

Succession planning for public sector agencies

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Executive summary

Public sector agencies need sound long-term succession plans immediately. Succession planning is a systematic process to ensure organizations have the right people with the right skills in the right place at the right time. It is a process that requires attention from legislators, managers, and all government employees.

An understanding of the key factors that influence succession planning is important. In this chapter, we highlight some of those key factors. We set out demographic information on Saskatchewan's current workforce, focusing on the public sector's workforce. In addition, we highlight the expected makeup of the future workforce and the impact on the public sector.

The Saskatchewan Government employs about 10% (50,000) of the provincial workforce and faces significant human resource challenges. Over the next 20 years, the Government expects more retirements than usual and proportionately more than the private sector. In addition, the Government expects its agencies to lead the way to build a workforce that represents the makeup of the projected general population. These two challenges make succession planning urgent.

In this chapter, we set out three principles and best practices for succession planning in public sector agencies. Sound succession planning in the public sector should reflect the long-term strategic direction of the Government and each agency. Succession planning would help government leaders to build a talent pool and coordinate key human resource strategies.

We hope that the principles and best practices set out in this chapter will help the public sector use succession planning to manage the risks to its human resources. In future years, our Office plans to use them to help us examine the Government's succession planning practices.

Introduction

Over the next two decades, the Saskatchewan Government will face a sharp increase in the number of employees retiring from the workplace. In this report, we highlight the importance of succession planning as one way for public sector agencies in Saskatchewan to manage their human resource risks. We also set out best practices for succession planning. We encourage public sector agencies to use these best practices to reflect on their current practices. In addition, we trust that these best practices will stimulate action to revise practices and to manage the human resource risks that the Government faces.

Public sector agencies include provincial government departments, Crown corporations, boards, commissions, and regional health authorities. Schedule 14 of the 2002 Government of Saskatchewan Summary Financial Statements lists these agencies (available at <http://www.gov.sk.ca/finance/paccts/paccts02/02paper1.htm>).

What is succession planning?

Simply put, succession planning is a systematic process to ensure that organizations have the right people with the right skills in the right place at the right time. It applies to the entire workforce in the public sector.

Succession planning is a process that requires attention from legislators, managers, and all government employees. It is not a process left solely with human resources staff. Succession planning is part of overall human resource planning. Effective organizations integrate succession planning with other management processes and monitor the related risks.

Saskatchewan: Where are we now?

What does Saskatchewan's working age population look like?

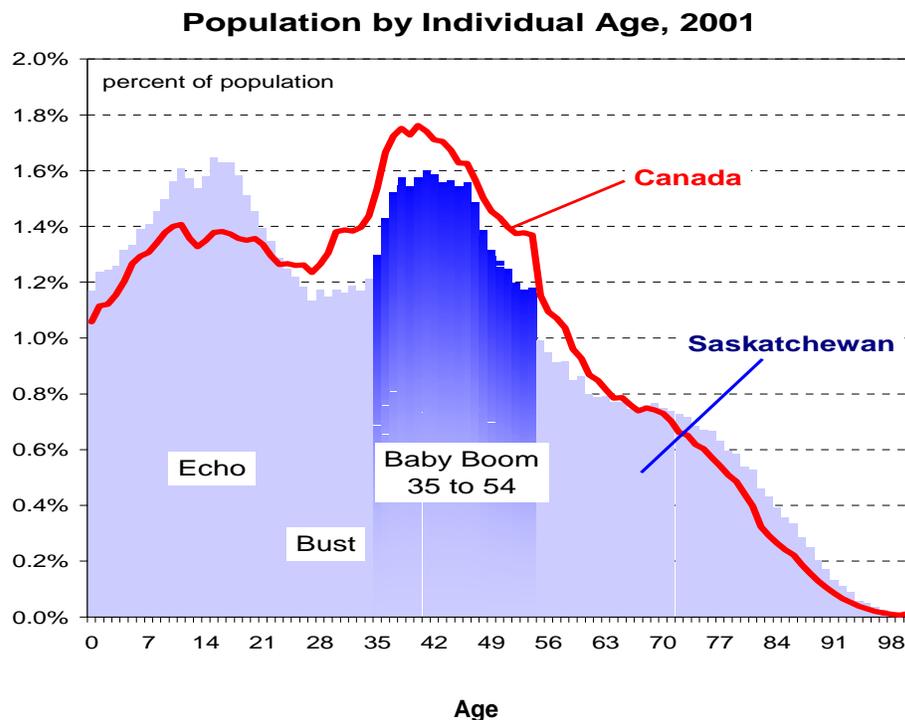
The overall population of Saskatchewan has been at approximately one million for the past twenty years and is projected to remain around this level in the future. However, the makeup of this population is changing. Changes in the makeup of the population will put pressure on

organizations to change the makeup of the workforce. Succession planning helps organizations respond to these changes.

Saskatchewan’s workforce consists of about 506,000 people aged 15 years and over. Of this age group, 5.4% are unemployed, 67.1% participate in the workforce, and the remaining 27.5% do not (e.g., retirees, disabled people, homemakers). The employed are more likely to be men (54%) than women (46%).¹

The makeup of the workforce does not reflect the same characteristics as the general population. Saskatchewan’s population, compared to Canada’s, has three distinct characteristics: many more people are under age 25 and are Aboriginal, fewer people are in the prime working years of 25-54, and more people are seniors (65 and older). Exhibit 1 shows that for the next few decades Saskatchewan will have a higher than usual number of people in the over 50 age group, and in the under 25 age group.

Exhibit 1 – Population by Individual Age, 2001



Source: Saskatchewan Trends Monitor 2002 based on Statistics Canada 2001 Census.

¹ August 2002 Labour Force Survey, Statistics Canada.

The average age of the workforce is increasing. Based on the 2001 Census for Canada, by 2011, people aged 45 to 64 will represent over 30% of the nation's total population compared with only 20% in 1991.²

At present, Saskatchewan's working-age population is increasingly made up of older individuals (aged 45 to 64), and the proportion of young workers (aged 25 to 34) is declining.³ This pattern is primarily due to two key factors. The first factor is the presence in the workforce of the "baby boom" generation of people born in the post World War II period (roughly 1947 to 1964). Not only is this a large group of people now over 40, but as a group the "baby boomers" deferred childbearing. This resulted in fewer young people to enter the workforce during the 1990s. The second factor contributes to that effect, as a lack of entry-level work opportunities encourages a consistent out-migration of educated young people from Saskatchewan. The combined impact of these factors on the workforce makes succession planning in the public sector urgent at this time.

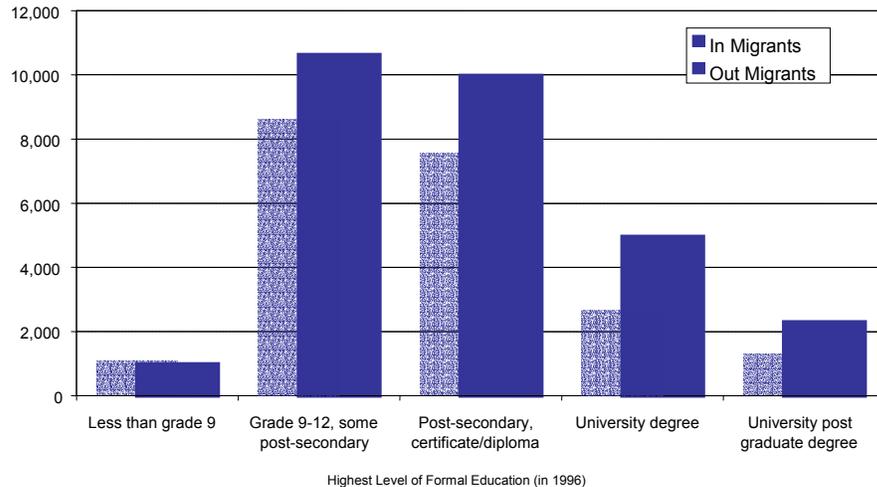
The "baby boom" generation will become 65 years of age during 2010 to 2030. Currently, Saskatchewan government employees retire, on average, at age 62, and the current trend for all employees is for earlier retirements. This may change. However, at present, all jurisdictions across Canada, including Saskatchewan, expect to experience a higher than average retirement rate during 2005 to 2025. Economists also predict increasing global competition for talent as other countries also face the retirement of the "baby boom generation."

Today, people are more mobile. They change locations, jobs, and careers more often. For the past thirty years, Saskatchewan has been a net exporter of people, particularly of youth. Exhibit 2 shows the migration pattern in the 1990s. In general, the people who moved out of Saskatchewan were better educated than those who moved into the province. Immigration into Saskatchewan has averaged 1,500 to 2,500 persons per year.

² Profile of the Canadian Population by Age and Sex: Canada Ages.

³ Profile of the Canadian Population by Age and Sex: Canada Ages.

**Exhibit 2 – Interprovincial Flows by Education Level
Saskatchewan 1991 to 1996, Ages 30 to 64**



Source: Saskatchewan Trends Monitor September 1998 based on Statistics Canada 1996 Census.

What does Saskatchewan’s public sector workforce look like?

A starting point for succession planning is to determine the makeup of the current workforce. The Saskatchewan Government employs over 50,000 people. About 80% of these government employees work with agencies, commissions, regional health authorities, and Crown corporations (e.g., SaskPower, SaskTel).⁴ The remaining 20% work in government departments.

Based on information from the Saskatchewan Public Service Commission (PSC) and the Crown Investments Corporation of Saskatchewan (CIC), employees working for the Saskatchewan Government are more likely than private sector employees to be “baby boomers” (i.e., currently in the 35 to 54 age group), and less likely to be under 30 years of age.

The average age of employees working in government departments is 42.5 years and 24% are age 50 or older. Based on current trends, up to 77.5% of existing managers in government departments could retire between 2000 and 2020, with most retirements between 2008 and 2020. The impact may be great as both middle and senior managers⁵ will retire

⁴ Provincial Auditor Saskatchewan. (1998 Spring). *Chapter 16 – Staffing the Public Service*.

⁵ Management and Professional Levels 1-6 in the Public Service.

over the same time. This could create a serious gap in corporate memory and skill.

Employees working with the CIC Crown corporations have a similar average age and expected retirement pattern as government departments. Both the PSC and CIC recognize that they must manage this potential loss of management and leadership skills before 2010.

Consistent with the overall workforce, the Government's workforce does not reflect the makeup of the general population. Aboriginal people, disabled people, and people who are visible minorities are under-represented in government agencies relative to the general population.⁶ For example, in government departments and CIC Crown corporations, Aboriginal employees represent an estimated 3-10% of the workforce. In the regional health authorities' workforce, women are overrepresented (82.7%) relative to the general population.⁷ Also, for example, women in government departments represent 35% of professional or executive positions.⁸ More detailed workforce information on other Crown agencies, commissions, and health authorities is not readily available, but it is expected to be similar.

Saskatchewan: Who will be the workers of tomorrow?

An understanding of the expected makeup of the future workforce is necessary when developing recruitment strategies and assessing workforce needs. Organizations need strategies today to ensure that a suitable supply of workers will be available in the future. In addition, organizations may have to adjust some of their workforce needs to respond to potential shortfalls of certain types of workers.

Past trends suggest that young people born in Saskatchewan will form most of our future workforce. In 2001, young people aged 19 and under accounted for 29% of the general population, the highest level of youth among all provinces. One in five Saskatchewan young people is Aboriginal.

⁶ Saskatchewan Public Service Commission, December 2001, Crown Investments Corporation of Saskatchewan, December 2001.

⁷ SAHO Payroll information system.

⁸ PSC Strategic Plan 2001/02 – 2004/05 page 10 and 11.

As shown in Exhibit 3, educational attainment is not even across all population groups. The lower high school graduation rate of Aboriginal youth is of greatest concern. To some extent, employment opportunities and other levels of education depend on graduating from high school.

Exhibit 3 – Educational attainment of Saskatchewan people age 15+

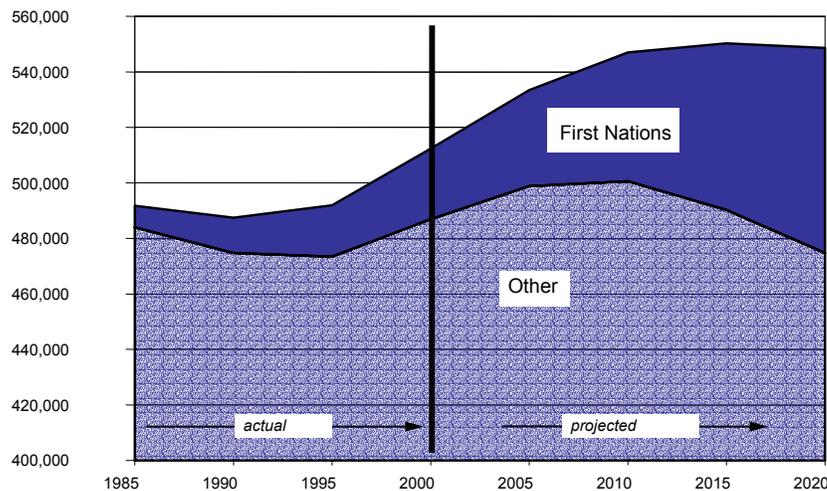
	Saskatchewan General population (2001 Census)	Saskatchewan Aboriginal population (1996 Census)
High School Graduate	21%	6.4%
Certificate / Diploma	27.4%	11.1%
University Degree	11.2%	3.9%

Source: Statistics Canada – note variation in the year of the census data

The 1996 Census has the most recent data available containing reliable statistics about Aboriginal people. Statistics Canada expects to release Aboriginal People Profiles from the 2001 Census in early 2003.

As shown in Exhibit 4, First Nations people form a rapidly growing part of Saskatchewan society.⁹ By 2020, Statistics Canada predicts that a large proportion of the workforce in Saskatchewan will be Aboriginal.¹⁰

Exhibit 4 – Projected labour force



Source: Saskatchewan Trends Monitor 2001

⁹ Aboriginal people include Inuit, Métis and First Nations people. Exhibit 4 is based on Registered First Nations people, the largest group of Aboriginal people in Saskatchewan.

¹⁰ Statistics Canada, 1996 Census: Dimensions Series. *Portrait of the Aboriginal Population in Canada*.

Impact of issues on the public sector

Two issues will impact the public sector sooner than the private sector. As a result, these issues create a critical need for succession planning in the near term. First, public sector agencies are at risk from higher levels of retirements sooner than in the private sector. Second, a 1995 Government policy expects public sector agencies to lead the way toward a workforce that represents the makeup of the general population.

These issues create critical human resource challenges for public sector agencies during the years ahead. Agencies must consider these issues in the development and implementation of their succession plans. In addition, central agencies must play an important collaborative role to ensure that all government agencies manage these issues.

To manage the issues associated with these trends, public sector agencies must:

- ◆ plan for an expected 'bubble' of retirements over the next 20 years to reduce the risk of loss of key skills and corporate memory;
- ◆ achieve a diverse government workforce that reflects the projected provincial population; and
- ◆ prepare a talent pool sufficient to provide a continuous supply of people with the required key skills at the right time.

Saskatchewan is fortunate to have a young population on which it can draw for its future workforce. Continued attention from the education sector will be essential to secure an educated labour pool. Training and education must be available in the areas of future need, and it is critical to communicate to young people and their parents which skills the future workforce is most likely to require.

The Saskatchewan Labour Force Development Board reports that many Saskatchewan organizations have begun to develop succession plans.

The Board encourages them to show leadership and encourages others to move forward their planning efforts.¹¹

The time frame for effective public sector action to manage these issues is short. To ensure that Saskatchewan public sector agencies have the right people with the right skills in the right place at the right time, public sector agencies need sound long-term succession plans immediately.

Planning for succession

Planning for succession requires an organization to assess its key competency requirements based on its long-term strategic direction. Key competencies include management, operational, technical, administrative, and leadership knowledge and skills essential to sustain an organization. Untimely loss of key competencies can create weak links in critical systems and can significantly affect the ability of an organization to achieve its objectives.

In addition, planning for succession involves developing strategies to build a talent pool of people with the key competencies that an organization will require into the future. It is a systematic and deliberate effort by the organization to ensure continued competencies.

As highlighted, many factors can influence succession plans. The key factors are:

1. the demographic characteristics of the current workforce;
2. the ability to attract and retain a talent pool;
3. the proportion of positions that require specialist education and/or knowledge;
4. the access to experienced employees who can be effective mentors;
5. the capacity to use teams and other alternative work patterns that help to preserve corporate knowledge; and
6. the ability of managers to use flexible human resource solutions.

¹¹ 2002 Training for Excellence Awards: Recognizing Excellence in Saskatchewan's Workforce Development, Saskatchewan Labour Force Development Board.

Confirming best practices for public sector agencies

In Exhibit 5, we set out three principles and related best practices for succession planning in public sector agencies.

These best practices reflect a summary of relevant literature and discussions with representatives of Saskatchewan's major government employers. We also benefited from the work of auditors in New Zealand, Australia, and the United Kingdom.

To confirm these best practices, we consulted with an external advisor with expertise in the area of human resources, succession planning, and public sector renewal. We also sought and incorporated the input of officials in organizations that represent the major government employers in Saskatchewan's public sector.

The organizations that we consulted were:

- ◆ the Public Service Commission of Saskatchewan,
- ◆ the Crown Investments Corporation of Saskatchewan,
- ◆ the Personnel Policy Secretariat, Department of Finance, and
- ◆ the Saskatchewan Association of Health Organizations.

Exhibit 5 – Best Practices for Public Sector Succession Planning

Succession planning in the public sector:

1. reflects the agency's long-term strategic direction

- integrates succession plans with agency's long-term direction
- involves staff to keep succession plans open and transparent
- promotes knowledge transfer to achieve long-term strategic direction

2. requires government leaders to take actions to build a talent pool for succession

- nurtures a positive work environment
- invests in developing skills
- removes barriers to retention and recruitment of skilled people

3. coordinates key human resource strategies

- maximizes career opportunities within agencies and across government to encourage staff retention
- attracts talented candidates
- encourages sharing of human resource information across government

We hope that these principles and best practices will help the public sector use succession plans to manage the risks to its human resources over the next two decades. These best practices go beyond the traditional view that succession planning takes inventory of current human resources, identifies future needs, and then creates strategies for filling in the gaps.

These best practices recognize the interdependency of human resource activities across the various agencies in the Saskatchewan public sector. In addition, they recognize that the agencies must fully integrate the Government's goals for a diverse workforce into their succession plans.

Implementing best practices in the public sector

The following briefly describes each principle that represents a group of best practices for succession planning in the public sector. The descriptions do not necessarily reflect current practice within the Saskatchewan public sector. We have not compared the practices used in Saskatchewan's public sector to those described below.

The best practices are meant to serve as a guide. We encourage Saskatchewan public sector agencies to tailor these practices to meet their specific needs and conditions. Each public sector agency will need to set priorities and choose best practices that address the human resource risks that it faces or anticipates.

1. Reflects the agency's long-term strategic direction

Effective public sector agencies use their long-term strategic direction to guide decisions. Their succession plan must reflect their vision. For public sector agencies, succession plans must be consistent with their own and the Government's overall strategic direction (e.g., representative workforce strategy).

Succession planning is integrated with the agency's normal planning processes. Succession plans form part of the agency's human resource plans and show how the agency will work with other agencies in this area. To build a succession plan, public sector agencies must identify the competencies available and those most critical to achieve their long-term vision. When current skills do not match future needs, the succession

plan sets out ways to close the gaps in the near, mid and long term. Partners in the education sector help managers address the skills gap. Measurable succession targets help managers monitor their progress in managing human resource risks.

In the public sector, managers, whether they are line managers or in human resources positions, contribute to the development of the plan and know that they are responsible for action. Managers must keep their employees informed about which competencies are essential to achieve the agency's strategic direction. Effective managers measure and regularly report their agency's progress toward their succession targets.

Succession planning promotes the transfer of knowledge to achieve the agency's long-term strategic direction. Use of up-to-date orientation material forms an effective base for knowledge transfer, but it is seldom enough. Flexible training and development plans recognize individual strengths and take advantage of mentoring or internship opportunities. Managers encourage their staff to use project teams and other staffing patterns that promote knowledge transfer between experienced and entry-level staff.

2. Requires government leaders to take action to build a talent pool for succession

Public sector agencies face special challenges to attract talented staff to serve the public. The public sector continues to offer a variety of careers and opportunity for advancement, but it no longer has the job security that some regarded as an advantage over the private sector. As a result, government leaders must act in ways that will attract people to work in the public sector, retaining current talent as well as drawing in new talent. Government leaders must take actions, such as the following, to help build a talent pool over time.

Succession planning must nurture a positive work environment. Creating a positive work environment is more than advertising the desired image to the public and to employees. It takes concrete and consistent actions.

Consistent recognition, in a public way, of the contributions of public sector employees creates a positive workplace, and supports recruitment of new talent. By making known specific achievements, leaders can foster

pride in quality service. Leaders also act as positive role models when their own actions emphasize preparing for the future.

Succession planning invests in developing people. To help ensure a future talent pool, leaders consistently develop employees by allocating resources to development, and by offering special assignments and growth opportunities. Central agencies can play an important role in this area. Senior managers contribute by supporting those who use succession planning effectively.

Succession planning removes barriers to the retention and recruitment of skilled people. The public sector is often bound by central controls and government-wide restrictions. While these are necessary at times to achieve certain government objectives such as a representative workforce, leaders must ensure that they do not become limitations or impair the quality of the talent pool. Leaders must make it possible and acceptable to use flexible solutions to attract, develop, and retain skilled people.

In both the private and the public sectors, some barriers to a strong talent pool are related to provisions in collective agreements. For example, hiring based on seniority makes entry-level recruitment more difficult. Leaders work with unions to remove or reduce barriers to flexible solutions. Over the long term, compensation and benefits can be useful tools to build a talent pool.

3. *Coordinates key human resource strategies*

Succession planning in the public sector attracts talented candidates to become employees in the Saskatchewan public sector and creates conditions that encourage them to stay. In the near future, senior managers could consider coordinating recruitment for key competencies across the Government. Such practice would maximize opportunities to find relevant positions for people interested to serve as public employees. It could also improve the Government's ability to use strategies to recruit now for skills needed in the future. Many skills will be required, but among them, all agencies will need to search for candidates with strong people management skills. Good managers attract strong employees.

Succession planning in the public sector could coordinate and maximize career opportunities within agencies and across government. The Saskatchewan public sector is relatively small. Given its size, public sector agencies must encourage and support movement within and between public sector agencies. Partnerships, secondments, transfers, and exchanges all help to remove barriers to career development.

Coordination helps to make better use of public resources. Public sector agencies could share training opportunities. The leadership of senior officials is essential to identify common goals for training and other methods of maximizing career opportunities economically.

Succession planning in the public sector encourages coordinated human resource information across the Government. Central agencies take an important leadership role in sharing key information. Public sector agencies must share their workforce analysis reports. One agency's weakness may offer strength to another. For example, one agency may have an oversupply of special skills that are in short supply elsewhere. Senior managers in central agencies and representatives of major employers could benefit from joint monitoring of progress toward key succession targets such as the retention of commonly required skills.

Managers could improve their ability to manage risks if they share information about the key human resource risks they have identified for their sector. Risks that are common across government sectors are much more serious and require action in the near term. Central agencies could actively collaborate to develop strategies to mitigate these risks.

Perhaps most importantly, sharing human resource information among public sector agencies creates opportunities to share successes and lessons learned. Each agency can learn not only from their own experiences, but can also benefit from the errors and innovations of others.

Future audits

During the next few years, our Office plans to use the above principles and best practices to help us examine and report on how selected public sector agencies use succession planning to manage their risks.

Chapter 4 – Succession planning for public sector agencies

We encourage public sector agencies in Saskatchewan to use the principles and best practices described in this report when planning for succession. We hope this report will assist the Saskatchewan Government in managing many of its future human resource risks. Good succession planning will help ensure the Government has the human resources to deliver its programs effectively.

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