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# Solving the Talent Challenge: Brain Drain or Magnet for Excellence?

## Panelists:

**Elizabeth Arons** Chief Executive of the Division of Human Resources, New York City Department of Education

**Peter Cannito** President, MTA Metro-North Rail Road

**Peter Goldmark** Program Director, Climate and Air, Environmental Defense Fund, and former Executive Director of the Port Authority, New York State Budget Director, and New York City Assistant Budget Director

**Ann Williams-Isom** Deputy Commissioner and Special Counsel to the Commissioner, New York City Administration for Children's Services

## Moderator:

**Barbara Gunn** Senior Vice President for Operations and Government Relations at the American Museum of Natural History

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**Solving the Talent Challenge: Brain Drain or Magnet for Excellence?**  
**Executive Summary**  
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Over the next five to ten years, it is estimated that as many as sixty percent of government workers will be retiring from the workforce. This will result in a major exodus of talent and experience, complicating the on-going challenge of government competing with other sectors, both private and nonprofit, to recruit and retain talent. Further complicating this long-term challenge is concern about a possible second term impact on staff commitment. An additional challenge in sustaining a workforce is assuring that staff skills keep up with the changing nature of jobs, as technology and other factors influence job design.

These issues require both short term responses and long term strategies. This briefing looks at specific approaches to grappling with this looming predicament by taking a close look at successful tactics and programs, with an eye towards the future and further opportunities.

The Panel includes:

- Dr. Elizabeth Arons, Chief Executive of the Division of Human Resources, New York City Department of Education
- Peter Cannito, President, MTA Metro-North Rail Road
- Peter Goldmark, Program Director, Climate and Air, Environmental Defense Fund, and former Executive Director of the Port Authority, New York State Budget Director, and New York City Assistant Budget Director
- Ann Williams-Isom, Deputy Commissioner and Special Counsel to the Commissioner, New York City Administration for Children's Services

The panel is moderated by Barbara Gunn, Senior Vice President for Operations and Government Relations at the American Museum of Natural History, and former Director of Operations for the Mayor's Office, First Deputy Commissioner, Department of Transportation, and Deputy Commissioner, Department of Parks and Recreation.

The June 22<sup>nd</sup> briefing provides useful context around the "talent challenge" facing leaders in New York City government. Sonia Ospina, Co-Director of the Research Center for Leadership in Action, in her opening remarks, notes that, "In the next five to ten years, sixty percent of the workforce in the City is about to retire." For some public authorities and agencies, this exodus is expected to take place even sooner. Peter Cannito estimates that 25% of Metro North workers will retire in the next seven years. This substantial turnover, as David Moskowitz observes, represents a major challenge and problem for New York City's government since "[u]ltimately, the performance of government depends on the ability of government to attract and build good talent." Peter Goldmark recalls a conversation between former Mayor John Lindsay and former Budget Director Frederick O'Reilly Hayes who observed that "it doesn't take 30 people, not 300 people, but a minimum of 3,000 talented people in senior executive positions to run New York City in a half decent fashion."

Adding to the challenge of meeting this target number of talented individuals is the fact that a substantial number of retirees in various sectors of City government are first- and second-

line supervisors and managers—those leaders of permanent government who possess the kind of institutional memory and knowledge that is difficult to replace. The problem of workforce turnover is therefore also a problem of finding and cultivating good leadership as well. Meanwhile, the City faces increasing competition from the private sector to attract good talent. While New York City government has always faced the challenge of how to recruit and retain talented workers, the scope and scale of the talent challenge faced by leaders today is grave and unprecedented.

The panelists at the briefing provide a useful overview of the specific dimensions of the talent challenge, as well as some strategies that are being or can be used by City government leaders to face and meet this challenge:

### **Leadership Challenge 1: Understanding the Talent Challenge and Its Specific Impact on Your Agency**

The first dimension of the talent challenge raised by the panelists is simply around how to better understand the problem, its extent and characteristics. The major exodus of talent and experience in City government employment is a large and multifaceted challenge and hence requires some disaggregation. Peter Goldmark suggests that while many City agencies may be facing mass retirement and turnover, the specific impact that these workforce changes have differs from agency to agency: “What does the course or the challenge of your agency or unit require? Every job has its own approach, phase, and natural terrain. Is your job about rebuilding a demoralized or scandalized agency? Is it a situation where you have strong resources and strong skills, but you have to re-climb a hill, or reorient it? Is it a situation where you have to win from within, where it’s not possible to create a counter-organization?...I assume that each terrain has a dynamic approach and each approach has a different situation. If you don’t know what play you’re in—a drama, a tragedy, or a comedy—you’re in trouble.”

The panel discussion reveals how the talent challenge does indeed affect agencies differently. Ann Williams-Isom notes that for the Administration for Children’s Services (ACS), the challenge is on the one hand, about the relationship between the work environment and retention—specifically, about how recent negative media attention on ACS workers “has affected how workers feel and how that affects how they want to stay”—as well as ongoing challenges with diversity. For Metro North, Peter Cannito notes, the challenge is not about recruitment or retention (“We provide the second highest wages of railroads in the area, second to Long Island Railroad; it’s not difficult to recruit or retain.”), but rather, “the real problem is finding the skills.” Lastly, Betsy Arons explains that for the Department of Education, the specific challenge has to do with the unique context of the Department of Education: “New York City has the largest school system in the galaxy. We have 80,000 teachers, another 1,000 principals, and 1,000 managers. Eighty eight percent of our budget is salary and benefits. That’s why human resources is such a critical function.”

Thus, while all three agencies represented are facing a significant loss of workers to retirement and turnover in the next decade, the way in which these changes affect each agencies differ greatly. Understanding the specific impacts of these changes on an agency is therefore the first dimension of the challenge facing leaders. Leaders must understand what

the talent challenge means for their agency to know how to approach solving it. So how are leaders to do this?

### Key Strategy: Using Data to Deconstruct the Talent Challenge Problem

A critical ingredient to understanding how an agency will be impacted by workforce changes is, as Betsy Arons articulates it, to “start with your data.” Data, she notes, can help leaders to answer the questions, “What are the ways to analyze retention? What are the pathways by which [workers] come to us? What are the areas that have highest turnover?” An examination of such data is being used by ACS to help analyze workforce retention dynamics. Data is certainly important to Metro North, allowing Peter Cannito to forecast the workforce changes that will be experienced by Metro North, as well as to compare these to industry-wide trends: “By 2013, 25% of our workforce is eligible for retirement. In my team over 46% of them are eligible to retire in 2013. Our turnover rate is 4% every year, but this normal by industry standards.” As Barbara Gunn summarizes, “You’ve got to start with data. You have to understand the demographics of your workforce.” She then muses, “When you look at the demographics, you realize that government leads the negative trend.”

Ms. Arons provides a useful anecdote to illustrate how data helped the Department of Education to disaggregate and deconstruct the problem and narrow in on possible fixes: “We developed a data unit, a data warehouse. Then, taking that data, we use it to make decisions. We always got this information that we were losing teachers to the suburbs. The data revealed that this was not true. Less than 10% of teachers go to the suburbs. We’re losing 90% of our resignations to something else. This leads us to look at targeted retention: math teachers versus science teachers. Or if we find that there is not a problem with elementary school teachers, we don’t worry about it.” Analysis of data allowed Ms. Arons to understand the specific nature of the talent challenge for the Department of Education, as well as to understand precisely where these challenges are most acute.

One difficulty is that data on workforce is currently de-centralized and not maintained consistently by agencies. Martha Hirst observes, “That data is nowhere, each agency has it. The opportunity is there, and there is lots of support [to compile and analyze it]...Interagency data is dispelling myths across the City. We will know who is eligible to retire, who is Spanish speaking, and who has a Masters degree.” Betsy Arons, in fact, “developed a data unit” after realizing that human resources data at the New York City Department of Education “had not gotten ahead of the curve.” Leaders should make serious attempts to follow Ms. Arons lead and improve and analyze their agency human resources data.

### **Leadership Challenge 2: Finding Sources of and Recruiting Talented Workers**

Once leaders have a better understanding of both the specific areas where and the reasons why workforce losses to resignations and retirement are occurring, the next challenge is to identify sources from which talented workers can be recruited. Peter Goldmark poses the question facing leaders, “Where do I get a flow of talent to tackle my challenge? Where am I going to get this flow of talent, and once I do this, how can I apply them at the critical areas of opportunity?” To what segments of the workforce, or even the population, should

leaders look to find talented workers? And once these sources are found, how can leaders in City government attract talented workers from them?

A complicating factor is increasing competition from the private sector for jobs. The panelists suggest that whereas in the past, public sector jobs may have been a more distinct labor market from those in the private sector, the lines are becoming increasingly blurred. This competition is as true for Metro North which competes with private railroads and transportation for workers, for the Department of Education, and for the Office of Emergency Management. As Joseph Bruno of OEM explains, “In our industry, talented people move to the private sector. We’re losing top people...It’s difficult to compete with the private sector.” One of the reasons, both he and Peter Cannito explain, is the “compensation ceiling” within government. In order to recruit talented workers for public sector jobs, leaders in City government must therefore draw upon more creative and varied strategies. The panelists suggest several such strategies.

#### Key Strategy: Tapping the Untapped Segments of the Workforce

One strategy mentioned on several occasions was the notion of tapping segments of the workforce that were traditionally under-utilized. Specifically, leaders should look to recruit from both ends of the age spectrum: younger, newer entrants to the workforce as well as more senior, seasoned professionals. By doing so, leaders in City government can create that replenishing “flow of talent” necessary to meet the talent challenge.

Peter Goldmark cites ‘Teach for America’ as an example of an innovative approach to recruit from new younger workforce entrants: “We’re seeing the beginning of a trend again where public life is becoming more attractive. We’re seeing that young people go to work for Teach for America.” Young workforce entrants, though not necessarily traditionally considered a source for talented employees, may be at the heart of a leaders’ strategy for solving the talent challenge. Tapping younger, newer entrants to the workforce was the inspiration for the New York City Department of Education’s new Housing Support Program as well: “New York City is hot. Young people want to move here, but can’t afford it. We thought, ‘How can we help with this situation?’ A housing allowance will help [new teachers afford to live in New York City] every month.” In addition to providing financial assistance to help cover the costs of living, simply engaging younger workers in decision-making may help attract younger talent. As Steve Small-Warner, Kings County Hospital, posits, “One of the most important things is to have people work with me. A sense of getting things done. Younger people want to participate and share opinions and share ideas. I think it’s important that we do that.”

At the other end of the advancement spectrum, leaders should also consider recruiting more seasoned workers away from the private sector. As Mr. Cannito contends, “There’s a whole segment of the workforce—private sector employees in their forties and fifties who have been downsized and are trying to make a career move at that age. You have a barrier to taking (jobs requiring less experience), because of the suspicion about why you were let go, and the barrier is also at higher jobs, because they are older. We haven’t tapped that whole segment of the workforce.”

#### Key Strategy: Diversifying Entry Points to Public Sector Jobs

Once leaders recognize that they must look to new and alternative segments of the workforce from which to recruit talent, they might also find that these potential recruits will face numerous barriers to entry into public sector jobs. For example, the certification requirements of certain jobs may prohibit potential applicants from pursuing public sector jobs. Also, the civil service examination requirements may be overly cumbersome for many talented prospective workers. Because of these barriers, leaders must also consider diversifying the pathways to entry into public sector jobs. In other words, they can attempt to widen the “front door” to public sector employment.

One suggested means of diversifying entry points is through public service internships. Martha Hirst mentions the ‘Public Service Corps’ as a great achievement of Mayor John Lindsay: “That helps people to get in and stay in City employment.” She also mentions the ‘Urban Fellows Program’ as an effective means to “attract young people. They use that as a stepping stone to public service...It’s a rich, rich experience. You’re missing the boat if you’re not getting one or two Urban Fellows a year.” Ms. Hirst argues that programs such as these should be centralized and systematized.

Another is through streamlining the civil service exam requirements: “Eighty five percent of the City’s workforce is hired from civil service exams...We need to work with the New York City Division of Citywide Administrative Services to make sure that those and other testing mechanisms are open enough to get a diverse workforce.”

A third mechanism, suggested by Betsy Arons, is through programs like the Department of Education’s Alternative Certification Program: “We recruit and produce 25 alternative certifications per year.” For public sector jobs like teaching that require a formal certification, creating alternative vehicles for entry into those jobs, allowing individuals to work while attaining their certifications, can help talented workers overcome prohibitive barriers to entering public sector jobs.

### **Leadership Challenge 3: Retaining Talent, Knowledge and Skills Amidst Brain Drain**

An accompanying and complicating factor to the challenge of recruiting talented workers is the fact that fewer workers are staying in public sector jobs for long terms and tenures. Whereas public sector workers used to remain in jobs (or at least in agencies) for many years, workers today tend to change jobs frequently, and as the boundaries between public and private sector work have become more porous, more and more people leave the public sector to enter the private sector. Betsy Arons explains: “The days of people staying jobs for thirty years are over. Those days are gone. [Nowadays] five years of having someone in a single job is wonderful.”

This higher turnover rate represents a significant problem for City agencies and public authorities since the much of the effectiveness of these agencies depends not only upon finding talented workers, but also on the experience and consistency of its workforce as a whole. Jonathan Ells describes the problem well: “We have all of these people who are in different areas who are in a technical field. A lot of knowledge is held by those who’ve been out there for many years.” Jonathan Ells rightly asks, “What are [leaders] doing to tap that knowledge base before twenty years of technical experience walks out the door?”

Thus, the retention challenge is in fact a two-fold problem. On the one hand, leaders would want to create conditions that would promote longevity and retention of staff and workers so as to reduce the “brain drain” associated with turnover. On the other hand, as more and more workers tend to change jobs more frequently, leaders must put measures in place that can help retain the knowledge and skills possessed by staff, even after they leave.

### Key Strategy: Improving the Image and Benefits of Public Sector Work to Improve Retention

While widening the “front door” may help increase the pool of potential recruits, it may not help leaders in City government compete with the private sector to both attract and retain talent. Indeed, the public sector’s “compensation ceiling” remains, perhaps, the most significant obstacle to both recruit and retain talented workers, given the growing blurring of lines between the private and public sector segments of the workforce. Because of this compensation ceiling, a key strategy for both recruitment and retention of talented workers involves the use non-monetary incentives to both recruit and retain talented workers. This involves both macro- and micro-level considerations.

At the macro-level, leaders must consider the image of public sector work and how this image can attract or deter workers from seeking or staying in employment in City agencies. As stated earlier, Ann Williams-Isom mentions how the Administration of Children’s Services is a good example of how media scrutiny can serve to stain the public image of the agency and in turn, the self-image of its staff. Peter Cannito also points to the media for why Metro North has had difficulty attracting talent away from private sector competitors: “We are always criticized. We are one of the best transportation companies in the country, but we are always being criticized...We are in glass houses, and everytime we make mistakes, it is all over the front pages. Enron had to blow up to get on the front page. Penn Central was the Enron of its day, but...the media does not put private companies on the front page. I think that has a negative impact on the willingness of people to enter that marketplace.” The solution, suggested by both Ms. Williams-Isom and Mr. Cannito, is to improve the image of public sector work. This involves, as Mr. Cannito explains, “tooting our own horn...I’m amazed at the talent [that we have]...We just don’t get out there and say that enough.” Leaders should consider using media to try to create a positive image of public sector work. Also, as Mr. Goldmark states, programs like Teach for America are doing an excellent job of making public service attractive again.

Hand in hand with improving the image of public sector work is to ensure that the conditions of public sector employment, at the micro-level, are attractive as well—attractive enough to recruit applicants considering private sector jobs as well. Martha Hirst notes, “The other thing is to step back at what’s involved in jobs...Can we change the overall aspects of the job?” In other words, can leaders provide non-monetary benefits that can attract talented workers to public sector work and retain them in it? Some of these include traditional benefits that have always made public sector jobs attractive: retirement packages, healthcare, and training. However, several other, non-traditional benefits are of note.

One such benefit, it seems, is simply the high degree of responsibility that public sector jobs can offer, that can provide workers with a kind of job satisfaction benefit. Peter Cannito

explains how the degree of responsibility involved in Metro North has helped recruit younger employees: “We provide young people with the ability to manage in the corporation that others don’t provide. So we are competitive, particularly in the area of technology.” Steve Kramer, counsel for the Department of Buildings, recalls that “[i]n the public sector, I worked on a \$20 million case on my own. In the private sector, a \$2 million case is considered big. That is fascinating that if you can work on the reputation of an agency, you can get [talented workers.]”

A second benefit is to offer job stability and a career. As Peter Cannito reflects, “We offer job stability. You can make a career in the public sector where you can’t in the private sector.” Ms. Williams-Isom states that questions of “how do you keep them” are the same as questions of “how do you make them feel important, and how to give them a career ladder.” She adds, “Not everyone becomes Deputy Commissioner, but [people should have] a career ladder.”

A final non-monetary benefit to consider is a means of increasing the morale of their workers given the difficulty and media scrutiny involved in public sector work. Ann Williams-Isom explains, “One of the things that are important for us is being able to communicate with us...If we [the leadership at ACS] say something in the media about our workforce, [our workers] hear that and are affected by that. We need to focus on double-talk. We can’t give them two different messages about the quality of their work.”

Peter Goldmark mentions one interesting way that the Port Authority helped boost the morale of their employees and change the image of public sector work from within: “At the Port Authority, we have an award ceremony for our heroes, for those who take a chance. We had a night once when the temperature was below 32 at Kennedy Airport. A guy named Jerry Fitzgerald went out every hour to crawl out and check if it was frozen. You lose flights at JFK and then you lose a 24-hour cycle with Europe. Boston’s Logan Airport had lost a plane that night and lost some lives. We gave Jerry Fitzgerald an award. You can find those stories and heroes, and those are culture and value-forming stories.”

#### Key Strategy: Retain Knowledge Through Centralization, Mentoring, and Teambuilding

Retaining talented workers for long terms is not always possible, particularly given larger changes in the labor market and culture of work. Leaders should expect such turnover to take place and build in systems that allow for the retention of knowledge and skills, if not the actual workers themselves. The panelists suggest several approaches that may be effective in retaining knowledge.

Betsy Arons notes that, in order to deal with the problem of “brain drain,” the Department of Education is “developing a Knowledge Curriculum Unit, a center for knowledge base where all that people have in their heads is kept, and putting this online, and creating a curriculum so that we will have people online answering those questions...Every teacher who comes on board gets into the database and we keep up with them on various dimensions.” Through such a Knowledge Curriculum Unit, the Department of Education is able to assemble and transfer knowledge and information from existing and outgoing teachers to new teachers and recruits.

Beyond such systematic and mechanistic approaches, panelists also suggest less structured ways of retaining and transferring knowledge. Ann Williams-Isom muses, “The way I learn is by someone teaching me and coaching me through it—on-the-job coaching and mentoring. I’m not going to be able to read that from a book; I need someone who is there and teaching and coaching.” Peter Cannito agrees, “We have been trying to come up with a systematic approach that will be out there for 100 years, but I think [a lot can be done through] mentoring between older and younger workers.” Joseph Bruno notes that such an approach is in use at the Office of Emergency Management: “I’m developing a team there, but I need to find more talent, so I find someone from outside and team them with someone from the inside.” Betsy Arons adds, “We pair people internally with someone who can groom them and teach them the business at hand. You don’t need to have everyone come with expertise.”

Mentoring and teambuilding between more seasoned workers and newer talented, but inexperienced workers may hold the key to effective knowledge transfer. However, Peter Goldmark regrets that the City has not done an effective job of transferring knowledge in the past: “The City’s culture breeds isolated virtuosos. It’s partly a cultural problem.” He then ponders, “[S]uppose we created an award ceremony for two people every year who taught their virtuoso skills?” He remarks, “We probably need to find a way to recognize mentors and spotters of talent. Each agency has to find a way to find people who bring up other people. Facilitators, nurturers, those who look out for those taking risks.”

#### **Leadership Challenge 4: Finding Effective Leaders and Managers**

Perhaps the most significant challenge raised at the briefing was the impact of the mass retirement on the number of skilled and experienced managers and leaders within City government. Betsy Arons notes that the “principals’ retirement system mirrors the teachers’ retirement system. Seventy five percent of principals have less than five years’ experience.” Peter Cannito worries about how the massive retirement of workers will result in the loss of “first- and second-line supervisors” at Metro North: “We have a compression problem.” Joseph Bruno adds his own frustration with the loss of leadership and managers: “When you get higher [in position], it’s harder to find people with the compensation ceiling.” Interestingly, the most critical dimension of the talent challenge facing leaders in City government may be about the future of City leadership itself. The panelists provide two possible strategies for developing leaders and managers within City government given the impending exodus from City employment.

##### Key Strategy: Grow Your Own Leaders

Betsy Arons notes that a key solution to the loss of leadership and managers is to “grow your own” leaders. Ms. Arons cites the Department of Education’s Leadership Academy, which produces twenty-five new principals per year. She boasts, “We’re at a point now where producing principals at the rate of replenishment is doable.” Ann Williams-Isom describes how ACS “wants to develop a leadership academy” of their own. To pursue this, ACS “reached out to the Wagner School...I think there’s a passion and excitement about this issue.”

## Key Strategy: Redefining Leadership and General Public Management

An interesting approach to the talent challenge at the management level in City government is not by cultivating leaders within individual agencies, but by creating a new model of leadership altogether. Betsy Arons hints at this in her statement, “We may need to look for a different type of leader.” Moreover, Ms. Williams-Isom suggests that leadership itself may need redefining and reconceptualization: “Not all leaders are on the 18<sup>th</sup> floor of ACS. Front-line workers are leaders. [We need to] give workers skills to make them feel like a leader.”

Taking this notion of redefined leadership even further, Peter Goldmark proposes a new approach to leadership development within City government. In contrast to a leadership development approach that simply trains managers agency by agency, department by department, he describes an approach that involves creating more general public sector managers who can function across various agencies and departments: “It is within the power of the Mayor to create new non-civil service jobs...When I was at the Port Authority...it was divided into dukedoms, and the duke of the World Trade Center would not talk to the duke of transportation. We needed general managers. We needed new people who did not have loyalties.”

The creation of more general managers, who can serve as leaders in various agencies and departments may indeed be a more viable approach in the age of increasing job turnover and change. This is particularly compelling since “[t]here are greater similarities [in work and function] between agencies than between the public and private sector.” Mr. Goldmark suggests that leaders in City government should “consider all of the levers that are available, not just those in [their] upper-right hand drawer]” to find talented managers. They must overcome thinking that “[i]f you’re working for the City then you think City, and if you work for the State, State,” when in fact, “they are part of an interlocking web.” Ultimately, Goldmark calls for a new kind of public leadership and career, one that is defines not by function, agency, or specific area of expertise, but rather by public service itself. Creating such a new more generalized public leadership track may help create the most sustainable flow of talent imaginable.