Responding to an Aging and Changing Workforce: Attracting, Retaining and Developing New Procurement Professionals

Introduction

Employers, especially those within the public sector, are facing a challenge: the workforce is shrinking. This challenge is a result of two emerging demographics: an aging workforce and fewer young workers available to follow in their footsteps. The “baby boomers,” who comprise the largest generation in the workforce, are retiring—and taking their knowledge and skill sets with them. Recruiting and retaining staff in the public sector from a diminishing pool of younger workers is becoming increasingly difficult.

Today’s government processes are much more complex, reflecting the desire to provide faster, more cost-effective services to citizens and members of the business community. Couple the shrinking workforce with the changing dynamics of today’s government and it is clear that the next generation of government workers will not mirror its predecessors. This is especially true among procurement professionals.

The procurement profession is in a state of transition. The historic mission of being a “provider” of goods and services is being transformed to being the “manager of the providers” of goods and services. To achieve administration goals of improving government efficiency at a lower cost of operation, procurement officers are being called upon more frequently to develop, negotiate and administer complex contracts for technology, data centers, telecommunications and other government services. These complex contracts, along with continuing privatization efforts and performance-based contracting trends, are piling increasingly intricate projects into the realm of procurement, leading to the conclusion that traditional skills and training for procurement officials will no longer be sufficient to meet the demanding objectives of a changing government.

In this brief, NASPO explores the emerging issue of the aging workforce, its impact for state procurement professionals, the changing role of procurement, and how government officials can best be prepared to meet the new generation of government workers.
Overview of National Demographics

The Aging Labor Force

The driving force behind this change within the workforce is the aging of the so-called “baby boomers,” individuals born between 1946 and 1964. During those nineteen years, over 76 million people were born within the United States. The economic impact of these individuals over the years has been tremendous. This generation has largely determined the size and composition of the labor force for the past thirty years and all indications are that they will continue to do so for several more. According to recent Census figures, baby boomers account for almost 29 percent of the current U.S. population and 43 percent of the non-farm workforce. This is slightly more than the combined number of workers from the succeeding two generations (Generation X, currently age 23-41, and Generation Y, currently age 4-22). For the first time in history, there are a greater number of older citizens in the U.S. than younger. Consequently, as the boomers continue to age, a greater number of people will depart the labor force than ever before, and there will be fewer workers available to succeed them.

According to recent studies, the effects of the aging population will be felt the most within the public sector. The government (state, federal and local) workforce has already outpaced the private sector in regards to the number of older employees eligible for retirement. As of 2002, 46.3% of government workers were 45 years of age or older as compared to just 31.2 percent of this demographic within the private sector, especially in occupations that require specialized skills, education and training. The percentage of older workers (defined as those age 45 and older) in the government workforce increased by 7.3% between 1994 and 2001 to 46.3%. The private sector saw an increase of 5% (from 26.2% to 31.2%) for the same period. Thus, the already significant differential between these sectors continues to grow.

In addition, the number of younger workers (under age 35) is smaller within the government workforce as compared to the private sector. Table 1 reveals that in 2001, 27.3 percent of government workers were under the age of 35 years as compared to 43.2 percent within the private sector. The combination of an increasing percentage of older workers (eligible for retirement) and the limited number of younger replacements clearly creates a significant problem.

2 Ibid.
4 Ibid.
6 Ibid.
7 Ibid.
8 Ibid.
Federal versus State Workers

The disproportion of older to younger workers differs somewhat by type of government. The age differential is most acute at the federal level, which also has the highest percentage of older workers and the smallest percentage of younger ones. The age differential is smallest in state government, but the percentage of older workers is still significantly higher (44.6%) than in the private sector (31.2%). Additionally, workers under the age of 35 comprise only 31.5% of state government employees, whereas they represent 43.2% of workers in the private sector. These statistics show that there are fewer younger workers coming through the ranks of state government to take the place of an aging workforce.9 Table 2 illustrates the proportion of older versus younger workers by level of government.

Table 2: Younger and Older Workers by Level of Government

The average age of the state workforce was found to vary by region, with a
substantially higher average age in the East (45.06 years) and Midwest (45.09 years) than in the South (43.36 years). According to the survey, the oldest state workforces are in Ohio and Rhode Island (48 years), Idaho and Washington (47 years), and Iowa, Minnesota, and Pennsylvania (46 years). The youngest are in Utah, Missouri, Mississippi and New Mexico (42 years).10

Table 3: Average Age of State Employees by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Age</th>
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<tbody>
<tr>
<td>East</td>
<td>45.5</td>
</tr>
<tr>
<td>Midwest</td>
<td>45.0</td>
</tr>
<tr>
<td>South</td>
<td>43.5</td>
</tr>
<tr>
<td>West</td>
<td>43.0</td>
</tr>
<tr>
<td>National</td>
<td>44.0</td>
</tr>
</tbody>
</table>


**Government Workplace Retirement Trends**

**Federal Government Projections**

The Office of Personnel Management (OPM) within the federal government is the primary agency charged with tracking and projecting changes among the federal workforce. According to this agency’s latest predictions, about 300,000 or 16.2% of the federal workforce is expected to retire in the FY 2006-2010 period. In the past five years, the actual retirement rate was 14.7 percent of the Non-Seasonal, Full Time Permanent (“NSFTP”) workforce (approximately 229,000). Table 4 illustrates OPM’s projections:

Table 4: Federal Retirement Projections, FY 2000-2010

<table>
<thead>
<tr>
<th>Fiscal Year (FY)</th>
<th>Cumulative Full-Time Permanent Retirement Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2000-2004</td>
<td>Rate (%)</td>
</tr>
<tr>
<td>FY 2006-2010</td>
<td>14.7</td>
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<td></td>
<td>18.5</td>
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State Government Projections

While many states are just beginning to experience the first wave of retirements, a recent Council of State Governments (CSG) and NASPE survey uncovered several factors that could lend itself to a workforce crisis, especially when combined with current labor conditions. Those factors include budget issues, rate of employee retirement, and the composition of the current workforce. Because of budgetary limitations, many states have enacted hiring freezes or other restrictions in an effort to contain costs, creating a potential roadblock for recruiting new employees. NASPE’s survey concluded that 27 states have enforced some type of mandatory hiring limitations since 2002. Based upon the average age and years of service of state government workers, analysts predict the future rate of employee retirement will increase. Table 5 illustrates those states with the highest projected rate of employees eligible for retirement.

Table 5: Percent of State Employees Eligible for Retirement

<table>
<thead>
<tr>
<th>State</th>
<th>Percent Eligible for Retirement</th>
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</thead>
<tbody>
<tr>
<td>ME</td>
<td>50</td>
</tr>
<tr>
<td>CA</td>
<td>49.3</td>
</tr>
<tr>
<td>VA</td>
<td>44</td>
</tr>
<tr>
<td>OK</td>
<td>33</td>
</tr>
<tr>
<td>IN</td>
<td>9</td>
</tr>
<tr>
<td>OR</td>
<td>9</td>
</tr>
<tr>
<td>CO</td>
<td>6</td>
</tr>
<tr>
<td>UT</td>
<td>3.5</td>
</tr>
</tbody>
</table>

The composition of the current workforce is also expected to play a major role in the impending workforce crisis. Currently, the national average of the state government workforce falls within the age range of the “baby-boomer” generation. Because this generation maintains the majority of the workforce, their departure will no doubt leave a large impression.

12 Ibid.
13 Ibid.
14 Ibid.
15 Ibid.
**Skilled Occupations**

According to census data, the prevalence of older workers is higher in occupations that require specialized education, training or skills.\(^\text{16}\) The U.S. Census Bureau terms these individuals “knowledge workers.” Examples of “knowledge workers” include healthcare workers, legal professionals, scientists, engineers, educators and managers. Over 50 percent of government workers are in occupations that fall into the “knowledge worker” category, compared to 29 percent within the private sector. Additionally, older workers comprise 49.3 percent of “knowledge workers” in government but only 34.8 percent of “knowledge workers” in the private sector.\(^\text{17}\) Given these statistics, it is clear that federal, state and local governments will face the challenge of replacing a higher percentage of their “knowledge workers” than will the private sector.

**Impact on State Procurement Staffing**

These circumstances considerably impact government officials, especially during times of increased emphasis on efficiency and performance. State procurement offices are no exception. What can state procurement officials do now to offset the effects of these circumstances and continue developing efficient government purchasing professionals? The first step is to recognize that the face of traditional procurement is changing.

**The Changing Face of Procurement—New Challenges and Roles**

Public procurement managers continue to face recruitment and retention challenges. Finding qualified employees with the right skill sets—including knowledge and capabilities relevant to the current procurement environment—is part of the challenge. Equally important is retention of good employees. In the state system, retention of key talent is at least in part dependent on a position allocation system that adequately rewards the nature of the work and responsibilities being performed and assumed by public procurement professionals.

Proper allocation or rating of positions typically involves the consideration of a combination of factors generally defined by human resources rules and regulations. These considerations often include factors such as the range and impact of decisions, complexity in the analysis and judgment exercised in the profession, the nature and purpose of the contacts between the employee and other stakeholders, and the scope of authority and impact of employee decisions.

These considerations provide a framework from which one can evaluate the changing face of procurement and its likely impact on recruitment and retention. Senior leaders and human resource professionals must understand the changes in public procurement in the context of the expectations placed on public procurement professionals.


\(^{17}\) Ibid.
Transition to Strategic Role in Government Operations

Public procurement, like other supply management operations, has moved away from the transactional focus of purchase order processing to a strategic role in government. While compliance with policies and procedures was at one time a primary focus, today’s public procurement professionals encounter more complexity and a more central role in organizational performance.

While traditionally purchasing agents often processed purchase orders with vendors identified by consumer agencies, today’s procurement professionals are more central to defining and implementing the procurement value proposition for the stakeholders. Procurement professionals now use more sophisticated sourcing tools, such as “best value” evaluation or selection methodologies that more closely approximate the value that contractors provide to government. More complex contracts, (including indefinite quantity or master contracts) better serve the entire state but require more sophistication from the procurement professionals who source, execute, and administer them. Further, the competing issues in centralization versus decentralization have taken on new meaning as the role of procurement in overall organizational effectiveness and efficiency becomes more recognized. Finally, contingency contracting has become more of a strategic imperative for states, requiring different emphasis for procurement professionals and their roles. In general, as public organizations focus more on the strategic implications of performance management, procurement professionals find themselves in a continually evolving role.

Market Complexity: Regional and National Cooperative Procurements

There has been an evolution in the attention placed on cooperative procurements as a strategy for reducing costs and improving effectiveness. The National Association of State Procurement Officials (NASPO) and its regional purchasing cooperatives have all recognized the value of leveraging the requirements of states to obtain cooperative contracts that achieve more favorable pricing and better contract management. These efforts result in more complex planning and require procurement officials to be more familiar with a variety of markets. These initiatives affect relationships between manufacturers, distributors, and resellers, and successful cooperative procurements must reflect economic reality while aggregating requirements in advantageous ways. At the same time, these procurements require collaboration not only with internal state stakeholders, but also with procurement and technical professionals from other states. In general, cooperative procurements have added both value and complexity to public procurement.

Smaller Staffs and the Implication of Expanded Authority and Responsibility

State organizations have become smaller and more flat, eliminating multiple authority levels and increasing spans of control for supervisors. Increasingly, this horizontal organizational structure has generally required that line public procurement professionals be granted more authority. Many procurement codes and regulations require specific determinations and approvals be executed for various procurement actions, including sole source procurement, multi-year contracting, service contracting, use of other-than-sealed bidding,
deviations from model terms and conditions, etc. Therefore, the responsibility for exercising this
discretion is being delegated to a greater degree to line procurement professionals.

Finally, more state procurement professionals are finding themselves in roles as mentors
or trainers for decentralized procurement functions in state government. They are challenged by
staff turnover and face an increasing need to understand knowledge management concepts.

Shift towards Service Contracting and Outsourcing

Increased use of purchasing cards and other automated systems has moved the
responsibility for some routine transaction purchasing to user agencies. Public procurement
professionals are spending more time developing enterprise-wide agreements or contracts with
greater strategic significance, an increasing number of which involve services. As governments
optimize resources, they are looking for opportunities to outsource governmental functions.
These outsourcing efforts typically involve the procurement and execution of service contracts
that: require comprehensive market research; involve procurement-led business strategy
collaboration with stakeholders; employ advanced best value selection strategies and
sophisticated vendor performance evaluation; use more complex contract terms and conditions
such as intellectual property rights and liability allocation; and demand more in the way of
contract management.

Implications of Performance Management Systems: Streamlined Procurement Processes and
Performance-Based Contracting

State governments have and continue to place increasing emphasis on performance
management models, resulting in greater stakeholder expectations. The shift from input to
output measurements in organizational performance management has also affected procurement.
Public procurement professionals are expected to take more disciplined approaches to assessing
customer needs in the procurement process by using performance-based contracting methods,
which focus on measurement of outputs rather than specification of details of performance
expectations more often used in the past. This change in emphasis has also changed the nature of
contact between procurement professionals and stakeholders. This requires different analytical
skills—including quantitative analysis—in procurement planning, sourcing and contract
development.

Convergence of Federal and International Policies and Practices (GSA, FEMA, WTO, DHS)

Hurricane Katrina highlighted an evolving convergence that has been occurring in public
procurement. Not only has contingency contracting occupied a more strategic role in
government procurement—and a state’s ability to meet contingency threats—public procurement
professionals must have a familiarity with federal organizations (like FEMA) and their governing
regulations.

Increasingly, state procurement professionals find themselves collaborating with federal,
local and other state governments’ personnel on procurements. For example, the recent passage
of the REAL ID Act will require standardization in drivers license identification for use on
common carriers and airlines and require collaboration between the states and the Department of
Homeland Security to integrate information systems and standards. Cooperative procurements already make market research and analysis more complex. Adding an additional dimension—more and different levels of government—to the cooperative efforts makes stakeholder communications even more challenging, adds complexity, interjects new sets of compliance laws and regulations and generally escalates the potential impact from procurement decisions.

The convergence of federal and state policies overall has driven more complexity into the process. The Sarbanes-Oxley Act (“SOX”), a federal statute that technically applies to publicly traded companies, has added to the intricacy of public procurement. SOX has renewed companies’ focus on internal controls and their recognition of contracts as instruments that can create risk. As a result, companies pay close attention to contract liability issues and involve attorneys in contract negotiations more frequently, a process seen as a vital part of the SOX internal controls environment. This emphasis on compliance and internal controls has migrated to the public sector and has generally made contract negotiations more challenging.

Globalization has touched public procurement as well. Senior state procurement officers and their staffs are asked to implement treaty obligations, like those negotiated by the GATT and the WTO. They are also asked to evaluate policy impacts, such as the impact of restrictions on off-shoring in state procurements (a topic becoming more salient as states attempt to respond to perceived threats from performance overseas.) The relevance of the international environment is a relatively new development in states and adds another layer of complexity to the states’ public procurement function.18

Evolving Emphasis on Social Policy Considerations: Green Purchasing, Immigration Enforcement and Disadvantaged Business Participation

At the same time that expectations about cost reduction, efficiency and streamlining increase, public procurement professionals are being asked to integrate evolving social policies that affect procurement. In many ways, these policies make a public buyer’s job more challenging than that of a commercial supply management professional.

For example, integrating sound procurement practices with preferences granted to resident or disadvantaged businesses adds an additional level of complexity not faced by private industry supply management professionals. Often it is difficult to harmonize the requirements of equity in public purchasing with the expectations of management in terms of efficiency and reduced costs.

Recent social policies promoted through public procurement laws have included immigration reform and preferences for sustainable energy practices. These are illustrative of the often conflicting policies that public procurement professionals must try to integrate into their procurement strategies. Certifications aimed at validating the employment eligibility and immigration status of service contractor employees potentially add to process inefficiencies without clear procurement strategy upsides in terms of cost reduction. On the other hand, recent legislative authorization of preferences for energy efficient products have direct implications for

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18 NASPO released an issue brief on the impact of offshore outsourcing on state procurement in December 2005. This brief can be found at [http://www.naspo.org/whitepapers/](http://www.naspo.org/whitepapers/).
overall cost savings, but they require a greater level of sophistication in life-cycle cost analysis and a vision of product life-cycle that now includes disposal/recycling. This approach adds a new level of sophistication in developing total cost of ownership to the procurement sourcing and management process.

**Pervasiveness of Information Technology and its Implications**

Finally, the development that has most changed the landscape of public procurement is the role and effect of information technology. The emphasis is not the ability to use technology, but the effect that technology has on the procurement process and other business processes. According to the most recent job analysis study conducted by the Universal Public Purchasing Certification Council (UPPCC) for Certified Professional Public Buyers and Purchasing Officers (CPPB and CPPO, respectively), a better understanding of technology and its uses was cited as one of the most common changes expected in procurement by current procurement professionals. In addition, younger workers (including those in Generations X & Y) have grown up using computers and the internet, and are talented in the use of technology. Attracting younger workers from these generations will require procurement offices to demonstrate that the latest technology tools are available for their use.

In addition, stakeholder relationships are becoming more challenging as procurement cards and on-line ordering systems change the relationship between purchasing professionals and end users. E-procurement systems have enabled a broader range of users to access product information and to place orders. At the same time, the advent of these systems has reduced the face-to-face opportunities for communication between procurement professionals and the agencies they serve.

Electronic systems have also changed the scope and complexity of the market for public procurement professionals. The pervasiveness of the internet and an increased emphasis on transparency have increased visibility into the procurement process and provides an abundance of information to the procurement professional about vendors in the market. This enhanced visibility has created new challenges to procurement professionals in managing the procurement process due to the data now available to vendors, purchasers and contract managers. This proliferation of information about public procurement opportunities has complicated the market analysis phase of procurement planning. In many cases, the challenge has evolved from the ability to solicit a sufficient number of potential sources to requiring procurement strategies to manage the number of offers and bids received. It is imperative that procurement professionals efficiently create and use evaluation models that are fair and promote the selection of advantageous offers, especially in the environment of “best value” purchasing.

Finally, there are very few service procurements that do not involve a dimension of technology in the selection decision. For example, service contracts for state benefits are often bundled with technology solutions, requiring procurement professionals to understand strategies for IT requirements validation, change management, migration of data, implementation, transition and rights in data and technology/software. It is likely that any procured systems will have to be integrated with existing IT systems, requiring procurement strategy to address

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integration requirements up-front. Technology has further complicated state businesses processes and therefore the procurements designed to acquire contractors to perform these services.

**Skills Sets Needed for the New Procurement Professional**

As demonstrated, the role of procurement staff is changing considerably. From a purchases or process manager to a business manager, procurement staffs must now work hand-in-hand with program managers to ensure that acquired goods and services will maximize taxpayer dollars as well as organizational goals. In order to make this transition, procurement staff will need to acquire an entirely new set of skills and knowledge.

In response to these new challenges, what types of educational backgrounds, experiences, expertise and overall skill sets will this procurement professional of the future require? Not surprisingly, some of the desired traits in the future will mirror some of the general capabilities that have long been required of a procurement officer. Procurement has always required individuals to possess general office skills, communication and writing skills, and the ability to comprehend procedures and implement policies that comply with the various laws and rules that accompany public sector transactions. These skills will remain a requirement of the profession. However, the new procurement professional will also need to be adept at communicating with high-level managers, analyzing business problems, identifying alternatives in purchasing goods or services and acquiring an understanding of market conditions, industry trends and the technical details of the commodities and services being procured.

**Communication Skills**

Whether drafting a solicitation, giving a presentation, negotiating with a vendor, or simply e-mailing a co-worker, the ability for a procurement professional to clearly articulate their message is critical.

**Writing Skills** – Many individuals have the ability to develop ideas. However, many lack the ability to clearly and concisely transfer those ideas into meaningful words. Technology has given rise to the ability to communicate with a much broader audience thus leading to greater exposure and interpretation of the writer’s message. As this technology advances and as the pool of readers becomes more sophisticated in their ability to analyze information, it will become critical that the procurement officer be able to respond to inquiries, draft business cases and develop presentations in a manner that clearly conveys their intent to any reader.

**Negotiation Skills** – As noted, the procurement profession is transforming itself from a basic transactional process to a more strategic process. The ability to develop strategies and then to effectively utilize those strategies among vendors has never been more important. A procurement officer with strong verbal skills, conflict resolution skills, creative thinking and facilitation skills, along with a convincing presentation and confident appearance will be invaluable in this changing environment.
Presentation Skills – It is essential that procurement officials possess the ability to facilitate and develop presentations. They must also be able to confidently articulate and present their ideas and findings to an audience – whether the audience is a supervisor, vendor, large trade association or a group of new procurement staff trainees.

Outreach/Marketing Skills – Common sense dictates that the more interest that can be generated in a particular procurement, the greater the value of the end result. A procurement officer must be able to reach out to the supplier community and persuade them to participate in the public sector procurement process. While this can often be challenging, the entities that have been most successful in this area have found the individuals with this particular skill to be most beneficial to their organization.

Customer Service – Top-notch customer service is the goal of any organization. Procurement is no exception. The ability for a procurement officer to effectively communicate with stakeholders in a professional and efficient manner is vital to the success of the project and to the organization. This skill would include listening to stakeholders as well.

Adaptation Skills

Social and environmental concerns will continue to affect the procurement process. Some examples include immigration laws, domestic products and services, sweat-shop legislation, “green” procurements, diverse business concerns, correctional facility rehabilitation programs, and sheltered workshops. Procurement officers will need to be able to adapt to meet these new areas of focus, and all of these areas must be considered when preparing a solicitation. The procurement officer can no longer develop a business case with the intent of buying a good or service at the lowest possible cost. They must now be able to understand the overall implications of procurement and incorporate numerous social and environmental factors into these projects. Further, there is no indication that these changes will slow in the future. Taking into account that many government contracts are long-term, the procurement officer will need to possess the foresight to determine not only the current impact of these issues, but also how these issues and others may change or emerge in the future.

Government organizations are under more pressure than ever before to supplement the rising cost of infrastructure needs such as education and healthcare at the cost of operational needs that are traditionally met by their procurement divisions. The demands placed on procurement to “do more with less” are increasing. Government is increasingly focused on transparency and accountability. Changes in budget priorities along with the greater demands of management will require procurement officers to adjust and modify their approach to buying goods and services.

During the past few years many government agencies have incorporated private sector best practices into the public sector environment. The procurement professional of the future will be required to understand how and when to insert applicable private sector practices into public sector procurement by modifying policies and procedures. Finally, they will have to encourage the public sector culture to embrace the idea that certain private sector practices can
work in the public sector while recognizing that this may not be an easy transition for many
long-term government employees to accept.

**Analytical Skills**

**Problem Solving** – The ability to solve problems is an obvious requirement for any field
involving decision-making. However, future procurement problems will become more complex
and will contain an even greater number of variables to analyze. Social issues, environmental
issues, public interest issues, the changing marketplace and globalization must all be considered
as well. The ability to weigh all facts, concerns, issues and alternatives will be an important skill
for any procurement professional.

**Research** – Technology has allowed the procurement function to greatly expand its
research and analysis capabilities. The growth in the interest of knowledge management systems
will help to capture and codify procurement-related information for future use. However,
procurement officers must know how to use this technology, where to look for information, how
to clearly ask for it and how to apply it to a particular project or situation. Without these
abilities, knowledge management and similar systems will not be populated with adequate data
and the information needed for future reference.

**Strategic/Critical Thinking** – Procurement officers in the future will need to be more
thoughtful and critical when analyzing information or making decisions based on that
information. They will need to think more strategically: How does this decision impact other
stakeholders? How will this decision impact future procurements? How does this decision relate
to other procurements?

**Legal Interpretation** – Often, laws, rules and policies affecting procurement are drafted by
those who do not possess a complete understanding of the procurement process. Therefore, it is
imperative that procurement officers be able to interpret new laws and policies to ensure proper
application and to determine the impact those new laws and policies may have on the overall
process. As laws are passed (at all levels of government) and administrative directives are
implemented, the complexity of these interpretations is becoming increasingly difficult. Only
those with a keen sense of the overall picture will be able to effectively interpret these issues and
implement new policies accordingly.

**Strategic Sourcing Skills**

Much has been written about strategic sourcing over the past few years. An emerging
trend, it will continue to be part of the procurement process for many years to come. If a
governmental agency wants to use strategic sourcing as part of their approach to purchasing
supplies and services, they will need the help of a procurement professional with the skills
necessary to develop, monitor and manage a strategic sourcing initiative.

Strategic sourcing requires an individual to be creative, resourceful, imaginative,
efficient, and willing to “think outside the box.” The individual must have good analytical and
research skills and possess a forward-thinking outlook and attitude. He or she must be able to
gain an understanding of an industry as a whole and not just a particular facet. He or she must always be able to ask themselves—is there a better way of buying this item? All of this must be done under a set of complex and often frustrating legal constraints rarely found within the private sector.

**Technology Skills**

The ability to utilize technology is considered a mandatory requirement of almost any employment position. It is no different for government. Most procurement offices are transitioning to e-procurement systems, which directly affect the way suppliers provide goods and services to a government organization. An understanding of available software applications and the ways they can aid in procurement is essential.

The procurement officer of the future will need to possess a comprehensive and evolving technology skill set. Electronic commerce is becoming the backbone of most procurement organizations. Procurement staff will increasingly use it for the complete Procure-to-Pay cycle. This will result in additional procurements for technology-based systems. Procurement officers will not only need to know how to work their own systems but will also need an understanding of the complexities and intricacies of purchasing such systems.

Basic computer knowledge will no longer be the standard minimum requirement. In order to do their job and to administer technology based contracts, procurement officers will need a more detailed understanding of how software applications are integrated with each other and how they help to meet the goals of the end user.

**Project Management Skills**

As strategic sourcing practices are implemented (creating larger procurement projects) and cooperative purchasing expands the procurement function across state lines, the need for project management skills is increasing.

To meet the changing demand for larger and more complex procurements, the procurement professional in the future will need to possess excellent planning and organizational skills. In addition, they will need to provide leadership and direction to those involved in the process. These skills will be required to successfully drive a project from beginning to end and perhaps even to administer contracts long-term as needed.

**General Skills and Knowledge**

Procurement officers have always had to possess general office skills. However, as demand increases and staff decreases, there is more need for all procurement officers to have a full understanding of general office operations.

Due to the ever-expanding workload, the ability to multi-task is crucial. It is rare that a procurement officer is allowed to focus for any period of time on one issue or project. They often are required to work on numerous tasks simultaneously.
Understanding the importance of teamwork and personal relationships with staff is imperative to the success of any project. The procurement officer must have the ability to reach out to co-workers for assistance, to delegate as necessary (if in a position to do so), and to be counted on when others need help.

**Planning for the Future**

Due to the changing dynamic of the procurement profession, existing and newly hired officials will continuously need to acquire new skills and knowledge in order to be effective. For long-term staff reluctant to change and accustomed to doing things the “old way,” the motivation to retire may be even greater—further exacerbating the need to retain knowledge and recruit new staff. The central question is “What can leaders do now to address the situation?” NASPO believes that this challenge should be approached from multiple angles and offers the following strategies for success:

- **Workforce Analysis and Planning**: Develop metrics to determine when and where the demographic impact will be felt. Anticipating and understanding patterns of departure will assist managers in determining which staff roles will be affected first and where they must focus energy to manage this situation.

- **Succession Planning**: Establish and regularly review plans. Managers won’t be replacing people for traditional responsibilities. Understanding the changing roles of procurement will assist in redesigning the procurement workforce.

- **Retention Strategies**: Flexible work arrangements, leave options, telecommuting and other strategies will assist managers in retaining staff and in transferring institutional knowledge to others when employees leave.

- **Recruitment Strategies**: Effective recruitment strategies to attract new and skilled workers to government service requires an understanding of the disparities between the baby boomers and Generation X and Y and what motivates each of these groups.

- **Knowledge Transfer/Talent Management**: Acquiring the knowledge that seasoned employees possess and merging it with talented new staff to create innovation, a positive work environment, and an effective means of sharing knowledge across the groups is critical for success.

- **Education and Training**: Providing access to professional development and certification programs, and mentoring to facilitate better performance creates an environment that demonstrates a commitment to investing in workers.

**Workforce Analysis and Planning**

Workforce planning provides managers with a strategic basis for making human resource decisions and allows organizations to address the issues that are driving changes in the workforce. Workforce planning has the goal of having the right people, across the

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organization, in the right place at the right time. This requires knowing and anticipating the demographics of your workforce. Does your organization have a higher percentage of older workers who may consider retirement within the next year? How many younger workers are employed within your office? The answers to questions such as these are critical in developing a long-term staffing plan. Procurement agencies need to build on past data or existing workforce analyses and planning efforts to determine how agency programs may be affected by increased retirements and a rapidly maturing workforce. NASPO offers the following suggestions (in conjunction with state personnel offices) to help guide procurement offices’ workforce analysis and planning efforts:

1) Link human resources planning with strategic planning to assure that human resources are aligned with the agency/division's strategic goals and priorities;
2) Understand how agency/division functions may change over time;
3) Determine potential reductions, growth or potential re-organization that may affect staffing in the next few years;
4) Know your average turnover and retirement rates;
5) Identify staff that will be eligible to retire in the next five years (or longer);
6) Of those who will be eligible to retire, determine who will actually do so;
7) Determine how key areas will be affected by retirements; and
8) Identify potential problem areas for replacement staffing (budgetary constraints, training internal staff, merit system or union issues, etc.)

Succession Planning

Succession planning is a subset of workforce planning. It allows agencies to prepare for future workforce needs by developing a pool of qualified candidates who have the skills and knowledge to perform key job functions. This approach also provides an avenue for long-term employees to pass on accumulated knowledge, experience and historical perspective that otherwise might be lost as staff members leave the organization. The process mirrors the workforce planning process, and the same criteria noted above must be considered when planning for succession to leadership or other critical positions. Identifying top performers in the organization and developing retention strategies (i.e. accelerated promotions) is a good way to ensure successful succession planning.

In November 2007, NASPO conducted a survey of its members that found only three of twenty-three respondents have formal succession plans in place for their state procurement offices. In addition, only fifteen of the thirty-five total respondent states to the NASPE survey indicated that the Governor’s office or state agency directors directly supported workforce analysis or succession planning. The other twenty states indicated that they garnered most of their support from agency human resource directors. It is essential that top-level executives and staff demonstrate a commitment to ensuring the success of agency-wide efforts regarding workforce analysis and succession planning.

For a listing of workforce analysis and succession planning resources, see Appendix I.

**Knowledge/Talent Management**

“Brain drain” is a very serious casualty experienced by organizations as retirements increase and people leave the workplace. This “brain drain” refers to the loss of the two parts of critical knowledge: explicit institutional knowledge and tacit knowledge. Explicit knowledge is measurable by definition and refers to information that can be easily explained and stored in databases or manuals. Tacit knowledge is much more difficult to capture and transfer because it is generally internalized and accumulated over the years. It includes experience, impressions, and creative solutions. Knowledge and talent management are key components to a strategy designed to address the aging workforce.

The primary goal of a knowledge management strategy is to capture the organization’s memory, thereby stemming the loss of information when long-term employees leave. Knowledge management systems can range from the complex (such as electronic databases) to very simplistic procedures (such as a shadowing or mentoring program). Regardless of the magnitude, procurement organizations must develop a knowledge management strategy that goes beyond what can be written or told and is capable of capturing the tacit knowledge of employees who leave the organization.

The first step in talent management is to identify the strategic needs of the organization while preparing individuals to take leadership positions in the future. Talent management emphasizes value and focuses on the development of staff. It requires that the focus and the core values of an organization directly involve its employees, and that top management (both elected and appointed) adopt the idea that the strength of the organization lies among its people. This approach dictates that when its workers are more skilled, the organization benefits. Line management staff (including first-line supervisors) must also support talent management and be held accountable for the development of their employees.

The NASPO survey indicates that almost 40% of respondent states’ procurement workforce is eligible to retire within the next five years, and few states are doing much to prepare for it. This can be directly attributed to the fact that it is difficult to quantify the cost of losing knowledge. It is important to point out that while knowledge loss is an ongoing problem within state government agencies, it usually doesn’t become pressing unless it affects a specialized skill that is critical to the organization’s success. Procurement offices must not take this passive approach, but instead actively seek solutions for knowledge and talent management.

**Retention and Recruitment Strategies**

Generations X and Y are causing employers to rethink traditional methods of recruitment and retention. Younger workers today (those classified as Generations X and Y) respond to different incentives than did their predecessors. In order to successfully recruit and retain these younger workers, it is imperative to understand their motivation. Today’s employers (both public and private) are increasingly offering hiring incentives and benefit packages in reaction to

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24 The Aging of the U.S. Workforce: Employer Challenges and Responses. Ernst & Young, LLP, January 2006
the changing workforce, and state procurement offices are in a position to offer many of the non-monetary incentives that impact younger workers’ career decisions.

While it is important to refrain from over-generalizing an entire group of Americans many-million strong, there are certain characteristics of members of both Generations X and Y that can be addressed by hiring officials. These generations were the first to grow up in primarily dual-income families, and are often referred to as the “latchkey kids.” Not only were both parents working during today’s younger workers’ formative years, but they were working long hours and in a time when downsizing (especially in the early 1980s) was a threatening trend. Today’s younger workers grew up hearing that the Social Security system would not survive to ensure their retirement income and witnessed the dot-com bust of the 1990s. As a result, work-life balance and an emphasis on family have emerged as motivating factors for these employees, while loyalty and an emphasis on the “pension and gold watch” system of years past is waning.

In addition, these generations are generally self-reliant, informal, technology-driven and independent. Growing up with computers and the internet has bred in this group a sense of immediacy, and they seek instant results and gratification. Personal and professional development (also known as “self-building”) is very important to these workers. This is a group that values flexibility, validation, technology, creativity and independence. An effective recruitment strategy must incorporate the motivations of these groups into current hiring and retention strategies.

The changing face of the American labor market requires that employers use alternative approaches to recruiting and retaining a productive procurement workforce. Procurement organizations need to refrain from traditional reactionary measures to fill vacant positions. By focusing on their strategic needs, procurement organizations can take a more proactive approach to hiring new employees and preparing current ones to take leadership roles. State procurement offices should focus on improving technology and immediacy, the work environment, professional development opportunities, and work-life balance. In doing so, organizations can increase both retention and recruitment by creating a work environment where employees feel involved and will recognize opportunities for the future.

**Education and Training**

Education and training are valuable approaches to dealing with the aging workforce. While workforce planning will identify the skill sets that procurement offices and workers need to develop, training programs present a unique opportunity for directly addressing and developing the previously identified skills. This training can and should focus on education that is not only procurement-specific, but includes the development of generalized skills such as

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26 Ibid.
leadership, communication, and other skills identified by workforce analysis and existing management. Offering training in basic skills such as word processing will allow procurement professionals to better utilize the tools provided to them. Cross-training procurement officials between their customer agencies can also improve the performance of new hires. Education and training can be done in-house or through private or professional organizations, such as Microsoft or NIGP. Encouraging and rewarding involvement in professional organizations and the completion of certification programs will improve the quality of the current workforce, and will indicate to current and potential workers that the organization values measurable performance.

Strategies

With an estimated 40% of state procurement officials eligible for retirement within the next five years, it is imperative that offices begin or continue to address the strategies outlined above.29 Below is a sampling of some of the solutions (and additional issues) that some states have faced in their attempts to ameliorate the issue of the aging procurement workforce.

Workforce Analysis and Succession Planning

It is crucial that procurement offices plan leadership succession before the retirement levels in those offices becomes a critical issue. These offices must harness the leadership knowledge of older workers while identifying key younger workers who either have the skills or the ability to develop the skills necessary to take over the capacity of retiring workers. Retention strategies are critical as a part of succession planning and assure that resources used to develop leaders in-office or in-agency are not wasted.

Several states have conducted workforce analysis and planning initiatives. In Georgia, the procurement office underwent an organizational redesign into category clusters. They have found that this approach increases teamwork and therefore also assists with knowledge transfer. In addition, Georgia was able to successfully increase salary levels by changing the job descriptions of various positions within the procurement office. This approach also helps with recruitment and retention of talented new workers. Massachusetts saw mixed success with its initiative to convert buyer positions from civil service to management positions. This approach led to flexible salaries, but also led to costly legal action against the state by former workers.

A basic succession planning strategy involves three steps. First, the office must identify its requirements in terms of staffing, skills, and leadership in the coming years. Once that has been determined, the organization must examine its available pool of talent, and identify what (if any) additions need to be made. Finally, the organization must design a plan for the training and development of those chosen for succession.30

In Minnesota, the central procurement office has developed a succession plan to insure that it is not overly dependent on any specific individuals. One goal of this plan is to have at least two individuals who are able to do all required tasks. A written plan exists for filling any identified knowledge or skill gaps where Minnesota may not yet have coverage of all activities.

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extending at least two persons deep. In addition, Minnesota has developed an “Emerging Leaders Institute” for high-caliber employees with potential to move into leadership roles.

Another option has been successful in Georgia, where the state procurement office offers career counseling in the form of management and coaching for younger workers. These approaches along with mentoring programs assist in identifying potential candidates for succession. A system of job rotation for procurement officers could give a more rounded view of the entirety of the organization and would assist in succession planning by producing more experienced workers. Phased retirement is also a tool available for succession planning.31 Please refer to Appendix I for additional information on Minnesota’s “Emerging Leaders Institute” as well as other succession planning strategies.

Knowledge/Talent Management

Strategies for knowledge/talent management include mentoring programs, the use of informal knowledge networks, creating a web-based knowledge management strategy and transmission tools for the same and using more seasoned and retirement-eligible workers to develop and teach training programs.32 The Georgia mentoring program referenced previously provides an avenue for knowledge transfer and also allows managers to identify young talent to be developed. Tennessee’s procurement office has a workforce succession plan in place but it is not formalized in writing. Formalization of a succession plan will provide a blue print for success and will help procurement officials identify trainings and skill proficiencies to pursue as they develop workers. Exit interviews with retiring workers are also important tools for quantifying and qualifying the knowledge being lost as the workforce leaves.33

By meeting with individual staff on a regular basis, implementing “development plans” and offering incentives for employees to pursue professional development opportunities, managers can facilitate an effective talent management system.

Recruitment and Retention

There are several strategies available to state procurement offices and their human resources divisions to recruit and retain younger workers. Some speak specifically to methods of recruitment while others speak to a more generational understanding of the goals and values of the younger workers being targeted. Values of the younger generation of workers that can be addressed by recruitment and retention strategies include professional development, technology and immediacy, work-life balance, and the overall management approach.

Recruitment

Georgia’s procurement office targets state and local universities that offer advanced business degrees in purchasing (such as Clark University in Atlanta). Attending career fairs and offering internships to students at these schools not only raises awareness of state government as

31 The Aging of the U.S. Workforce: Employer Challenges and Responses. Ernst & Young, LLP, January 2006
32 Ibid.
33 Ibid.
a viable employer in this field; it also allows access to a greater number of highly-qualified applicants. Another successful recruitment strategy is to develop internship programs designed to entice workers and expose them to state procurement. Additionally, recruitment tools like tuition reimbursement can be very effective in this environment.

The success of social networking sites like myspace.com and facebook.com demonstrate the emphasis that workers in Generation X and especially in Generation Y place on groups and social networking. Government recruiters should not overlook the possibilities that these forums present for both cold-recruiting as well as enhancing and improving the image of the state procurement office as a viable and fulfilling place to work. For instance, AmeriCorps has a specific policy in place to encourage members to post blogs and pictures on alternative media sites such as youtube.com and myspace.com and touts this approach as an essential part of its recruitment strategy. Hiring directors should encourage existing younger workers to reach out to colleagues and friends as informal recruiters for their departments, and to act as ambassadors raising awareness of the advantages of government employment. Offices that have the ability should consider offering recruiting or referral bonuses to existing workers.

The success of these sites also underscores the value that these workers place on the use of the internet, and web-based recruitment is an essential tool for state procurement hiring officials. According to the NASPO survey, only seven respondent states (30%) use online employment boards like monster.com or careerbuilder.com. On the positive side, all respondents use state employment websites as a recruiting tool, and many of those states recognized that site as the most successful recruiting tool at their disposal.

Younger workers are technologically-driven. It is imperative that recruiters use web-based recruitment strategies to reach out to them. Job announcements should be posted on not only state employment websites, but on colleges’ online career boards and internet recruiting sites like those referenced above. Many younger workers do not know about open government positions and/or the hiring process. Educating these potential workers is critical to increasing applicants and improving recruitment strategies.

Job announcements should also do more than simply advertise an open position and link to an application. To woo younger workers, recruiters must design job announcements and descriptions to appeal to the audience they are intended to sway. Some ways to do this include emphasizing the challenges posed by the position and/or department, crouched in terms of the values of younger workers. Detail not just the job description, but also the impact that the work will have. For example, spotlight the fact that state purchasing offers a much more challenging opportunity than would be possible in the private sector, especially for a younger worker with limited experience. This strategy has been successful in Pennsylvania, where recruiters highlight the fact that state procurement workers are given the opportunity to manage much more spend than they would in the private sector, especially at the beginning of their careers.

Visitors to the Vermont state hiring website first see a banner reading, “Great jobs — an even greater purpose.... When you work for the State of Vermont, you and your work matter.... You are contributing to the betterment of the people, places and traditions of Vermont.” The employment site highlights challenges and personal growth, and promises help “finding your path.” Generation Y especially is often characterized by the value it places on public service. The site also emphasizes how a public job will help in professional development, with language expressly geared toward Gen Y. It touts government as a “stepping stone” where you can gain significant experience early in your career before moving on.\[36\]

Rigid pay structures are another bureaucratic hurdle to hiring and retaining talented workers. John Palguta, vice president for policy and research at the nonprofit Partnership for Public Service notes that if changes are not made to the hiring and compensation structures, “rather than getting the best of the brightest, we’re going to end up with the best of the desperate.” According to the NASPO survey, only four respondents feel as though their state’s compensation model is comparable to that of similar private sector positions. However, 65% of respondent states have the flexibility to offer a salary anywhere within a prescribed range. Hiring officials must take whatever measures are available to increase their discretion over salary offers if they are to be able to remain competitive with the private sector.

According to the NASPO survey, over half of the respondents estimate that it takes more than six weeks to promote or transfer someone within the organization to an open position and that it takes in excess of nine weeks to hire someone from outside the organization. Three quarters of states cited the personnel/human resources process as a major challenge to efficient and timely recruiting and hiring. To a potential labor pool that values immediacy, this process is far too slow and is markedly slower than the hiring process in the private sector.

In state as well as the federal government, there are several major problems with the hiring process. One is the length of the application process. Often it can take four months or more to receive a job offer. In addition, while this generation values technology and the conveniences of web-based applications, there is not enough communication between applicants and those responsible for hiring. Applicants should be informed of the receipt of their materials and given a rough idea of a hiring timeline. Should the hiring process last longer than a few weeks, contact should be made to give an update on the progress of the search to those applicants who are still being considered.\[37\] It is imperative that the hiring process for state procurement offices strive for transparency while also shortening to manageable time frames for younger workers.

**Retention**

One of the most distinguishing differences in the values of the aging workforce versus those of the younger workforce is their view of work. Work-life balance is of paramount importance to young talent, and the organizations that can assist them most in this goal are going to be the most effective at recruiting them.

\[36\] Ibid.
\[37\] http://www.extremehiringmakeover.org/purpose.asp
Some strategies for delivering a better work-life balance that have been successful for private firms include offering flex-time, business casual dress, on-site fitness facilities, daycare, and telecommuting options. For example, Minnesota recently surveyed its central procurement staff on the issue of retention incentives. By a large margin, the most popular proposals involved increased opportunities for telecommuting and more flexible work schedules. Other areas cited included more opportunities for cross-training and payment tied to performance and one’s contributions (as opposed to seniority). Procurement offices that have the means should offer the use of Blackberrys, laptops, and other portable networking devices. This will not only appeal to the technological inclinations of the emerging workforce, but will also provide them the tools with which to telecommute.

Of course, no one who is not independently wealthy is immune to financial retention incentives. Louisiana has implemented a program whereby an employee is offered a 10% bonus in the face of a firm employment offer from another source. To assay the retirement planning fears of some younger workers, Florida offers pensions to employees who complete six years of service, as well as full vesting in a 401(k) account of up to 9% of the employee’s salary after one year. These strategies go a long way to encourage longevity to procurement officials’ public service careers.

Education and Training

Workers in Generations X and Y are very knowledge-driven, and enjoy both personal and professional development. Both the procurement office and the individual worker can benefit from a strategy that encourages certification and attendance at procurement and management-related conferences and seminars. This strategy also demonstrates a commitment to investing in those workers.

Several states have adopted formal strategies for encouraging and evaluating professional development. For example, Iowa offers its procurement officers $6000 per year for self-directed training. Georgia has encouraged professional development and certification by paying for testing and materials, and offering a 10% salary increase when workers pass certification exams. Arkansas directly ties a worker’s qualification for salary increases and for promotion to the completion of professional development and certification.

Education and training are essential to developing the workers and skills identified in successful workforce planning initiatives. State procurement offices can use in-house training (developed and facilitated by state employees) or develop mentoring programs. In addition, outside sources are available including courses provided by professional organizations like NIGP or certification programs such as UPPCC, or classes offered by private groups and companies related to specialized skills such as the use of technology or professional business writing.

Training does not necessarily require a large portion of an office’s budget. Technology has greatly reduced the cost of training and professional development by offering increasing numbers of web-based programs, reducing time and travel expenses. It also allows state procurement offices to meet younger employees on their turf by encouraging the use of online mentoring, e-conferences and webinars.
Training and education is not solely beneficial to new or current buyers. It is important to educate managers about the incoming workforce as well. Offering guidance and information will help those in charge ease the transition not just for the rest of the office but for themselves as well. Training management on how to recruit and retain younger workers will prove invaluable in a succession and workforce planning strategy. It is essential that state procurement offices not earmark the entirety of the training budget for new workers alone.

**Conclusion**

There are at least two critical effects from this “changing face” of procurement. First, the skills to be successful in this environment of increasing demand are different than those required of the successful procurement official of the past. Procurement professionals operate in a much more collaborative, complex environment, encounter greater expectations by stakeholders, and have more challenging regulatory and legal constraints.

Second, tacit knowledge has become a far greater part of the knowledge base of a procurement organization, making training and development much more challenging. Traditional approaches to succession and knowledge management in these organizations, such as reliance on policy and procedure manuals, are insufficient. Employees in public procurement organizations must be able to deal individually with more sophisticated knowledge management/transfer needs in order to be successful. Strategies must be developed to retain and more quickly transfer tacit knowledge that is critical to success of the organization.

The new procurement professional will need to possess a skill set greatly different from that of a few years ago. They are no longer just processing transactions. They are required to think strategically and critically. They are being asked to look deeper at issues and to analyze a myriad of elements for each decision they make. They face many new legal, ethical, social, technological, public perception, and environmental challenges and issues. They are required to listen to their stakeholders and to incorporate new ideas into their everyday responsibilities. They are taking on more tasks and documenting their actions and decisions for the benefit of future generations. They are required to be technologically savvy. In general, the position of the procurement professional has been elevated to one requiring a higher level skill set and one that leads to greater expectations for achievement and success.

The challenge posed by all of these rapid changes in the responsibilities and skill sets of modern procurement officials is compounded by the rapidly aging workforce and the impending flood of retirees out of public procurement. Proactive strategies and solutions, including workforce analysis and succession planning, knowledge transfer and talent management, offering and encouraging education and training, and focusing on the changing demands of recruiting and retaining younger workers are and will continue to be essential to the future success of state procurement.
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Appendix I: Workforce and Succession Planning Resources

State Resources:

1) State of New York: Introduction, Strategies and Appendices: Planning groups, tools and resources:  http://www.cs.state.ny.us/successionplanning/


3) State of Minnesota, Department for Transportation, Succession planning model, with seven core competencies: http://www.nhi.fhwa.dot.gov/transworkforce/innovative_detail.asp?article_id=31&toc_id=171

4) State of Minnesota, Emerging Leaders Institute: http://www.admin.state.mn.us/mad/ELI%20curriculum%20overview.htm#curriculum


Other Resources:

1) Center for Organizational Effectiveness, Strategic Leadership Development Process, a Four-Step Process: http://www.greatorganizations.com/successionmgt.htm


5) Alberta, Canada: Planning for succession, a framework: includes background, components, model and process implementations: http://www.chr.alberta.ca/?file=learning/framework/succession-management