



## Board Report

File #: 2024-1059, File Type: Contract

Agenda Number: 15.

### EXECUTIVE MANAGEMENT COMMITTEE NOVEMBER 21, 2024

**SUBJECT: RECRUITMENT STRATEGIC ASPIRATION SERVICES**

**ACTION: APPROVE RECOMMENDATION**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to:

- A. EXECUTE Modification No. 1 to Contract No. PS108564000 with McKinsey & Company, Inc. (McKinsey) to provide consultant support services for hiring process improvements, continued job classification analysis, and execution of strategies to reduce vacancy rates and retain talent, in an amount Not-to-Exceed (NTE) \$3,477,500, increasing the contract value from \$497,500 to \$3,975,000 and extend the period of performance from June 30, 2025 to December 31, 2025 and;
- B. AMEND the FY25 budget in the amount of \$3,477,500 to fund the contract modification.

#### **ISSUE**

Given the unprecedented number of new rail openings and initiatives through 2027, staff anticipates more than 1,000+ recruitments will need to take place to support the A Line to Pomona, D Line Extensions, the Transit Ambassador transition, and the implementation of the Transit Community Public Safety Department, as well as managing for normal attrition. Contract No. PS108564000 was awarded in July 2024 to McKinsey, a strategy and global management consulting firm, focused on advancing the pursuit of sustainability, inclusion, and growth. The contract includes consultant support for the evaluation of Metro's hiring department structure and job classifications, assessment of hiring processes, and review of collective efforts aimed at retaining employees, and reducing vacancy rates while remaining compliant with legal requirements. Preliminary talent diagnostics (Attachment A) identified opportunities to improve hiring speed and volume, decrease time-to-hire, and reduce vacancies. As a result, staff has determined that immediate support is needed to implement these opportunities.

#### **BACKGROUND**

Currently, Metro has over 740 vacancies. On average, Metro hires 168 employees each month, of which 100 are high volume recruitment efforts for bus operators to maintain required service levels. High volume recruitment efforts are not reflected in the vacancies as recruitment for bus operators is

a continuous effort. Depending on the complexity of the recruitment, the process for filling vacancies ranges between 12-31 weeks per hire. This time-to-hire duration is more than double the benchmark for public sector organizations.

McKinsey evaluated Metro's hiring process across all phases, reviewed current job classifications, and provided recommendations to improve and reduce vacancy rates for mission-critical, hard-to-fill and high-volume positions. Additionally, one of Metro's strategic aspirations is to reimagine its approach to attract talent and retain the best employee base. This strategic aspiration is centered on improving the effectiveness of the Metro Chief People Office, which provides support throughout the agency.

Preliminary talent diagnostics were provided to Metro for review and consideration. As a result of the preliminary talent diagnostics, it became evident that Metro is at a critical moment for its talent needs. Specifically, over the next three years, Metro will have to grow its ability to attract and retain qualified employees to support existing operations coupled with the imminent opening of several expansion projects and hosting major world events such as the 2026 FIFA World Cup and 2027 Superbowl. Additionally, Metro acknowledges that talent needs must be addressed with the following principals: process innovation, streamlining of resource planning, stakeholder engagement and buy-in, and prioritization of critical roles, resources and timelines.

## **DISCUSSION**

According to McKinsey's preliminary findings, Metro's vacancy rate, time-to-hire, and promotion processes are outside of recommended best practices. While Metro is leveraging technology to improve its processes such as the implementation of cloud-based software for human capital management, there are several strategic recruiting opportunities that remain unmet, including:

1. Decreasing the average time-to-hire
2. Decreasing the overall non-contract vacancy rate
3. Accelerating timeline for promotions

This request for a contract modification will allow McKinsey to advance this critical work into an implementation phase. Metro staff will receive support to optimize processes, innovate, track, and organize its recruitment services. Additionally, this will positively impact Metro's workforce morale and position the agency to gain a competitive advantage by proactive and strategic recruitment and retention efforts. Through this contract modification, staff, with McKinsey's support, will:

1. Establish an internal tactical team whose primary responsibility will be to implement a sustainable approach to address and mitigate the backlog of vacancies, significantly shortening the time to hire by more than 50%, and lowering the vacancy rate to under 10% within the next two years;
2. Develop and implement a robust, dynamic planning tool to track, budget and forecast for attrition and vacancies, inclusive of hard-to-fill and high-turnover positions, layered with major project milestones, openings of rail lines, and new services and/or initiatives such as the Transit Community Public Safety Department and the Transit Ambassador transition; and
3. Develop a promotion process that accelerates the administration of internal promotions up to

4x's faster.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this contract modification will allow Metro to implement recommendations to support the effective recruitment and retention of mission-critical positions. This proactive approach ensures safety of our employees, Metro customers, and the public at large.

### **FINANCIAL IMPACT**

Upon Board approval, this action will amend the FY25 budget for \$3,477,500 under cost center 2314 Strategic Hiring, project 100002, task 01.01, General Overhead to fund the contract modification.

The cost center manager and the Chief People Officer will be accountable for budgeting the cost in FY25.

#### **Impact to Budget**

The source of funding will be administrative funds, that are not eligible for bus/rail operating expenses.

### **EQUITY PLATFORM**

The services provided by the contractor will ensure Metro continues the equitable evaluation of hiring processes across all phases, includes continuous review of current job classifications for recruitment and retention purposes, and provides sustainable improvement recommendations to reduce vacancy rates across the agency. Additionally, this will ensure that Metro hires employees in a timely, proactive and strategic approach while maintaining all regulatory, safety, and Equal Employment Opportunity requirements, and delivering world-class transit service throughout Los Angeles County.

The Diversity & Economic Opportunity Department did not establish a Small Business Enterprise (SBE) or Disabled Veteran Business Enterprise (DVBE) goal on the original contract and McKinsey & Company, Inc. did not make an SBE/DVBE commitment. However, for this modification, McKinsey & Company, Inc. made a 5.25% DVBE commitment.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

This Board action supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the Metro organization. This contract modification will ensure that Metro receives accelerated recruitment strategic aspiration support services in advance of new initiatives, regional events and expansion efforts impacting Metro's workforce.

### **ALTERNATIVES CONSIDERED**

The Board may choose not to approve the recommendation for the contract modification for human resource process improvements.

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An option is to assign this responsibility in-house; however, due to the current vacancy factor, this is not recommended as Metro does not have sufficient staff available with expert-level knowledge needed and capacity to evaluate Metro's hiring process across all phases, continue the review of current job classifications, and provide improvement recommendations to reduce vacancy rates, while performing their current duties.

**NEXT STEPS**

Upon Board approval, staff will execute Modification No.1 to Contract No. PS108564000 with McKinsey to continue to provide recruitment strategic aspiration services.

**ATTACHMENTS**

Attachment A - Metro Preliminary Talent Diagnostics

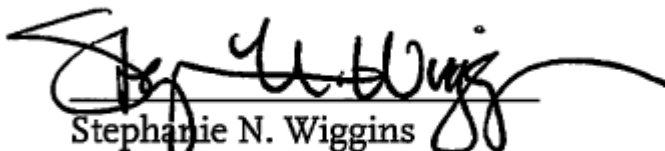
Attachment B - Procurement Summary

Attachment C - Contract Modification/Change Order Log

Attachment D - DEOD Summary

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