

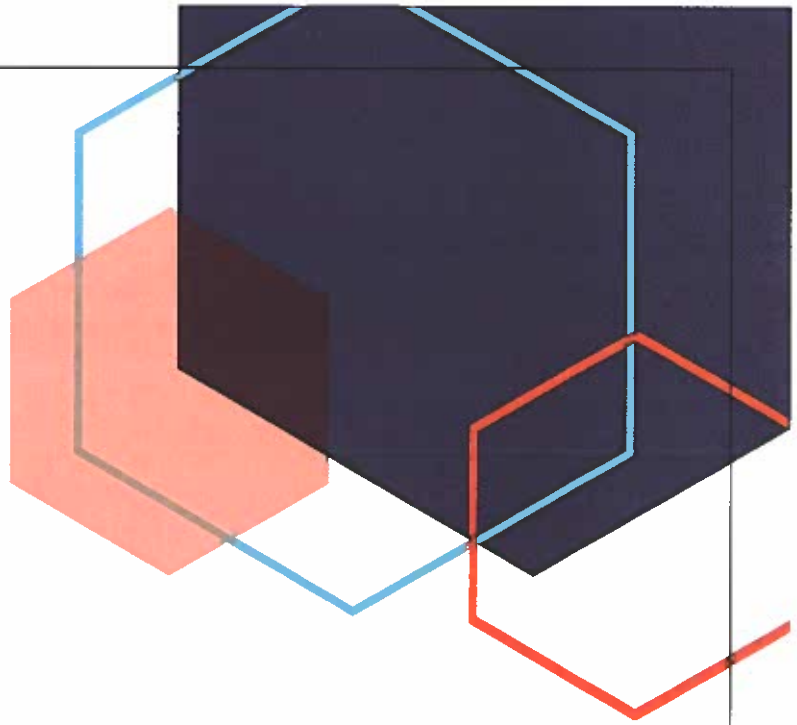
Exhibit 1

Case # 20-0024-I

Department of Finance, Bureau of Procurement
City of Baltimore, MD

[Redacted]

[Redacted]



Procurement Talent Evolution

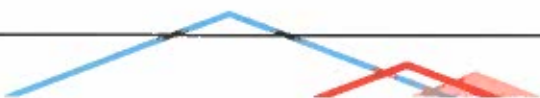



Procurement Professionals Search
*Public and Private Internationally Competitive
Job Market*

City of Baltimore, Finance Department – Bureau of Procurement White Paper

Employee Retention and Compensation

October 22, 2019



FROM	NAME & TITLE	[REDACTED]	CITY OF BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of Procurement (410) 396-5700 7 East Redwood Street, 10th Floor		
	SUBJECT	Procurement Evolution White Paper		

TO

DATE:

October 22, 2019

[REDACTED]
 Director of Finance
 City Hall, Room 454

This white paper is intended to provide a historical perspective on the procurement profession, and recent changes in that profession, with a focus on the impact on the current job market.

We hope that the white paper supports our discussion on a proposed plan addressing personnel strategy and organizational structure realignment that we feel is necessary to address systemic issues related to high vacancy rates.

We thank you for the sincere opportunity to share this white paper for discussion and to embrace systemic change in order to excel in our current job market.

Sincerely,

[REDACTED]

Historical Background Information

Clerical versus Professional

This section is intended to give a historical perspective of the evolution of procurement functions evolving from a secretarial support function to a professional service.

Prior to the adoption of the 1979 ABA Model Procurement Code for State & Local Governments, duties defining today's procurement and purchasing functions were routinely distributed among non-professional support positions often classified as "secretarial" or clerical support. Today's best practices of benchmarking, market surveillance, creating buying cycles and using analytic tools to determine "TCO" total cost of ownership were absent. End-user agencies employed qualified subject matter experts who were responsible for specification writing. Today all of those responsibilities have shifted to the procurement professional, causing the procurement agencies to continuously scan throughout the United States for higher skilled professionals. The procurement professional is in pursuit of a market that will pay competitive salaries for their education, experience and certifications. These searches are competitively played out on a multi-level stage of government agencies and authorities, including federal, state and municipal levels. The wide-spread problem with vacancies is created through the current generation's professional's desire for upward mobility for greater responsibilities, and greater compensation, as well as failures in psychological contracting, increased retirements and the increased willingness to relocate for work. In a Benchmark Study performed by the National Institute of Government Procurement, **"2018 Public Procurement Compensation & Retention Study"**, the top three reported responses for leaving a procurement position were due to current organizational structure, management, and compensation. More than three-quarters of the Study's respondents are satisfied or extremely satisfied with their current work. It is notable that a further breakdown of those numbers revealed that the percentage that are extremely satisfied is higher among more senior ranks and shifts to somewhat satisfied among lower ranks. In the past most procurement staff historically possessed long tenures on the job, with the main objective being achieving the attractive government pension, rather than mobility or job satisfaction. With the injection of the millennials, increased complexity of process, and e-procurement in the workplace, the face of procurement staff is changing.

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THE MILLENIALS AND THE SILVER TSUNAMI

The glorified age of the 30-year full time government employee retirement plan, in the same job and the same workplace, with the resulting low employee turn-over, has diminished with the surge of the millennials. The millennials were born between 1982 through the year 2000, currently just reaching the age of 40. The 2015 US Census Report estimated that 83.1 million people fell into this generation called the millennials, although the numbers are deemed to be much higher with immigration expanding. Prior to the arrival of this generation it was, without question, perceived to be honorable to claim conclusion of your career at the same organization after 30 years; even greater of an accomplishment if the years extended beyond 30 years. These retirees were characterized as knowledgeable, committed and dedicated. It is safe to say that the last of this school of thinking surrounding retirement resides with the generation referred to as the "baby boomers" born between 1944-1964. Until recently the majority of the workforce capacity was provided by baby boomers.

Knitted in between the millennials and the baby boomers is "Generation X", born between 1965-1979. Generation X became more mobile in the latter part of their career partially holding on to old social norms on retirement pathways while still contagiously embracing the norms of the millennials which views the workplace as a global market. As an illustration you can best describe their thinking as one foot in the door and one foot out as they shed the social norms of the 30 year retirements beloved by the baby boomers.

Nonetheless the millennials are on the move and government employment is not the baby boomers' job market today. The baby boomers are now realized in today's job market to be the rapidly increasing numbers pursuing retirement. This phenomenon is often referred to as the "Silver Tsunami", in essence a wave of employees over 60 achieving retirement age and tenure. There are predictions that in the

next 5-10 years the current workforce will witness a mad dash to the door with the remaining baby boomers exiting the workforce in record retirement numbers.

Through position surveillance it is charted that on average a millennial will stay in a position for approximately 1-2 years with the expectation that their salary will increase on an annual basis based on performance. This pattern of behavior is reflected in their multi-page resumes overshadowing the obsolete one-page resume for 15-20 years of experience. The expectations are not unfounded. The millennials have had great success meeting those expectations through globalized marketing of their education, skill sets, and willingness to begin a new challenge. Those growing expectations rely on the platform of social media such as Linked-in, Indeed, and Facebook, just to name a few. Marketing of their talents transitioned from the baby boomer and Generation-X paper and electronic application processes to being on stage, tweeting out their education and credentials. It is fair to say that Human Resources in government entities have not always kept up the pace on the search for these talents. Those who have kept up, by overhauling their Human Resource Departments, armed themselves with tools such as the newly defined Talent Management Teams. The Talent Management Team comprehends and navigates these social platforms, as value-added positions in their organizations. They are facilitating and connecting talents with vacant positions affording the organizations great opportunities for identifying fresh talent. Other Human Resource departments who struggle with updating their processes have yet to be afforded such wealth of opportunities.

The following paragraphs are numbers supporting the global market and talent search opportunities facing today's workforce, specifically in the field of procurement and contracting professionals.



NIGP 2018 Benchmark Study posed the questions to respondents regarding their intentions over the next twelve months. They were specifically asked if they would consider staying in their current job, finding a new job in their current field, retiring, or leaving for other reasons including family concerns, pursuit of a career change or to further their education. Responses were as follows:

- o Director level, 72% wanted to stay in their jobs, 14% wanted a new position and 8% wanted to retire.
- o Managers/Supervisors were more likely to want to leave their positions with 64% wanting to stay in their current positions, 24% were wanting to look for new jobs and 8% considering retirement.
- o Procurement Officers were the most likely to look for a new position with 61% staying in their current jobs, 24% seeking new positions, and 6% planning to retire.

Respondents were asked about their willingness to relocate to a different geographic location if offered more pay for a similar job.

- o Forty-four percent (44%) of the 1,643 respondents were willing to relocate; almost half. By specific position the study revealed that at the manager's level 64% were unwilling to relocate. It is safe to make the assumption that those willing to relocate were in the buyer, contract specialist, and contract administrator positions.

At this juncture it is vital to insert that a supervisor's position in the City of Baltimore Bureau of Procurement requires that a candidate has a CPPO at the time of the talent search and interviewing process. Current classification requirements, absent a 4-year degree, 5 years of experience, and a designated CPPO national certification, disqualifies potential candidates with education and experience in the field of being

interviewed for consideration. Why is that significant? The current disqualifying requirements silences a potential voice of education and experience to be heard for the purpose of filling a position that may possess "true talent". Raw talent that may be realized in procurement field but has not proven themselves by the industry standard by acquiring a CPPB or CPPO. It can be seen as a lost opportunity whereby certification could have been perceived as a value added credential and a return on investment for the Bureau. The voice may have represented a wealth of technical or procurement hands-on experience and knowledge of a very diversified portfolio including today's highly sought after procurement specialist or manager with Information Technology procurement and contracting experience.

Millennials were born into the rapid evolution of technology, being the first generation with personal technology being a part of their daily lives. Without question, classes, trainings, and re-training must have skyrocketed during the early 1990's where the internet slipped in and forever changed the desk top of the US work force. Typewriters were being replaced by desk top computers coupled with Microsoft office suites. The internet for baby boomers and Generation-X was a learned behavior, but millennials met technology and the internet at conception. Technology is fully embraced as a culture by the millennials, much more than any generation prior. The millennials' "social footprint" is vast, with apps for just about everything humanly trackable. Many studies support that they do not view "office space" to be a necessity in performing their work. Millennials are being offered the ability to perform duties away from the office setting as a perk. Many perform work on the floor of Starbucks, McDonalds, and other shared public places such as "co-working" spaces on a daily basis, including co-working office suites.

As a brief introduction, new employees born in Generation Z are now infusing the workplace. How soon will they get here? Generation Z is the



population born between 1995 and 2015, so they are just now reaching 24 years of age. Generation Z is a soon to be workforce population to be reckoned with; Generation Z were born into today's modern technologies and they know no other existence. When asked to recall the cell phone in the bag, floppy disk, and a life without apps they chuckle. Generation Z are easily annoyed by inquiries whereby the inquirer has not conveniently consulted with "Siri". They are exposed to a constant release of innovative incubator technology ideas in the fields of robotics, programming, and app invention. Technology has been adopted as their everyday educational experience with a sea change from the usage of hard back textbooks. Their education experience is "google classroom" and notebooks (chrome books), with work product being electronically submitted, graded and monitored through software applications. Their level of exposure gives them more abundant information faster, and they have grown to expect those results. This speed of change promotes incredible creative. Where is Generation Z today? They are high school students and recent college graduates pursuing advanced degrees and looking for their piece of the dream. Currently they are mostly employed in retail and the restaurant industries. Although we find it necessary to discuss these up-coming generations when discussing the future procurement workforce, for the sake of the white paper we will focus on the current workforce, the exiting of the baby boomers and the entrance of the millennials in the workplace.

CERTIFICATION

Certification under the UPPC, (Universal Public Procurement Council), not only recognizes a procurement professional as competent and distinguished in the industry but also creates an international flow of procurement talent throughout the United States and Canada. The UPPCC certifications are the only Nationally recognized certification designation in the

public procurement industries. In the United States to date (based upon the most recent testing date in May 2019, there are 10,634 Certified Professional Public Buyers (CPPB), and only 2,839 Certified Public Procurement Officers (CPPO). Those numbers equate to shared sources of talent across North American, for vacant positions in 50 states consisting of massive number of municipal and county governments, and numerous State agencies, from Information Technology, Education, Health, Administrative, Corrections, Highway agencies and Airport, Water, Sewer and Transit Authorities. The CPPB and CPPO talent search for availability to fill vacancies across the nation is highly competitive. The supply and demand for both certifications are unbalanced as the demands remain increasingly high, yet in aggregate the supply is low across the nation in correlation with vacant positions that require or prefer certification. Please reference the following requirements for education, experience, and contact hours to be considered at the time of application to sit for certification testing.

CPPB UPPCC regirements	
Education	Assoc. credited post secondary education program
Experience	3 yrs.
Contact hrs.	72 contact hrs.
Lead Time to obtain Cert.	3 years
CPPO UPPCC regirements	
Education	Bachelors
Experience	5 yrs Off which 3 years of management or supervisory role
Contact hrs.	96 contact hours
Lead Time to obtain Cert.	4 years

Below is an illustration of certified procurement professionals in the states bordering Maryland which are also in close proximity for relocation and job hunting in competition with the City of Baltimore.

Figure 1, outlines number of certifications in the State of Maryland and then specifically in the City of Baltimore and Baltimore County. Figures 2 & 3 are numbers of persons (both employed and retired) holding a CPPB and/or CPPO designation in the Commonwealths of Virginia and Pennsylvania.

Maryland		
Certification Designation	CPPB	CPPO
City of Baltimore & Baltimore County	25	6**
State of MD	285	130

(figure 1)

Virginia		
Certification Designation	CPPB	CPPO
N/A	N/A	N/A
State of VA	40	176

(figure 2)

Pennsylvania		
Certification Designation	CPPB	CPPO
N/A	N/A	N/A
State of PA	25	17

(figure 3)

The requirements for holding certification designations for certain positions directly affects the compensation scales for procurement professionals at all levels. Some entities offer automatic increases, and in other cases an increase with the additional opportunity to compete for future promotions. These future promotions are documented in some entities' succession plans, in which procurement professionals are teamed with future retirees and are crossed trained as their replacements. There is an opportunity to grow and transfer knowledge that ultimately benefits the workplace promoting competency and stability.

Although time consuming and costly the national certification is not a stagnate investment; it allows for procurement professionals to surf the nation for the same job with better pay in multiple regions from coast to coast in addition to obtaining promotions internally. Navigating job opportunities with the certification, with such shortage, permits the procurement professional to have more negotiating power on salary and those applicants frequently during the same time

span ponder acceptance on multiple offers. When an applicant receives multiple offers, it leads to what is referred to as "ghosting."

A new phenomenon such as "ghosting" is on the rise. Ghosting occurs during the interview process and up to the first day of hire and beyond. A recent article regarding ghosting states that due to great health of the job market employees are not showing for interviews and in some cases being offered a position and not showing for the first day of work or shortly after hiring. There is an article recently published through CNN that captured testimonials where employers testified to the impacts of ghosting. One employer made an offer to a candidate and began preparing for the employee to attend their first day of employment. Quite a bit of preparation ensued when deciding to bring the new employee on board. Continued efforts to reach out to new employees after missing their first day of work yielded a disappointing outcome.

Employees appear to feel no sense of obligation to reach out to their new employer advising that they intended to accept another offer. As a result, regardless of the no-show or ghosting, the employer was under the same obligation to follow termination proceedings to remove the employee who never arrived at work on the first day. Ultimately the putative employee who accepted the alternate offer, was sent a termination letter. The ghosting employee typically has several job offers that are competitive and they have no obligation to let other employers know their change of heart. From an HR perspective this practice has become costly in many ways. On several recent occasions the Bureau has experienced interview ghosting where employees just simply dismissed a scheduled interview. The interview was initially accepted however the interview candidate never made the Bureau aware that they no longer desired to interview with the city. The assumption can be made that they had other, more attractive prospects.

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How do salary and compensation scales impact the City's Bureau of Procurement? As an example, new applicants who are external hires, who possess a CPPO or CPPB certification are able to negotiate compensation beyond the mid-range salary based on their experience and education. I will provide an illustration of salary gaps based on an external hire with the same or greater experience, education and certification for the same job position in the forthcoming **Compensation Section**. In seeking to close the gap between the internal and the external salaries, employees are achieving an additional 10% increase by resigning their position and accepting another position located in another city agency, with hopes to return to a position in their field. These types of decisions made to close the perceived wage gap does not promote a sustainable work environment and costs the City more in the long run than to allow promotional increases beyond the 10% ceiling range. Putting a mechanism in place to assist with addressing salary increases will not only retain the employee, it will lower the risk of vacancies to fill key positions, maintain core competency levels shared through informal and formal staff training, and possibly boost employee morale, among other benefits. Staff retention will ensure continuity of services, and from an HR perspective the Bureau can realize a good return on the investment in training costs.

The professional landscape for public procurement today gives rise to talent searches nationwide for procurement professionals at all levels. For the potential candidate, compensation plays an enormous role in decision making. Having a nationally recognized procurement certification places an unmatched wind at the backs of the job seekers, sailing them to better opportunity for mobility and increased salary. According to the Study's responses staff were asked about their level of satisfaction in their current organization. More than three-quarters of the respondents are "satisfied" or "extremely satisfied" with their current work. The percentage reporting to be extremely satisfied was higher among more senior ranks and shifted to "somewhat" satisfied

among lower ranks. When introduced with a list of reasons one would consider job hunting and leaving their current positions the survey identified the top 2 reasons for consideration being pay and opportunity for advancement. The respondents were asked to weigh six factors in job satisfaction: 1) Pay 2) Opportunity for Advancement 3) Frustration/Organization 4) Work/Life Balance 5) Frustration/Supervisor and 6) Location. The results of the survey question identified each in order of importance.

Historically, the City has had to continuously search for senior buyers and well-qualified managers. We see the opportunity to attract recruits in those respondents who are willing to relocate and appear to be somewhat or not satisfied in their current positions. Those asked about their satisfaction level in coordination with the dissent of satisfaction among the manager and buyer positions are our opportunity to fill our vacancies with talented procurement professionals. To further that goal, we believe we need to modernize our job postings, both in content and media selected, to appeal to future talent with the clear benefits they will receive under employment with the City, including compensation and certification opportunities.

EDUCATION

The NIGP Benchmark Study summarized that education is a major influence in public procurement. Overall, 69% of respondents in the 2018 NIGP study reported having a four-year or higher degree (total 287 responses), of which 22% of respondents held a master's degree or higher. The degrees were most common for managers and directors overall, with 57% reporting degrees in business fields. See the breakdown below for fields of education reported for director, manager, and buyer position:

NIGP 2018 Public Procurement Compensation & Retention Benchmark Study position reports (with 590 procurement agencies and 2,450 procurement professionals in various positions



from the United States and Canada responding) that about a third of directors hold graduate degrees. A quarter of senior managers and 17% of senior buyers hold graduate degrees. Fifty-seven percent of respondents held business degrees, 8% held public administration degrees, and 12% held liberal arts degrees. In addition to degrees, 58% of the responding procurement professional held a procurement-specific certification, with a large majority of managers and directors holding certifications. Various procurement staff with titles such as Senior Buyer / Contracting Officer, Buyer, Assistant Buyer, Specification Specialist and Contract Specialist also held procurement certifications in large percentages. Of these responding in a "Buyer" category, 63% of Senior Buyers, 48% of Contract Specialists, 33% of Assistant Buyers, and 22% of Specification Specialists held certifications.

The current pay scale for a Buyer (Procurement Specialist I, CUB employee), in the City of Baltimore yields a salary starting at \$49,651.00. The minimum education required is a 4-year degree and a minimum of 3 years in the procurement field, without National Certification. Within the same region, a Procurement Specialist (Buyer) can earn considerably more in other jurisdictions such as the State or Federal agencies and Water/Sanitation, Airport and Transit authorities. The NIGP Benchmark Study reported that a Buyer residing within the Mid-Atlantic region (DC, DE, MD, NJ, PA, VA, WV) as of 2018 earns a salary of \$55,600. The average salary was determined by specific categories describing jurisdiction, region, and procurement volume dollars to ascertain the average salary. The chart below is provided as an example of calculations for the City of Baltimore.

COMPENSATION

Millennials are being lured into the Procurement field with greater compensation and opportunity for upward mobility and newly trending side-ways mobility. With each move or promotion, they expect a material increase in their annual salary. 1 in 5 Millennials expect to die without ever paying off their college debt. A new LendingTree poll stated that 60% of millennials do not have enough in their savings to handle a \$1,000 emergency. These debts can be traced back to the cost of today's college education and tuition increases and lasting impacts of the 2008 market crash on entry level position salaries. The study supports a reactive need for government to consider, review, and make wholesale adjustments to their talent search programs, their retention programs, and their compensation programs to include benefits of more interest to the younger workforce. For instance, some employers reported offering employee's on-site childcare facilities. Childcare services appear to be one of the creative ways employers are attracting the millennials into the workforce.

2018 Salary Average for a Buyer (a.k.a. Procurement Specialist)	Salary reported
Entity: Municipality	\$53,388.00
Region: Mid-Atlantic	\$56,238.00
Procure Vol: < \$125M	\$57,176.00
Average salary income	\$55,600.67

If a Buyer is employed by a municipality located in the Northeastern region (CT, MA, ME, NH, RI, NY, VT) that average salary increases by \$1,006.33, (average income = \$56,607.00). If the Buyer is employed by a municipality located in the Western region (AK, CA, HI, NV, OR, WA) the average salary increases by \$4,269.33 (average income = \$59,870.00). The comparison is important because, as stated earlier, the NIGP Benchmark Study reported that almost 50% of procurement respondents stated they would relocate for the same job in a different region. Additionally, the majority of successful applicants for the City of Baltimore procurement positions relocated to either accept the City's offer, or when leaving City employment.



It is worth noting that a Buyer's salary increases merely for the transition from one jurisdiction to another, for the same defined position as a Buyer. The Study also shows a significant increase in salary based on having a field-specific procurement background. For instance, having Health field procurement experience increases a Buyer's salary by \$21,000, and experience within a specific agency such as Public Works, Transportation or General Services increased average salaries by \$7,116. Regional, multi-jurisdictional authorities (such as airports, transit and utilities) also increased average salaries. In the City of Baltimore, which is a true centralized procurement model, a Buyer is assigned to the agency and is dedicated to all of their purchasing, procurement, invoicing, and contracting needs. Unfortunately, the study did not capture the average salaries for a procurement professional in the much needed and sought-after area of Information Technology commodities and services.

2018 Buyer Average Baseline Salary	Salary reported
Entity: Municipality	\$53,388.00
Entity: Health	\$74,000.00
Entity: Special Authority	\$60,504.00
Average salary income: <i>notation, enter region and procure vole to arrive at average income for each baseline reported</i>	N/A

In summary, compensation for procurement professionals such as Buyers, Purchasing Managers, and their leadership (i.e. Chief Procurement Officers) are trending upwards. The NIGP Benchmark Study summarizes that procurement agencies reported that average salaries are rising. On average, between 2001 and 2018, all of the sixteen surveyed positions showed a cumulative increase in salaries ranging from 24% to 58%. It further reports that Buyers saw a rise of 46% while senior Buyers witnessed an increase of 42% over the same period. Titles for similar public procurement positions vary across the United States and

Canada. The Study used a designated set of titles and descriptions. For more details and definitions please see attached, "Exhibit A. Position Descriptions – Directors, Managers, and Supervisors" from the 2018 NIGP Benchmark Study.

Additional Demographics: 2018 NIGP Benchmark Study : Gender & Salary, Race / Ethnicity

- o Of note, it was reported that on average, women earned \$8,422 less than men when serving in the same role. The Study concluded that while women always earned less on average than men, the greatest salary discrepancies are noted for the position of Director, where differences ranged from 11% to 16%. 63% of Study respondents were female and 37% of respondents were male.
- o Of the 1,799 respondents answering the question on race and ethnicity, 71% of respondents were white Non-Hispanic, 13% were Black Non-Hispanic, and 9% were Hispanic.

SNAPSHOT OF CITY OF BALTIMORE BUREAU OF PROCUREMENT EDUCATION AND CERTIFICATION REQUIREMENTS

Of the 1800 people responded to the Study surveys, 58% reported that they held procurement-specific certification. According to the Study, the rate varied but most managers and directors had a higher percentage. The Study stated that approximately 70% of Directors and Managers hold procurement-related certifications. Overall 58% of the Buyers held certifications.

City of Baltimore Bureau of Procurement Position Classification, Experience, Academic Requirements, Certification Requirements & Summary Responsibility:



Position Classification	Experience	Education (CPPB, CPPBA)	Certification (CPPB, CPPBA)	Responsibilities
Procurement Manager	7 years with 3 yrs of supervisory experience	Bachelors, Masters	CPPO	Supervisory and management responsibility; directs and coordinates a group of procurement professionals engaged in purchasing of commodities and services.
Buyer (Procurement Specialist II)	5 years procurement experience	Bachelors	CPPB	Reviews, analyzes and develop highly complex procurement contracts for the purchases of specialized services and technology.
Buyer (Procurement Specialist I)	2 years procurement experience	Associates	Must obtain certification for a CPPB designation within (4) four years of hire.	Reviews, analyzes, negotiates and processes requisitions for the purchase of a wide variety of supplies, equipment, furniture, and other commodities and services.
Purchasing Assistant	1 year	High School diploma, Associates	n/a	Performs paraprofessional purchasing and office support work, assist Procurement Teams.
Office Support Staff III	0 years	GED	n/a	Performs variety of complex office, administrative and/or clerical work may include lead or advanced level responsibilities as assigned.

Certification CPPB/ Defense Acquisition Certifications, DAWAI II/ CPM, CPSM
Salary scale: \$64,505 - \$103,208

o **Purchasing Assistant (CUB)**

1 year
Associates
Certification: Not Applicable
Salary scale: \$34,039 - \$40,327

o **Office Support Staff (CUB)**

No prior procurement experience
High School / GED
Certification: Not applicable
Salary Scale: \$31,488 - \$36,312

MAPS & CUB UNION MEMBERS BY CLASSIFICATION:

o **Procurement Supervisor (MAPS)**

7 years (3 yrs. Supervisory role) Bachelors or Masters 5 yrs. (3 yrs. Supervisory role), J.D. 4yrs (3 yrs. Supervisory role).
Certification: CPPO / Defense Acquisition Certifications, DAWAI II/ CPM, CPSM
Salary scale: \$82,753 - \$113,342

o **Buyer (Procurement Specialist I) CUB**

2 years procurement experience
Bachelors
Certification: Employee must take and pass the CPPB within 4 years of hire; failure to pass test for certification is grounds for dismissal.
Salary scale: \$ 49,651 - \$ 60,421

o **Buyer (Procurement Specialist II) *MAPS**

5 years procurement experience
Bachelors or Masters 5 yrs. (3 yrs. Supervisory role),

* City procurement position not classified as a BOP position Procurement Officer, requires Bachelor's degree and 5 years' experience, in procurement, with specialized expertise in procurement of at least two of following: professional services; information technology; utilities; building services; equipment; or commodities. Equivalence UPPCC Certified Public Procurement Officer. LICENSE, REGISTRATION AND CERTIFICATES: Defense acquisition certification from the Federal Acquisition Institute or a Juris Doctor (J.D.) from an accredited School of Law with a concentration in Public Contract Law. Must maintain of these certifications as a condition of employment; SALARY: \$60,655 - \$97,277 Annually.

PSYCHOLOGICAL CONTRACTING IN CORRELATION WITH EMPLOYEE SUSTAINABILITY AND COMPENSATION

A study published the Harvard Business review introduced the concept of "psychological contracting" in the workplace. Psychological contracting is the concept of certain expectations an employee has of their employer. It is often internalized and unseen by the untrained human resource eye. When acknowledging the articles of psychological contracting the employer looks to create an environment known as psychological safety.



Those unwritten and unmentioned expectations are those of hope, efficacy, resilience, and optimism:

Hope – Self-explanatory, somewhat synonymous with faith. The ability to believe in what one cannot see.

Efficacy – Confidence that I can put forth the effort to affect outcomes.

Resilience – The ability to bounce back in the face of adversity or failure.

Optimism – A generally positive view of work and potential of success.

There is a psychological safety when the employer fulfills these expectations in their psychological contracting performance. The hope is addressed in the creation of career pathways. Efficacy is accomplished when you have an environment that promotes hands on experience in preparation for career mobility. Resilience is found in a stable environment where time and effort permits coaching, corrective action through training and mentoring, coupled with positive reinforcement. Optimism on all fronts can be created in accomplishing the aforementioned attributes among other types of creative initiatives.

Procurement is an environment where the individual professional views themselves as a public yet independent contracting consultant. On a daily basis we communicate with multiple internal and external customers and the response to that work is captured as our value. Although some work has been done by NIGP to blow the trumpet of the procurement staff as professionals more is still needed to elevate perception of public procurement. Often those who are not as educated on the procurement processes view Buyers and Managers as

clerical. It is a false narrative and a misconception imbedded in the lack of knowledge of the laws, regulations, and codes that require levels of competency and skills sets to serve in this capacity. On that note, we passionately disagree with the Procurement Specialist I positions' current classification as a CUB position, as this reinforces the categorization of these procurement professionals as support staff.

Most procurement professionals are cognizant of promotions internally and externally by their very visual knowledge of public job opportunity postings on procurement and career sites. They are cognizant of pay differentials in surrounding areas for positions, though bearing a different title, bearing the same job duties. There are psychological impacts and consequences for a procurement professional to observe job postings that pay more but require less of them. At every level of public procurement, the organizational structure is different and the level of resources provided can vary greatly. Relationships are created in the procurement world, as staff coordinate with colleagues in surrounding jurisdictions on a regularly basis. These other jurisdictions actively recruit Buyers and Managers at every opportunity.

Additionally, an agency's reputation matters. The recruiting agency's reputation on organizational structure, authority, resources, upward mobility opportunity and compensation plays an active role in capturing procurement talents. The reputation for low salaries with high requirements is grounds for avoidance and establishing a less attractive reputation. Again, the procurement professional is a consulting business under the public procurement umbrella. Procurement Managers are not hesitant in attempting to recruit talent from neighboring jurisdictions. It is an isolated culture in which we speak the same



industry language, foreign to those that are not in the field. We analyze, research, and produce projects closely related to the project management field; however, because of the clerical stigma procurement professionals do not reap the benefit of the association. It is our responsibility as leaders in the industry to sound the alarm on the value-added work procurement professionals bring to the table.

Procurement professionals also operate in the legal arena and learn that the contracting process is a mechanism for appropriately apportioning risk. Fiscal year end involves the procurement professional to realize the surplus funds in every account, locating opportunity to reallocate much needed resources. These procurement professionals are generally found in the shadows of these activities, though often responsible for the heavy lifting. If an employer is unable to recognize the value of their procurement team as consultants and do not have the ability to compensate, they have only groomed them for another jurisdiction who are able and willing to compensate competitively.

When procurement professionals' work is defined as clerical the psychological safety of their work is not being fully appreciated. In those scenarios, the response can be devastating to a procurement organization who struggles with retaining and searching for talent. Organizational reputation is impacted and is well known among engaged procurement professionals. Based on the networking and ability to communicate at the local and national level through industry tools provided by the National Institute of Public Procurement website, all individual members can benchmark with multiple jurisdictions nationwide. Organizations post white papers, process improvements, surveys, and a host of latest recommendation documents in the National Procurement Library for all who are

members to access. Names, jurisdictions, and additional contact information are on those documents, made available for research, analysis, and yes, recruiting. There is a social media environment set up through the NIGP membership. Organizations learn of exceptional procurement professionals, other jurisdiction's excellence, along with the capacity to talent search with high compensation salary tags on vacant procurement positions.

Fulfilling the psychological contract and providing a psychological safe environment for any employee promotes professional growth and productivity. Most professionals in a capitalistic society equate compensation as a reflection of the employer's value on their contributions to the organization. Low compensation for duties creates the misconception of low value and job positions' perceived contributions.

According to the NIGP Study, most employees resigning for a position with a different employer stated that compensation was one of the top three reasons for leaving an organization, followed by organizational structure and direct supervision.

Organizational structure can be defined by the culture, levels of authority, clear reporting structure, and organizational architecture. In the current state of the organizational design within the Bureau of Procurement, Buyers and Procurement Supervisors are often disappointed in the lack of authority delegated to them, as the Chief Procurement Officer (City Purchasing Agent) only has authority up to \$25,000. In many cases a Buyer is leaving a position with a higher authority level than their leadership can claim. This hurts morale, as the position, and the profession, does not appear to be respected by the City. Additionally, there is



a lack of progressively higher procurement positions for a Buyer (rather than a Supervisor) despite the paths that were instituted as an incentive program within the past 2-5 years. The structure demonstrates the following opportunity to promote through the career path progression:

Purchasing Assistant >>>Procurement Specialist I >>> with certification (CPPB) Procurement Specialist II >>>Procurement Manager /Supervisor with certification (CPPO)

However, there is not one identified professional that has successfully navigated these promotions. In the City's case, employees benefited by obtaining necessary experience, certification and valuable knowledge transfer only to seek employment in other jurisdictions, rather than seeking an internal promotion. The City, in my opinion, has to reconsider the pay scales of the entire organization, as many other agencies and professional fields are having similar experiences. It is our observation that revisiting salaries should be carefully considered for all classifications, from the top to bottom.

Further, it is our conclusion that the education acquired, documented experience and certification required of the current positions, specifically Procurement Specialist I's and Procurement Specialist II's, are not compatible with the potential salaries within the region. The ranges for the MAPS positions may appear wide open, but the opportunity to actually acquire top salaries presented are a very long stretch. After hiring, the failure to obtain raises can greatly impact the promotion of hope of ever achieving upward mobility in the position's salary scale. If no employees beyond the clerical positions in CUB are able to achieve the higher range of pay, they do not feel it is possible. In building that hope I believe we

increase our mission to retain talent, realize our RIO, and lastly create a competent sustainable work environment for procurement and contracting in the City of Baltimore. Psychological contracting is a philosophy with new considerations for HR and employers as a whole. Much like other contracts there may be a perceived breach. The symptoms of a breach can result in low work productivity and a sense of a promised broken.

- ✓ Pay – irregular or insufficient increases
- ✓ Promotion – an unclear pathway or timeline expectations are not met
- ✓ Type of work – more complicated than expected
- ✓ Training – not enough training time
- ✓ Feedback – irregular performance reviews

We can attest to all of the above being impactful to the Bureau of Procurement experience. In doing our due diligence we recognized all of the above to be equally important relative to the work environment. Recognizing and acknowledging these shortfalls does not lessen the impact for the employee. Pay is not always an issue that can easily addressed solely by supervisors or leaders who may very well recognize the need. Further, staff turnover and unfilled positions should be reviewed and addressed on a continuous basis. This is particularly true when job classifications do not lend support for the organization's vision, written or unwritten, bringing those promised promotions to fruition. Without question the workload has had negative impact on staff vacancy. The inability to fill rapidly vacated positions greatly lowers the Bureau's capacity to distribute workloads evenly and in line with classification expectations, which is another recognized issue of concern for the managers and leadership. However, to discuss the matter without having a proven plan to address each aspect will not stop the bleeding as it relates to



recruiting procurement talents and retaining employees for the Bureau.

Currently the Bureau is understaffed and has an overall vacancy rate of 50% as we struggle to find candidates for each position. Managers are at a 75% vacancy rate, Procurement Specialist I & II's have a 15-position capacity with only 9 positions currently filled, which is a 40% vacancy rate. The vacancy rate has been a uniquely historical experience within the last 5 years, as many employees reach retirement age.

DEPRESSED PAY SCALE AND ITS EFFECT ON WORK PRODUCTIVITY STUDY

The Harvard Business Review, in an article by Zoe B. Cullen and Ricardo Periz-Truglia, "The Motivating (and Demotivating) Effects of Learning Other's Salaries" explores another aspect of psychological contracting. The study begins with stating that pay inequality is common in most workplaces. Cullen and Periz-Truglia conducted an experiment with 2,060 employees whereby subordinates were asked to guess their leadership or manager's salary. We will refer to this portion of the experiment as Group 1. When the employee guessed incorrectly, they were given the manager's correct salary, but if the employee guessed the salary correctly, they were rewarded. The experiment revealed that once a subordinate was made aware of their manager's salary, which at times were 10% to 14% higher than their salary, there was a significant uptick in the office productivity. The effects as documented caused employees to spend 1.5% more hours in the office, send 1.3% more emails, and sell 1.1% more product. The experiment further revealed that the larger the gap the larger the effect (i.e. finding out the boss earned 50% more led to effects five times larger). In essence, there was a direct correlation between subordinates

being aware of higher salaries for manager's and the incentive to work harder and pursue promotions to achieve that greater increase in salary. Further, there was an uptick in an employee's optimism about salaries they would potentially earn in the future. There was no effect on the subordinates when the salary in question was for a position more than 5 promotional steps higher than the employee.

A second, peer group study was performed on a different group of non-managerial employees. The study performed under the same process as that for Group 1, yet yielded different outcomes. In the second part of the study peers learned of each other's salaries. We will refer to these participants as Group 2. When given the true salary of peers, finding out that peers got paid more had a negative effect on the employees' level of effort and performance. The experiment showed that finding that peers earned on average 10% more than initially thought caused employees to spend 9.4% fewer hours in the office, send 4.3% fewer emails, and sell 7.3% less product. The results of the experiment suggested a mechanism to motivate individual employees through raises, but that increasing the pay of one employee may cause that employee to work harder, but the rest of the employee's peer group may be de-incentivized and work less. To avoid the aforementioned outcome and to motivate employees there should be a prospect of a higher salary attached to multi-level promotion. It is also suggested that salaries be compressed among employees in the same position, but offer them substantial increases when the employee receives a promotion to a higher position.

During the compensation study completed by Department of Human Resources several years ago, the prior Bureau position structure of three Procurement Specialist positions (I, II and III) was



compressed, so that only Procurement Specialist I and II remain as current positions. That compression gave employees no room for promotion once they achieve the PSII position, and actually caused some employees to return to a position from which they had already been promoted, greatly impacting morale.

In conclusion, compensation matters. In the City of Baltimore all City employee salaries are publicly posted, and readily accessible to peers.

CHALLENGE OF RETAINING "HIGH POTENTIAL" EMPLOYEES WITH BELOW MARKET COMPENSATION

A study performed by Claudio Fernandez-Araoz, Boris Grousberg, and Nitin Norhria on Leadership Development revealed that organizations around the world are failing on one key metric of success: leadership development. The supply of experienced Managers and successors are dwindling, but not for the lack of internal talent. Organizations are trending towards programs that identify "high potential" employees. The Harvard Business Review article defines the high potential employee as one with the "ability to grow and to handle responsibilities of greater scale and scope." According to the global study conducted "only 15% of companies in North America and Asia believe that they have enough qualified successors for key positions." The shortage is predicted to continue for the next two decades. This implies that the upcoming challenges for talent management will only increase and will be exceptional. It is understood that creating a high potential program to reward and retain potential leaders can be risky. Not having a clear definition of "high potential" can compromise the success of this approach. For instance, a Procurement

Specialist I with high potential can be lost on the lack of industry certification requirements.

The City of Baltimore addresses some of those certification "woes" in that Bureau of Procurement has launched a program hosting the required courses for certification that prepares a candidate for successfully obtaining required designations. This approach to hosting the accredited NIGP courses onsite supports the vision of having a fully certified procurement workforce. There is no travel time required and employees can address urgent issues with their current workload. Ideally, an employee should solely focus on their training experience, but the current vacancy issue limits that ability to perform at a higher level.

The certification process, as mentioned earlier, can be time consuming to say the least. The course requirements and preparations can take, liberally, anywhere from 1-2 years to complete the courses, the 3-6-month application process for approval to sit the exam, and additional exam preparation time. Without an incentive to sit for the certification, invested training dollars are potentially not meeting their desired outcome of achieving certified staff. There may be a demoralizing effect on valued employees without a certification and the need to hire from outside of the agency to obtain those certified employees. Those who have received the benefit of the investment and have obtained their certification through the Bureau of Procurement ultimately seek employment outside of the Bureau to obtain a significantly higher pay increase. Over the course of 1 year the Bureau lost talent who obtained their CPPB to other jurisdictions i.e. State of Maryland and District of Columbia. Both employees received an informal and formal exit interview whereby compensation with the City of Baltimore was denounced as not being compatible with



current offers. For example, we have included two scenarios of internal promotions.

Scenario 1: Procurement Specialist I career path to a Procurement Specialist II

A PS I, with no certification, has a salary range from \$49,651.00 - \$60,412.00. With experience the employee may earn full performance to experienced level. If we use the full performance salary of \$52,044.00 as an example, and the employee obtains their certification over the 18 months necessary to achieve the experienced level of \$59,429.00, with a subsequent promotion to PS II, their new salary would equate to a 10% increase equaling \$65,372.00. The promotional rate skirts at the bottom range of the PSII that salary range is \$66,118.00 - \$103,208.00. A very wide compensation range only lands the newly promoted PSII employee at a salary of \$65,372.00, automatically increased to the minimum of \$66,118.00 based on current HR Rules. It is significant to mention that the PSI is a CUB position, defined as non-professional and the PSII is a MAPS position classified as professional when in fact there is little differentiation in type of work performed by a PSI and PSII, or skills expected and required.

An additional factor in the struggle to fill positions is that the Bureau is often challenged with burdening PSI "high potential" employees with modest PSII procurements and duties. Due to the shortage of Managers it is practically impossible to consult and supervise the PSI with the necessary level of scrutiny as first outlined in the job classification. For clarification the PSI should receive more surveillance, coaching and support in completing work duties than the prescribed expectations of a mostly independent PS II. Managers also currently share in the PSII workloads for which their position was not designed, leaving multiple

leaking dikes for training, staff development, coaching and mentoring, management reports, and overall organizational structuring support.

What are the current and growing future impacts or consequences? Employees feeling hopelessness, that they are undervalued, with the resulting "burn-out" causing the Bureau to become a high-risk environment that lacks sustainability and competency in all areas of procurement. It is of great significance to mention that a PSII with experience and the required certification that is promoted from an external pool of procurement talent has negotiation leverage that a PSI promoted to PSII internally does not possess. Incoming PSII candidates have negotiated a \$80,000.00 to upwards of \$93,000.00 in salary. The difference in compensation with regards to an internal promotion to an external promotion is roughly \$15,000.00 to upwards of \$28,000.00. It is more attractive for a PSI to leave the City for the surrounding areas with the same job position with a more competitive salary and a more defined trajectory of future compensation.

It should be noted that hiring from outside the City necessarily increases the City's risk at hiring someone who looks good on paper, but can't actually perform at that level. The higher the position, the higher the risk.

The lost value of the exiting high potential employee is financial in nature. The Bureau bears the direct cost of replacing high potential staff in the current market climate as well as the indirect costs of the large amount of administrative effort to get to a successful new hire, and the reduced productivity of the Bureau during the vacancy. Turnover is also encouraged by the City's current HR policy for promotions. To earn additional compensation, the employee appears to be encouraged to



obtain multiple offers or to leave the organization to return with a promotional increase of 10%. It does not seem necessary to point out that the latter does not promote continuity of services provided to the entire City of Baltimore. If a PSII retains their employment with the Bureau their sole future promotional opportunity would be to promote to a Procurement Supervisor by passing and obtaining an additional certification, for the Certified Public Procurement Officer.

Scenario 2: Procurement Specialist II career path to a Procurement Supervisor.

Internally the sole PS II promotional career path is to a Procurement Supervisor. The previous scenario maps out a pay salary for a PS I who has been loyal, identified as a "high potential" and has earned their certification and promotion to PS II from a PS I; starting at a potential salary earning of \$66,118.00. If promoted after three years of successful and increasing responsibility including supervisory duties, with a 2% Cost of Living increase and a possible 2% performance increase annually, the employee would be at \$72,943.00 (or \$70,164 if the pay-for-performance is not available during those fiscal years). Upon promotion to a Procurement Supervisor, the employee will earn an additional 10% equating to a maximum of \$80,237.00. Currently employed Procurement Supervisors today have salaries of \$96,142.00 and \$102,500.00. To support our contention, the higher paid Procurement Supervisor was an external hire and the lower salaried employee is a certified, experienced manager with 15 years of commitment to the Bureau and City of Baltimore. A recently retired Procurement Supervisor who was hired originally as a Procurement Specialist II was the lowest paid of all supervisors, though the highest performing. Despite frequent high scores on his performance evaluations, the raises were

insufficient to bring him into line with the new applicants on the market. If promoted from within, the new Supervisor used as an example will earn, based on the scenario, \$80,237.00. That is a difference of approximately \$16,000.00 to \$23,000.00 annually.

In summary, there is no incentive to seek promotion through the ranks of the Bureau of Procurement. The newly promoted Supervisor would be best served, from a compensation perspective, by leaving the Bureau and seek higher compensation in a different jurisdiction. Alternatively, the high value internal applicant would be best served by leaving the Bureau for a few years to work in a different City agency as a Procurement Officer (in a grade between the PSI and PSII) to be re-hired by the Bureau at a higher starting salary. The Bureau will then eventually replace both of these example employees at direct and indirect costs higher than the difference in salary received by the exiting employees.

THE BUSINESS COST OF HIGH TURNOVER

The Center for American Progress states, "**The cost of employee turnover for businesses is high, regardless of the level of wages being paid to departing or incoming employees.**"

Workplace policies that improves employee retention can help companies reduce their operational costs; by utilizing good HR sense, such as better benefits and flexible workplace policies.

Procurement is a work environment where succession planning for retirement, unforeseen resignations and other forms of turn overs can significantly impact productivity and future stability for an organization.



According to a Harvard Business Review article authored by Andrew Chamberlain, replacing employees who quit, on average, costs the employer 21% of their annual pay. Having a clear career path and good pay salary, increases the possibilities that an employee will retain employment with the Bureau. On the other hand, in the current structure we continue to lose high-potential employees for the entire City of Baltimore. The employee is only left frustrated with the thought of "I can't get there from here."

SUMMARIZATION AND CONCLUSION:

We recognize that we are in a competitive market and as a City we should be permitted to compete in the talent search for procurement talent. The pay scale is trending upwards for these targeted positions because other jurisdictions realize the value-added performance creates surplus on budget lines. Those savings are created by competent, knowledgeable, motivated employees who commit to carrying out thoughtful procurement functions that yield those results. Our initial attempts to increase our population of certified procurement professionals were not as successful as hoped, though it is our position and continued mission to have a fully certified procurement staff. However, we would like to recommend the different approach to achieving that goal, through career path, succession planning, internal promotions, and most importantly, competitive salaries. We want to be able to compete in the workforce market to recruit talent into the Bureau and into the City.

It is imperative that we are given the tools and support to address the changing generational workforce. We have not adequately armed

ourselves to harness talent that this current market has to offer in the evolving workforce and the millennial workforce. Will we be prepared to address the change and promote a competent and sustainable workforce for the future?

Through the white paper and understanding of our current state we would like further discussion on our "Current State" and our "Desired State" that will include the following:

- Clear Obtainable Career Paths through position / operations realignments
- Promotion of Education and Certification in addition to Longevity
- Realistic Career Goals and Employment Requirements
- Consideration on Pay Scales and Incentive Packages for Competitive Job Market Talent searches
- Current Union & Position Classification System
- Staff Retention and Succession Planning
- Creating an Attractive and Stable Work Environment
- Improvements in our Human Resource Coordination & Talent Search Management Tools

We thank you for the sincere opportunity to share this white paper for discussion and to embrace system change to excel in our current job market. We are confident that we will have an opportunity to create a sea change on how we do business in the Bureau with the much-needed support of your leadership for the future changes specific to Bureau of Procurement.

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