

City of San Diego, Office of the City Auditor

Incorporating Human Capital Management Risks into Performance Audits



Independent • Objective • Accurate



Human Capital

Background

Why Human Capital?

- Consistently identified as **high-risk** area by US GAO since 1980s
- Local government services are delivered by **people**



Image: Mitrefinch.com

Human Capital

Background

Why Audit Human Capital Management?

- Highlight **key demographic trends**
- Identify **critical issues** facing City's workforce
- Develop recommendations to improve City's overall ability to **effectively deliver services to its citizens**



Who we are

- Eduardo Luna, MPP, CIA, CGFM
 - City Auditor – Beverly Hills, CA
- Andy Hanau, MPP, CIA
 - Principal Performance Auditor – San Diego, CA
- Nathan Otto, MPP
 - Senior Performance Auditor – San Diego, CA
- Laura Reyes-Cortez, MSA
 - Former Senior Performance Auditor – San Diego, CA; now living in Oregon



Fandom.com

Poll Question

Personnel Expenditures

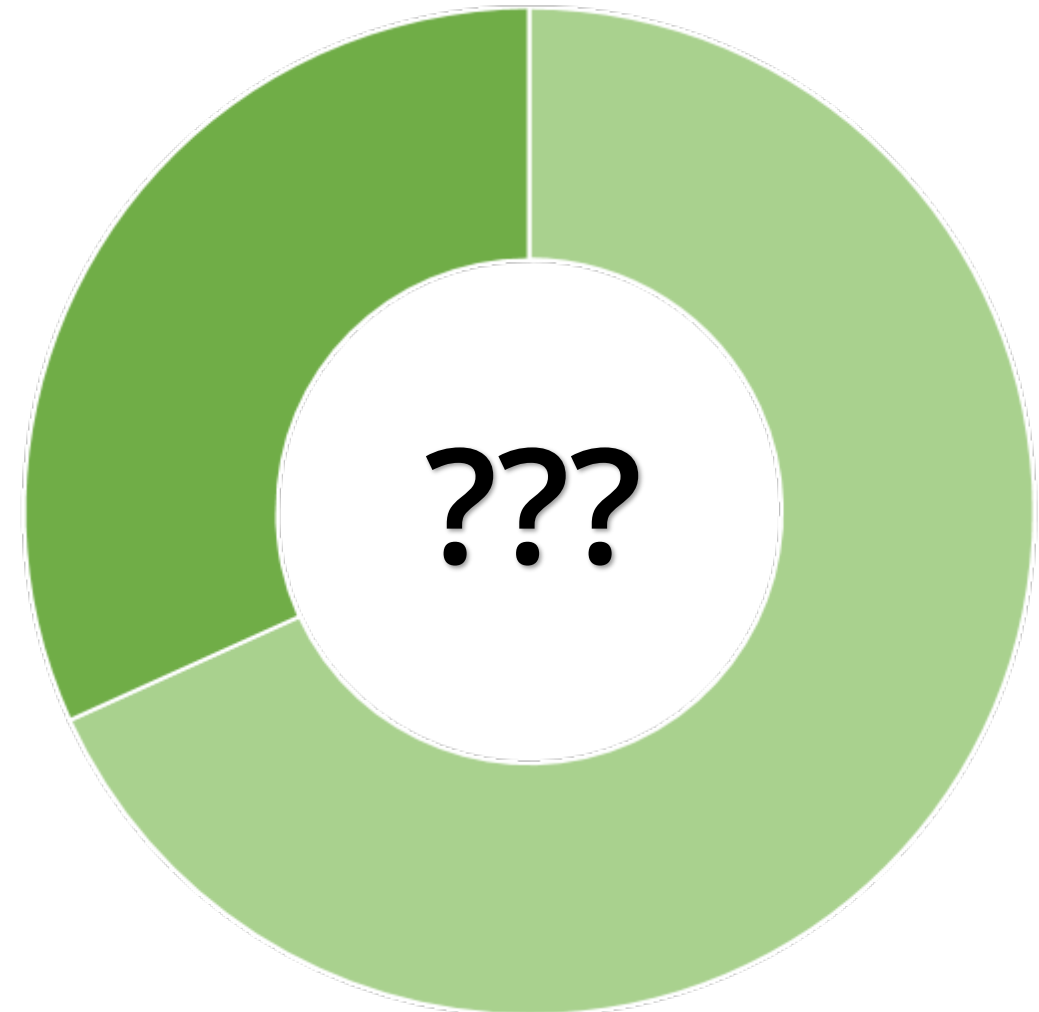
In 2017, how much did the average organization in the US spend on their personnel? (% of total expenditures)

A) 15%

B) 30%

C) 45%

D) No idea



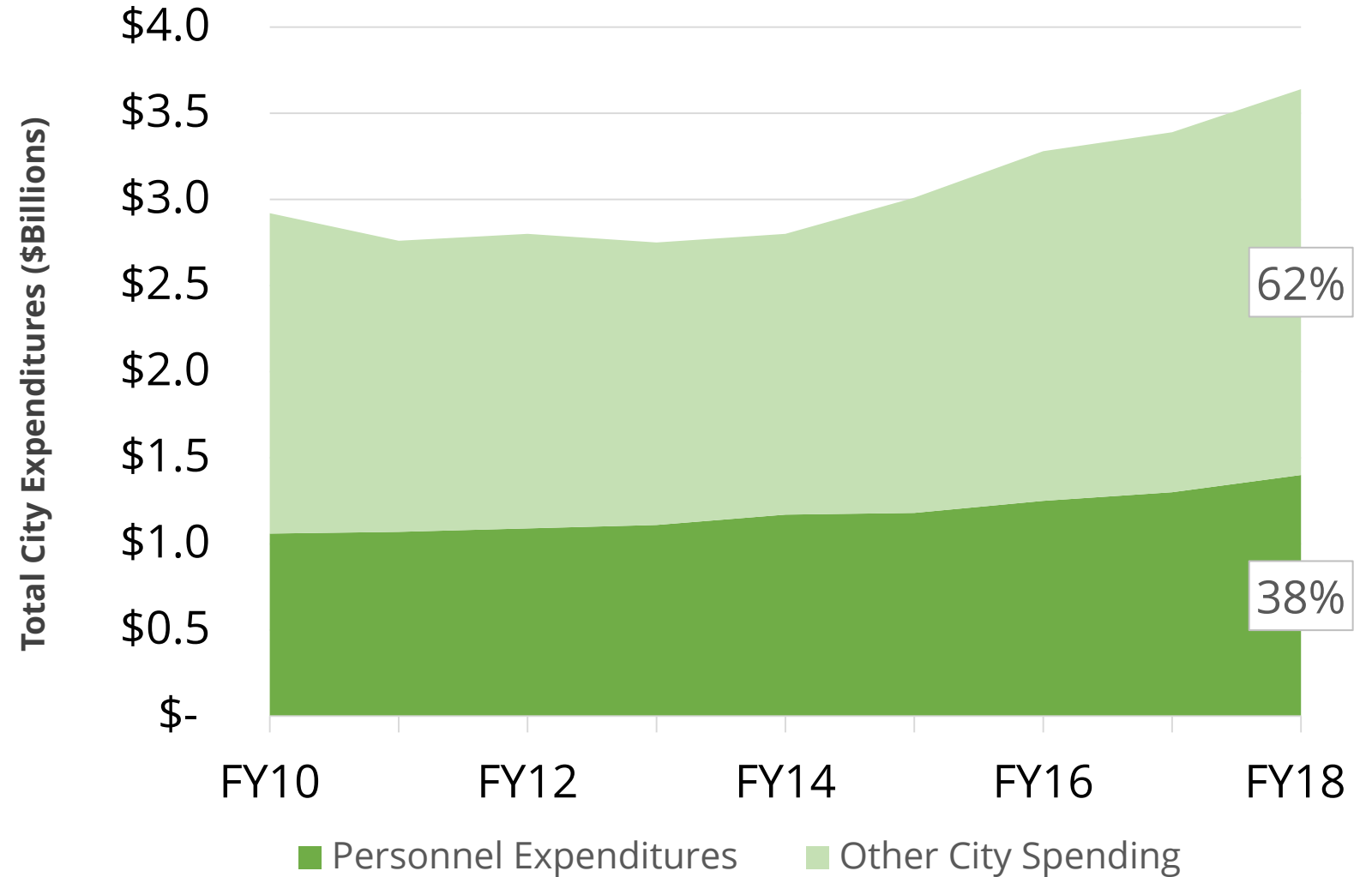


San Diego's Workforce

Personnel Expenditures

How much of the City's money is spent on its personnel?

Personnel expenditures accounted for **38%** of the City's total expenditures.



Sources: OCA, based on FY10–FY18 Adopted Budgets.

Objective

Strategic Human Capital Management

To provide participants with ideas and tools for how to approach their own organization's **Human Capital Management**.

Applying these ideas and tools, participants should be able to make audit recommendations that will **improve** and **maximize the quality** of their organization's **workforce**.



Image: teamexcellence.com

Agenda

The Basics

- Criteria and Best Practices
- Collecting Data

In Practice

- Assessing Human Capital Risk
- Audit Ideas

Collaboration and Innovation


- San Diego's Audit of Employee Pay Equity



Image: FY17 City Accomplishments Report

Criteria and Best Practices

- US Government Accountability Office's Reports on Human Capital Issues
- Society for Human Resources Management
- Glassdoor, Gallup, Harvard Business Review, etc.
- Other Local Government Reports
 - New York City
 - Portland, OR
 - Sacramento, CA



September 19, 2012

HUMAN CAPITAL MANAGEMENT

Effectively Implementing Reforms and Closing Critical Skills Gaps Are Key to Addressing Federal Workforce Challenges

Why GAO Did This Study

GAO designated strategic human capital management as a government-wide high risk area in 2001 because of a long-standing lack of leadership. Since then, important progress has been made. However, the area remains high risk because of a need to address current and emerging critical skills gaps that undermine agencies' abilities to meet their vital missions.

The federal government is facing evolving and crosscutting challenges that require a range of skills and competencies to address. Moreover, retirements and the potential loss of leadership and institutional knowledge, coupled with fiscal pressures, underscore the importance of a strategic and efficient approach to acquiring and retaining individuals with needed critical skills.

This testimony is based on a large body of GAO work from January 2001 through September 2012 and focuses on the progress made by executive branch agencies, the CHCO Council, and OPM, and the challenges that remain in four key areas of human capital management: (1) leadership; (2) strategic human capital planning; (3) talent management; and (4) results-oriented organizational culture.

What GAO Recommends

Over the years, GAO has made numerous recommendations to

What GAO Found

Since 2001, Congress, the Office of Personnel Management (OPM), and executive branch agencies have taken action to address the government's human capital challenges. For example, in 2002, Congress passed legislation creating the CHCO Council, composed of the Chief Human Capital Officers (CHCO) of 24 executive agencies and chaired by the Director of OPM. In 2004, through the Federal Workforce Flexibility Act, Congress provided agencies greater hiring flexibilities. OPM issued guidance on hiring reforms, developed the Hiring Toolkit, and launched an 80-day model to speed the hiring process.

Leadership:

The CHCO Council advises and coordinates the activities of member agencies on current and emerging personnel issues. Among its recent initiatives, OPM and the CHCO Council established a working group in September 2011 to identify and mitigate critical skills gaps. To date the group has taken important steps, including developing a framework and timeline for identifying and addressing government-wide and agency-specific skills gaps. However, the substantive work of addressing skills gaps remains, including defining workforce plans, implementing recruitment and retention strategies, and measuring the effects of these initiatives.

Strategic human capital planning:

Integrating human capital planning with broader organizational strategic planning is essential for ensuring that agencies have the talent and skill mix needed to cost-effectively execute their mission and program goals. If not carefully managed, anticipated retirements could cause skills gaps to develop further and adversely impact the ability of agencies to carry out their diverse responsibilities. GAO's work has identified skills shortages in areas government-wide, such as cybersecurity, acquisition management, and foreign language capabilities.

Talent management:

Ensuring that federal agencies are able to recruit, develop, and retain personnel with the necessary skills is essential to closing any skills gaps and maintaining a workforce that will meet its vital missions. Congress, OPM, and some individual agencies have taken important actions, such as providing and using flexibilities, to improve the hiring process and making investments in training and development. However, much work remains. For example, GAO recently reported that OPM can improve its guidance and assistance to agencies in

<https://www.gao.gov/assets/650/648594.pdf>

Prepared Data

Internal

- Agency budget documents
- Compensation reports, wage studies, etc.
- U.S. Equal Employment Opportunity Reports

External

- US Department of Labor
- Society for Human Resource Management
- Center for State and Local Government Excellence
- Other Local Government Agencies



Identifying Risk Areas

Combining human capital management **data** and employee **perspectives** to identify **high-risk areas**.



+



=



Based on your experience, how effective is your organization at each of the following in terms of achieving its goals and mission?

Recruitment – e.g. finding and hiring the right people

Employee Development - e.g. rewarding good performance, implementing corrective actions, promotion, training and leadership development

Retention - e.g. preventing important talent from leaving/leaving at important times, etc.

Percentage of positive responses:

(Chose “Very Effective” or “Somewhat Effective”)

51% Recruitment

55% Employee Development

30% Retention

Source: OCA, Citywide Management Survey.

Identifying Risk Areas

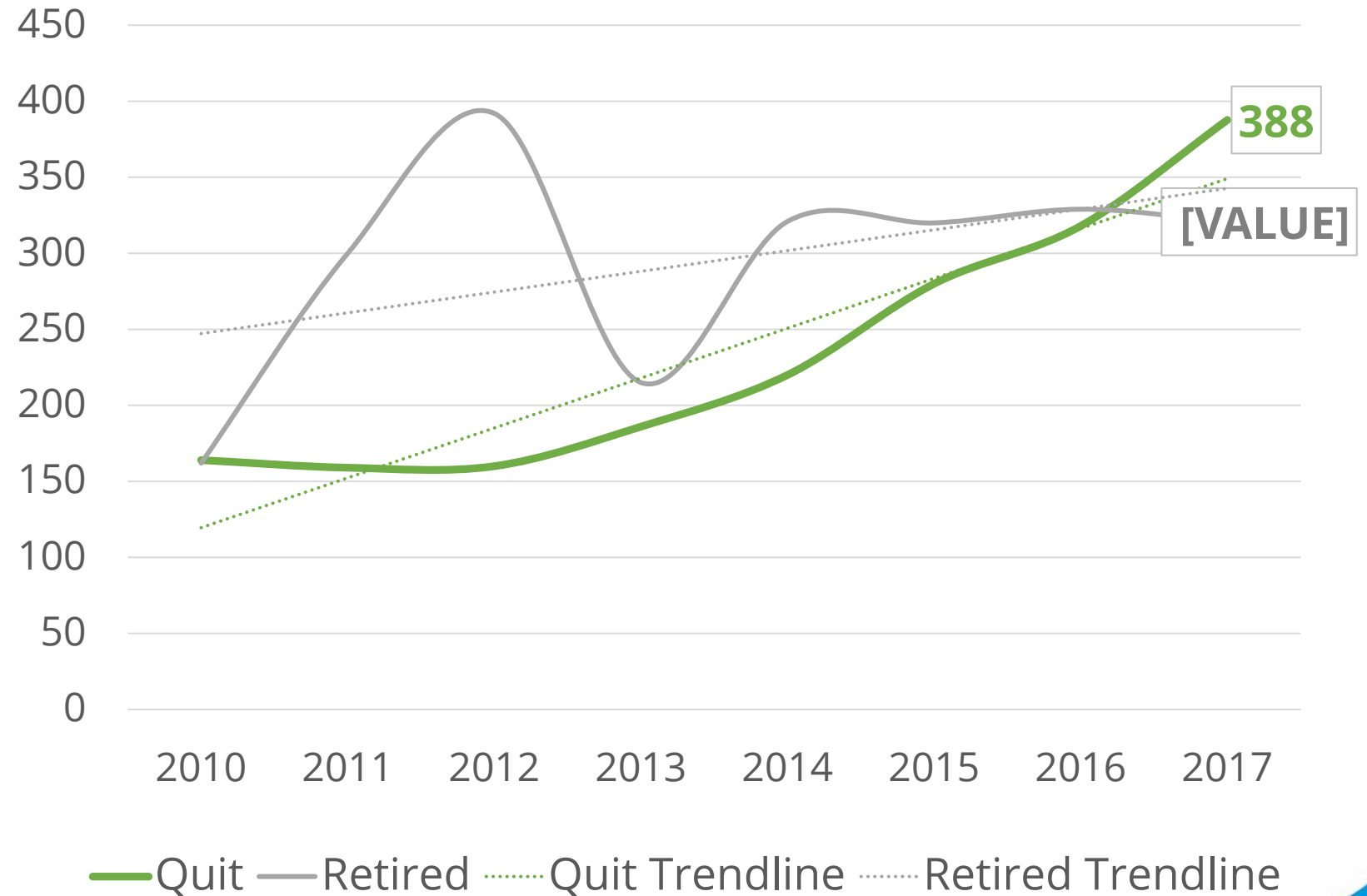
Retention	Being able to keep key talent here
Organizational Agility	The City's responsiveness to workforce needs
Employee Satisfaction	How satisfied are employees throughout the City with different parts of their jobs?
Compensation	How is the City reporting and utilizing employee compensation data?

Assessing Human Capital Risk

Retention

Using **gathered data**, we found that despite the common narrative of a “Silver Tsunami”, **Quits** are have recently overtaken **Retirements** as a reason for separation from the City of San Diego.

Source: OCA, based on separations data from the Personnel Department.



Assessing Human Capital Risk

Retention

Using **gathered** and **external data**, we determined an estimate for how much **Quits** are costing the City.

\$39M

Potential cost of voluntary employee turnover to the City in 2017

\$8.3M

Potential annual cost savings from decreasing the City's voluntary turnover rate by 1%

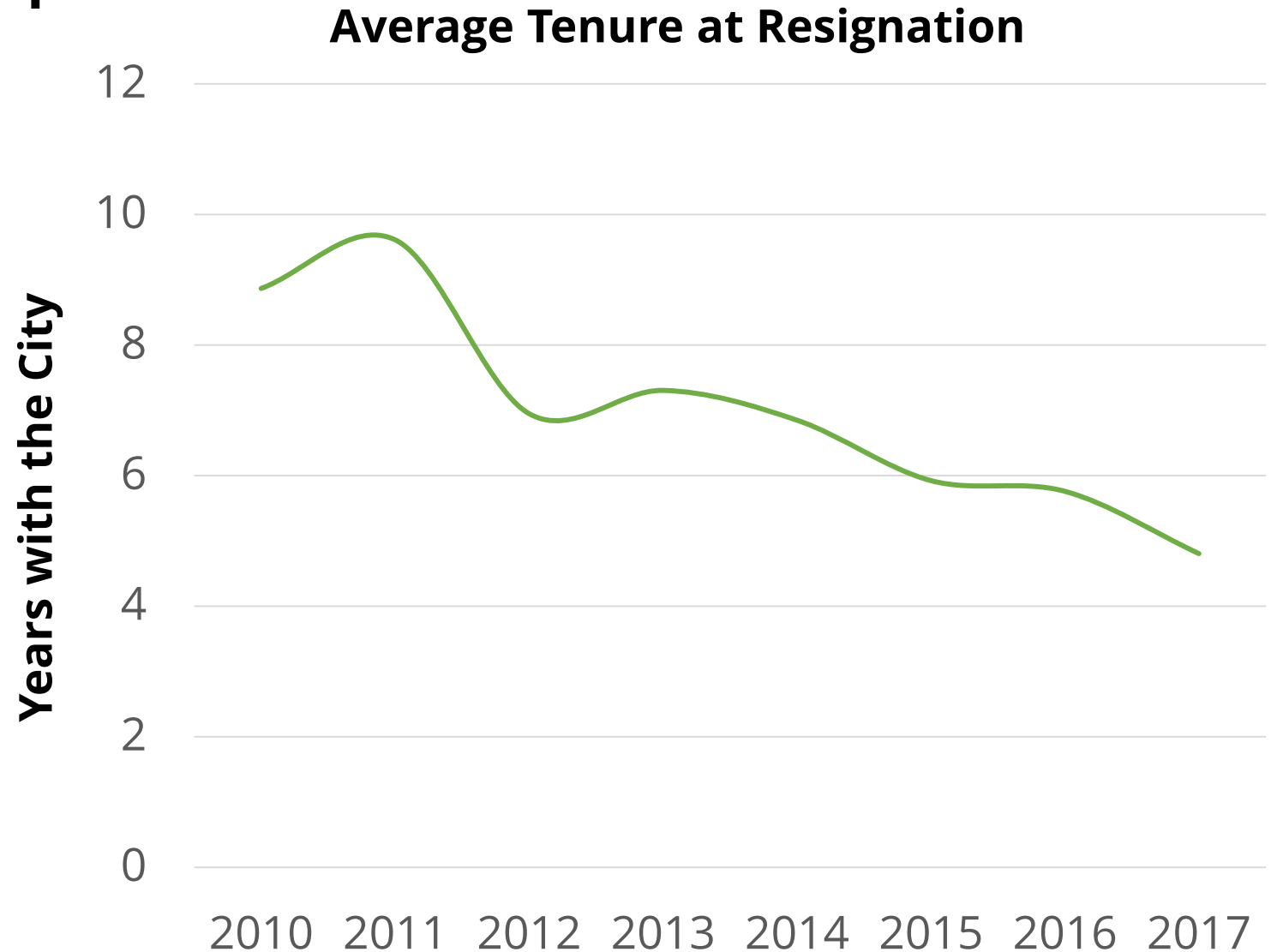
Sources: OCA, based on review of literature related to turnover costs, City workforce data within SAP, separations data provided by the Personnel Department, and Adopted Budgets.

Assessing Human Capital Risk

Retention

Using **gathered data**, we found that the **average tenure** among those quitting is **decreasing** at the City of San Diego.

Source: OCA, based on separations data from the Personnel Department.



Assessing Human Capital Risk

Retention

Using **gathered data**, we found that **Millennials** and **Baby Boomers** had the highest turnover rates in 2016 at the City of San Diego.

Turnover Rate by Generation, 2016

15% Millennials (1981–1996)

5% Generation X (1965–1980)

12% Baby Boomers (1946–1964)

10% Citywide

Source: OCA, based on separations data from the Personnel Department and workforce information within SAP.

Assessing Human Capital Risk

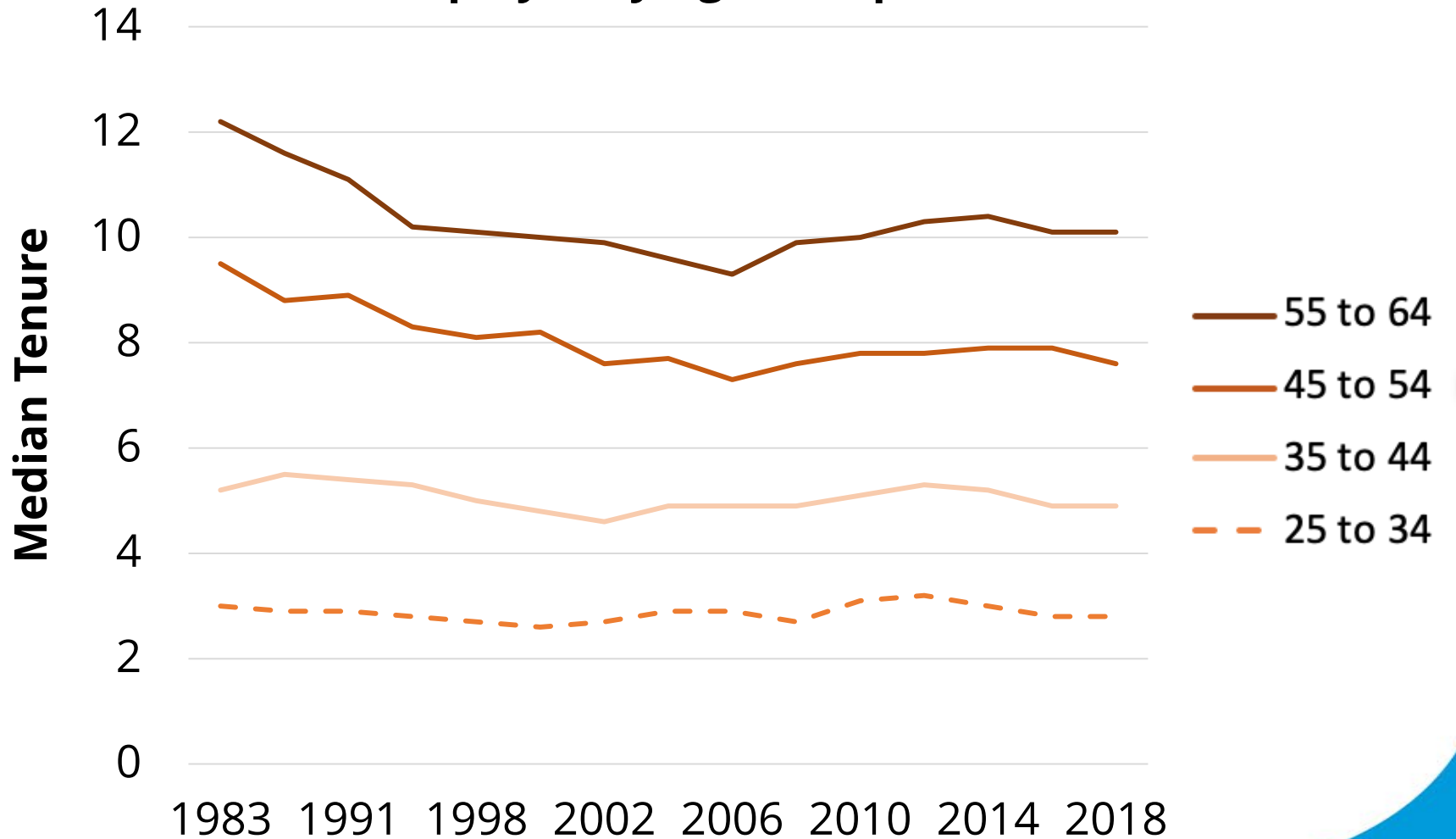
Retention

Using **prepared data**, we found that since the 1980s:

- Median tenure among **young people** has been relatively **steady**
- Median tenure has **changed** the most for **people between 45 and 64**

Source: OCA, US Bureau of Labor Statistics.

National Median Tenure with Current Employer by Age Group, 1983–2018

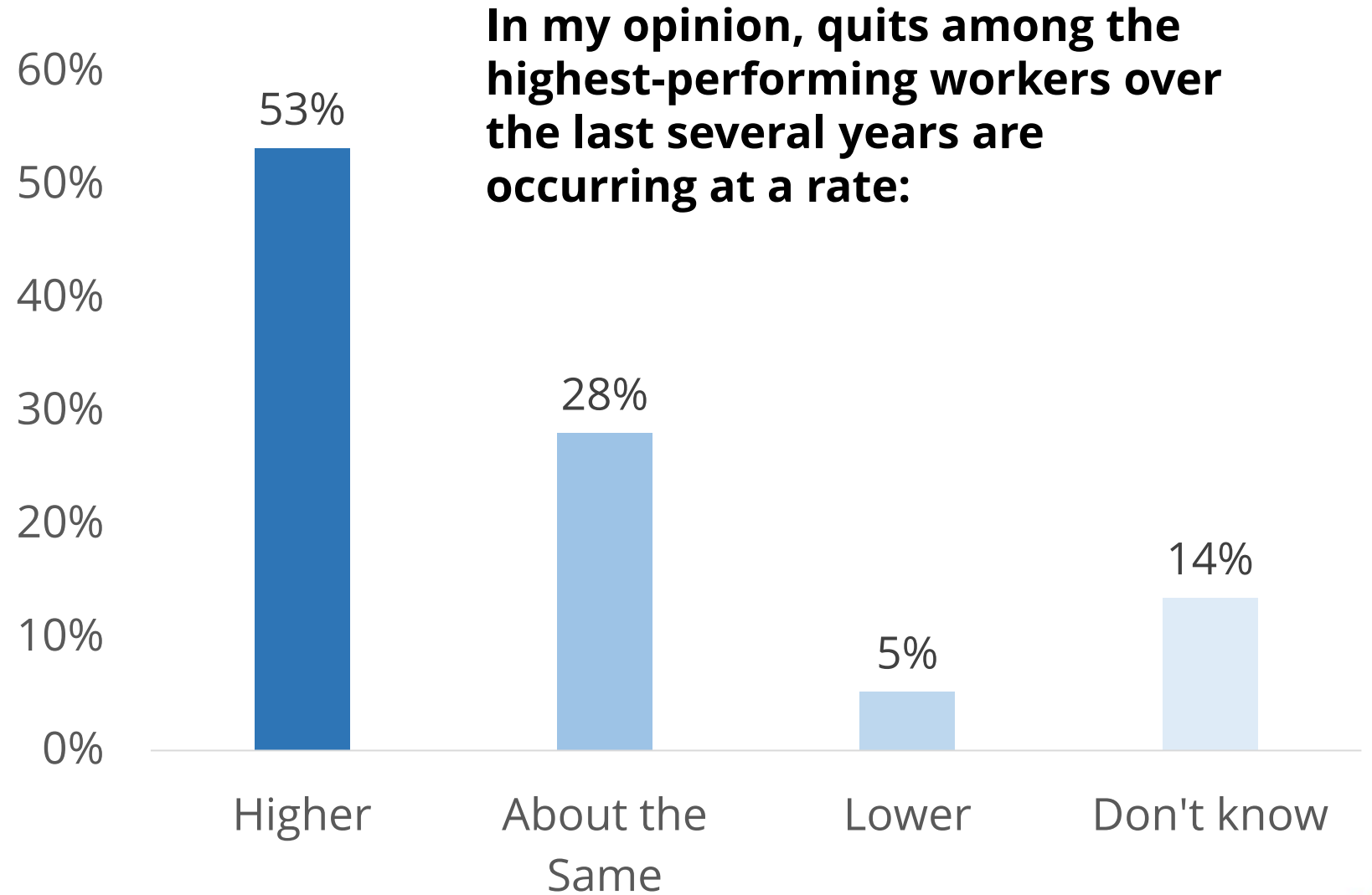


Assessing Human Capital Risk

Retention

Using **management perspectives**, we found that City management believes **high-performing workers** are leaving at a higher rate than other workers.

Source: OCA, Citywide Management Survey.



Assessing Human Capital Risk

Employee Engagement

Research indicates that **Employee Engagement** is key to Human Capital Management. In addition to compensation, it includes employees:

- Feeling valued
- Having a sense of purpose



Image: teamexcellence.com

Assessing Human Capital Risk

Employee Engagement

Using **employee perspectives**, we found:

- City employees had a higher satisfaction rate than Federal Workforce.
- Is the glass $\frac{3}{4}$ full? Or $\frac{1}{4}$ empty?

Employee Satisfaction Rates

City of San Diego



Federal Workforce



Source: OCA, 2017 City of San Diego Employee Satisfaction Survey and 2017 Federal Employee Viewpoint Survey.

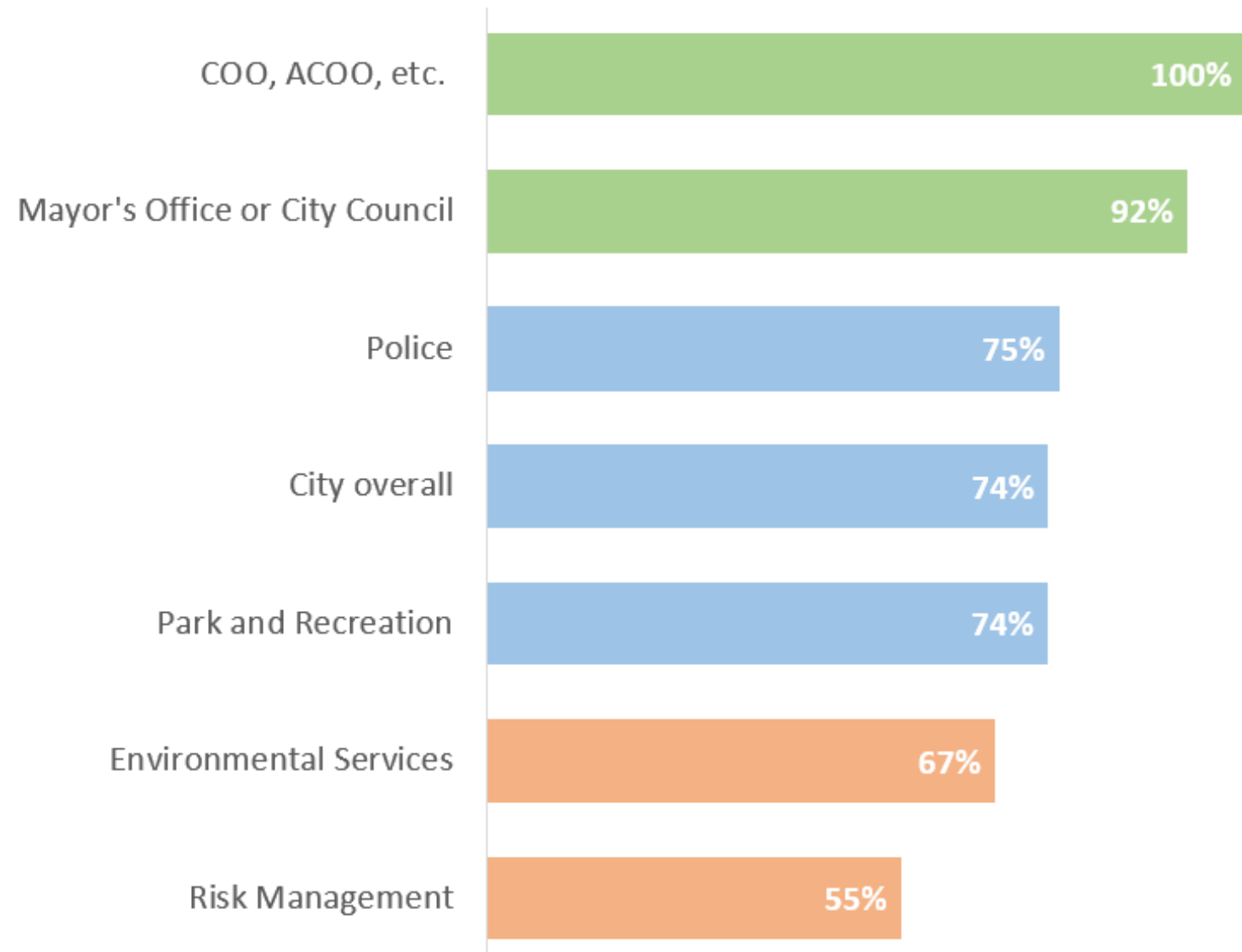
Assessing Human Capital Risk

By breaking down **employee perspectives**, we found:

- Wide variation among the City's 36 different departments.
- **High of 100%** satisfaction.
- **Low of 55%** satisfaction.

Source: OCA, based on 2017 Employee Satisfaction Survey data.

Employee Satisfaction Rates, selected departments



Assessing Human Capital Risk

Employee Engagement

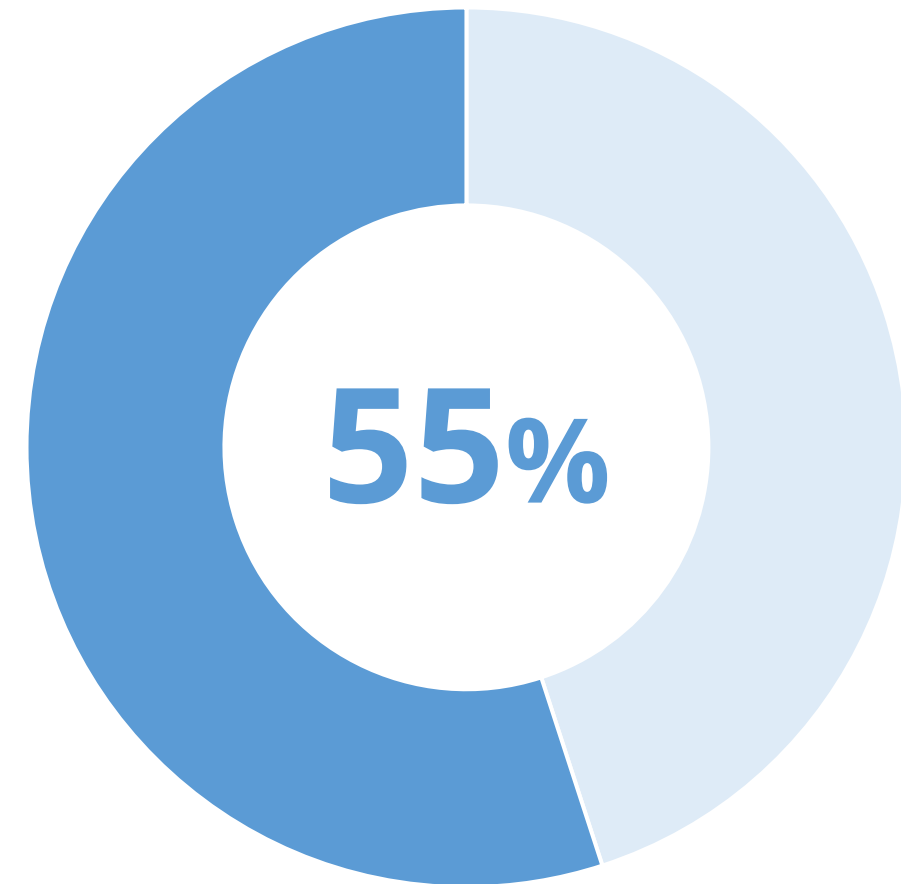
Goes beyond just overall satisfaction...

What else do employees believe about how their organization is doing?

Common complaints from supervisors, managers, and executives included:

- Inability to reward/incentivize high performers.
- Limited promotional opportunities.
- Difficulty creating new job classifications to fit department needs.

“I believe I have a path for career advancement.”



Source: OCA, based on 2017 Employee Satisfaction Survey data.

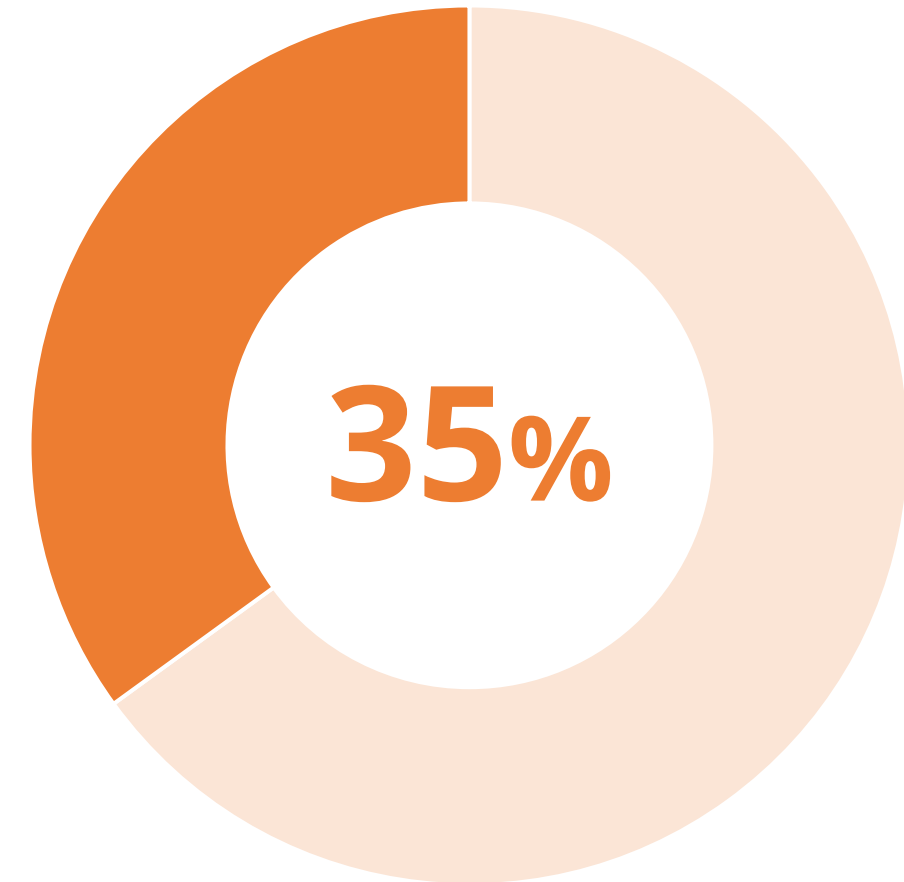
Assessing Human Capital Risk

Employee Engagement

Common complaints from supervisors, managers, and executives included:

- Difficulty disciplining poor performers.
- Difficulty correcting poor performance.

“Poor job performance is dealt with effectively in my department.”



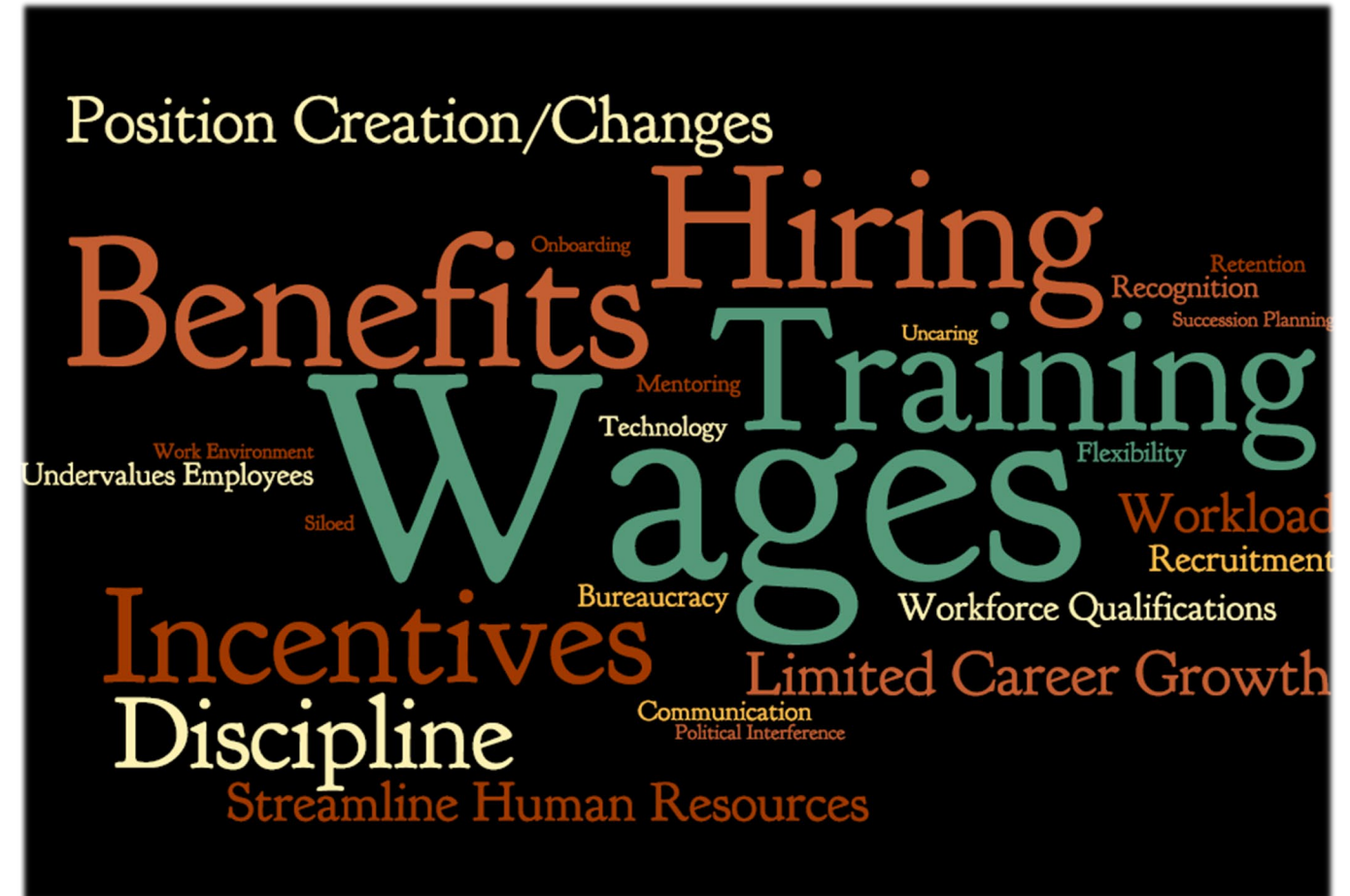
Source: OCA, based on 2017 Employee Satisfaction Survey data.

Assessing Human Capital Risk

Compensation

- Identifying and analyzing relevant data.
- Gathering employee perspectives.

“What are some of the things you wish you could change about how the City manages its human capital?”



Source: OCA, Citywide Management Survey.

Assessing Human Capital Risk

Compensation

Using **management perspectives** and **externally prepared data**, we found:

“Employee compensation offered by my organization is competitive with local labor market opportunities.”

13%

“Strongly Agree”
or “Agree”

City of San Diego

Source: OCA, Citywide Management Survey.

79%

“Yes”

State and Local Governments
Throughout the US

Source: OCA, based on 2017 survey results by the
Center for State and Local Government Excellence.



Project	Themes	Objectives/issues
Human Capital Fact Book (Published July 2018)	Informational, "The health exam"	<ul style="list-style-type: none"> Examination of Citywide workforce characteristics. E.g: <ul style="list-style-type: none"> Workforce size, Demographics, Retention and Separations trends, Employee Satisfaction, etc.
Compensation Reporting (Published November 2018)	Transparency, Compliance	<ul style="list-style-type: none"> Are the city's state-required employee compensation reports complete and accurate?
Pay Equity (Published April 2019)	Equity and Analytics	<ul style="list-style-type: none"> How is the City utilizing the compensation information in its required annual reports to understand key workforce trends? <ul style="list-style-type: none"> Council particularly concerned about issues of equity
Strategic Human Capital Management (In progress)	Evidence-based decision-making	<ul style="list-style-type: none"> How does the City monitor, analyze, and take action on key metrics related to its large and expensive workforce? <ul style="list-style-type: none"> E.g. relationship between compensation and turnover? Vacancies? Etc. Rewards - Assess the extent of the City's efforts to encourage retention among high-quality employees Discipline - Assess the extent of the City's disciplinary efforts, and the possibility for reforms to the disciplinary process

Studying pay equity across demographic groups is important for a variety of reasons:

- Helps ensure legal compliance
- Aligns with City's Strategic Plan goals
- Research shows that pay gaps affect an organization's ability to attract and retain talent

Pay equity studies are increasingly common in the private sector

- Examples: Anheuser-Busch / InBev, Illumina, CVS

Pay equity studies appear to be less common in the local government sector



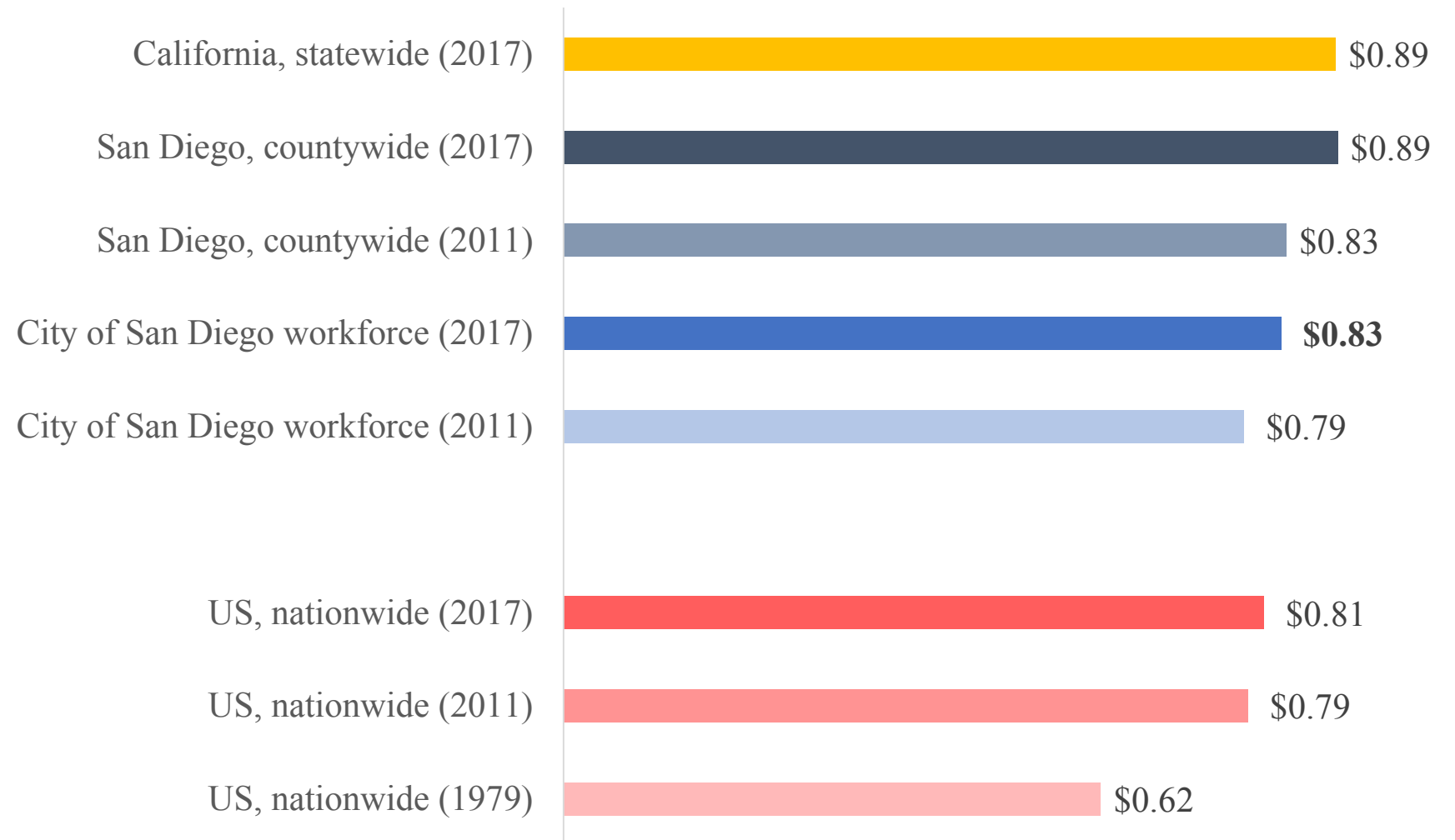
How to Analyze Your Gender Pay Gap: An Employer's Guide

By Dr. Andrew Chamberlain
Chief Economist, Glassdoor

The first type of analysis is called **'unadjusted'** earnings gap analysis

- Just averages (or medians) - does not adjust for other variables like age, type of work etc.
- Important to identify baseline comparisons across demographic groups
- Female City employees earn about **83 cents to every \$1** earned by male City employees

Ratio of median earnings, full-time female employees relative to full-time male employees



Source: Generated by OCA based on internal City workforce analysis and American FactFinder data from the US Census Bureau



Unadjusted Earnings Gaps

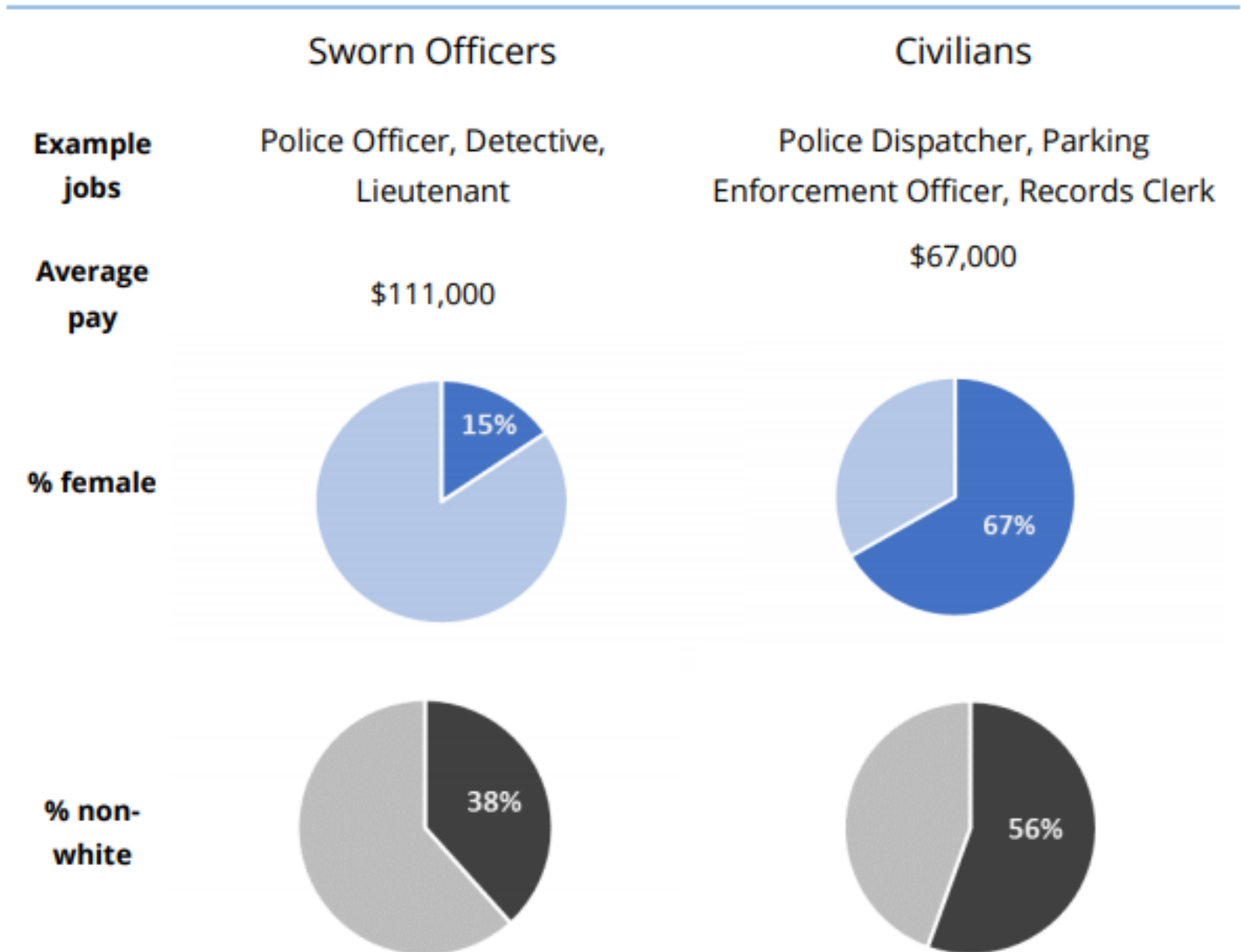
Gender and Race/Ethnicity	Average earnings in 2017	Ratio of earnings relative to white males
Male White	\$98,026	\$1.00
Male American Indian or Alaska Native	\$92,340	\$0.94
Male (All)	\$87,868	\$0.90
Male Asian	\$87,435	\$0.89
Male Filipino	\$86,175	\$0.88
Citywide	\$83,226	\$0.85
Female White	\$81,405	\$0.83
Male Hispanic or Latino	\$78,473	\$0.80
Male Black or African American	\$72,714	\$0.74
Female (All)	\$72,643	\$0.74
Female Filipino	\$72,126	\$0.74
Female Asian	\$71,900	\$0.73
Male Other/Two or more races	\$69,190	\$0.71
Female American Indian or Alaska Native	\$68,375	\$0.70
Female Other/Two or more races	\$65,893	\$0.67
Female Hispanic or Latino	\$65,428	\$0.67
Female Black or African American	\$59,816	\$0.61

Source: OCA, based on workforce data within SAP and 2017 Employee Compensation Report

Differences in average earnings are largely explained by females and non-white employees tending to work in different lines of work than male and/or white employees

- ('job sorting')
- Example: SDPD
 - Sworn SDPD officers have high average pay, and are mostly male and white
 - SDPD civilian employees have much lower average pay, and are mostly female and non-white

San Diego Police Department





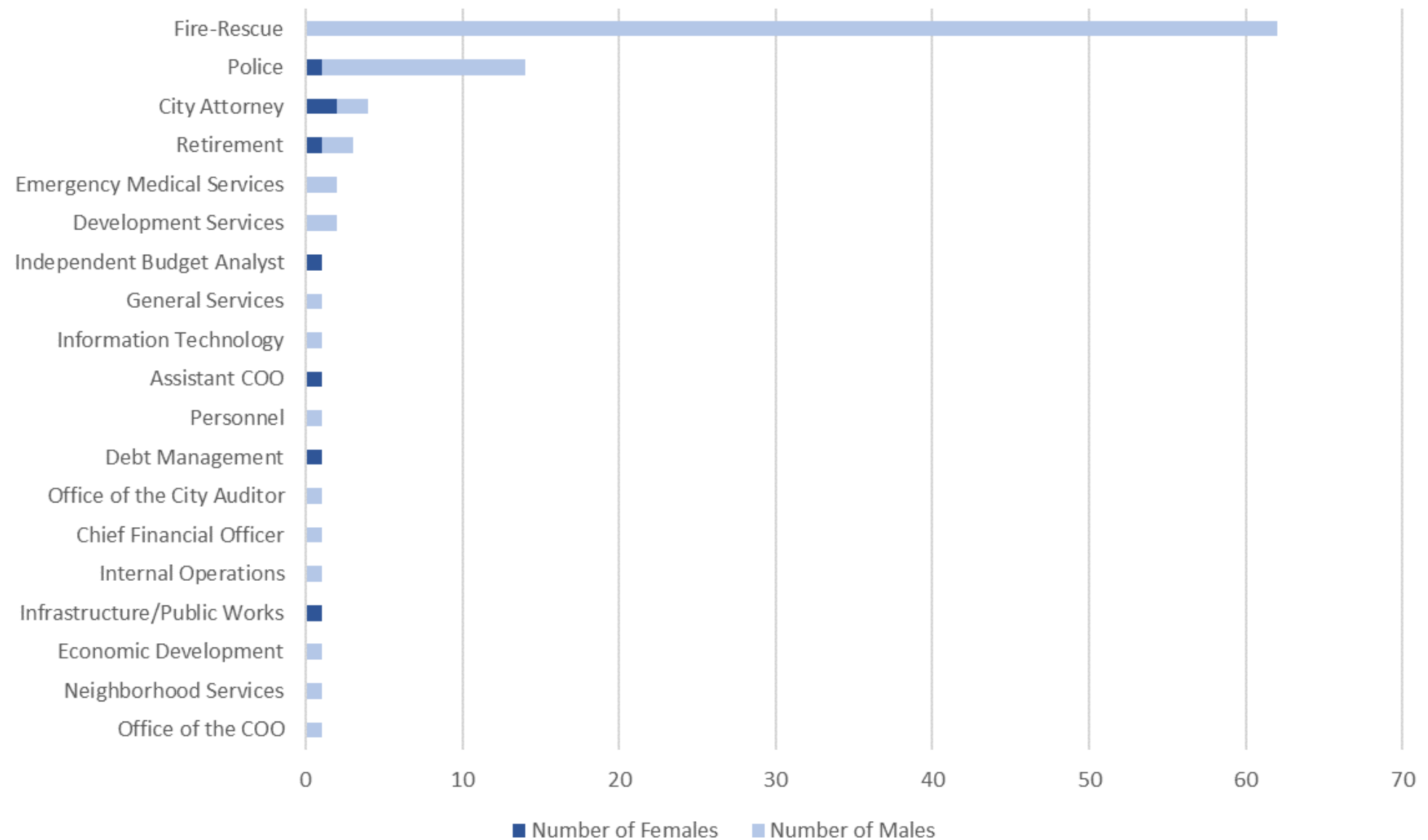
The vast majority of the highest-earning employees in the City are in public safety

- Within Fire-Rescue, high pay is driven by large amounts of overtime

The vast majority of the highest-earning employees in the City are male

41 of the 100 highest-paying jobs were held by non-white employees

The 100 Highest-Earning City Employees in 2017, by Department and Gender



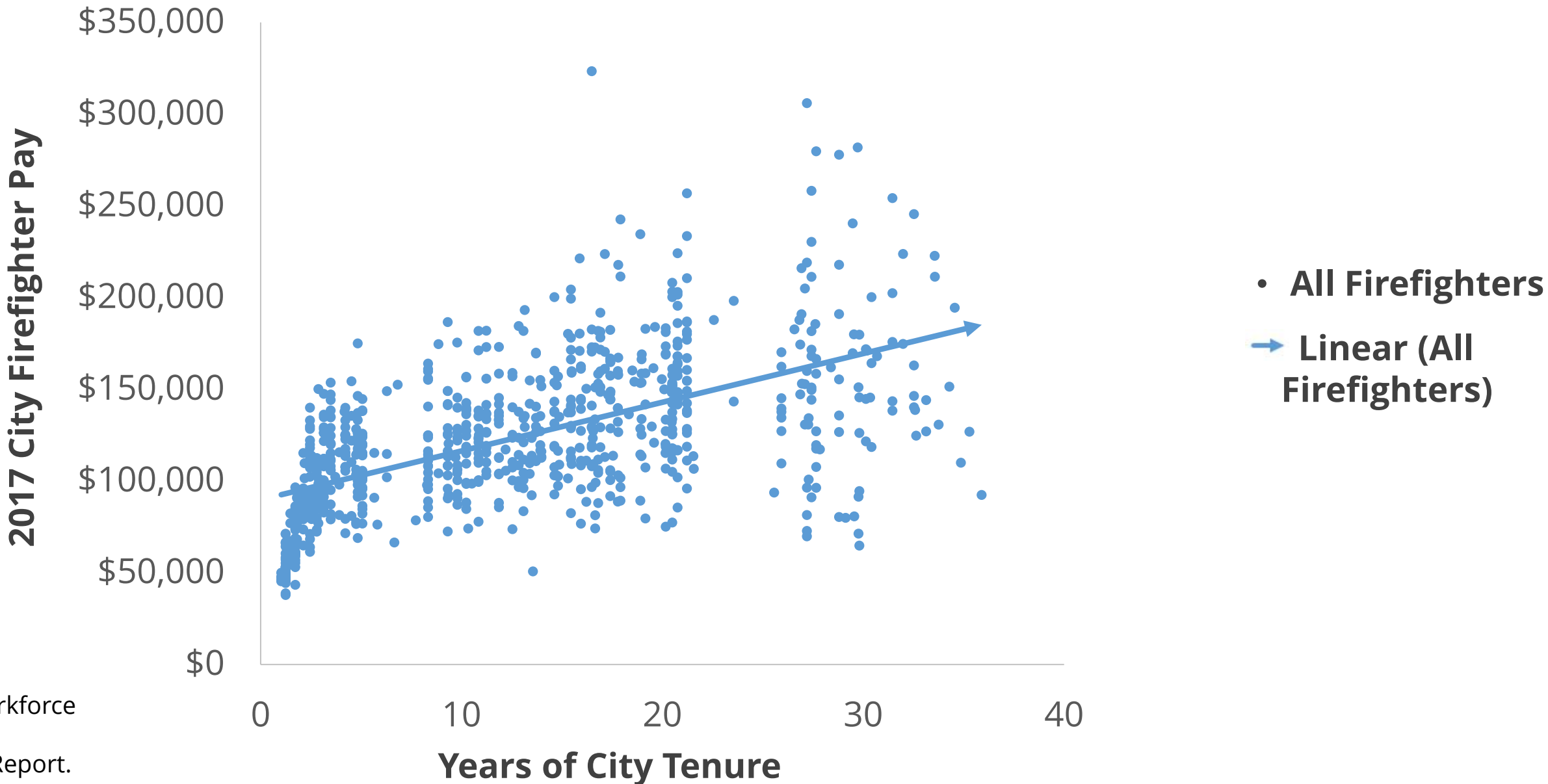
Poll Question

Multi-variate regression is...

- A. Hmm...sounds like something my vegan neighbor would give to trick-or-treaters
- B. When family members revert to their childhood roles during holiday gatherings
- C. A statistical tool that allows us to control for important variables in order to improve comparisons, and baffle the audit committee

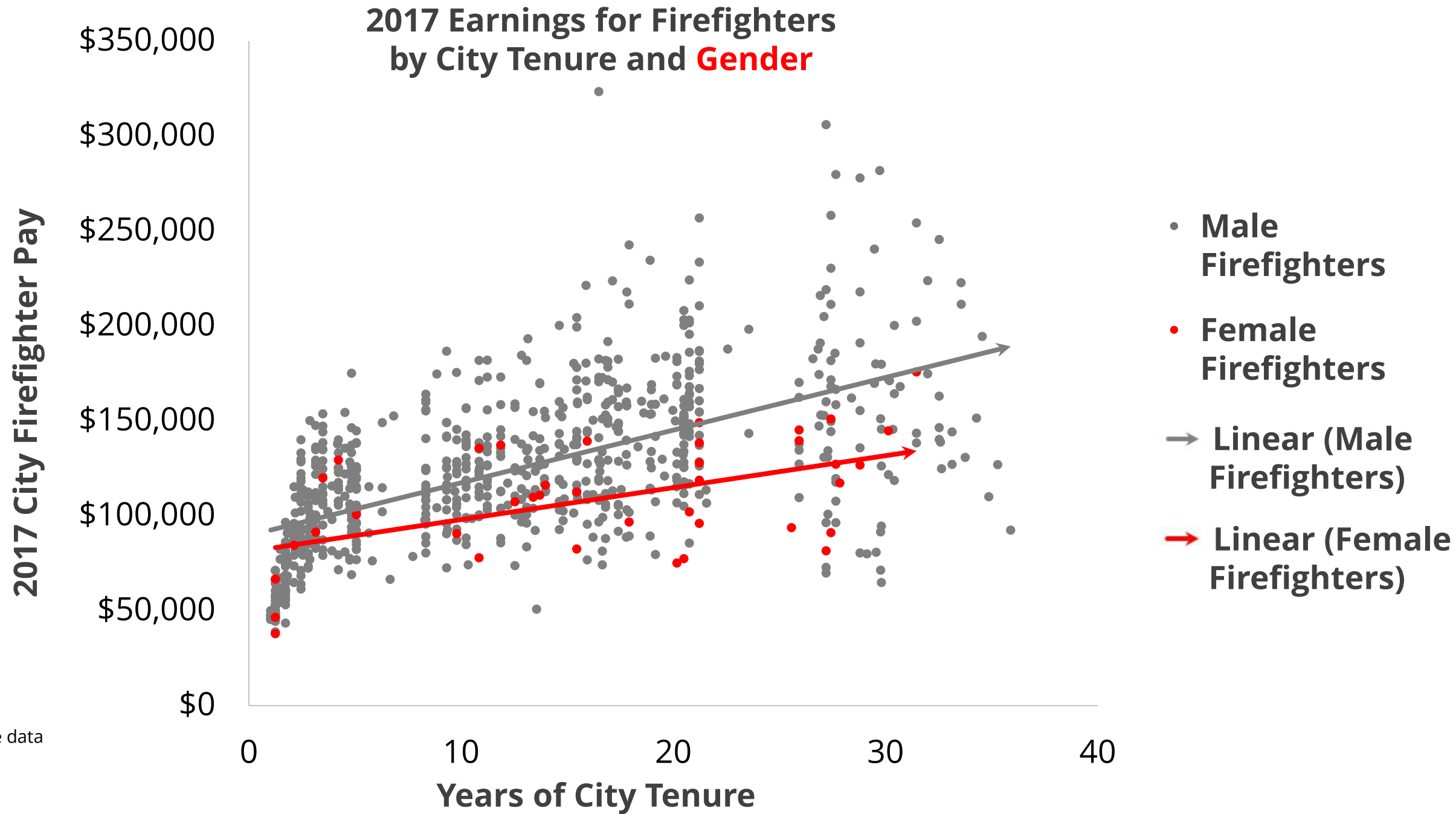
SD Pay Equity Audit

2017 Earnings for Firefighters by City Tenure



Source: OCA, based on workforce data within SAP and 2017 Employee Compensation Report.

SD Pay Equity Audit



Source: OCA, based on workforce data within SAP and 2017 Employee Compensation Report.

SD Pay Equity Audit

Adjusted Earnings Gaps

Earnings gaps **by gender** after controlling for line of work, age, and years of service

We found statistically-significant differences in pay by gender and racial/ethnic group **in some lines of work, but not others.**

The largest differences were across gender lines, with females making markedly less than similarly-situated males.

- For example, female Firefighters: - \$25,173

We also did by race (white and non-white employees) for these jobs

- Gaps were smaller and more mixed

Job type	Gap as measured by Assigned Salaries	Gap as measured by Actual Earnings
City Attorneys	-	-
Civil Engineers	-	-\$3,970 (5%)
Deputy Directors	-	-
Fire Fighters	-	-\$25,173 (20%)
Planners	-	-
Police Officers	-	-\$5,261 (5%)
Program Managers	-\$4,290 (4%)	-
Recreation Center Directors	-	-
Water Systems Technicians	-\$2,589 (5%)	-\$12,042 (18%)

Limitations

- Education level not included (not tracked by the City within SAP)
- Does not factor in employee performance levels
- Results demonstrate correlation, not causation

Key Recommendations

The City should:

- Conduct periodic pay equity studies at least every three years
- Develop and execute an action plan to mitigate its unadjusted earnings gaps as appropriate
- Investigate the root causes of the adjusted pay gaps and determine if any mitigation is necessary within those groups
- Consider measures to reduce reliance on overtime, which is a significant driver of the gender pay gap





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City of San Diego, Office of the City Auditor

Questions?





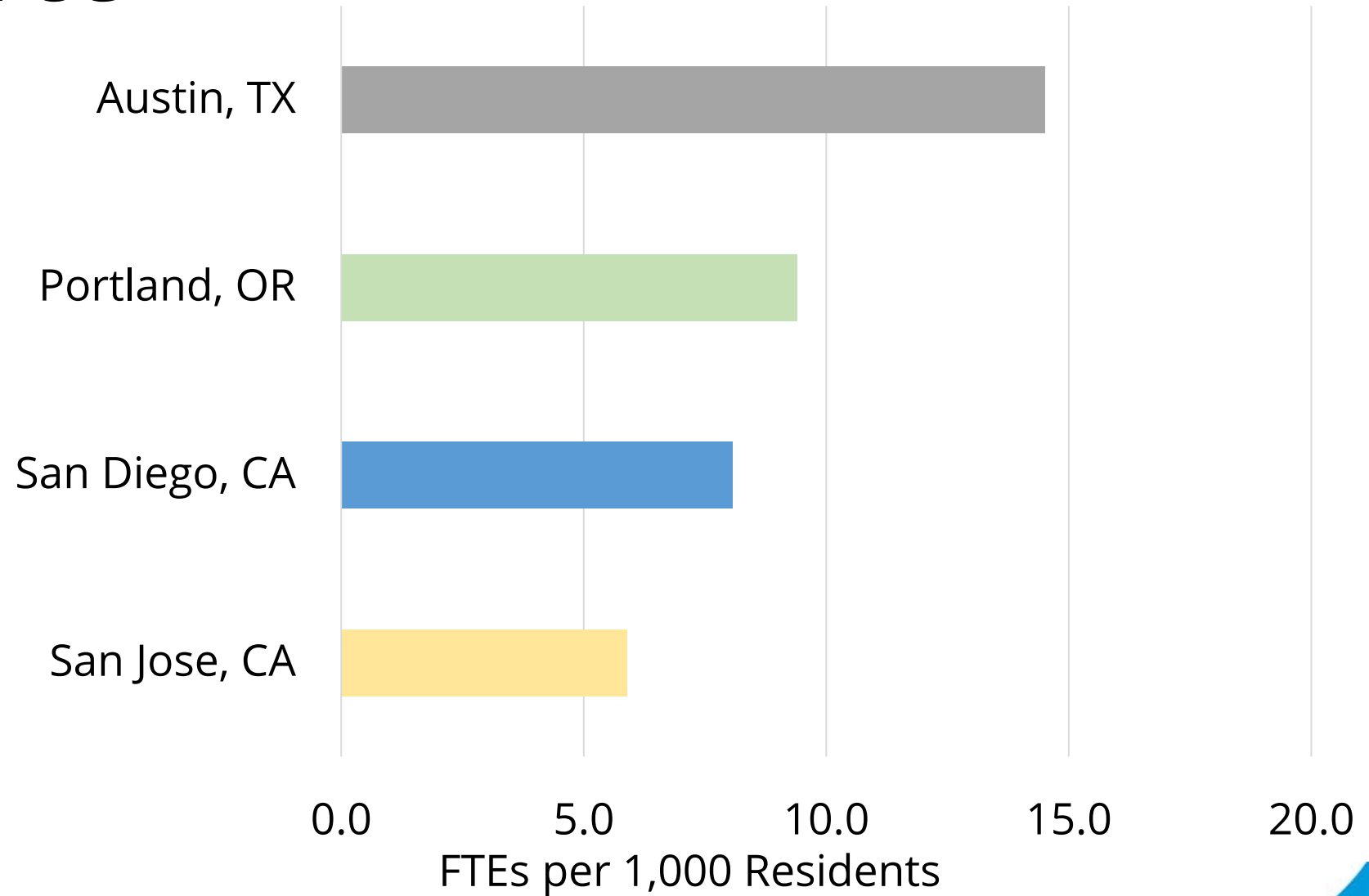
San Diego's Workforce

FTEs per 1,000 Residents

How many workers does San Diego have per 1,000 residents?

In 2017, City of San Diego had **8 employees per 1,000 residents.**

Overall, the City employs approximately **11,500 people.**



Sources: OCA, based on Adopted Budgets, population estimates from the California Department of Finance and the US Census Bureau.

Gathered Data

Human Capital Management Software

- Demographic information
- Time with agency
- Compensation
- Job titles
- Employee movement
- Turnover
- Education levels/degrees
- Certifications
- Training



Interviews and Surveys

- Interview stakeholders early
- Building surveys



Poll Question

Employee Perspectives

Most employees at my organization believe they have a path for career advancement:

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

Poll Question

Using Prepared Data

3.1% 2018 US average hourly earnings increase

Employee wages at my organization have grown at a rate:

Source: OCA, based on US Bureau of Labor Statistics Employment, Hours, and Earnings Survey.

1. **Lower** than peer organizations/local market



2. About the **same** as the peer organizations/local



market



3. **Higher** than the national average

Poll Question

Employee Perspectives

In my opinion, quits from my organization among the highest-performing workers over the last several years are occurring at a rate:

1. **Higher** than other workers
2. About the **same** as other workers
3. **Lower** than other workers



Poll Question

Employee Perspectives

The total compensation (wages and benefits) my organization offers its employees is competitive with comparable labor market opportunities?

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree



City of San Diego Audit Ideas

Audit Idea	Risk areas touched on (among others)	Objectives/issues
<i>Pay Equity (April 2019)</i>	Compensation	<ul style="list-style-type: none"> How is the City utilizing the compensation information in its required annual reports to understand key workforce trends?
	Organizational agility	
	Employee satisfaction	
<i>Strategic Human Capital Management (in progress)</i>	Organizational agility	<ul style="list-style-type: none"> Coordination and Monitoring - Evaluate whether the City's efforts to collect, monitor, and analyze the reasons for employee separations are sufficient to allow the City to react to employee separation trends
	Retention	<ul style="list-style-type: none"> Relationship between compensation and turnover - Evaluate whether non-competitive compensation is a significant factor contributing to employee turnover and vacancies
	Compensation	<ul style="list-style-type: none"> Rewards - Assess the extent of the City's efforts to encourage retention among high-quality employees
	Employee satisfaction	<ul style="list-style-type: none"> Discipline - Assess the extent of the City's disciplinary efforts, and the possibility for reforms to the disciplinary process

- Available data:

Portion of the City's 2017 Compensation Report

Department	Classification	Annual Salary Minimum	Annual Salary Maximum	Total Wages Subject to Medicare (Box 5 of W-2)				Employer Contribution				
				Total Regular Pay	Over Time	Lump Sum Pay	Other Pay and FBP	Applicable Defined Benefit	Offset/EE Share of Pension	Defined Benefit Plan	Deferred Compensation Defined Contribution Plan SPSP-ER	Health, Dental, Vision
Police	Police Officer 2	62,837	75,941	74,771	12,682	5,646	20,170	2.5@50;2.6@55	0	0	0	4,847
Library	Library Clerk	32,094	38,834	15,833	5,985	1,543	-516	1.0% @ 55	0	0	0	10,779
Development Services	Combination Inspctr 2	55,141	66,581	58,124	0	0	6,203	1.0% @ 55	0	0	0	4,971
Park & Recreation	Sr Zoning Investigator	55,182	66,851	65,652	0	0	10,636	1.0% @ 55	0	0	0	4
Development Services	Combination Inspctr 2	55,141	66,581	60,448	264	0	8,648	1.0% @ 55	0	0	0	3,126
Development Services	Development Project Manager	57,866	69,722	67,326	0	0	10,372	1.0% @ 55	0	0	0	239
Library	Library Aide	20,925	25,106	14,371	0	0	4,753	N/A	0	0	1,158	0
Library	Library Clerk	32,094	38,834	16,721	0	0	19	N/A	0	0	1,003	0

Source: Calendar Year 2017 Compensation Report, Department of Finance.

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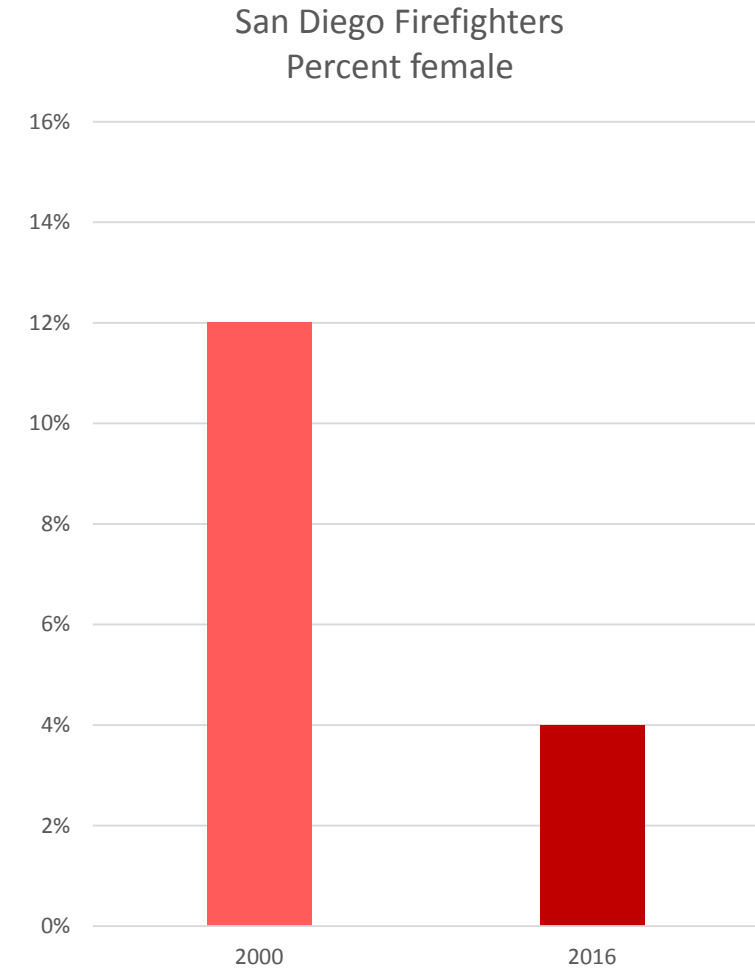
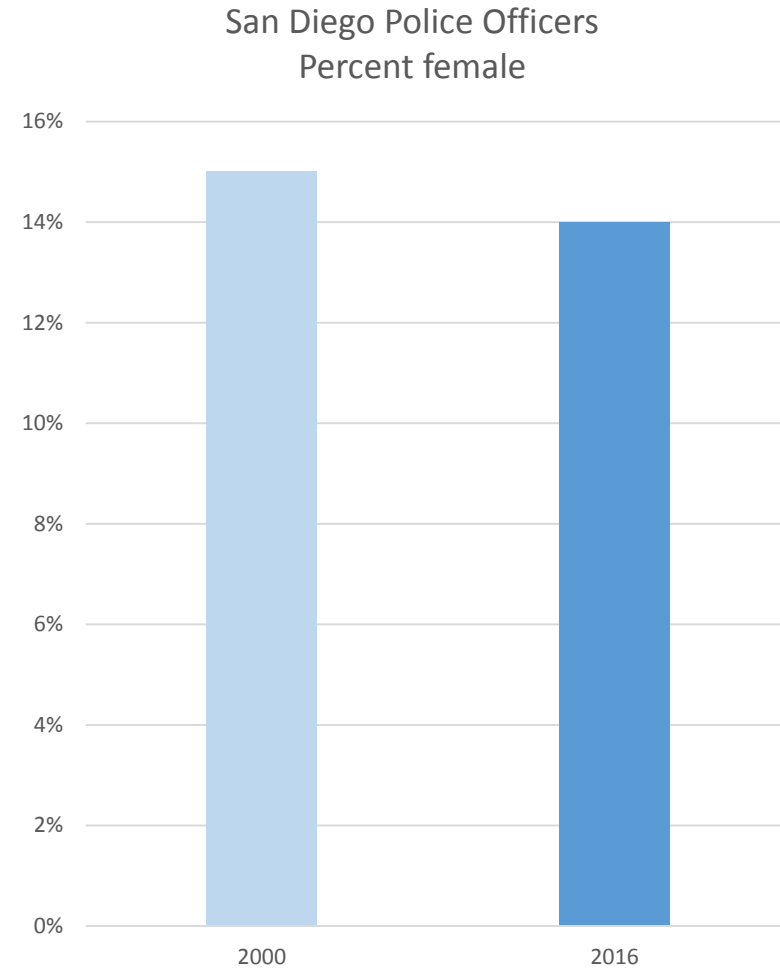
- Council input about equity...

Finding 2: Recruiting a More Diverse Workforce

SDPD and Fire-Rescue have programs in place to recruit more diverse workforces:

- Fire-Rescue’s Girls Empowerment Camp
- SDPD’s STAR / PAL Program

These programs may need to be augmented by additional strategies to increase diversity, especially for recruiting/retaining females:



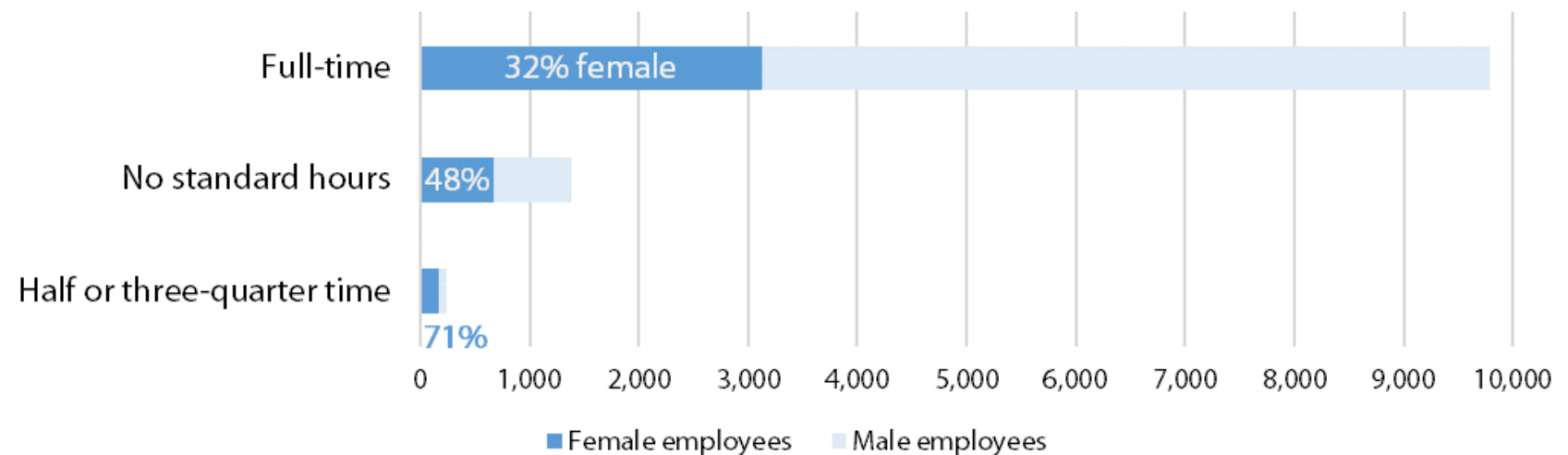
Source: OCA generated, based on SAP and 2017 Compensation Report

Finding 2: Expanding Flex Work Opportunities May Improve Future Gender Diversity

- Research suggests that family caregiving responsibilities fall disproportionately on women
- Vast majority of City workforce is male, yet most of the City’s few part-time positions are held by females
- Research indicates the City may be able to retain these employees in the long-term if it can expand opportunities for flex work and/or reduce reliance on overtime

Part-time positions are rare in the City, and most part-time employees are female

Number of City employees, by gender and work-time status, as of Jan 1, 2018



Source: OCA generated, based on SAP and 2017 Compensation Report

SD Pay Equity Audit

Earnings gaps by race/ethnicity after controlling for line of work, age, and years of service

Differences across racial/ethnic lines were less pronounced, but did exist in some cases

The largest racial/ethnic earnings gap we observed was -\$6,291 for non-white City Attorneys.

Notably, not all racial/ethnic earnings gaps were disadvantages for non-white employees.

- Non-white Firefighters and Police had a pay *advantage* of \$4,702 and \$2,676, respectively.

Job type	Gap as measured by Assigned Salaries	Gap as measured by Actual Earnings
City Attorneys	-\$6,291 (5%)	-\$6,291 (5%)
Civil Engineers	-\$2,765 (4%)	-\$4,581 (6%)
Deputy Directors	-	-
Fire Fighters	-	+4,702 (4%)
Planners	-	-
Police Officers	-	+\$2,676 (2%)
Program Managers	-	-
Recreation Center Directors	-	-
Water Systems Technicians	-	-

Source: OCA generated, based on SAP and 2017 Compensation Report



Strategic Human Capital Management (SHCM)

Key Performance Indicators

Performance Indicator	FY2017 Target	FY2017 Actual	FY2018 Target	FY2018 Actual	FY2019 Target
Increase volunteer service hours by 5% each fiscal year	100%	100%	100%	100%	100%
Percentage of City staff in compliance with mandatory and required trainings within established timeframes	100%	100%	100%	100%	100%
Percentage of Labor-Management Committee meetings scheduled and attended per fiscal year	100%	100%	100%	100%	100%
Percentage of Public Record Act requests responded to within the statutory timeframe ¹	N/A	N/A	100%	96%	N/A

1. The Public Records Administrative Program will transfer to the Communications department in Fiscal Year 2019.

Strategic Human Capital Management (SHCM)

SHCM metric

<i>Overall Turnover rates</i>
<i>Overall Quits rates</i>
<i>Job areas with highest Turnover/Quits rates</i>
<i>Cost estimates associated with Turnover/Quits</i>
<i>Vacancy rates</i>
<i>Application rejection rates</i>
<i>Reasons given for jobs turned down</i>
<i>Employee Engagement</i>

Key Performance Indicators

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Strategic Human Capital Management (SHCM)

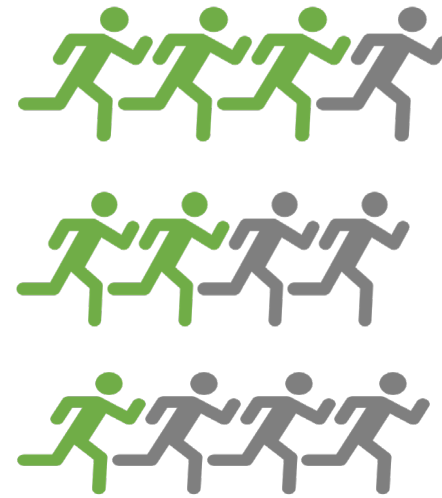
Combining trends of both vacancy rates and quits can produce greater insight in terms of where HR and the City may need to focus their limited resources:

Level of Risk	Notes
Healthy	Both Police (POA) and Fire (Local 145) have low rates of quits, and relatively low rates of vacancies.
Medium	Deputy City Attorneys (DCAA) have the lowest rates of vacancy, yet the highest rates of quitting. This may reflect: <ul style="list-style-type: none">• A relatively good ability to recruit entry-level legal talent• A quick hiring process• Particular difficulty retaining legal talent
Challenge	Unrepresented employees as a group have the highest rates of vacancy, and the second highest quits rate. This may indicate a potential area of for the City to focus its efforts to recruit and retain key human capital.

Poll Question

In my organization, quits are occurring:

1. At a **higher** rate than retirements
2. At the **same** rate as retirements
3. At a **lower** rate than retirements
4. I wonder if I'll be able to retire before the robot army arrives...



<https://en.azvision.az/>

Poll Question

Employee Perspectives

In my organization, poor job performance is dealt with effectively:

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree



Poll Question

Employee Perspectives

What are some of the things you or your colleagues wish could be changed about how your organization manages its human capital?

Group Exercise

Assessing Human Capital Risks

Based on group poll results, identify significant risk areas.

Prepare a potential audit topic or objective using identified risk areas.





Assessing Human Capital Risk

Compensation

Using **internally** and **externally prepared data**, we found:

2.0% Average Annual Salary and Wage growth for City of San Diego workers, 2010–2017

2.1% Average Annual Consumer Price Index increase in San Diego County, 2010–2017

3.3% Anticipated Pay Increase for most City workers, July 2018 and July 2019

4.5% US Bureau of Labor Statistics' Projected Annual Rate of Salary and Wage Growth, 2014–2024

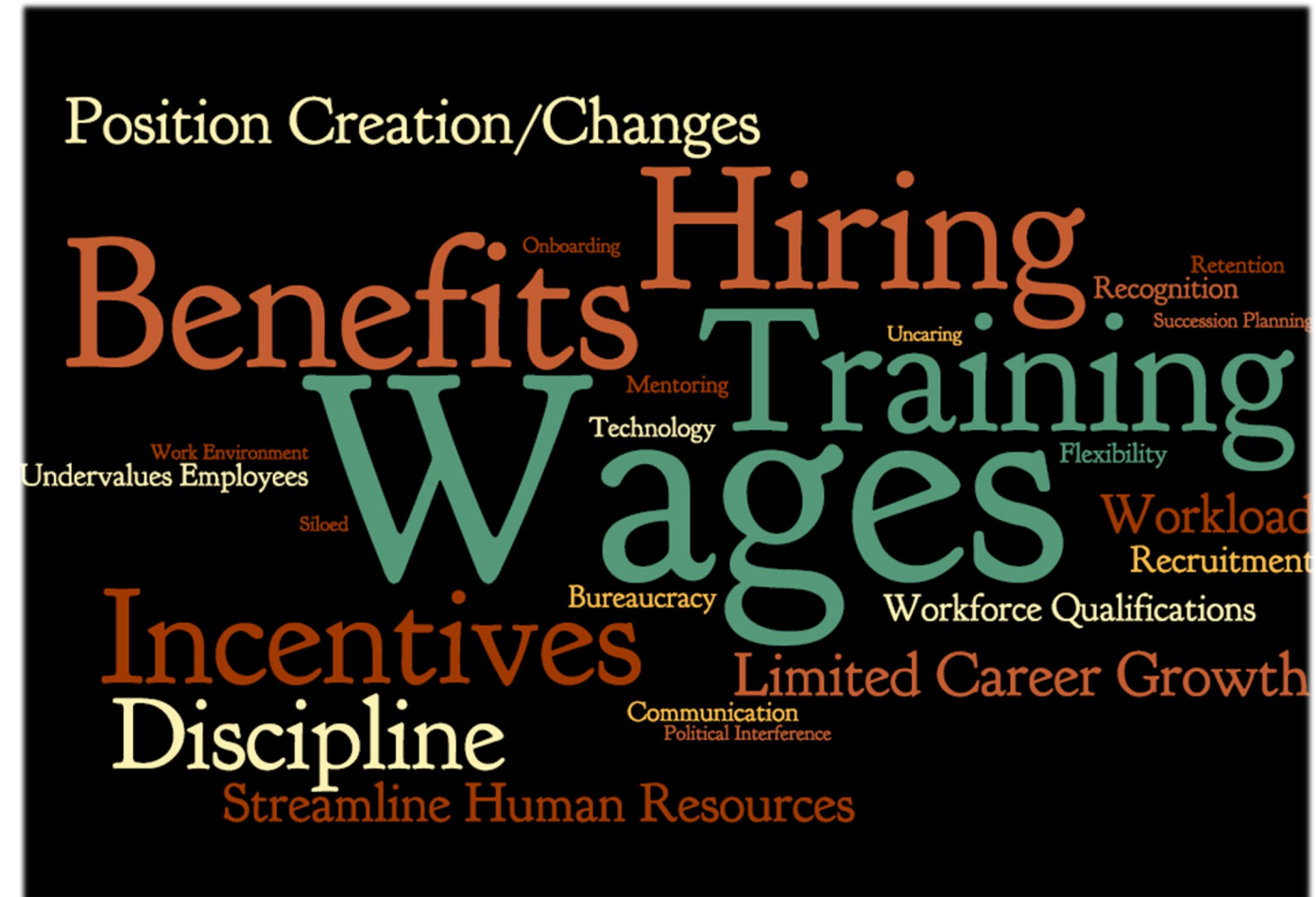
Sources: OCA, based on workforce SAP data, annual City compensation reports, and the US Bureau of Labor Statistics.

Assessing Human Capital Risk

Employee Engagement

Looking beyond wages and benefits to other auditable risk areas, such as:

- Incentives
- Discipline
- Hiring
- Workforce management



Source: OCA, Citywide Management Survey.



Poll Question

Employee Perspectives

Relative employee satisfaction at my organization seems:

A) **Lower** than the federal workforce



B) About the **same** as the federal workforce



C) **Higher** than the federal workforce



D) I don't know!

??