The Quiet Crisis

Recruitment and Retention in the Public Sector

Report of the Recruitment and Retention Task Force
Federation of Public Employees/AFT

THE FEDERATION OF PUBLIC EMPLOYEES, AFT, AFL-CIO

SANDRA FELDMAN, President
EDWARD J. MCELROY, Secretary-Treasurer
NAT LACOUR, Executive Vice President

FPE/AFT Recruitment and Retention Task Force

JOHN LITTLE, Illinois Federation of Public Employees
ART FOESTE, Wisconsin Professional Employees Council
BETTY VINES, Kansas Association of Public Employees
TONI JOYCE, Kentucky Association of State Employees
BILL WALLING, Maryland Professional Employees Council
JOHN WILSON, Maryland Professional Employees Council
JILL BRADFIELD, Professionals Guild of Ohio
DAVE RUDEBOCK, Professionals Guild of Ohio
CHERYL RITSCHARD, Indiana Unity Team
DAVID STALLONE, New York State Public Employees Federation
CHRIS RUNGE, North Dakota Public Employees Association

FPE/AFT Staff

STEVE PORTER, Director
JENNIFER SHAW, Senior Associate
JEWELL GOULD, Director, AFT Research Department
MARY BOYD, Copy Editor
KAREN SCHIFFHAUER, Administrative Secretary

Foreword

Over the next 15 years, government employers face a crisis in recruiting and retaining quality employees. Two-fifths of state and local government employees will be eligible to retire over this period and, for the most part, employers have not addressed adequately how to replace these workers. Additionally, some public sector employees have watched their pay and benefits become less competitive and have chosen to leave the public sector for more lucrative positions in the private sector. Both of these scenarios are troubling. How will we continue to provide quality public services if we cannot attract quality employees to the public sector?

This task force has been charged with examining the aging population in the government sector and reviewing what government employers are doing to attract and retain quality public service employees. The task force report will address approaches to the recruitment and retention question as well as make recommendations for future actions. There is no magic solution to this long-term problem. Recognizing this, we give information on many potential approaches to provide local unions with options to develop appropriate strategies for their unique situations.

The Task Force is composed of FPE union members, leaders and staff from across the country who have wrestled with this question. Two Task Force meetings were held at the AFT headquarters in Washington, D.C. At each of the meetings, participants heard different presentations and participated in discussions with a number of people who have studied approaches and data regarding recruitment and retention in the public sector, including: Jonathan Walters, writer, *Governing* magazine; Marcia Magid and Elliot Sussels, Segal Company; and Lorel Wisniewski, Workplace Economics.

The Task Force members from each state and county brought invaluable knowledge to the table as well. Union members and staff made new discoveries about their particular situations and provided exceptional research and understanding of the challenge facing our union.

The work of the Task Force will be expanded in the coming year as we continue to explore potential solutions to the recruitment and retention problems at all levels of government.

Why is recruitment and retention a union issue?
Isn't it management's responsibility to hire employees?

These are valid questions for our union to ask. With all the work already on our plates, how can we possibly think about anything else? There are three main reasons why this crisis in recruiting and retaining public sector employees is a union problem:

As the job market gets tighter, the public sector employer and the employees working in the public sector must maintain the quality workforce. If we are to provide quality services, we must continue to attract the best candidates for our vacant positions. Additionally, the quality of work often decreases and the level of customer dissatisfaction rises with every instance of employee turnover. Taxpayers like consistency. Constant turnover may yield poor quality service to the public. Quality service is a union issue.

Turnover is expensive. Depending on "whom" you listen to, employee turnover costs range from:

- 1/3 of an employee's annual salary (Department of Labor).
- 50 percent of an employee's salary (Hay Management Consultant'sAssociates).
- 100 percent of the employee's annual salary (Drake Beam Morin Inc.).
- 1.5 times the employee's salary (Hewitt Associates).
- The Saratoga Institute research reports that the average cost associated with recruiting a new government employee is only $2,120.

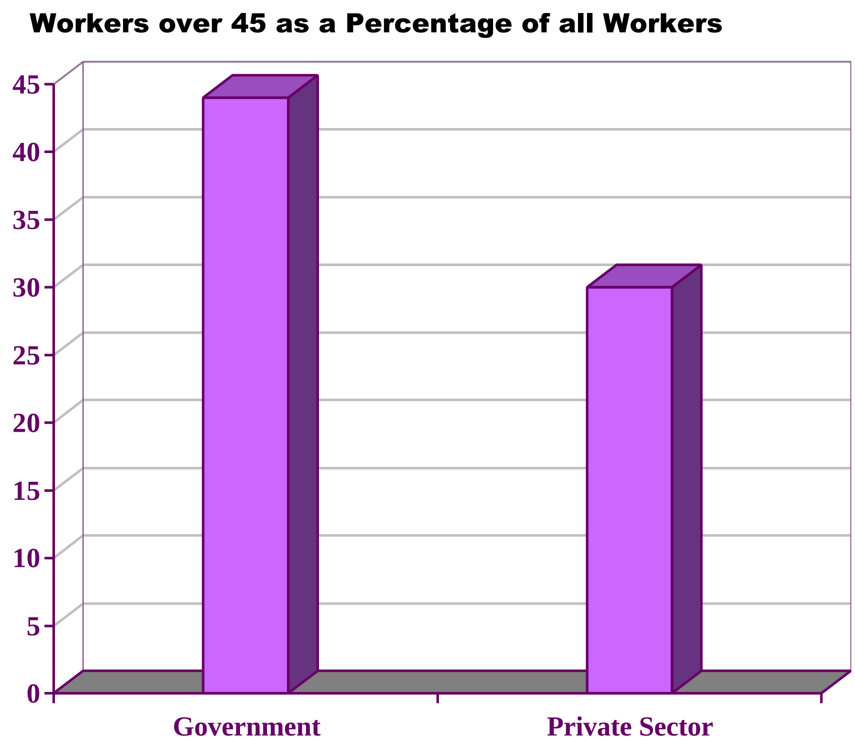
No matter what formula you believe accurate, this money could be better used to enhance the work lives of all public employees. If the employer does not adequately address workplace planning and turnover issues, all union members suffer. Union leaders recognize the importance of reducing turnover to increase the budget for employee benefits.

Educating new employees about the benefits of the union is an important job, whether you live under a collective bargaining law or in a state that doesn't allow public employees to bargain. High employee turnover means more education, more often. Who will lead our local unions in the next 10 years? Unions recognize that constant turnover reduces the effectiveness of union advocacy.

Demographics

The 21st century brings challenges for both the public and the private sectors. Declining birth rates indicate that the number of workers age 25 to 44 years is expected to drop by three million by the year 2008. In most public governments, the baby boom generation (born 1946-1964) represents the largest percentage of the workforce. According to Samuel Ehrenhalt at the Rockefeller Institute of Government, 42 percent of the 15.7 million people working in state and local government in 1999 were between the ages of 45 and 64 (see Graph 1). The year 2001 marked the beginning of baby boom retirements. Perhaps the most significant reason for the exodus from public employment is the large number of employees who will be retiring from the public sector over the next 15 years.

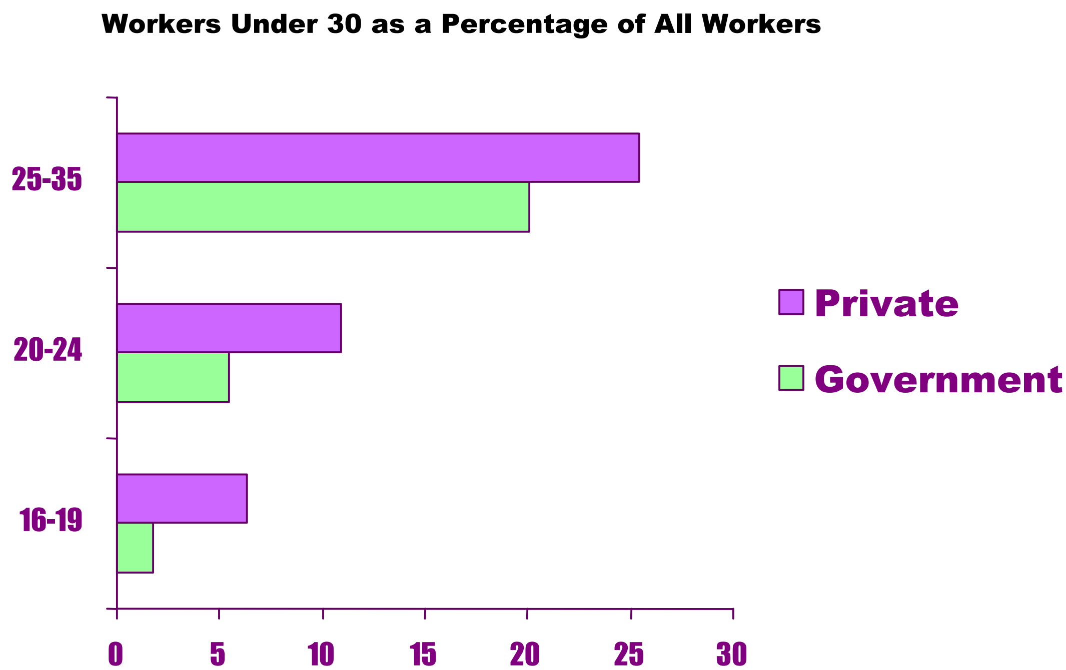
Graph 1



Source: *Special Report, 1999.* Samuel Ehrenhalt (See Appendix B)

Nationwide, the number of employees in the 50 to 59-year-old category is rising and those under 30 are decreasing at a faster rate. For example, in Kansas, the number of public employees aged 50-59 increased by 6 percent in the last 10 years and employees under 30 decreased by 18 percent. Since 1995, those with 20-29 years of service **increased** by 29 percent and those with 5-9 years of service **decreased** by 35 percent. We are seeing a rapid loss of government employees for the near future as more employees retire and fewer young people are hired.

Graph 2



Source: *Special Report, 1999.* Samuel Ehrenhalt (See Appendix B)

In 1994, two thirds of all state and local employees were covered by pension plans that allowed a person to retire at age 55 or earlier, as long as years of service requirements have been met, usually 30 years (Watson Wyatt). For the most part, public employees are covered under plans that allow the maximum economic benefits to those who retire at the earliest possible age. Now, as the baby boom generation becomes eligible for these retirement benefits, we will see more public sector retirements than those of the same age in the private sector. Government occupations, therefore, will be the first to experience the surge of baby boom retirements.

The retirement and advancing age of the Baby Boom generation will also cause a growth in demand for public service thereby requiring additional employees. At a time when our employees are retiring faster than ever, the need for certain government functions will be increased. (See Segal Company Special Report: *The Aging of Aquarius: The Baby Boom Generation Matures* February 2001)

While many public employees will leave due to retirement in the next fifteen years, a significant number of employees will leave because of inadequate pay. As public employers experiment with new pay schemes, and employees see colleagues in the private sector advance at faster rates, fewer public employees are willing to remain in the public sector. It has become much more common in some states, to see a sharp rise in employee turnover after the third or fourth year, when employees take notice that they are not receiving adequate salary increases.

Many employees began their careers in the public sector attracted by the civil service protections. Many places are virtually eliminating such protections. In non-collective bargaining states such as Colorado, Kentucky, Kansas and North Dakota, political pressures to curb employee pay, and all out political attacks on public service workers have exacerbated the retention problems. Not only are some employees not keeping up with market pay in their state, they also struggle with the knowledge that they might make more money in the private sector.

Recruitment and Retention Strategies

The number one recruitment and retention tool will always be salary. Unless you start on an equal monetary playing field with the private sector or other public sector employers (state, county, city and even federal), you are already behind the curve. Unfortunately, we are well aware that public employees rarely see pay or market equity with their counterparts in the private sector. In fact, some public employees earn as low as 75 percent of market pay while others qualify for food stamps and other public programs.

Recruitment and retention problems are often deciding factors in an employer's "desire" to increase public employee pay. In Texas, this was the greatest factor in providing pay increases to the state employees. Turnover was approaching 35 percent in some departments. Statewide, this number was 17.6 percent. By some estimates, the state of Texas was spending $252 million in costs associated with employee turnover. In the 2001 legislative session, for the first time in many sessions, Texas state employees received a pay increase in both years of the biennium. The number one reason given by the legislature for the increase was the state's inability to recruit workers because of the extremely low salaries.

Discussions about employee recruitment and retention should always include a review of market pay as it relates to public sector pay in your area as well as an analysis of how employees receive pay increases. Do employees receive annual "step" movement until they reach the top step? Is there a guarantee for how employees can expect they will advance? Are most employees in the midpoint of the salary range – or at the top of the salary range? This data is important to provide clarity on what employees are actually making as opposed to what the salary maximum is.

Although rare, it does happen that salary equity is not the problem, and union leaders need to look at other approaches to attract and retain employees. Additionally, we cannot bury our heads in the sand and pretend that budgetary restraints are not a factor (see 2001 Task Force Report on Taxation and Revenue for more information on this fight!). We need to examine many alternate ideas to ensure that public sector employers are "employers of choice."

The following information on different recruitment and retention strategies is the result of discussion and debate by the task force as well as national AFT research. The information will provide union leaders with a global view of potential tools to attract and retain public employee staff.

Recruitment Approaches

Monetary

Regional Differential of Salary -- This approach is used in hard-to-recruit locations where the cost of living may be higher. For example, in New York State, regional differentials are used for New York City and other metropolitan areas. In Alaska, a regional differential is used in rural areas to attract employees. This solution is one that often works in the short term. This approach should be undertaken cautiously and must not be used to supplant the base salary. One problem has been that employees looking for a higher wage will transfer into the location where the differential is offered thereby simply shifting the recruitment problem. The criteria for the differential should be clearly spelled out and the differential should be solidified in the contract or by statute to avoid the employer cutting this differential with little or no notice. It should not be seen as a permanent solution – permanent upgrades are preferred.

Hiring or Sign-On Bonus -- This payment is offered by the employer to the prospective employee to induce an individual to accept employment. This is a tool often used in the private sector and one that has had minimal success in the public sector. Our research demonstrates that, more often than not, sign-on bonuses are accepted and the employee leaves after receipt of the money and after their individual "obligation" to the employer has been fulfilled. This is not a solution for the long term. In Minnesota, sign-on bonuses have been used with information technology employees. The money is doled out in two payments. The first is after six months and the second after 18 months. If sign-on bonuses are to be considered, strings must be attached to ensure the maximum length of service to the public.

Referral Bonus -- Payments are made to an incumbent employee for recommending an applicant who is hired. This approach has had some success, however, consensus was reached that employee's will recommend their friends to their employer if they feel good about their job. Money is better used to support base salary increases.

Internships -- This approach is used across the United States in the private sector and is beginning to be used in the public sector. It introduces college students to the public sector mission and gives them ideas about the job while they are still in school. In locations that have a well-thought-out program, this provides a stable pool of applicants that are excited about working for government. It is essential that, if an internship program is put into place, monetary resources must be included. There must be clear goals and objectives to the program. The internship must work with the students to ensure that they understand their options in the public sector. Unions should be cautious that the internship program is not used to "replace" full-time employees. In some locations, interns have been quickly hired by the private sector because of their knowledge of the public sector.

Loan Forgiveness -- This program works well with public sector employees in the locations where it has been attempted. It must be well advertised, and many employees have indicated that this is one of the reasons they came into public employment – help with loans. Unions must find a way to ensure that people stay after their loans have been forgiven. Employers and unions can also assist employees in seeking grants and outside loans that help staff find ways to pay for advanced schooling. Our union brothers and sisters in teaching and nursing, where shortages are reaching epidemic stage, have also found this to be an excellent recruitment tool.

Home Loans -- This program works to accomplish a number of missions and has been successful where implemented. In Baltimore, a state program called "Live Where You Work" has assisted with the revitalization of the city and provided low-cost loans to city workers. Connecticut has a program called the "Urban Rehabilitation Homeownership Program," which allows workers employed by the state and municipal governments to get lower mortgage rates than are available to other home buyers. This program has potential for all levels of government.

Traineeships -- Hire employees while they are still working on a degree or certificate. These employees have the minimum qualifications, however, they have not yet attained the certificate/degree necessary in the job specification. Once they have attained the degree, they are then upgraded. This gives the public sector the opportunity to recruit while the employee is still working on the degree and offers potential employees stability while working on the certificate/degree.

Training existing employees -- For hard-to-recruit areas, one should look at ideas to retrain employees already working in the public sector. This has worked well in the city of Phoenix. The city pays anyone in the work force (who passes a test) to go to school to learn information technology. Once trained, they must stay in the Phoenix system for a certain amount of time. Most employees in this program have stayed on. The city benefits since it is working with an employee who already understands the benefits of the public sector and who wants to be in the public sector. One down side is that you still have a recruitment problem in another area.

Moving expenses -- This approach is used successfully in a few areas around the country. Very limited in the amount of data to support whether or not it is an active recruitment tool, but some employees have indicated that this helped them decide on the public sector where it was offered.

Parking expenses -- This is an especially attractive recruitment tool in urban areas with limited parking options. One city encouraged carpooling and maintained data to help employees carpool with each other. Some employers have offered employee discounts on subway/metro/public transportation as well.

Non-Monetary Recruitment Tools

Easing the application/hiring process -- The image of government is one of a large bureaucracy, difficult navigate the hoops to get a job. Although public employers are working hard at removing hurdles, it is still hard to argue in most places that hiring is an easy process in the public sector. Most states and cities have a Web site that announces vacancies, but few of the Web sites actually accept applications. We must work actively to make the application process one that is not cumbersome to attract the next generation of workers.

Mentoring -- This is a program that pairs employees with experience and seniority with new employees for a period of time. It is one that works very well in the public sector where it has been attempted. Employees tend to stay with the public sector longer when they have been mentored. This is also an excellent retention tool. Resources have to be devoted to this program.

Flextime and nonstandard work weeks -- Potential employees are often looking for alternative arrangements. This provides a family friendly option that should be attempted to recruit employees. Ideas that are popular include summer hours and 4-10 hour days (Fridays or Mondays off). Union activists are advised to work with employees to ensure that these arrangements are always voluntary in nature.

College recruitment -- Although most government employers have begun to do this, more often than not resources are not devoted to the program to encourage success. College seniors should be contacted early (in the fall), and the benefits of working for the government should be discussed. This is an area where, if you don't have salary parity, you will always be hurt in college job fairs. Any recruiting must be supported by money!

Business Casual Workday -- Allows for a casual atmosphere in the workplace with a relaxed dress code. This once worked as a recruitment tool, but no longer attracts potential workers because it has been adopted by both the private and public sectors.

Telecommuting -- Many potential employees look for this option. It is becoming more prevalent in the public sector, as government tries to "set an example" and reduce the air pollution by commuters in urban areas. The state of Arizona is the leader in government-sponsored telecommuting programs. Approximately 15 percent of all Arizona state workers telecommute about 19,500 hours weekly in Maricopa County, which encompasses metropolitan Phoenix. This is beneficial for rural areas as well, where employees are in the field for most of their workday. More people are looking for ways to avoid the rush hour and find this to be an attractive option when seeking employment.

Retention Approaches

Monetary

Retraining for employees already working -- (See above Phoenix example under recruitment). This idea is most often used with information technology jobs. It is popular in the effort to promote employees already working; however, back filling jobs lost will continue to be a retention issue.

Retention bonus -- Offering employees money to stay is not the best use of money. Often, it doesn't make a difference, employees will leave soon after they receive the bonus, and the morale problems this causes are more distressing than the monetary gains.

Child Care Stipend -- A family friendly idea. Many people will stay in public employment when a child care facility is placed in close proximity to their work or if their employer offers them a monetary stipend to pay for day care. This has worked well where it has been tried, most notably in state programs in New York state, Baltimore, Maryland, Ohio and Connecticut. Utah has had 100 percent retention of employees whose children were in state-run day care. It is important to note that it can be a divisive issue with employees who don't have children, and child care centers offer a higher liability for the employer.

Emergency Child Care Centers -- Where the employer pays for "spots" in a day care center where employees can "drop off" their children when day care options fall through. In the private sector, data shows that this reduces use of sick time and turnover, however, this hasn't been seen as particularly helpful in retaining public sector employees.

Voluntary reduction in days -- Employees take a cut in pay and benefits to work fewer hours. May work if employees are going to have to leave because of personal issues, however, morale with employees left on the job is always a consideration. It should be noted that anything to help employees plan their work environment and have more control of their lives is a good retention tool.

Spot Bonuses -- These are bonuses that are offered to employees for good work or any other possibility. Might be in the form of cash compensation or increased leave time. You must have strong criteria for these bonuses. The money would be better served in building the base salary. This is often used in the federal sector.

Cafeteria Benefit Plans -- These are plans that are more tailored to individual needs. The employer provides a set amount of "cash" and a number of benefits among which to choose. More and more public employers are moving to this option as a way of reducing benefit costs. Extensive education programs are necessary to explain this type of system to the members in order that they not lose benefits. Younger people, especially, find this an attractive option.

Non-Monetary Retention Tools

Job Rotation -- Long-term employees are offered opportunity to "swap" work locations or jobs with another employee for a specific length of time. Employees that have this offered to them tend to be rejuvenated and have an opportunity to rededicate themselves to the connection with public service. This is management intensive in scope and must be planned well. This may reduce the accountability for long-term tasks. There is minimal public sector data about the use of job rotation as a retention tool.

Professional Development/Continuous Training -- Studies have shown that employers that offer continuous training are likely to have less turnover. Employers that take an interest in employee's career development see the benefits of training in dollars. If public employers are not offering these options to public employees, this option is a necessity for retaining employees and is one where the union can be quite influential. Ideas such as tuition reimbursement and language instruction are popular. The city of Phoenix delivers one training session to ALL employees every 18 months.

Leave for School Conferences -- Employers offer a specific amount of time each year for employees to attend school functions with their children. This is usually offered in a number of hours. This has worked well in the public sector to show movement toward a family friendly work environment. Massachussetts has taken the lead in offering a family friendly work environment for their employees, and this is one of the options that they offer.

Telecommuting -- See above, also seen as an attractive retention tool.

Recognition/Awards -- Employees are recognized for valuable contributions to the public agency where they work with monetary or non-monetary items. One state offered university basketball tickets to their employee of the month. This is an idea where the employer, together with the union, can be very creative. While not exactly "the" concept to retain employees, any recognition works wonders to create an atmosphere where employees feel valued.

Educational Leave -- Leave that is offered to employees who wish to advance through long term educational opportunities. This can be accomplished through paid or unpaid opportunities and must be with the assurance that the employee will keep her/his job upon return. Most public employers use this for short professional development type educational leave (1 day to 1 week) but a few have offered release for longer course work.

Domestic Violence Leave -- Leave that is offered to employees dealing with a situation of domestic violence. This allows employees time to deal with a difficult situation and assures them that employer is supportive.

Sabbatical -- Long-term leave usually offered to employees after a specific amount of time working for the employer. It is either paid or unpaid and provides opportunities for employees to enhance job skills or take a needed break from employment.

Bringing Children to Work -- Employees are allowed to work with infants up to a specific age in the workplace. Works to bring employees back to work from a maternity/paternity situation. May be disruptive to others if not planned well. Public sector data on the use of this type of tool is sketchy.

On-Site Fitness Centers -- Employees are allowed to use a fitness center that is on site or a discount/reimbursement is offered for a fitness center in the area. In Ohio, one county employs health coaches that work with employees to draft fitness contracts. This shows that the employer is concerned about the employee's well-being, however, in the public sector this is often not a practical option if resources are limited.

Career Ladder -- Employees are more likely to stay with the public sector if they feel that the employer has taken an interest in their career through a meaningful career ladder. This allows for growth in one's career and helps to retain ambitious employees.

Exit Interviews -- Public employer interviews people who leave to find out why they are leaving, suggestions for the future and ideas to encourage fewer employees to leave. Essential to examining the retention issue on an individual location basis.

Concierge -- This idea is used in the private sector and rarely in the public sector. Employees are offered help in dealing with non-work issues – planning trips, hiring home help. This would never work in the public sector.

Employee Attitude Surveys -- Employees often feel more included if they are surveyed on a regular basis about their attitudes about work and their employer. In Phoenix, the city announces the results and departments compete for best results on the survey. This often has encouraged retention.

Transitional Retirement Options

Part-Time Work with Full Health Care Benefits -- To encourage employees to continue working past the “normal” retirement age, the employer offers to reduce hours for full health care benefits. Some employees may view this as an unfair advantage for older staff. Should be taken with caution and be used to encourage information sharing between the older worker and newer employee.

Mentoring Newer Staff before Retiring -- Newer staff learn from more experienced staff before the employee retires. In some cases, the potential retiree will stay longer when they feel that their experience is valued and supported through this type of activity.

Reduced Workload until Retired -- Employees cut back their hours, still providing the public employer with the knowledge gained over their career but able to begin the process of “winding down.”

Deferred Retirement Option Program -- Employee is allowed to “bank” or “freeze” their defined-benefit pension plan and continue working for a specific amount of time while the employer contributes to a defined-contribution pension program. When the period is over, the employee has a regular pension and a pot of money through the defined-contribution program.

In Conclusion

Twenty years ago, people were attracted to public employment because it generally offered stability, security, good health care benefits and a strong pension. Employees wanted to give back to the community and took jobs in the public sector to fulfill this desire. The same cannot be said for public sector jobs today. People are turning to the non-profit sector at higher rates. While the desire to give back to the community still exists in the United States, there is not the same draw to the public sector as the employer to fulfill this need. Government jobs are often viewed by the larger population as being bureaucratic and frustrating. The level of trust that Americans have for their government (and its workers) is slowly rising, but is still low. Many states, cities and counties are facing special issues of increasing out migration of residents with fewer young people in the workforce (e.g., North Dakota). Others are dealing with massive immigration of new residents (e.g., Nevada). All have problems in recruiting new employees to the public work force. To ensure that the public sector workforce remains competitive and staffed with quality employees, public sector unions must lead the management staff to a full understanding of the complexities of the recruitment and retention challenges that we all face in the near future. This Task Force will next report on ways to work with management and other government partners to tackle the recruitment and retention questions in greater detail and bring about greater awareness of this quiet crisis.

Task Force Recommendations

1. There is a tremendous need for education of AFT leaders and local union leaders about the extent of the problem in the government sector. Just as our sisters and brothers in the K-12 constituency and the health care constituency have advised our union to the threats of the teacher and nurse shortage, we should undertake a campaign to publicize our struggles with recruitment and retention in the government sector. This education should begin with a resolution from the PPC to the executive council and to the convention. Information about the issue will be publicized through the Public Service Reporter, the AFT Web site, the FPE list serv and our public affairs department.

2. We should make a direct connection between our needs for “full staffing,” recruitment of new employees, and retention of employees with our ongoing quality campaign. A PPC subcommittee should be charged with putting a program together to help the union promote the referenced approaches in the overall context of our quality campaign. The program should include coalition building strategies, train-the-trainer opportunities, successful legislative and contract language and data sources. The Federation of Public Employees shall work as a clearinghouse for all information pertaining to the public sector recruitment and retention problem.

3. The Task Force should be funded for another year for more study on the issues first discussed during the 2000-2001 fiscal year. In the 2001-2002 fiscal year, the union should bring together union leaders, management and legislative leaders to discuss how to build consensus and coalition on these issues. The Task Force should be charged with reviewing national activities in the public sector around recruitment and retention.

APPENDIX A

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MANAGEMENT
The Employee Exodus
Scores of government workers are nearing retirement age. Little is being done to plan for their replacement.
BY JONATHAN WALTERS

In the wake of the oil bust of the late 1980s, there was one thing Shreveport, Louisiana, didn't lack: applicants for city jobs. "It was an embarrassment of riches," says Joe Lunt, the city's long-time head of personnel. But in recent years, with the gambling industry fueling a surging local economy, the job market has tightened considerably. That set Lunt to thinking: How might it impact the city's ability to replace employees down the road? "We started looking at the age of our work force," he says, "and we discovered that, by and large, it was getting pretty long in the tooth."

Shreveport is hardly alone. Across the country, state and local governments are faced with an unprecedented wave of impending retirements, which promises to hit particularly hard at the senior executive level. According to a study done by Iowa's personnel department, for example, employees over the age of 45 holding top pay-grade positions make up one of the largest employee cohorts in state government. In San Diego County, California, personnel director Carlos G. Arauz says potential retirements among a significant number of top staff there have inspired the county to survey its "bench strength" to see who might be able to fill those positions.

In an era when the public sector has been adding employees and competition for workers is the tightest it's been in recent history, it all adds up to a looming manpower crisis in state and local government, argues Samuel M. Ehrenhalt, a senior fellow at the Rockefeller Institute of Government and author of a recent study on the aging state and local government work force.

According to Ehrenhalt's calculations, 42 percent of the 15.7 million people working for state and local government in 1999 were between 45 and 64 years old. In other words, says Ehrenhalt, two-fifths of state and local government employees will be eligible to retire in the next 15 years, raising the specter of the most significant talent and brain drain ever experienced by government. "This is a big locomotive traveling down the tracks and there's no stopping it," says Ehrenhalt.

But for the most part, states and municipalities are acting like they don't even see the train coming. "I've called several state governments to see how they're responding," says Ehrenhalt, "and the whole concept of manpower planning was notable for its absence." It's no better at the local level, contends Phil Rosenberg, personnel director for fastgrowing Broward County, Florida, who also writes a regular column on local government human resources issues called the “Human Resources Doctor” for the National Association of Counties. “The bottom line is that this is perhaps the greatest problem that public sector administrators face today,” says Rosenberg. “But it’s tough to get people like county managers, who have an average tenure of 3.5 years, to focus on this kind of long-range planning.”

Surveys conducted as part of Governing’s Government Performance Project — which to date has covered all 50 states and the country’s 35 highest-revenue cities — bear this out. Even in places where human resources officials have some sense of the situation — and despite the increasing sophistication of the technology to do customized demographic analyses — most admit that so far there’s been no comprehensive or long-range plan put in place to address it.

Among the handful of jurisdictions that have begun to formulate at least a preliminary response is Kansas City, Missouri. “For the last couple of years, we’ve asked our retirement division to look at our work force and see who is eligible to retire in five, seven and nine years,” says John Thigpen, personnel director for the city, which employs about 7,400 people. “Then, we’ve looked at where those jobs are and started to look at the type of recruiting we’re going to have to do to fill them.” But the most concerted efforts have been focused on assessing the impact of retirement among department directors and their top assistants, he adds.

San Diego County has taken a similar tack, says Carlos Arauz. “We began looking at succession planning a couple years ago, going through our executive ranks and seeing who was getting close to retirement and then looking at who might be available to fill those upper positions.” The county has put together an executive talent bank of about 200 people, listing their current skills and areas of expertise, job preferences and possible new skills they might need in order to move up. Trying to do that for all 18,000 of the county’s employees, on the other hand, “will be a major job,” he says.

Nevertheless, many more positions are going to have to be filled besides just those being vacated by senior executives. Teachers, cops, civil engineers, accountants, mid-level managers, nurses and budget analysts are going to be retiring in droves, which is why experts such as Ehrenhalt argue that methodical, government-wide analyses are the only level of response adequate to the task.

The reasons for that have as much to do with the future job market as they do with the simple fact that governments will be losing people. It would be one thing if filling those jobs meant putting the government civil service machinery into a slightly higher gear to test candidates, put them on certified lists and let agencies hire away. But all those jobs will be opening up in a new demographic and economic era. As the population increases, the ensuing demands on state and local governments, especially in the areas of education, law enforcement, health care and technology, will fuel continued growth in the size of the government work force — particularly at the local level.

So not only will government have to replace retiring workers but it will have to do that at a time when the overall need for labor in the public sector will most likely be expanding. At the same time, the pool of potential job candidates is going to be shrinking. The number of workers 25 to 44 years old — prime recruitment fodder for governments — is expected to drop by 3 million between 1998 and 2008, while the number of workers 55 to 64 goes up by more than 7 million. That means the competition for younger workers is going to be fierce. As if all that didn't spell trouble enough, Shreveport's Joe Lunt says he has noticed another phenomenon: Upper-level career staff retiring early, even though they might not yet be eligible for their full pension, lured into the private sector by a white-hot job market offering higher salaries and more benefits. "A lot of guys can get out in their 50s with a decent annuity and find another job," he says.

That is why a very logical response on the part of government would be to figure out how to hang on to more older workers, says Ehrenhalt. Bonuses, part-time employment, job sharing and working from home are all ways that older employees might be tempted into staying on, he suggests. In many places, however, civil service, work and pension rules make it tough to do that. And while hanging on to older workers has its advantages, it is only forestalling the inevitable.

Just ask Iowa. The state Department of Transportation is staffed in large part by World War II veterans educated on the G.I. bill, who then got out of school and went into the state service. "These guys don't seem to want to leave until they're carried out," says Mollie Anderson, the state's head of personnel. Nevertheless, it's clear that in the not-too-distant future these old-timers will have to hang it up.

The WWII generation, along with the baby boomers, combine to make 60 percent of Iowa's state work force more than 40 years old. Which is why Anderson's department has just created a special office of strategic work force planning whose sole job it will be to analyze the state's work force and begin developing strategies for dealing with the coming crunch. Other departments in Iowa are taking the issue seriously enough that they are contributing money to staff the new office.

The experiences of other governments trying to get a leg up on this issue have made it clear that it is one thing to understand the problem but quite another to craft a response that will help alleviate it. The New York State personnel department has compiled very detailed statistics on the age of the state government work force, with employees' average age and time in state service broken down on an agency-by-agency basis. While the personnel department has, on its own, been aggressively trying to recruit in those areas where it knows it's experiencing brain drain, that's a shotgun approach to the problem that isn't helping some specific agencies.

Looking at the data on his agency's work force, for example, Brian Wing, commissioner of New York State's Office of Temporary and Disability Assistance, says, "we've got a work force most of whom were hired in the 1970s. For the last 10 years, we've been in a virtual hiring freeze, so there's very little new blood around here, and frankly, we don't have much of a bullpen." According to the personnel department's records, the average age of workers in Wing's shop is 48 and the average length of service is 17 years.

While Wing isn't panicking, he insists the time to act is now. One thing he wants is the ability to bring in new staffers in advance of retirements so that outgoing employees can help train incoming employees. "It's a double dilemma because you need experienced people to maintain continuity, and you need younger people with new skills and a fresh take on the world," says Wing. But to have both at once will require that the state ease its strict caps on full-time-equivalent positions. So Wing has approached the budget division and the personnel department about coming up with a more rational work force succession approach than waiting for employees to leave and then throwing green troops into the breach to replace them. "They're listening and they understand the problem," says Wing of his compatriots in the two control agencies. "But so far this hasn't become part of any fiscal planning."

Pennsylvania harbors one of the oldest state work forces in the country. Nearly 40,000 of the Keystone State's 78,000 employees are between the ages of 45 and 54, says Bernie Matscavage, a work force analyst with the state's personnel department. The largest single age group in state government — more than 3,500 employees — is 52.

The strategy there has been to methodically study age patterns among its employees to see what skills the state will be losing in the next five to 10 years, and then do targeted recruitment to begin backfilling those skills. To date, the state has gone on direct recruitment campaigns in accounting, budgeting, personnel administration and computer technology, fast-tracking college graduates into special state-run classes meant to quickly get the incoming group of employees up to speed. The full-court-press approach is helping, Matscavage says, but it isn't enough. In addition to such surgical strikes, the state this year is undertaking a broader analysis of all the occupation groups that will be most impacted by what he describes as "the crunch of baby boomers leaving the state service."

The human resources department in Minneapolis has undertaken one of the most ambitious work force planning and analysis efforts anywhere in the country. The city's top-to-bottom staffing review was inspired by some early, informal signs that significant numbers of city employees were getting ready to bolt. "We had a lot of people attending city seminars on retirement," says HR director Ann Eilbracht,, "and we were overhearing lots of water cooler conversations among employees about maximizing retirement benefits."

So the city decided to take a preliminary look at the overall age of its work force. It was a sobering snapshot. The 1998 analysis indicated that one-third of the city's employees would be eligible to retire within the next five years. That inspired the human resources department to launch an in-depth pilot project involving more detailed analyses of who might be leaving the city, specifically focused on the fire department and the assessor's office. "Those two projects resulted in startling findings about huge cohorts of people who could be leaving and the skills that would be going out the door with them," Eilbracht notes.

This year, rolling reviews of each of the remaining city departments have begun, and each will result in long-range work force succession plans. Such plans don't restrict themselves to a focus on replacing skills that might soon be lost, either. "We ask each department questions like: 'Do you anticipate any mergers or acquisitions?' " says Eilbracht, to push departments to consider the broadest possible span of work force needs down the road.

Despite the dire predictions of an employee exodus, one reason for the tepid response in places other than Minneapolis and Pennsylvania may be that some officials aren't convinced that retirements would neccessarily result in a crisis for governments. While San Diego County's Carlos Arauz says he believes in comprehensive work force planning, and worries about where future leaders will come from, he also sees a world in which outsourcing will take some of the pressure off government staffing needs. San Diego County, in fact, just outsourced all of its information technology work.

In Shreveport, Louisiana, Joe Lunt says new ways of doing the public's business could, likewise, ease the crunch. "There will always be a compelling need for leadership in municipal government," Lunt says, but when it comes to the work that government does and how it does it, he thinks fewer employees will be the rule. Technology that allows work to be done in new ways, and technology that allows citizens direct access to information and services will eliminate the need for government employees as intermediaries. So when people start to leave government, says Lunt, "We can shift people around, and some people we're just not going to need anymore."

A lonely few aren't willing to bet on it. "In a way, this is like the Y2K computer problem," says New York's Brian Wing. "We have a chance to do something about it now. We're starting to feel the crunch, and I'm starting to have to scramble to fill positions because we've got nobody in place to move into those slots. And as that starts to happen more and more, it's going to drive the point home real quick. But we can't wait much longer."

APPENDIX B

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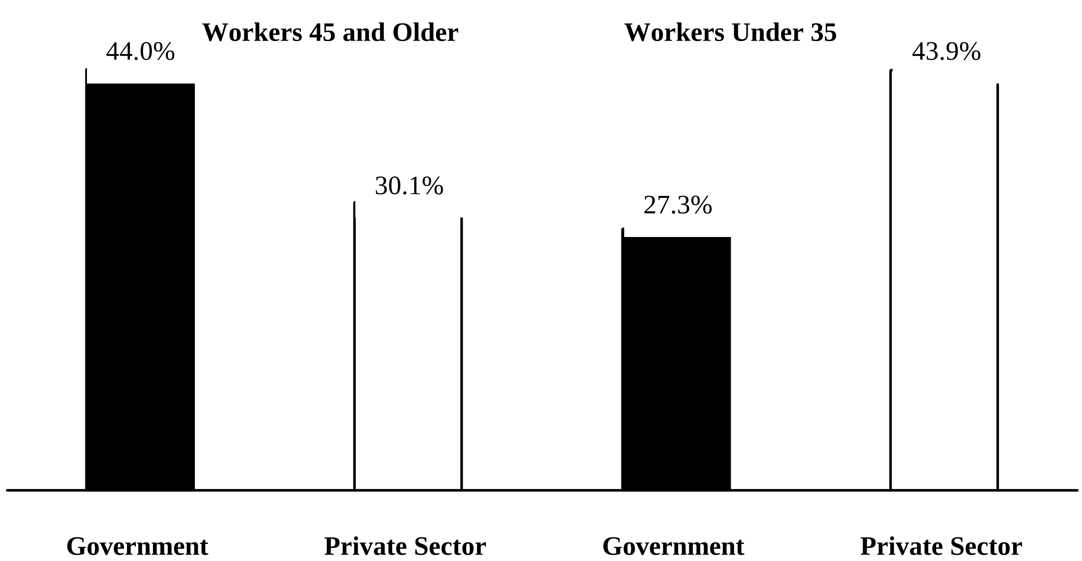
Special Report

Close to half of all government workers are 45 or older, private sector focuses more on younger workers under 35

Contact: Samuel M. Ehrenhalt August 1999
718-377-2842

Older workers comprise an extraordinarily large component of government employment, according to new research by Samuel M. Ehrenhalt, Senior Fellow at the Nelson A. Rockefeller Institute of Government. Close to half of the18.4l million government workers in 1998 were 45 years of age or over. The 44 percent older worker component in government compared to 30 percent among private sector wage and salary workers. The comparisons cover all nonfarm industries other than private households.

Older and Younger Workers in Government and the Private Sector, 1998



The dramatic 46 percent differential between government and the private sector is the most striking finding of this new analysis of the age profile of government workers conducted for the Rockefeller Institute of Government's Center for the Study of the States. The analysis was based on unpublished employment data from the Current Population Survey (CPS) regularly conducted by the U.S. Bureau of the Census for the U.S. Bureau of Labor Statistics. The new study is a heads-up alert to government administrators to face up to the need to attract not only new blood, but younger blood, as they face the retirement surge building up in the opening decade of the new century.

The pronounced tilt of government workers toward the older age groups is entirely among workers aged 45-64. This grouping accounts for 27.8 percent of all private sector workers and 41.7 percent of government workers. Workers 65 years of age or over comprise 2.3 percent of government workers, precisely the same proportion as in the private sector.

Indications are that the government labor force is aging more rapidly than in the private sector. The proportion of older government workers 45-64 has risen in recent years from 36.8 percent in 1994 to 41.7 percent in 1998, while the private sector proportions are up only from 25.3 percent in 1994 to 27.8 percent in 1998.

Workers 45-64 Years of Age as Percent of All Workers,*
Government and Private Sector, 1998

Group	***Government***	***Private Sector***	***Ratio***
All Workers	41.7	27.8	1.5
Men	41.9	27.7	1.5
Women	41.5	27.9	1.5
White	43.2	28.5	1.5
Men	43.3	28.4	1.5
Women	43.2	28.7	1.5
Black	36.0	23.2	1.6
Men	36.5	23.3	1.6
Women	35.7	23.1	1.6
Hispanic Origin	31.6	19.0	1.7
Men	33.2	18.2	1.8
Women	30.2	20.3	1.5

* Wage and salary workers in all nonfarm industries other than private households.

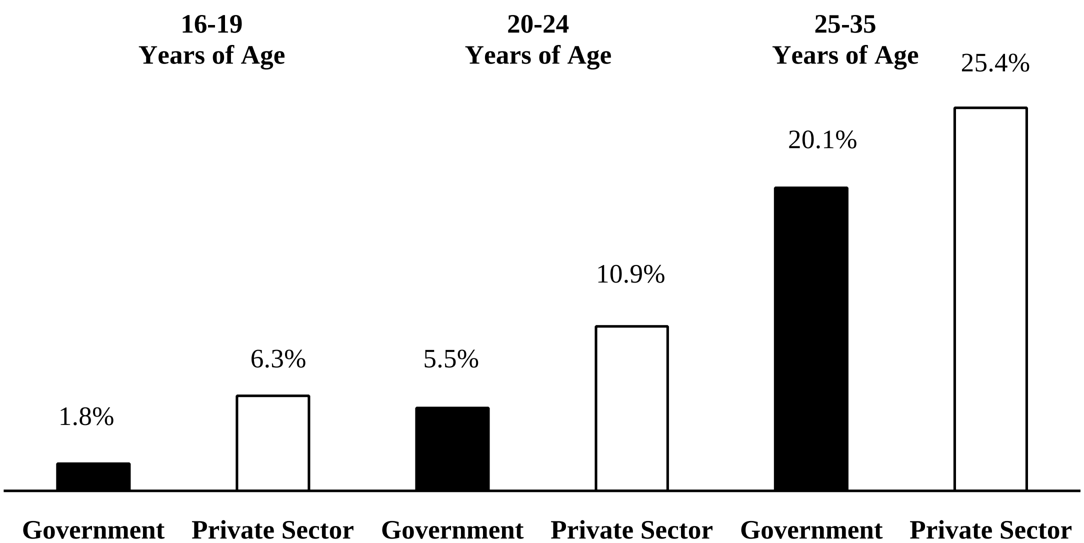
The high prevalence of older workers in government is remarkably consistent for all demographic and occupational groups that can be tracked separately. There are more older workers among men and among women, among whites and among blacks as well as workers of Hispanic origin, among administrative and professional workers, among clerical workers as well as blue-collar workers.

The variations reflect in part differences in age structure among ethnic groups; for example, Hispanic origin workers are younger as a group than white workers. Education differences also play a role since government employment, overall, requires higher levels of educational preparation.

But the main factors involved in the pronounced greater significance of older workers in government are not immediately apparent. What is clear is that government, and particularly state and local government, can be expected to be more strongly affected by retirements over the next decade and therefore will have proportionately larger demand for workers to replace those who leave the job market. State and local government will then face particularly urgent challenges after the turn of the millenium to recruit, train, develop and integrate competent new staff within the demographic constraints of slower growth in the American labor force.

The other side of the coin of the major concentration of government workers in the older ages is the relative dearth of younger workers under 35 years of age. Overall, workers under 35 comprise little more than 1 in 4 government workers, 27.6 percent in 1998, as against 43.2 percent of private sector workers.

Younger Workers Under 35 as a Percent of Total Employment, Government and the Private Sector, 1998



Government hires relatively few teenagers. Workers 16-19 comprise fewer than 2 percent of the government work force, as against 6 percent of the private sector workforce. But workers 20 and over account for most of the difference.

The private sector has 10.9 percent of its workforce in the age group 20-24, about double the 5.5 percent in government. It may be noted that this age group, which declined in overall labor force numbers in the past decade, forms an increasingly important part of labor force growth in the years ahead.

Differences between the labor force composition of government and the private sector continue to be substantial among the more mature younger workers in the age group 25-35. It comprises 25.4 percent of all private sector workers but only 20.1 percent of government workers. The competition for workers in this age group can be expected to heighten in the years ahead as the number of workers 25-34 is projected to shrink by 3 million or about 16 percent in the decade 1996-2006.

The age structure of the government workforce, its heavy reliance on older workers, and the relatively small role of younger workers under 35 can be expected to challenge the adaptiveness of state and local government in the coming years. It may need to look again at its use of younger workers, to explore whether it may not be advantageous to tap into the growing supply of 20-24 years olds that will increase by some 2 million in 1996-2000, a rise of 16 percent. It may find it desirable to examine how it can improve its competitiveness in attracting workers from the shrinking supply of more mature young workers age 25-34.

About the Author: Samuel M. Ehrenhalt is a Senior Fellow at the institute and a former Regional Commissioner of the U.S. Bureau of Labor Statistics. Bradley Wright, a graduate assistant at the Center, helped compile and organize the data for this report. Michael Cooper, head of the publications department for the Institute, designed and prepared the layout of this report.

This special report was prepared initially for The Center for the Study of the States. The Center is part of the Nelson A. Rockefeller Institute of Government, the public policy research arm of the State University of New York. Established in May 1990-, the Center is a leading authority on developments in state finances and programs. The Center is located at 411 State Street, Albany, New York 12203-1003, phone (518) 443-5285, fax (518) 443-5274.