

Washington Works is the multi-agency effort to implement the 2002 Personnel System Reform Act, which makes the biggest changes to state government's personnel system in 40 years. The goal of this collaborative effort is to replace an out-dated personnel system and create a more flexible, responsive system that addresses the challenges of state government's changing business needs.

Key elements of personnel reform are civil service reform, collective bargaining and competitive contracting. To support these reforms, the state's antiquated personnel and payroll computer system is being replaced with a modern human resource management system (HRMS).

The Office of Financial Management (OFM) Director's Office provides project coordination, working closely with the Department of Personnel (lead on civil service reform and HRMS), Department of General Administration (lead on competitive contracting) and OFM's Labor Relations Office (lead on collective bargaining).

It took the Legislature 12 years to pull together the labor and business constituencies needed to pass the bill that launched personnel reform. Now, all projects in Washington Works are moving forward, with most components scheduled to be in place by July 1, 2005, when many provisions of the 2002 legislation take effect.

## Overview

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Existing work rules, labor agreements and contracting regulations no longer support the state's efforts to efficiently deliver services. The old personnel system lacks the tools necessary to effectively hire, manage, promote and discipline employees. It denied employees the right to bargain on fundamental employment issues: wages and benefits. And it limited opportunities to get a better price for goods and services by constraining contracting options. The new law changes all that.

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## Civil Service Reform

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Civil service reform eliminates overly complex personnel rules that limit job mobility, career advancement and the state's ability to meet changing civil service workforce needs. Managers will have the ability to better match personnel with the work to be done and employees will have more opportunities to advance in their careers and have performance properly recognized. Under civil service reform:

- Employees who demonstrate a commitment to public service and excel in their jobs can more easily be recruited, promoted and rewarded based on documented performance.
- Managers will have more options for addressing personnel needs, but must also maintain higher standards of accountability.
- The job classification system will be streamlined. The 2,400 classes that now exist will be reduced substantially – to about 1,000 classes. Current job classes will be consolidated into broad occupational categories. Salary ranges will be consolidated into fewer, wider bands.

In order to support and implement these changes, the current payroll system must be replaced. A new human resources management system (HRMS) – the computer hardware and software needed to administer the new personnel system – is being developed.

The new civil service rules will apply fully to those not in bargaining units. Collective bargaining agreements override parts of the rules in the case of union-represented employees. But the goals of civil service reform – a more adaptable and efficient workforce – are the same for collective bargaining and contracting out.

**Milestones Achieved as of October 2004:**

- Adopted new rules for most aspects of the civil service system in July 2004. (Leave and Washington Management Service rules to be adopted January 2005.)
- Drafted streamlined classification plan, adopted first group of new job classes, on track for staged implementation.
- Developed comprehensive training plan and have started delivering training, guidance materials and other tools to help agencies and employees understand and implement changes.
- Created new performance management tools.

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**Competitive Contracting**

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Competitive contracting is authorized by the new law to become an option for agency directors beginning July 1, 2005. The purpose is to help state agencies and higher education institutions find more cost-effective or efficient ways to provide services, and it provides the private sector a new opportunity to help the state develop a competitive edge.

By expanding contracting to services “traditionally and historically provided by state employees,” this provision has the potential to make government more effective, whether it’s brought into play or not – because it gives employees the opportunity to redesign how they do their jobs in order to deliver better results to those they serve at a competitive price.

Competitive contracting rules apply any time agencies decide to contract work historically provided by state workers – even when no employees would be displaced. In all cases, agencies must demonstrate cost savings or efficiencies would be achieved through contracting.

When contracting a service would result in employees being displaced, those employees are given the opportunity to propose to management alternatives that would achieve the objectives sought through contracting. If the alternatives recommended by employees are accepted by their agency, then the contracting proposal is put aside.

If contracting goes forward, potentially displaced employees can form an Employee Business Unit, known as an EBU, to compete with other bidders for the work. This means an EBU that submits a winning bid can, with agreement of the contracting agency, operate outside the limits imposed by civil service rules or labor contracts. The EBU operates under a performance agreement that includes monitoring. Contracts with EBUs can be terminated for poor performance.

Potentially, an EBU living up to its performance agreement can determine organization of the unit, salaries, work rules, training and any other accommodation the EBU believes will support its success. The employees in an EBU will keep the pension and health benefits that other state employees have.

If a contract is awarded to a private-sector company or nonprofit organization, the winning bidder must consider hiring displaced state workers.

**Milestones Achieved as of October 2004:**

- General Administration (GA) adopted formal rules March 17 that ensure bids are submitted and evaluated in a fair and objective manner.
- GA wrote rules for determining whether there exists a competitive market exists for the services.
- DOP and GA jointly developed rules for EBUs and EBU employees.

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## **Collective Bargaining**

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This year's contract negotiations marked the first time in Washington's history that state worker unions were able to bargain directly with the Governor for wages and benefits. In the past, bargaining with state union organizations precluded critical wage and benefits issues, which resulted in discretionary management rights winding up on the bargaining table. Now, a unified collective bargaining system for wages and benefits focuses negotiations on critical employee issues, simplifies the bargaining process and reduces the number and complexity of contracts.

Higher education institutions had the option of choosing to be represented by OFM's newly formed Labor Relations Office (LRO), or to represent themselves in bargaining with unions. All community colleges except the Yakima Valley Community College chose to be represented by the LRO. All the state's four-year institutions, except The Evergreen State College, chose to represent themselves.

In September 2004, the Labor Relations Office completed negotiations with nine different employee bargaining teams, seven representing employees in general government and two in higher education. Agreements were reached between the Governor and the following unions:

- The Brotherhood of Teamsters
- Washington Federation of State Employees
- Washington Public Employees Association
- United Food and Commercial Workers
- International Federation of Professional and Technical Engineers, Local 17
- Service Employees International Union, 1199NW
- A coalition of smaller unions

On Oct. 1, in accordance with the law, the fiscal terms of nine ratified contracts were submitted to the Office of Financial Management to be included in the Governor's 2005-07 budget proposal to the Legislature. The Legislature must approve the fiscal terms of the contracts by an up or down vote.

Under the agreements, all employees covered by the contracts could vote on ratification. Employees voted to ratify the contracts, except at Green River Community College. The LRO is handling these negotiations and has contacted the Washington Federation of State Employees (WFSE) union to offer to continue to negotiate a proposal.

Washington State University (WSU) is in a similar situation. WSU management has offered to resume negotiations with the WFSE as soon as possible. Without a ratified contract prior to Oct. 1, the Governor will have to decide how to address his WSU budget proposal in the event the university and WFSE can renegotiate terms that can be ratified. The WFSE has also filed unfair labor practice charges against WSU for alleged interference with the ratification process. The Labor Relations Office is advising WSU, which is handling these negotiations independently.

All contracts reflect an agreement reached with a coalition of all unions in which the state agreed to contribute 88 percent of estimated health benefit costs, leaving employee contributions at 12 percent.

The agreements negotiated by the LRO also include a 3.2 percent wage increase starting July 2005, and varying increases in the second year of the contracts that typically amount to 1.6 percent. However, the second year increases expire at the end of the contract period and do not become part of the salary base.

Contracts with unions representing employees whose salaries have lagged more than 25 percent behind market rates for workers in similar jobs would receive varying increases to bring those salaries to within 25 percent of the prevailing rate. Employees receiving these market rate increases were identified using DOP's 2002 Salary Survey. The increases affect hundreds of job classes including park rangers, engineers, dental assistants, lab technicians, plumbers, judges, welders, chemists, geologists, cartographers and electrical inspectors.

If funding is approved by the Legislature, the wage increases in the contracts will take effect July 1, 2005, the first year of the two-year contracts.

Subjects prohibited from bargaining included pensions, management rights, the financial basis for layoffs, supervision of staff and other managerial prerogatives. Employees excluded from bargaining included Washington Management Service, exempt and confidential employees, internal auditors, employees of the Department of Personnel, employees of the Office of Financial Management, employees of the Public Employment Relations Commission and certain employees of the state Attorney General's Office.

#### **Milestones Achieved as of October 2004:**

- Completed negotiation without disruption to services. Negotiations were complete on time and submitted to OFM for inclusion in the Governor's budget by the required Oct. 1 due date.
- Representatives from management and labor worked to create an agreement that employees can support and allows for many of the management flexibilities agency management wanted going into negotiations.
- Flexibility in hiring, assigning work, scheduling and discipline were all achieved in the contracts.

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**Key Issues:**

**Lead and line agencies face a heavy load of activities** required before July 2005 in order to meet the July 1 deadline for implementation of personnel reform. These include decisions on policies and procedures, installation of the HRMS computer system, and training on how employees and managers will be affected by new civil service rules, bargaining agreements, competitive contracting options and HRMS. Management also will confront employee fears around new rules, agreements and competitive contracting provisions.

**The new classification and compensation system** will be phased in, rather than implemented at one time, starting in June 2005. This will help minimize initial fiscal impacts, but the full reform package will have long-term costs.

**HRMS must be implemented by July 1, 2005**, to support the pay period that starts that day. Currently, the plan is to implement payroll functions in March and May.

**To competitively contract a service**, state agencies and their employees need sufficient knowledge and competencies. This applies to:

- Determining if a service should be put up for bidding to improve efficiencies and reduce costs.
- Employees having sufficient skills to make appropriate bids to continue providing services themselves.
- Ensuring contract compliance.

**Funding negotiated labor agreements** is up to the Legislature. Failure to do so likely would trigger a new round of bargaining. The Legislature also must decide on a compensation package for employees not covered by bargaining agreements. Negotiated salary packages for union-represented general government employees will cost an additional \$81 million in the next biennium. If similar terms are approved for non-represented general government employees, the additional cost rises to \$113 million.

**Projected Salary Costs for the 2005-07 Biennium**

Compensation Increases	2005-07 Biennial Cost
Negotiated General Government State Employee Salary Package	\$ 81 m
Non-represented General Government State Employee Salary Projections	\$ 32 m
Higher Education Salary Packages	\$ 90 m
I-732 Increases for K-12 Teacher/Staff and Community & Technical Colleges	\$161 m
Home Health Care Worker Contract	\$ 26 m
Vendor Increases	\$112 m