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State Human Resources Directors Seek to Address Workforce Challenges

Focus groups explore policies to help find and keep quality workers

Overview

States depend on the recruitment and retention of top talent in order to successfully provide government services. However, state human resources (HR) directors face numerous challenges when building a state workforce, including budgetary restraints, shifting priorities among younger workers compared with their predecessors, and changes to compensation and benefits. HR directors are well-positioned to understand the needs and preferences of state workers, making their perspectives on how to attract and hold on to productive and engaged employees valuable.

To learn more about the viewpoints of state HR directors, The Pew Charitable Trusts partnered with the National Association of State Personnel Executives to hold focus groups with association members in early 2017 in Washington, D.C. The 19 participants came from 18 states; all held senior human resources positions in their state's government. The discussions concentrated on the major workforce challenges facing state governments, including how to appeal to and engage younger workers and the role that retirement benefits play in recruitment and retention. The HR executives talked about the resources they need to be successful and the strategies they use to meet their states' staffing needs.

Among the key findings:

- Compensation levels pose a major challenge to recruitment and retention, particularly for in-demand expertise in fields such as information technology and health care.
- Younger workers are seen as placing greater importance on quick career advancement, professional growth, public service, community, and work-life balance than do prior generations.
- Retirement plans may not initially attract most workers to public service, but these benefits can help retain older workers and those with longer tenures.
- Providing more financial education, savings portability, and worker control over investment choices are ways to make retirement benefits more attractive to employees, but the executives raised concerns about the efficacy of each concept.

Recruitment and retention challenges

The HR directors frequently cited the level of take-home pay as the biggest workforce challenge facing their state. Many said salaries are not market competitive with the private sector, making it hard to attract and retain valuable workers. Public sector professionals with specialized skills in fields such as information technology, health care, and finance were seen as especially difficult to interest in state jobs, in part because of pay levels.

> Recruitment, especially in the ... more specialized professions such as medical, IT, [and] finance, are definitely a challenge for our state."
>
> **State HR executive,** in focus group

The directors note that many states face other significant budgetary pressures, which makes it difficult to raise wages in a meaningful way. And the task of recruiting quality workers has not gotten easier as the U.S. economy has improved and labor markets have tightened in many states. The executives said the difficulties they face in recruiting top talent then have an impact on the quality of services their states can provide.

Wages and salaries are typically lower in the public sector than in the private sector, but states have usually offered attractive health insurance and retirement benefits to help them compete in the labor market. Some focus group participants said their benefits packages continue to be major draws for potential applicants, but others said the appeal of such benefits has dimmed because of changes that have raised employee costs, such as higher insurance premiums or increased pension contributions. Many states have trimmed pensions in order to address fiscal challenges facing their plans, and some directors said these moves have made their retirement benefits less competitive with the private sector. And this issue may be most acute for younger workers. Compared with longer-tenured staff, many newly hired employees must contribute more toward their retirements but accrue less in benefits for each year of service.

> Everyone knows the main reason you come to government is for the benefits, but that's not so much the driver anymore for the workforce coming in."
>
> **State HR executive,** in focus group

Some of the human resources directors said pension issues in their state, which often generate news coverage, can discourage potential applicants for government jobs. Still, pension issues affect current employees most directly. If pension plans have less than $50 in assets for every $100 in promised benefits, those already in the state workforce may be less likely to trust that they will actually receive promised retirement benefits, focus group participants said.

Younger workers also express worries about these issues. In 2016, Pew conducted a survey of state and local government employees under age 40, along with a series of focus groups, to get a sense of their attitudes. Some in the focus groups expressed concerns that promised money would not be there for them in retirement, particularly in states where pension concerns had become a high-profile issue.[1]

The priorities of younger workers

> It depends what cohort you're looking at. We have five generations in our workforce, and our turnover for millennials is over 54 percent in the first five years. I can get them in, but I can't keep them."
>
> **State HR executive,** in focus group

As more members of the baby-boom generation—born from 1946 through 1964—enter retirement, states will rely increasingly on millennials, the age group born after 1980, as employees. To the HR directors, these younger workers represent a distinct generation with different priorities from previous generations. Millennials and previous generations see salaries as critical factors, but the younger workers place a stronger emphasis on quick career advancement, professional growth, public service, and work-life balance than do other age groups, focus group participants said.

> It's a different drive. When I came into state government, people were like, 'Oh, state government—steady job, good benefits.' Now it's: 'State government—I really want to do something that's meaningful."
>
> **State HR executive,** in focus group

Directors characterized many millennials as service-oriented and driven to give back to their communities. While these executives commended millennials for this focus on public service, they cautioned that members of this age group can become disillusioned easily with the bureaucracy and day-to-day operations of government.

Participants said the youngest generation values learning and growth but noted that sometimes these workers expect much quicker promotions than are typical under current state practices. To harness younger workers' desire to succeed and serve, directors said they see a need to emphasize leadership development and to show how government jobs can give these workers opportunities to learn and grow professionally.

> Newer people in the job market have higher expectations of their employer in terms of greater flexibility, on not only where you get the work done, but how you get the work done. That's something we need to work on."
>
> **State HR executive,** in focus group

According to the directors interviewed, younger workers place a lower priority on retirement benefits than do older generations; those programs do not play as important a role in recruitment. Workers in their early 20s typically do not understand the basics of retirement planning. Participants said younger hires tend to focus only on the salary portion of their compensation. Still, they noted that workers slowly begin to understand the importance of retirement benefits as they age and take on more obligations outside of work, such as a family or a mortgage.

The human resources directors' sense of job priorities for younger workers aligns closely with the results of Pew's earlier survey and focus groups of state and local government employees under age 40,[2] which suggest that work-life balance, job security, and being employed in their chosen field are major factors in decisions to choose public service. These same factors were important for their overall job satisfaction. In general, most of the younger workers surveyed did not rate retirement planning as a priority, with many in the employee focus groups admitting to having little knowledge about their benefits. In line with the directors' observations, younger workers in the focus groups said retirement benefits were likely to become more important as they grow older and amass more family responsibilities.

Lessons learned

> "We realized we were losing millennials after six months of coming in. So … we must not be onboarding our folks in a way that's hooking not just their head but their hearts. So we created a statewide, enterprisewide task force to look at this and create an onboarding strategy ... and it's just made such a huge difference. Right now in 2017, we're at 28 percent [millennials]."
>
> **State HR executive,** in focus group

Throughout the conversations, HR executives talked about the valuable lessons their states had learned about attracting and keeping talented workers. In general, the most effective strategies focused on engaging employees with meaningful and challenging opportunities, providing flexibility in work scheduling, and changing organizational cultures to place more value on staff. Participants acknowledged the importance of a culture of engagement that focuses on helping employees develop their skills and talents.

> "Our drive was to be a learning organization. … We need to add to the benefit conversation how we will develop you and all the opportunities … for growing and becoming anything you want to be. We've got a huge state focus on leadership development, on succession planning, and how are we helping our employees to look to the future. Where do you want to be in the next two, three years?"
>
> **State HR executive,** in focus group

Many participants said they would benefit from research into what employees like and dislike about their jobs and efforts to discover common strategies in workplaces or agencies with particularly high levels of satisfaction. Directors said they too often lose workers after only a few months on the job, suggesting a need to alter their onboarding programs, which help new hires acclimate to their jobs and become involved members of the organization. In response to turnover concerns, some states have adopted organizationwide onboarding strategies to increase employee morale and help workers understand their roles. In addition, the directors said employees tend to feel more engaged and valued if given opportunities early on to offer input on how the organization runs.

Beyond engagement and development, participants talked about making work more flexible and changing organizational cultures to improve recruitment and retention. They cited steps to allow employees to work alternative schedules or telecommute as ways to help workers balance their jobs with obligations beyond the workplace. Some directors also spoke about the need to make sure the organizational cultures value all workers, especially millennials, who could be on the job for decades, and some emphasized the need to establish an environment in which employees are perceived as talent.

Strategies for improving retirement benefits

Traditionally, workers have sought public sector jobs in part because of the benefits, but many HR directors expressed concerns about the financial literacy of their workers. They said that although they distribute educational material on retirement benefits, many workers simply do not read it. The focus groups of younger government employees resulted in a similar finding, with many acknowledging that they spend little time studying the information given to them. Many of the workers said they found the materials difficult to understand and interpret, often saying they prefer help from a person such as an HR or union/employee association representative.

Some directors said employees, particularly younger ones, do not have a basic understanding of how starting to save early in their careers can help them build retirement security over time. Some directors reported robust attendance at seminars and other financial educational events, but others said they have a hard time reaching early and midcareer workers and feel they lack the resources needed to disseminate information effectively.

> “The very, very young ones don’t think about the concept of retirement, and they don’t understand it. … I remember when I entered the workforce and they handed me this packet of retirement sign-up stuff. I handed it to my dad, and I said, ‘What do I do?’”
>
> **State HR executive,** in focus group

When asked how to make retirement plans a more attractive benefit, the executives offered ideas focused on the importance of financial education, portability of benefits, and worker control over investment decisions. Simplifying the information given to employees also would help improve their understanding of retirement plan options, some directors said.

> “I’m concerned that they’re not going to make good choices for the long term. … The average employee puts it all in the government securities fund. … It’s a safe investment, but you’re never going to make anything on the investment. … They don’t understand a 7 percent annualized rate of return looking at 30 years. They don’t understand the miracle of compounding interest.”
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> **State HR executive,** in focus group

In the Pew survey, younger workers expressed interest in greater control over their retirement planning and savings, including a desire to be able to take savings with them when changing jobs. But the HR directors expressed mixed opinions about the long-term efficacy of each idea. For example, some said that while a portable retirement benefit could help attract talented workers, the freedom for employees to take their savings with them to a new job could also increase turnover. Giving employees greater control over their retirement savings appealed to some HR directors, but others voiced concerns that workers with low financial literacy would not make good long-term choices, emphasizing instead the importance of limited investment options and features such as auto-enrollment that reduce the need for workers to make decisions.

HR directors have valuable perspectives on how to design retirement plans that attract and retain workers, and many see a need to collaborate with other stakeholders such as retirement system boards and legislatures. Some spoke about difficulties addressing these issues because of limited coordination between human resources and state retirement systems. The two functions often are not under the same authority, and many said changes to retirement benefits tend to be made by lawmakers with a primary focus on financial considerations, rather than the impact on human resources priorities.

Conclusion

State and local governments face significant challenges in attracting and keeping talented workers, especially among the millennials, who bring different needs and preferences to the job than did their predecessors. Among the most important issues facing HR executives are the increasing costs of retirement plans and the lack of resources to offer competitive salaries and educational programs to help workers understand the value of their benefits, especially their retirement plans. However, state HR executives possess various tools to improve recruitment and retention. Providing meaningful work, flexible scheduling, and opportunities to grow professionally are among the ways that states can demonstrate how much they value their workforces.

Methodology

In partnership with the National Association of State Personnel Executives (NASPE), Pew convened two focus groups—held simultaneously Jan. 29, 2017, and conducted by the Mellman Group—of attendees at NASPE's midyear conference in Washington, D.C. In total, 19 NASPE members from 18 states, divided randomly into two groups, participated in the sessions.

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Endnotes

1 The Pew Charitable Trusts, "Retirement Plan Knowledge Among State and Local Government Workers Under 40" (May 2017), http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/05/retirement-plan-knowledge-among-state-and-local-government-workers-under-40.

2 The Pew Charitable Trusts, "Retirement Needs and Preferences of Younger Public Workers" (May 2017), http://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2017/05/retirement-needs-and-preferences-of-younger-public-workers.

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