displaced long term workers lack sufficient in the three (3) years to be reemployed at their former level

In the next 12 years, 51,000,000 workers or 40% of the workforce will require training. 30,000,000 are current workers who will require retraining or upgrading; 20,000,000 will be new entrants to the labor force

In 1987, employers spent 30 billion or 9% of the total United States education expenditure on employee education and training

***PROJECTED SKILLS GAP**

National Science Foundation projects a shortfall of 400,000 science and engineering BA's and 27,000 PH-D's by 2000

50% of the engineering students at the graduate and post graduate level in the United States are foreign born

LITERACY IN THE WORKFORCE WILL BE A MAJOR CONCERN

*UNITED STATES WORKER LITERACY DROPPING

In 1988, Japan's functional literacy rate was 95% plus; the United States was down to 80%.

*YOUNG WORKERS ENTERING THE LABOR MARKET HAVE SIGNIFICANT SKILL DEFICITS

1,000,000 youths will drop out of high school this year

Drop out rates in major cities where minorities are concentrated range from 35% in New York to 50% in Washington, D.C.

Drop out rates among 18-21 year olds:

Whites 13.6%
Blacks 17.5%
Hispanics 29.3%

It is estimated that of the 2,400,000 students who graduated from high school in 1987, as many as 25% could not read at the 8th grade or "functional literate level"

Education Testing Service says that 48.9% of the nation's 17 year olds could not correctly answer the following type of math questions:

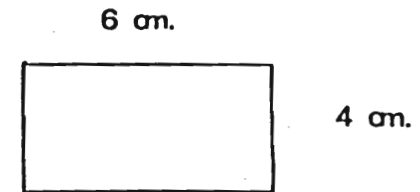
Which of the following is true about 87% of 10?

- ☐ It is greater than 10
- ☐ It is less than 10
- ☐ It is equal to 10

If $7X + 4 = 5X + 8$, then $X = ?$

- ☐ 1
- ☐ 2
- ☐ 4
- ☐ 6

What is the area of this rectangle?



- | | |
|--|--|
| <input type="checkbox"/> 4 square cm. | <input type="checkbox"/> 6 square cm. |
| <input type="checkbox"/> 10 square cm. | <input type="checkbox"/> 20 square cm. |
| <input type="checkbox"/> 24 square cm. | |

The National Assessment of Educational Progress undertaken by the United States Department of Education found the following among 21-25 year olds:

Only 60% of Whites, 40% of Hispanics and 25% of Blacks could locate information in a news article or an almanac

Only 25% of Whites, 7% of Hispanics and 3% of Blacks could decipher a bus schedule

Only 44% of Whites, 20% of Hispanics and 8% of Blacks could determine the change they were due from the purchase of a two item restaurant meal

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Max Messmer, Chairman and CEO, Robert Half International Inc., Menlo Park, CA

*"Do more with less" is the motto
of many companies. Wise HR managers are finding
that creating the right mix of permanent and
temporary employees is the perfect solution.*

Strategic Staffing for the '90s

Do you ever long for the old days when companies planned personnel needs in direct relationship to projected annual growth? Remember when it was relatively easy to find people who matched the required skills, and you expected these employees to remain with the company until they reached retirement age?

Those days are no more. In the last decade, the workplace has changed so dramatically that even the HR managers who lived through those times have a hard time remembering what they were really like.

In the realities of today's workplace, different scenarios have emerged, such as:

- Even when the company projects healthy annual growth, it also may require reduced staffing levels to achieve acceptable bottom line results in an increasingly competitive global economy

- When new employee positions are budgeted, they may go unfilled

PHOTOGRAPHY BY STEVE NEDORE

for lack of qualified candidates

- Regardless of their business, most companies have taken on a second business — installing and absorbing the technology that's necessary to remain competitive

- The mergers and acquisitions of the '80s buried the concept of a trusted lifetime employer/employee relationship, which often was replaced by an everyone-for-himself mentality

- The struggle for companies to do more with less personnel is intensified by employee demands for a higher quality of personal life, which is reflected in such benefits as flex time, share time, parent tracking, telecommuting and on-site day care.

This new environment has had a sweeping impact on the HR function. The concept of one job, one person gradually is giving way to the broader strategy of determining the best way to accomplish an objective.

As line management struggles with its own challenges, its attitude toward the HR department might be "lead, follow or get out of the way." Therefore, HR managers must be

SPECIALIZED TEMPORARIES

willing and able to participate fully in solving the problems that face the company, from a strategic, proactive and top-down approach. Otherwise, as line managers take on staffing, HR will find its department losing ground within the organization.

In this complex new environment, your leadership role requires you to become a consultant to line management and bring creative solutions to the organization. You must take the lead in educating them about flexible options available in solving staffing problems. In addition, you must institute an ongoing system of education, budgeting, tracking and communication to keep controls in place.

In a perfect world, your solution would be to recruit and hire the right candidates to fill those staffing problems. The world, however, isn't perfect. Therefore, a creative alternative is to hire temporary workers to fill your company's needs.

The growing availability of skilled professionals who work on a temporary basis has given companies a broader range of options to consider in solving staffing problems. A product of the work force's changing goals and desires, these temporary employees are people from dual-professional households who want to gain more flexibility in parenting, who want to "test" a company for several months before committing to a career position or who want the kind of flexibility that a permanent career as a temp allows.

The personal motivations of many highly skilled and trained people to stay flexible in their work style have resulted in a situation that gives companies far more power to control their own staffing requirements. Your job as an HR manager is to introduce management to the concept of professional temporary staffing.

Some companies are highly sophisticated in their use of pro-



fessional temporaries. As much as 20% of their compensation budgets are allocated to temporary workers in virtually every skills area of the organization.

Most companies, however, are just beginning to venture into strategic planning for using temporary professionals. They're realizing that workers can solve business problems that go beyond replacing employees who are on leave or who quit.

If your company fits the latter profile, the largest challenge you'll face in the education process is to convert the unbelievers.

To get line managers to buy into using temporary workers, you'll probably need to dispel the following myths:

Myth: All temporary professionals are secretarial, clerical and light industrial workers.

Reality: Of the 1 million people (1% of the US work force) who are temporary employees, industry sources estimate that as many as 20% of them are professionals. The growth of this segment has far outstripped the growth of the more traditional part of the industry.

Myth: Temporary workers can't perform a job as well as permanent employees because they don't have the inside perspective of the company.

Reality: Temporary professionals often are used to provide skills that

don't exist within the company, aren't needed on a permanent basis or both. Intimate knowledge of the company isn't required to perform some jobs.

In addition, temporary workers bring a fresh and creative approach to assignments. Unconcerned with how the job has been done in the past, they look at each assignment as an opportunity to broaden their exposure to a variety of companies.

Myth: If you have the budget, it's always better to hire permanent.

Reality: Little is classified as "forever" in today's corporate environment. The days of finding the job that fits the person have long been replaced by finding the person that fits the specific job that's needed at any one particular point in time. If companies are committed to the flexibility that's needed to stay competitive, an attempt to keep a 100% permanent work force is an unrealistic approach.

Myth: Temporary professionals are more expensive than permanent employees.

Reality: It's usually less expensive to access the right skills when needed — and only when needed — than to maintain a permanent person whose skills don't match the job requirements 100% of the time. Not all expenses are measured in compensation dollars, however.

Myth: All temporary services are equally capable of supplying any kind of temporary personnel needed.

Reality: As companies increasingly require specific talents, the temporary services industry has become a specialized business. Firms that employ hiring counselors who have backgrounds in these specific skill areas can best provide the expertise you need and will attract the most qualified professional temporaries.

The conversion must start at the top. Whether it begins with top corporate management, top line

management or both simultaneously, nothing down the ranks will change attitudes unless top management supports the idea.

Here's an example of the kind of effort and perseverance that may be needed to make converts from the skeptics:

As one of her key tasks for the upcoming quarter, the HR manager of a fast-growing, \$200 million consumer products company proposed that she review all departments to determine the efficiency mix between permanent and temporary professionals (excluding manufacturing). Top management rejected the idea, saying that it wasn't a good use of her time.

Undaunted, she continued to gather information informally from line departments about projects that were or weren't moving ahead on schedule. At the end of the quarter, she found the results of her informal audit so compelling that she had to report it to senior management.

Her rough analysis uncovered almost \$400,000 in lost income or added expense for the quarter. This was the result of income-producing marketing and distribution plans that fell behind schedule and expense-saving inventory and collections tracking technology that also missed deadlines.

She was given only one key task for the next quarter: To work with each line and corporate manager to determine how supplemental temporary professional staffing could better match skills to objectives, which would keep the company moving toward goals on schedule.

That was three years ago. Today, the company allocates approximately 15% of its nonindustrial compensation budget to temporary workers. It also has a comprehensive process to educate all employees on how to plan for, select and work with these people.

Orientation sessions for new management-level people include a segment on flexible staffing, how to identify situations in which it might be appropriate and procedures for initiating use of temporary professionals.

Quarterly senior management education sessions that previously centered on recruiting, interviewing and people development have been expanded to include a segment on the current mixture between permanent and temporary staffing.

In this segment, the HR manager shares informal research she has conducted during the last quarter on other firms' programs and recent case histories within the company. Then, a line manager gives an in-depth analysis of flexible staffing within his or her department during the last quarter and shares any problems and insights as to how better manage selection and integration of temporary employees into the staffing mix.

Middle managers attend quarterly sessions that teach them how to quickly and effectively integrate temporary professionals into the task environment, including discussions of recent experiences.

Annually, the HR manager conducts an all-day temporary agency fair, which is designed to create the opportunity for line management and company-approved temporary agencies to meet to address large company

problems with strategic temporary staffing solutions. All company employees who have the authority to work with the agencies are required to attend.

The company also instituted an employee education program to explain its policy on determining the right mix between permanent and temporary staff.

Use of temporary workers for strategic business reasons now is described in the company's employee policy manual. Policy includes such situations as:

- Hiring for specific skills that aren't needed on an ongoing basis
- Supplementing professional staff to give management adequate time to prepare and establish new strategic initiatives
- Launching special projects to the staff so permanent staffing needs can be determined properly
- Supplementing accounting staff during peak periods, such as year or quarter end closings
- Designing and integrating new computer systems within each department.

Pamphlets, such as *How to Help Our Temporary Helpmates Help Us*, have been customized for and distributed to all employees. These booklets offer tips on how to make the temp feel at home and get up to speed as quickly as possible.

Regarding permanent employees' attitudes toward their temporary counterparts, companies that use temporary workers report significant changes during the last several years. Ten years ago, there was a general attitude that a temp was taking away the job of a permanent employee.

Today, prudent use of temporary professionals tends to instill a confidence in permanent employees that they're more insulated from layoffs than they would be if everyone in the company was on permanent status. With everyone trying to accomplish

Nothing is really

strategic to a company

unless it has its own

line item in the budget.

more with less people, they appreciate management's understanding that sometimes a few extra hands are appreciated.

BE SURE THE TEMP BUDGET IS INCLUDED IN THE OVERALL PLAN

Nothing's really strategic to a company unless it has its own line item in the budget. Some companies talk about their commitment to using temporary employees, but then admit that planning is limited to tapping unused permanent salaries when people leave. Others bury temporary usage by keeping expenditures within guidelines of miscellaneous discretionary spending.

Neither approach allows for more than reactive, band-aid solutions to immediate crises.

Companies that have developed a truly strategic approach to using temporary workers have instituted the same kind of budgeting and tracking processes that they use for other expense planning.

Each department includes a line item for temporary employees that's often broken down into several categories (e.g., secretarial/clerical, accounting, information systems and so on). When the annual business plan is prepared, the HR manager works with each line manager to determine the appropriate mix of permanent and temporary staffing.

The temp budget is calculated by projecting the number of man-hours needed for each project, and then multiplied by the hourly rate of a person with the appropriate skills level to accomplish each task. Expenditures are allocated by month to match project deadlines. The result is a spread sheet that accurately projects the peaks and valleys of compensation expenditures that can be anticipated throughout the year.

Just as with other budget items, a computerized tracking system mon-

itors expenditures against projections. The budget generally is controlled by the line manager, with the HR manager playing a consultative role in its development, tracking and adjustments.

The HR manager of a *Fortune* 1000 computer software company developed the strategic planning and budgeting process into a highly refined art. He's a member of the senior management team that determines the overall company goals, objectives, strategies and tactics for the coming year. He then works individually with each line manager to plan staffing, having the benefit of the big picture to help guide his recommendations.

This HR manager breaks temporary needs into four categories to help line management plan for the year:

1) Buffers, which include temporary help to accommodate the normal peaks and valleys of business. It includes temporary employees of any type who will be needed to support seasonal loads in such areas as accounting, manufacturing and order fulfillment. It also includes traditional planning for vacations, sabbaticals and pregnancy leaves.

2) Critical technical ability. This includes people with highly specialized skills who'll be needed to help put new strategic initiatives in place. This might include designing

and installing a sophisticated new information system or converting to a new tax accounting procedure.

3) Special project needs. These temporary professionals will execute special projects. They might work under the critical technical ability people to put newly designed systems in place and teach permanent employees how to use them most effectively or perform routine work to free permanent employees to carry out these projects.

4) Consultants. These people will provide counsel to permanent employees who'll perform a new procedure, such as redesigning the employee recruiting system or shifting distribution channels.

Approximately 16% of the annual compensation budget is allocated to these temporary categories. The temporary budget is calculated on projected man-hours and hourly rates of each type of person needed. It's budgeted by year, quarter and month.

The HR manager also holds monthly budget reviews to track expenditures against projections and to re-forecast, based on alterations in sales forecasts and changing operational needs.

This *Fortune* 1000 HR manager says that senior and line management is highly supportive of maximizing temp use. "We run as lean as we can, because no one here wants layoffs," he says. "There's a tacit agreement that you have to know for sure that you really want a full-time employee before you hire."

Such sensitivity to hiring full-time staff is even higher at a large nonprofit health care insurer. This organization underwent a major lay-off last year and has no desire to repeat the experience.

Additional compensation allocations to the annual budget now run more than 50% temporary. According to the HR manager, "Peo-

HR managers owe

it to top management to
show the best way to
take charge of the
new workplace.

SPECIALIZED TEMPORARIES

ple don't request additional permanent staff unless there's a critical need. We also look to replace permanent people who leave with temporary positions whenever possible. Our employees really respect that," she adds. "There's just too much uncertainty out there."

Because claims processing is primarily automated, the organization makes heavy use of temporary order processors who are skilled in working with the insurer's computer and software platforms. Because the firm continually looks for more efficient use of technology to reduce operational overhead, it also uses a variety of temporary information systems people.

Each department prepares its own budget, with temporary services as a separate line item, which is then reviewed with the HR manager. She's also a member of a special committee comprised of five management people who review compensation budgets to determine whether, in her words, there might be "a better way to accomplish the specific objective."

The committee examines alternatives from a broad perspective that goes beyond the tactical mix of permanent and temporary employees. It also weighs strategies that involve such options as increased or enhanced automation and outsourcing.

The committee's role is to review hiring plans and offer opinions to line management. When its opinions differ from line management's proposal, the two parties work together to arrive at the best final strategy. If an agreement is impossible, the committee and line management meet with top management, who weigh the options and make the final decision.

Once the budget is established, tight controls to monitor spending are put in place. Even budgeted temporary positions require an approved requisition before the hire is made.



For short-term, lower-level positions, an appropriate middle manager's signature is required. Longer-term, higher-level positions require the vice president of the department's signature.

All requisitions specifically state the temp's hourly rate and the length of time he or she will be needed. This information then is keyed into a computerized tracking system and monitored closely.

The HR manager notifies the appropriate department manager each time a requisition is about to terminate. According to her, "On the day the requisition runs out, they either need another signed requisition in place, or the temp had better be gone."

The HR manager firmly believes that this strategic approach to greater use of professional temporary employees, coupled with tight controls over procedures, has made the entire organization more confident of its control over its own destiny.

The profit margin starts at the organization's top. Rome wasn't built in a day (because, in part, of the lack of qualified temporary workers back then). The use of temporary professionals in some progressive, strategic and sophisticated companies have taken five years or more to reach their current situation.

Other companies saw the light more quickly, because of an event

that had major impact on the organization, such as:

- The pain of a major reduction in permanent staff
- A financial audit that uncovers millions of dollars in receivable write-offs because of inadequate tracking and collections procedures
- A conversion to a new computer system that crashes and results in months of reduced company productivity as problems are found and corrected

- A report to shareholders of a quarterly loss versus projected profit, because of an understaffed tracking system that allowed inventory to become out of balance with orders.

Today's business environment presents a minefield of possibilities, with most of them connected to the proper management of people resources. The reasons for integrating flexible, temporary staffing into your organization can be summed up by the following three types of comments made by senior management after a mistake occurs:

- "We should have seen the downturn coming and been in a position to downsize through attrition"
- "We were penny wise and pound foolish. We should have allocated more resources to that project and not let it slide the way it did"
- "We put people on the job who didn't really know how to do it."

The bottom line starts at the top. In your role as manager of the human resources who ultimately determine the success or failure of your organization, you owe it to top management to show the best way to take charge of the new workplace. ■

Max Messmer's firm, through its Accountemps division, specializes in placement of temporary accounting, bookkeeping, financial, information systems and banking professionals.

Reprint #3152

DATA AS OF: 12/5/90
SOURCE: OMB/FINANCIAL MGT.

DEPARTMENTAL USE OF EMPLOYMENT ALTERNATIVES (FULL TIME AND CONTINGENCY STAFFING)

DEPARTMENT (1)	FULL TIME		***** CONTINGENCY STAFFING *****									
	(2)		OVERTIME		PART-TIME WORKERS		HOURLY WORKERS		OTHER		PROFESSIONAL SERVICES	
	(#FULL TIME	PERCENT	(FULL-TIME	PERCENT	(3)(4)	PERCENT	(4)	PERCENT	(4)(5)	PERCENT	(CLERICAL) (FY1990) (6)	PERCENT
	PAY CHECKS)	OF TOTAL	EQUIVALENTS)	OF TOTAL	NUMBER	OF TOTAL	NUMBER	OF TOTAL	NUMBER	OF TOTAL	(FULL-TIME	OF TOTAL
											EQUIVALENTS)	
HUMAN SERVICES	22,922	31.4	1,460.7	37.9	750	62.9	1,264	30.5	76	17.5	21	8.1
CORRECTIONS/PAROLE	10,163	13.9	1,375.4	35.7	73	6.1	22	0.5	10	2.3	15	5.9
LAW AND PUBLIC SAFETY	9,370	12.8	377.8	9.8	150	12.6	14	0.3	182	41.9	45	17.5
TREASURY	6,075	8.3	39.7	1.0	18	1.5	781	18.8	1	0.2	20	7.9
TRANSPORTATION	5,411	7.4	193.7	5.0	3	0.3	59	1.4			1	0.2
LABOR	3,926	5.4	9.6	0.2	26	2.2	409	9.9	41	9.4		
ENVIRONMENTAL PROTECTION	3,684	5.0	268.5	7.0	49	4.1	746	18.0			57	22.1
HEALTH	1,707	2.3	5.0	0.1	29	2.4	8	0.2	3	0.7	4	1.7
JUDICIARY	1,664	2.3	7.5	0.2	3	0.3	11	0.3			9	3.5
MILITARY AND VETERANS	1,459	2.0	65.8	1.7	13	1.1	27	0.7	40	9.2	1	0.5
EDUCATION	1,295	1.8	7.6	0.2	14	1.2	14	0.3	7	1.6	6	2.2
COMMUNITY AFFAIRS	1,074	1.5	2.5	0.1			649	15.6			30	11.7
PUBLIC ADVOCATE	1,046	1.4	4.4	0.1	24	2.0	22	0.5			19	7.4
LEGISLATURE	538	0.7					16	0.4				
PERSONNEL	488	0.7	19.7	0.5	12	1.0	8	0.2			4	1.6
STATE/OAL	481	0.7	0.8	0.0	4	0.3	17	0.4			2	0.6
INSURANCE	451	0.6	0.2	0.0			10	0.2			3	1.2
COMMERCE	360	0.5	10.3	0.3	17	1.4	54	1.3			8	3.3
HIGHER EDUCATION	321	0.4	2.0	0.1	5	0.4	2	0.0			5	1.9
AGRICULTURE	221	0.3			1	0.1	11	0.3	74	17.1		
CHIEF EXECUTIVE	152	0.2			2	0.2	6	0.1			0	0.1
BANKING	144	0.2	0.2	0.0							0	0.1
MISC. EXEC.	3	0.0										
INTERDEPARTMENTAL											7	2.5
TOTAL	72,955	100.0	3,851.4	100.0	1,193	100.0	4,150	100.0	434	100.0	257	100.0

(1) Includes: all fund sources; employees on leave of absence. Excludes state colleges.

(2) May include part-time and intermittent workers who worked 70 hours during this pay period.

(3) May include some intermittent workers.

(4) Cannot identify total hours worked in order to identify the number of equivalent full time individuals this represents.

(5) Includes individuals who are paid on a unit basis (other than hours worked) such as per day, session, examination, meeting, etc.

(6) The number of full time equivalents was identified as follows: we divided the dollars spent by the average hourly rate to identify total hours; then we divided the total hours by 1712 the approximate number of hour worked per year per full time employee

COST TO OBTAIN ONE HOUR OF WORK
ON REGULAR TIME VERSUS OVERTIME
HUMAN SERVICES AND CORRECTIONS

HUMAN SERVICES MODEL

CORRECTIONS MODEL

	REGULAR TIME	REGULAR TIME ADDITIONAL EMPLOYEES	REGULAR TIME	REGULAR TIME ADDITIONAL EMPLOYEES
Average Salary	\$15,000.00	\$15,000.00	\$40,000.00	\$40,000.00
Required Positions	500.00	589.71	5,270.00	6,342.41
Total Salary	\$7,500,000.00	\$8,845,693.78	\$210,800,000.00	\$253,696,507.18
Fringe Amount (1) (4)	\$2,148,750.00	\$2,534,291.27	\$68,446,760.00	\$82,375,255.88
Total Comp.	\$9,648,750.00	\$11,379,985.05	\$279,246,760.00	\$336,071,763.06
Total Regular Hours In Work (2)	836,000.00	\$986,000.00	\$8,811,440.00	\$10,604,514.00
Cost Per Hour In Work	\$11.54	\$11.54	\$31.69	\$31.69
	OVERTIME	NO OVERTIME	OVERTIME	NO OVERTIME
Total OT Hrs. Per Yr. (3)	\$150,000.00		\$1,793,074.00	
Hourly Cost (Salary/260/8x1.5)	\$10.82		\$28.85	
Total OT Comp.	\$1,746,724.76		\$55,680,120.03	
Fringe=FICA,TDI,W.Comp.	\$0.83		\$2.21	
Cost Per OT Hour	\$11.64		\$31.05	
GRAND TOTALS			GRAND TOTALS	
Compensation (Regular pay plus any overtime)	\$11,395,474.76	\$11,379,985.05	\$334,926,880.03	\$336,071,763.06
Hours In Work (Regular hours plus any overtime)	986,000.00	986,000.00	10,604,514.00	10,604,514.00
COST PER HOUR	\$11.56	\$11.54	\$31.58	\$31.69

(1) PERS - Fringe Percent	(2) Days Wkd:	365.00	(3) 6 OT Hours Per Employee	(4) Police & Fire Fringe Percent
Pension	8.01	Weekends (104.00)	x 50 wks. x # positions	Pension 15.81
Health	12.06	Holidays (14.00)		Health 11.46
Worker Comp.	0.62	Vacation (15.00)		Worker Comp. 0.59
TDI	0.16	Admin. (3.00)		TDI 0.14
Unused Sick	0.15	Sick/SLI/WOP (20.00)		Unused Sick 0.06
* FICA	7.65	Total Days Wkd 209.00		* FICA 7.65
Total Regular	28.65	X 8 Hrs. 1,672.00		Total Regular 35.71
* Total OT	7.65			* Total OT 7.65

CONTINGENCY STAFFING ALTERNATIVES

TOP THREE DEPARTMENTS BY % OF EACH CATEGORY STATE-WIDE

	DEP	DHS	DOC	L&PS	TRE	DCA	AGR	TOTAL
Overtime FY'90 3,851*	-	37.9	35.7	9.8	-	-	-	83.4
Part-time Emp. 1,193	-	62.9	6.1	12.6	-	-	-	81.6
Hourlys (Intermit.) Employees 4,150	18.0	30.5	-	-	18.8	-	-	67.3
Other (Per Diem)	-	17.5	-	41.9	-	-	17.1	76.5
Professional Services (Clerical)	22.1	-	-	17.5	-	11.7	-	51.3

* Full-Time Equivalent (FTE)

DEP - Environmental Protection
DHS - Human Services
DOC - Corrections
L&PS- Law & Public Safety
TRE - Treasury
DCA - Community Affairs
AGR - Agriculture

DETAIL: CORRECTIONS FY 1989 OVERTIME

	<u>TOTALS</u> <u>OT HOURS</u>	<u>PER WEEK</u> <u>AVG.</u>	<u>PER WEEK</u> <u>PER POS.</u>	<u>PERCENT</u>
<u>CONTRACTURAL:</u>				
SHIFT OVERLAP	496,864	9,937.3	1.89	27.7%
HOLIDAY	323,622	6,472.4	1.23	18.0%
SUBTOTAL	820,486	16,409.7	3.12	45.8%
<u>REGULAR:</u>				
SICK/SLI	152,479	3,049.6	0.58	8.5%
VACANCIES	107,468	2,149.4	0.41	6.0%
TRAINING	98,816	1,976.3	0.38	5.5%
SUPERVISORS	85,094	1,701.9	0.32	4.7%
CONSTRUCTION	80,006	1,600.1	0.30	4.5%
WOP(W/OUT PAY)	78,218	1,564.4	0.30	4.4%
UNBUDGETED POSTS	49,351	987.0	0.19	2.8%
OUTSIDE HOSPITALS	43,906	878.1	0.17	2.4%
SUSPENSION	36,941	738.8	0.14	2.1%
CONTACT VISITS	32,007	640.1	0.12	1.8%
MEDICAL TRIPS	23,224	464.5	0.09	1.3%
TOWERS 7-8-9 (BAYSIDE)	19,264	385.3	0.07	1.1%
ESCAPE/DISTURBANCE	16,874	337.5	0.06	0.9%
COURT TRIPS	16,309	326.2	0.06	0.9%
OTHER	15,724	314.5	0.06	0.9%
PATROLS (BAYSIDE)	15,232	304.6	0.06	0.8%
LAW (SS)	13,989	279.8	0.05	0.8%
MISCELLANEOUS	11,472	229.4	0.04	0.6%
MILITARY LEAVE	10,914	218.3	0.04	0.6%
LATENESS	10,145	202.9	0.04	0.6%
SOG?	8,652	173.0	0.03	0.5%
D/4 UNIT	8,468	169.4	0.03	0.5%
N.L.	7,674	153.5	0.03	0.4%
ADMINISTRATION (BAYSIDE)	7,261	145.2	0.03	0.4%
TRAILORS 1-4 (BAYSIDE)	7,079	141.6	0.03	0.4%
SEVEN WING (NJS)	6,256	125.1	0.02	0.3%
REPORT/HEARINGS	3,103	62.1	0.01	0.2%
MAILROOM	1,903	38.1	0.01	0.1%
SVCS OTHER AGENCY	1,733	34.7	0.01	0.1%
ADMIN. LEAVE (BAYSIDE)	1,660	33.2	0.01	0.1%
PERMISSION DAYS	1,366	27.3	0.01	0.1%
SUBTOTAL - REGULAR	<u>972,588</u>	<u>19,451.8</u>	<u>3.69</u>	<u>54.2%</u>
GRAND TOTAL:	<u>1,793,074</u>	<u>35,861.5</u>	<u>6.80</u>	<u>100.0%</u>

Data as of: FY 1989
Source: Departmental Budget Documents

STAFFING AND WORK ENVIRONMENT ALTERNATIVES:

DEFINITIONS & EXAMPLES

ADJUSTED HOURS OF OPERATION: This scheduling alternative is a change in an agency's hours of daily or shift operations to accommodate operational and/or employee needs.

The total number of hours worked and the annual salary remain the same; only the start and ending times change.

Example: The Department of Transportation changed the starting time of its maintenance forces from 7:30 a.m. to 8:00 a.m. to avoid morning rush hour traffic. In offices, this alternative is used mostly to enable seven hour per day employees to provide an aggregate of eight or nine hours per day of telephone coverage.

ALTERNATIVE WORKWEEK: This scheduling alternative establishes a different workweek. This could be a four day workweek (with longer hours), or working different days of the week other than Monday through Friday. The total hours worked and annual salary remain the same.

The advantages are that it can: help working parents with scheduling problems; reduce sick leave (another day to make appointments); and help to reduce traffic congestion.

The disadvantages are that it can cause problems with the bargaining units and coverage problems for supervisors.

Example: The Department of Transportation has a group of Electrical Mechanics who repair broken traffic signals. These individuals always worked (on a rotating basis) Saturdays and sometimes Sundays because of the emergency nature of and increased volume of this work on the weekend. They were paid overtime for this work. In 1989, the Department (because of budget constraints) changed the workweek from Monday-Friday to Tuesday-Saturday. This eliminated paid overtime for Saturday because it was within the normal workweek. This change, however, is currently in litigation.

BLANKET POSITIONS FOR TEMPORARY EMPLOYEE SERVICES: Under this alternative employees are paid on an hourly basis without benefits. They may work at an established rate of pay and the work cannot last more than six months (in the aggregate) in a one year period. Employees can be hired on an "as needed" basis.

Example: This is a desirable employment situation for summer help, interns and those who can work only a few hours a week (legal assistants, high school and college students). It is used to meet peak workloads as follows: Labor, during peak unemployment or vacation times; Transportation, during the summer grass cutting season; and Environmental Protection, during seasonal changes impacting on the use of state parks.

FULL-TIME EMPLOYEE: An employee who works the regular workweek for which his/her title is assigned. This is the standard employment alternative.

INTERMITTENT EMPLOYEE: Used for functions that are characterized by unpredictable work schedules on a less than year round basis. Departments require an intermittent title and a position number for each employee. These employees are paid on an hourly basis and earn prorated leave and holiday time but do not receive health benefits.

Non-competitive appointment, after serving a probationary period successful, employees receive permanent civil service status. Record keeping is more difficult because of adjusted salary increases and paperwork.

Example: The Departments of the Treasury (during tax season) and Labor (during peak unemployment or vacation times) use this staffing alternative.

JOB SHARING: An alternative whereby two or more individuals share the job functions required of one position.

The Task Force was unable to obtain any data on the state's use of this alternative. It is infrequently used because the current human resource and budgeting systems penalize departments for using it, i.e., departments are not allowed to split a full-time position without it being counted as two full-time people for staffing purposes.

Information from many other states indicate that job sharing has been used successfully. Higher job satisfaction results and it has been offered in lieu of layoffs. The Council of State Governments reports that job sharing works particularly well in jobs with significant amounts of daily correspondence and little carry-over work. This alternative works for professional jobs, where staff can share caseload or a weekly shift (eg., nurses). It is also used to staff phone hot lines during peak periods.

The only disadvantage seems to be added administrative costs.

OVERTIME: Payment to full-time employees at a rate of one and one-half their hourly rate for work performed beyond the normal workweek (not their normal workday).

Often this is a useful alternative. It uses experienced personnel to address temporary increases in workload or decreases in available workers that cannot be addressed during the normal workweek. The private sector uses a 5-10% rule of thumb of acceptable overtime amounts for individuals and operating units. They discourage managers from going beyond this amount because of worker fatigue, accidents and a disrupted home life.

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It benefits employees by adding to their normal salary. With two income families, however, it's sometimes difficult to encourage employees to work overtime.

Example: Approximately three quarters of the state's overtime occurs in the Departments of Human Services and Corrections. This overtime is used for round the clock direct care workers and Corrections guards. Approximately one-half of the overtime in the Department of Corrections is the result of Union contractual provisions.

PART-TIME EMPLOYEE: An employee whose regular hours of work is less than the normal workweek for a particular title.

Part-time work may be used:

- when an employee cannot work full-time;
- to retain an employee who is unable to work full-time;
- to ease employees back into the workforce after a long absence or after maternity or child care leaves.
- to prepare employees for retirement, giving them time to adjust to a new "non-working environment" and allowing their successor an opportunity to learn on-the-job while still having the mentor available for advice; and
- when there is a need for less than full-time effort.

Some disadvantages are:

- part-time employees do not receive medical benefits although they receive pensions, etc.;
- if a manager wants to establish a new part-time position, he/she must use a full-time position; and
- managers are reluctant to change the hours or days worked once they are set.

PROFESSIONAL SERVICES: Is the employment of private sector personnel or firms. It is used mostly for specialized technical or professional services such as engineering, medical, legal or clerical. This category is sometimes referred to as contracted services.

SPECIAL PROJECT RATE COMPENSATION: Is an alternative for full-time employees to work occasionally in a different job than the employee regularly does; the pay rate must be approved by the Commissioner of the Department of Personnel.

There are two types of Special Rate Compensation. One is for NL (no limit workweek) employees who cannot receive paid overtime beyond the normal workweek.

The other is a "functional rate" i.e., based on the rate of pay for a full-time employees. The agency pays the rate for the work performed, regardless of the employee's current salary.

Examples: Department of Environmental Protection has established a rate for forest fire work. Experienced DEP NL employees are paid for working beyond their normal workweek. Another example is the Department of Transportation which pays a specific rate for emergency snow work.

TELECOMMUTING: An employment relationship where an employee maintains contact with the agency via electronic equipment and goes to the office usually no more than twice a week. This has not been used for employees of this state. However, it has been used in other states.

This is not a politically popular alternative. Studies indicate that it is effective when effective controls exist. Employees enjoy the responsibility this alternative affords and typically work longer hours than in a traditional environment. It reduces travel time, cost and traffic congestion.

It is ideal for piece work or extensive computer work, or for employees recovering from a long term illness or maternity leave.

Example: Although the state does not use telecommuting as noted above, some employees do investigations, provide social services in the field, do engineering work through a computer, or spend much of their day evaluating the work done by outside vendors. These situations could be considered for telecommuting.

VOLUNTEERS: Used in agencies delivering services to children, the incarcerated, the elderly or families of sick or disabled individuals.

EMPLOYMENT ALTERNATIVES (FY 1991)**PRESENT STATE USAGE**

<u>CATEGORY</u>	<u>FTE</u>	<u>COST (000)</u>	<u>PERCENT</u>
Full-Time Staff	72955	\$1,693.9	91.9%
Part-Time Staff*	597	13.9	0.8%
Hourlies*	1038	24.1	1.3%
Per Diem*	109	2.5	0.1%
Overtime*	<u>3851</u>	<u>107.9</u>	<u>5.9%</u>
Total FTE	78550	\$1,842.1	100.00%

* Position and Dollar Amounts are Estimates and Include Fringe Benefits

INCREASED PART-TIME STAFFING

Current Part-Time/Hourly Staff	1,635
Percent of Total Workforce	2.1%
Total Full-Time Employees	72,955
Proposed Part-Time Percent	4%
New Part-Time Staffing Level	2,918
Replaced Full-Time Employees	(1,283)

PROJECTED SAVINGS

<u>ESTIMATED SAVINGS</u>	<u>FTE</u>	<u>TOTAL COMPENSATION</u>	<u>TOTAL COSTS</u>
Full-Time Salary (Including Benefits)	1,283	\$31,500	\$40,414,500
Part-Time Employee (Salary @ 50% without Benefits)	1,283	\$14,000	<u>\$17,962,000</u>
		Savings	<u>(\$22,452,500)</u>
Part-Time Employee (Salary @ 50% with Benefits)	1,283	\$17,500	<u>\$22,452,500</u>
		Savings	<u>(\$17,962,000)</u>

All calculations are based on FY'91 full-time staffing of 72,955 positions, at an average salary of \$28,000 and benefits costs of \$3,500 for total compensation of \$31,500 per position.

