



Conserving government's most valuable resource

By Simon England and R. Yvonne Herrera

As public-sector workers retire, they take important knowledge and skills with them, a situation bound to affect every corporation and private citizen.

Savvy governments around the world are responding with innovative ways to recruit and train the next generation of civil servants.

As the post-World War II generation nears retirement worldwide, meeting their public welfare and social security obligations may be the least of the challenges confronting governments in the United States, Europe and Asia. Evidence is mounting that the real challenge for the public sector will be the loss of critical knowledge and skills as a result of the retirement of its own employees, a situation bound to affect every corporate and private citizen it serves.

When government workers retire, important, sometimes critical, information and expertise can leave with them—knowledge civilians often take for granted. For instance, according to a manager at the US National Aeronautics and Space Administration, sometime in the 1990s, NASA lost the knowledge it had developed to send astronauts to the moon. Extend this type of knowledge loss to other public-sector services and agencies, from civil aviation to regulatory bodies to defense, and a bleak picture emerges.

Government is not alone in facing this challenge, of course. In the private sector, the retirement of skilled

workers has contributed to chemical plant explosions and airline maintenance problems, to cite just two examples, and companies across a number of industries have moved aggressively to capture and retain knowledge (see “Stemming the brain drain,” *Outlook*, January 2003).

But governments face unique challenges that cannot be overcome simply through the application of private-sector solutions. For example, the civil service workforce is, on average, older than the private-sector workforce (which means that governments will, by default, be on the leading edge of solving the problem). In addition, some civil

service employers also have an image problem that can hamper recruiting. Long and complex hiring processes, noncompetitive salaries, uncertain government budgets and bureaucracy all put government agencies at a disadvantage when it comes to competing for talent. As a result, even when governments institute programs to help pass knowledge from older to younger workers, there may not be enough younger workers to inherit it.

Reactions and responses

Governments in several countries have acknowledged these problems and are taking steps to address them. For example, to attract new talent, South Korea has opened up

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20 percent of its top civil service posts to applicants from the private sector. Meanwhile, a number of European governments have introduced a variety of inducements to make public-sector employment more attractive, including more flexible civil service career paths, performance-based pay and hiring of executives on contracts. And many US states now conduct exit interviews with retiring public employees to understand why they are leaving and to determine what governments need to do to better attract and retain workers.

To preserve valuable knowledge, ministers and administrators in Canada have identified succession planning as a pressing issue, and in response have established a mentoring program. At the Kennedy Space Center in Florida, where nearly 60 percent of employees are approaching retirement age, NASA and the state have jointly funded a Web-based educational program to capture and retain knowledge.

What is limiting the effectiveness of such initiatives, however, is that they have been uncoordinated responses to one or another specific consequence of workforce aging. Because workforce aging tends to be pervasive across departments and ministries, governments should instead approach the problem holistically, which involves three steps.

1. Diagnose the problem

Each government agency must first determine the magnitude of its exposure to the threat of an impending

worker shortage by answering the following questions.

- What percentage of employees is eligible for retirement in the next two to five years, and what skills will they take with them when they go?
- Do current training and development programs ensure that critical skills will remain in the organization?
- Does the organization have systems in place that capture the knowledge of workers eligible for retirement?
- Are current recruitment practices effective enough to compete with other agencies and the private sector for scarce talent?
- Are reward, recognition and compensation programs competitive with the private sector?
- Does the agency provide flexible work options, such as flextime, job sharing, telecommuting and part-time work, to meet the needs of a wider population of current and potential employees?
- Does the workplace environment “show” employees that they are valued and respected, so older workers want to stay and younger candidates want to join?

A diagnostic tool can then be used to pinpoint the *specific nature* of an agency’s overall exposure to the problem of aging (see page 91). One such tool is the Accenture Human Capital Development Framework. It measures the effectiveness of human capital processes and capabilities such as reward systems and career development and leadership, and enables organizations to logically infer potential linkages to public-sector metrics

such as tax revenue, taxpayer burden and taxpayer responsiveness.

By providing benchmarks along a number of dimensions against which they can measure themselves, the framework assists organizations in discovering their weaknesses and where they are at risk. For instance, it shows best-in-class human capital processes for areas such as reward systems and career development; best-in-class capabilities, such as leadership and talent management; best-in-class organizational performance drivers, such as productivity; and best-in-class business results or organizational outputs, such as return on invested capital and future value.

The framework has already been used in the private sector to

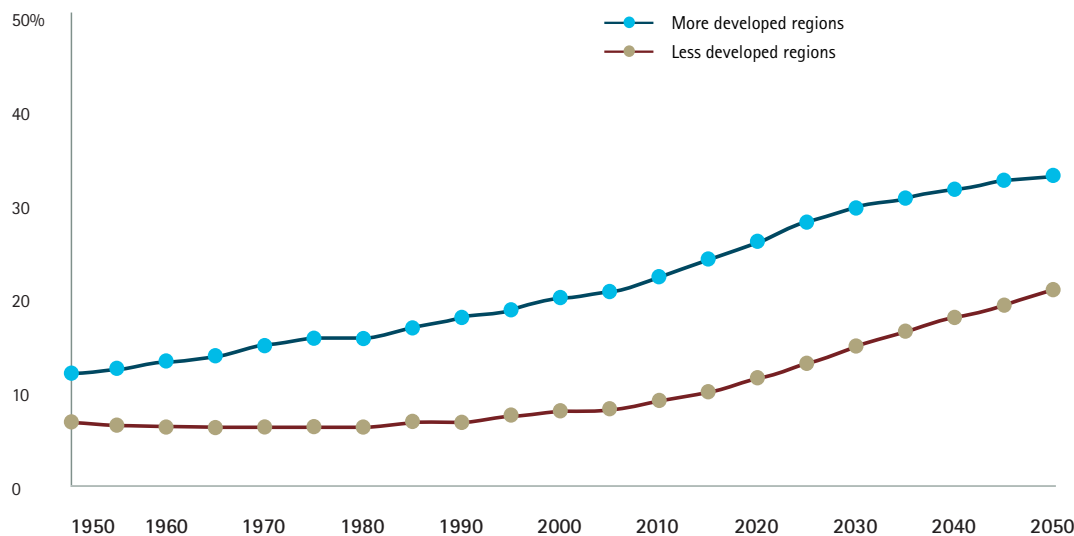
address the aging workforce issue. For example, a North American financial services company used it to determine that although its payroll and benefits administration were excellent, it needed to improve career development, leadership and succession planning. But governments also are starting to use the framework to identify similar weaknesses, recognizing the equivalent benefits of the tool in the public sector.¹

¹ For more on the Accenture Human Capital Development Framework, see "How to boost your workforce performance ROI," *Outlook*, May 2003; "Making the right investments in people," *Outlook*, October 2004; and "Harnessing the power of an engaged workforce," *Outlook*, February 2005. For more on the Accenture Public Sector Value Model, see "Transforming the public sector," *Outlook*, October 2004.

Aging of the world's population

The proportion of the world's population aged 60 and over continues to rise and is projected to reach almost 30 percent in the more developed countries by 2020.

Proportion of total population 60 and over
More and less developed regions, 1950–2050 (medium variant projections)



SOURCE: WORLD POPULATION PROSPECTS, THE 1998 REVISION, VOLUME II: SEX AND AGE. THE POPULATION DIVISION, DEPARTMENT OF ECONOMICS AND SOCIAL AFFAIRS, UNITED NATIONS SECRETARIAT

2. Develop a human capital management strategy

With the diagnosis in hand, an agency will have a clear picture of its human capital strengths and weaknesses, and can develop a holistic strategy tailored to its particular needs. A human capital management strategy should embrace both present and future workforce requirements.

First, the organization should identify the skills and competencies most at risk as workers retire. It will then need to figure out how to retain, capture and transfer the associated knowledge.

The organization should consider changes in retirement policies to retain critical skills, perhaps implementing phased retirement and alumni programs. In the United States, for example, more than 30 states now rehire, at least on a part-time basis, retired employees with valuable skills and knowledge. California and Ohio have offered a pension incentive to retain older teachers.² And at the national level, partly to reduce the benefits of leaving the workforce, the US government eliminated rules that penalized Social Security recipients for gainful employment after age 65.³

Second, the strategy must address the critical skills needed for the future and how the organization will attract, recruit, hire, train and develop the right people. Finally, to make it possible to do more with less, the human capital management strategy should consider other ways

of delivering services, such as a shared services model.

3. Implement a broad-based solution

The third step is to enact comprehensive solutions, based on realistic, cost-effective and actionable steps linked to the strategy. For example, the US Department of the Treasury recently implemented a far-reaching solution that addressed the threat aging poses to its Senior Executive Service, its top tier of employees. The solution has two parts. The first uses a succession planning toolkit to identify future leadership requirements, assess the depth of the talent pool, and determine necessary training and development. The second part involves benchmarking other senior executive development programs and identifying best practices to plan mentoring and training for high-potential employees.

In 2003, the Queensland government in Australia opted to address these challenges with a shared services program, which established stand-alone units to perform routine administrative tasks and transactions for several agencies. For example, instead of each agency maintaining its own staff to perform finance, purchasing and human resources, several agencies can share the services of one central unit.

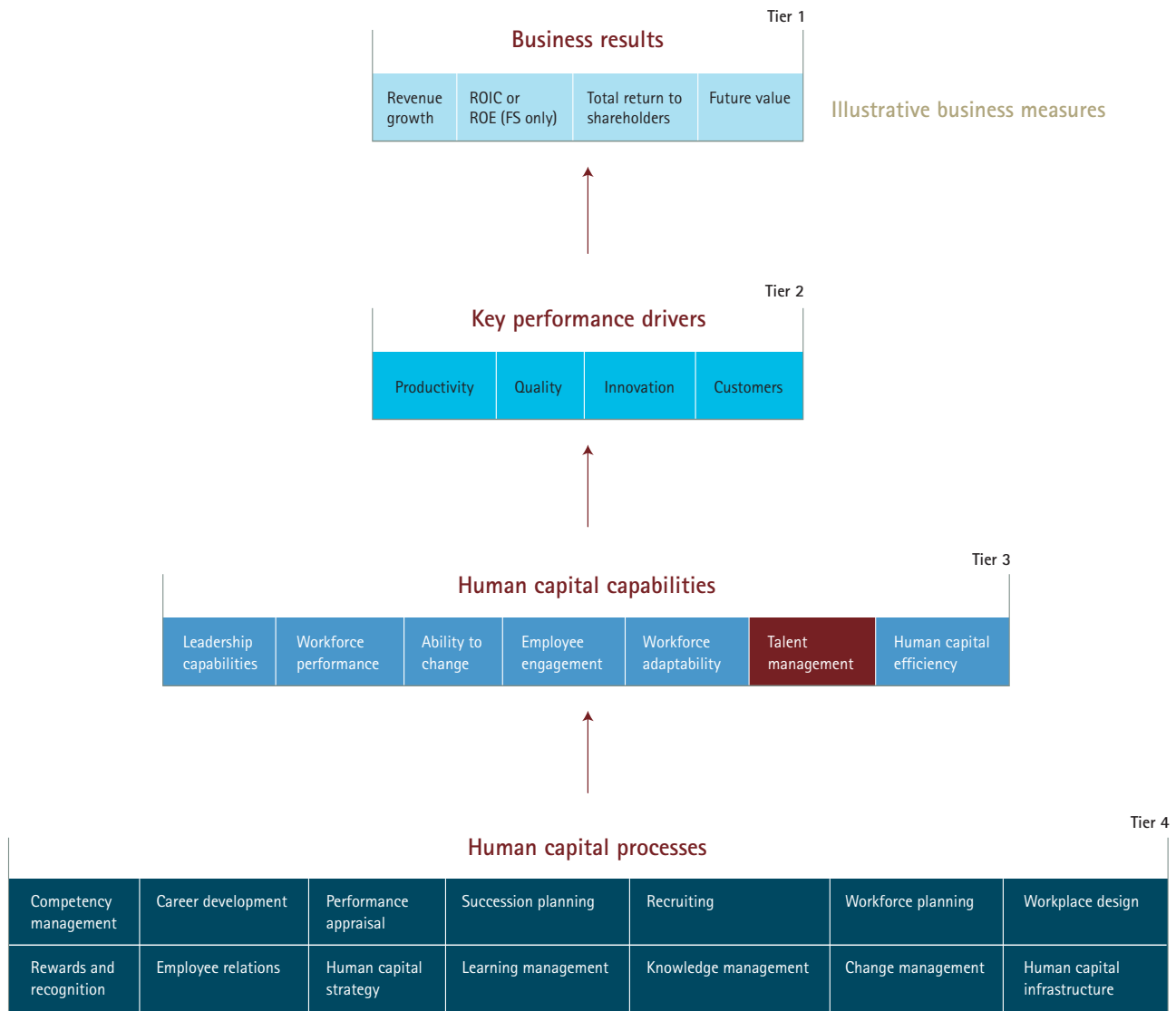
This approach reduces the duplication of efforts and allows agencies to redirect their scarce budgetary resources into more productive applications. Estimates are that the Queensland shared services initiative will trim as much as

² GAO-02-85, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, November 2001, page 7.

³ *Ibid*, page 8.

A comprehensive approach

The Accenture Human Capital Development Framework is a diagnostic approach to assessing human capital capabilities and the processes that drive them, and then linking human capital assets and approaches to business performance outcomes. The diagnostic helps benchmark the effectiveness of the human capital processes needed to address aging workforce issues and improve the overall workforce experience. It also validates existing human capital investments to redirect these investments for greater impact.



SOURCE: ACCENTURE ANALYSIS



US \$80 million from routine operating costs and make it possible to invest the money in areas of critical need, such as health, education and justice.

The US Transportation Security Administration took a slightly different approach when post-9/11 Congressional mandates required it to quickly recruit, evaluate, hire, train and deploy additional personnel. Instead of attempting to build an in-house human resources department capable of meeting the daunting challenge, the TSA became the first federal government agency to deliver core human resources functions, such as hiring, induction, personnel and benefits administration, through a shared services structure. In the first

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six weeks of service, the agency's partner began providing human resources services for the TSA's approximately 55,000 employees, hiring up to 1,200 new employees per month. It also established a call center that today handles as many as 750 human resources questions a day for TSA employees.

Demographic trends leave no doubt that fewer workers are in line to replace retirees. Even as workers have been aging, birth rates have been declining. The worldwide fertility rate has fallen by nearly half in the past 30 years and is below replacement levels in many parts of the developed world. By 2050, for the first time in history, the old will outnumber the young.

Meanwhile, budgetary pressures are forcing cuts at many agencies.

It would be a mistake, therefore, for agencies to think they do not have to worry about the wave of retirees and instead see it as a convenient way to reduce headcount. They need to establish the right knowledge retention programs to avoid losing critical skills and expertise when these workers retire.

Recruiting and training the new generation will be a challenge. Studies in the United States and Europe show that young job seekers are far from eager to work in government. To their credit, governments have begun to recognize the problem, but so far the efforts to address it have been piecemeal. A comprehensive approach is necessary. If an organization's human resources are its most important asset, then dealing with the impending loss of those resources must be the organization's highest priority.

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