The Future of Work and the Workforce – Panel Discussion

November 18, 2021
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2. Framing the Issue – How the Pandemic has Impacted Employers and Employees
3. Overview of the State Workforce and Impacts to the Commonwealth
4. Panel Discussion – Lessons Learned and Future Planning
5. 2022 Session – Options to Consider
Panelists

- **Jeanne S. Armentrout**, Executive Vice President and Chief Administrative Officer, Carilion Clinic

- **Regina J. “Gina” Elbert**, Vice President – Human Resources Business Services, Dominion Energy

- **Sonya Ravindranath Waddell**, Vice President and Economist, Federal Reserve Bank of Richmond

- **The Honorable Megan Healy**, Secretary of Labor, Commonwealth of Virginia

- **Emily S. Elliott**, Director, Department of Human Resource Management, Commonwealth of Virginia
Framing the Issue –
How the Pandemic Has Impacted Employers and Employees
Disruptions Have Been Experienced by Both Private and Public Sector Employers and Employees

- Both private and public employers, including the Commonwealth, and their employees have experienced pandemic-induced disruptions.

- Government interventions and employer and individual responses to the pandemic altered domestic and business related routines and practices.
  - The pandemic changed how and where work is performed for many professions/occupations.
    - Some jobs must work in person (public safety, healthcare/mental health, other essential workers) which caused disparities among roles within the overall workforce.
  - Employer requirements and individual needs surrounding personal and family health/safety and childcare caused changes in behavior and practices.
  - Certain industries have been impacted dramatically.
  - Unemployment disproportionately impacted employees in low-wage occupations.

- Public and private sector responses and adaptations may have long-lasting effects, and include:
  - Fully-remote and hybrid work models, flexible schedules, and reconfigured physical on-site workspaces;
  - Use of virtual communication platforms; and
  - Expectation among a share of employees and employers that some degree of remote/hybrid work will continue.
Pandemic-Induced Labor Force Issues Interconnected with the Broader Economy

- Unemployment and financial distress disproportionately impacted low-wage workers (including specific sectors like hospitality/tourism) and younger workers.

- Income inequality was exacerbated by the pandemic.

- Individual reassessments of occupation and the value of work have added to workforce shortages and labor force participation challenges.
  - Quit rates are highest among the accommodation and food services (6.8%), and retail trade (4.7%) sectors, and also represent the highest levels of job openings.*


Recruitment and retention issues exist broadly, but are more pronounced in certain industries, occupations and areas of the country. Labor issues, manufacturing constraints, and logistical hurdles are resulting in supply chain disruptions.

Percentage of businesses having difficulty finding employees.

Percentage of businesses indicating they have experienced domestic supplier delays.

Data Source: US Census Bureau.
Overview of the State Workforce and Impacts to the Commonwealth
The Commonwealth is a Large Employer

- The Commonwealth spends $10.8 billion on compensation annually (1).
  - Includes wages, salary and fringe benefits, such as VRS, Healthcare, VSDP and FICA.
  - Over 75% of the salaried workforce is concentrated in seven agencies.

<table>
<thead>
<tr>
<th>Agency/Area</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Education</td>
<td>47,154</td>
</tr>
<tr>
<td>Depts. of Corrections/Juvenile Justice</td>
<td>11,560</td>
</tr>
<tr>
<td>Dept. of Transportation</td>
<td>7,764</td>
</tr>
<tr>
<td>Behavioral Health &amp; Develop. Services</td>
<td>4,893</td>
</tr>
<tr>
<td>Dept. of Health</td>
<td>3,344</td>
</tr>
<tr>
<td>State Police</td>
<td>2,823</td>
</tr>
<tr>
<td>Dept. of Motor Vehicles</td>
<td>2,322</td>
</tr>
<tr>
<td>Sub-total Other</td>
<td>79,860</td>
</tr>
<tr>
<td>Grand Total</td>
<td>125,745</td>
</tr>
</tbody>
</table>

(1) FY 2022 figures; $4.7 billion, or 43% is General Fund, and $6.1 billion, or 57% is Nongeneral Fund.
The Pandemic Transitioned a Large Percentage of the State Workforce to Remote Work

• In March 2020, 52 state agencies indicated between 40 and 100 percent of employees were teleworking*.
  • Data represented a majority of executive branch agencies.
  • A majority (37 state agencies) of respondents reported that 80 to 100 percent were teleworking.

• Prior to the pandemic, 26 percent of classified positions were eligible to telework and only 19 percent of those eligible were actually teleworking in some capacity*.
  • The Commonwealth has had a telework policy since 2008, with the goal of 20 percent of the total eligible workforce teleworking, and not less than 25 percent participating in alternate work schedules.

• Not all positions are eligible to participate in teleworking based on the nature of the job.
  • Reasons are related to job function (e.g. corrections, healthcare, and direct service associates) and/or cultural limitations to remote work.

Sources: *DHRM Telework Report, October 2021.
The Transition to Telework Was Difficult, but the Commonwealth is Now Better Prepared

- Expansion of virtual private network (VPN) capacity increased by 700 percent and occurred in about a month.
  - Increased from 5,000 to 35,000 concurrent connections.
  - Implemented cloud-based alternative to VPN, which can support an additional 20,000 connections, and be scaled up or down.

- Deployment of thousands of additional laptops to meet remote workforce needs.

- VITA scaled-up agency support resources for increased demand.

- Throughout 2021, new services were launched to support agencies’ efforts to automate and to facilitate work from anywhere.
  - Process automation, improved electronic signature capabilities and remote access tools, virtual desktop capabilities, additional content management and collaboration tools.

Source: Virginia Information Technologies Agency (VITA).
The Commonwealth’s workforce is aging, with a high percentage eligible, or soon to be eligible, for retirement (21.9 percent), while the share of younger workers is declining.

- There is a lack of an enterprise-wide focus on succession planning throughout state government.

- Critical recruitment and retention challenges exist within several occupational groups.
  - Employee preferences regarding remote/hybrid work options may exacerbate recruitment and retention challenges for applicable positions.
  - Weak market position on salaries, wage compression, and broader labor force issues are presenting challenges, especially for already hard-to-fill positions.

- Despite recent investments, cash/total compensation continues to lag the public and private sectors on average, but not for all occupations.

Sources: DHRM workforce data; Bi-Annual Compensation Report, 2021.
Overall Average Pay Continues to Lag Both the Public and Private Sectors, Varying by Occupation

- The 5 percent raise effective June 10, 2021 held the Commonwealth’s total compensation market position steady relative to private sector comparators, but fell short of the public sector overall.

- Not all positions are in distress and in need of market adjustment.

- Some occupations are above market, while some are below market.

### The Commonwealth’s Overall Variance to Market Median

<table>
<thead>
<tr>
<th>Year</th>
<th>Private Sector (General Industry)</th>
<th>Public Sector (Government Industry)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base Salaries</td>
<td>Total Compensation</td>
</tr>
<tr>
<td>2020</td>
<td>-16.5%</td>
<td>+0.6%</td>
</tr>
<tr>
<td>2021</td>
<td>-15.7%</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

Turnover for Certain Occupations is Significantly Above Average and Has Worsened Since the Pandemic

<table>
<thead>
<tr>
<th>COVA Occupational Group</th>
<th>Avg. Turnover Rate Pre-COVID (FY 2017-19)*</th>
<th>Avg. Turnover Rate (FY 2021)**</th>
<th>Percentage Point Change (FY 2021 vs. Pre-COVID)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security Management</td>
<td>33.4%</td>
<td>40.8%</td>
<td>+7.4</td>
</tr>
<tr>
<td>Law Enforcement (Troopers, Corrections, Campus Police, etc.)</td>
<td>20.0%</td>
<td>35.8%</td>
<td>+15.8</td>
</tr>
<tr>
<td>Direct Service Associates (Psychiatric and Healthcare Staff, Nursing)</td>
<td>24.0%</td>
<td>33.4%</td>
<td>+9.4</td>
</tr>
<tr>
<td>Program Administration (Community and Social Services)</td>
<td>17.8%</td>
<td>25.3%</td>
<td>+7.5</td>
</tr>
<tr>
<td>Trades Technicians</td>
<td>15.7%</td>
<td>24.1%</td>
<td>+8.4</td>
</tr>
<tr>
<td>Administrative and Office Specialists</td>
<td>19.0%</td>
<td>22.4%</td>
<td>+3.4</td>
</tr>
<tr>
<td>Information Technology</td>
<td>11.5%</td>
<td>17.2%</td>
<td>+5.7</td>
</tr>
</tbody>
</table>

Source: *DHRM turnover rate data FY2017-FY2019; **DHRM Bi-Annual Compensation Report, 2021. The Commonwealth’s statewide total turnover in FY 2021 was 12%, which is below the median for all benchmarked entities (16%) and large companies 50,000+ in size (13.6%), and above the public sector generally (8.3%).
Panel Discussion

Lessons Learned and Future Planning
Labor Force Participation Issues and Worker Shortages

The percentage wage increase for all workers for the quarter ended September 2021 was 1.3%, and was led by the Leisure and Hospitality Industry at 2.5%.

- Overall labor force participation rate in April 2020 was 60.2 percent, its lowest level since 1973.*
  - It has since rebounded to 61.6 percent as of October, but is still historically low.
- Wages moderately increased overall in the three months ended September 2021, registering 1.3 percent among all workers, and 2.5 percent in the Leisure and Hospitality Industry.**

The women’s labor force participation rate peaked in 2000 at 60.3 percent, dropped to 54.6 percent in April 2020, and was 56.0 percent in October 2021.*

- Represents lowest level since September 1987.
- 1 in 3 women are considering to either exit the workplace or downshift their careers.**
Workforce and Workplace Planning - Telework and Returning to the Office

- Only 1 in 5 surveyed corporate executives wants to return to the office as it was pre-pandemic.*

- 52 percent of employees would prefer a flexible working model post-pandemic, favoring a mix of on-premise and remote work.**

- A January 2021 survey of 133 US executives found that 83 percent of employers believe remote work during the pandemic has been successful.
  - This represents a 10 percentage point increase from the same survey conducted in June 2020.


Post-pandemic Telework Considerations for the Commonwealth’s Workforce

• Prior to the pandemic, 26 percent of the Commonwealth’s workforce was identified as eligible to telework.

• The percentage of state employees teleworking increased dramatically after March 2020, but varied by agency.

• Remote work is not applicable to a large segment of the Commonwealth’s workforce.
  • For example, Corrections, Juvenile Justice, and State Police alone represent 34 percent of the classified workforce.

Source: DHRM telework report, October, 2021 and staff analysis of DHRM agency workforce data.
Public and Private Sector Recruitment and Retention Issues

- In August 2021, the number of workers quitting their employment increased to 4.3 million, led by the accommodation and food service, wholesale trade, and state and local government education sectors.

- In the Southeast region of the U.S., turnover among registered nurses was 24.6 percent during 2020.

- The Commonwealth’s high-turnover roles range from 17.2 percent to 40.8 percent, which are above the average statewide turnover rate of 12 percent, and above turnover averages for the public sector (8.3 percent) and the private sector (16 percent).
  - Turnover is highest among lower-wage administrative, healthcare and mental health, and security/law-enforcement positions.

2022 Session – Options to Consider
The General Assembly may wish to consider:

- Updating the Commonwealth’s remote/hybrid work policies to reflect post-pandemic employer and employee work model preferences.

- Identifying programs to support succession planning throughout state government.

- Maintaining efforts to attract and retain a qualified workforce – including the ongoing review of pay practices for certain occupational groups and overall.

- Implementing programs to address critical workforce shortages in specific industries.
Appendix
Investments in State Employee Compensation Have Increased in Recent Years

- **Compression adjustment of $50/ year of service for employees hired on or before 11.25.2020.**
- **5% increase to offset state employee contribution to VRS defined benefit plans.**
- **Compression adjustment of $65/year of service for employees hired on or before 7.25.08 (FY14) and 8.10.10 (FY16).**

(1) In 2020, 2.75% performance + 2.25% merit-based for state employees (merit excluded higher-education faculty and university staff, judges/justices, and appointed officials).