

The Graying Government Workforce



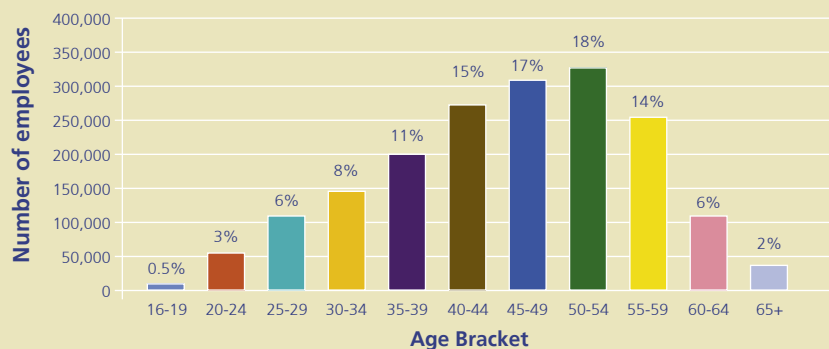
The “Boomer” generation, often called the “pig in the python” because this demographic group moves along the age distribution line as a huge bubble, has had a profound impact on many Western societies since the 1960s, when the generation first reached adulthood, to the present day. As the baby boomer generation now reaches retirement, there will be significant implications for most sectors in economies of the developed world.

The consumer business industry, for example, has been re-orienting its products and services to capitalize on a lucrative and growing proportion of consumers aged 60 plus. The real estate industry faces uncertainty about how population aging will affect home prices.¹ The energy sector faces huge challenges meeting its workforce requirements. The National Petroleum Council projects a personnel shortage of approximately 40 percent as a result of workforce retirements over the next decade.²

Few sectors are more highly impacted by the aging population than government. On the one hand, policymakers must develop public policies and programs to ensure everything from adequate health care for seniors to better transit options. Government itself faces a rapidly aging workforce: the civil service is aging more quickly than other sectors. In the United States, for example, 60 percent of the federal civil service is older than 45 years – nearly double the 31 percent in the private sector (see Figure 1). Furthermore, only 3 percent of the federal workforce is less than 25 years old.

In Canada, some provincial governments could lose up to 50 percent or more of their workforce within seven years.³ To replace the lost talent, the provinces will need to compete with employers that have been adapting more quickly to the changing demands of new workers. In Denmark, almost one-third of the public sector workforce is above the age of 50.

Figure 1: Age Distribution of the U.S. Federal Workforce



Source: U.S. Office of Personnel Management



The Impending Talent Gap

Four major trends—the aging government workforce, a shrinking talent pool, different job expectations of younger generations, and the need for a new set of skills in the public sector—will soon create a gap between the supply of and demand for skilled government workers in many Western countries. These trends will create a clear set of challenges for government agencies.

The succession challenge. The number of government workers nearing retirement age is larger than ever before. This means that the government workforce is losing large numbers of experienced workers – particularly at the most senior levels. A disproportionately high number of baby boomers in government means that the group groomed to replace essential government leadership positions will be reaching retirement around the same time as current leadership.

Changing job expectations. Many government agencies are behind the curve in cultivating a work culture that will entice a new generation of employees. For members of the Baby Boom, job satisfaction is often tied to time and schedule flexibility, retirement benefits, and financial security, among other things. Those from the post-baby boom Gen X, however, value a very different set of benefits, such as mortgage assistance, career planning, infertility/adoption assistance, stock options, and alternative work hours. Today's Gen Y values things like career coaching, continuing education, access to health clubs, and having their social lives tied to their work through functions such as happy hours.

To become a choice employer among this emerging workforce, the public sector must appeal to a population insistent upon a sociable, flexible, purposeful, and technologically savvy work environment. Certain perceptions of government work, if not reversed, pose a major obstacle to attracting Gen Y into government. The image of the public sector as a slow-moving, bureaucratic monolith, juxtaposed against a fast-moving, anti-bureaucratic Gen Y,

poses one significant challenge. In numerous surveys, today's college students interested in public service say they favor working for nonprofit organizations over the public sector.⁴ Sixty percent of college students in the United States identify the nonprofit sector as better at spending money wisely, compared with 6 percent who identify government as a smart spender. Moreover, 76 percent cite the nonprofit sector as better at helping people; only 16 percent say the government is better.⁵

Need for new skill sets. With the dramatic increase in public-private partnerships (PPPs), outsourcing, and inter-governmental collaboration in recent years, governments need more people who possess not only traditional planning and budgeting skills, but also a contemporary skill set. Today's employees need proficiency in project management, mediation, negotiation, the ability to collaborate across sectors and agencies, contract management, risk analysis, and other complex skills. The changes to the public sector workforce raise important human capital questions for all government agencies: What is the best way to attract this type of talent to the public sector? What level of compensation is required? What must be done to adjust job specifications and the culture of the public sector workforce to attract people with the necessary skill sets?

These challenges pose a threat, but also create an opportunity to rethink many of the ossified cultural and organizational relics that are preventing governments from attracting the workforce they need for the future.

Innovative Strategies for Meeting the Workforce Challenge

How are governments around the world addressing these workforce challenges? What are the best practices that might have applicability for other organizations outside of government?

Attraction and retention. The imminent human capital shortage created by the retirement of the Boomers warrants an immediate examination of how governments are presently recruiting and hiring. Why do many highly skilled candidates who cite a desire to do public service end up working outside of government? Fifty-three percent of interested candidates cite “too much bureaucracy” as a major reason for foregoing opportunities in the public sector. In extreme cases, the hiring process for government agencies requires multiple levels of clearances, and chews up months, even years, before candidates learn whether they will be offered a job.

The Australian Department of Finance and Administration, facing a 22 percent turnover rate in 2004, introduced a number of initiatives to address the problem of recruitment and retention. A key strategy to enhance recruitment was the 11-month Graduate Recruitment Program that equipped graduates with relevant skills to progress their careers within the department and across the Australian Public Sector. The training component seeks to teach practical skills to help graduate students work effectively in finance; develop knowledge of government issues and processes; encourage networking; offer a supportive work environment; and expand professional competencies. The graduate intake rose from 15 in 2002 to 56 in 2005, and the retention rate of graduates hired between 2003 and 2005 is 72 percent.⁶

Fast tracking critical talent. Public sector agencies need to dispel the perception that entrants to the workforce face lengthy waits for positions where they can make a difference. In addition, agencies need to ensure that the right candidate is matched to the right job. The British Civil Service addresses this issue with its “fast stream” program, which exposes top talent to a series

of intensive high-profile job placements designed to prepare them for senior management roles. Fast stream candidates are eligible for priority hiring in other departments and agencies. The Fast Stream graduate recruitment scheme attracted 13,945 applications, from students with diverse academic backgrounds from about 100 universities in the United Kingdom.⁷

Attracting Mid-Career Talent

With a saddle-shaped workforce, the U.S. Intelligence community faces a severe shortage of mid-career professionals. The 16 agencies that comprise the intelligence community have a disproportionately large number of employees at the two extremes of the age spectrum, and it’s not clear who will take over the senior positions of the workforce. This dilemma is not unique to the U.S. Intelligence community. Many government organizations struggle to answer the question of how to replace retiring Boomers in leadership positions with a much smaller number of employees in their 30s and early 40s.

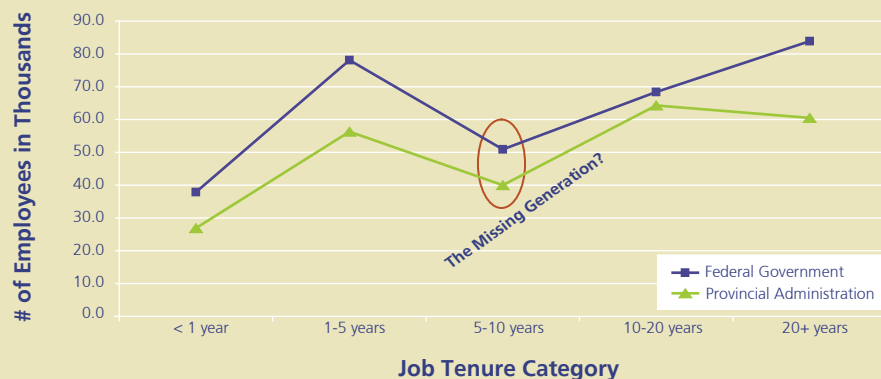
One way the New Zealand government is addressing this issue is to aggressively recruit into government mid-career talent from outside government. These professionals

range from retired private sector executives to those in their 40s and 50s looking for a career and lifestyle change. This generation of workers is typically not interested in spending decades in the public sector, so this recruitment approach benefits agencies seeking to recruit experienced talent, and benefits workers who are trying to adjust their career paths.

In Japan, the hiring of private sector workers into the public sector is also now actively encouraged. Public sector employees can work for private companies while retaining their status as permanent public sector employees. This two-way mobility is designed to increase the attractiveness of the public sector to highly skilled and managerial professionals in the wake of a wave of senior government executive retirements.⁸

Meanwhile, the growing convergence of public and private sector functions, a trend that has resulted from outsourcing and PPPs, coupled with the rising demand for cross-disciplinary skills (for example, collaboration, risk management, and contracting), has given additional momentum to the shift to more lateral hiring from the private sector. Some agencies, like the Australian Navy, even place their employees in private sector organizations to develop these critical skills.⁹

Figure 2: The Missing Generation in Canadian Public Sector



Source: Statistics Canada, Labor Force Survey

Understand critical workforce roles.

Canada, like the United States, is beset with the problem of where to find talented people to replace senior and retiring staff (see figure 2). Officials with Health Canada recognized that in order to ensure the availability of critical talent for the agency's future, it needed to develop a labor forecasting and planning model.¹⁰ The models it created can now reasonably predict how various health care policy changes will affect the supply of and demand for health care workers.

By understanding the roles and skills that are critical to an organization's performance, recruiting efforts can be tailored to attract candidates with the required skill sets. The most successful organizations focus first on positions that require scarce skill sets, before seeking out candidates for positions that require "commodity" skills.

Succession planning. Many public sector agencies lag behind private companies in succession planning and capability transfer. The Chinese government has developed a strategy to prevent the loss of institutional memory as a growing number of public sector employees reach retirement. As a part of its succession planning, the Chinese government is analyzing public sector workforce trends to help project future requirements, identify the right candidates for future vacancies, and improve the competencies of young talent through training and even temporary leadership positions in public agencies.

Knowledge transfer. Any organization facing a large number of retiring workers faces the challenge of "brain drain," where years of accumulated knowledge exit the workplace. With the intent of sustaining institutional knowledge, Denmark's Ministry of Refugee, Immigration, and Internal Affairs ran a pilot project in 2006-07 to train 13 head clerks as future leaders. The selected candidates were required to work on one individual project in their own department, and another collaborative project with other departments in the organization. The clerks were also matched with a mentor, who

they met with 5 - 8 times a year to discuss progress, challenges, and expectations. The Ministry pioneered this program in the public sector in order to create a talent management toolbox, and subsequently shared the toolbox with other ministries.

A Sense of Urgency

In many government agencies, the average employee is more than 10 years older than in the private sector. At the same time, a shrinking talent pool in the overall labor market means that governments are increasingly competing with the private and non-profit sectors for talented workers. Also, consider that the public sector is the employer of choice for a shrinking number of university graduates, even for students graduating with graduate degrees in public policy and public administration.

The situation will not change by tweaking hiring policies or investing a few more dollars into recruiting. Bolstering the public sector workforce and beating the imminent talent crisis requires comprehensive changes to how governments attract, develop, and deploy employees. Outdated hiring policies will need to be modernized. Workforce environments need to be made more flexible, dynamic, and technology savvy to attract and retain workers from Gen Y. But most of all, human capital issues will have to move from a back office or peripheral issue to a priority for government leaders.

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¹ June Fletcher, "Slowing Sales, Baby Boomers Spur a Glut of McMansions," Real Estate Journal, June 19, 2006, (<http://www.realestatejournal.com/buysell/marketrends/20060619-fletcher.html?refresh=on>).

² Rekha Sampath and Mark Robinson, *Upstream Oil and Gas: Strategies to Attract and Engage Generation Y*, Deloitte Research, December 2005.

³ Deloitte interview data.

⁴ Peter D. Hart Research Associates, Inc., "Survey of College Students," Panetta Institute for Public Policy, Washington, June 13, 2006, p.12.

⁵ Paul C Light, testimony before the United States Senate Governmental Affairs Committee, June 4, 2003, p.6.

⁶ Department of Finance and Administration, *Annual Report 2004-05*, Commonwealth of Australia, 2005, p. 96.

⁷ In 2005, the Fast Stream Development Program attracted 12,957 applicants up from 8,598 in 2004. Of these, 504 were recommended for appointment. A total of 94 per cent of vacancies were filled, compared with 85 per cent in 2004. About half of these candidates came from the In-Service competition.

⁸ Organization for Economic Co-operation and Development, "Public Sector Pensions and the Challenge of an Ageing Public Service," OECD Working Papers on Public Governance, OECD Publishing, February 2007, p. 11.

⁹ Athol Yates, *Recruitment and Training in the Australian Public Service*, submission to the Finance and Public Administration References Committee from the Institution of Engineers, July 31, 2002, p. 3.

¹⁰ Health Policy Research Bulletin, Applied Research and Analysis Directorate, Health Canada, (<http://www.hc-sc.gc.ca/iacb-dgiac/arad-draa/english/rmdd/bulletin/ehuman.html>).

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