



UPDATE ON HUMAN RESOURCES ADMINISTRATIVE REVIEW

*Report to the UMS Chancellor &
Board of Trustees*

Introduction – The HR Administrative Review

On June 23, 2013, the BOT approved Human Resources Administrative Review was published. This report recommended a transition of Human Resources and incorporated three major components:

- Human Resource Structure
- Strategic Human Resources
- Human Resource Delivery Model

The Administrative Review made recommendations but did not outline a strategy and vision for Human Resources and did not present a clear and precise business case for investment and return. The plan as delivered required an upfront investment of \$590k over two years (\$388k in FY14 and \$202k in FY15) with an ongoing investment of \$404k. This update to the plan, while following the spirit of the original Human Resource Administrative Review, outlines a road map to deliver high quality services System-wide at a lower cost than is currently provided today. It will provide a HR service delivery model that supports the HR strategy, provides for efficiencies, allows for a more strategic level of support for the overall organization, and reduces the HR administrative spend.

On June 30, 2013, the Human Resource function System-wide had a headcount of 74 with a cost of \$6,173,558 in salary and benefits. Human Resources has made significant progress in achieving savings in FY14; however, there will need to be an investment in UMS Human Resource infrastructure in order to continue. This investment will result in HR's ability to meet compliance requirements, facilitate the move to strategic Human Resources, and allow for greater long term savings. It is estimated that this transition will take until the end of FY18. However, during this period the System-wide Human Resource group will continue to realize opportunities to reduce spend through:

- Benefit changes
- Efficiencies
- Centralization and outsourcing
- Restructuring

This Updated HR Administrative Review [referred to here as “the plan”] contains two components—the first section (Phase I) is an update on the FY14 accomplishments and the financial impact. The second section, Phase II of the Administrative Review, contains recommendations, financial impact, and an implementation plan.

This plan is an estimate of headcount reductions, investments required, and savings. Additional work needs to be done to scope out and identify the exact positions and dollars associated with the identified reductions. An average of \$60,000 for combined compensation and benefits cost per position was used in this report. The investments required were based on estimates provided by multiple vendors. Actual costs will be built out once the scope of work is defined and the RFP process is completed. The savings will be further defined as the timing of automation will determine the timing of headcount reductions.

Phase I - Update

The Chief Human Resource Officer was hired in December 2013 and tasked with leading the HR Leadership Team in its efforts to move to strategic HR, realize efficiencies, improve HR services, and reduce costs. The team met from December through early spring. Based on feedback and a desire to be more inclusive of a greater HR audience, the team included staff members who brought expertise and support to the work at hand. This ensured representation from every campus and also included functional areas in HR.

In the second half of FY14 the team provided input in the establishment of a vision, strategy, and structure in which to position Human Resources to deliver on its commitment of improving HR services while identifying opportunities for cost savings.

The following specific actions and accomplishments were achieved in support of the HR Administrative Review over the past year.

Consolidation/Outsourcing

Employee Assistance Program (EAP): the onsite EAP at UMaine (Orono campus) outsourced to Cigna (the EAP provider for the rest of the System) resulting in Cigna being the provider for the entire UMS.

Employee Benefits Center (EBC): the EBC was further built out and enhanced, moving a greater portion of benefits administration work off the campuses

Restructuring

Eliminated positions:

- EBC Supervisor
- Compensation and Benefits Director
- 7.5 HR positions at UMaine
- Multi-university HR director (proposed and budgeted for in original Admin Review, but not filled)

Upgraded positions:

- Benefits Director
- Compensation Analyst

Newly created positions:

- HR Communications Manager
- HR Project Manager
- EBC Staff

Efficiencies Implemented

- Termination of vendor services for wellness communication and wellness website maintenance, and the movement of this work to the HR Communications Manager
- Reduction in administration and professional services
- Installation of call center phone system in the Employee Benefits Center
- Implementation of an incident tracking system

The chart below outlines the impact in FY15 of these FY14 actions.

| Action | HR STRUCTURE | | | UMS EMPLOYEE BENEFITS BUDGET | |
|---|------------------|------------------|--------------------|---------------------------------|------------------|
| | Headcount Change | Increase | Savings | Services & Administrative Costs | |
| | | | | Increase | Savings |
| UMaine EAP* | -2.5 | | \$246,853 | \$57,000 | |
| Elimination of EBC Supervisor Position | -1 | | \$68,500 | | |
| Hired Communications Manager | 1 | \$97,500 | | | |
| Hired HR Project Manager | 1 | \$118,650 | | | |
| Eliminated C&B Director position | -1 | | \$173,532 | | |
| Promotion of Benefits Director | | \$21,000 | | | |
| Upgrade Compensation position | | \$25,000 | | | |
| Reduction of staff at UMaine Campus* | -5 | | \$743,559 | | |
| Wellness Communications vendor terminated | | | | | \$30,000 |
| Reduction in Administrative & Professional Svcs | | | | | \$300,000 |
| Total | -7.5 | \$262,150 | \$1,232,444 | \$57,000 | \$330,000 |
| NET SAVINGS | | | \$970,294 | | \$273,000 |

With UMS Employee Benefit Budget savings of \$273,000 per year, the total savings for the 5-year period FY15-19 equals \$1,365,000. See page 5 of this report for HR Structural cumulative savings.

*UMaine campus savings will not be realized for the HR Admin Review savings until FY16.

Phase II – Recommendations

As recommended in the initial Administrative Review, the University System should concentrate headcount on those areas identified as highly critical and that require a high degree of specialization for superior service delivery. This concept will require that repetitive transactional work be removed from the campuses with a redirection of headcount and salary to Centers of Excellence. The Centers of Excellence (COE) will be established in the areas that would benefit most from systemic expertise and consistent services.

The areas in which to build Centers of Excellence capabilities include: labor relations, recruiting/talent acquisition, learning and organizational development, compensation/data analytics, equal opportunity, benefits administration, project management, and communications. The areas requiring transactional and routine administrative work will be further examined for efficiencies and then will be outsourced, automated, and/or centralized.

The HR group across the System has a current headcount of 72 people (6/30/14) with an annual expense in salary and benefits of approximately \$6.0 million. The second phase of the HR Administrative Review will allow for additional efficiencies bringing the headcount down from its current 72 positions to 61 by the end of FY18. Phase I & II (6/30/13 through 6/30/18) provides for a total headcount reduction of 17.6%.

In many instances the HR employees today perform other responsibilities outside of the HR scope. They may have responsibilities in Facilities, Finance, Risk, etc. This is especially prevalent at the smaller universities. Caution must be exercised as headcount is removed from the campuses, where that headcount may perform work in other functional areas. The timing of the expected headcount reductions outlined below will also be aligned with the investment and implementation of technology.

Current & proposed status of HR staff on campuses:

| University | Current | | | Proposed | | | |
|---------------|-----------------|--------------|------------------------------------|----------------------|-------------|---------------------------|---|
| | Total employees | HR employees | Ratio of Total Emp to Total HR Emp | HR Business Partners | Non-HR Work | Reduction in HR Employees | Ratio of Total Emp to HR Bus. Part. Emp |
| UM | 2,264 | 19 | 119/1 | 11 | 2 | 6 | 206/1 |
| UMA | 343 | 6 | 57/1 | 2 | 1 | 3 | 172/1 |
| UMF | 342 | 3 | 114/1 | 2 | 1 | 0 | 171/1 |
| UMFK | 116 | 3 | 38/1 | 1 | 0 | 2 | 116/1 |
| UMM | 94 | 2 | 47/1 | 1 | 0 | 1 | 94/1 |
| UMPI | 157 | 3 | 52/1 | 1 | 0 | 2 | 157/1 |
| USM | 1,185 | 15 | 79/1 | 6 | 1 | 8 | 198/1 |
| UMS* | 291 | 2 | 145/1 | 1 | 0 | 1 | 291/1 |
| Totals | 4,792 | 53 | 90/1 | 25 | 5 | 23 | 192/1 |

*This graph does not include the 20 HR employees currently serving statewide University Services.

Centers of Excellence headcount—12 additional needed:

- 2 Recruiting
- 2 Organizational Development
- 2 Compensation
- 1 Human Resources Information Systems
- 2 Payroll
- 1 Labor Relations
- 2 EBC

Human Resources employees across the entire System may be eligible for the 12 COE open positions based on experience and skills. It’s important to note that not all COE employees need to be based at the University Services office in Bangor.

Phase II Total Reductions: 23

New positions required: 12

Net positions reduced: 11 assuming an average salary fully burdened at \$60,000 (total savings \$660,000)

Technology Investment

\$1.2 million – Initial investment required – includes software, consulting, training and implementation support required to improve self-service. This is an integrated solution and the investment required as outlined below is an estimate of percentage allocated to each area.

Prerequisites to this work include upgrading PeopleSoft HR and the PeopleSoft portal

\$250k – Recurring Cost

Estimated Net Savings After Investments

| FY | FTE Action (net) | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Technology Investment | Annual Net Savings | Total Cumulative Savings |
|-------|------------------|--|--|-----------------------|--------------------|--------------------------|
| FY15 | (See Page 3) | (\$20,118) | (\$20,118) | 0 | (\$20,118) | (\$20,118) |
| FY16* | -2 | \$1,110,412 | \$1,090,294 | \$1,200,000 | (\$109,706) | (\$129,824) |
| FY17 | -7 | \$420,000 | \$1,510,294 | \$250,000 | \$1,260,294 | \$1,130,470 |
| FY18 | -2 | \$120,000 | \$1,630,294 | \$250,000 | \$1,380,294 | \$2,510,764 |
| FY19 | | | \$1,630,294 | \$250,000 | \$1,380,294 | \$3,891,058 |

*Includes dollar savings from FY14: a 7.5 headcount reduction at UMaine which could not be realized as part of admin review until FY16.

Remove Transactional Services from the Campuses

University Services currently has headcount in areas that will be applied towards the Centers of Excellence. As previously stated, Human Resources employees across the entire System may be eligible for the 12 open COE positions based on experience and skills. It's important to note that not all COE employees need to be based at the University Services office in Bangor.

BENEFITS ADMINISTRATION

There are currently a total of 3 FTEs doing work in the Benefits Administration area on all seven campuses. The cost of this support is \$180,000/year and is driven by lack of systems, inconsistent processes, and past practice. Through a different delivery model there is opportunity to provide this support in a more efficient and cost effective manner.

New Hire Benefits/Open Enrollment

Although benefits and open enrollment for newly hired employees are handled by the EBC, personal contact is valued at the campus level. Based on this, there is still a significant amount of support and interaction from the HR staff. The efficiencies to be gained in this space will include greater communications, online tutorials, and referrals to the EBC.

Leaves of Absence

The campuses manage all leaves locally. Family & Medical Leave Act (FMLA) tracking accounts for 50-60% of all benefits work being done on the campuses and accounts for approximately one FTE across the System. The recommendation is to move to a self-service model for leave applications and either find a technology solution, or to outsource FMLA tracking. This project is currently in the scoping phase and the investment required will be understood once the current state and future state is fully scoped.

Retirement

The campuses currently offer individualized counseling for anyone considering retiring from the System. This accounts for 15% of all benefits work being done at the campuses. The recommendation is to move to a self-service model with retirement support handled centrally through the EBC. This work has been scoped and is ready to implement once the IT support is secured.

Tuition Waivers

The campuses process all tuition waivers locally. There is a minimal amount of work in this process. This would be easily transferred to the EBC with little to no impact on the employees.

Total Benefits Administration FTE Reduction

| FUNCTIONAL AREA | FTEs |
|--------------------------|-------------|
| Leave Processing | -2 |
| Retirement Processing | -1 |
| New hire/open enrollment | 0 |
| Tuition Waivers | -.1 |
| Total: | -3.1 |

There will be investment required to achieve the reduction in headcount in the Benefits area. This will not require any new systems but will require IT support to configure the PeopleSoft system to allow for automation. The IT group has limited resources and will be assisting in other areas so it is anticipated that a third party will be employed to assist with this work. Currently, estimates are being obtained from vendors for the cost of support. The actual cost will not be established until all pieces of this work are fully scoped and a full solution is understood. At present, a one-time \$25,000 investment in technology is estimated. The following graph reflects a reduction of 2 FTEs in leave processing and 1 FTE in retirement processing.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Technology Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|-----------------------|--------------------|--------------------------|
| FY15 | -1 | \$60,000 | \$60,000 | \$0 | \$60,000 | \$60,000 |
| FY16 | -1 | \$60,000 | \$120,000 | \$25,000 | \$95,000 | \$155,000 |
| FY17 | -1 | \$60,000 | \$180,000 | \$0 | \$180,000 | \$335,000 |
| FY18 | | \$0 | \$180,000 | \$0 | \$180,000 | \$515,000 |
| FY19 | | \$0 | \$180,000 | \$0 | \$180,000 | \$695,000 |

PAYROLL

This function includes all activities required for all employees to be input into the system, hours worked to be entered on a timely basis, the running of payroll, the payment of payroll taxes, W-4s, and compliance to Federal and State law.

Current State:

Currently, PeopleSoft is utilized at all campuses to capture time and attendance data for students and employees. Each University has a payroll group that does data entry for all new hires, processes all changes to the employee's record, double checks all entries to ensure accuracy, chases down time approvals from managers, and fields questions from employees. They also do some manual calculations during raise processing periods. Each campus uses different processes and forms to complete this work and both manager and employee self-service are underutilized. University Services has a payroll group that does the data entry for the University Services group as well as runs the payroll for the entire System.

In order to leverage a technology solution to gain efficiencies in payroll, the System must adopt consistent practices, processes, and forms. The payroll groups while supporting their individual campuses should be centralized in FY15 under one leader to ensure consistency across campuses.

Future State:

The managers will take greater responsibility for ensuring that their employees have entered their time and for approving it prior to the payroll deadline. This can be done through auto-generated emails to the managers, education, communication, and accountability. Once a culture of ownership is established, the payroll people will not spend the time tracking down the hours worked for employees and will not need to spend the time to get the managers to approve the hours submitted to the time and attendance system.

Human Resources will move from paper forms and data entry to a technology solution. With an applicant tracking system (ATS), new hire data entry will be removed as the data from the ATS system will feed directly into the PeopleSoft system. The new employee should be able to do their new hire paperwork electronically which will feed over to the system thus eliminating the need for new hire data entry. Manager and employee self-service will also feed over to the system. This will eliminate the need for managers to fill out a paper form and then submit it to Payroll to be processed.

Workflows in PeopleSoft will be built out so that the need to do manual calculations and data entry into the system will be minimal to nonexistent.

Payroll current state and technology solutions are being scoped out at this time. It is estimated that Payroll will realize greater efficiencies and experience the largest impact to headcount. In order to accomplish this, an investment in building out the workflows in the PeopleSoft system is required.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|------------|--------------------|--------------------------|
| FY15 | -1 | \$60,000 | \$60,000 | 0 | \$60,000 | \$60,000 |
| FY16 | -4 | \$240,000 | \$300,000 | \$410,000 | (\$110,000) | (\$50,000) |
| FY17 | -3 | \$180,000 | \$480,000 | \$50,000 | \$430,000 | \$380,000 |
| FY18 | | | \$480,000 | \$50,000 | \$430,000 | \$810,000 |
| FY19 | | | \$480,000 | \$50,000 | \$430,000 | \$1,240,000 |

ADMINISTRATIVE SUPPORT

With the reduction of the Human Resource staff on the campuses, as well as the move to a self-service model, the need for Administrative Support Staff is reduced. There is an opportunity to reduce staffing in this area by three FTEs.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|------------|--------------------|--------------------------|
| FY15 | -1 | \$60,000 | \$60,000 | | \$60,000 | \$60,000 |
| FY16 | -1 | \$60,000 | \$120,000 | \$0 | \$120,000 | \$180,000 |
| FY17 | -1 | \$60,000 | \$180,000 | \$0 | \$180,000 | \$360,000 |
| FY18 | | \$0 | \$180,000 | \$0 | \$180,000 | \$540,000 |
| FY19 | | \$0 | \$180,000 | \$0 | \$180,000 | \$720,000 |

Establish a Service Delivery Model

In order to transform Human Resources to a strategic function, the move to a service delivery model of centralized Centers of Excellence and decentralized Human Resource Business Partners is required. The HR Business Partners will report directly to the individual University that they support and will work with the Centers of Excellence to design programs and initiatives to support the individual campus needs. The Centers of Excellence will provide a level of expertise not previously provided to the System. They will also help realize cost savings, increase compliance, and drive consistency.

HUMAN RESOURCE BUSINESS PARTNERS

With the Service Delivery model, campus-based HR staff serve as strategic HR Business Partners. These individuals will work with their campus leadership to ascertain the tools and people required to deliver on University goals and objectives. Utilizing the Centers of Excellence, they will provide support in the areas of culture change, organizational design, succession planning, employee development, talent acquisition, etc. They will also direct campus employee relations and have the tools to manage campus-related issues. This model utilizes new technology and enhanced ways to deliver HR services and improve the experience for stakeholders (employees, applicants, retirees), while shifting task-oriented work as well as specific areas of focus to Centers of Excellence.

This allows the HR Business Partners to focus on pressing needs such as working with campus-based union representatives on day-to-day issues, problem solving, strategic planning, communications, and employee development. By freeing up substantial amounts of time previously spent on task-oriented work, staff members are able to provide services—at a breadth and level not previously available to the System.

CENTERS OF EXCELLENCE

I. LABOR RELATIONS (LR)

The function includes:

- Contract administration
- Consultation with managers and senior leadership on initiatives and issues involving management of the unionized workforce including disciplinary action and workforce reductions
- Fostering productive relationships with unions through formal and informal interactions

Current State:

A System-wide LR environment with System-wide collective bargaining agreements. System Office LR staff function includes:

- Negotiation and administration of System-wide contracts
- Managing the relationship with the System's unions via strategic communication
- Consultation with System leadership and campus HR and management staff on the terms of collective bargaining agreements
- Responsibility and accountability for the success or failure of System-wide LR (campuses and System level)

Campus based LR staff (note that the majority of campuses do not have a dedicated LR staff member but rely on an HR generalist to perform this function with support from the System Office of LR):

- Consultation with local management on the terms and administration of the collective bargaining agreements
- Managing the relationship with campus union leadership
- Report to campus leadership (no System reporting relationship)
- No direct formal accountability or responsibility for the success or failure of LR or collective bargaining at the System level

Current State Results:

The current state of LR is represented by the following broad characteristics:

- Multiple rounds of bargaining where the settlement of contracts took place after the expiration of the contract
- The majority of campuses lack a single person with LR expertise but rely on a generalist to administer this function with support from the System Office of LR
- No formal connection between the System office, campus LR professionals, or other HR generalists providing LR services which can result in inconsistencies in contract administration, difficulty identifying and addressing campus LR needs in a timely manner, inability to strategically plan communication and advocacy with labor unions at all levels of the organization to advance campus and Board of Trustee's goals and objectives
- A low level of LR training for managers resulting in a lack of knowledge of existing management rights

Future State:

A centralized unit of labor managers, led by a Director who would be assigned to a campus/campuses to provide LR services involving any of the unions and would be assigned System-wide LR responsibilities. Campus and physical location assignments will be made based on the frequency of LR activity at various locations and will also consider travel costs.

LR services would include:

- Building cooperative, strategic relationships with campus leadership, managers and union representatives
- Consulting and strategizing with campus managers/HR partners on LR issues
- Tracking and assembling bargaining and training needs on a continuous basis
- Implementing a proactive communication strategy that supports campus and System-wide goals

System-wide LR responsibilities would include:

- Lead contact/relationship manager for a particular union(s), including System-wide bargaining responsibilities
- Providing System-wide LR training

Future State Results:

This structure would provide each campus an equal and consistent level of LR support by providing a dedicated labor resource where one does not currently exist and by augmenting and providing additional depth in situations where a labor resource may currently exist.

The structure will:

- Increase consistency in contract administration
- Advise and train managers
- Increase communications consistency for LR topics and needs among the campuses and System
- Coordinate communication to local and System union leadership to advance campus and System-wide goals and objectives

Address succession management issues: build bench strength via labor unit members gaining experience with each union, along with experience negotiating and managing a union relationship on a System-wide level.

It is anticipated that the Labor COE will need to operate with a total headcount of five FTEs in FY15, and four in FY16. There will need to be investments made in the training of managers and HR Business Partners.

It is recommended that the Labor resources from all campuses report centrally in FY15. This will allow for greater accountability for the headcount, budget, and effectiveness. There will be investment required to achieve the reduction in headcount in the Labor area. Training must be developed and conducted for all HR Business Partners and managers required to execute against the contract. It is estimated that training development and delivery will cost \$10,000. There is also an investment required in an existing system. A grievance tracking data base will be required. There is no need to purchase a system but IT support is required to build out this module of the PeopleSoft system. The estimated cost to build out the database: \$5,000.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|------------|--------------------|--------------------------|
| FY15 | 0 | \$0 | \$0 | \$5,000 | (\$5,000) | (\$5,000) |
| FY16 | -1 | \$60,000 | \$60,000 | \$10,000 | \$50,000 | \$45,000 |
| FY17* | -2 | \$120,000 | \$180,000 | \$0 | \$180,000 | \$225,000 |
| FY18 | | \$0 | \$180,000 | \$0 | \$180,000 | \$405,000 |
| FY19 | | \$0 | \$180,000 | \$0 | \$180,000 | \$585,000 |

*The Labor Relations function will have a total of 3 FTEs as of FY17, as one position will be added to the COE for labor.

II. RECRUITING/TALENT ACQUISITION

The function includes position approval, posting of positions, tracking applicant data, screening for minimum qualifications, processing paperwork, background checks, offer/appointment letters, and onboarding of new candidates.

Current State:

Recruiting is decentralized and handled at each of the campuses as well as the System Office. Recruiting is part of many HR employees’ job responsibilities and not a separate function in Human Resources. The two larger campuses are using an applicant tracking system while the five smaller campuses and the System Office manually process all applications, paperwork, and track all candidates. Currently there is no sharing of applicants across the system, there is no ability to get volume rates for the advertising/posting of positions, and the data used for compliance, such as Affirmative Action Plans, is difficult and time consuming to collect and analyze.

Future State:

Recruiting is a support function that proactively sources candidates in a cost effective and efficient manner. An applicant tracking system (ATS) is used System-wide and allows for all campuses to recruit from one database of applicants. The system will require managers to submit their requisition into the system electronically and the system processes the approvals before the requisition is sent to Recruiting. A proactive approach is used to build candidate pools based on projections and recruiting plans. The system will allow for efficiencies and reduce the manual work that is currently being done—such as screening for minimum qualifications, social networking, obtaining approvals, tracking and reporting, and onboarding.

There will be investment required to achieve the build out of the Recruiting function. An ATS system with an estimated initial outlay of \$450,000 will be required, with a yearly maintenance of \$125,000. This will allow for each campus to have a University specific site with the efficiencies of one system as well as meet the commitment to compliant Affirmative Action Plans. A centralized recruiting function will need to be staffed. It is estimated that a centralized function can operate System-wide with three people. The campuses currently have a total of four FTEs supporting the recruiting on their campus. Salary and benefits savings of approximately \$120,000/year will be offset by the maintenance and upgrade costs of the system.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|------------|--------------------|--------------------------|
| FY15 | 0 | \$0 | \$0 | \$450,000 | (\$450,000) | (\$450,000) |
| FY16 | 0 | \$0 | \$0 | \$125,000 | (\$125,000) | (\$575,000) |
| FY17 | -2* | \$120,000 | \$120,000 | \$125,000 | (\$5,000) | (\$580,000) |
| FY18 | | \$0 | \$120,000 | \$125,000 | (\$5,000) | (\$585,000) |
| FY19 | | \$0 | \$120,000 | \$125,000 | (\$5,000) | (\$590,000) |

*The equivalent of 2 FTEs is spread among various other HR functions and the reductions are accounted for in their functional groups (for ex., Payroll).

III. LEARNING & ORGANIZATIONAL DEVELOPMENT

All universities lack adequate programs that address employee development, goal setting, training needs, succession planning, employee engagement, manager development, and tracking and reporting. Investments need to be made in headcount, programs, and systems to fully address this critical need. A Center of Excellence in Learning & Organizational Development needs to be established for the benefit of the entire System.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|--------------------|-------------|---|---|-------------------|---------------------------|---------------------------------|
| FY15 | 0 | \$0 | \$0 | 0 | \$0 | \$0 |
| FY16 | 0 | \$0 | \$0 | \$300,000 | (\$300,000) | (\$300,000) |
| FY17 | 0 | \$0 | \$0 | \$75,000 | (\$75,000) | (\$375,000) |
| FY18 | 0 | \$0 | \$0 | \$75,000 | (\$75,000) | (\$450,000) |
| FY19 | 0 | \$0 | \$0 | \$75,000 | (\$75,000) | (\$525,000) |

IV. COMPENSATION/DATA ANALYTICS

A Compensation Center of Excellence develops and maintains the salary system for all employees in the organization. Working with HR Business Partners the compensation function should provide information and guidance for administering the programs. It should also evaluate position descriptions to determine appropriate grades and levels, participate in and analyze salary survey data, promote internal equity and external competitiveness, and provide consultation and research for compliance matters.

The HRIS function is responsible for the accuracy of system data, providing reports and information to various internal and external clients, analyzing and interpreting data, and making recommendations.

Current State:

Compensation – The University System does not currently have a Compensation COE. This is a critical function as the total dollars spent on salaries is significant. The data used for the salaried compensation plan is 11 years old and the plan for the hourly staff was developed by a team with limited compensation experience. The job codes and titles used are different campus to campus which makes it very difficult to utilize resources across campuses, meet compliance requirements (Affirmative Action Plans), and requires a great deal of maintenance. The campuses do have Human Resource headcount working in Compensation; however, they are not developing salary systems or programs. They are writing job descriptions, grading them using a manual form (PDQ), and placing them in a salary range. The work currently being done on campuses is very transactional in nature. There are approximately 2 FTEs across the System working in Compensation.

Data Analytics – Each campus has responsibility for pulling data for their campuses and providing a level of analytics around the information. The individuals in these roles provide data and analyses to outside agencies, internal functions; such as Internal Reporting and Labor, and provide data for information requests.

There are times when the same data is extracted by two different HR people on two different campuses and the data supplied is different. This is due to the manner in which it is extracted as well as the varying interpretations in inputting data. There are currently three FTEs working in the HRIS function. There is inconsistency in how information is coded into the system and how it is reported.

Future State:

A Compensation Center of Excellence is established that provides expertise and a high level of support to each of the campuses. The function will work towards establishing consistency, developing programs and systems that will allow cross utilization of talent and a competitive advantage in the labor market.

A centralized function that provides support to all the campuses will allow for consistent processes, reduce duplication of effort, increase accuracy, efficiencies, and reduce the FTEs responsible for this work.

Estimated Savings After Investments

| Fiscal Year | FTEs | New HR Structural Compensation Savings | Total HR Structural Compensation Savings | Investment | Annual Net Savings | Total Cumulative Savings |
|-------------|------|--|--|------------|--------------------|--------------------------|
| FY15 | | | \$0 | 0 | \$0 | \$0 |
| FY16 | -2 | \$120,000 | \$120,000 | \$0 | \$120,000 | \$120,000 |
| FY17 | -2 | \$120,000 | \$240,000 | \$0 | \$240,000 | \$360,000 |
| FY18 | 0 | \$0 | \$240,000 | \$0 | \$240,000 | \$600,000 |
| FY19 | | \$0 | \$240,000 | \$0 | \$240,000 | \$840,000 |

V. EQUAL OPPORTUNITY

It is the intent of this plan to create an EO Center of Excellence. The EO component includes Affirmative Action Plans, investigations, Title IX, training, etc. The responsibility for this work lies in various departments and the employee who is responsible is determined on an individual campus basis. A body of this work is completed in Human Resources while some of it is done by Student Affairs and EO Officers reporting to University Presidents. This will need to be fully scoped prior to a recommendation.

VI. BENEFITS

This COE is long-established at UMS in meeting the employees’ needs and has a high level of expertise in plan design, compliance, and cost control.

VII. PROJECT MANAGEMENT

This HR function was established in FY14 to provide support on change and transitional projects System-wide. No further changes are currently required.

VIII. COMMUNICATIONS

This HR function was established in FY14 to provide comprehensive support for all HR COEs, change management across the System, wellness, other departments, as well as general statewide employee communications. No further changes are currently required.

Summary

There are multiple opportunities outlined in this document which will advance the original HR Administrative Review by centralizing transactional work, creating Centers of Excellence, and establishing campus-based HR business partners. The changes will improve the efficiency of HR service delivery, provide strategic and systemic HR across the universities, and, in time, will result in ongoing savings for the University of Maine System.

As previously noted, this plan is an estimate of headcount reductions, investments required, and savings. Additional work needs to be done to scope out and identify the exact positions and dollars associated with the reductions. An average of \$60,000 for combined compensation and benefits cost per position was used in this report. The investments required were based on estimates provided by multiple vendors. Actual costs will be built out once the scope of work is defined and the RFP process is completed. The savings will be further defined as the timing of automation will determine the timing of headcount reductions.