During the next three to five years, the State will lose 50.46% of its most seasoned and knowledgeable employees as the Baby Boomer generation retires. While workforce and succession planning can serve to manage the transition by minimizing organizational and operational disruptions and loss of institutional knowledge, the existing State strategies in this area do not prepare agencies to face these challenges.

The imperative behind strategic workforce planning is three-fold:

- With Baby Boomers serving an average of 20 years, the retirement of this generation is equivalent to at least 324,000 cumulative years of technical and institutional knowledge.
- The absence of standardized knowledge management systems precludes the State from capturing and retaining knowledge from the retiring Baby Boomers.
- The State’s human capital is its greatest asset. Attracting, developing, and retaining a high-skilled workforce prepared to face future challenges is vital to maintaining the critical responsibilities of the State.

During this same period, the State is also expected to run an annual budget deficit between $19 and $22 billion. Given financial limitations and prioritization on balancing the State budget, addressing workforce and succession plans is not a legislative imperative. This report proposes that the budget crisis should be the catalyst to transform workforce and succession planning. This transformation can optimize financial and human resources through targeted cost-effective best practice strategies that serve to achieve both short- and long-term State objectives.

**RESEARCH OBJECTIVES**

1. Develop a baseline understanding of workforce and succession planning in State agencies.
2. Analyze the strengths and weaknesses of workforce and succession planning strategies adopted by State agencies compared to best practices in the field.
3. Identify business opportunities for Deloitte.

**DEFINITIONS**

*Workforce planning* entails analyzing current and future workforce needs and implementing solutions to fill prospective gaps to achieve organizational mission, goals, and objectives.

*Succession Planning* is the key subset of workforce planning. It is the process by which agencies identify and develop talent pools and institute the necessary pipelines to fill leadership roles.

**METHODOLOGY AND CRITERIA**

A multi-methodological approach was adopted to achieve the research objectives. Qualitative analyses were conducted through literature reviews, interviews with State agency officials and out-of-state public officials, and workforce and succession planning survey results.
ANALYSIS

While the main focus of the analysis is the short-term response to the Baby Boomer retirement, the long-term value that workforce and succession planning can provide State agencies is also recognized.

RESEARCH QUESTIONS

- What is the relationship between State agencies in workforce and succession planning?
- What is the progress of workforce and succession planning policies in State agencies, with a special emphasis of those at high-risk of leadership retirement?
- How do the adopted policies in State workforce and succession planning compare to best management practices?
- Given the identified gaps in workforce and succession plans, what are the target service areas for Deloitte to support the State in addressing threats and weaknesses, and maximize strengths?

Comprehensive workforce and succession planning processes can transition agencies from reactive to proactive organizations using best practices to maximize human resource productivity. These plans optimize agency capabilities by tying organizational goals to its overall strategic vision and institute processes that enable an agency to human capital and strategic plan imperatives.

KEY STATE AGENCY STAKEHOLDERS

DEPARTMENT OF PERSONNEL ADMINISTRATION: Develops and distributes statewide workforce planning resources.

HUMAN RESOURCES MODERNIZATION PROJECT: Streamlines hiring, recognizes performance, and simplifies the State’s system of job classifications. Developed the State leadership competency model and simplified civil services exams.

STATE PERSONNEL BOARD: Administers the civil service system, provides training for State employees and gathers workforce and succession planning data.

STATE CONTROLLER’S OFFICE MANAGEMENT INFORMATION RETRIEVAL SYSTEMS (MIRS): Gathers workforce and succession planning data supporting State workforce planning managers.

DEPARTMENT OF TECHNOLOGY SERVICES: Provides information technology services to State agencies.

WORKFORCE PLANNING ANALYSIS

The 2011 SPPD survey on the progression of workforce and succession planning in 47 high-risk agencies reveals troubling trends relative to agency implementation of workforce and succession planning. Particularly disconcerting is that 75% of respondents have yet to begin implementing and evaluating workforce plans.

Where is your department in the Workforce Planning Process?

<table>
<thead>
<tr>
<th>Status</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing and Evaluating</td>
<td>25%</td>
</tr>
<tr>
<td>In Process</td>
<td>50%</td>
</tr>
<tr>
<td>Just Begun</td>
<td>8%</td>
</tr>
<tr>
<td>Not Started</td>
<td>13%</td>
</tr>
</tbody>
</table>

Bridging the Gap: Workforce and Succession Planning Opportunities in the State of California
The widely recognized implications of the retirement of Baby Boomers prompted DPA to release a 7-Step Workforce Planning Model that incorporated best practices from the International Public Management Association and the U.S. Office of Personnel Management. This model is dynamic but does not align agency and State strategic plans to relevant HR functions, which is critical to effective human capital management.

DPA developed a core competency model that is beginning to drive HR functions, and will ultimately guide all workforce and succession planning initiatives. Given the appropriate management resources, core competencies can potentially align agency and human capital strategies.

Research suggests that the capacity of existing State data management applications is insufficient to proactively manage the scope and scale of critical workforce data for an organization with 233,000 employees and 114 agencies.

Indications from interviews and the literature, such as the Pew Center on the States, argue that the absence of an integrated and centralized automated workforce planning system that enables real-time data access imposes substantial financial and human resource costs. In fact, the 2009 HR MOD Baseline Survey found that only 5% of agencies use automated systems to support workforce and succession planning.

While State agencies adopt best practice elements to further succession planning, limited data systems prevent agencies from analyzing, measuring, and monitoring talent characteristics prior to the emergence of critical talent and organizational gaps.

Agencies are aware that employee retirement will deplete the existing human capital in the workforce. The 2009 HR MOD Baseline Survey found that 72% of agencies rehire retirees for up to 1,500 hours per fiscal year to transfer knowledge. While it takes an average of 3 – 6 months to fill hard-to-recruit classifications, more than 40% of agencies do not have recruitment strategies included in the workforce plan.

More than 60% of agencies provide more than the 80 hours of training required by law, and the State recently launched a Virtual Training Center to provide free online trainings of the most commonly used training modules. Although the retention rate among CA State employees is lower than the national average, more than 35% of agencies do not align performance management metrics to their strategic plan, further preventing proactive data management to support succession planning.

**SUCCESSION PLANNING ANALYSIS**

The 2011 SPPD survey found that 87% of survey respondents have not implemented or evaluated succession plans. The presence of a succession plan, while a recommended first step, is not entirely indicative of agency performance. The main components to consider in succession planning are: knowledge management, recruitment, training, and retention.
Bridging the Gap: Workforce and Succession Planning Opportunities in the State of California

Opportunities & Recommended Actions

The efforts of the State and its agencies to develop workforce plans clearly lack the shared strategic vision and necessary management tools to advance implementation. To strategically progress workforce and succession planning in the State, the analysis reveals the following actionable opportunities:

A. LEADERSHIP: Raise leadership investment in workforce and succession planning

B. STRATEGY: Align workforce and succession plans to drive agency strategic plans and overall statewide goals

C. HUMAN RESOURCES: Structure and drive key HR functions towards strategic objectives

D. INFORMATION TECHNOLOGY SYSTEMS: Integrate information technology systems to support and enhance workforce and succession planning capabilities and results

Short-Term Opportunities

- Spearhead development of a State strategic plan
- Develop knowledge manuals, mentoring programs, leadership interviews and exit surveys for knowledge retention

Mid-Term Opportunities

- Support training program consolidation and agency cross-training to maximize resources and increase ROI
- Fast-track recruitment programs to rapidly fill critical positions

Long-Term Opportunities

- Implement comprehensive talent management and workforce analytics software to expand the depth of data and optimize the collection process
- Tie MyCalPays and workforce and succession planning data together through SAP’s Human Capital Management to enhance automated HR functionalities

<table>
<thead>
<tr>
<th>WSP Component</th>
<th>Gap Analysis Opportunities</th>
<th>Organizational Benefit</th>
<th>Financial Benefit</th>
<th>Proposed Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management</td>
<td>Reduce the # of rehired annuitants</td>
<td>Capture knowledge from the retiring Baby Boomers</td>
<td>Reduce costs to rehire retirees</td>
<td>Knowledge manuals, exit surveys, leadership interviews, status surveys</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Streamline civil service system to optimize recruitment system</td>
<td>Reduce recruitment time frames to fill leadership positions</td>
<td>Reduce recruitment and administrative costs</td>
<td>Fast-track programs</td>
</tr>
<tr>
<td>Retention</td>
<td>Reduce turnover rate</td>
<td>Retain organizational talent</td>
<td>Reduce hiring costs</td>
<td>Competency-based compensation, career ladders, employee satisfaction surveys</td>
</tr>
<tr>
<td>Training</td>
<td>Reduce training redundancies</td>
<td>Develop organizational talent</td>
<td>Increase training ROI</td>
<td>Consolidate and centralize commonly used trainings</td>
</tr>
<tr>
<td>Identify &amp; Develop Talent Pools</td>
<td>Increase training ROI</td>
<td>Talent skills match organizational need</td>
<td>Reduce OT expenditures</td>
<td>Leadership development programs</td>
</tr>
<tr>
<td>Workforce Analytics</td>
<td>Streamline data systems</td>
<td>Modern WSP data system giving greater depth of data and functionality</td>
<td>Increase data ROI</td>
<td>Expand automated HR functionalities</td>
</tr>
</tbody>
</table>