

# Achieving a Lean Government Workforce

How workforce technology  
helps remove inefficiencies  
and improve services.

Making workforce management processes more operationally efficient through the application of lean can result in higher capacity, **even if the size and number of these processes remain unchanged.**

## LEAN LABOR PRACTICES FOR GOVERNMENT

More than ever, public sector leaders are recognizing the value of “lean.” Within state and local government organizations, using a lean approach to remove wasteful and insignificant parts of their processes allows them to focus on achieving operational efficiencies — which can dramatically improve services and programs and speed their delivery to constituents and citizens.

Although the concept of lean originated in automotive manufacturing, its methodology can be applied to all industries, including government.<sup>1</sup> The lean methodology recognizes that for most manufacturing production operations, only 5 percent of activities add value for the consumer, while 35 percent are necessary nonvalue-adding activities and 60 percent add no value at all.<sup>2</sup> By clearly defining value for a specific service or product from the customer’s perspective, the nonvalue-adding activities can be targeted for removal.

### Getting started with lean

So where should public sector leaders focus first in applying lean principles? Managing their workforce — traditionally an organization’s largest expense — is a logical place to start. Making workforce management processes more operationally efficient through the application of lean can result in higher capacity, even if the size and number of these processes remain unchanged. And since labor costs can account for a large portion of state and local government operational budgets, the potential for cost savings and efficiency gains is significant.

Nonvalue-added labor can create significant challenges for government. For example, when worn out equipment is used to clean roads after a snowstorm or a hurricane, worker time is wasted in the form of slow response, poor service, and long waits for equipment maintenance. All of this leads to longer and less efficient cleanup. And even though the difference may seem insignificant for a single storm, when compounded over several major storms or events, it can add up to a significant number of variances. Depending on how these variances are captured and measured, the waste may be lost between the manual capture process and general ledger labor allocation. For most public sector organizations, these minor variances are summarized as the difference between payroll and earned hours and are carried forward into the next fiscal year.

### Managing the unexpected

There is a great deal of variability in the delivery of services to citizens, and managing the unexpected can be difficult. The City of Gulfport, Mississippi, is a good example. Hit by Hurricane Katrina in 2005, the city was slammed twice by a 28-foot storm surge that wiped out 90 percent of its buildings along the Biloxi-Gulfport coastline.<sup>3</sup> Katrina was followed in 2008 by Hurricane Gustav. And on April 20, 2010, a major oil spill occurred. Fifty-three thousand gallons of oil leaked into the gulf each day until the well was capped, devastating the coastline economy.<sup>4</sup>

<sup>1</sup> A *Brief History of Lean*, Lean Enterprise Institute, accessed June 9, 2016, at <http://www.lean.org/WhatsLean/History.cfm>.

<sup>2</sup> Lean Enterprise Research Centre, *What Is Lean Thinking? (2007)*, accessed June 1, 2016, at <http://www.leanenterprise.org.uk/what-is-lean-thinking/what-is-lean-thinking-and-key-lean-thinking-principles.html>.

<sup>3</sup> Wayne Hanson, *Katrina, Gustav, BP: The Liabilities and Assets of Beachfront Living*, Digital Communities/Govtech.com (August 18, 2010), found at <http://www.digitalcommunities.com/articles/Katrina-Gustav-BP-The-Liabilities-and.html>.

<sup>4</sup> Campbell Robertson, Clifford Krauss, *Gulf Spill Is the Largest of Its Kind, Scientists Say*, *The New York Times* (August 2, 2010), found at [http://www.nytimes.com/2010/08/03/us/03spill.html?\\_r=1&fta=y](http://www.nytimes.com/2010/08/03/us/03spill.html?_r=1&fta=y).

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City of Gulfport employees had to respond to these disasters and be deployed on a moment's notice. Public employees guarded beaches and fire department employees trained people on managing hazardous materials. In the absence of an automated workforce management system, scheduling, deploying, and capturing the labor costs of these workers was impossible. Gulfport had an extremely difficult time tracking labor cost reimbursements during the two hurricanes, which put funds for other routine expenses in jeopardy. Fortunately, by the time the oil spill occurred, Gulfport had an automated labor tracking system in place. This system helped the city allocate labor costs in real time to specific project budgets so that tax dollars associated with the cleanup could be reported to the oil company or FEMA for rapid reimbursement.<sup>5</sup>

### Public sector challenges to “going lean”

When labor isn't aligned with demand, public sector organizations find themselves with over- and under-scheduled employees and out-of-sync labor allocation. This type of variability can be particularly problematic for public sector groups such as departments of transportation and public safety that depend on equipment availability to do their jobs.

Volatile demand can also wreak havoc. Often the connection between workload, employee schedules, and equipment or tool requirements is managed by supervisors who are forced to rely on a combination of their own experience and very limited information rather than actual, real-time labor data. Even when this information exists in an ERP system, it's often summarized at too high a level to aid decision making. To be truly effective, labor allocation information must be more granular and available in real time to leadership.

Some public sector organizations may use a wage standard to cost an operation, but differences in actual wages paid and premium pay used can have a significant impact on the actual cost of fulfilling a service. Reconciling actual wages to a service can uncover startling trends of overtime abuse, absenteeism, and inefficient use of premium wages. In the case of responding to a natural disaster, a proportion of the workers deployed for cleanup are probably working overtime hours, and at an hourly wage significantly different from their normal hourly wage.

There are plenty of reasons why public sector organizations would want to examine their payroll processes as a first step toward increasing operational effectiveness. Payroll is highly repetitive across the organization, the processes and requirements involved in the delivery of paychecks are the same, and payroll's redundant steps are supported by a lot of paper. There are also many feedback loops and check-off points to identify and correct payroll errors. To illustrate payroll's arduous processes, let's examine a real-life example from the City and County of Denver and see what happened to a simple time-off request before and after their lean workforce management implementation.

<sup>5</sup> Wayne Hanson.

# Before

lean implementation

## Requesting time off: Long vs. Lean

With a manual, paper-based payroll system, processing payroll accurately for Denver's 51 agencies was a major headache. Employees completed paper timesheets and three-part leave slips that often took weeks to reach the agency's timekeeper, who manually entered the data into their PeopleSoft system. The payroll department had no access to the source documents for verification and was unsure whether pay rules were being applied consistently and accurately. Without timely workforce information, employees and their supervisors did not have accurate leave balances, making it difficult for supervisors to know if an employee had available time off. Note the following 21 steps it took for an employee to request time off under the old system.

### Time-off request process *before* lean implementation:

1. Employee calls agency payroll department to see how much time off s/he has available
2. Employee fills out a three-part carbonless leave slip to request time off
3. Employee gives this form to supervisor for signature
4. Supervisor signs the form
5. Supervisor gives a copy of the form to the employee for their records
6. Supervisor keeps a copy of the form for their records
7. Supervisor sends the form to the payroll/HR technician
8. PR/HR technician holds on to the leave slip until payroll processing time
9. On payroll cut-off, the agency PR/HR technician alphabetizes the forms that have been received for the pay period
10. The PR/HR technician manually enters the information into PeopleSoft Time and Labor
11. City payroll department runs the Time Admin function to process all time entered in Time and Labor
12. The agency PR/HR technician audits what they have entered against the Time Admin report
13. If there are errors, the PR/HR technician contacts the employee, the supervisor, or the city payroll department
14. If errors are not corrected by the time city payroll is ready to process, the entries will be deleted
15. After payroll is processed, employees receive their paychecks
16. If there are errors in an employee's paycheck, they call their agency PR/HR technician
17. The agency PR/HR technician calls the city payroll department
18. The city payroll department researches the issue and calls or emails the technician
19. The technician calls the employee and lets them know what happened and how the error will be corrected
20. If the employee understands, the process is completed
21. If the employee does not understand, they must contact the city payroll department for help — and the cycle begins again

## After lean implementation

After implementing an automated workforce management solution, Denver was able to reduce the number of steps by *more than half*. Here is what the time-off request process looks like now:

### Time-off request process after lean implementation:

1. Employee enters vacation request into the Kronos® automated scheduling system using a time clock or terminal
2. System validates the rules and verifies that the employee has time available
3. If employee's request is valid, an email is sent to employee's supervisor for approval
4. Supervisor receives notification and either approves or declines employee's request
5. Employee receives notification that time-off request has been approved or declined
6. Employee approves timecard at the end of the pay period
7. Supervisor approves employee's timecard at the end of the pay period
8. City payroll department signs off on all timecards
9. City payroll department audits all data in the system and makes any necessary adjustments
10. All time-off requests for the time period are sent to PeopleSoft Time and Labor via an interface

With its new automated system, Denver now enjoys significant efficiencies in payroll processing. It reduced payroll staff by 60 percent from 80 to 35 people, with affected employees moving to open, unfilled positions or choosing to retire. The reduction of 45 full-time equivalents has resulted in \$1.5 million in yearly sustainable cost savings.<sup>6</sup>

## CONCLUSION

When a government organization deploys lean workforce management practices, it affects their largest operational expense: the workforce. As the public sector moves to reinvent itself, workforce management systems and adopting lean labor practices are perhaps two of the most immediate and high-impact mechanisms. Lean practices help government organizations control labor costs and allow them to reallocate those savings into preserving critical programs, services, and jobs ... which is the very essence of the public sector mission.

<sup>6</sup> Kronos Incorporated, *City and County of Denver Realizes Millions in Labor Cost Savings with Kronos Solution* (2016), at 2.