States face worker shortage crisis

BY JAMES CARROLL and DAVID MOSS

The National Association of State Personnel Executives estimates that state governments could lose more than 30 percent of their workforce by 2006. Although many states have yet to experience a worker shortage, a recent survey by The Council of State Governments reveals several factors – the rate of employee retirement, the composition of the current state workforce and budget problems – that combine with current labor conditions to foreshadow a crisis.

The number of state employees eligible to retire varies widely among the states, with some having significantly high rates. At least three states could lose over 40 percent of their workforce almost immediately, if early-retirement workers are included. Despite low numbers in some states, more than 21 percent of the entire state government workforce could retire this year.

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Estimates regarding the future rates of employee retirement are even higher. Analysts calculate these rates based on the composition of the present workforce and factors such as the average age and years of service of current employees. According to survey data, at least 10 states (Iowa, Kansas, Montana, North Dakota, New Jersey, New York, Oklahoma, Pennsylvania, Rhode Island and Washington) risk suffering severe worker shortages within 10 years.

Like the private-sector workforce, the average age of the state government workforce is steadily climbing. The baby boomer generation (born between 1946 and 1964) comprises the largest portion of the U.S. labor force. In fact, the national average age of the state government workforce falls in the center of this generation's age range.

Average years of service can be a double-edged sword for any public or private sector organization. The workforce gains experience and institutional knowledge each year, but as a significant portion of the qualified workforce begins to seek retirement, a less-experienced workforce remains. The data for the average years of service by state employees highlights the impending state worker shortage problem. The national average is 11.2 years, but states should plan now for this number to increase steadily. The Midwest leads with the most experienced workforce – every state in the region reported an average of more than 10 years.

The need for state employees to fill the gap left by retiring employees is already a problem, and the composition of the current workforce signals an employee shortage crisis in a majority of states in the near future.

Budget cuts have forced new spending limitations on many state agencies. Twenty-seven states have enforced mandatory hiring limitations or outright hiring freezes. If these hiring limitations remain in effect for a significant period of time, the lack of new state employees would perpetuate the state worker shortage crisis.

Recent data collection shows the effects of the hiring limitations with respect to the percent of vacant positions in state government. The CSG survey shows that more than 11 percent of state government jobs are vacant. More than half the states responding cited vacancy rates above the national average, including Alaska at 21.6 percent and South Carolina at more than 16 percent. With its turnover rate of more than 9 percent, South Carolina could have 15,000 open positions next year if its hiring freeze remains in effect. Furthermore, if an estimated 30 percent of the South Carolina state workforce retires in 2006, the state could be on the verge of a major staffing crisis.

Some good news for states appears in the 10.6 percent turnover rate for state employees in 2002. While the rate is not high by industry standards, it dropped from 2001 to 2002. Still, because of hiring freezes in many states, the turnover rate shows a reduction in the number of employees. Thus, these conditions have the potential to aggravate future state worker shortage problems.

While 75 percent of the states have long-term plans to address this state personnel crisis, states should continue to monitor workforce statistics and reevaluate their personnel strategies regularly. Sharing creative approaches to solving this problem across state borders can strengthen the state workforce as a whole. CSG is partnering with NASPE to produce a TrendsAlert report that will provide a state-by-state review of best practices to facilitate this process.

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