

# Amtrak Office of Inspector General

EVALUATION REPORT E-09-03

Human Capital Management

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## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

In November 2007, the Office of the Inspector General (OIG) initiated a company-wide evaluation of how Amtrak manages its human capital (HC). Specifically, the team evaluated how well Amtrak identifies its manpower needs and then recruits, hires, develops, and retains the individuals with the skills needed to accomplish Amtrak's mission and strategic goals. The evaluation examined management of agreement covered and non-agreement covered employees. The team also looked at how the company administers its human resources (HR) policies and procedures and compared them to best practices in the industry.

### **METHODOLOGY**

Multiple techniques were used to collect information and data for this evaluation. We interviewed over 125 Amtrak managers and employees. We conducted a written survey of the Human Resources and Diversity Initiatives (HR&DI) Department and analyzed employee data from a variety of sources, including presentations to the Presidential Emergency Board convened in early 2008. To compare Amtrak's performance against other companies, we obtained the results from benchmarking studies by PricewaterhouseCoopers (PwC) and SAP; and visited with two other Class I railroads in the United States (U.S.) to see how they manage their HC.

### **OVERALL CONCLUSIONS**

Although the traditional role of HR in most organizations has evolved over the past 20 years from being mainly transactional and reactionary to one that is more proactive and strategic, Amtrak has been slow in following this trend. For various reasons (many outside of the control of the Vice Presidents for HR and Labor Relations (LR)), the HR&DI Department and the LR Department have not been viewed as strategic partners at Amtrak. This will have dire consequences for Amtrak's future if this does not change.

Once the economy turns around, there is a real danger that Amtrak will lose skilled craftsman and technical expertise faster than it can replace them. In fact, over a quarter of Amtrak's workforce will be eligible for retirement within the next 5 years. Investments in recruiting, developing, motivating and retaining highly qualified employees with the skills that are critical to Amtrak's current and future needs are required for Amtrak to maintain its position as the acknowledged leader in intercity passenger rail within the U.S. To insure these investments are spent wisely and targeted in the right areas, Amtrak needs a comprehensive, corporate-wide HC strategy that is tied to the company's strategic plan (strategic goals and objectives) and has the support of Amtrak's senior leadership and its Board of Directors.

To help Amtrak address this critical issue and to improve the efficiency and effectiveness of Amtrak's management of its HC, our report makes 24 specific recommendations – including recommendations to reorganize HC management within one department and to create a HC officer position for the company to provide a single point of accountability for leading the strategic transformation in the management of HC that must occur if Amtrak is to continue to be successful in the future.

## **INTRODUCTION**

In November 2007, the OIG initiated a company-wide evaluation of how Amtrak manages its human capital. Specifically, the team evaluated how well Amtrak identifies its manpower needs and then recruits, hires, develops, and retains the individuals with the skills needed to accomplish Amtrak's mission and strategic goals. The evaluation examined management of agreement covered and non-agreement covered employees. The team also looked at how the company administers its HR policies and procedures and compared them to best practices in the industry. After starting the evaluation, we decided to conduct a more detailed review of employee training and development. The results from that evaluation will be issued in a separate report in the near future.

## **BACKGROUND**

Amtrak is the nation's intercity passenger rail service provider, carrying more than 25 million passengers a year throughout the U.S. Along with its intercity offerings, Amtrak provides or supports commuter rail services in several major markets. Amtrak employs approximately 20,000 employees to support this nationwide passenger rail service. Of these employees, almost 3,000 are non-agreement covered, salaried employees. The remaining 17,000 employees are agreement covered and paid hourly wages. These employees are represented by 14 collective bargaining units (labor unions), 24 labor union agreements, and two councils comprised of members from the labor unions.

## **METHODOLOGY**

Multiple techniques were used to collect information and data for this evaluation. We interviewed over 125 Amtrak employees, including the senior management in every Amtrak department, all of the managers in the Human Resources and Diversity Initiatives Department (HR&DI Department), and a sampling of managers and employees throughout the company. We conducted a written survey of the HR&DI Department and analyzed employee data from a variety of sources, including presentations to the Presidential Emergency Board convened in early 2008. To compare Amtrak's performance against other companies, we obtained the results from benchmarking studies by PwC and SAP; and obtained publications from, as well as consulted with, several professional organizations involved with workforce planning and strategic human capital management (HCM). Finally, we visited with two other Class I railroads in the U.S. to see how they manage their HC. A more detailed explanation of our methodology is contained in Appendix A.

## **HUMAN RESOURCES AT AMTRAK**

HR typically includes a myriad of functional areas, encompassing responsibilities from recruitment and staffing to compensation and benefits to training and development to LR and payroll. We identified approximately 360 positions performing these HR functions at Amtrak

with about half assigned to the HR&DI Department.<sup>1</sup> Of these 360 positions, 69 percent are decentralized<sup>2</sup> throughout Amtrak.

Other departments who perform HR functions are as follows:

- The LR Department is responsible for administering agreement covered employee labor agreements. They also advise managers on disciplinary policies and personnel adverse actions, and represent the company in all labor agreement issues including grievance and arbitration proceedings. The LR Department has 36 positions.
- The Information Technology Department has about 30 employees dedicated to HR information system (HRIS) management and HC initiatives.
- The Payroll function resides in the Finance Department with 45 employees performing time and attendance and payroll management.
- The Operations Department has about 70 employees dedicated to training functions within the Transportation, Mechanical, and Engineering areas.<sup>3</sup>

## **HUMAN CAPITAL MANAGEMENT**

The traditional HR role within an organization has evolved during the past 20 plus years and continues to change, from the collective demographics of HR professionals and the ways that practitioners enter the profession to the functions and roles served by HR and the value it brings to organizations.<sup>4</sup> According to the Society for Human Resources Management (SHRM), “HR is increasingly mobilized to offer much more to organizations than record-keeping, payroll and employee benefits administration. In fact, many of the transactional functions that traditionally formed the core of HR departments’ responsibilities are now often outsourced so that organizations can focus on business strategy through talent management and leadership development activities.”<sup>5</sup>

HR’s role is evolving because organizations are viewing their people more as a strategic asset (thus, the term human capital). In fact, the most successful organizations manage their HC as a strategic asset by aligning the workforce with organizational strategies and using metrics and measurement to drive decisions, monitor performance, and improve results. Many organizations are experiencing significant challenges to deploying the right skills, in the right places, at the right time and at the right cost. They are also facing a growing number of employees who are

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<sup>1</sup> This number (360) indicates the number of full-time equivalents (FTEs) that perform human resources (HR) activities. It includes positions directly assigned to HR, IT, LR, payroll and training functions, but does not include the percentage of time spent by individuals throughout the company performing daily supervisory responsibilities or administrative HR tasks. The 45 FTEs supporting payroll/time and attendance was provided by the Finance Department. The remaining FTE data was provided by the HR&DI Department.

<sup>2</sup> Decentralized FTEs include all HR functions performed in outlying locations and not located within the central (corporate) HR organization.

<sup>3</sup> Employee development and training will be discussed in detail in a subsequent OIG evaluation.

<sup>4</sup> Ulrich, D., Brockbank, W., Johnson, D., Sandholtz, K. & Younger, J. “*HR competencies: Mastery at the intersection of people and business.*” Alexandria, VA: Society of Human Resource Management (2008).

<sup>5</sup> Society for Human Resource Management. “*HR’s Evolving Role in Organizations and Its Impact on Business Strategy: Linking Critical HR Functions to Organizational Success*” (2008).

eligible for retirement and are finding it difficult to fill certain mission-critical jobs, a situation that could significantly drain their institutional knowledge. Other factors such as emerging security threats, rapidly evolving technology, and dramatic shifts in the age and composition of the overall population exacerbate the problem. Such factors increase the need for organizations to engage in strategic workforce planning to transform their workforces so that they will be effective.<sup>6</sup>

## **OVERALL CONCLUSIONS**

Although the traditional role of HR in most organizations has evolved from being mainly transactional and reactionary to more proactive and strategic, Amtrak has been slow in following this trend. For various reasons (many outside of the control of the vice president's for HR and LR), the HR&DI and LR departments have not been viewed as strategic partners at Amtrak. This will have dire consequences for Amtrak's future if this does not change.

Once the economy turns around, there is a real danger that Amtrak will lose skilled craftsman and technical experts faster than it can replace them. In fact, over a quarter of Amtrak's workforce will be eligible for retirement within the next 5 years. Investments in recruiting, developing, motivating and retaining highly qualified employees with the skills that are critical to Amtrak's current and future needs are required for Amtrak to maintain its position as the acknowledged leader in intercity passenger rail within the U.S. These investments in HC should pay great dividends in the future, but must be done smartly. To insure these investments are spent wisely and targeted in the right areas, Amtrak needs a comprehensive, corporate-wide HC strategy that is tied to the company's strategic plan (strategic goals and objectives) and has the support of Amtrak's senior leadership and its Board of Directors.

The rest of this report discusses our specific findings and recommendations to help Amtrak address this critical issue and to improve the efficiency and effectiveness of Amtrak's management of its HC.

## **POTENTIAL BENEFITS**

In an attempt to quantify the potential benefits Amtrak could realize by improving its HCM practices, we compared Amtrak's expenditures in this area with other large companies (see Finding 5 for a discussion of our benchmarking methodology). Based on our benchmarking, we estimate that Amtrak could potentially save about \$23 million per year if it performed as efficiently as the average of the large companies we benchmarked against and about \$50 million if it performed as efficiently as the upper quartile of the large companies we compared to. These estimates represent the potential savings in costs for typical HR administration and services. Although far from insignificant in themselves, these savings are only a part of the benefits to be gained. Lower turnover, greater productivity, improved morale, less overtime, and lower training costs are all benefits that could also be gained through more efficient and effective management of Amtrak's HC. Clearly this is an area deserving of renewed emphasis.

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<sup>6</sup> U.S. General Accounting Office. *Human Capital Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, DC: December 2003).

## **FINDINGS AND RECOMMENDATIONS**

### **1. STRATEGIC WORKFORCE PLANNING**

**FINDING NO. 1: Amtrak does not conduct comprehensive strategic workforce planning to ensure it has a workforce with the requisite knowledge and skills to meet the company's future needs.**

## **DISCUSSION**

### **STRATEGIC WORKFORCE PLANNING**

Strategic workforce planning, also called human capital planning, focuses on developing long-term strategies for acquiring, developing, and retaining an organization's total workforce (including full- and part-time staff and contractors) to meet the needs of the future. Strategic workforce planning addresses two critical needs: (1) aligning an organization's HC program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for acquiring, developing, and retaining staff to achieve those programmatic goals.

Approaches to such planning can vary with each organization's particular needs and mission. For example, in 1999 the Office of Personnel Management (OPM) published a five-step model that suggests organizations define their strategic direction, assess their current and future workforces, and develop and implement action plans for closing identified gaps in future workforce needs. Shortly thereafter, the National Academy of Public Administration (NAPA) and the International Personnel Management Association (IPMA) reviewed workforce models used by federal, state, and local governments and industry, and then developed their own generic models.<sup>7</sup> Consistent with this prior work, the U.S. General Accounting Office (GAO) identified certain key principles that such a process should address irrespective of the context in which planning is done. These five principles are as follows:

- 1) Involve top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan;
- 2) Determine the critical skills and competencies that will be needed to achieve current and future programmatic results;
- 3) Develop strategies that are tailored to address gaps in number, deployment, and alignment of HC approaches for enabling and sustaining the contributions of all critical skills and competencies;
- 4) Build the capability needed to address administrative, educational, and other requirements important to support workforce strategies; and
- 5) Monitor and evaluate the company's progress toward its HC goals and the contribution that HC results have made toward achieving programmatic results.<sup>8</sup>

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<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

## **Amtrak's Strategic Workforce Planning**

We were told that the HR&DI Department made numerous attempts over the past 10 years to move succession planning to the forefront, but the efforts failed each time due to other company priorities. In August 2006, another attempt was started by assigning an employee as the Director of Workforce Planning to develop and implement succession planning initiatives. In December 2006, another employee's time was also devoted to this effort. Starting in mid 2007, this unit educated senior staff on Amtrak's succession planning process and from June 2007 through September 2008 the unit conducted their first succession planning project. As part of this project, retirement forecasting (looking 5 years out) was conducted for all non-agreement covered employees and talent profiling was conducted for over 600 of those employees. The project also looked at retirement forecasting for agreement covered employees within the Operations Department; however, no talent profiles for agreement covered employees were conducted. This year, the Workforce Planning Unit is scheduled to focus their efforts on developing position descriptions and competencies.

In addition to the work of the Workforce Planning Unit, the HR&DI Department has partnered with other departments on workforce planning initiatives. Transportation has developed "hiring plans" to assist the HR&DI Department recruiters in projecting when to initiate action to hire for vacancies. In addition, Engineering, in partnership with the HR&DI Department, engaged Quatt Associates to conduct the Amtrak Engineering Career Path Study for its degreed engineering positions. Potential job families were developed for civil, electrical, mechanical and structural engineering with the goal of creating career progression and ensuring succession planning. The study findings were briefed to Engineering in March 2009. Finally, the IT Department undertook an initiative to develop standardized position descriptions within each occupational job family as well as the critical skills attached to each. This project is led by a newly hired employee with IT and HR experience. Over the past year, the team has completed 12 occupational job families and is currently working on the remaining three.

Although the individual efforts to date are commendable, they are not part of a comprehensive, coordinated strategy and, thus do not satisfy the five principles of effective strategic workforce planning for the entire company.

### **Principle 1: Involve top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan.**

*Organizations increasingly realize that they must transform themselves to meet long-term fiscal, other domestic, and global challenges of this century. Workforce planning that is linked to the company's strategic goals is one of the tools organizations can use to systematically identify the workforce needed for the future and develop strategies for shaping the workforce. GAO found that efforts that address key organizational issues, like strategic workforce planning, are most likely to succeed if, at their outset, organizations' top program and HC leaders set the overall direction, pace, tone, and goals of the effort, and involve employees and other stakeholders in establishing a communication strategy that creates shared expectations for the outcome of the process.<sup>9</sup>*

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<sup>9</sup> Ibid.

Amtrak's workforce planning efforts to date have been focused mainly on succession planning within individual departments. There has not been a focus by top leadership of the company to develop a strategic HC plan that establishes HC goals, objectives, and investments that are linked to the company's strategic plan and reflect how HC supports mission accomplishment. At this point, top leadership involvement in developing, communicating, and implementing a plan to develop a strategic HC plan would appear to be a good first step.

***Principle 2: Determine the critical skills and competencies that will be needed to achieve current and future programmatic results.***

*An organization needs to define the critical skills and competencies that it will require in the future to meet its strategic program goals. Fiscal, demographic, technological, and other forces are challenging organizations to change the activities that they perform and the goals that they must achieve, how they do their business, and even who does the company's business. To effectively meet these challenges, an organization needs to (1) consult with key congressional and other stakeholders on its strategic goals and (2) identify the workforce skills and competencies that are critical to achieving these strategic goals and how the organization will obtain these requirements, including those that the company will need to acquire, develop, and retain to meet its goals.<sup>10</sup>*

Strategic workforce planning must be linked with the organization's strategy. This means identifying the critical talent needs that, if not met, can materially and adversely impact business success. Once the business risks are fully identified then attention should turn to schedule and timing as the next step. A comprehensive strategic workforce plan addresses both current and future workforce critical skills and competency requirements.

In fiscal year (FY) 2009, the Workforce Planning Unit is scheduled to focus their efforts on developing competencies for "senior director/professional through senior staff, and the executive level (D2 and E bands)." This initiative will address approximately 260 non-agreement covered positions. In addition to the Workforce Planning Unit staff, a temporary contract is being used to provide two HR experienced individuals for a 3 month period to help develop position descriptions and competencies. Although we see this as a move in the right direction, we have the following concerns with this approach:

- First, the positions selected for analysis have not been identified as the company's critical talent. No review was conducted to determine what positions are mission critical and should, therefore, be addressed first.
- Second, the Amtrak employees performing this initiative have not been trained and are not experienced in strategic workforce planning. At present, there is no in-house expertise within the HR&DI Department to conduct or lead the tremendous task at hand, although there is a plan to send approximately a dozen employees to a 2 day training course this summer.
- Third, some of the non-agreement covered positions identified do not have position descriptions written; making the task even more challenging in the timeframe projected.

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<sup>10</sup> Ibid.

- Fourth, from first-hand experience of an employee within the Inspector General’s Office, a comparably sized organization to Amtrak took on the same initiative. The dedicated and trained, 50 member team (comprised of company and contract employees) took 2 years to complete the process of developing standardized position descriptions within each occupational job family, identifying critical skills and competency development for each position, and documenting all related HC policy. Career paths were then linked to each occupational family and were still under development after the 2 year period. Based on this example, if Amtrak continues with the current plan and with the resources dedicated (two HR and two contract employees), it will take over 25 years to complete a comparable analysis for the entire Amtrak workforce.

***Principle 3: Develop strategies that are tailored to address gaps in number, deployment, and alignment of HC approaches for enabling and sustaining the contributions of all critical skills and competencies.***

*Once the company identifies the critical skills and competencies that its future workforce must possess, it can develop strategies tailored to address gaps in the number, skills and competencies, and deployment of the workforce and the alignment of HC approaches that enable and sustain the contributions of all critical skills and competencies needed for the future. Strategies include the programs, policies, and practices that will enable an organization to recruit, develop, and retain the critical staff needed to achieve program goals. In short, developing such strategies creates a road map for an organization to use to move from the current to the future workforce needed to achieve program goals. When considering strategies, it is important for organizations to consider the full range of flexibilities available under current authorities, as well as flexibilities that might need additional legislation before they can be adopted. In addition, organizations need to understand the strengths and weaknesses of their current HC program and how the program can successfully use such flexibilities.<sup>11</sup>*

Through strategic workforce planning, Amtrak will gain insight into what employees the company needs and what people will be available to meet those needs. In creating this understanding of the gaps between the company’s demand and the available workforce supply, Amtrak will be able to create programs, target approaches, and develop strategies to close the gaps. Although some isolated efforts are being done to close the known gaps, Amtrak still has much work to do in developing integrated strategies to address its HC needs in the future.

***Principle 4: Build the capability needed to address administrative, educational, and other requirements important to support workforce strategies.***

*As organizations develop tailored workforce plans and address administrative, educational, and other requirements that are important to support them, it is especially important to recognize practices that are key to the effective use of HC authorities. These practices include educating managers and employees on the availability and use of flexibilities so that they are implemented openly, fairly, and effectively.<sup>12</sup>*

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<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

The first step is for Amtrak to develop its workforce strategies. Once this is accomplished, then the needed support must be identified and acquired to ensure implementation of the workforce strategies.

***Principle 5: Monitor and evaluate the company's progress toward its HC goals and the contribution that HC results have made toward achieving programmatic results.***

*Evaluating the contribution that the workforce plan makes to strategic results measures the effectiveness of the workforce plan and helps ensure that the strategies work as intended. This involves two activities: determining (1) how well the company implemented its workforce plan and (2) the contribution that the implementation made toward achieving programmatic goals. These activities can also improve the effectiveness of workforce planning strategies and the overall workforce planning process by identifying shortfalls in performance and other improvement opportunities that can be incorporated into the next planning cycle.<sup>13</sup>*

Effective workforce planning requires constant monitoring and evaluation of the HC plans, strategies, and critical skills needed to achieve current and future programmatic results. As with any organization, if the mission shifts or changes, so does the impact on HCM. Even though Amtrak does not have a strategic HCM program to monitor and evaluate, they have taken some steps towards collecting information that could be used to monitor the program and measure performance. Although some data is being routinely collected, comprehensive and consistent company-wide data is not collected systematically or analyzed, and the HR&DI Department has not provided comprehensive guidance to the departments and regional divisions on how to gather this information.

In the absence of such guidance, some departments and divisions have independently taken action to gather data from varying sources. However, during this evaluation we found that the data collection methods they used varied, leaving Amtrak without complete, reliable, and comparable data that it needs to assess the company's overall workforce needs. Without this information, the company's ability to effectively identify and assess areas where it needs to enhance or modify its workforce recruitment, development, and retention strategies is significantly constrained.

One area that seems to receive little attention is the issue of metrics that support strategic workforce planning. To the degree an organization can identify and establish relevant leading indicators, significant benefits can be realized. As a general rule, an effective indicator does not tell you what the future will hold, but suggests the possibility or possibilities of what is more likely to happen. Such indicators are required for Amtrak's senior leadership to make informed business decisions for the company. Amtrak does not currently have a workforce analytics capability, typically found in established HC organizations. This capability proactively provides complete, reliable, and comparable data to ensure the company's stake holders and departments can access overall workforce requirements in support of strategic workforce planning. Such a capability would allow workforce data to be transformed into actionable decisions to support business objectives.

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<sup>13</sup> Ibid.

## **CONCLUSION**

Strategic workforce planning enables the organization to analyze workforce data to discover critical issues, compare different groups, understand patterns and trends, hone in on critical segments of the workforce such as mature workers and top performers, and customize its approach to managing different segments of its workforce. The planning process must concentrate on the business plan and its implications on the workforce. Consistent, organization-wide data is essential.<sup>14</sup>

Although good intentioned workforce planning efforts have been made to date, they are not part of a comprehensive, coordinated strategy. Amtrak is experiencing significant challenges to deploying the right skills in the right places, at the right time. The company is facing a growing number of employees who are eligible to retire and has found it difficult in the recent past to fill certain jobs. This could significantly drain Amtrak's institutional knowledge in the near future. Other factors such as emerging security threats, rapidly evolving technology, and dramatic shifts in the age and composition of the overall population exacerbate the problem. Such factors increase the need for Amtrak to quickly engage in effective strategic workforce planning to transform the way it manages its workforce.

## **RECOMMENDATIONS.** We recommend that:

1A. Amtrak involve top management, employees and stakeholders in developing, communicating and implementing a strategic workforce plan to enable Amtrak to identify, develop and sustain the workforce skills needed to successfully accomplish Amtrak's business strategy while balancing career and lifestyle goals of its employees.

1B. Amtrak start a corporate-wide effort to identify (a) the current and future missions of the company, (b) the critical skills and competencies needed to support these missions, and (c) the gaps at Amtrak in the critical skills and competencies that need to be addressed to achieve current and future programmatic goals.

1C. Amtrak develop the workforce planning strategies to address its workforce gaps.

1D. Amtrak build the capability needed to support its workforce strategies.

1E. Amtrak establish a process to monitor and evaluate its progress towards achieving its HC goals and achieving its programmatic results.

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<sup>14</sup> The Conference Board. *Strategic Workforce Planning: Forecasting Human Capital Needs to Execute Business Strategy Study* (August 8, 2006).

## **2. RECRUITMENT AND RETENTION OF AMTRAK'S EMPLOYEES**

### **A. TOTAL COMPENSATION**

**FINDING NO. 2. No clear, comprehensive “total compensation” philosophy and strategy exist to ensure pay practices are applied consistently and effectively, and aligned to support Amtrak’s strategic plans.**

### **DISCUSSION**

#### **TOTAL COMPENSATION**

Total compensation is the complete pay package an employee receives, including the total sum of all forms of money, benefits, and services received from a company. A total compensation strategy is designed to attract, motivate and retain the high-performing talent required to achieve the company’s strategic plans.

Just as the field of HR has evolved from being transactional to one that is more strategic; employee compensation has also changed dramatically. Employees are not just paid a wage for the work they perform, but rather compensated with a total package that includes: pay compensation, benefit programs, and work-life flexibilities. To be competitive in today’s market, most top performing organizations have a clearly defined, understandable, and consistently applied total compensation philosophy and strategy. These companies understand the importance of attracting, motivating and retaining highly qualified employees who are engaged and committed to the company’s success. These are some of the same companies that aspire to be called a “most admired company.”

The Hay Group conducts the annual “America’s Most Admired Companies” research that is published in Fortune Magazine. When they looked at the prevalence of written compensation philosophies among the “Most Admired” versus all other respondents, they found that 76 percent of “Most Admired” companies have a written pay philosophy versus only 61 percent of all other respondents. When looking at financial performance, 71 percent of the companies in the top quartile of financial performance have a written pay philosophy.<sup>15</sup>

The three components of total compensation are as follows:

(1) **Pay Compensation.** There are two primary categories of pay compensation: base pay and variable pay.

- **Base pay,** also known as fixed pay, is fixed compensation paid to an employee for performing a specific job responsibility. It is typically paid as salary, hourly wage or piece rate pay. Base pay may also include premium pay. Premium, or differential pay, is non-performance pay usually given to accommodate a specific working condition. Premium pay includes several types of pay: shift differential, weekend/holiday, on-call,

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<sup>15</sup> Bates, Ann. Compensation Force, “*The Importance of a Written Pay Philosophy.*” Workforce Week Management (April 12, 2007).

call-in, hazardous duty, bi-lingual, skill-based, or overtime. Base and premium pay are determined by the organization's total compensation philosophy and pay structure.

- Variable pay or pay at risk is compensation that is contingent upon an employee's level of performance or the results achieved. It is a one-time payment for a specified performance period. Variable pay includes team-based, bonus (i.e., referral, hiring, retention, or project completion), and incentive pay programs (i.e., profit sharing, individual performance, performance-sharing, restricted stock, and performance shares).

(2) **Benefit Programs**. An employer uses benefit programs to supplement the pay compensation their employees receive. These also fall into two categories: those that are legally required or mandated and those that are not.

- Legally required or mandated benefit insurance programs include unemployment, worker's compensation, Medicare, social security, and, if applicable, state disability.
- Voluntary benefit programs are designed to enhance well being and protect the employee and his/her family from financial risks. These include health, accident and liability protection, paid time off, leaves of absence, retirement plans, dependent care, relocation benefits, communication resources, financial counseling resources, transportation benefits, and tuition reimbursement programs.<sup>16</sup>

(3) **Work-life Flexibilities**. Workplace flexibility refers to management practices that optimize when, where and how work gets done by individuals and teams. This practice is empirically shown to increase engagement, retention, productivity and even wellness, and is thus an essential pillar of the work-life portfolio. There are many tools and approaches employed to enhance work-place flexibility, including flexible career strategies, flexible benefit options, management training, and work redesign that streamlines processes and eliminates low value work.<sup>17</sup> Dual working families, increasing job responsibilities, and technological advances have contributed to a blur in the lines between work and home; making it more difficult for employees to achieve a successful balance. Employers can lessen the burden by being alert to employee burnout, and offering non-financial work-life enhancing programs.<sup>18</sup>

## **AMTRAK'S TOTAL COMPENSATION PACKAGE**

### **(1) Amtrak's Pay Compensation**

- For agreement covered employees. Wages are determined through negotiations between management and the individual labor unions. Historically, these wages have been largely patterned after freight railroad agreements.
- For non-agreement covered employees. In June 1995 Amtrak began development of the company's current broadband compensation program. The program organized jobs into pay bands based on their competitive market value. The goal was to align

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<sup>16</sup> An expanded list of voluntary benefit program examples is included in Appendix B.

<sup>17</sup> Alliance for Work-Life Progress. *Build Your Portfolio* (2008).

<sup>18</sup> An expanded list of work-life effectiveness programs is included in Appendix C.

positions with the external marketplace for similar jobs and responsibilities; align duties with core business behaviors, and to reward superior performance and acquisition of new skills and knowledge with salary increases.

After extensive job analysis and marketplace study, Amtrak took 12 salary grades and compressed them into five broad pay bands. The current structure consists of these five broad pay bands with each band divided into two zones, as seen in Table 1 below. Band E is used for senior staff, whose positions and salaries must be approved by Amtrak’s Board of Directors. A C99 band-zone was later added to address technical positions that require a professional certification or degree. A third zone was also added for bands A and E. Each band-zone was periodically adjusted with a cost of living increase, although not annually. Since 2007, adjustments have been made to the salary structure annually.

Amtrak Salary Structure (effective 4/28/08)								
Band/Zone	Minimum	Maximum	Band/Zone	Minimum	Maximum	Band/Zone	Minimum	Maximum
	\$36,050	\$57,200	<b>A2</b>	\$41,200	\$69,680	<b>A3</b>	\$49,440	\$81,120
<b>B1</b>	\$37,080	\$57,200	<b>B2</b>	\$42,230	\$70,720			
<b>C1</b>	\$50,470	\$93,184	<b>C2</b>	\$56,650	\$119,600	<b>C99</b>	\$82,400	\$133,952
<b>D1</b>	\$69,010	\$148,720	<b>D2</b>	\$82,400	\$181,125			
<b>E1</b>	\$97,850	\$187,500	<b>E2</b>	\$128,750	\$196,650	<b>E3</b>	\$154,500	\$248,400

**Amtrak’s Current Five-Band Salary Structure**  
Table 1

The current band-zone headcount for non-agreement covered positions is shown in Table 2 below:

BAND	ALL EMPLOYEES IN BAND	ZONE	ZONE 1 EMPLOYEES	ZONE	ZONE 2 EMPLOYEES	ZONE	ZONE 3, 99 EMPLOYEES
<b>A</b>	81	<b>A1</b>	41	<b>A2</b>	29	<b>A3</b>	11
<b>B</b>	205	<b>B1</b>	17	<b>B2</b>	188		
<b>C</b>	1784	<b>C1</b>	636	<b>C2</b>	1118	<b>C99</b>	30
<b>D</b>	648	<b>D1</b>	450	<b>D2</b>	198		
<b>E</b>	49	<b>E1</b>	17	<b>E2</b>	32	<b>E3</b>	6
<b>TOTAL</b>	<b>2767</b>		1161		1565		47

**Number of Amtrak Employees in Each Band/Zone (as of 3/31/2009)**  
Table 2

(2) **Amtrak's Benefit Programs.** Amtrak offers programs beneficial to its employees and its families. Offerings include insurance (i.e., medical, dental, and life), prepaid legal services, flexible spending accounts (i.e., transportation, parking, healthcare, and dependent care), paid time off (i.e., holidays, vacation, sick, bereavement and personal days), leaves of absence (i.e., short- and long-term disability), retirement plans, relocation benefits, and a tuition reimbursement program. The HR&DI Department is currently developing a communications strategy for agreement covered and non-agreement covered employee health and retirement benefits. The objective is to improve retirement readiness and reduce absenteeism by increasing awareness and understanding of the value of the company's health and retirement benefits offerings, as well as by creating a culture of wellness mindset.

(3) **Amtrak's Work-life Flexibilities.** Amtrak offers several work-life programs or initiatives that include Amtrak's Employee Assistance Program (EAP), on-site work-life brown bag seminars, smoking cessation assistance, employee and qualified dependent discounts on train travel, discounts on services through vendor partnership agreements (i.e., wireless service, car rental, entertainment coupons, computer hardware and software, flowers, theme parks and attractions, merchandise catalogs), on-site fitness facility arrangements at several locations throughout the company, and is evaluating a telework pilot conducted within the IT Department.

## **FINDINGS**

During our interviews, we heard a lot of complaints about Amtrak's compensation – mainly about pay. To determine if this dissatisfaction was widespread, we looked to one of the most recent surveys conducted at Amtrak. The Culture Value Analysis survey, given to Amtrak's agreement covered and non-agreement covered employees by *Accenture* in January 2009, identified that only 36 percent of employees were satisfied with their compensation package from Amtrak (38 percent agreement; 29 percent non-agreement). Also, only 36 percent of employees (41 percent agreement; 20 percent non-agreement) felt their pay was as at least as good as what they would receive for a comparable job outside of Amtrak. Satisfaction with benefits was somewhat higher. In response to benefits being at least as good as the average package available for comparable jobs outside Amtrak, 52 percent of employees agreed (48 percent agreement; 64 percent non-agreement). Less than 50 percent of employees understood how Amtrak's compensation system works or how the compensation and benefits negotiation process between the unions and management works.<sup>19</sup>

(1) **Pay Compensation Findings.** “After all the hype, it turns out that not that many organizations thought broadbanding was their silver bullet. At the close of the 90s, a Wyatt survey of 1,300 companies found that less than one in ten used broadbands...The trend is toward common-sense salary structures, with plenty of room to compete for talent and continue to reward stars without busting through a pay grade ceiling.”<sup>20</sup>

As stated previously, Amtrak had three goals when it implemented its broadband compensation system in 1995. These were to align positions with the external marketplace for similar jobs and responsibilities; align duties with core business behaviors, and to reward superior performance and acquisition of new skills and knowledge with salary increases.

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<sup>19</sup> Accenture. Strategic Asset Management (SAM) Program: “*Culture Value Analysis: Presentation of Findings, Executive Summary.*” (2009).

<sup>20</sup> Stern & Associated. “*Broadbanded Salary Structures*” (1985-2006).

Amtrak’s first goal was achieved in the short term; however, the company’s band-zone approach has not effectively kept pace with the market. In fact, according to the Senior Director of Compensation, Benefits and HR Technology (Compensation Director) non-agreement covered employee salaries are currently 15 to 30 percent below market for some positions. The second two goals were not achieved. These required aligning job duties and functions with core business behaviors that are essential to Amtrak’s survival to include: (1) foundation competencies involving technical expertise; (2) value-added competencies involving new initiatives and performance management; and (3) strategic competencies involving change management and revenue generation.<sup>21</sup>

To assist in implementing the above stated goals, a March 25, 1996 interoffice memorandum was issued to the Management Committee with step-by-step instructions on how to develop career milestones plans and stated that each department had the responsibility to develop and implement the plans by April 22, 1996. Some milestone workshops were also held to assist departments in plan development. Career milestones were initially developed for employees within the Office of the Inspector General and the Finance Department; however, not throughout the rest of the company. Milestones are no longer used in the Finance Department.

As a result of Amtrak’s failure to fully implement the pay system as envisioned, the ability to reward employees for superior performance and the acquisition of new skills has been restricted. To compensate for this, we were told that department managers have attempted to circumvent the current band-zone structure by “creating” promotions by adding additional or increased job responsibilities to a position so an employee could get a salary increase. To determine accuracy of what we were told, a comparison of the current number of employees in each band was made with those in 1996.

In March 1996, most of Amtrak’s non-agreement covered employees (83 percent) were in bands B and C. Thirteen years later the majority of employees (87.5 percent) are in bands C and D, resulting in an upward shift or “grade creep” as seen in Table 3 below:

BAND	March 1996 Implementation	March 2009	Difference
A	3.0	2.9	0.1↓
B	28.0	7.4	20.6↓
C	55.0	64.2	9.2↑
D	12.0	23.3	11.3↑
E	2.0	1.8	0.2↓
EC0		0.4	

**Comparison of 1996 & 2009 Percentage of Employee Population within Each Band**  
**Table 3**

<sup>21</sup> Amtrak Vice President of HR letter to Management Employees (September 1995).

In addition to the overall problems with the application of the broadband system, other issues were identified during our interviews:

- Amtrak did not develop or document a total compensation philosophy prior to implementing the market-based system 13 years ago and has not since. Not having such a philosophy and documented strategies has contributed to pay practices not being applied consistently and effectively.
- Salary differences between instructors performing similar duties in the Operations (Engineering, Mechanical and Transportation areas) and HR&DI departments exist. We were told that about 2 to 3 years ago, the HR instructor salaries were increased slightly. Even after this HR instructor salary adjustment, the Operations Department instructors were still making \$8,000 to \$10,000 more. Salary differences were brought to the attention of HR management several times and following a review of a pay increase proposal, a decision is currently pending. We were told morale within the HR instructor ranks declined as the inconsistency in pay continued over the past several years. Conducting audits of all instructor positions within the company to ensure consistency in pay for like work appears to be warranted.
- We were told pay disparity between the salaries of many new employees and existing, long-term service employees exists. There is a fairly widespread perception that many new employees are hired at higher salaries while salaries of existing employees doing the same level of work remain unchanged. When we discussed this with the HR&DI Department, we were told that an internal analysis has not been conducted to verify or refute this perception. This appears to be warranted.
- The January 2008 President's Emergency Board (PEB) findings created equity and wage compression issues with general foremen, road foremen, train managers, and service managers. The HR&DI Department addressed these issues and salary adjustments were made for first level supervisors. After the first level supervisor adjustments were made, issues impacting a few second level supervisors were brought to the attention of the HR&DI Department. These were addressed on a case by case basis with adjustments paid out of the respective department's budget.
- During our interviews we were told that Amtrak's pay was not competitive with the market in many geographic regions across the U.S., specifically in larger metropolitan areas. *"Some of the highest paying areas in the United States are the ones you'd expect: New York City area including nearby parts of New Jersey and Connecticut; San Francisco Bay area including Silicon Valley, San Jose and the East Bay; and parts of the greater Los Angeles area...the most important factor is the cost of that particular set of skills in the local market. If you need to pay more in another location to get specific quality and skill of workers, then that often dictates your company's pay practices...As long as there are significantly different costs of living among metropolitan areas in this country, there will be geographic pay differentials."*<sup>22</sup> As a result this has created problems for the company in attracting and retaining certain workers in these higher cost areas. We were also told that, for certain skilled positions, this resulted in Amtrak being

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<sup>22</sup> Fusco, Christopher J. & Lyman, Sarah. "Geographic Pay Differentials." Salary.com, Inc. (2003).

in a constant hiring mode because employees would leave the company for better pay after receiving training that qualified them in their position. Many of our interviews were conducted in the first half of 2008 at the onset of the current recession. We discussed these issues recently with the HR&DI and LR departments and found that most of the recruiting problems no longer exist – either because they were recently addressed on an individual basis or because the high unemployment rate in the country has eliminated almost all recruiting challenges. Company recruiters told us that Amtrak is experiencing a significant increase in the number of candidates applying for vacant positions and that voluntary turnover has dropped to almost zero. A concern still exists that geographic pay disparities will likely resurface as an obstacle to retention and recruiting once the economy improves.

- In interviews with managers, we were told premium pay issues presented significant challenges for them. Two issues were surfaced: (1) Managers have a challenge in attracting experienced employees to the third shift where they are needed the most; and (2) Employees make more money being an American Railway and Airway Supervisors Association (ARASA) Foreman, when overtime pay is included, than a non-agreement covered manager with a 24/7 schedule. Many managers told us that they felt that Amtrak did not adequately compensate managers who are on call 24/7. We were also told HR management has been notified several times of the problem.
- We were told no recruitment incentives for critical, hard-to-fill positions exist. Amtrak develops a list of non-agreement covered hard-to-fill positions periodically; however, often times a hard-to-fill position is only addressed when an individual request is received. If the Compensation Director is convinced the request for an increased salary adjustment is warranted by an objective analysis, a higher salary is offered to the individual to help attract the potential candidate. As stated in our interviews, this “band-aid approach” does not address the larger issue. No documented recruitment strategy and process (with approval by someone with fiduciary responsibilities such as the President, Board of Directors, or delegation to the Vice President (VP) of HR or Finance) for hard-to-fill positions is tied to a total compensation philosophy and pay structure that is competitive in today’s market. Agreement covered, hard-to-fill positions are not addressed. Establishing a comprehensive strategy for addressing agreement covered and non-agreement covered hard-to-fill positions is required. At a minimum, an annual review of all positions is required with the hard-to-fill list being approved by the President and published. The strategy must address what incentives managers and recruiters are allowed to use to attract top performing candidates for these hard-to-fill positions.
- The 2008 Merit Pay Performance System implementation does not link an employee’s performance to the company’s strategic plan and performance goals. We were told the company’s organizational goals were not, and still are not, available to load into the performance management system.

(2) **Benefit Programs Findings.** Many of Amtrak’s benefit programs appear competitive with, or sometimes better than other railroads and other large companies. One example is Amtrak’s continuation of medical coverage for non-agreement covered employees into retirement. In retirement, through age 64, the employee pays 15 percent of the total health

care premium and Amtrak pays 85 percent. Upon the retiree and/or spouse attaining age 65, the employee no longer has to pay the premium for the Amtrak medical coverage. Medicare becomes the employee’s primary insurance with the Amtrak coverage secondary. We were told by several managers that this is one incentive that attracts employees from other railroads because this is better than what other railroads offer. In another example, we learned that a new employee saved almost \$1,000 a year when she enrolled in Amtrak’s dental plan versus her previous plan as a spouse of a military member (see Table 4 below).

<b>High Option, Family Dental Coverage</b>	<b>Cost per Month</b>	<b>Annual Cost of Dental Coverage</b>
<b>Cost prior to Amtrak employment</b>	\$105.48	\$1,265.76
<b>Cost with Amtrak</b>	\$ 24.35	\$ 292.24
<b>ANNUAL PREMIUM SAVINGS (with comparable coverage):</b>		<b>\$973.52</b>

**Dental Premium Comparison  
Table 4**

We did not attempt to comprehensively benchmark Amtrak’s offered benefits since most employees seemed satisfied with their package. However, Amtrak may want to consider doing its own benchmarking and then advertising the results internally to employees and externally to potential candidates. An outstanding benefit package is only advantageous to the company’s recruitment, motivation or retention initiatives if employees are fully aware of what is provided and how good the benefits are.

(3) **Work-life Flexibilities Findings.** As stated earlier, we found that Amtrak offers several work-life programs and initiatives that include Amtrak’s Employee Assistance Program and various discounts for services through vendor partnership agreements. However, none of the flexibilities are included in an overall strategy for attracting, motivating, and retaining Amtrak’s employees. In order to develop and implement an effective work-life initiative, two things must occur. First, an assessment of the present situation must occur by ensuring each product and program is aligned to the organization’s strategic goals and objectives, as well as the needs of its employees, both agreement covered and non-agreement covered employees. Next is the development of the workforce strategy to address the gaps in work-life flexibilities and to prioritize the needed improvements. Again, a work-life strategy must be integrated with the rest of the company’s workforce planning efforts and each program’s impact on business performance and results. Employee morale must also be monitored and measured. Currently, Amtrak has not developed a comprehensive work-life strategy that is tied to the company’s workforce planning efforts. If they did so, work-life gaps could be identified and an implementation plan developed to address needed flexibilities.

## ACTIONS TAKEN ON COMPENSATION

When we interviewed the Compensation Director, he provided an extensive list to the evaluation team that identified what Amtrak needed to succeed with its compensation program. The list included many items identified during the course of this evaluation, such as a Board of Directors approved compensation philosophy that addresses performance incentives, geographic pay, an updated comprehensive pay structure, premium pay, and an integrated classification system. Although he was aware of the problems, he has had difficulty in acquiring the support to solve them.

Recent actions taken by the HR&DI Department to address some of these compensation issues:

- Merit pay performance system. A new annual performance review process for non-agreement covered employees was implemented in 2008. The primary distinction between the new approach and the previous one is the employee's annual salary increase is directly tied to how well they perform in their respective job. Cost of living adjustments are no longer given.
- PEB pay compression. The HR&DI Department addressed the PEB pay compression issues by making salary adjustments to the first level supervisors impacted as well as a few second level supervisors that were later brought to the department's attention.
- Locality pay initiative. The Compensation Director supports the concept of a geographic pay differential for regional areas and initiated a locality pay initiative in 2008 to address higher salary costs in regional areas. However, because of funding constraints, it did not address all geographic pay issues across regions. After it had been announced, the implementation of the initiative was abruptly stopped, leaving many employees bewildered as to what had happened with the initiative.
- Pay structure study. The HR&DI Department contracted with Deloitte Consulting LLP in early 2009 to assess the adequacy and effectiveness of Amtrak's current band-zone pay structure for its non-agreement covered positions and to recommend a pay structure design. Contract deliverables include:
  - Provide a written assessment of Amtrak's pay structure for non-agreement covered positions;
  - Conduct up to six interviews with senior managers to determine pay compensation concerns and expectations;
  - Conduct a market pay compensation analysis using approximately 100 benchmark positions. Analysis will include comparative results of actual employee data versus market data;
  - Provide a written market pay analysis to HR senior management;
  - Provide recommendations for a new salary structure design;
  - Assist in development of an implementation and communication plans;
  - Assist in new salary structure implementation that may occur; and
  - Recommend compensation practices that would benefit Amtrak.

## **CONCLUSION**

We applaud the recent attempts to address these compensation issues; however, the current total compensation system still does not appear to address all of Amtrak's needs in attracting, motivating and retaining Amtrak's agreement covered and non-agreement covered employees. The pay structure assessment by Deloitte will be helpful, but only addresses part of the compensation issues. We learned that an increasing proportion of salary actions take place outside the regular increase cycle, when employees and/or managers complain or bring issues to the attention of HR or Amtrak's leadership. This continuing practice has created a reactive environment lending to the practice of "oiling the squeaky wheel." This results in Amtrak's compensation dollars being spent fixing problems rather than motivating people, driving improvements in performance, or focusing on how compensation is tied to the company's business strategies.

To address these issues, Amtrak needs an overall compensation philosophy and strategy that addresses agreement covered and non-agreement covered employees. Although challenging, a total compensation philosophy and strategy must be developed and implemented for Amtrak to attract, motivate and retain highly skilled and talented agreement covered and non-agreement covered employees. This philosophy must integrate an effective pay administration program, a comprehensive benefits plan, and the company's work-life flexibilities - and must be documented in writing. The philosophy must also be tied to the labor contract negotiating strategy and the overall strategic workforce planning effort, as well as have the budget to support the programs.

## **RECOMMENDATIONS.** We recommend that:

2A. Amtrak implement a written, Board of Directors' approved, comprehensive total compensation philosophy and strategy that addresses base pay, premium pay, variable pay, benefits and work-life flexibilities. This philosophy and strategy must be linked to the company's strategic HC plan and address agreement covered employees as well as non-agreement covered.

2B. As part of developing the total compensation philosophy and strategy, Amtrak conduct an assessment of the value that employees place on various elements of the three total compensation components. This assessment should include both current employees and potential future employees.

2C. Amtrak implement a communication plan to support effective change management in implementing the company's total compensation philosophy and strategy.

2D. Amtrak include sufficient funding annually in the budget to accomplish the required investments necessary to support the total compensation philosophy and strategy.

2E. Amtrak develop a labor contract management strategy that supports the company's total compensation philosophy and strategy, and is aligned with the challenges of recruiting, motivating, developing and retaining agreement covered employees.

2F. Amtrak develop a comprehensive pay structure for non-agreement covered employees that supports the company's total compensation philosophy and strategy for non-agreement covered employees.

## **B. RECRUITMENT**

**FINDING NO. 3: Amtrak’s current recruitment process is relatively slow in filling vacant positions with high-performing individuals that meet the company’s business requirements.**

### **DISCUSSION**

Recruitment is the process of attracting and selecting prospective candidates for positions in an organization. The trick is to find the right person to fill the specific need, either before the vacancy occurs or as quickly as possible after the vacancy exists. Organizations repeatedly state that “our people are our greatest asset.” However, recruitment is often cited by HR professionals as the primary issue that causes them the most headaches. In the past, companies expected job loyalty when recruiting employees, but the interpretation of loyalty has changed dramatically in the past 15 years with new and younger generations of employees. The most recent generational hires – Generation Xers, called Gen-Xers (born between 1960 and 1980), and Generation Yers, called Gen-Yers or millennials (born after 1980), have different attitudes and expectations about work than prior generations. Regardless, the one thing that has not changed is the need to have the company’s recruiting efforts aligned with its workforce requirements.

There are basically four distinct recruitment sources: employment agencies, recruitment websites and search engines, “headhunters” for executive and professional recruitment, and in-house recruitment. The sourcing of the potential candidate usually involves the same methods – advertising, screening, and selecting using tests and/or interviews.

Successful companies recognize how important it is to have a clearly defined recruiting strategy linked to the company’s identified workforce needs. Recruiting strategies may be complex or simple, depending on the position and the critical skills and competencies required in a candidate. Strategies usually involve all or most of the following elements:

- The primary goals of recruiting;
- The prioritization of jobs;
- The performance level to target;
- The experience level to target;
- The employment status of the candidate to target;
- When to search;
- Where to search;
- Who does the recruiting;
- The primary sourcing tools;
- What skills to assess;
- How to assess the skills; and
- Primary selling points to offer the candidate.<sup>23</sup>

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<sup>23</sup> Sullivan, Dr. John. “*Recruiting Managers, Do You Really Have a Recruiting Strategy?*” (November 15, 2004).

Successful companies also know that to keep good people, you have to hire good people. It doesn't make good business sense to just hire to fill positions. While it may take time to find the right people, research shows that having a strategic plan for both hiring and retaining employees leads to reduced HC costs overall.

Research conducted during the evaluation shows that recruitment practices in leading companies have similar characteristics when it comes to executing their recruitment strategies.

- Successful companies have streamlined their recruiting and hiring processes with the use of technology for an eRecruitment approach. Consequently, all job applications are submitted on-line and the applications are then screened to select who to interview.
- Companies normally establish and designate their recruiter positions solely for the purpose of finding the best talent available. The function is singular in performance and typically centralized within the company in the HC department.
- Efficient recruiters use a variety of recruitment methods to attract job candidates – newspaper ads, internet job sites, job fairs, campus recruitment, college alumni networking, and internal and external referrals. In fact, most have a waiting list of talented people who have a desire to work for the company.
- The attraction of talent to a company is primarily viewed as a “marketing issue,” whereby the company is able to brand itself as an “*Employer of Choice*” and develop a positive image in the marketplace.

## **RECRUITMENT AT AMTRAK**

The HR&DI Department has identified 21 HR employees as “recruiters.” This in-house recruitment approach is accomplished by two HR officers<sup>24</sup> designated as recruiters for the corporate office and 19 recruiters spread amongst the division field offices. Included in this total of nineteen recruiters are two directors and four managers located in the five HR division offices. None of these 19 identified recruiters are designated to solely recruit; they are also expected to perform other daily HR activities (i.e., staffing functions) in addition to completing their recruitment quotas.

The recruitment process at Amtrak to fill a vacant position is basically a manually driven system using a series of Amtrak accepted forms that require full completion at various steps of the process; along with escalating levels of sign-off authority from the beginning to the end of the process. The “how to” explanations for either establishing a new position, filling a vacancy or selecting the best candidate, are detailed in the “Guide to Human Resources for Amtrak Managers and Supervisors,” of October 2007. While the basic steps involved with each of the above processes are specified, the amount of time required between each step may run from hours to days, and to weeks. This does not account for additional time required when information is required to be re-done or the form is required to be re-submitted. The HR&DI

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<sup>24</sup> HR identified 20 employees who perform recruitment activities. One of the two recruiters located at corporate headquarters took a position in another department and the HR&DI Department has not yet filled the position.

Department has calculated, on the average, it takes 72 days from HR's first notification of a vacancy to the selection of (offer made to) a candidate.

Field interviews with line managers and senior division personnel voiced their overall frustration with Amtrak's recruiting process. We continually heard that the recruitment process is overly reactive, cumbersome, and time consuming. We were told that it is often difficult to get a job filled quickly. Many managers told us that the recruiters were, in many cases, simply filling jobs and not really recruiting to get the best qualified person for the job. The managers interviewed were appreciative of the hard work performed daily by the recruiters, but were frustrated with the current process and length of time to fill a vacancy.

In similar fashion, during our interviews we learned that the HR managers were frustrated that the departments could not better predict their recruiting needs. One exception to this is in Transportation. Transportation and the HR&DI Department work well together in identifying annual requirements. Transportation projects their annual needs for on-board service positions by division and geographic location – engineer, conductor, assistant conductor, chef, food specialist, lead service attendant, service attendant and train attendant - and develops a plan. The HR&DI Department then recruits for each vacancy request and maintains a planned flow of new talent throughout the year.<sup>25</sup> However, other departments have not predicted their annual requirements like the Transportation area and the recruitment process is essentially reactive to their weekly and/or monthly needs.

During our interviews, we learned that Amtrak does not have a formal recruitment strategy and is not utilizing other recruitment approaches used by leading firms. For example, we were told that Amtrak is not extensively using career and college job fairs, partnering with universities, or networking with alumni offices for specific degreed or certification requirements. In another example, the HR&DI Department discourages the use of newspaper ads for recruiting certain positions, while some departments insist on their use. Our current research agrees with HR's approach, as it shows that the people who may be the best qualified candidates for certain jobs generally do not necessarily read newspapers. We also found that the Employment Diversity Office within the HR&DI Department is conducting college-based recruitment efforts without collaboration with the HR Operations Support (Recruiting and Staffing) Branch, also within the HR&DI Department. This duplication of effort and absence of coordinated communication is inefficient and ineffective.

## **BENCHMARKING**

A company's ability to acquire and retain high-quality talent is critical to its organizational success. Integral to the recruitment process at leading companies is the use of performance metrics to gauge the efficiency and effectiveness of their efforts. Companies typically use one or more of the following four metrics to measure how well they are performing recruiting:<sup>26</sup>

- 1) Recruiting costs per hire;
- 2) Elapsed time from job requisition to offer;

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<sup>25</sup> Although this process reduces the vacancy rate in Transportation, if employees do not attrite as predicted in the annual plan, there is a potential to be overstaffed. We understand this recently occurred in Chicago, IL.

<sup>26</sup> PricewaterhouseCoopers. "Global Best Practices, HR Quantitative Benchmarking Tool." (March 2009).

- 3) Percentage of offers accepted; and
- 4) Percentage of non-entry level positions filled internally.

We compared Amtrak’s 2007 performance in these metrics with other companies in the PwC and SAP benchmark databases. Each of the benchmark reports received compared Amtrak’s performance against select categories of companies and then all companies in their database. We show these comparisons in Table 5 below:

2007	Amtrak <sup>27</sup>	PwC Worldwide	PwC North America	SAP All Companies	SAP Large Companies
<b>HR BENCHMARK</b>					
<b>1</b> Recruiting costs per new hire	\$2,894	Internal: \$ 617 External: \$3,887	Internal: \$ 777 External: \$4,976	\$1,538	\$4,366
<b>2</b> Elapsed time from job requisition to offer	73 days	46 days	51 days	65 days	53 days
<b>3</b> Percentage of offers accepted	97.80%	85.50%	86.60%		
<b>4</b> Percentage of non-entry level positions filled internally	59.60%	38.40%	24.70%		

**HR Benchmark Comparison  
Table 5**

Several observations were made from the benchmarking studies:

- Amtrak’s recruiting costs appear to be in line with most of the companies in the benchmark reports. However, based on our interviews, we suspect that the cost estimate provided for recruiter time spent per new hire (1 hour) is too low. Even with a slight upward adjustment, the recruiting costs still appear to be in line with other companies.
- Amtrak’s time to fill a vacant position is longer than most companies.
- Amtrak appears to do very well in candidates accepting job offers.
- Amtrak fills more of its non-entry level positions from internal candidates than other companies. This would generally seem to be a positive thing, indicating a certain level of career pathing in use at Amtrak. (The OIG will issue a separate report in the near future

<sup>27</sup> Recruiting costs were provided by the Senior Director of HR Operations. The total recruiting costs include the recruiter’s salary and benefits and any expenditures associated with recruiting (i.e., cost of the recruiting tool used, relocation costs and pre- and post-testing).

on employee training and development.) However, the real judge of whether this is the correct level of internal versus external hires would be to compare this percentage to the goals laid out in the HC strategic plan.

We also benchmarked Amtrak’s recruitment process and data through interviews with NS Railway. We found that the recruiting process at NS Railway appears to be particularly effective and efficient. For example, when benchmarking NS Railway, we found that all job applicants are required to file job applications electronically through an on-line system. The application is then screened by a contractor for the required knowledge, skills and abilities, and requisite experience. NS Railway employs seven full-time recruiters and three contract recruiters, with a centralized recruitment process for the entire company. The recruiters are dispatched throughout the system to conduct hiring sessions for defined positions when the candidate pools are completed. The employee tapped to be a recruiter usually comes from a field line position. Since a recruiter is required to have previously worked in a field operations position, they bring the applicable understanding and experience of what it means to work a job like a trainmaster, mechanical superintendent, or terminal manager to the HR job. It is understood that after 2 to 3 years as a recruiter, he/she will transition back into a field management position of increased responsibility. Listed below is a comparison of NS Railway and Amtrak recruitment activities for calendar year (CY) 2007:

<b>CY 2007</b>	<b>Amtrak</b>	<b>NS Railway</b>
<b>Total Employees</b>	19,384	30,301
<b>Hires</b>	1,631	2,594
<b>Recruiters</b>	21	10
<b>Hires per Recruiter</b>	117*	259**

**Comparison of Amtrak and Norfolk Southern Railway CY 2007 Hires  
Table 6**

**NOTES:**

\*The Amtrak recruiters perform other HR staffing duties on a daily basis in addition to their recruitment responsibilities. HR leadership estimated that the recruiters spend approximately two thirds of their daily time focused solely on recruitment. Thus, the 21 recruiters equate to 14 on a full-time basis:  $1,631/14 = 117$ .

\*\*NS Railway employs seven full-time recruiters and three contract recruiters:  $2594/10 = 259$ .

The NS Railway recruitment operation compared to Amtrak’s is significantly different. The NS Railway model follows the best practices seen in successful companies and utilizes the eRecruitment approach.<sup>28</sup> This business software uses an established recruitment strategy that includes the following: developed selection criteria; job requirements/qualifications and requisitions; established job postings with defined hiring steps; and analytical reporting. Overall, the NS Railway recruiting approaches appear to be over twice as efficient in hires per recruiter as Amtrak.

<sup>28</sup> eRecruitment, an SAP module, is underdevelopment and will be rolled out for Amtrak’s HR&DI Department by the IT Department during the EIM Phase III Project this CY 2009.

## **CONCLUSION**

Assuming every job is important and required, then a vacant position potentially causes disruption, lower productivity, higher costs and/or work somewhere doesn't get accomplished. Over time, managers in the field react to a cumbersome hiring process by overstaffing, anticipating they will always be carrying several vacant positions. The problem with this reaction is that it is practically impossible to accurately anticipate where every vacancy will occur and, therefore, the extra staff may never end up in the right places. Obviously, it is to everyone's benefit to fill vacancies as quickly as possible.

Benchmarking data indicates that the recruiting process at Amtrak can be improved from a cost and timeliness perspective. Although the majority of the process is controlled by the HR&DI Department, all of the stakeholders need to be ultimately involved to fully optimize the process. To accomplish this, we feel Amtrak needs to focus on these initiatives:

- Re-examine the current recruiting process and look for ways to improve it. Although Amtrak's recruiting costs appear to be in line with those in the PwC and SAP databases, our benchmarking against NS Railway suggests that there are opportunities to improve Amtrak's current recruiting process. During our interviews we heard beneficial ideas from the field that could be incorporated into a reengineered process. Additional sources and techniques to attract candidates should be considered. A centralized versus decentralized approach should also be examined. Finally, stakeholders should be consulted to fully understand their needs and ideas.
- A documented HC recruitment strategy should be developed with company stakeholders input and tied closely to Amtrak's strategic workforce planning effort. The strategy should also focus on critical, hard-to-fill positions and then address the entire company's recruitment effort. This will ensure that recruitment goals, priorities and approved methods are clear to everyone. It will also ensure consistent application of recruitment policies throughout Amtrak.
- Continue to improve the use of technology by fully adapting an eRecruitment approach. This approach is already envisioned in the Employee Information Management (EIM) Project and must be fully supported. The HR&DI Department needs to have the required HR data and talent available prior to implementation of the SAP modules that are scheduled for roll out in 2009 and 2010.

## **RECOMMENDATIONS.** We recommend that:

3A. Amtrak look closely at its current recruitment process to eliminate redundancies and realize efficiencies, both in cost and time to hire.

3B. Amtrak create an overall HC recruitment strategy, involving all stakeholders, which identifies Amtrak's critical positions and the techniques to be used to fill them as quickly as possible.

3C. Amtrak continue to support the full implementation of the company's EIM Phase III and IV projects with regard to eRecruitment.

## C. RETENTION

### FINDING No. 4: Amtrak does not have a coordinated retention strategy.

#### DISCUSSION

Workforce retention is a fundamental business concern for most companies. Each time a company loses an employee, it costs money. Recruiting, selecting, and hiring a new employee costs a company time and money, even if the company is very effective and efficient in these areas. Once hired, the company must orient and train the new employee. In some cases, the knowledge and talent lost takes years to fully replace. In addition, high turnover leads to lower productivity and may lead to higher overtime costs. Overall, an unstable workforce impacts the company's bottom-line.

#### RETENTION STRATEGIES

Successful companies who work to retain their people understand the costs of attrition, and position their company as a brand that employees want to be associated with for their career. These companies understand that there needs to be a balance between what employees want in their lives and what is needed to run the company. "The quality of the people employed is central to building the quality of the company. The key to retention is found in a strategy that considers an employee's personal goals (i.e., career development, recognition, and rewards) and the aspirations they possess for their organization."<sup>29</sup>

If retention is such an acknowledged issue with companies, then why do employees leave in spite of the company's best effort to retain them? The Saratoga Institute<sup>30</sup> conducted a survey and found that 89 percent of managers believe employees leave for more money. Conversely, the survey found that 88 percent of employees leave primarily for reasons other than money.<sup>31</sup>

According to the Saratoga Institute survey, the top three reasons most frequently mentioned by employees for leaving an organization are:

- **Poor management** – uncaring and unprofessional managers; overworking staff; no respect; not listening; putting people in the wrong jobs; speed over quality; and poor manager selection process.
- **Lack of career growth and advancement opportunities** – no perceivable career paths; not posting job openings or filling from within; favoritism or unfair promotions.
- **Poor communication** – problems communicating top-down and between departments; after mergers; and between facilities.<sup>32</sup>

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<sup>29</sup> "Your New Core Strategy: Employee Retention." HBS Working Knowledge for Business Leaders, 26 November 2003:1.

<sup>30</sup> A PricewaterhouseCoopers HR Services company.

<sup>31</sup> "The Real Reason Why Employees Leave." International Association of Administrative Professionals. 2005. <<http://www.iaap-hq-org>>.

<sup>32</sup> Branham, Leigh. "The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act Before It's Too Late." AMACOM Publishers. (2005).

In benchmarking retention strategies, we discovered some simple, workplace-based approaches that are employed by senior leadership at companies who are successful in retaining employees:

- “Focus on the individual – create a work environment that allows for flexibility, growth and development.
- Senior management builds this type of environment which enables individual managers to provide meaningful and fulfilling work experiences for their teams of employees.
- Provide work that best suits an individual’s particular interests and preferences – get people engaged and solicit their ideas.
- Consider how flexible work schedules can accommodate employees, where possible.
- Give people a sense of empowerment to take risks, use their own best judgment and be accountable for their decisions.
- Establish open communication and be available and accessible for employees.
- Consider tying retention rates to a manager’s variable compensation and/or reward managers who help employees move to another work group in the company.
- Conduct company-wide employee commitment surveys to establish a clear baseline of employee opinions and priorities.
- Conduct employee culture surveys as well as company-wide ‘stay interviews’ to let people know how important they are and to find out what kind of things will keep them in the company.”<sup>33</sup>

The practices listed above are relatively simple in their approach and execution. They are basic building block principles for employee engagement. They build a culture of retention where the most fundamental of questions that are asked by employees are continually answered in the positive by senior management: “Is my work valued? Does my opinion count? Are new ideas welcomed? Are people treated with respect? Am I evaluated and rewarded on my performance? Does leadership act with integrity? It really does come down to how people are treated and if they think the company is being fair and honest.”<sup>34</sup>

It is not only important to ask employees what they think while employed with their company, it is also important to perform exit interviews with employees who decide to leave the company. This important information provides the ability to determine themes and trends as to why employees decide to voluntarily leave their jobs. A company needs to know what is going on in a particular area or department that experiences either sudden or continued resignations.

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<sup>33</sup> “Your New Core Strategy: Employee Retention.” HBS Working Knowledge for Business Leaders. 26 November 2003: 1.

<sup>34</sup> Ibid.

This data should be compiled, analyzed and shared with the affected departments and senior management. This is an important piece of information for companies if they want to learn how to improve their retention rate as well as address management issues.

**TURNOVER RATES**

Amtrak’s overall turnover rate has annually averaged about 10 percent, with a voluntary turnover rate of about 6 percent and an involuntary rate of about 4 percent. We compared Amtrak’s 2007 turnover rates to other companies using benchmark reports prepared by PwC and SAP. Each of the reports compared Amtrak’s performance against a select sample of the companies and then all companies in their database. We show both comparisons in Table 7 below:

<b>2007</b>	<b>Amtrak</b>	<b>PwC Worldwide</b>	<b>PwC North America</b>	<b>SAP All Companies</b>	<b>SAP Large Companies</b>
<b>Turnover Rate</b>	9.9%	13.7%	16.7%	24.0%	16.9%
<b>Voluntary</b>	6.3%	9.6%	11.0%	10.5%	8.4%
<b>Involuntary</b>	3.6%	4.1%	5.7%	13.5%	8.5%

**Amtrak’s Attrition Comparison  
Table 7**

As seen from the table, Amtrak’s turnover rate is lower than most companies. Anecdotally from our interviews, it appears this is because of Amtrak’s generous health care and retirement benefits. It appears that once employees are vested, the majority tend to stay for their entire career. To test this, we looked at turnover rates based on years of tenure (service). The analysis shows that the attrition rate is significantly higher in the first 5 years of employment. Therefore, although Amtrak’s overall attrition rate is low, its turnover amongst new employees is more in line with the average for other companies and a potential area of concern.

Just recently, Amtrak reported a turnover rate of just 2 percent. This appears to be related to the slowing economy and a reduction in hiring by competitors. However when the economy rebounds, it is expected Amtrak is unlikely to sustain a low turnover rate, absent taking actions specifically targeted to address retention.

**RETENTION AT AMTRAK**

We were told that there is no defined retention strategy at Amtrak. Apparently, because the turnover rate is fairly low and Amtrak has been in a downsizing mode for several years, retention has not been seen as a high priority. Thus, even though the company continues to hire replacement employees annually (1,631 employees in 2007), there does not appear to be a concerted effort to understand the root causes that drive employee decisions to voluntarily leave the company or to systematically address the issues.

**(1) Exit Interviews** – In the past, Amtrak did not uniformly conduct exit interviews with employees who voluntarily resigned. Only since the fall of 2007 has the company attempted to utilize exit interviews. We found a three-fold problem with the current approach. First, exit surveys are not mandatory and a process is not in place to at least offer all departing employees the opportunity to participate. Second, Amtrak compiles the data, but does not analyze it. A monthly report is generated to show the exit survey results, however, the report data that we examined from October 2007 through July 2008 was cumulative. This cumulative data did not provide trends or themes. It also did not track any improvements that may have been made to address reasons for employee departures. The reports showed that 43 percent of the exiting respondents during that period indicated that morale was not good and 37 percent reported that they were leaving because of the lack of career advancement opportunities. Third, there was no attempt to share this data or use it as a feedback mechanism with the departments to identify problem areas or opportunities for improvement.

**(2) Surveys.** Since we started this evaluation, two internal surveys of the workforce were conducted. One was on workplace culture and the other was on employee satisfaction. Prior to these surveys, the last Amtrak internal survey conducted to assess employee attitudes about work and job satisfaction was in the mid 1990s. Listed below are the two surveys distributed during the HCM evaluation period.

- **Employee Satisfaction Survey.** As part of an employee satisfaction initiative, the Marketing and Product Management (M&PM) Department partnered with the HR&DI Department and issued a company-wide Employee Satisfaction Survey that assessed the drivers for employee satisfaction, company-wide and by department. Results were compiled by WB&A Market Research in November 2008. In identifying the areas that have the greatest impact on employee satisfaction, several key drivers were reported as issues that prevent higher levels of employee satisfaction at Amtrak. Not surprisingly, many of these issues are the same ones that we have discussed previously that are associated with employee retention. These key drivers included: *“Amtrak’s commitment to quality customer service, communications (particularly inter-departmental), Amtrak’s respect and commitment to its employees, teamwork and pay/salary.”*<sup>35</sup> The report went on to say, *“Many employees believe that Amtrak’s stated commitment to quality customer service is not sincere. Communications from Amtrak lack credibility. Employees do not believe that Amtrak encourages inter-departmental communications and teamwork. Further, they feel that the blame game is played whenever a mistake is made. Employees feel hindered from doing their jobs, both by their own department as well as from upper management. Rather, they seek better feedback and coaching from their supervisors, and support from Amtrak to help them do their jobs well.”* The report suggested that to mitigate these concerns, *“...inter-departmental teamwork and communications, as well as treating co-workers with respect, dignity, and appreciation should be immediately and actively promoted at Amtrak, both vertically and horizontally.”*<sup>36</sup>
- **Strategic Asset Management (SAM) Culture Value Analysis Survey.** The SAM Team initiated an internal employee climate survey through Accenture to 11,617 employees in January 2009. This on-line and paper survey was designed to assess each

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<sup>35</sup> “Amtrak Employee Satisfaction Survey.” WBA Market Research. November 2008: 4.

<sup>36</sup> Ibid.

department's operational strengths and weaknesses to guide the SAM deployment throughout the company. Results were compiled in February 2009 and briefed to the respective departments. Regarding the issue of retention, seven questions were targeted on the survey to gauge Amtrak's commitment to "*talent management*" (four questions) and "*supporting employee growth*" (three questions). On average only 20 percent of the responses were in agreement that Amtrak was addressing these two important areas. The scores for both *talent management* and *supporting employee growth* were among the lowest overall and also for the individual departments. Concerns about employee retention were highlighted in the results summary as follows, "*Amtrak's weakness in supporting employee growth, talent management, and trust should be a focus for improvement to retain the "next generation" of employees, who may be concerned or skeptical about their career development opportunities at Amtrak.*"<sup>37</sup>

## **CONCLUSION**

Amtrak has estimated that 30 percent of its workforce (agreement covered and non-agreement covered employees) will be over age 60 and eligible to retire within the next 5 years. This equates to approximately 6,000 employees.<sup>38</sup> In 2009 alone, more than 2,500 of the 6,000 employees mentioned above are eligible to retire. Although eligible, it is believed some of these employees will delay retirement because of the recent drop in 401(k) retirement investments and other factors caused by the current recession. While Amtrak may have bought a couple of years because of delayed retirements, the wave of retirement eligible employees is growing and will eventually crest. If Amtrak isn't doing everything it can to retain high performing employees, the normal turnover numbers on top of the large number of potential retirements will become overwhelming.

As stated previously, retention has not been a priority to Amtrak in the past. An effective HC strategy acknowledges the desire to keep a stable workforce and addresses retention strategies to achieve that goal. Now is the time for Amtrak to make this a priority and to develop a corporate-wide retention strategy, before it is too late.

A related issue caused by the large number of impending retirements, is the need to have a strong knowledge transference process in place prior to employees departing the company. Amtrak should make efforts to manage the "corporate memory" of the people who have been at Amtrak for many years in an attempt to keep from losing technical and historical knowledge.

We applaud the recent initiatives to survey the workforce. Research shows that general employee satisfaction surveys are useful when done as a standard practice. Employees need to be surveyed throughout their full employment work-cycle. Employee monitoring needs to be a continuous and frequent practice and exit interview information needs to be distributed to senior management to drive organizational change.<sup>39</sup>

Another potential reason that Amtrak has not focused on retention is that, until recently, the true cost of turnover to the company has not been analyzed for use in the development and

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<sup>37</sup> Accenture. SAM Program Culture Value Analysis: *Presentation of Findings, Executive Summary*. February 2009: 6.

<sup>38</sup> Source: SAP/HR Manpower Planning document (headcount). (November 2008).

<sup>39</sup> "*Retention Strategies for 2006 and Beyond.*" Monster Intelligence. 2006, Winter ed.: 8.

implementation of a retention strategy. Amtrak needs to understand what it costs the company when an employee leaves. These costs should include the loss of productivity, the collective costs to recruit and hire a candidate (i.e., the recruiter's time and salary) and the subsequent training costs. The HR&DI Department recently estimated the cost of turnover as \$11,135 for agreement covered employees and \$6,497 for non-agreement covered employees, but we do not feel that all costs were included. Only by knowing the true employee retention issues and associated costs can the company prioritize retention strategies.

Finally, Amtrak received invaluable employee satisfaction data from the two recent surveys discussed earlier in this section. It is vitally important that the company take this information and address the survey results. Amtrak should identify who in the company has the responsibility for reviewing and developing action plans to address the key drivers of employee satisfaction associated with these retention issues.

**RECOMMENDATIONS.** We recommend that:

4A. Amtrak develop a corporate retention strategy that aligns with and supports the overall HC strategic plan.

4B. Amtrak develop a plan that addresses knowledge transference that must occur from the thousands of Amtrak employees that will retire over the next several years.

4C. Amtrak develop an updated estimate of the comprehensive cost of employee turnover for agreement covered and non-agreement covered positions to assist in the development of the company's retention strategy.

4D. Amtrak fully analyze the results from the recent employee surveys and develop comprehensive action plans to address the issues affecting employee satisfaction and morale.

## D. TECHNOLOGY

**FINDING NO. 5. Amtrak does not currently have the information technology tools needed to perform its HR functions effectively and efficiently.**

### **DISCUSSION**

As discussed previously in this report, Amtrak employs approximately 360 employees throughout the company to provide HR services. To evaluate the adequacy of this number of employees, we benchmarked the amount of resources Amtrak devotes to these functions against other similarly sized companies. We looked at two metrics to judge how effectively and efficiently Amtrak performs its HR services:<sup>40</sup>

- Employees per HR FTE
- HR cost per employee

Based on information obtained from the HR&DI, Finance, IT, and Operations departments, the number of Amtrak employees per HR FTE is 52 and the HR cost per employee is \$2,864<sup>41</sup>.

We compared Amtrak's metrics to other companies using reports we obtained from PwC and SAP, as shown in the following table:

<b>2007</b>	<b>Amtrak</b>	<b>PwC<sup>42</sup></b>	<b>SAP<sup>43</sup></b>	<b>SAP<sup>44</sup> Q1</b>
<b>Employees per HR FTE</b>	52	71	150	310
<b>HR cost per employee</b>	\$2,864		\$1,702	\$361

**Amtrak's HR FTE and Cost Comparison  
Table 8**

As can be seen from the table, Amtrak has more employees performing HR services than most similar size companies. In addition, Amtrak spends more to perform HR services than other companies. Although, there could be extenuating circumstances that may cause Amtrak to spend more in these areas than other companies, this comparison indicates that opportunities to improve efficiency exist. One such area where improvements can be made is with regard to the use of technology.

<sup>40</sup> HR services include recruiting, hiring, training, compensation, employee relations, LR, managing diversity, maintaining employee records, payroll, and time and attendance.

<sup>41</sup> These numbers were calculated by SAP in their benchmark report based on the HR data provided by the HR&DI, Finance, IT and Operations departments.

<sup>42</sup> PwC data is the average value for large companies with a headcount between 5,000 and 30,000 employees.

<sup>43</sup> SAP data is the average value for large companies with a headcount between 10,000 and 50,000 employees.

<sup>44</sup> SAP data is for the top quartile (Q1) of large companies with a headcount between 10,000 and 50,000 employees.

## **HUMAN RESOURCES AND INFORMATION TECHNOLOGY AT AMTRAK**

During our company-wide interviews with division and department managers, as well as HR employees, we continually heard about their frustration with the manual HR processes for service delivery. The HR&DI Department is universally viewed as behind in technology with too many manual processes. Senior HR leadership realizes that the SAP system must be fully functional to eliminate many of the redundancies inherent with the current manual processes.

Amtrak is not unique in this regard. “Many HR departments struggle to streamline not just the on-boarding process, but the workforce event automation processes surrounding all the key milestones that their personnel experience in the workplace, from interviewing and on-boarding to training and talent management, from transfers and promotions to compensation and performance reviews.”<sup>45</sup> Historically, technology tools have often lagged behind in HR management, where both legacy systems and newly acquired systems have proven to be a challenge when combining them. This has also been the case at Amtrak.

Amtrak has realized the need to eliminate cumbersome, manual processes and leverage the capabilities of advanced technology. Unfortunately, change has been much slower than desired. Amtrak has been continually engaged in implementing SAP software for payroll and information management purposes since the late 1990’s. In 2007, a reinvigorated effort was undertaken to establish the SAP system as Amtrak’s Employee Information Management (EIM) system. Through a shared partnership between the IT and HR&DI departments, an EIM implementation strategy was developed to improve HR processes that were basically paper-driven, transactional, and reactive in design and execution. A total of four EIM Phases were envisioned to allow for the implementation of a series of software enhancements to the existing SAP system over the 5 years between 2007 through 2011. These software enhancements were designed to improve and automate how HR services are delivered.

The EIM Phase I (known as the iTrak Project) went live in December 2006. The project upgraded the SAP system from 4.0 to ECC 6.0 (the most current version of SAP) and established the baseline processes, data structure, and systems for subsequent projects.

The EIM Phase II project was designed to run from April 2008 through early February 2009. Five new SAP functional modules were added to support the EIM system: (1) Employee Self-Service (ESS); (2) Manager Self-Service (MSS); (3) Compensation Management (Comp); (4) Business Intelligence Reporting (BI); and (5) Enterprise Portals (EP). In addition, to support the future state of single sign-on capabilities, the EIM Project included the initial scope for the Identity and Access Management (IAM) Project. These five SAP modules were designed to allow more automation and employee self-service access to better manage employee personal information and/or provide analytical tools for standardized business reporting and decision making. A pilot group used these modules from September 2008 through January 2009. To date, the EIM Project Phase II project accomplishments are as follows:

- Introduced a new merit pay process (compensation management);

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<sup>45</sup> Bearing Point, Inc. *Human Capital Management: “Automate and optimize key human capital processes.”* 2008: 1.

- Introduced a more user-friendly web-entry transaction for employee leave requests with access to online leave entitlement balances (ESS);
- Provided managers the ability to view leave request information for their employees and to perform workflow assisted approvals and denials (MSS). This established the technical foundation to develop and implement future self service functionality;
- Allowed the business users to generate their own organization's analytic reports through the business intelligence reporting system; and
- Implemented IAM as the foundation for all future single sign-on functionality.<sup>46</sup>

Amtrak started implementation of EIM Phase III project in January 2009. This phase also consists of five discrete SAP software modules:

- Employee Self Service/Management Self Service;
- eLearning;
- eRecruiting;
- Qualifications; and
- Business Process Reengineering (BPR).

The current EIM Phase III project is scheduled to run into 2010. After implementation, these five Phase III modules are designed to give HR enhanced automated capabilities in the areas of talent management, workforce process management, HCM service delivery and workforce planning and analytics. Funding was recently secured in FY 2009 and approved for the completion of this EIM Phase III project implementation.

In early 2009, the HR&DI Department began development of a “Shared Services Center” to integrate the EIM Phase III project SAP modules with the HR service delivery roles and processes. The goal is to consolidate and standardize the HR operational functions to improve SAP data accuracy and reliability around HCM technology. Implementation of this service delivery model is scheduled for the first quarter of 2010.

The EIM Phase IV project is planned to address career and succession planning and is scheduled to begin in third quarter of 2010.

The current SAP system has the capability to provide the relevant and reliable HRIS data necessary to make fact-based HR decisions; however, as discussed above, it is not yet fully operational in all areas. Individual EIM Phase III project teams are currently identifying and developing the respective EIM processes discussed herein. Full system EIM implementation is not scheduled for completion until 2011.

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<sup>46</sup> Employee Information Management Program Overview. EIM Phase 2 Project Accomplishments. January 2009: 7.

## **CONCLUSION**

Technology is the critical enabler if Amtrak is to successfully deliver efficient HR services to the workforce. The employee self-service automation will begin the transference from manual, paper driven, transactional-based processes to automated self-service based processes. The one portal consolidation for employee access to the HRIS data-base will allow improved data management.

The future looks bright, but much of the EIM vision is still under implementation or in design development. Amtrak must continue to support the EIM projects if they want to realize the improved efficiency and effectiveness that is possible. Based on our benchmarks, Amtrak could potentially save \$23 million<sup>47</sup> if they reduced their HR cost per employee to the SAP average of \$1,702 (for other large companies in the SAP database) and could save \$50 million annually<sup>48</sup> if Amtrak could perform in the upper quartile of large companies. Although, not insignificant in itself, the savings in the overhead spent on HR services is only part of the benefits to be gained. Lower turnover, greater productivity, improved morale, less overtime, and lower training costs are all benefits that are achievable through more efficient and effective HR services. Investing in improved technology and reengineered processes makes good business sense.

**RECOMMENDATIONS.** We recommend that:

5A. Amtrak fully support and complete the implementation of EIM Phase II through IV projects.

5B. Amtrak take full opportunity during EIM implementation to reengineer current business processes to make them as efficient and effective as possible.

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<sup>47</sup> HR cost savings:  $\$2,864 - \$1,702$  (SAP average of large companies) =  $\$1,116 \times 20,000$  employees = \$23 million.

<sup>48</sup> HR cost savings:  $\$2,864 - \$361$  (SAP Quartile 1 for large companies) =  $\$2,503 \times 20,000$  employees = \$50 million.

### 3. STRATEGIC ORGANIZATIONAL STRUCTURE

#### **FINDING NO. 6. Amtrak is not optimally organized to support strategic management of human capital.**

#### **DISCUSSION**

Strategic HCM focuses on an organization's business strategy through talent management and leadership development activities. Traditionally, HR offices performed administrative and transactional functions, but were not aligned strategically to an organization. With the increased need for organizations to collaborate across geographical and functional boundaries to support common strategic goals and objectives, alignment has become increasingly more critical to achieving organizational effectiveness. Organizational design is a key to ensuring effective implementation of HCM. It aligns an organization's structure to its mission by looking at the relationship between tasks, workflow, delegations of authority, allocation of resources, communication methods and decision-making within an organization.

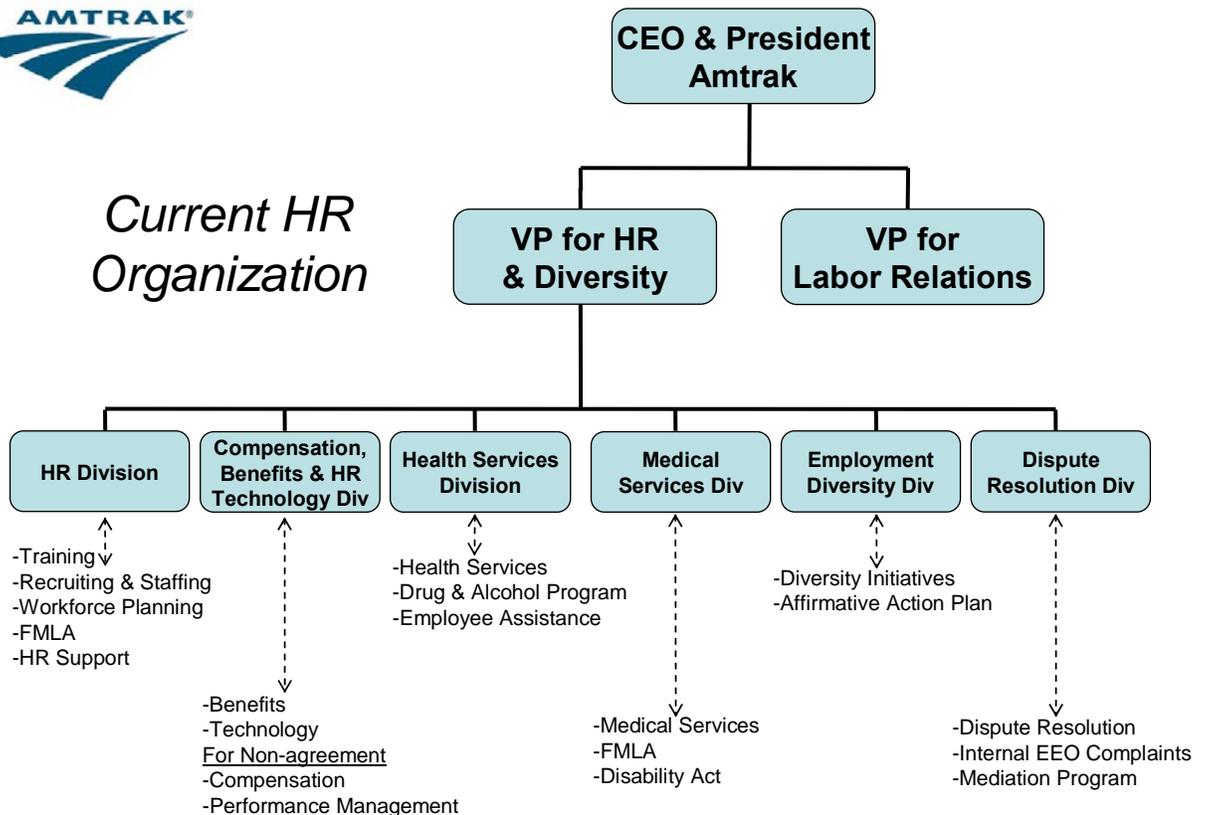
The organizational design of a company reflects its efforts to respond to changes, integrate new elements, ensure collaboration, and allow flexibility. Managers must make choices about how to group employees to perform their work. Good organizational design helps communications, productivity and innovation. It creates an environment where people can share new ideas and work effectively. Many productivity and performance issues can be traced back to poor organizational design. A company can have a great mission and top performing employees, and still not perform well because of poor organizational design. Proper organizational structure helps in maximizing the efficiency and productivity of the organization. Such a structure facilitates coordination by grouping individuals and efficiently intertwines employees with means of communication.

During this evaluation Amtrak's organizational design was examined to determine if the company was best structured to support strategic HCM, while at the same time avoiding excessive layers and redundant operations. Several alignment factors were taken into consideration that included the environment, strategy, people, company culture, and formal organizational structure. The current HR organization is shown in Figure 1 on the next page. The analysis found that the current structure does not optimally support mission-focused HC strategies.

In addition, as further described in this section, we found that HR functions are performed in multiple departments with efforts often duplicated; are not based on clearly defined roles and responsibilities; and are not structured to support collaboration between employees.



*Current HR Organization*



**Amtrak's Current Human Resources Organizational Structure  
Figure 1**

The following are primary areas where restructuring would be advantageous to supporting the company's strategic vision and in carrying out strategic workforce planning:

- The majority of the company's HR functions reside within the HR&DI and LR departments. Although the departments work together to resolve emergent issues, the majority of managers and employees we talked to felt the departments function largely in stove pipes with only limited collaboration. The company's labor contract negotiation strategy, administered by the LR Department, has not historically been aligned with the challenges of recruiting, developing and retaining employees. The alignment and separation of these important functions has reduced their ability to effectively collaborate and conduct business as a team. Neither department views the whole picture and, therefore, they are hampered in making the best possible decisions to support all parts of the company.
- Medical Services and Health Services are two separate divisions within the HR&DI Department. However, they share one budget administered by the Health Services Division. We were told roles and responsibilities are not clearly defined between the division heads or their respective employees, and collaboration is minimal.
- The Assistant VP of the HR Division within the HR&DI Department also manages the department budget. Because of this, the VP of the HR Division has extensive influence

over the other five divisions, although she has no supervisory responsibility in these areas. The Assistant VP's span of control and responsibilities are not clearly defined or understood by employees within the department. Many HR employees expressed their frustrations to us about this.

- The HR&DI Department stood-up a Workforce Planning Unit in 2006. Recognizing the limitations of what this two-person unit could achieve, the Chief Information Officer (CIO) has taken the initiative to create and fill a principal officer for IT HCM Strategy. Through this initiative, the CIO is moving forward in conducting the department's own workforce planning. Engineering also started an initiative to address career progression and succession planning for their degreed positions. Although these initiatives were coordinated with the HR&DI Department, there is a danger these effort will not be integrated into the corporate-wide effort since they we not conducted by the Workforce Planning Unit.
- Compensation, Benefits and HR Technology is a separate division within the HR&DI Department. Therefore, compensation and benefits (including retirement benefits) are organizationally separate from the HR Division, which conducts recruiting and staffing. These functions are so closely linked that having them in separate divisions causes seemingly unnecessary potential for miscommunication and/or lack of coordination. The Compensation, Benefits and HR Technology Division also oversees the HR technology for the department in support of the company's HR initiatives; determining technology priorities and the distribution of funds for the department. Ideally, having the HR Technology section managed outside of an individual division would provide for a more objective prioritization of department technology projects.
- Employment Diversity (ED) is an office within the HR&DI Department. The ED Office conducts Diversity Outreach (recruiting) while the HR Operations Branch (within the HR Division of the HR&DI Department) has overall responsibility for the company's recruiting. These offices do not have a joint recruitment strategy and do not collaborate effectively on recruiting initiatives.
- The Dispute Resolution Office (DRO) addresses internal equal opportunity issues. This office attempts to resolve issues at the lowest possible level and, hopefully, prevent a formal complaint and the added expense of litigation to the company. Originally DRO, along with Employment Diversity, was aligned to the Business Diversity and Strategic Initiatives Department within the company, reporting to Amtrak's President. DRO was realigned to the HR&DI Department in July 2007. This office's placement within the HR&DI Department does not allow it to function independently as it would if reporting to the Chief Executive Officer or Board of Directors, as many companies do. At best, the perception exists that the HR&DI Department has influence over the decisions and actions taken by the DRO staff in performing their duties. This significantly impacts DRO's ability to support the company's interests, as well as its employees.
- Training is conducted and administered throughout Amtrak in several places. The Employee Development Branch within the HR&DI Department provides or oversees the majority of training and conducts skill evaluations for Operations Department employees. However, additional operations training has been developed and is currently conducted

by the Operations Department in the Engineering, Mechanical, and Transportation areas. Training is also conducted or coordinated in other areas throughout the HR&DI Department. The HR Support Unit coordinates the Education Assistance, Management Associate, Intern and Co-op programs; and career counseling is conducted by employees within both the HR Support and the Family Medical Leave Act (FMLA) units. This decentralization of training at Amtrak has dispersed decision making authority and financial and management responsibilities for training. Although there are some advantages to decentralized training, the separate efforts must be closely coordinated or there is the potential for duplication of efforts and Amtrak's training resources will not be aligned with strategic priorities.

A realignment of the resources, as well as functional and leadership responsibilities, devoted to HCM should provide the following advantages:

- Increase collaboration, information sharing and communication;
- Clarify job responsibilities, reporting hierarchy and relationships with peers;
- Differentiate the "HR lines of business" that support the company and strategic HCM;
- Improve service-orientation and customer service;
- Build a structure that enhances the ability to achieve optimal performance;
- Provide a structure to build flexible cross-boundary workflows and to support business process reengineering (improving business processes);
- Minimize HR costs through consolidation of similar functions and elimination of duplication; and
- Achieve a strong strategic alignment to build the strategic workforce planning efforts.

An organization's design should reflect and support the organization's mission. If the mission changes significantly, or how the organization plans to accomplish its mission changes, it should be reflected by changes in the organizational structure. Not only will this support accomplishment of the mission, it will also send a tangible signal that things have or will change. This is the case with Amtrak in moving forward towards strategic HCM. Good organizational design and structure foster increased communications, productivity, and innovation. They create an environment where people can work effectively and promotes successful recruitment of qualified applicants, provides opportunities for employee job satisfaction and efficient utilization of employee skills, supports retention of a high-performing workforce, and facilitates established career paths.

**RECOMMENDATIONS.** We recommend that:

6A. Amtrak combine the HR and LR departments to form one HC Department. As part of this reorganization, combine and/or realign the divisions and branches within the new department to improve communication, accountability, collaboration, clarify job responsibilities, and provide a structure to support HCM. A suggested new organizational structure is offered for consideration in Appendix D.

6B. Amtrak create a single chief Human Capital Officer (HCO) position to lead the new department and the company's strategic HC planning initiatives. This position should also serve as the company's lead negotiator and spokesperson with the labor unions.

6C. Amtrak, as part of the reorganization, conduct HR competency assessments to identify gaps and then recruit and/or train staff to fill those gaps.

6D. Amtrak, as part of the reorganization, conduct an analysis of staffing levels to include considerations such as HR servicing ratio, HR staff distribution by expertise and experience, HR staff pay structure (band/zone) placement, HR supervisory ratio, and ratio of personnel actions to personnel staff.

## **Appendix A: Methodology**

Multiple techniques were used to collect evaluation information which included interviews, data collection and analysis, an OIG survey of the employees within the HR&DI Department, benchmark comparisons to industry and the railroad community, and railroad visits and interviews.

- Interviews. The team met with over a 125 Amtrak officials including senior leadership and middle management from every department. Also, all HR managers, and numerous agreement covered and non-agreement covered employees from across the company were interviewed.
- HR Data. Relevant HR data was collected from a variety of sources and analyzed. Some of the data collected included information about: the company demographics (i.e., number of employees, total pay, revenue); HR overall demographics (i.e., direct labor costs, contracted services, full-time equivalents); recruitment and selection (i.e., how many job titles exist, management positions with a succession plan in place, voluntary and involuntary separations); development and training of employees (i.e., types of training, training costs, training delivery methods); managing employee performance, recognition and reward (i.e., competency-based assessment and reward programs, performance reviews, incentive programs); benefits design and administration (i.e., retirement plan participation, benefits package, utilization of interactive voice response); and organizational effectiveness (i.e., media used to communicate to the entire workforce, feedback mechanisms).
- OIG Survey. An OIG survey of the employees within the HR&DI Department was conducted during May 2008 with a 54 percent response rate realized. Surveys were distributed electronically to 174 HR employees with 93 surveys completed and returned. On August 25, 2008, OIG team members provided the results of the survey to the HR&DI Department staff at the first-ever HR&DI Department all hands meeting.
- Benchmark Reports. Benchmark reports were received from PwC and SAP comparing Amtrak HR data to other companies with similar demographics in their respective databases. The PwC benchmark reports compared the data provided by Amtrak to their database containing responses from other companies in three categories: All companies worldwide, only those in North America, and in large companies between 5,000 and 20,000 employees. The SAP benchmarking included a comprehensive report on HCM. The categories included HR strategic metrics, staffing levels, costs, organization structure, IT deployed, and best practices in HR strategy and leadership, compliance, strategic resource planning, compensation planning, benefits planning, recruiting and staffing, training and development, LR, employee relations, compensation administration, benefits administration, pension/savings plan administration, employee relocation, exit management, personnel data management, payroll administration, and time and attendance.
- Railroad Visits/Interviews. The team met with the HR staff from Norfolk Southern (NS) and Burlington Northern Santa Fe (BNSF) railways.

## **Appendix A: Methodology (continued)**

- Industry and Professional Organizations. Published information from various industry and professional organizations (including HC Institute, HRcom, Society of HR Management, Office of Personnel Management, WorldatWork, and INFOHRM) was consulted.

## **Appendix B: Voluntary Benefit Programs**

Voluntary benefit programs are primarily designed to enhance well being and protect the employee and his/her family from financial risks. These include:

- health, accident and liability protection (i.e., medical, dental, vision, prescription drug, mental health, life, disability income, health savings accounts, and flexible spending plans),
- paid time off (i.e., holidays, vacation, sick, bereavement and personal days),
- leaves of absence (i.e., military, personal, medical and family medical),
- retirement plans (defined, contribution, and profit sharing),
- dependent care (i.e., child and elder care),
- relocation benefits (i.e., moving expenses, home purchase, house hunting trips, interim living expenses),
- communication resources (i.e., cellular phone, home fax, home computer, laptop computer, and computer service),
- financial resources (i.e., tax preparation assistance, estate planning, will preparation),
- transportation benefits (i.e., car allowance, company car, public transportation subsidy, and paid/reimbursed/subsidized parking), and
- tuition reimbursement program.

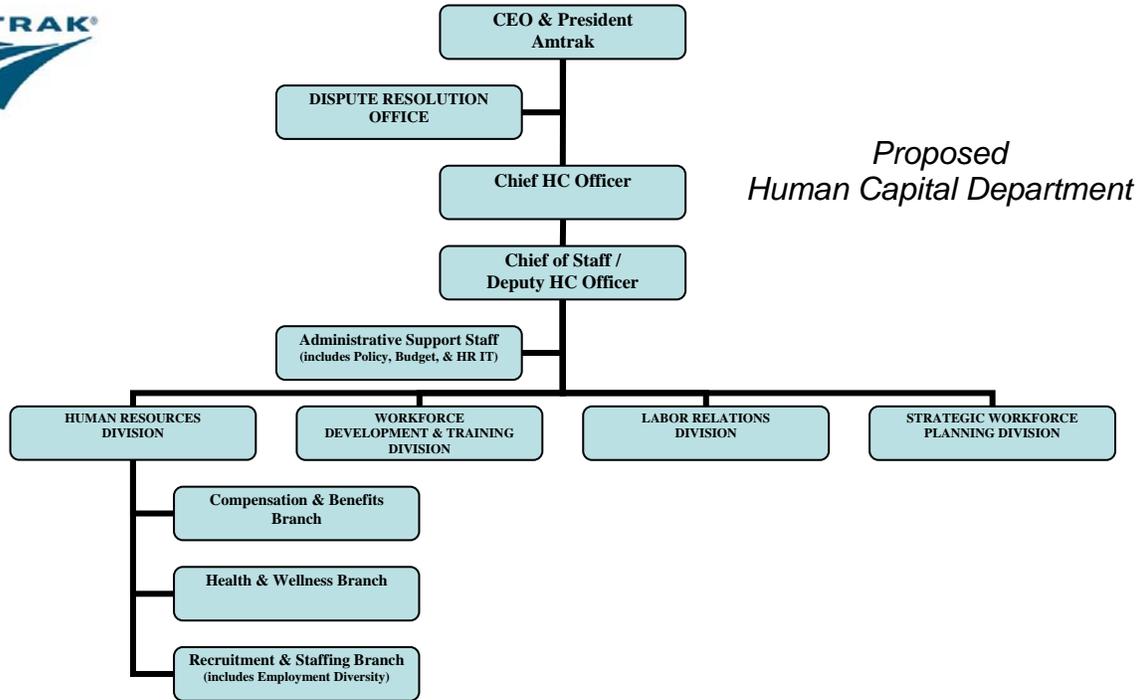
## Appendix C: Work-Life Effectiveness Programs<sup>49</sup>

### Work-Life Effectiveness Programs

<b>Workplace Flexibility/ Alternative Work Arrangements</b>	<b>Caring for Dependents</b>
Flex-Time Telecommuting Alternative Work Sites Compressed Workweeks Job Sharing Part-time Employment Seasonal Schedules	Dependent Care Reimbursement Accounts Dependent Care Travel-Related Expense Reimbursements Dependent Care Referral and Resource Services Dependent Care Discount Programs or Vouchers Emergency Dependent Care Services Childcare Subsidies On-site Caregiver Support Groups On-Site Dependent Care Adoption Assistance Services After-School Care Programs College/Scholarship Information Scholarships Privacy Rooms Summer Camps & Activities Special Needs Childcare Disabled Adult Care Geriatric Counseling In-home Assessments for Eldercare
<b>Paid and Unpaid Time Off</b>	<b>Financial Support</b>
Maternity/Paternity Leave Adoption Leave Sabbaticals	Financial Planning Services and Education Adoption Reimbursement Transit Subsidies 529 Plans Savings Bonds
<b>Health and Wellness</b>	<b>Voluntary Benefits</b>
Employee Assistance Programs On-site Fitness Facilities Discounted Fitness Club Rates Weight Management Programs Smoking Cessation Assistance On-Site Massages Stress Management Programs Voluntary Immunization Clinics Health Screenings Nutritional Counseling On-Site Nurse Business Travel Health Services Disability Management Return to Work Programs Reproductive Health/ Pregnancy Programs 24-Hour Nurse Line On-Site Work-Life Seminars (Stress-Reduction, Parenting, etc.) Health Advocate	Long-Term Care Auto/Home Insurance Pet Insurance Legal Insurance Identity Theft Insurance Employee Discounts Concierge Services Parking
<b>Community Involvement</b>	<b>Culture Change Initiatives</b>
Community Volunteer Programs Matching Gift Programs Shared Leave Programs Disaster Relief Funds Sponsorships/Grants In-Kind Donations	Work Redesign Team Effectiveness Diversity/Inclusion Initiatives Women's Advancement Initiatives Work Environment Initiatives Multigenerational Initiatives

<sup>49</sup> WorldatWork About Work-Life, March 2009.

## Appendix D: Proposed Human Capital Department Structure



**Proposed Human Capital Department  
Figure 2**

1. Create a Chief of Staff/Deputy HC Officer position to support the HCO and to oversee the department operations.
2. Realign DRO from being a division within the existing HR&DI Department to a staff office reporting directly to the Amtrak President. DRO must have a direct line of authority to the President and/or Board of Directors. Realign the affirmative action plan function to DRO.
3. Establish an Administrative Support Staff office to conduct cross-department responsibilities (i.e., department budget, technology, policy and procedure administration, action tracking and follow-up, charitable givings (i.e., United Way) and administrative/clerical support).
  - a. Realign the HC Department budget administration to this staff office (from the current HR Division) overseen by the Chief of Staff and HCO.
  - b. Realign the department's IT functions to this office to support the entire department without a perceived conflict of interest.

## **Appendix D: Proposed Human Capital Department Structure** (continued)

- c. Establish a position to manage and oversee the updating and maintenance of all HC policies and procedures.
  - d. Assign a position the responsibility to track all HC Department actions and to ensure follow-up through completion.
4. Create four divisions within the HC Department: HR, Workforce Development and Training, LR, and Strategic Workforce Planning.
5. HR Division. Establish three branches within the HR Division by realigning compensation, benefits (i.e., medical, dental, retiree and survivor benefits), employee health and wellness, FMLA, recruiting and staffing (including diversity outreach and employment diversity), performance management and employee recognition functions.
  - a. Compensation and Benefits Branch. Realign all compensation and benefits (including retirement) functions to this branch.
  - b. Health and Wellness Branch. Combine the current Medical Services and Health Services/EAP divisions and realign the current functions as well as the FMLA responsibility to this branch. Conduct an assessment of the division alignment to determine the best internal organizational structure.
  - c. Recruitment and Staffing Branch. Realign all recruiting and staffing functions to this division including employee awards and recognition initiatives and employment diversity. Conduct an assessment of the division alignment to determine the best internal organizational structure.
6. Workforce Development and Training Division. This division includes a comprehensive training and development effort to include operational training, skill evaluation/screening, career counseling, mentoring program, new employee orientation, mandatory training, leadership development, developmental programs (i.e., intern, management associate, and co-op programs), supervisory training, and retirement planning training.
7. Labor Relations Division. Realign all LR functions to this division. Conduct an assessment of the division alignment this year to determine the best internal organizational structure.
8. Strategic Workforce Planning Division. This new division is responsible for manpower management, position management, organizational structure, succession plans, gap analysis, workforce analytics, strategic plans (HC goals within the Amtrak Strategic Plan and HC plan), organizational development and HC change management.

## **Appendix E: Comprehensive List of HC Management Evaluation Findings and Recommendations**

### **1. STRATEGIC WORKFORCE PLANNING**

- **FINDING NO. 1:** Amtrak does not conduct comprehensive strategic workforce planning to ensure it has a workforce with the requisite knowledge and skills to meet the company's future needs.
- **RECOMMENDATIONS.** We recommend that:
  - 1A. Amtrak involve top management, employees and stakeholders in developing, communicating and implementing a strategic workforce plan to enable Amtrak to identify, develop and sustain the workforce skills needed to successfully accomplish Amtrak's business strategy while balancing career and lifestyle goals of its employees.
  - 1B. Amtrak start a corporate-wide effort to identify (a) the current and future missions of the company, (b) the critical skills and competencies needed to support these missions, and (c) the gaps at Amtrak in the critical skills and competencies that need to be addressed to achieve current and future programmatic goals.
  - 1C. Amtrak develop the workforce planning strategies to address its workforce gaps.
  - 1D. Amtrak build the capability needed to support its workforce strategies.
  - 1E. Amtrak establish a process to monitor and evaluate its progress towards achieving its HC goals and achieving its programmatic results.

### **2. RECRUITMENT AND RETENTION OF AMTRAK'S EMPLOYEES**

#### **A. TOTAL COMPENSATION**

- **FINDING NO. 2.** No clear, comprehensive "total compensation" philosophy and strategy exist to ensure pay practices are applied consistently and effectively, and aligned to support Amtrak's strategic plans.
- **RECOMMENDATIONS.** We recommend that:
  - 2A. Amtrak implement a written, Board of Directors' approved, comprehensive total compensation philosophy and strategy that addresses base pay, premium pay, variable pay, benefits and work-life flexibilities. This philosophy and strategy must be linked to the company's strategic HC plan and address agreement covered employees as well as non-agreement covered.

## **Appendix E: Comprehensive List of HC Management Evaluation Findings and Recommendations** (continued)

2B. As part of developing the total compensation philosophy and strategy, Amtrak conduct an assessment of the value that employees place on various elements of the three total compensation components. This assessment should include both current employees and potential future employees.

2C. Amtrak implement a communication plan to support effective change management in implementing the company's total compensation philosophy and strategy.

2D. Amtrak include sufficient funding annually in the budget to accomplish the required investments necessary to support the total compensation philosophy and strategy.

2E. Amtrak develop a labor contract management strategy that supports the company's total compensation philosophy and strategy, and is aligned with the challenges of recruiting, motivating, developing and retaining agreement covered employees.

2F. Amtrak develop a comprehensive pay structure for non-agreement covered employees, that supports the company's total compensation philosophy and strategy for non-agreement covered employees.

### **B. RECRUITMENT**

- **FINDING NO. 3:** Amtrak's current recruitment process is relatively slow in filling vacant positions with high-performing individuals that meet the company's business requirements.

- **RECOMMENDATIONS.** We recommend that:

3A. Amtrak look closely at its current recruitment process to eliminate redundancies and realize efficiencies, both in cost and time to hire.

3B. Amtrak create an overall HC recruitment strategy, involving all stakeholders, which identifies Amtrak's critical positions and the techniques to be used to fill them as quickly as possible.

3C. Amtrak continue to support the full implementation of the company's EIM Phase III and IV projects with regard to eRecruitment.

## **Appendix E: Comprehensive List of HC Management Evaluation Findings and Recommendations** (continued)

### **C. RETENTION**

- **FINDING No. 4:** Amtrak does not have a coordinated retention strategy.
- **RECOMMENDATIONS.** We recommend that:
  - 4A. Amtrak develop a corporate retention strategy that aligns with and supports the overall HC strategic plan.
  - 4B. Amtrak develop a plan that addresses knowledge transference that must occur from the thousands of Amtrak employees that will retire over the next several years.
  - 4C. Amtrak develop an updated estimate of the comprehensive cost of employee turnover for agreement covered and non-agreement covered positions to assist in the development of the company's retention strategy.
  - 4D. Amtrak fully analyze the results from the recent employee surveys and develop comprehensive action plans to address the issues affecting employee satisfaction and morale.

### **D. TECHNOLOGY**

- **FINDING NO. 5.** Amtrak does not currently have the information technology tools needed to perform its HR functions effectively and efficiently.
- **RECOMMENDATIONS.** We recommend that:
  - 5A. Amtrak fully support and complete the implementation of EIM Phase II through IV projects.
  - 5B. Amtrak take full opportunity during EIM implementation to reengineer current business processes to make them as efficient and effective as possible.

## **3. STRATEGIC ORGANIZATIONAL STRUCTURE**

- **FINDING NO. 6.** Amtrak is not optimally organized to support strategic management of human capital.
- **RECOMMENDATIONS.** We recommend that:
  - 6A. Amtrak combine the HR and LR departments to form one HC Department. As part of this reorganization, combine and/or realign the divisions and branches within the new department to improve communication, accountability, collaboration, clarify job

## **Appendix E: Comprehensive List of HC Management Evaluation Findings and Recommendations** (continued)

responsibilities, and provide a structure to support HCM. A suggested new organizational structure is offered for consideration in Appendix D.

6B. Amtrak create a single chief Human Capital Officer (HCO) position to lead the new department and the company's strategic HC planning initiatives. This position should also serve as the company's lead negotiator and spokesperson with the labor unions.

6C. Amtrak, as part of the reorganization, conduct HR competency assessments to identify gaps and then recruit and/or train staff to fill those gaps.

6D. Amtrak, as part of the reorganization, conduct an analysis of staffing levels to include considerations such as HR servicing ratio, HR staff distribution by expertise and experience, HR staff pay structure (band/zone) placement, HR supervisory ratio, and ratio of personnel actions to personnel staff.

## Appendix F: List of Acronyms

ARASA	American Railway and Airway Supervisors Association
BI	Business Intelligence
BNSF	Burlington Northern Santa Fe
BOD	Board of Directors
BPR	Business Process Reengineering
CEO	Chief Executive Officer
CIO	Chief Information Officer
Comp	Compensation Management
Compensation Director	Senior Director of Compensation, Benefits and Human Resources Technology
CY	Calendar Year
DRO	Dispute Resolution Office
EAP	Employee Assistance Program
ED	Employment Diversity
EIM	Employee Information Management
EP	Enterprise Portals
ESS	Employee Self-service
ET	Electric Traction
FMLA	Family Medical Leave Act
FTE	Full-time Equivalents
FY	Fiscal Year
GAO	General Accounting Office
Gen-Xers	Generation Xers
Gen-Yers	Generation Yers
HC	Human Capital
HCI	Human Capital Institute
HCM	Human Capital Management
HCME	Human Capital Management Evaluation
HCO	Human Capital Officer
HR	Human Resources
HR&DI	Human Resources and Diversity Initiatives
HRIS	Human Resources Information System
IAM	Identity and Access Management
IPMA	International Personnel Management Association
IT	Information Technology
LR	Labor Relations
LSA	Lead Service Attendant
MSS	Manager Self-service
M&PM	Marketing and Product Management
NAPA	National Academy of Public Administration
NS	Norfolk Southern
OIG	Office of the Inspector General
OPM	Office of Personnel Management
PEB	President's Emergency Board
PwC	PricewaterhouseCoopers

**Appendix F: List of Acronyms** (continued)

SAM	Strategic Asset Management
SHRM	Society for Human Resources Management
U.S.	United States
VP	Vice President

## **Appendix G: Glossary of Terms<sup>50</sup>**

**Alignment.** The positioning of the HC system's policies, practices, and strategies in relationship to the organization's strategic plan and performance plan, so what is done in the system is in direct support of the organization's mission, goals, and objectives.

**Alternative Dispute Resolution.** There are alternative methods to traditional, formal dispute resolution including mediation, fact-finding, ombudsing, interest-based negotiation, and arbitration. All are designed to resolve employee-employer disputes in a way that is more efficient and more effective than traditional, adversarial methods of dispute resolution.

**Assessment.** The means by which the qualifications of a candidate are measured. Organizations employ various assessment methods, including reference checks, bio-data measures, tests, and interviews.

**Attrition.** Attrition is a reduction in numbers usually as a result of resignation, retirement, or death. (from Merriam-Webster Online Dictionary)

**Benchmarking.** An organization change process directed toward continuous improvement. A benchmark is a comparative standard for evaluating accomplishments against known exemplars of excellence. It is a targeted goal beyond current capabilities, but for which the organization is striving. It is a search for best practices among recognized leaders who sustain superior performance and is focused on analyzing what the superior organization did to improve that could be applied in other places.

**Best Practice.** An innovative and creative human resources (HR) practice, project, activity, or program that facilitates achievement of the organization's mission. The relationship between the practice and its applicability to enhancing the mission is clear, and the practice is easily replicated by other organizations with similar circumstances. Best practices may be considered to be tested solutions to common business challenges.

**Business Case.** A method for projecting and documenting the benefits to be gained as a result of investing resources in a given strategy. A business case typically provides a cost/benefit analysis, information on return on investment over time, etcetera. Business cases tell organizations about the likely consequences of certain actions.

**Business Forecasting.** Determining future workforce needs by assessing anticipated changes in demographic trends, mission or program changes, external mandates, cyclical workload factors, job evolution, new technology and/or work processes, budget constraints or growth, new organizational designs, etcetera.

**Career Pathways.** Career pathways is a workforce development strategy used in the U.S. to support workers' transitions from education into and through the workforce. This strategy has been adopted at the federal, state and local levels in order to increase education, training and learning opportunities for America's current and emerging workforce. Career pathways are an

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<sup>50</sup>Transcribed from en.Wikipedia.org (between October 2008 through March 2009) unless noted otherwise.

## **Appendix G: Glossary of Terms** (continued)

integrated collection of programs and services intended to develop students' core academic, technical and employability skills; provide them with continuous education and training; and place them in high-demand, high-opportunity jobs. A career pathways initiative consists of a partnership among community colleges, primary and secondary schools, workforce and economic development agencies, employers, labor groups and social service providers.

Compensation. Compensation or remuneration is pay or salary, typically a monetary payment for services rendered, as in an employment.

Competency. An observable, measurable set of skills, knowledge, abilities, behaviors, and other characteristics an individual needs to successfully perform work roles or occupational functions successfully. Competencies are typically required at different levels of proficiency depending on the specific work role or occupational function. Competencies can help ensure individual and team performance aligns with the organization's mission and strategic direction.

Competency-Based Career Development Program. A program that focuses on the development of competencies so that employees acquire the critical skills and knowledge needed to perform their jobs and advance in their careers. Competencies define the clusters of knowledge and skills collectively needed for successful job performance and are directly related to achieving the organization's mission and goals. Through competency-based career development programs, organizations ensure they cultivate the skills and knowledge needed by the workforce to carry out mission requirements.

Competency Gap. The difference between the projected or actual availability of mission-critical competencies and the projected or actual demand for such competencies. Identification of current or future gaps typically addresses the size, composition, and competency proficiency levels of the workforce.

Competency Model. A framework that describes the full range of competencies required to be successful in a particular occupation. These models usually describe the required occupation-specific, or technical, competencies and general cross-occupational competencies (e.g., analytical competencies). Competency models are used to support key HC programs such as selection, career development, training, and performance management.

Economic Value. The economic value of a good or service has puzzled economists since the beginning of the discipline. First, economists tried to estimate the value of a good to an individual alone, and extend that definition to goods which can be exchanged.

Effectiveness. The level of achievement of program goals and the results intended (as defined in strategic plans and in legislation). Examples include the percentage of trainees employed 1 year after completing job training, the rate of compliance in filing tax returns, and the percentage of customers/employees satisfied in relation to relevant indices.

Efficiency. The ratio of the outcome or output to the input of any program; the degree to which programs are executed or activities are implemented to achieve results while avoiding wasted resources, effort, time, and/or money.

## **Appendix G: Glossary of Terms** (continued)

Employee Benefits. Employee benefits (also called fringe benefits, perquisites, or perks) are various non-wage compensations provided to employees in addition to their normal wages or salaries. Where an employee exchanges (cash) wages for some other form of benefit, this is generally referred to as a 'salary sacrifice' arrangement. In most countries, most kinds of employee benefits are taxable to at least some degree. Some of these benefits are: housing (employer-provided or employer-paid), group insurance (health, dental, life, etcetera), disability income protection, retirement benefits, daycare, tuition reimbursement, sick leave, vacation (paid and non-paid), social security, profit sharing, funding of education, and other specialized benefits. The purpose of the benefits is to increase the economic security of employees.

Employee Relations. A practice or strategy with the goal of effectively resolving internal conflicts that can be detrimental to the company morale and business results.

Equal Employment Opportunity. The term Equal Employment Opportunity was created by President Lyndon B. Johnson when he signed Executive Order 11246 on September 24, 1965, created to prohibit federal contractors from discriminating against employees on the basis of race, sex, creed, religion, color, or national origin. The Executive Order also required contractors to implement affirmative action plans to increase the participation of minorities and women in the workplace. Pursuant to federal regulations, affirmative action plans must consist of an equal opportunity policy statement, an analysis of the current work force, identification of problem areas, the establishment of goals and timetables for increasing employment opportunities, specific action-oriented programs to address problem areas, support for community action programs, and the establishment of an internal audit and reporting system.

Factors of Production. In economics, factors of production (or productive inputs) are the resources employed to produce goods and services.

Forecasting. Forecasting is the process of estimation in unknown situations. Forecasting is commonly used in discussion of time-series data.

Gap Analysis. 'Gap analysis' is a formal study of what a business is doing currently and where it wants to go in the future. The gap analysis process involves determining, documenting and approving the variance between business requirements and current capabilities. Gap analysis naturally flows from benchmarking and other assessments. Once the general expectation of performance in the industry is understood, it is possible to compare that expectation with the level of performance at which the company currently functions. This comparison becomes the gap analysis. Such analysis can be performed at the strategic or operational level of an organization.

Geographic Pay. Provides one way for employers to address local labor-market differences while managing their overall costs is to use pay differentials. Geographic pay is typically based on variations in the cost of labor and cost of living among two or more geographic areas. Organizations that use geographic differentials are better able to set pay.

## **Appendix G: Glossary of Terms (continued)**

Hiring Process. The steps involved in hiring an individual or group of individuals into an organization. Some organizations use different processes for internal and external candidates.

Human Capital. HC refers to the stock of skills and knowledge embodied in the ability to perform labor so as to produce economic value. Many early economic theories refer to it simply as labor, one of three factors of production, and consider it to be a fungible resource -- homogeneous and easily interchangeable. Other conceptions of labor dispense with these assumptions.

Human Capital Accountability. The responsibility shared by leaders, Chief HC Officers, line managers, and HC practitioners for ensuring people are managed efficiently and effectively in support of the organization mission accomplishment.

Human Capital Investment. Identifying and using resources, including time and money, to ensure the workforce has the information, skills, and competencies needed to work effectively in a rapidly changing and complex environment as part of the organization's effort to achieve cost effective and timely results.

Human Capital Management Outcome. The intended result, effect, or consequence that occurs from carrying out a program or activity or delivering products and services. Examples of HCM outcomes include establishing jobs that reflect appropriate work and organizational structuring, filling jobs with employees who have the competencies and skills required to do the work, and providing employees with accurate, transparent, and timely benefits and record keeping. Quality, customer satisfaction, and effectiveness indicators may all be used to measure outcomes. Note that outcomes differ from outputs. Through their work activities, individuals and groups produce outputs (i.e., products or services). Examples of HC outputs include job analysis, classifying jobs, recruiting applicants, benefits and retirement counseling, personnel actions processing, etcetera.

Human Capital Officer (HCO). The HCO is the ambassador to the organization in the transformation of human capital.

Human Capital Practitioner. An individual who manages or carries out an organization's recruiting, assessment, and hiring procedures, among other HR functions. Also called a HR Professional.

Human Resources. HR is a term with which many organizations describe the combination of traditionally administrative personnel functions with performance, Employee Relations and resource planning. The field draws upon concepts developed in Industrial/Organizational Psychology. HR has at least two related interpretations depending on context. The original usage derives from political economy and economics, where it was traditionally called labor, one of four factors of production. The more common usage within corporations and businesses refers to the individuals within the firm, and to the portion of the firm's organization that deals with hiring, firing, training, and other personnel issues. The objective of HR is to maximize the return

## **Appendix G: Glossary of Terms** (continued)

on investment from the organization's HC and minimize financial risk. It is the responsibility of HR managers to conduct these activities in an effective, legal, fair, and consistent manner.

Job Analysis. A systematic procedure for gathering, documenting, and analyzing information about the content, context, and requirements of a job. Identifies the competencies/knowledge, skills and abilities (KSAs) directly related to performance on the job. Demonstrates a clear relationship between the tasks performed on the job and the competencies/KSAs required to perform the tasks.

KSAs (Knowledge, skills, and abilities). KSAs are factors considered when determining eligibility and qualifications of an applicant for a given position.

Labor. In economics, labour (or labor) is a measure of the work done by human beings. It is conventionally contrasted with such other factors of production as land and capital. There are theories which have created a concept called human capital.

Labor Relations. The field of LR (also called industrial relations) looks at the relationship between management and workers, particularly groups of workers represented by a union.

Leadership Development. Leadership development refers to any activity that enhances the quality of leadership within an individual or organization. Traditionally, leadership development has focused on developing the leadership abilities and attitudes of individuals. People are not all born with the same potential to lead well anymore than people do not all have the same ability to play football. Different personal characteristics can help or hinder a person's leadership effectiveness and require formalized programs for developing leadership competencies

Leadership Development Program. A program whose purpose is to ensure: (1) current leaders continue to develop and "grow" the knowledge and skill necessary to effectively lead the organization, and (2) when a leader leaves a job, an equally talented and prepared employee in the organization is ready to step in and assume the responsibilities of the position. A leadership development program might also be designed to ensure that the organization has a recruitment strategy in place to attract the type of person needed for the leadership position. Successful leadership development programs are typically based on a well-defined set, or model, of leadership competencies.

Management. Management in business and human organization activity is simply the act of getting people together to accomplish desired goals. Management comprises planning, organizing, staffing, leading or directing, and controlling an organization (a group of one or more people or entities) or effort for the purpose of accomplishing a goal.

Management Development. Management Development is best described as the process from which managers learn and improve their skills not only to benefit themselves, but also their employing organizations.

Manpower. Manpower is the workload one person can handle.

## **Appendix G: Glossary of Terms** (continued)

**Mentoring.** A formal or informal relationship between senior and junior employees for the purpose of supporting learning and development. A mentor holds a higher position and is usually outside the employee's chain of supervision. Informal mentor/protégé relationships often develop in the workplace or in a professional group. When organizations establish formal mentoring programs, they assign mentors to protégés and provide formal orientation to them about their roles. Organizations typically target groups of people for mentoring who would most benefit from the mentoring process and identify mentors who are able to provide guidance effectively. Mentoring techniques include coaching, role modeling, career development advice, etcetera, to foster the protégé's individual growth and career development.

**Metrics.** Strategically selected measurements that provide a basis for comparison for organizations use to assess progress toward their stated goals. A common metric for the hiring process is time to hire, which measures the time between when a job becomes available and when a person is hired. Successful organizations also measure other aspects of the hiring process, including the quality of new hires and satisfaction of managers with the process. Strategic HCM requires a reliable and valid set of metrics that provides an accurate baseline against which individual organization progress can be assessed.

**Mission-Critical Occupations.** Occupations organizations consider core to carrying out their missions. Such occupations usually reflect the primary mission of the organization without which mission-critical work cannot be completed.

**Mission vs. Vision Statement.** Many people mistake vision statement for mission statement. The Vision describes a future identity while the Mission serves as an ongoing and time-independent guide. The Mission describes why it is important to achieve the Vision. A Mission statement defines the purpose or broader goal for being in existence or in the business and can remain the same for decades if crafted well. A Vision statement is more specific in terms of both the future state and the time frame. Vision describes what will be achieved if the organization is successful.

**Mission Statement.** A *Mission statement* tells one the fundamental purpose of the organization. It concentrates on the present. It defines the customer and the critical processes. It informs you of the desired level of performance.

**Vision Statement.** A *Vision statement* outlines what the organization wants to be. It concentrates on the future. It is a source of inspiration. It provides clear decision-making criteria.

**Model Organization.** An organization that results from effective workforce planning. A model organization typically reflects an organization's future direction. The model organization includes numbers and types (by competencies and occupations) of positions and employees needed and establishes the structure needed to carry out the company's work activities.

**Occupation.** Occupation refers to a person's job or work in service of an employer.

## **Appendix G: Glossary of Terms** (continued)

**Ombudsman.** An ombudsman is an official who is charged with investigating complaints by employees and, where possible resolving them, usually by making recommendations (which may or may not be binding), but sometimes through mediation. Many private companies, universities, non-profit organizations and government agencies also have an ombudsman (or an ombuds office) to serve internal employees, and managers and/or other constituencies. These ombudsman roles are structured to function independently, by reporting to the CEO or board of directors and according to IOA Standards of Practice does not serve any other role in the organization. They are beginning to appear around the world within organizations, sometimes as an alternative to anonymous hot-lines in countries where these are considered inappropriate or are illegal.

**Outcome Metric.** An assessment of the results of a program compared to its intended purpose. An outcome statement is a statement of basic expectations. Outcome measurement cannot be done until the results expected from a program or activity has been defined.

**Performance Goal.** A target level of performance expressed as a tangible, measurable objective against which actual performance can be compared, including a goal expressed as a quantitative standard, value, or rate.

**Pre-screening.** To simplify the assessment process, many organizations use automated screening programs during the application process, usually to determine if an applicant meets the minimum qualification requirements. These systems do not replace other, more precise methods of assessing candidates; rather, they serve as the first step in screening.

**Process Mapping.** The practice of documenting steps in the hiring process to identify areas of redundancy or inefficiency. Organizations often begin by mapping their current process step by step. Once they identify areas for improvement, organizations develop a map for a “to-be” process - a shorter, more efficient process that often shortens the time to hire without sacrificing quality of the hire.

**Recruitment.** Actively seeking qualified candidates for a position. In addition to posting a vacancy announcement, successful recruiting taps other sources of applicants such as industry associations, university campuses, professional job fairs, and the Internet. While generalist managers or administrators can undertake some components of the recruitment process, mid- and large-size organizations and companies often retain professional recruiters or outsource some of the process to recruitment agencies. External recruitment is the process of attracting and selecting employees from outside the organization. The recruitment industry has four main types of organizations: employment agencies, recruitment websites and job search engines, "headhunters" for executive and professional recruitment, and in-house recruitment. The stages in recruitment include sourcing candidates by advertising or other methods, and screening and selecting potential candidates using tests or interviews.

**Results-Oriented Performance Culture System.** A system that promotes a diverse, high-performing workforce by implementing and maintaining effective performance management systems and awards programs.

## **Appendix G: Glossary of Terms** (continued)

Return on Investment (ROI). A comparison of the monetary value of the business impact with the costs for a given HC program. ROI is usually expressed as a percentage. ROI is part of a comprehensive measurement and evaluation system; there are various models to determine ROI.

Selection. Paired with assessment, selection is the end step in determining which candidate is most qualified for an available position.

Staffing/Hiring Strategy. A strategy or plan for recruiting and hiring based on the organization's strategic goals and objectives. It includes analyzing and establishing viable recruitment sources that will produce candidates with mission-critical competencies and fill the vacancies in the organization, and targeting these sources for recruitment efforts. A staffing/hiring strategy is designed and executed to help establish the model organization.

Stakeholder. An individual, or group of individuals, who have a significant or vested interest in the outcome of an undertaking, key decision, or venture. In HC ventures, different individuals and groups often have a shared responsibility for the successful outcome of a program or initiative because they share in the benefits of the program. Congress, customers, managers, and employees are examples of potential stakeholders.

Standard. A description of the critical HCM outcomes for organizations to strive toward in each of the five HCAAF systems. For example, the standard for the Talent Management system is that the organization has closed skills, knowledge, and competency gaps/deficiencies in mission-critical occupations, and has made meaningful progress toward closing skills, knowledge, and competency gaps/deficiencies in all occupations used in the organization.

Strategic Human Capital Management. The active alignment of the talent, energy, knowledge and enthusiasm that people invest in their work, with the strategic objectives of the organization [Jeanne DiFrancesco, ProOrbis]. Leaders and managers can maximize their HC assets by leading from the perspective that HC produces sustained advantage; and by actively advancing the relationships among strategy, organizational design, deployment of talent, and results.

Strategic Human Capital Plan. A plan that sets forth how the organization's HCM strategies will be aligned with the organization's mission, goals, and objectives through analysis, planning, investment, and management of HC programs. Broadly stated, the plan describes what the organization will do to ensure its employees have the mission-critical competencies required to carry out the organization's strategic goals. This includes workforce planning and deployment, including succession planning; recruiting and retaining talent; achieving performance goals; and addressing unique programmatic challenges.

Suggested Performance Indicators. Examples of visible evidence of the existence of key elements and compliance with merit system principles. Cumulatively, the indicators—both effectiveness indicators and compliance indicators—identify how well the organization is doing relative to key elements. The suggested performance indicators are linked to the key elements and are not meant to be an all-inclusive list. HC practitioners may need to search for other indicators if organization approaches differ from the list of suggested performance indicators

## **Appendix G: Glossary of Terms (continued)**

provided. Organizations may decide which suggested performance indicators provide the best evidence they have implemented practices that lead toward achieving the standard.

Strategic Plan. A formal description of how an organization will carry out its mission over a period of time. The strategic plan must include the organization's mission, its strategic goals, the strategies to be used to achieve the goals (including workforce adjustments, staff skills, and HR programs), a description of the relationship between annual program performance goals and the organization's strategic framework, key factors that could affect achievement of strategic goals, and a description of program evaluations used in preparing the strategic plan. Typically, organizations develop and maintain strategic plans covering a 5-year period with the plan updated every 3 years.

Strategic Workforce Planning. Strategic workforce planning is the business process for ensuring that an organization has suitable access to talent to ensure future business success. Access to talent includes considering all potential access sources (employment, contracting out, partnerships, changing business activities to modify the types of talent required, etc. By talent is meant the skills, knowledge, predisposition and ability to undertake required activities including decisions making. Strategic Planning considers the business risks concerning insufficient, disrupted, mis-deployed talent on the organization's business priorities.

Subject Matter Expert (SME). An individual within a department or organization who is thoroughly familiar with a given topic and can provide expert input as to the appealing aspects of a job and the skills and other qualities required of a job applicant.

Succession Planning. Succession planning is a subset of strategic workforce planning in that it considers two talent business risk event areas usually in executive roles. First, the sudden loss of an incumbent (illness, resignation, etc.). Second, to meet longer term anticipated turnover by having a "pool" or "designate" ready, willing and able to fill the vacated role. Succession Planning has had a checkered history in business for several reasons. First, holds a static view of the world, it looks at future needs (the second risk above). Unfortunately, necessary roles evolve and change over time, hence the pool or designate can be come deficient in some critical talent area or other. Another issue is when the designate approach is taken - this can establish morale and performance issues that unnecessarily feed the organization's politics. Also, it is quite common that when a role is vacated, the organization wants to test the broader marketplace for talent and often shows a preference for external hires. If this happens frequently enough it too can lead to disruptive effects within the organization. On balance, succession planning can be very effective as a "contingent" plan when a vacancy appears. This provides the organization time to think through its longer term needs.

Supervisor Responsibilities. A supervisor in the workplace has four distinctly separate sets of responsibilities. The supervisor's first duty is to represent management and the company. It is the supervisor's job to organize his/her department and employees, visualize future impacts and needs, energize the employees to get their tasks done and supervise their work ensuring that the productivity and quality standards are met. To ensure that this is done, the supervisor makes certain that his employees have the training, the tools and the material that they need to carry out

## **Appendix G: Glossary of Terms (continued)**

their duties. Another important part of the job is to act as a middleman and buffer between the employees who actually do the job and the rest of the organization. The supervisor makes sure that his employees' pay is correct, their vacation pay arrives on time and they receive proper care if they get injured on the job. The supervisor also has legal responsibilities to ensure that his area of responsibility is free of safety violations, all employees received proper training and that all human rights are upheld. Supervisors are also responsible for the health and safety of all their subordinates and to ensure that they work in a harassment-free environment. It is also the supervisor's responsibility to develop all the potential leaders that work under him/her so that the company can identify and place all the employees who demonstrate that they have the interest and abilities to be promoted or transferred to better positions.

Talent Management. Talent management refers to the process of developing and integrating new workers, developing and keeping current workers and attracting highly skilled workers to work for your company.

Talent Management System. A system that addresses competency gaps, particularly in mission-critical occupations, by implementing and maintaining programs to attract, acquire, develop, promote, and retain quality talent.

Targeted Recruiting. Identifying potential candidates for an available position through non-traditional means such as locating resumes on the Internet. Organization representatives can then contact these individuals and invite them to apply for a given position.

Training. The term *training* refers to the acquisition of knowledge, skills, and competencies as a result of the teaching of vocational or practical skills and knowledge that relate to specific useful competencies. It forms the core of apprenticeships and provides the backbone of content at technical colleges and polytechnics.

Training Needs Assessment. An identification of the gaps between the knowledge, skills, and abilities or competencies employees have and those they need to do their work effectively. A training need assessment helps determine which employees need training and in what areas and forms the basis for organization training plans. Many sources of information exist to help organizations conduct a training needs assessment, including employee skills assessments against established competencies, individual development plans, focus groups, workforce surveys, organizational performance data, etc.

Turnover. Turnover or labor turnover is the rate at which an employer gains and loses employees. Simple ways to describe it are "how long employees tend to stay" or "the rate of traffic through the revolving door." Turnover is measured for individual companies and for their industry as a whole. If an employer is said to have a high turnover relative to its competitors, it means that employees of that company have a shorter average tenure than those of other companies in the same industry. High turnover can be harmful to a company's productivity if skilled workers are often leaving and the worker population contains a high percentage of novice workers.

## **Appendix G: Glossary of Terms** (continued)

Volume Hire. A situation in which a department or organization needs to hire multiple individuals for a similar position at the same time.

Workforce Analysis. A process through which organizations review staffing data and trends to determine their current and future hiring needs, allowing them to prepare a better succession plan.

### Workforce Planning Approaches:

Modeling Approach. The modeling approach incorporates forecasting and scenario planning. Forecasting uses quantitative data to create forecasts incorporating multiple what-if and modeling the future. Scenario Planning being the more useful tool where there are uncertainties, therefore incorporating quantitative and qualitative.

Segmentation Approach. The segmentation approach is breaking the workforce into segments along the lines of their jobs and determining relevance to strategic intent. This approach provides a technique for prioritizing.

Workforce Analytics Approach. The focus of the workforce analytics approach is to analyze current and historical employee data to identify key relationships among variables and use this to provide insight into the workforce they need for the future.

Workforce Study. A study undertaken to look at the impact of a specific issue or policy on the workforce. OPM, for example, may conduct a workforce study to determine the impact of a Federal HR policy on the success of the Federal Civil Service as a whole. Studies are sometimes prompted by analyses of personnel trends, findings from oversight reviews, or calls from stakeholders such as Congress. Subjects of studies undertaken by OPM (and many organizations which engage in their own studies) in recent years include veterans' preference, openness in the employment process, and telework.

Workplace Diversity. Workplace diversity refers to the measurable degree to which an organization is non-uniform on performance-relevant characteristics. While an employer's workforce will have a measurable degree of "appearance diversity" - race, sex, ethnicity - none of those is performance-relevant.

## **Appendix H: OIG Human Capital Management Evaluation (HCME) Team**

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