

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT & MANAGEMENT ADVISORY SERVICES**

**Temporary Employment Services
Audit & Management Advisory Services Project # 18-06**

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MANAGEMENT SUMMARY

Background

The UC Davis Temporary Employment Services Unit (TES) is part of the Talent Strategies & Total Rewards division within Human Resources. TES delivers prescreened temporary employees to fill a variety of UC Davis and UC Davis Health needs whether full or part-time and short or long-term in duration. Temporary employment positions are primarily administrative but have expanded to offer a greater variety of positions including Analysts, Computer Specialists, and service related positions such as Custodians and Food Service Workers.

TES is comprised of a manager, two Employment Representatives, and three support staff. In FY17, TES filled 782 temporary assignments; 433 at UC Davis and 312 at UC Davis Health. Table 1 provides information on the number of temporary assignments filled by TES and temporary employee (TE) activity during the previous three fiscal years.

Table 1: Temporary employee and assignment data

	FY15	FY16	FY17
Temporary assignments filled	688	795	782
TE hired	387	446	451
TE separated	224	261	258
TE advanced into career appointments	184	250	309

TES is a self-supporting service enterprise unit generating revenue from its recharge rate. TES' low recharge rate of 7% of the wages of the employee plus 9.1% benefits makes this a tremendous value when compared to contract positions – which include a 51% benefit rate – and outside temp agencies – with markup rates estimated at 50%.

Overall TES is in good financial condition. Revenues and expenses have increased more than 70% since FY13 and as of 7/1/17 TES has an accumulated reserve of \$674,000. Appendix A provides a five year financial summary of operations.

Purpose and Scope

As part of the fiscal year 2017-18 audit plan, Audit and Management Advisory Services (AMAS) performed a review of TES. The focus of this review was to assess the business operations of TES, identify opportunities to enhance efficiency and effectiveness, and explore opportunities for increasing services to campus.

In order to complete our evaluation, we interviewed TES staff, documented the process for filling temporary assignments, and examined financial and temporary assignment data. We interviewed departments that frequently use TES to understand the client experience, analyzed employment data, and identified opportunities for expanded use of TES.

Conclusion

TES is providing a much needed service to UC Davis and UC Davis Health. Opportunities may exist for cost savings and increased use of TES that should be explored. These include better transitioning of temporary employees to career employment and greater use of temporary employees rather than contract employees. We encourage TES to implement a marketing strategy to increase awareness of TES and exposure to potential (untapped) markets.

To better understand the needs of TES clients, we also recommend that a formal feedback process be established for clients and temporary employees. We also recommend that a process be established for reviewing and acting on feedback received.

Opportunities exist for TES to increase their operating efficiency and effectiveness. For example, TES' continued use of an outdated and unsupported database system reduces their efficiency. We recommend TES move towards identifying a new system that will better support their activities and needs.

OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**A. Opportunities for cost savings and increased use of TES.****1) The conversion of temporary employees into select entry level career positions may represent an opportunity for cost savings to the university.**

Recruitment activities consume university resources and do not always yield suitable long term employees. Custodial Services Management (CSM) was spending significant time and effort interviewing potential candidates for entry level custodian positions. Working with Human Resources, CSM developed a program to evaluate temporary employees and identify candidates for conversion to entry level career appointments when available. Since the program's 2014 inception, CSM has converted 71 temporary employees into career appointments.

This conversion program saves valuable time to CSM as TES performs the initial recruitment. It also improves decision making by affording time before and during career probation to evaluate the employee's performance and general suitability for University employment.¹ The conversion program provides overall cost savings in terms of reduced benefit costs during temporary employment and career recruitment.

CSM commented that TES staff does a good job of preparing temps for long term employment opportunities. TES is often seen as a stepping stone to career employment which is demonstrated by the fact that over the past five years more than half of the 1,946 temporary employees advanced to career employment.

Outside of CSM, the standard process for a temporary employee to advance into career employment is by way of a campus recruitment which can be both lengthy and costly. Industry recruitment cost estimates vary from a minimum of \$1,000 per hire in the service industry² to upwards of \$5,000 for on-campus recruiting³. When a temporary custodian advances to a career position through CSM's conversion program, there are fewer recruitment activities and resources used. A more wide-spread conversion program could potentially save the university significant time and recruitment costs.

During the course of our review, we discussed CSM's conversion program with other university units and they expressed interest in implementing a similar temporary to career conversion program.

¹ http://www.hr.ucdavis.edu/elr/er/probationary_period.html

² <https://recruiterbox.com/blog/the-cost-of-hiring-new-employees-infographic>

³ The **National Association of Colleges and Employers'** 2016 Recruiting Benchmarks Survey Report states the average CPH for on-campus recruiting is actually \$4,999. And if you ask the **Society for Human Resource Management**, the average cost per hire is \$4,129. Aug 21, 2017 [Google Search](#)

Recommendation

TES and Talent Acquisition should explore the opportunities and requirements necessary to realize a conversion program for qualified temporary employees to entry level career employment. We suggest implementing conversion programs focused on a few departments that routinely request temporary custodians, food service workers, and/or administrative assistants.

Management Corrective Actions

- By April 15, 2019, TES and Talent Acquisition will identify the necessary elements of a temporary employee conversion program including policy compliance and union representation. They will examine the design of organizations and classifications of temporary employees and assignments to identify viable opportunities.
- By April 15, 2019, TES and Talent Acquisition will begin working with viable units to establish a conversion program that includes factors or measures to monitor success and effectiveness of the program.

2) Departments may not be aware of the financial benefits of using TES versus contract employees or external temp agencies for their temporary staffing needs.

The University incurs higher costs with contract positions and external temp agencies.

Contract Positions: It costs a department 35% more to pay a contract position⁴ as compared to a temporary employee in terms of benefits and recharge costs.

Table 2: Cost Comparison of Temporary Employees and Contract Appointments

	Temporary Employee	Contract Position
Salary	100%	100%
Benefits	9.1%	51%
Recharge	7%	0
Total Cost	116%	151%

During FY12-FY17, we identified 3,760 contract positions. Of these, 41% (1,560) were in title codes that were also filled by TES assignments, i.e., suggesting that a TES employee could potentially have filled the assignment. The table below gives a high level breakdown of positions by title code categories filled by both contract and TES employees.

⁴ Contract positions are limited to titles covered by PPSM where there is a definite end date, unique occupational terms and conditions of employment, specialized requirements, or where a contract is customarily used. All terms and conditions of employment are clearly specified in a written employment contract between the University and the individual. A contract appointment can be at a fixed or variable percentage of time and is typically established for one year.

Table 3: Positions by Title Code filled by both TES and Contract Employees

	TES Assignments	Contract Positions
Blank Assistant 1-4	1926	30
Analyst 1-8	516	749
Community Health Program Rep	54	58
Programmers	57	259
Student Affairs Officers	16	194
Other covered positions	56	47
MSP	1	1
Other miscellaneous	122	222
Totals FY12 - FY17	2748	1560

The financial benefits of using TES employees instead of Contract employees are substantial. For example, had TES employees been used in lieu of the 1,560 contract employees identified in Table 3, the University could have saved more than \$4.3 million dollars in benefit costs (excluding the additional FTE costs that would have been necessary to expand the capacity of the TES organization itself to meet this increased level of recruiting and placement) . See Appendix B for information regarding this calculation.

Analysis of the data showed that Blank Assistant assignments were almost exclusively filled with Temporary employees, while Analysts, Programmers and Student Affairs Officers were more often filled with Contract positions.

External Temp Agencies: During FY14-FY17, UC Davis spent \$328,610 and UC Davis Health spent \$75 million on external temporary employment services. Combined, these exceeded the \$54,376,064 spent by university units internally with TES for the same period, as shown in Appendix A. An analysis of the UC Davis Health expenditures identified that Information Technology accounted for 18% (\$13.3 million) and Emergency Room 17% (\$12.8 million) of the total external temp usage. We noted that TES provided temporary employees to many of these same departments also using external agencies.

While operational needs and specialized skills could be one reason behind the use of contract employees or temp agencies, it could also be that UC Davis Health units are not fully aware of how TES can assist them in filling their temporary needs, and save them time and money.

Recommendation

TES should investigate why units are utilizing contract employees or external temp agencies instead of UC Davis Temporary Employee Services and develop a plan to address any obstacles or causes that TES can improve upon.

Management Corrective Actions

- By April 15, 2019, TES will identify and engage with units that heavily use external temp agencies and contract positions to understand the factors and reasons why.
- By April 15, 2019, TES will evaluate the various obstacles units have for not using TES and implement a plan to address them.

3) TES does not have a marketing strategy to increase awareness and usage.

TES only infrequently engages in marketing activities and advertising, and recruitment expenses were only \$1,044 in FY17.

TES relies heavily on Talent Acquisitions to promote their services at job fairs, and does not participate in large scale UC Davis/UC Davis Health marketing opportunities, such as TGFS. Outreach with potential customers is a crucial marketing activity. TES staff are the most knowledgeable about their services and interacting with potential customers through in-person events would increase campus awareness and perceptions of TES as well as provide another platform for TES to better understand customer needs and build relationships.

Potential TES employees are another target market. While UC Davis job postings reach some employment platforms such as Indeed and Sacjobs.com, TES does not have a specific online presence. Social media allows potential employees to engage easily via a channel that plays an important role in their everyday lives. Additionally, TES does not specifically market to potential temporary employees such as recent/soon to be UC Davis graduates, and social media could provide this connection.

Use of a marketing strategy involving a thoughtful plan of activities to reach existing and potential customers and employees may help TES achieve its goals of increasing awareness and usage.

Recommendations

TES should develop and implement a marketing strategy to increase awareness and expand their presence at UC Davis and UC Davis Health. The plan should include the specific marketing activities for each target market as well as a plan to monitor the impact to their goals. Suggested marketing activities include:

- Proactively contacting units – i.e. sales calls.
- Broadening campus view of TES through onsite marketing opportunities – i.e. open houses, TGFS and other large gatherings.
- Create UC Davis Health presence – electronic and in person campaign.
- Broaden public view through job fairs and social media.

Management Corrective Actions

- By April 15, 2019, TES will create a marketing strategy that identifies its goals, target markets, specific marketing activities, and monitoring structure.
- By April 15, 2019, TES will begin implementation of its marketing activities.
- By April 15, 2019, TES will establish a timeframe for assessing the impact of the marketing strategy and activities on their goals.

B. Opportunities exist for TES to strengthen its service effectiveness.**1) TES has no formal mechanism for feedback.**

To understand the customer experience, we interviewed three departments from campus and two from Health that regularly use TES to cover their temporary staffing needs. Overall, customers view TES as a great benefit and value, providing good service. There are some parts of the experience that could be better.

Constructive feedback, both positive and negative, provides valuable information that can be used to make important decisions, motivate and improve performance, and a tool for continuous improvement. While feedback points out areas not meeting customer expectations, it also may reveal surprising strengths that can be maximized to drive improvement.

Feedback is primarily initiated by the customer when there is a specific problem. TES periodically sends out evaluations to its customers at the completion of assignments, but the process is not formalized. Additionally, there is no formal feedback mechanism in place for temporary employees. As a result, TES is not fully aware of their customers' experience nor what issues or concerns temporary employees have that could carry over into their assignment performance. For positive growth, it is beneficial for TES to know what they do well and what they can improve. For example, TES may gain insight regarding the effectiveness of their TES employee readiness "bootcamp" program, or opportunities to streamline the applications and screening processes.

Recommendations

- TES should formalize feedback loops for both their customers and temporary employees at the end of every assignment.
- TES should develop a process to quantify and review feedback and take actions as necessary to improve future performance.

Management Corrective Actions

- By April 15, 2019, TES will implement formalized feedback programs for customers and temporary employees. Each program will establish the process and expectations for sending the feedback requests, as well as evaluating and acting on the feedback received.
- By April 15, 2019, TES will quantify and evaluate its first quarter of feedback results, identifying strengths and weaknesses and any actions that will be taken to improve the customer/employee experience.

C. Opportunities exist for TES to strengthen its operational efficiencies**1) TES uses outdated software that is inefficient and unreliable.**

TES continues to use its in-house eTeP database system to manage applicant and employee information such as skills, availability, clearance, and assignments notes. However, eTeP is more than 20 years old and is no longer supported. Functionality has degraded and become unpredictable. For instance, eTeP used to be able to move separated employees to a separate database but now is unable to reliably do this and can cause the system to crash. To compensate for these issues, TES staff has developed work-arounds and additional methods to track information no longer conveniently or reliably accessed via eTeP.

TES has been looking for an off the shelf-out of the box replacement solution that interfaces with UC/UC Davis systems for some time. They are working with an IT project manager to facilitate a solution and have explored the systems in use at other UC campuses. Recently, the UCPATH Team has indicated content and funding support to incorporate TES needs.

Recommendation

TES should continue to engage the UCPATH Team for inclusion of a replacement solution for eTeP within UCPATH that meets TES needs. Anticipated implementation would coincide with the UC Davis UCPATH Go-Live date in March 2019⁵.

Management Corrective Action

- By April 15, 2019 (go-live date for UC Path), TES will either be transitioned to UC Path or will have identified a viable alternative system to meet its data needs.

⁵ UCPATH Project website <http://ucpathproject.ucop.edu/index.html>

APPENDIX A – Five Year Financial Summary of Operations

The table below provides a five year financial summary of operations. The operating expense ratio (expense/revenue) reveals a steady decline in the ability of revenues to fully cover expenses.

Statement of Operations	FY12/13	FY13/14	FY14/15	FY15/16	FY16/17
Beg Accumulated Balance July 1, 20xx	229,990	447,270	681,838	762,063	741,064
Recharge Revenue	7,435,370	9,525,808	11,819,510	12,874,794	12,720,582
Operating Expenditures	(7,218,090)	(9,291,241)	(11,739,285)	(12,895,793)	(12,787,535)
Operating Income (loss)	217,280	234,567	80,225	(20,999)	(66,953)
Ending Accumulated Balance June 30	447,270	681,838	762,063	741,064	674,111
Operating Expense Ratio	-97%	-98%	-99%	-100%	-101%

Total Recharge Revenue for FY13-FY17 \$54,376,064.

APPENDIX B.i – Cost Saving Estimate - TES employees vs. Contract Positions

The following table supports Table 3 in the body of the report and shows estimated cost savings of using TES employees rather than contract positions by calculating the differences in benefit and recharge rate costs. We assumed an hourly minimum wage amount of \$10 at three assignment durations of 160, 800, and 1,000 hours. AFSCME limits temporary assignments to 1,000 hours; we chose to highlight the 800 hour calculation.⁶

	Benefit %	Recharge%	\$10/hour 160 hours	\$10/hour 800 hours	\$10/hour 1,000 hours
Per employee savings calculation					
Contract employee	51%	0%	\$816	\$4,080	\$5,100
Temporary Employee	9.1%	7%	\$258	\$1,288	\$1,610
Savings per Temporary Employee			\$558	\$2,792	\$3,490
Savings per Table 3 Contract Position population (1,560)			\$870,480	\$4,355,520	\$5,444,400

⁶ The analyses in Appendix B are not meant to correlate directly to savings potential; rather, they are meant to suggest that opportunities are available. These calculations exclude the additional FTE costs that would have been necessary to expand the capacity of the TES staff itself to meet this level of demand.

APPENDIX B.ii – Detailed Cost Saving Estimate – TES employees vs Contract Positions

The analysis in Appendix B.i. was based on a flat rate of \$10/hour. We also calculated a more precise figure of \$8.4 million in the following chart based on Title Code series, using the most junior title code in the series and associated minimum wage per the HR Salary Scales.

Title Code Series	(A) # of Contract Positions	(B) Title Code used for rate	(C) Current Hourly rate	(D) TES benefit + recharge 16.1%	(E) Contract Position benefit rate 51%	(F) TES Potential Savings	
Blank Assistants	30	4724	\$16.82	\$81.24	\$257.35	\$176.11	
Analysts	749	7234	\$19.95	\$2,405.75	\$7,620.70	\$5,214.95	
Community Health Program Representatives	58	9326	\$16.23	\$151.56	\$480.08	\$328.53	
Programmers	259	6454	\$16.23	\$676.77	\$2,143.82	\$1,467.05	
Student Affairs Officers	194	4354	\$19.95	\$623.12	\$1,973.85	\$1,350.73	
Other covered positions	47	4804	\$25.00	\$189.18	\$599.25	\$410.08	
MSP	1	5887	\$34.13	\$5.49	\$17.41	\$11.91	
Other miscellaneous	222	7698	\$19.95	\$713.05	\$2,258.74	\$1,545.69	
Cumulative potential savings of Table 3 population per hour.						\$10,505.04	
						160 hours	\$1,680,805.78
						800 hours	\$8,404,028.89
						1,000 hours	\$10,505,036.11

Calculations

Column (D) is calculated as (A)*(C)*16.1% benefit rate

Column (E) is calculated as (A)*(C)*51% benefit rate

Column (F) is calculated as (E) – (D)