

Appendix E: Workforce Plan

Overview

TDI regulates the state's insurance industry, oversees the administration of the Texas workers' compensation system, performs the duties of the State Fire Marshal's Office, and provides administrative support to the Office of Injured Employee Counsel, which is a separate agency.

TDI is guided by its vision, mission, philosophy, and core values. The agency's balanced scorecard directs TDI's strategic objectives, including workforce planning initiatives.

TDI employees work in Austin and in 23 field offices and 35 SFMO staff locations across the state. Field employees include financial and title examiners; fire inspectors and investigators; windstorm inspectors; and workers' compensation claims specialists, benefits review officers; and hearing officers.

Workforce Planning at TDI

TDI recognizes the importance of workforce planning and periodically analyzes its workforce to ensure it has appropriate staffing levels, workforce skills, and workforce composition. These efforts include:

- reviewing and analyzing annual workforce data with executive management;
- reviewing and analyzing salary data, ethics survey results, and employee engagement survey results with agency management;
- using workforce information and succession planning to identify specific skills needed for business continuity;
- providing training to mitigate skill shortages;
- updating internal procedures to capture and document agency processes;
- reviewing and monitoring turnaround time to fill vacancies;
- monitoring progress on division workforce planning initiatives; and
- maintaining effective recruitment and retention programs.

Workforce Analysis Findings

As required by Texas Government Code, Section §2056.002, TDI conducted a strategic staffing analysis and developed the agency's Fiscal Years 2015-2019 Workforce Plan. The 2014 staffing analysis provided results similar to those found in 2012. Two of the gaps below were identified in 2012, while the third gap was recently identified:

- knowledge and skill development;
- technology staffing and resource shortages; and
- recruitment of qualified staff.

Strategies to mitigate these gaps are outlined in the Strategy Development section of this report.

Current Workforce Profile

Demographic Profile

As of April 30, 2014, TDI had 1,386 employees.¹ Of those employees:

- 47 percent were minorities;
- 63 percent were females;
- 62 percent of TDI's managers were minority or female, or both; and

¹ TDI Human Resources Information System, April 30, 2014.

- 70 percent of TDI’s executive staff positions were minority or female, or both.
- The average age of a TDI employee was 49.

As of April 30, 2014, approximately 75 percent of TDI’s workforce was classified as either officials/administrators or professionals. The “Officials/Administrators” category includes senior actuaries, senior financial examiners, executive staff, directors/managers, senior attorneys, and senior program managers. The “Professionals” category includes actuaries, financial examiners, auditors, attorneys, administrative law judges, insurance specialists, engineers, investigators, program specialists, program supervisors, and system analysts.

TDI compared the demographics of its workforce to the statewide agency workforce.² TDI has increased its recruitment efforts for African Americans and Hispanics specifically in positions in the “technical” category. The data below is displayed by workforce category as established by the Equal Employment Opportunity (EEO) Commission.

Table 2: Demographic Workforce Comparison

EEO Category	African American (12.3% of Texas population) ³			Hispanic (38.2% of Texas population)			Female (50.3% of Texas population)		
	TDI	All State Agencies	Texas Civilian Workforce	TDI	All State Agencies	Texas Civilian Workforce	TDI	All State Agencies	Texas Civilian Workforce
All Categories (Overall Total)	12.5%	17.3%	12.1%	29.5%	21.4%	33.1%	61.8%	56.6%	45.7%
Officials/ Administrators	9.6%	10.2%	9.0%	17.7%	14.5%	19.5%	47.8%	51.1%	39.3%
Professionals	12.1%	11.0%	11.3%	25.8%	16.1%	17.4%	60.7%	56.0%	59.1%
Technical	5.3%	15.3%	14.2%	18.4%	24.0%	21.4%	27.6%	56.3%	41.5%
Administrative Support	12.5%	19.0%	13.6%	70.0%	30.6%	30.5%	75.0%	87.1%	65.6%
Skilled Crafts	0.0%	8.0%	6.4%	100.0%	25.5%	47.4%	0.0%	4.5%	4.2%
*Service/ Maintenance	18.4%	30.4%	14.7%	33.3%	26.0%	48.2%	85.3%	51.8%	40.8%

*Para-Professionals are combined with the “Service/Maintenance” category for this report.

Employee Salaries

As of April 30, 2014, the average annual TDI salary was \$51,792, which is above the state employee average annual salary of \$41,912 because TDI has many positions in the professional job series, which is

² Texas Workforce Commission Civil Rights Division Equal Opportunity and Minority Hiring Practices Report, January 2013.

³ U.S. Census Bureau: State and County Quick Facts as of 2012.

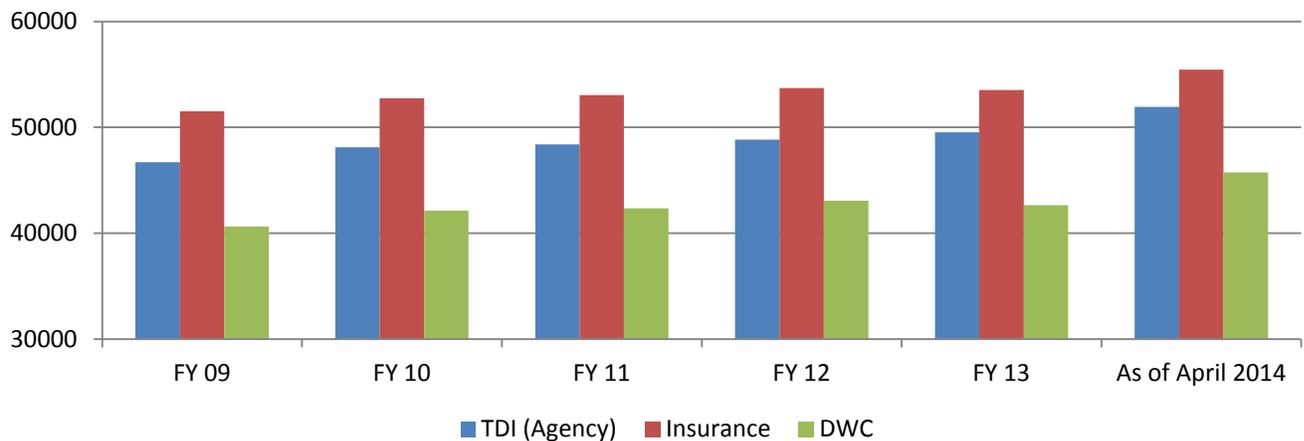
Schedule B of the State Classification Plan. The average annual salary for workers' compensation division employees was \$44,892, while the average for other TDI employees was \$55,584 during the same period.

Efforts continue to bridge the gap between the insurance and workers' compensation employee average salaries.

- During FY 2014, workers' compensation division worked to address low salary levels and misclassification of certain employees, which made it difficult to recruit and retain qualified staff.
- During the spring of 2014, workers' compensation division implemented electronic processes for some dispute resolution activities, which included consolidating specific duties among fewer employees. The resulting economies of scale allowed the reallocating funds associated with vacant positions to existing staff.
- In June 2014, some workers' compensation division employees were promoted into entry-level Claims Examiner positions that combined many functions.

TDI completed a salary study in 2013. The study benchmarked comparative salaries, researched specific job classification turnover, and reviewed salaries in relation to salary ranges. The agency submitted the findings, options, and associated budget implications to agency management for action. The agency continues to monitor classifications where salaries lag so that management can address the needs when budgets allow. The following chart shows the average salary growth for TDI over the past five fiscal years.

Figure 3: Average Annual Salary



Retiree Profile

A significant number of employees are currently eligible to retire or will be eligible before August 31, 2019, including:

- 44 percent of TDI's total workforce;
- 56 percent of managers; and
- 70 percent of executive staff.

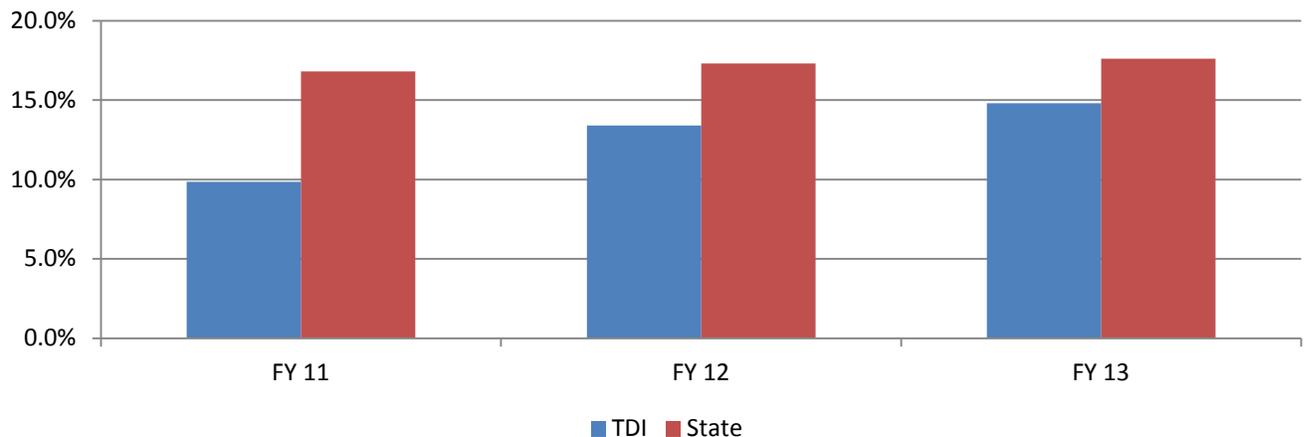
The high rate of retirement eligibility has heightened awareness for succession planning and cross training to mitigate the loss of knowledge and skills.

Employee Turnover and Unemployment Rates

The State Auditor's Office has consistently reported, "an inverse relationship between the unemployment rate and the turnover rate. When the unemployment rate increases, the turnover rate decreases; when the unemployment rate decreases, the turnover rate increases."⁴

TDI's data reflects this inverse relationship. As the state's unemployment rate has decreased, TDI's turnover rate has increased. The FY 2012 statewide unemployment rate was 7.2 percent. In 2013, the unemployment rate decreased to 6.4 percent. Comparatively, as illustrated in the following chart, TDI's FY 2012 turnover rate was 13.4 percent, and the FY 2013 turnover rate was 14.8 percent.

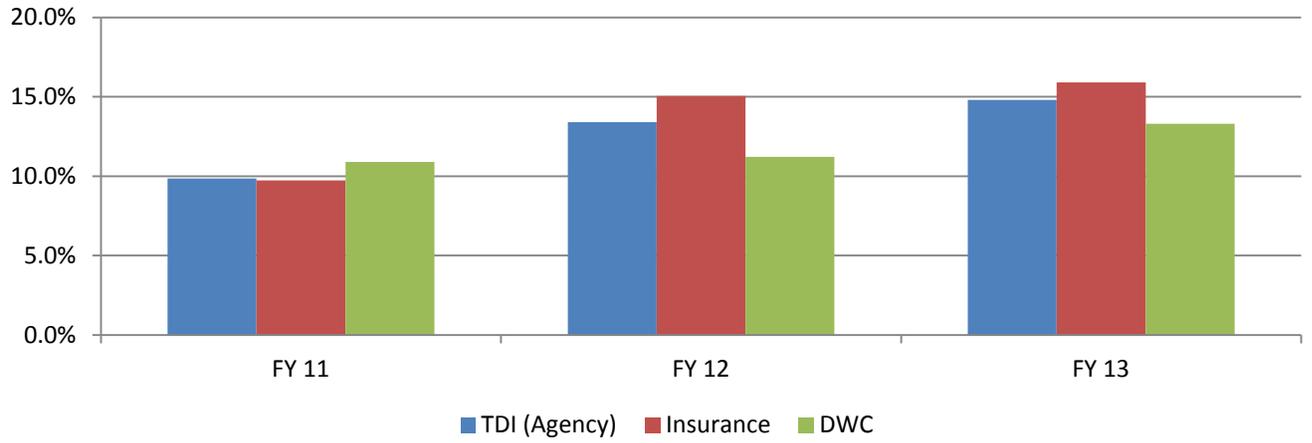
Figure 4: TDI and State Turnover Rate



The mid-year FY 2014 turnover rate was 5.6 percent agency-wide, with the workers' compensation division mid-year turnover rate at 5.5 percent. TDI is on track to have a lower turnover in FY 2014 than in FY 2013. While unemployment is still low, TDI has reduced turnover. The chart below compares TDI's turnover rates to all state agencies for the past three years.

Figure 5: Turnover Rate Comparison

⁴ State Auditor's Office: Reports 06-706, 08-703, and 10-702.



Critical Workforce Skills

TDI relies on a skilled administrator workforce to set broad policies, direct individual departments, and supervise agency operations. The agency also employs professionals with specialized and theoretical knowledge usually acquired through college, advanced training, or work experience.

TDI conducted an in-depth staffing analysis in 2012 and a follow-up in 2014 to determine workforce skill needs. The diversity and unique nature of some of TDI's positions require specialized knowledge and skills including the following:

- state and federal law and regulations relevant to insurance policies, products, and insurance companies;
- structural design and construction of buildings and homes, particularly in high wind areas;
- examination processes and report-writing related to the financial condition of insurance companies;
- conducting fraud and arson investigations, interviewing witnesses, and providing testimony; and
- preparing detailed financial reports for referral to staff attorneys, law enforcement, and prosecutors.

Positions critical to TDI functions include mid- and upper-level management positions such as deputy commissioners, associate commissioners, directors, managers, and team leads, as well as positions in highly specialized fields like medicine, investigation, law, arson, engineering, technology, and regulation. These positions require extensive experience, specialized designations, and detailed knowledge of the agency's functions, initiatives, rules, and regulations.

Future Workforce Profile

Future Workforce Skills Needed

In addition to the skill requirements for officials/administrators and professionals as listed in the Current Workforce Profile section of this report, TDI's future workforce needs a higher skill level or knowledge of:

- risk analysis and business continuity;
- information technology database analysis, application architecture, security, and voice and data networks;
- web administration and content management;
- effective process improvement, including data collection, and analysis;
- project management;
- litigation;
- critical thinking;
- data management, assessment, and storage;
- team approach to auditing insurance companies;
- social media as communication and work tools;
- leadership principles; and
- health care products and terminology, coverage options, and billing practices.

Anticipated Increase or Decrease in Number of Employees Needed to do the Work

In recent years, TDI collapsed some of its vacant positions and used the associated funds to recruit and retain high-performing employees in key positions. As a result, the total number of positions declined. However, Texas' increasing population and insurance activity, coupled with technology resource needs, suggests that the agency will need additional staff to support the industry TDI regulates. In particular,

TDI wants to ensure the agency has appropriate staffing levels and skills in the area of information technology.

TDI's data management and security initiatives will require a sufficient level of IT staff to adequately manage the additional data management and security tools recommended in a report commissioned by the Texas Department of Information Resources (DIR). In addition, TDI needs an adequate IT staffing level to meet the demands of a mobile workforce and to implement transition from legacy to modern technology. The agency also needs to increase current IT salaries to align with other state agencies, other divisions in TDI, and the private sector.

TDI has taken steps to address changing demands in technology skills by contracting staff through DIR. However, as market competition grows this may not be a long-term option.

Critical Activities

TDI's role as a regulator is evolving and the agency's statutory duties now include developing innovative insurance solutions and using new technology as accessibility vehicles for stakeholders, including the internet and social media.

TDI does not anticipate a significant change to its nine core functions, however as the agency's role continues to evolve, statutory responsibilities change, and the technology innovation demands continue, critical activities may emerge.

Gap Analysis

Overview

The 2014 analysis reinforced the 2012 findings and a more recent analysis identified three gaps:

- Gap #1: Knowledge and skills development
- Gap #2: IT Staffing and resource shortages
- Gap #3: Qualified staff recruitment

Gap #1: Knowledge and Skills Development

Almost half of TDI employees are eligible for retirement or will be eligible within the next five years. Consequently, critical staff retirements create the potential for loss of experience and institutional knowledge. Loss of experienced staff can cause instability, reduce productivity among other employees, and increase hiring and training costs.

As service demand increases, employees are expected to perform at higher levels and work more efficiently. Some employees need different skill sets to meet the changing workforce needs, therefore, formal and informal training opportunities are critical to meet the demand for knowledge and skills and retention of professional staff.

The ability to hire skilled workers is only half of the challenge. The ability to retain employees in many of the more specialized positions is subject to market conditions. When the economy is good and unemployment is low, skilled workers are difficult to retain due to the higher private-sector salaries.

Despite some recruiting success through university job fair participation and posting open positions to various Internet websites, TDI continues to have difficulty filling and retaining the following job classifications.

- **Safety Professionals**

The workers' compensation division has faced difficulty attracting applicants with the training and experience necessary for the safety inspector's job functions. Although reclassifying these positions in FY 2009 helped to better define the inspector's work and increased their salaries, TDI was not able to offer compensation competitive with the private sector or similar federal positions. The inability to keep pace with public sector salaries led to salary increases in early 2014.

- **Financial Examiners**

Examiner positions are challenging to fill due to the job's educational requirements. Additionally, the career ladder for this position, which coincides with the National Association of Insurance Commissioners accreditation standards, requires attaining accredited financial examiner and certified financial examiner professional designations within specific timeframes. Once recruited, retention of qualified, well-performing staff is particularly important because it takes three to four years to train most examiners due to the insurance knowledge that is required.

- **IT Programmers**

Programmers are difficult to recruit because their salaries are typically higher in the private sector and at some other state agencies. In the last two years, several programmers left TDI for higher-paying jobs with other state agencies or private companies. During the same time, nine employees retired. The agency's recruitment of qualified candidates for IT positions is restricted because of the inability to pay competitive salaries.

Gap #2: Technology Staffing and Resource Shortages

Automation and technology will continue to change the way TDI does business. Increased internet access provides consumers answers to a greater number of insurance-related and workers' compensation questions online and creates demand for information to be delivered virtually around the clock. TDI embraces the use of technology and strives to find technological methods to work more efficiently. However, our continued need for technology expansion is severely limited by the agency's IT staffing and resource shortages.

Since the last workforce plan, TDI has explored options to expand IT staffing resources. The agency recently partnered with DIR to use staffing service contracts to fill the skills gaps. These options have provided limited success. Turnover in TDI's IT area is just under 7 percent, 1 percent higher than the agency's turnover rate.

In the Future Workforce Profile section of this report, TDI identified the need for technology skills, such as programmers, database analysts, application architects, network specialist, telecommunication specialists, web content managers, and web administrators. Furthermore, the agency is moving from a paper-based environment to an electronic environment and therefore has a growing need for staff with advanced document management skills. In addition, inadequate funding and heavy workloads inhibit existing staff professional development. Moreover, TDI cannot achieve its technology goals without adequate funding and a qualified IT workforce.

Gap #3: Qualified Staff Recruitment

With the agency's responsibilities, employee workloads, and an abundance of competitors for highly skilled staff, TDI must be prepared to fill positions quickly. In particular, certain TDI positions are difficult to fill due to their specialized nature. At mid-year FY 2014, the average time to fill a position at TDI was

75 days, compared with 63 days in FY 2013.⁵ This increase was due, in a large part, to market competition for skilled workers.

TDI has expanded its use of online resources and professional organizations to post jobs, but some salaries for TDI jobs are not competitive with other state agencies and the public sector, resulting in limited recruitment success. Management continues to express needs for larger pools of qualified applicants, especially for unique positions. There is increasing frustration with not being able to offer, or counter-offer, competitive salaries to recruit applicants or keep employees from leaving for higher salaries elsewhere.

Strategy Development

Strategy for Gap #1: Knowledge and Skill Development

- Use best practices to identify and hire candidates with appropriate job-related traits.
- The agency's strategic objectives focus on 'developing a more skilled and satisfied workforce through the balanced scorecard and related initiatives. TDI will continue to monitor time-to-fill for these positions. The agency has increased recruitment efforts by using social media and updating sources to notify candidates of job vacancies.
- Support staff training for professional designations.
- The agency must provide continuing education to enhance employees' skills and to mitigate the loss of institutional knowledge through retirements and separations.
- Expand succession-planning efforts.
- TDI plans to focus more on succession planning and cross-training efforts and mentoring experiences to assure that vital knowledge is not lost when leadership and employees in critical positions retire or separate employment. Meetings will be scheduled with agency management every six months to monitor each division's succession plan. However, succession planning and cross-training are not substitutes for additional formal training opportunities that are needed for agency employees to meet the growing demands for knowledge and skills.

Strategy for Gap #2: Technology Staffing and Resource Shortages

TDI wants to be prepared to meet the agency's technology needs. Without highly skilled IT staff, TDI will not be able to implement solutions to meet the business needs of the agency and its stakeholders.

Strategies to address the gaps in IT staffing and resource shortages include the following:

- Pay competitive salaries;
- Grant merit increases;
- Offer non-monetary rewards for performance;
- Offer more formal technology training;
- Allow telecommuting when possible;
- Establish mentoring and cross-training prior to a current employee retiring; and
- Use contract labor when possible.

Strategy for Gap #3: Recruitment of Qualified Staff

⁵ Time to fill is determined by calculating the days between the date the job is posted and the date the job is offered.

Competing with the public sector and filling highly specialized jobs has required TDI to recruit from resources not previously used, such as Monster.com and Environmental Health and Safety Careers. TDI has had limited success reaching new audiences. The agency will continue to explore other resources to assist in recruiting qualified applicants, including the following.

- **Accept employment applications online.**

TDI currently receives the majority of applications electronically. One of the agency's balanced scorecard initiatives is to upgrade software used to apply for jobs online. TDI intends to continue with software upgrades, and other initiatives to make it easier for applicants to apply for jobs.

- **Expand recruiting efforts.**

TDI plans to take advantage of recruiting opportunities and identify approaches, like social media, which will compliment the convenience of applying for jobs online. The agency also will continue to build on the current database of professional organizations where jobs can be advertised and explore opportunities for establishing an agency internship program.

- **Evaluate success of recruitment strategies.**

TDI will continue to track and analyze recruitment results for advertising jobs using several different methods.