

## Preparing and Retaining Tomorrow's Leaders

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### ABSTRACT

This paper describes the programs the Oklahoma Department of Environmental Quality (DEQ) has implemented to retain experienced staff and managers to minimize the impact of retirements. Additionally, options explored to offer alternative work schedules are discussed. Finally, the actions taken to improve the salaries of employees in order to retain more of the existing workforce are detailed.

Due to the successes of the programs, DEQ has seen a decline in turnover from 17.10% in FY06 to 12.25% in FY08. Additionally, base salaries have increased in excess of 25%, and payments have been made for student loans, Pay for Performance and excess benefit allowances during the same period. Also, the in-house training implemented by DEQ has been successful in the number of attendees and the increase in confidence shown by new managers. Overall, DEQ has seen an improvement of employee morale as a result of the implemented programs.

**KEYWORDS:** Salary, Pay and Incentives, Training, Workforce, Managers, Oklahoma Department of Environmental Quality, DEQ

### INTRODUCTION

The Oklahoma Department of Environmental Quality (DEQ), along with other government entities, is facing a growing workforce crisis. The number of employees at or near retirement age is increasing each year. At the same time younger workers just joining the workforce continue to use government entities as a “training ground.” This has led to an additional problem in that DEQ has very few employees with five to ten years experience.

The Administrative Services Division (ASD) of DEQ reviewed and compared three years of reports prepared by the Oklahoma Office of Personnel Management (OPM) titled, *Working for Oklahoma: Fiscal Year 2005 Annual Report, Outlook on Oklahoma: Fiscal Year 2006 Annual Report*, and *25<sup>th</sup> Anniversary: Annual Report and Workforce Summary Fiscal Year 2007* and same year reports prepared by DEQ for average age of employees, average age and age range of managers, years to retirement, turnover, etc. The most noteworthy findings of the review included:

- The average age of managers is 50 with 8 out of 103 over 55;
- The oldest manager is 67;
- 45% of all managers are currently eligible to retire;
- 60% of managers are eligible to retire in the next 5 years;

- 1% of employees are over 70;
- 25% of employees have less than 5 years experience;
- Turnover rates for FY05 to FY07 increased to a high of 17.10% before beginning to decline to 12.35% in FY08.

Additionally, the review of employee exit surveys conducted by DEQ indicated that many of those leaving DEQ were doing so for increased salary and flexible working hours. As a result, ASD began a comprehensive review of internal hiring rates. It was not surprising to find that in comparison to the private sector, salaries were considerably lower particularly in technical areas. With the constraints of the “civil service” system in place for state agencies and the financial implications of significant salary changes, DEQ knew that increasing salaries would be difficult.

Although the issue of flexible work hours had no fiscal impacts, there were problems that have to be overcome. The mind set that many long time managers had that all employees should work the same schedule had to be changed. Additionally, ensuring that all job duties were covered during the official business hours, five days each week would be a significant challenge. Finally, there were issues involving Fair Labor Standards Act (FLSA) implications that had to be addressed.

The final piece of information gained from employee surveys was the frustration that many experienced with their managers. The employees detailed instances of managers being reluctant to give timely answers to leave and training requests and the unequal application of agency policies relating to discipline and performance reviews. Additionally, the Human Resources staff voiced frustration with managers failing to follow agency standard procedures. Investigation of these concerns revealed that it was not unwillingness on the part of the managers, but general misunderstanding or not knowing that the policies were in place. Many were new managers who had recently been promoted and senior managers had not provided necessary mentoring to the new managers in order to make them successful. Additionally, it was discovered that training opportunities were being limited to the technical aspects of positions and that the behavioral aspects were neglected.

This paper describes the methods undertaken to improve knowledge succession; improve retention, including delaying retirement where possible; and to prepare employees to assume leadership roles. The paper further evaluates the success of the programs and looks at future next steps.

## **METHODOLOGY**

In 2006, the senior managers in ASD determined that without significant actions by the agency, DEQ would lose not only the leadership of senior managers but also the vast knowledge that they would take with them upon retirement. DEQ also realized that without a new approach to retaining younger workers, the agency would have few well trained applicants to replace the retiring senior staff and managers.

**Management Changes**

The first step in addressing the workforce situation was a proposal of a controversial plan to help improve the knowledge transfer from senior managers to their likely replacements. This proposal was a polar opposite to a long held philosophy of “few managers/many workers.” The proposal created an additional level of senior managers. These managers have the responsibility of overseeing two to four first level managers (Section Managers) that had similar technical responsibilities. For example, the Enforcement Manager in the Water Quality Division would oversee Section Managers responsible for Storm Water Enforcement, Industrial Wastewater Enforcement, and Municipal Wastewater Enforcement. These new “Level III” Managers were given the responsibility of not only passing on technical knowledge but also management skills. The other significant area of responsibility the Level III managers were given was that they had to learn many of the administrative functions typically performed by the Assistant Division Directors.

One potentially fatal component to this plan was the increase in agency payroll that was created. With no additional staff, the promotion of three to six managers per division into higher paying jobs created a strain on divisional and agency budgets. Purchases and travel were areas that were monitored closely to ensure the agency had the ability to meet the higher payroll and continue to fund travel and other purchases at a level to allow the DEQ to meet its mission.

At the time the plan was proposed, first level managers supervised up to 20 staff, Chief Engineers supervised no staff but all technical aspects of technical programs, and Directors and Assistant Directors directly supervised 7 to 14 managers. This structure was not conducive to the transfer of historical knowledge, management skills or the personal mentorship that newer managers often need. By changing the structure and responsibilities of the various levels, it was thought that managers at all levels would be preparing to take the next step in the organization as a greater numbers of manager are preparing to retire.

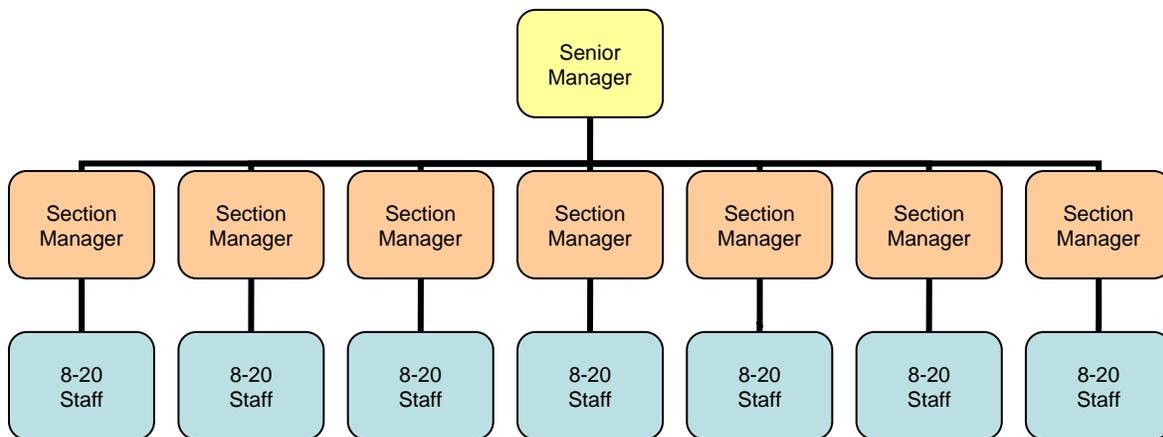


FIGURE 1: Historic Organizational Chart Structure

The new structure allows the Division Director and Assistant Division Director to work closely with three to five managers on a daily basis. These managers learn not only the technical knowledge that has been gained over the last 20 plus years but also the administrative functions

necessary to be effective at DEQ. The administrative functions include issues such as agency Administrative Procedure Manual reviews and updates, agency Standard Operating Procedure reviews and updates, interview packet preparation, divisional budget preparation and tracking, agency annual report, agency annual planning, preparing training classes or sessions for staff or public, etc.

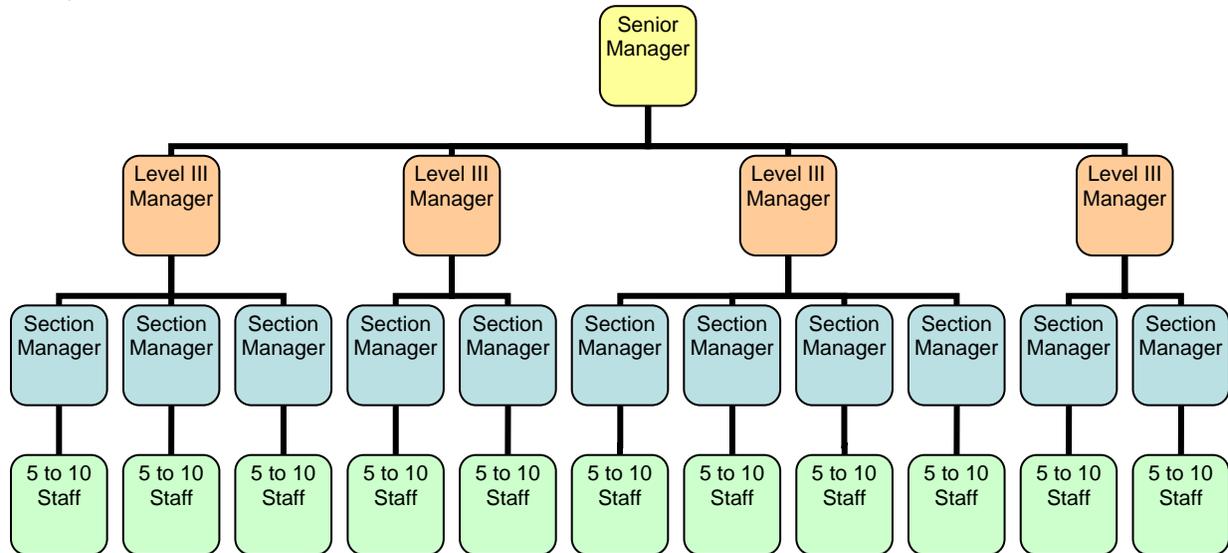


FIGURE 2: New Organizational Chart Structure

### Training Program Development

The next component to the ASD plan was to significantly improve training and training opportunities for staff and managers. The training plan had two distinct pieces: manager training and staff training. The manager training focused on the basic subjects managers needed to know in order to be effective. The non-manager training focused on improving basic skills that could benefit any level of staff person. These two distinct training programs are discussed separately below.

The in-house manager training focused on four key classes that were mandatory for all current managers during the fiscal year (FY) 2007 (July 1, 2006-June 30, 2007). The classes were:

- Performance Management Process (PMP) – details the process used by the agency for employee evaluations and includes helpful hints, resource materials, etc. in addition to the “rules” for writing effective accountabilities, reviewing accountabilities and behaviors, and preparing development plans for all levels of staff.
- Interview Training – details the process the agency uses to select the best applicant for any open position. The class goes further to detail the information and format for creating an interview packet or hiring plan. Additionally, example questions and types of questions are provided as well as other reference material. Finally, the basics of the Affirmative Action Plan and other Equal Employment Opportunity issues are discussed.
- Progressive Discipline – details the agency disciplinary process ranging from “oral counseling,” coaching, corrective action plans, written reprimands, suspensions and ultimately termination. Information is provided to assist the manager in preparing

documents, when to seek assistance from a senior manager, Human Resources and the Personnel Attorney. Additionally, example documents are provided to assist the manager.

- Administrative Management – details the basic manager responsibilities ranging from how to approve leave to requesting out of state travel for staff to emergency operations.

These four manager classes are currently offered once each year to any manager who would like a refresher, any manager who has been recently promoted into a management position, and to senior staff that would likely be applicants if or when management positions are open.

In addition to the four ongoing classes, the agency brought in speakers to conduct classes in the following subject areas:

- Diversity in the Workplace – details the differences in the various ethnic groups, age groups, genders, religions, etc. This class allowed managers to obtain a different perspective on how employees respond differently based on their particular background, education, etc.
- Managing a Multi-Generational Workforce – details the differences between the various age groups in the workforce. The class allowed the various age groups to interact to solve problems across generational line and to learn the different ways that each age group communicates, seeks feedback, is motivated, etc.
- Effective Communication – details various options to communicate with employees from various backgrounds, levels of education, age, technical experience, etc.

The third and critical piece of the in-house manager training was establishing a “Level III Manager Retreat.” The Division Director, Assistant Division Director and the Level III managers from the various divisions set aside time to meet and discuss issues. Each division has taken a different approach based on the divisional needs. For example, one division conducts their retreat in multiple two hour blocks of time where they focus on any issues that are pressing. Another division takes two days each year and spends their time concentrating on manager development issues. These retreats ultimately represent the managerial planning for the division for the upcoming year.

The final piece of the manager training program was the introduction of a new approach. Previously, training was held in a large room with all managers present at the same time. The new approach involved training classes with 12 to 18 managers with seating arranged in a square. This allowed for a more intimate setting that facilitated communication among all participants and the training instructors. The attendees were also assigned to sessions in order to ensure that there was an equal distribution of senior managers and new managers and all divisions were represented in each session.

In order to effectively address the development of future leaders a second training program was put into place. This program focuses on general professional development and specific leadership development for senior staff. All staff in the agency was given the opportunity to attend general courses in communication, time management, stress management, diversity, etc. The senior staff was nominated by their managers to attend slightly modified versions of the PMP, Interview, Progressive Discipline and Administrative Management classes. The classes were modified to cover more of the basics which the senior staff has not yet been exposed. The

discussion portions of the classes focused on how to handle a situation rather than how participants had personally handled situations in the past.

### **Pay and Incentive Programs**

At the same time that the other programs were being implemented, it was quite clear that the only way to retain quality employees was to make the pay as competitive as possible. In the public sector this is sometimes difficult due not only to budgetary constraints but also to the various “civil service” systems that are mandated. DEQ looked at hiring rates for all classes and levels of jobs used by the agency as part of an annual update of an OPM mandated requirement to produce a Salary Administration Plan (SAP).

The SAP review became a key tool to take a comprehensive look at each salary in the job classifications and levels. The current salaries for all DEQ positions were evaluated based on their location within the legally authorized pay ranges for state employees. The salaries and pay ranges were then compared to statewide averages for comparable positions and data OPM compiled for the regional market salary for each of the positions. By utilizing all of these pieces of information, DEQ was able to increase hiring rates for new hires and existing staff in 94.7% of job classifications and levels.

An additional incentive that DEQ was able to include in the compensation strategy was to award a stipend, which is not added to the base salary, to employees who meet certain performance standards. The agency reviewed available funds and determined that due to unfilled vacancies there was adequate funds to award 4% of the employee’s annual salary to those employees who received “Exceeds Standards” on their most recently completed performance evaluation and award 2% of the employee’s annual salary to those employees who received “Meets Standards” on their most recently completed performance evaluation. Employees who had not completed one year with the DEQ were not eligible since a 12 month period is required to have a completed evaluation. Also, employees with “Needs Improvement” and “Does Not Meet Standards” did not receive an award.

In 2007, the Oklahoma Legislature passed a bill that would allow state agencies who develop a program to make a payment of up to \$5,000 to an employee’s student loan. DEQ immediately began working on a program that allows for a lump sum payment to be made to the lending institution for all employees, who were full time and had worked at least 2,000 hours following successful completion of their initial probationary period. The agency paid both the employer and employee portion of taxes and retirement contributions to ensure that the employee received the greatest benefit possible. Based on the number of employees with qualifying loans and the available funds, each eligible employee loan received a payment of \$800 on July 1, 2008.

TABLE 1: Student Loan Payment

<b>Total Applicants</b>	<b>Eligible Applicants</b>	<b>Amount Paid to Loan</b>	<b>Total Cost for each Payment to DEQ</b>	<b>Total Cost of Program</b>
85	78	\$800	\$1293.24	<b>\$100,872.72</b>

The final boost to employee salary comes from the method in which benefit allowances are calculated. In Oklahoma, all state employees receive a set amount of money with which to purchase benefits including health, dental, life and vision insurance and contribute to flexible spending accounts. This includes coverage for both employees and eligible dependents. All employees are required to select health, dental and life insurance for themselves. There are multiple plans from which to choose with varying costs depending on deductibles, level of coverage, etc.

Table 2: Benefit Allowance

<b>COVERED</b>	<b>BENEFIT ALLOWANCE</b>
Employee Only	\$554.48
Employee + 1 Child	\$799.56
Employee + Children	\$889.92
Employee + Spouse	\$1,107.89
Employee + Spouse + Child	\$1,352.97
Employee + Spouse + Children	\$1,443.33

By making careful decisions, many employees have additional funds remaining after making their selections. Instead of that remaining benefit allowance being returned to the agency budget, that money is added to the employee’s monthly salary. Depending on the selection of coverage made by the employee and the number of dependents covered, there could be as much as \$240 in excess benefit allowance. The following Table provides examples of additional money added to salary based on benefit selections.

Table 3: Excess Benefit Allowance

<b>Position Title and Level</b>	<b>Coverage</b>	<b>Benefit Allowance</b>	<b>Benefit Costs</b>	<b>Additional Gross Monthly Income</b>
Environmental Programs Specialist (EPS) III	Employee + Spouse + Children	\$1,443.33	\$1,290.59	\$152.74
EPS III	Employee + Spouse	\$1,107.89	\$954.25	\$153.64
EPS III	Employee	\$554.48	\$417.27	\$137.21
Administrative Technician (AT) II	Employee + Spouse + Children	\$1,443.33	\$1,161.47	\$191.50
AT II	Employee	\$554.48	\$436.34	\$118.14

**Flexible Work Hours**

The final program that DEQ investigated and ultimately implemented was to increase the flexible work schedules available to employees. The standard hours of operation for DEQ had been 8:00 AM to 4:30 PM since its inception. In approximately 1994 an adjustment was made to allow employees to work “flex hours” which range from a start time of 7:00 AM to as late as 9:00 AM with corresponding end times of 3:30 PM to 5:30 PM. However, there was one catch

that made participation significantly more difficult: a supervisor must be present in that Division at all times. Managers, in many cases, did not want to work the alternate hours. These were the employees who had always worked traditional hours. They did not see any benefit to the expanded time for the work day. However, younger employees thought the expanded hours were helpful to allow them to work their eight hours/day and still have time, either early or late, to address personal business.

Over time, gasoline prices continued to rise; ozone attainment became increasingly more difficult; and employees were requesting more flexible options. Again, senior managers were reluctant to change. In an attempt to alleviate the fears of the managers and show the flexibility that younger workers were demanding, a pilot study was conducted.

The study required each Division Director to choose one Section (work unit) to participate in the “Flex Pilot” and to designate one manager and one staff member to sit on an agency committee to evaluate the successes and failures of the pilot. Over the course of six months, meetings were held with the Flex Pilot Committee, who developed general guidelines for participation and performance standards that had to be met. Generally, in order to participate, employees must have at least a “Meets Standards” on the most recent performance review and have no unresolved disciplinary actions. The Flex Pilot Committee conducted and reviewed survey results regarding the various flex hour trials and ultimately recommended two options with various potential days off. DEQ senior managers determined to make the Flex Pilot Committee recommendations available to the entire agency.

The first option was “4 10s.” On this schedule employees work four ten hour days with one day off each week. The employees could choose from Monday, Wednesday or Friday as their day off. This had to be coordinated with the manager of the section and had to be the same day every week. Additionally, the manager had the responsibility to determine which day of the week was most appropriate based on job functions, number of employees participating, other scheduled events, etc.

The second option was a “9 80” schedule. Under this plan, employees work eight nine hour days, one eight hour day, and have one day off every other week. Employees were either off on Monday or Friday. Again, managers had the responsibility to ensure that all key work functions were covered each day and to make adjustments of which day an employee could have as a regularly scheduled day off. One key challenge with this option was maintaining compliance with FLSA for “non-exempt” employees. This schedule required the working of more than 40 hours in every other work week. There were many concerns expressed and ultimately a decision was made to allow only FLSA “exempt” employees to participate in this work schedule.

The flexible work hours program has been generally successful. With approximately 25% of the full time employees participating, few problems delivering agency services have been encountered. This can be attributed to the cross-training of staff, the use of electronic tools such as Outlook calendar, out of office automated email replies, etc. The feedback from employees has been very positive. Managers, many of whom voiced concern in the beginning, have generally embraced the program. However, during the summer months when many employees take vacations, ensuring coverage of critical duties has been challenging.

TABLE 4: Flextime Participation

Total Full-time DEQ Employees	570
Total DEQ Employees on 4-10s	100
Total DEQ Employees on 9-80s	41

## DISCUSSION

The various programs are already reaping benefits to the agency and employees. Senior managers are now taking on more of the administrative tasks of running a division and of mentoring newer managers. Additionally, new employees are receiving more hands on training and mentoring since section managers now have fewer staff to supervise.

The training programs have been very well attended as demonstrated by Table 5 below.

TABLE 5: Manager Training Attendance

COURSE	SESSIONS PROVIDED	TOTAL NUMBER OF ATTENDEES
Performance Management Process	5	160
Interview Process	9	185
Progressive Discipline	6	115
Administrative Management	6	98
Multi-Generational Workforce	4	200
Diversity in the Workplace	4	200
Affirmative Action Issues	6	115

The agency has received positive feedback from all levels of managers and staff regarding the format and content of the in-house training. There has been the additional benefit of fewer mistakes being made by newer managers and fewer complaints made to Human Resources related to managers failing to take actions when necessary. Newer managers have expressed more confidence in addressing routine matters and are challenging long-term managers to “do things right.”

The impacts to salaries are becoming more evident. In addition to the lump sum type payments to boost income, the agency has been able to increase base salaries in key job families and levels as illustrated by Table 6 below.

TABLE 6: Salary Increases Percentages

POSITION	SALARY INCREASE FROM FY05 to FY08
Environmental Programs Specialist I	21.90%
Professional Engineer I	28.85%
Section Manager	31.80%
Division Director	23.90%

Additionally, DEQ has recently finished a semi-annual review of the SAP and is increasing salaries for FY09. Of the 114 titles and levels utilized by DEQ, 108 are receiving increases with 91 receiving 5% or more. This represents a salary increase for 96.5% of all DEQ employees.

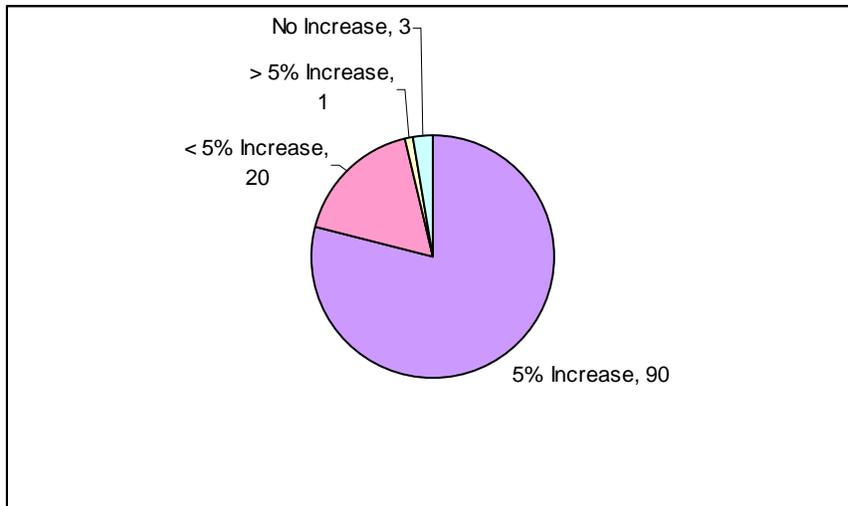


Figure 3: Salary Increase for FY2009

The ability to work flexible schedules has been very well received by younger workers. For them, this has been a “deal maker or breaker” when selecting possible employers. Additionally, workers with children or other persons depending on them for care have expressed appreciation for the ability to have a weekday off every week or every other week in order to address personal business without having to use valuable vacation time.

The combination of all the agency’s efforts are more clearly demonstrated in surveys conducted by the Civil Rights Administrator. Her survey indicates that in the key areas related to employee morale, impression of the DEQ as an employer, etc. that the DEQ is improving each year since the inception of these programs.

TABLE 7: Result of DEQ's Efforts

<b>QUESTION</b>	<b>FY05 AVERAGE RESULT</b>	<b>FY06 AVERAGE RESULT</b>	<b>FY07 AVERAGE RESULT</b>	<b>FY08 AVERAGE RESULT</b>
How would you rate DEQ as a place to work?	3.85	4.04	4.35	4.44
How would you rate the promotion of equal opportunity and Affirmative Action?	3.12	3.54	4.00	4.15
How would you rate training and development opportunities available for you to develop and increase your skills	3.27	3.69	3.89	4.01
How would you rate your opportunities for promotion when vacancies occur?	2.00	2.69	3.06	3.33
How would you rate your morale over the last year?	3.34	3.38	3.56	3.95

Throughout the implementation of each of these programs, there have been “nay sayers” who have been quick to point out potential problems. There was significant resistance from many long-term managers at being required to participate in training that they felt was unnecessary or unneeded. However, after the initial training sessions most of these managers had been won over. They saw the benefit of having a reminder on key issues and of sharing their vast experience with newer managers.

A significant issue that had to be overcome was the idea of creating a new level of management. For many years the agency had worked to create a flat organization to ensure that there were adequate workers to do the jobs. Since many of the workers were experienced there was less of a need for direct supervision. Many discussions were held related to the key issue that the workers who now need the most assistance to be successful were managers who were recently promoted. They, in many cases, did have the basic technical knowledge in most areas they supervised, expert knowledge in one area supervised, but very limited knowledge in management areas. Once the recognition was made that agency managers were struggling and new hires were leaving due to issues with the performance of their managers, it became an accepted idea to add a layer of managers to the organization. As an additional benefit, the morale of managers and senior staff increased with the possibility of another step up in the organization that could result in a salary increase.

The staff level training was well received by some but many managers had difficulty recognizing the benefit of taking employees away from their technical tasks to spend several days each year in classes that have fewer tangible benefits. Engineering managers readily understood the need to send technical staff to technical training. It took some time and convincing for them to

recognize the benefit for senior engineers to attend interview training. However, these same managers quickly understood the advantage of having senior staff that could help produce interview packets and participate in the interview process. Additionally, as some of these managers were promoted to Level III managers, it was helpful to have the new manager hired as their replacement to already have the basic knowledge and some limited experience.

**CONCLUSIONS**

DEQ has made significant strides in improving the training for staff and especially managers. However, the battle to retain employees and to continuously improve their skills rages on today. The agency has made a commitment to continue offering the basic four classes and to develop a new class each year. Additionally, more senior managers are being asked to participate with the development of courses. Finally, Level III managers are being required as part of their FY09 (July 1, 2008 through June 30, 2009) performance evaluation to develop specific training plans for the managers that they supervise as a way to ensure that institutional knowledge is passed on and mentoring of newer managers occurs on a regular basis.

The salary level and pay structure will always be an issue for state agencies in Oklahoma. However, DEQ is committed to continue with the comprehensive salary reviews at least twice each year. DEQ has also committed to using the salary movement mechanisms that OPM will authorize. It is hoped that each year the agency can increase base salaries. However, when base salary increases are not possible, DEQ will continue to utilize the Pay for Performance mechanism not only to reward the good performance of employees but also motivate all employees to perform better knowing that Pay for Performance is a real possibility each year.

DEQ will continue to review the efforts of other public sector employers to improve retention and performance of staff and managers within DEQ. Additionally, DEQ will continue to challenge its managers and staff to develop new programs to stay competitive in the current employment market.

Based on the continued improvement in key employee opinions of DEQ demonstrated by the survey results (see Table 7: Result of DEQ’s Efforts above) and the decline in turnover even at a time with the state’s oil industry is actively recruiting and hiring engineers, chemists and environmental specialists, DEQ’s program to provide appropriate training for managers and staff, and the various mechanisms to increase pay and morale have been successful.

TABLE 8: Turnover Rate

<b>JOB CLASSIFICATION</b>	<b>FY2005*</b>	<b>FY2006*</b>	<b>FY2007*</b>	<b>FY2008+</b>
Environmental Science	8.00%	14.90%	17.33%	15.02
Engineering	9.30%	9.90%	17.29%	13.1
IT	9.90%	15.20%	14.00%	10.1
<b>TOTAL for ALL DEQ POSITIONS</b>	<b>9.60%</b>	<b>17.10%</b>	<b>16.45%</b>	<b>12.35%</b>

\*Data from Oklahoma Office of Personnel Management publications

+Estimated using data from DEQ Human Resources

One final step DEQ is taking in recruiting new employees and retaining current employees is to publicize the total compensation offered not just the guaranteed base salary. It is anticipated that as employees begin to understand all of the potential income, benefits, options and career development opportunities that DEQ offers, that more individuals will choose the Oklahoma Department of Environmental Quality for long-term careers.

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