

LeadersLens

f o c u s o n c h a n g e

Major State Worker Shortage Coming

America's aging population is no stranger to the state government work force. In fact, all levels of government are feeling the effects of an aging work force sooner than the private sector, leaving government to be on the leading edge of strategic policy development in work force planning.

So, just how significant is the issue? According to a 2002 study by CSG and the National Association of State Personnel Executives, 30 percent of the states' work force will be retirement eligible by 2006. Meanwhile in the private sector, 43.2 percent of employees are age 35 or under, reported the Nelson A. Rockefeller Institute of Government in a July 2002 study.

Multiple factors have made government one of the first sectors to bear the brunt of an aging work force. According to a 2002 study from the Center for Organizational Research, the reasons are:

- past employment patterns (periods of growth and downsizing, hiring freezes, early retirement incentives or buy-outs);
- the declining appeal of public service;
- competition with the private sector for talent;
- lower retirement-eligibility criteria than most other sectors offer;
- regulations that hamper jurisdictions from retaining older employees or rehiring retirees; and
- cut-backs in training that have deleted the talent pipeline.

Your first reaction to the exiting of employees might be "this is great news." After all, most states are still trying to downsize their payrolls in order to respond to revenue declines and increased expenses, primarily in health care. But, be careful what you wish for, because when this large cadre of experienced public service "baby boomers" starts exiting your state work force, there is a scant replacement pool for them.

Moreover, states will continue to need the "best and brightest" to manage state governments in times of high turbulence with fewer available resources, due to rising costs and greater reliance on the latest technological advances. While it may seem a distant problem given current realities, most states can expect to come up short of critical personnel in the very near future.

Examples of this can be found across state government, but most particularly in health care, corrections, transportation (engineers) and human services, according to the 2002 CSG/NASPE study.

A 2002 study from the Nelson A. Rockefeller Institute of Government confirms that nationally, 50 percent of government jobs are in occupations requiring specialized training, education

On a Personal Note...



Experts agree the most critical resource for success in any type of enterprise is its human capital. Whether you read Jim Collins bestseller "Good to Great" or Richard Florida's work on "The Creative Class," the key variable to gaining a competitive edge is getting the right people to join your organization or live in your community.

There are many dimensions to this human capital pursuit. As part of CSG's megatrends monitoring and forecasting efforts, we will be exploring different aspects of this multi-faceted resource challenge.

We begin in this inaugural issue of *Leaders Lens* to alert you to the impending "human capital drain" trend across the governments of all 50 states and the U.S. territories, precisely because it will have the most immediate and keenly felt impact on state abilities to perform at high levels.

It is common knowledge that the American population is growing older with baby boomers getting ready for retirement. Less understood is the prominent role many of these soon-to- retire workers play in managing vital state government programs and operations. Just two years from now states will be in an intense competition for both specialized professionals and senior managers with the private sector and with federal and local governments. States seeking a competitive edge in this human capital pursuit must begin taking comprehensive steps now or be left without the prerequisite human assets.

The following is an analysis of the scope of this trend, identification of what states should be doing today to prepare for the major worker shortage of tomorrow, and some model approaches select states have already initiated to position themselves for human capital success.

Daniel M. Sprague
Executive Director
The Council of State Governments



or job skills compared with just 29 percent in the private sector. Therefore, jobs that are unique to government or are highly competitive in the private sector as well, such as health care, are going to feel the greatest effects.

For example, according to a CSG, NASPE, and Association of State and Territorial Health Officials 2004 survey, the average age of public health employees is almost 47 years, which similarly points to the predominance of baby boomers in the public health work force. This is higher than the average age for all state employees, which is 44 years.

There's no question hiring freezes and early retirement brought on by the recent fiscal crises in state government have exacerbated the problem but also, too, the ability to attract and retain a younger group of employees.

This younger generation of employees, often referred to as Generations X and Y, is smaller and one that is very different from the previous generation. Career and personal development, as well as a work-life balance, are the demands these generations place on an employer in addition to competitive cash compensation. Offering these flexibilities, as well as publicizing them, is going to be critical to the success of state government in becoming an employer of choice—not an employer of last resort.

What Should States Be Doing Now?

This is a critical issue facing state government, but it's one that can be solved. It takes consensus, commitment and capacity to make the difference. Here are several basic steps that states should start taking now in anticipation of the key worker shortage two to five years out.

- Analyze what state management workplace needs will be in 2006 and beyond.
- Work with human resource directors to identify how many and what kinds of critical skills and experience will be needed.
- Begin to develop retention and recruitment campaigns. Create timetables for implementation and survey projected retirees on what would keep them "on board."
- Target certain technical and managerial needs and put in place training and upgrading programs for younger work force members to advance.

States will continue to need the "best and brightest" to manage state governments in times of high turbulence with less available resources.

- Get executive and legislative consensus on how best to proceed with a creative comprehensive state "sales pitch" to existing and new public service professionals.

Some Model Approaches

Whatever the approach to solving this potential human capital drain, the basic goal is developing a continuous planning process that develops the right number of people in the right jobs at the right time.

This planning process, more simply known as work force planning, is not an exact science, but most work force plans have a basic structure in place, such this one below from South Carolina:

- assessing the current work force;
- identifying future needs, gaps, and surpluses;
- developing plans for transition; and
- monitoring progress of efforts.

A recent NASPE work force planning survey reveals states are in different stages of their work force planning processes. Some have been doing it for close to 10 years, some have just begun, and some are yet to get started. Following are some model approaches states have been taking to make sure they are prepared for the work force of the future.

Georgia—Recruitment and Retention with Total Rewards

A recent effort in Georgia's work force planning process is to focus on total rewards. Total rewards not only refers to cash compensation, but also other factors that come into play when an employee considers a compensation package, such as bonuses and variable pay, benefits and work/life factors. Total rewards assigns a numeric value to total compensation plus benefits in order to create a complete competitive picture that can be compared with private sector companies or even public sector organizations.

Maine—Leadership Development

A significant portion of Maine's work force planning effort is called the Maine Management Service Program. This program is a multi-phased initiative for 700 managers, excluded from collective

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bargaining, who are in policy-making positions. The broad purposes of the MMS are to: accelerate leadership development opportunities; develop and focus on leadership competencies; provide MMS members with more latitude in managing their programs; and set up reward and accountability structures particularly for their positions. This will be different from the traditional set up as managers will have greater flexibility and responsibility to directly manage their own careers; job assignments can be tailored to better use current skills or to develop new skills.

New York—Detailed Assistance and Inter-agency Cooperation

New York's Department of Civil Service provides planning guides and staff assistance to agencies developing work force plans. Also, eight inter-agency workgroups were formed in 2002 to compile and share information on a number of topics related to work force planning, including recruitment and selection, retiree resources, retention, competencies, staff development, mentoring, management mobility and knowledge management.

States—Work force Planning Guides

Georgia

<http://www.gms.state.ga.us/agency/services/wfplanning/index.asp>

Maine

<http://www.maine.gov/bhr/mms/index.htm>

Pennsylvania

<http://www.hrm.state.pa.us/>

Virginia

<http://www.dhrm.state.va.us/workforceplanning.html>

South Carolina

<http://www.state.sc.us/ohr/recruitment/r&wplanning.htm>

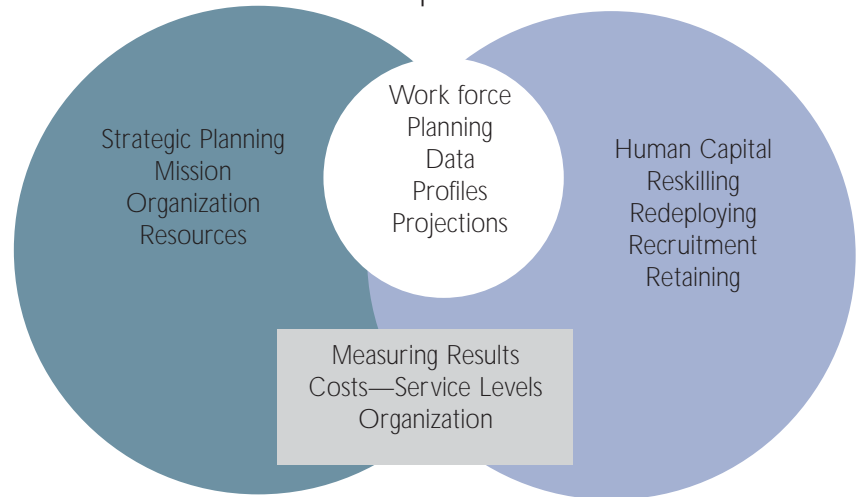
Texas

http://www.hr.state.tx.us/Work_force/workforceplanning.html

Washington

<http://hr.dop.wa.gov/workforceplanning/wfpguide.htm>

The People Factor



Source: Texas State Auditor's Office Guide to Work force Planning

Pennsylvania—At-Risk Occupations

The Center for Organization Research's study identified Pennsylvania's model approach to solving a possible work force crisis. Pennsylvania focuses on the occupations that are most at risk of being affected by retirements. This is done by evaluating age and retirement by occupation, using an occupation-specific "retirement probability factor", focusing on hard-to-fill or hard-to-train-for positions; and tailoring recruitment and retention efforts to specific occupations.

Virginia—Marketing and Branding

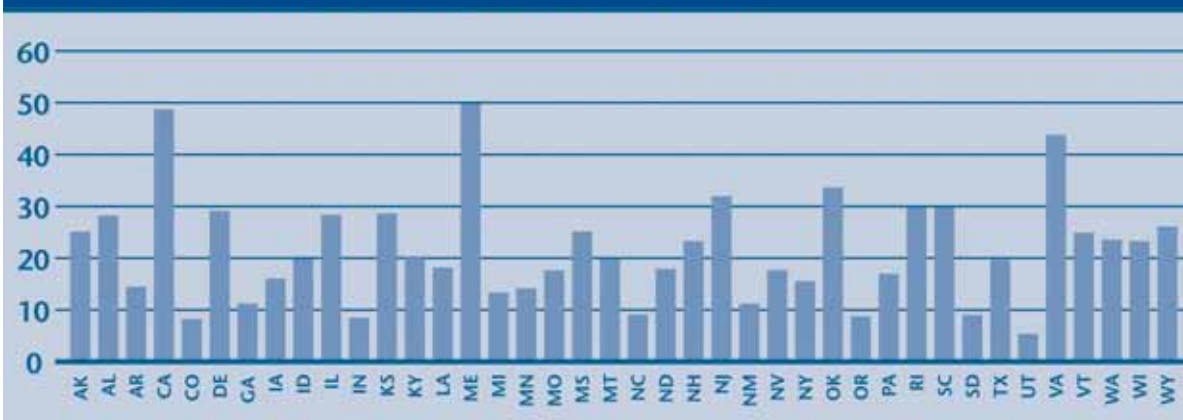
The Commonwealth of Virginia requires each agency to develop a work force plan and results are charted each year and agency heads held accountable for the success and progress of their efforts. While each agency is responsible for its own plan, the commonwealth's Department for Human Resource Management provides centralized support and coordinated efforts for the agencies. One of the department's current activities is a marketing and branding campaign to make the commonwealth an employer of choice. First steps of the campaign have included an employee survey to identify the positives of state government employment, and work with a public university's graduate marketing and government programs to develop a marketing and branding campaign. In addition, Monster Government Solutions, a subsidiary of monster.com, is donating time and resources for experimental recruitment efforts and applicant tracking for hard-to-fill positions such as nurses, scientists and engineers. Virginia's efforts are being closely monitored by other states hoping to follow this model approach.

General tools and approaches

Rehiring Retirees

Some states are rehiring retirees, typically with restrictions such as a waiting period to return to work after official retirement, not returning to the same position, or simply returning part time. Often negatively referred to as "double dipping," there are many human resource managers who think the positives outweigh any possible negatives—such as not losing valuable institutional knowledge, being

Percent of State Employees Eligible for Retirement 2002



Source: State Employee Worker Shortage, the Impending Crisis (October 2002)

able to fill a hard-to-fill positions and not having to pay benefits, such as health insurance and retirement. Currently more than half the states responding to the NASPE work force planning survey have the ability to rehire retirees.

Knowledge Transfer

When retirees walk out the door so does the institutional knowledge critical to ongoing success. Whether it's a formal or informal program, knowledge transfer is critical to the ongoing success and it can take many forms such as job shadowing or process documentation.

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Employee Exit Surveys

These surveys given at the end of an employees position with state government can give managers an idea why employees are leaving, allowing them to identify and address trends.

Competency Assessments

Competencies are observable and measurable behaviors of an employee or potential employee. A competency assessment aids in employee development, recruitment and selection purposes.

Leadership and Career Development

States can help employees enhance their employment through leadership and development. This is done by identifying high-potential employees; developing employees through coaching and mentoring; rotating people into different projects and special assignments.

More information on approaches and tools that states are using can be found in NASPE's Work force Planning Survey results at www.NASPE.net.



Resources

The National Association of State Personnel Executives Index for Work force Planning.
www.NASPE.net

The Linkage Learning Network (2003). The aging and retiring government work force: How serious is the challenge? What can jurisdictions do? Lexington, MA: Center for Organizational Research.

Abbey, C.W. & Boyd, D.J. (2002, July). The aging government workplace. Albany, NY: The Nelson A. Rockefeller Institute of Government.

Carroll, J.B. & Moss, D.A. (2002, October). State employee worker shortage the impending crisis. Lexington, KY: The Council of State Governments.

International Personnel Management Association (2002). Work force planning guide for public sector human resource professionals. Alexandria VA.