The Ripple Effects of Baby Boomer Retirement

Presenters:

- Moderator, Barbara Whitehorn, Asheville, NC
- Joshua Franzel, Center for State and Local Government Excellence
- Neil Reichenberg, IPMA-HR
The Ripple Effects of Baby Boomer Retirement

May 18, 2014

Joshua Franzel, PhD
Vice President, Research
Center for State and Local Government Excellence
Washington, DC

jfranzel@slge.org

This presentation has been created for general information purposes. It is not intended to give financial or professional advice.
The Baby Boomer Generation

• Birth Years 1946 to 1964

• Baby Boomers represent 39% of the overall state and local government workforce
  – 37% of state workers
  – 40% of local workers

• 8% of state and local workers are within five years of age 65

State and Local Government Baby Boomer Higher Education Levels

- 22.5% Bachelor's degree
- 20.1% Master's degree
- 9.8% Associate's degree
- 3.9% Professional school degree
- 2.0% Doctorate degree

Source: author analysis of King, Ruggles, Alexander, Flood, Genadek, Schroeder, Trampe, and Vick IPUMS-CPS University of Minnesota
Survey question: ‘What positions, if any, do you continue to have a hard time filling throughout the current economic climate?’

- Acquisition specialists
- Animal control officers
- Building inspectors
- Bus drivers
- Compliance specialists
- Economic development coordinators
- Engineers (all types)
- Environmental, chemical, forensic, credentialed professionals
- Epidemiologists
- Finance (all types)
- Firefighters
- Grant coordinators
- Health instructors
- IT professionals
- Librarians
- Management
- Medical and mental health management
- Most skilled trades & trained mechanics
- Nurses and Physicians
- Paramedics
- Pharmacists
- Police and correctional officers
- Police/emergency radio operators
- Psychiatrists and Psychologists
- Records management staff
- Scientific researchers
- Social workers
- Speech pathologists
- Water treatment plant operators

Survey question: ‘Looking ahead, which workforce issues are important to your organization?’

Top 3:
• Recruiting and retaining qualified personnel with needed skills: 89%
• Staff Development: 80%
• Workforce succession planning: 76%

Survey Question: ‘Do you feel your employees are prepared financially for their retirement?’

- Yes: 18.3%
- No: 44.1%
- Don't know: 37.6%

Source: SLGE / IPMA-HR ‘Survey Findings: State and Local Government Workforce: 2013 Trends’
States that have reformed their pension benefits for current employees and retirees since 2008

Source: National Association of State Retirement Administrators, Center for State and Local Government Excellence, National Conference of State Legislatures
Percentage of State Government Units Offering Insurance to Retirees

The 2012 Retirement Confidence of State and Local Government Workers Age 55 +

- 76% are confident that they will have enough money to live comfortably in retirement.
- 74% are confident they will be able to take care of their medical expenses.
- 46% expect to have to work longer than they would like. Top three reasons:
  - need the income
  - don’t want to lose health benefits
  - haven’t saved enough
- Average age they would like to retire is 63.

[note: those age 25-44 average desired retirement age is 58; those age 45-54 average desired retirement age is 59].

Source: SLGE / TIAA-CREF Institute: Franzel and Yakoboski ‘2012 Retirement Confidence Survey of the State and Local Government Workforce’
Policy and Program Considerations: Baby Boomer and Younger Generation Retirement

• Reduction of barriers to saving and continued work

• The role of supplemental DC plans (and other savings vehicles)

• Financial education

Source: Sanford and Franzel ‘The Evolving Role of Defined Contribution Plans in the Public Sector’ (2012)
Increasing savings and supporting workers who plan to work longer...

• Structure benefit offerings to account for current realities and human behavior.
• Benefit structures should aim to:
  - Increase savings
  - Match employees with suitable investment strategies
  - Reduce disincentives to continued work

Source: Sanford and Franzel ‘The Evolving Role of Defined Contribution Plans in the Public Sector’ (2012)
Supplemental DC Plans: Some key points to think about…

• Automatic enrollment, escalation, and adjustment

• Investment options and defaults

• The extent to which in-service loans and withdraws are allowed

Source: Sanford and Franzel ‘The Evolving Role of Defined Contribution Plans in the Public Sector’ (2012)
Financial Education: Some key points to think about...

• The shifting of **savings and planning responsibilities** from employer to individual.

• Variations in levels of **financial knowledge and interest** across the public workforce.

• Who offers the education, in what **format and scope**?

• **Network effects** beyond those in government.

Source: Sanford and Franzel ‘The Evolving Role of Defined Contribution Plans in the Public Sector’ (2012)
The Ripple Effect of Baby Boomer Retirement

GFOA Conference
May 18, 2014
Neil Reichenberg
Executive Director
International Public Management Association for Human Resources
Outline

* Aging Workforce
* Overview – Importance of workforce/succession planning & need for resources
* Innovative programs – 7 local governments & 1 state government
* Knowledge transfer
Our Aging Workforce

The chart illustrates the distribution of the workforce across different age groups and sectors. The age groups are Under 30, 30-39, 40-49, and 50+. The sectors include Federal, State, Local, and Private.

- Under 30: Federal (10%), State (15%), Local (12%), Private (13%)
- 30-39: Federal (20%), State (20%), Local (20%), Private (20%)
- 40-49: Federal (30%), State (25%), Local (30%), Private (25%)
- 50+: Federal (45%), State (35%), Local (35%), Private (30%)
According to the Pew Research Center, about 10,000 Americans per day from 2011 through 2030 will turn 65. Despite the average baby boomer feeling 9 years younger than his or her chronological age, this is a large, aging cohort comprising 26% of the population. While almost 30%, according to the Center for State & Local Government Excellence have delayed retirement, the number of retirements will be increasing.
76% according to the Center for State & Local Government Excellence believe workforce & succession planning is important to their organizations

This is a global concern

2012 Creating People Advantage survey of almost 4,300 people from 102 countries found that strategic workforce/succession planning was the 3rd top critical trend
Overview

* Workforce/succession planning requires resources & the support of top management
* However, almost 60% of respondents in the Center for State & Local Government Excellence survey report that their organizations are smaller than they were in 2008
* Will governments devote the resources needed for workforce & succession planning?
Reduced resources can result in a similar situation to what was described by an HR director from a city in Florida:

“We are definitely looking at succession planning, but we haven’t gotten any further than maintaining a list of employees who are eligible to retire. In 2012, the City offered an early retirement package and 131 employees retired... within 90 days of the package being offered... With collective bargaining agreements, civil service rules, and the next wave of public safety DROP retirements, I’m pulling my hair out.”
Local governments in Santa Clara & San Mateo counties participate in a two county next generation committee chartered to identify programs to address the retirement wave of baby-boomer managers & professionals who are exiting local government in the region.

The committee works to identify needs, initiate & implement programs, and evaluate the collective efforts to attract, grow & retain talent.
Innovative Programs – Santa Clara/San Mateo Counties, CA

* Programs include:
  * Regional internships for university students
  * Leadership academies focused on helping mid-level professionals advance in their organizations
  * Meeting with university career centers to educate them about local government careers/opportunities
  * Job shadow day for university students that matches them with managers in local government
  * Tomorrow’s city/county executive forum designed to prepare future city/county managers & department heads
  * Management talent exchange program in which high potential employees are placed in other local government agencies for 3 months
City of Houston has started a ‘grow your own’ workforce initiative

Program seeks to educate students about the wide variety of career opportunities in municipal government in an effort to grow their own workforce for the future.

City departments participate by offering internships & co-op opportunities, guest speakers, tours, adopt-a-school programs & the find your path career day expo, which last year had about 2,500 participating high school students.

The goal is for students to consider, prepare for, & even experience a job with the city, so that their schools can become viable pipelines for future employees.
The city has adopted a year long, pre-management development program to prepare employees to assume the role of a first line supervisor.

The goal of the program is to shape future leadership/management to meet the demands of city.

Participants take academic classes and also need to complete:

- 5 toastmasters’ speeches/course projects related to the betterment of public service/team project/business plan as assigned by the department director
- Upon completion, employees receive a city recognized equivalency of 2 years supervisory experience
The county has established an interdepartmental Succession Planning Liaison Team composed of HR, leadership, managers & line staff to coordinate its efforts, provide expertise & analyze policies that help or hinder the process.

They have been conducting countywide retirement analyses as well as work unit specific needs analyses & tailored succession action plans.

They offer leadership training opportunities, growth assignments, performance reviews & classes to increase their bench strength for internal promotions.

They developed workforce development & succession planning tools & templates.
The city has developed a succession planning white paper
They surveyed employees to find out when they anticipated retiring, & are capturing that data for each department
This has assisted them in getting directors to think strategically when replacing crucial talent
Also has made them aware of the need to train internal staff & have an overlap of employment to transfer knowledge
Mandatory supervisory training must be attended for supervisors to pass probation

Professional & executive level employees are afforded an opportunity to attend leadership/executive level training course developed in conjunction with the University of Texas at El Paso

University provides 45 hours of instruction in leadership development

Courses also offered to develop employees in areas such as critical thinking & conflict management
The city has 40-50% of its staff with the ability to retire within the next 5 years

Public safety has the largest share of those eligible to retire

Long tenure with the city may be of less interest, meaning faster turnover may occur

The city has implemented an emerging leaders program designed to help develop future leaders & provide support & education on key competencies for the future

This is the start of building a leadership pipeline
The city developed ‘The Keys to Workforce Planning & Development for Department Heads’

The guide outlines: department roles/responsibilities, how to make the right planning decisions, how to prepare for planning, data collection & analysis and the development off the workforce plans

HR serves as a strategic partner throughout the process & has developed workbooks to assist the departments
City of Grand Forks Leadership Academy has run multiple classes and had instructors from the University of North Dakota, Lake Region State College, & Dale Carnegie teaching courses on leadership, self-awareness, communications styles, team building & workplace ethics.

- Strong support from the mayor, city council & civil service commissioners

‘The last thing we cut from the budget is training dollars.’ – Mayor Brown
Launched a yearlong Leadership Academy that includes training, mentoring, shadowing & work on group projects while continuing current job responsibilities

3 of the first 7 graduates are now in management positions

Employees can register with a Talent Bank that allows employees to perform stretch assignments while in their current job or to be temporarily reassigned in an area for which they have skills
Innovative Program – Virginia Beach, VA

- Offer a Mid-Management Program that runs for 10 months – one day/month
- Target audience is mid-level supervisor/manager
- Topics covered include: leadership & collaboration, coaching, managing conflict, accountability, managing transitions, managing talented people with bad attitudes
- They also do a 360 assessment & based on the results, they choose a 1) challenge goal, 2) giveback goal, & 3) wild card to work on
How can organizations ensure that they identify, capture and transfer the critical knowledge when long-serving employees leave?

Steps to include in a knowledge transfer program:

- Identify knowledge
- Select knowledge capture method – explicit/tacit
- Capture the knowledge – document the how/why things are done
- Transfer the knowledge – online training, acting assignments, creating job aids, mentoring, coaching, etc.
- Measure impact & value of knowledge transfer
Knowledge Transfer

* Bringing back retirees on limited contracts to transfer knowledge
* One organization allows retirees to return for not more than 720 hours within a 12 month period provided departments can document their succession planning efforts, detail what specific knowledge is to be shared, and with whom & how the knowledge will be shared
* Another organization allows retirees back on volunteer or 120 day assignments
* New managers are allowed at times to work alongside the retiring manager to transfer knowledge
Knowledge Transfer

- Knowledge transfer template:
  - Job description
  - Stakeholder communication
  - External/internal relationships & key contacts
  - Professional organizations/memberships
  - Project status report
  - Periodic & ongoing tasks
  - Meetings
  - Business knowledge & technologies needed
  - Administrative tasks
  - Processes
  - Important documents
  - Lessons learned
For additional information, please contact:

- Neil Reichenberg
- IPMA-HR
- nreichenberg@ipma-hr.org
- 703/549-7100