Bridging talent gaps:
A postpandemic priority for state CAOs

Preface

State Chief Administrative Officers (CAOs) are the engines of state government. They administer and oversee critical services that enable agencies to serve residents. In some cases, CAOs also oversee IT and technology functions that residents and businesses use directly. This can influence how individuals experience and perceive state government services (Exhibit 1).

CAOs are rightfully being congratulated on how they have managed the exceptional circumstances they faced during the COVID-19 pandemic. State CAOs and their teams found new ways to get their jobs done. As the crisis subsides, CAOs can apply the flexibility, innovation, and speed they showed during the pandemic to another, longer-term challenge: how to attract and retain high-performing talent. This aspect of human-capital management has become a major priority for CAOs as they contend with statewide talent shortages in the context of broader changes in the labor market. It is also an essential element in improving customer experience in their own services, including for procurement, IT, and technology.

This white paper, a collaboration between the National Association of State Chief Administrators (NASCA) and McKinsey, focuses on the growing talent gap in state government. We look at hiring and retention strategies and the adoption of hybrid working models. We also assess talent management and the role of human-capital management in other CAO services such as procurement and IT. (For more about our methodology, see Box 1, "About the research.")

Exhibit 1

State Chief Administrative Officers oversee a number of critical services that allow agencies to serve residents.

Human capital
Attract, develop, retain, and support state employees to serve state residents

Procurement
Ensure that agencies have the goods and services required to carry out their mission

Technology
Design, develop, secure, and operate states' IT infrastructures

Facilities
Oversee states' physical footprint to ensure access for residents and staff

Fleet
Ensure agencies have access to effective fleets (eg, trucks or buses) to fulfill their mission

Accounting and other business services
Administer states' finances and other business services (eg, mail or print)
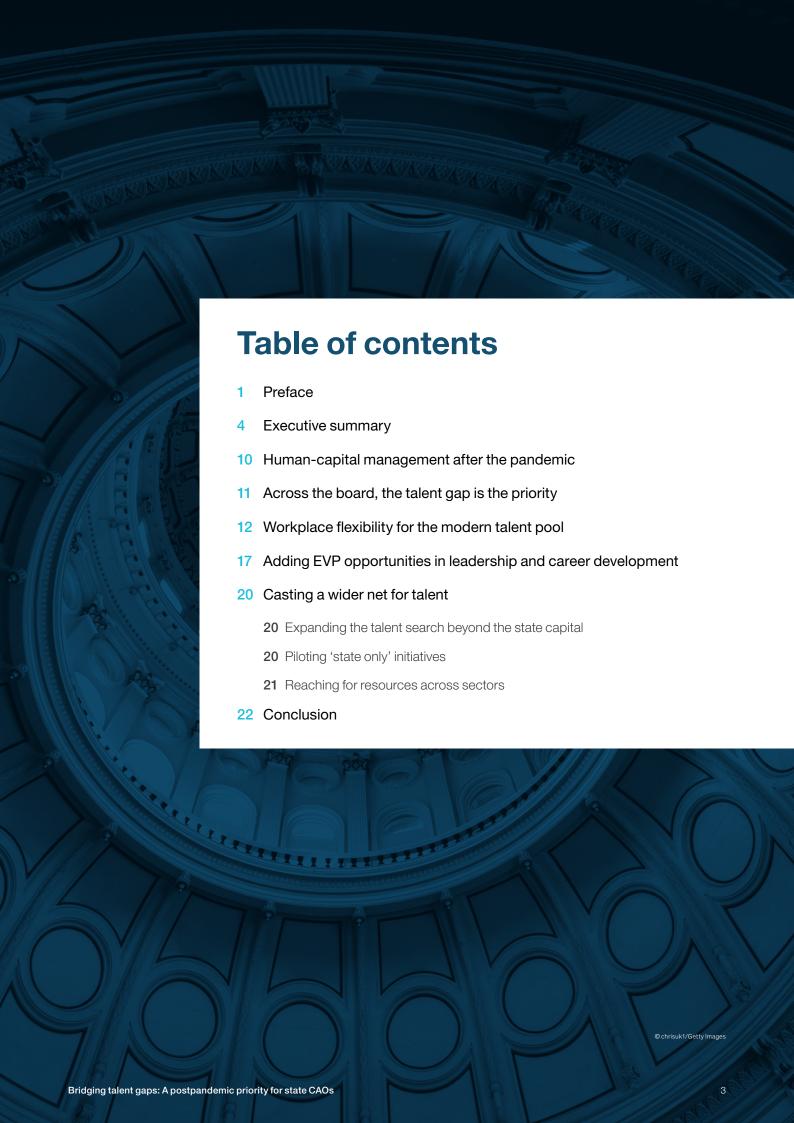
© Thomas Barwick/Getty Images

■ Box 1

About the research

The research builds on National Association of State Chief Administrators (NASCA) reports published before the onset of the COVID-19 pandemic about talent management in state government. It also draws on ongoing McKinsey research into postpandemic employment issues in general and employment issues relating to the public sector in particular. Three sources of primary research are the following:

1. **State chief administrators survey:** NASCA members from 29 states participated in the survey, which was conducted between August and September 2022. While state Chief Administrative Officers (CAOs) were the primary participants, deputies and other officers also participated. This paper refers to all respondents as CAOs. The survey focused on CAO priorities and challenges in human-capital management and customer experience for three functions: procurement, IT and technology, and fleet management. The survey questions drew from subject-matter experts on human-capital management, the public sector, and customer experience delivery, as well as NASCA members' experiences. NASCA vetted the survey questions to ensure that answers would reveal insights that were relevant and actionable for members. To preserve the anonymity of survey respondents, answers are not attributed to specific individuals or states.

2. **NASCA Nashville survey:** We surveyed CAOs at the NASCA conference in November 2022. Twenty-one state executives attending the conference in Nashville, Tennessee, were polled through an interactive workshop and shared additional insights and responses to the preliminary findings from the state chief administrators survey.

3. **CAO interviews:** We interviewed chiefs (for example, comptrollers and directors of general services) representing ten states about their aspirations, challenges, and priority initiatives.

All of these interactions reaffirmed that addressing talent management challenges is among the top priorities—and is often the top priority—for CAOs across the country.

Throughout the report, we refer to the CAO surveys and interviews as "our survey" or "our interviews" to differentiate them from other NASCA and McKinsey proprietary insights.

Table of contents

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Executive summary

Human-capital management is the top strategic focus for state Chief Administrative Officers (CAOs)—and with good reason. Since the pandemic began, the number of job vacancies in state and local governments has more than doubled.[1] CAOs are experiencing the challenges arising from the talent shortage in multiple ways. First, CAOs often provide human-capital-management services, such as hiring and training, to other state agencies. Second, CAOs themselves also need to find, develop, and retain a strong pool of talent, often with specialized skills, to provide services to agency counterparts. Solving the talent gap is thus a critical requirement for a CAO's effectiveness.

This white paper seeks to provide government leaders with insights they can use to compare state practices and inform forward-looking strategic decisions concerning talent management, with additional considerations for customer experience. The research is based on interviews with NASCA members and informed by previous NASCA reports on talent management in state government. It also draws on McKinsey research into public-sector employment issues. Key findings include the following:

An acute talent gap is affecting all functions under CAOs' purview. Job openings in state and local government rose by more than 150,000 between June 2021 and June 2022, while hiring rates remained stagnant. In addition, 72 percent of workers in the public and social sectors who left did not return to the same industries or left the workforce entirely between April 2020 and April 2022.[2] Demand for talent and a lack of qualified applicants across functions including procurement and IT are propelling the severe shortage in state employee labor. In addition to filling key roles, a survey of NASCA members identified "attracting and retaining talent" as the top lever that would improve customer experience for state procurement and IT services.

> Workplace flexibility is now essential in the public sector; our CAO survey indicates that extending flexible or hybrid work is a top three priority for recruitment and retention policy in the respondents' states.

Employees want more-flexible arrangements, including hybrid or remote work. States are currently providing a remote option for roughly 50 percent of work, compared with less than 5 percent before the pandemic. Workplace flexibility is now essential in the public sector; our CAO survey indicates that extending flexible or hybrid work is a top three priority for recruitment and retention policy in the respondents' states. More broadly, a recent McKinsey survey of 1,500 US public-sector employees found that more than one-third cite workplace flexibility as a reason to stay in a job—and about the same number say that the lack of workplace flexibility is a reason to leave.[3]

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1 "Job openings and labor turnover reports," US Bureau of Labor Statistics (BLS), accessed January 24, 2023. "Job vacancies" refers to the number of jobs not hired, relative to job openings.
2 Aaron De Smet, Bonnie Dowling, Bryan Hancock, and Bill Schaninger, "The Great Attrition is making hiring harder. Are you searching in the right talent pools?," *McKinsey Quarterly,* July 13, 2022.
3 "What workers want is changing. That could be good for government," McKinsey, October 26, 2022.
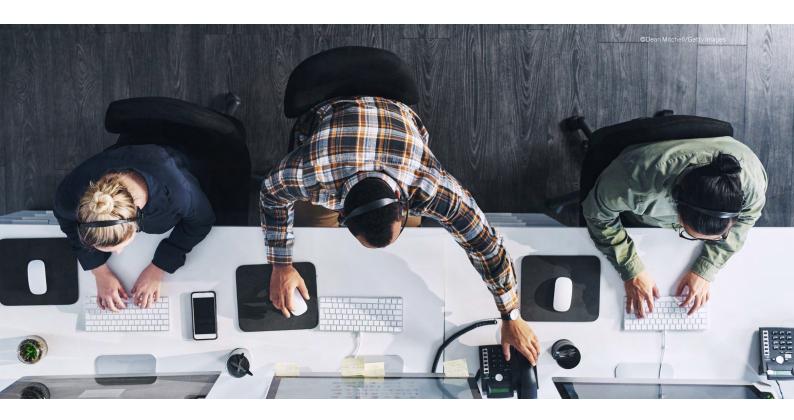
Leadership, career development, and diversity are additional employee value propositions that attract talent. CAOs could extend their focus beyond work flexibility to other employee value propositions (EVPs) as they seek to boost hiring and improve retention. In McKinsey's survey of public-sector employees, for example, US civil servants planning to leave cited a lack of career development opportunities, unhappiness with leadership, and compensation as their top reasons.[4] In contrast, the CAO survey indicated that less than 30 percent were prioritizing career development, and 10 percent said they intend to develop empathetic leadership.

CAOs are exploring unconventional sources of talent to help close the gap. States have expanded the geographies where they recruit talent. For example, the number of states that conduct priority recruiting in metropolitan areas outside of state capital regions has risen by 20 percent since the start of the pandemic, while the number of states designating state capital hiring as the top geographic priority has declined by 30 percent in the same period. States are also accessing talent pools that may be "state only" sources of talent. For example, partnerships with departments of corrections and refugee organizations allowed states to find qualified candidates in talent pools that may be less accessible to the private sector.

Improving citizen experience is ultimately linked to human-capital management. Serving citizens, residents, and businesses directly can inspire frontline staff and help with recruitment. CAOs will first need to overcome possible tensions in their approach to customer centricity. While they express an aspiration to improve the end-user experience, most of their work is done directly for internal government clients (see Box 2, "Championing citizen-centric processes across state government"). At the same time, human-capital management is clearly linked to customer experience. Among other examples, CAOs identified talent attraction and retention as the top priority to deliver improved customer experience.

In this paper, we look at possible solutions and options for leaders to broaden their reach, including to less-traditional recruits. Critical to these efforts will be formalizing flexible work as a priority EVP, piloting "state only" initiatives, and expanding the talent search outside the state capital.

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4 Ibid.

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Championing citizen-centric processes across state government

In a 2022 National Association of State Chief Administrators (NASCA) finding, state Chief Administrative Officers (CAOs) identified citizen-centric government processes as one of their top ten priorities.[1] Multiple CAOs echoed that sentiment during our interviews for this white paper. For example, one CAO talked about wanting to change the perception of the state's procurement office from an oversight and auditing entity to a customer service organization. A director expressed an ambition to emulate the operations of a well-known fast-food restaurant, noting the restaurant had achieved the highest customer service ranking for eight consecutive years.

The following considerations will be important for CAOs as states embark on transforming and delivering improved citizen-centric processes across state government.

CAOs can become champions for the ultimate end customers—citizens, residents, and businesses

Today, CAOs have multiple competing priorities, many of which they perceive as more important than improving citizen-centric processes. In our initial survey, CAOs ranked citizen-centric processes lowest among the top ten priorities (Exhibit 1). We conducted a follow-up survey during the NASCA conference in Nashville, Tennessee, to better understand the reasons for this ranking. Twenty-one state executives shared that their primary customers were internal stakeholders such as state agencies. None viewed their primary customers as citizens, residents, or businesses (Exhibit 2). When probed on this result, CAOs explained that their responsibilities were to support "clients" that are state agencies and that the impact on citizens, residents, and businesses was the responsibility of other agencies.

> One CAO explained that her organization needs to function 'as the set of central experts or "service agency," helping agencies understand what goods and services are the most important for them.'

As it stands, CAO organizations rely on state agencies to have a clear perspective of customer and citizen needs and the expertise to translate these needs into procurement, IT, and other service requirements. CAO organizations then receive these requirements and execute on the clients' suggestions.

However, many state agencies do not have the in-house expertise and capabilities to effectively translate their customer needs into optimized business requirements. One CAO explained that her organization needs to function "as the set of central experts or 'service agency,' helping agencies understand what goods and services are the most important for them."

Whether developing and managing real estate for an agency's customer service center or procuring services and managing vendors to modernize an agency's claims application technology, CAOs directly affect the way citizens and businesses experience state government. Embedding citizen centricity and developing a clear perspective of end users' needs can help CAO organizations become more effective service providers to internal clients.

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[1] "July 2022–June 2023 top ten core strategies for state chief administrators," NASCA, June 2022.

Exhibit 1

State Chief Administrative Officers believe their primary customers are internal stakeholders such as state agencies.

Top customer priorities,[1] % of respondents

State department and agency frontline staff | | Governer's office | Citizens and residents

63	26	5	5	0

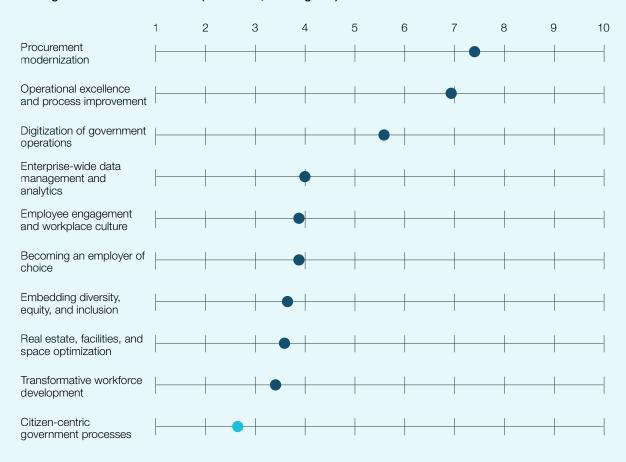State department and agency leaders | Legislative branch | Businesses and vendors | 0

Note: Figures do not sum to 100%, because of rounding.
[1]Question: "What is state CAO team's top 'customer' priority?" (n = 19)
Source: Based on live polling of attendees of NASCA Nashville Member Workshop, November 2, 2022

Exhibit 2

State Chief Administrative Officers cite citizen-centric government processes as the lowest of their top ten priorities.

Average rank on scale of 1 to 10 (1 = lowest, 10 = highest)

Priority	Rank
Procurement modernization	7.5
Operational excellence and process improvement	7
Digitization of government operations	5.5
Enterprise-wide data management and analytics	4
Employee engagement and workplace culture	4
Becoming an employer of choice	4
Embedding diversity, equity, and inclusion	3.5
Real estate, facilities, and space optimization	3.5
Transformative workforce development	3.5
Citizen-centric government processes	2.5

Source: NASCA and McKinsey joint research: CAO interviews (n = 12) and NASCA surveys, 2022 (n = 21 overall)

CAOs can prioritize measures that particularly affect customer experience

Even for internal clients, CAOs may have opportunities to select and deliver the priorities that have a particular impact on client experiences. For example, in procurement, CAOs say their organizations are most effective at safeguarding financial incentives—providing goods and services at "competitive rates." Yet less than 20 percent of respondents identified financial incentives as a top priority for clients.

At the same time, CAOs identified "ease of procuring" as their highest customer experience priority. Forty-one percent of CAOs responded that "ensuring a seamless end-to-end experience to procure services" is the most important client need. Yet CAOs also ranked "ease of procuring" as their lowest-performing goal (Exhibit 3).

Exhibit 3

State Chief Administrative Officers rank 'ease of procuring' as their highest customer experience priority.

Source: CAO interviews (n = 12) and NASCA surveys, 2022 (n = 21 overall)

Solving the challenge of managing human capital will also improve customer experience

In our initial survey, CAOs identified "talent and capabilities" as the most significant challenge for implementing future technology and digitalizing state government services, ranking it above other concerns such as "end-to-end system integration" and "data management" (Exhibit 4).
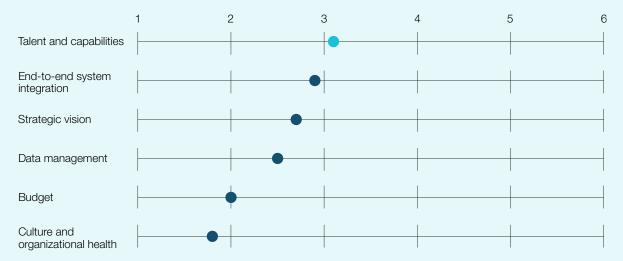
During our follow-up survey in Nashville, we asked CAOs to identify their top priority for improving customer experience in procurement and IT. CAOs identified "recruiting and retaining talent" as the top lever for procurement (50 percent of respondents) and IT services (54 percent).

The nexus between human-capital management and customer experience thus seems to be an important one: improving and solving near-term human-capital-management challenges and talent gaps will directly affect customer experience for both CAOs' direct customers (other state agencies) and their ultimate customers (their state's citizens, communities, and businesses).

Exhibit 4

State Chief Administrative Officers rank talent and capabilities as their top anticipated challenge in future technology implementation.

Average ranking of top anticipated challenge with respect to future technology implementation, scale of 1 to 6 (1 = lowest, 6 = highest)

Source: NASCA surveys, 2022 (n = 10)

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Human-capital management after the pandemic

From the onset of the COVID-19 pandemic, CAOs had to chart new territory as they looked to support state agencies. Among the radical changes that were needed, CAOs had to transition state services and their workforces from in-person to remote work almost overnight. In many cases, this change required them to develop new technologies and adapt statewide strategies for real estate and facilities. CAOs were also responsible for procuring personal protective equipment, ventilators, cold-storage units, and other medical supplies that were in chronically short supply globally as they sought to keep frontline staff and residents safe throughout the rapidly evolving phases of the pandemic. As part of this transition, their talent strategy and management also faced critical challenges. For instance, CAOs needed to redesign leave and telework policies and respond to the increasing demand for state employees at a time when many staff members were leaving their jobs. New staff hired during the pandemic sometimes went through remote training and onboarding as a result, with only limited in-person interaction with other agency staff. This made it difficult for CAOs and managers to build communities and teams.

By most accounts, CAOs across states not only demonstrated grit and determination in the face of these challenges but also have started to build on what they learned and experienced.

Now that the pandemic is subsiding in many states, CAOs face a challenge that is both old and new—that of human-capital management. For state governments, attracting and retaining staff has long been a challenge. And at a time of changing attitudes toward work and new demands for workplace flexibility,[5] this priority is more complicated—and more urgent—than ever.

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[5] Aaron De Smet, Bonnie Dowling, Marino Mugayar-Baldocchi, and Bill Schaninger, "'Great Attrition' or 'Great Attraction'?" The choice is yours," *McKinsey Quarterly,* September 8, 2021; Aaron De Smet, Bonnie Dowling, Marino Mugayar-Baldocchi, and Bill Schaninger, "Gone for now, or gone for good? How to play the new talent game and win back workers," *McKinsey Quarterly,* March 9, 2022.

Across the board, the talent gap is the priority

Addressing the talent gap has become the number-one priority for CAOs, in service to both other state agencies and the internal operations of the CAOs' organizations. Between June 2021 and June 2022, state and local government job vacancies (excluding in education) more than doubled.[6] Demand for talent was particularly acute in healthcare, law enforcement, corrections, IT, and engineering.[7] These talent challenges resulted in critical resource shortages that have restricted various government services.

This talent gap affects CAO operations. In a survey of NASCA members during the November 2022 Nashville executive members workshop, CAOs identified "recruiting and retaining talent" as the top lever that would improve customer experience for state procurement and IT services (Exhibit 2). Solving the talent gap has become a critical requirement to improving CAOs' own service delivery to their state agency clients. While the immediate focus may be to address current talent needs, CAOs also have the opportunity to strategically assess and design future workforce needs for states and their agencies.
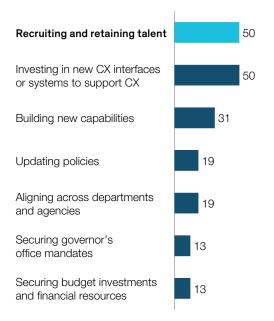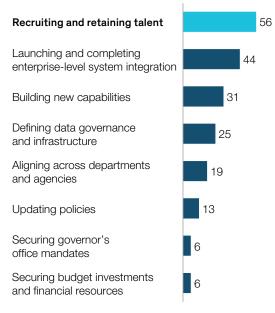
Exhibit 2

Recruiting and retaining talent is state Chief Administrative Officers' top priority for improving customer experience in procurement and IT.

Top priorities for improving customer experience (CX)

Procurement,[1] % of respondents[3]

Priority	%
Recruiting and retaining talent	50
Investing in new CX interfaces or systems to support CX	50
Building new capabilities	31
Updating policies	19
Aligning across departments and agencies	19
Securing governor's office mandates	13
Securing budget investments and financial resources	13

Total results: 31

IT and technology,[2] % of respondents[3]

Priority	%
Recruiting and retaining talent	56
Launching and completing enterprise-level system integration	44
Building new capabilities	31
Defining data governance and infrastructure	25
Aligning across departments and agencies	19
Updating policies	13
Securing governor's office mandates	6
Securing budget investments and financial resources	6

Total results: 32

[1]Question: "What are state CAO priorities in the next 1–2 years to improve CX in procurement? Please select the top two categories."
[2]Question: "What are state CAO priorities in the next 1–2 years to improve CX in IT and technology? Please select the top two categories."
[3]16 respondents providing 31 answers (procurement) and 32 answers (IT and technology).
Source: Based on live polling of attendees of NASCA Nashville Member Workshop, November 2, 2022

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[6] "Job openings and labor turnover reports," accessed January 24, 2023. "Job vacancies" refers to the number of jobs not hired, relative to job openings.
[7] State and Local Government Workforce Survey 2021, National Association of State Personnel Executives (NASPE), May 2021.

Workplace flexibility for the modern talent pool

Even before the pandemic, several states experimented with new ways of working, introducing remote and hybrid arrangements into their daily operations. For example, Tennessee started laying the groundwork for pioneering workplace flexibility in 2011—an effort documented by NASCA in a case study on Tennessee's Alternative Workplace Solutions initiative.[8] In 2019, the state further championed workers' ability to choose their environment as a major draw for recruiting younger workers and retaining experienced employees.[9] During the COVID-19 pandemic, which created a need for remote and hybrid work environments almost overnight, NASCA's bank of knowledge and experience was a great help to many states. During NASCA's September 2022 Summit on Operational Excellence, for instance, representatives from two other states characterized the innovations and learnings from Tennessee's example as one of the key sources of insights for their states' rapid transition to telework.

In the recent NASCA survey, 40 percent of respondents indicated that their states' current EVPs are 'limited and inconsistent,' while only 20 percent said they believed that their existing EVP 'resonates with target audiences.'

The flexible work options that states pioneered are slowly making their way into formal EVPs. In the recent NASCA survey, 40 percent of respondents indicated that their states' current EVPs are "limited and inconsistent," while only 20 percent said they believed that their existing EVP "resonates with target audiences." However, states are actively reviewing and revising their EVPs in an effort to make state government more attractive to a modern talent pool. At the top of the list is workplace flexibility, which more than 70 percent of CAOs identified as a priority value for state employees, followed by "meaningful work" (see Exhibit 3 and Box 3, "CAOs have an opportunity to focus on 'meaningful work.'")
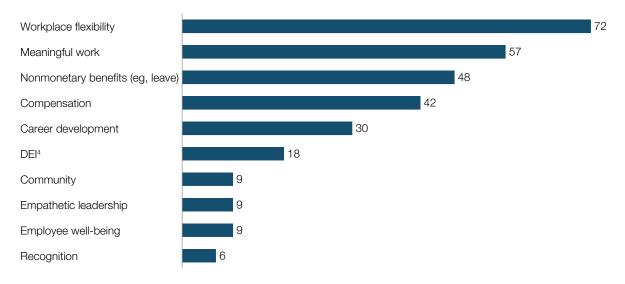
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8   "Tennessee's Alternative Workplace Solutions initiative: A case study developed for the 2017 NASCA Institute on Management and Leadership," NASCA, 2017.
9   *Job One 2019: Reimagine today's state government workforce,* NASCA, 2019.

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Exhibit 3

State Chief Administrative Officers rank workplace flexibility and meaningful work as top value propositions for talent acquisition and retention.

Top EVPs[1] for talent acquisition and retention,[2] % of respondents[3]

Workplace flexibility	72
Meaningful work	57
Nonmonetary benefits (eg, leave)	48
Compensation	42
Career development	30
DEI[4]	18
Community	9
Empathetic leadership	9
Employee well-being	9
Recognition	6

[1]Employee value propositions.
[2]Question: "What are your top three employee value propositions to improve talent acquisition and retention?"
[3]21 respondents providing 63 answers.
[4]Diversity, equity, and inclusion.
Source: Based on live polling of attendees of NASCA Nashville Member Workshop, November 2, 2022

■ Box 3

CAOs have an opportunity to focus on 'meaningful work'

While talent attraction and retention is a challenge for state government, McKinsey research finds that the public sector has some advantages over the private sector that it could leverage in the race for talent. The research shows that today's workers want more than just a paycheck. They want their jobs to have meaning and purpose—and that is what public service is all about. In fact, 41 percent of public-sector employees planning to stay in their role cited "meaningful work" as a primary reason.[1]

State Chief Administrative Officers (CAOs) intuitively understand those employee expectations. Fifty-seven percent of CAOs responding to the NASCA survey said "meaningful work" was a top three element of their employee value proposition (EVP) for state employees. CAOs could build on the public sector's bedrock proposition of meaning and purpose to appeal to today's workers. More specifically, CAOs can help frontline staff see the connection between their daily work and its positive impact on citizens, residents, and businesses and thereby amplify their value proposition of meaningful work.

[1] "What workers want is changing. That could be good for government," McKinsey, October 2022.

Workplace flexibility can take many forms. In the case of state CAOs, the current focus of "flexible work" appears to be in the form of expanding hybrid and remote work (see Box 4, "CAOs are concerned about long-term productivity in a hybrid work model").
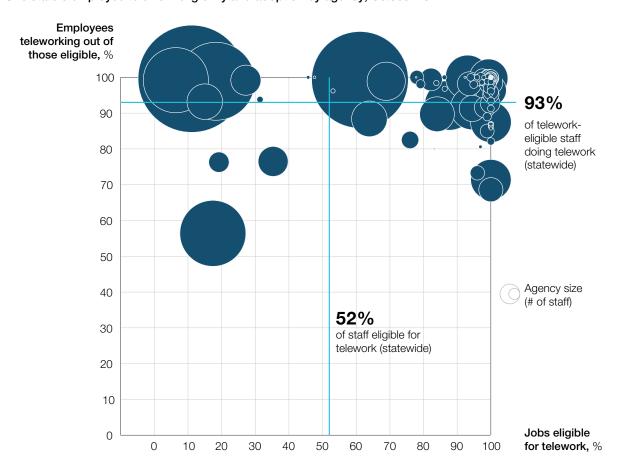
For example, one state enacted a statewide initiative for hybrid work, tasking the state's CAO to coordinate across all state agencies. The CAO team held collective-labor negotiations and embedded telework into policy in the midst of the COVID-19 pandemic. As a result, 57 percent of staff were deemed eligible for telework, and 92 percent of eligible employees started working remotely for at least part of the week.

While statewide telework adoption exceeded 90 percent, this state's experience indicates that each agency may have specific challenges that impede the adoption of telework. For example, some agencies had more than 90 percent telework adoption for the limited number of staff who were eligible; other agencies that had a higher percentage of staff eligible for telework observed less than 80 percent uptake (Exhibit 4). Clearly understanding agency-level culture, management practices, technology, and operating models can help CAOs proactively support other agencies to maximize the benefits of flexible work environments.

Exhibit 4

One state identified that 52 percent of its workforce is eligible for telework and that 93 percent of those eligible have started teleworking.

One state's employee telework eligibility and adoption by agency, October 2022

Source: Public telework dashboard data from one state

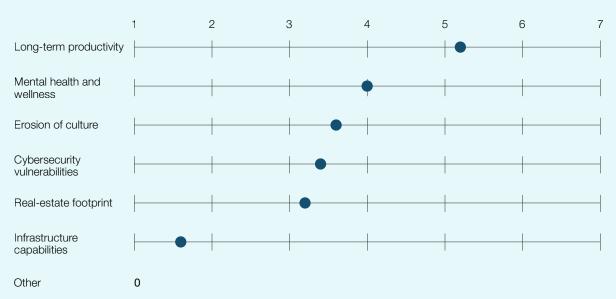## CAOs are concerned about long-term productivity in a hybrid work model

Global attitudes about workplace flexibility have shifted since the pandemic began, with employees prioritizing remote work. "In an employee market, the first question a prospective employee is asking is whether this job is remote," said a state leader, highlighting the importance of workplace flexibility. States have responded to the change in employee preferences by providing a remote option for 48 percent of work postpandemic, compared with 3 percent prepandemic.

Many state Chief Administrative Officers (CAOs) are embracing this change. But like other managers across industries, they remain concerned about the impact it may have on long-term productivity (exhibit).

Exhibit

State Chief Administrative Officers are concerned about the effect of hybrid work models on long-term productivity.

Rank of strategic implications of hybrid work models, scale of 1 to 7 (1 = lowest, 7 = highest)

	1	2	3	4	5	6	7
Long-term productivity					●		
Mental health and wellness				●			
Erosion of culture			●				
Cybersecurity vulnerabilities			●				
Real-estate footprint			●				
Infrastructure capabilities	●						
Other	0						

Source: NASCA surveys, 2022 (n = 5)

Managing staff productivity in a virtual environment may require new operating models for agency leadership as well as new skills and approaches for frontline managers and supervisors. For example, productivity goals may no longer be relevant and may not reflect new technology and ways of working. Managers may not have the same level of immediate visibility into staff performance, because traditional techniques such as "walking the floor" are not available. Staff may perceive feedback, training, and other developmental activities, often conducted virtually or through digital means, as less important or effective. Lack of in-person interactions creates challenges in building and sustaining a unified culture within teams.[1]

Faced with the performance management challenges heightened by the hybrid environment, CAOs are rightly concerned about the long-term productivity implications. CAOs are not alone in facing these challenges; leaders across industries are trying to find the right balance of new ways of working to deliver for their customers. While no state has solved the equation for hybrid performance management, several have started evolving operating models to help frontline managers adjust the way they manage their teams in the hybrid environment. For example, one state rapidly migrated statewide performance management tools to the cloud to provide enhanced visibility to managers working from home. Another state agency was intentional in transforming staff and managerial training adapted to the hybrid work environment, condensing more than 400 pages of complex onboarding materials into a simplified set of digital job aids that staff could use in a live work setting. Looking to the future, the National Association of State Chief Administrators (NASCA) can serve as an important channel for CAOs to share learnings from these experiments and adaptations.

While no state has solved the equation for hybrid performance management, several have started evolving operating models to help frontline managers adjust the way they manage their teams in the hybrid environment.

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[1] This situation is not unique to the public sector, and leaders across industries are working through these challenges. See Lynda Gratton, "How to do hybrid right," *Harvard Business Review,* May–June 2021; "Performance development in a remote or hybrid workplace," MIT Human Resources, accessed January 24, 2023; and "Performance management hybrid workplace tips for leadership," US Office of Personnel Management, accessed January 24, 2023.

Adding EVP opportunities in leadership and career development

Flexible work is an important focus for CAOs as they seek to attract candidates for open positions. But it is not the only aspect that counts for would-be candidates. Other employee value propositions are also significant, including opportunities for leadership and career development and a workplace that respects and prioritizes diversity. In fact, a McKinsey survey of 1,500 US public-sector workers revealed unhappiness with leadership and a lack of career development as top reasons respondents left their jobs (Exhibit 5).[10]

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[10] "What workers want is changing," October 26, 2022.

Exhibit 5

Career development and leadership are top reasons public-sector employees cite for leaving their current role.

Public-sector employees planning to stay at or leave current role in the next 3–6 months

■ Top 3 EVPs[1] that CAOs[2] are prioritizing[3]   □ Other potential EVPs[1]   ■ Top reasons for leaving that CAOs[2] are not prioritizing

Reasons for staying, % of respondents (n = 1,118)

Compensation	61
Meaningful work	41
Workplace flexibility	35
Geography	31
Expectations	28
Colleagues	23
Workplace safety	19
Career development	18
Well-being	17
Community	11
Leadership	9
Resources	6

Reasons for leaving,[4] % of respondents (n = 385)

Career development	45
Leadership	42
Compensation	38
Workplace inflexibility	30
Meaningless work	25
Colleagues	24
Expectations	23
Well-being	18
Community	16
Workplace safety	14
Resources	13
Geography	12

[1]Employee value propositions.
[2]State Chief Administrative Officers.
[3]Based on live polling of attendees of NASCA Nashville Member Workshop, November 2, 2022 (n = 21).
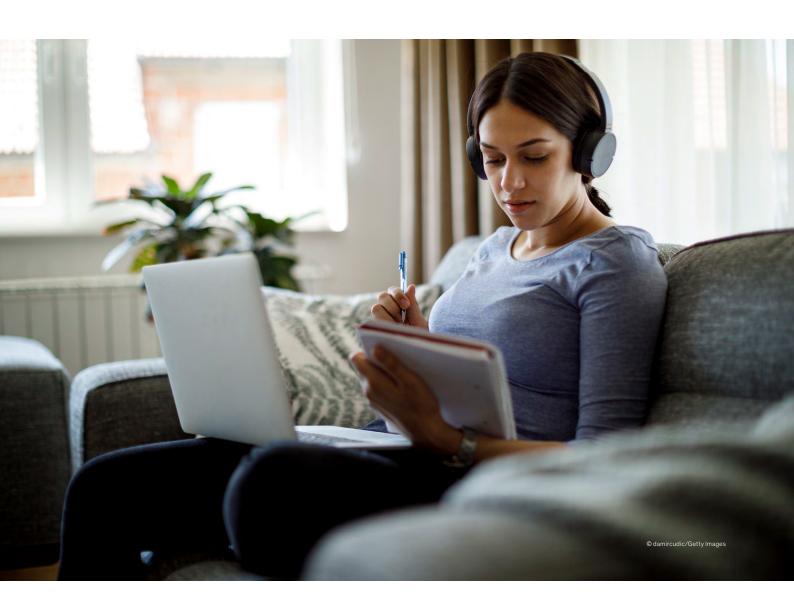[4]Includes individuals who quit or retired, as well as other separations.
Source: McKinsey Great Attrition 2.0 Survey, April 2022, n = 1,503 for the public sector in the US

McKinsey & Company

Leading organizations in the private sector understand the importance of embedding development opportunities throughout the employee journey, including for diverse candidates (see Box 5, "Creating a more diverse workplace"). However, less than 30 percent of CAOs said they prioritized career development as part of their EVP. Furthermore, less than 10 percent of CAOs designated intent to develop "empathetic leaders" as a priority, despite unhappiness with leadership being the second-highest reason workers planned to leave.

Less than 10 percent of CAOs designated intent to develop 'empathetic leaders' as a priority, despite unhappiness with leadership being the second-highest reason workers planned to leave.

Government agencies could emulate the private sector by offering tailored training and development opportunities to upskill employees. During the early stages of the pandemic, for example, several government agencies turned the disruption to their advantage and offered additional virtual, asynchronous training and development opportunities to employees, particularly for digital and technology upskilling.

© damircudic/Getty Images

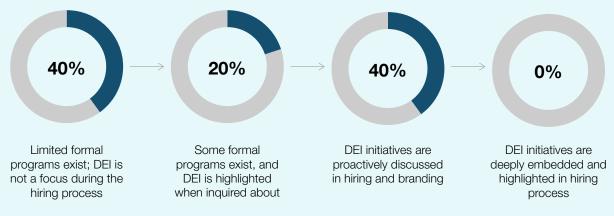## Creating a more diverse workplace

McKinsey research indicates that less than 20 percent of public-sector employees stayed in or left their roles due to "community." While this share may appear relatively low overall, community may be a more critical factor for underrepresented demographics. During our research interviews, several state Chief Administrative Officers (CAOs) expressed similar sentiments. For example, one CAO said that state leaders had inadvertently created a workforce that was less diverse than the state's general population by focusing talent attraction in the state's capital, which is disproportionately White.

In the November 2022 Nashville survey, less than 20 percent of CAOs said diversity, equity, and inclusion (DEI) was a priority employee value proposition (EVP), while the September survey revealed that less than 40 percent of states are proactively discussing DEI in hiring and branding today (exhibit).

Exhibit

Sixty percent of state Chief Administrative Officers indicated having a diversity, equity, and inclusion program for talent attraction.

Defining performance in diversity, equity, and inclusion (DEI) programs

40%	20%	40%	0%
Limited formal programs exist; DEI is not a focus during the hiring process	Some formal programs exist, and DEI is highlighted when inquired about	DEI initiatives are proactively discussed in hiring and branding	DEI initiatives are deeply embedded and highlighted in hiring process

Source: NASCA surveys, 2022 (n = 5)

But other research indicates that CAOs would do well to make DEI a priority EVP. According to McKinsey research,[1] companies where women account for 30 percent or more of leadership roles are likely to outperform companies in the 10 to 30 percent range. In turn, those companies are likely to outperform those with fewer or no women on executive teams.

Prioritizing diversity in ethnicity has even more compelling results. The same McKinsey research showed that companies in the top quartile of ethnic diversity are 36 percent more profitable than those in the fourth. Overall, companies are more likely to outperform if they have a higher percentage of diversity in ethnicity than in gender.

The disconnect in diversity presents an opportunity for CAOs to access new talent demographics their states may not have traditionally prioritized and to retain and develop underrepresented workers who are already on staff.

[1] Sundiatu Dixon-Fyle, Kevin Dolan, Vivian Hunt, and Sara Prince, "Diversity wins: How inclusion matters," McKinsey, May 19, 2020.

Casting a wider net for talent

CAOs have a number of ways to tap into the talent they need. These include casting a wider net by looking for talent beyond the state capital and piloting "state only" talent initiatives.

Expanding the talent search beyond the state capital

Geographic diversity within a state can help CAOs build a strong talent pool. The federal government has a long history of expanding its talent sources from outside the capital region. For instance, the Department of Agriculture relocated some of its research divisions to the Midwest in a deliberate attempt to expand and diversify the agency's talent outside of Washington, DC.[11] More broadly, the US Office of Personnel Management reports that more than 80 percent of federal civilian employees reside outside of Washington, DC, and the surrounding states.[12]

One of the advantages of remote and hybrid work is that it lifts regional restrictions on recruiting and allows states to cast a wider net for talent. Indeed, prior to the pandemic, 80 percent of surveyed states considered the state capital the main source of talent; now, only 50 percent of respondents say their state continues to prioritize the capital while diverting more resources to sourcing talent from larger metropolitan cities and broader nonmetropolitan areas.

For example, one state is piloting employee hubs in multiple regions throughout the state to capitalize on remote talent and to expand the talent pool. CAOs may have the opportunity to link their state's real-estate strategy with future workforce plans and to strategically invest in developing locations where new pockets of talent could be accessed.

In addition, many private-sector players are figuring out how to make the "future of work" work for them. This includes finding new ways to tap into talent from regions outside their core operations. Therefore, states could follow and continue to learn from these experiments and broader trends in the labor market.

Piloting 'state only' initiatives

As representatives of state government, CAOs have access to groups, channels, data, and other resources that the private sector cannot reach. The examples below represent talent recruiting initiatives and pilots that CAOs shared during our August and September interviews.

Linking a state's job vacancies to the unemployment insurance claimant and job service database. One state's CAO emphasized the importance of integrating the state's labor agency into solving its broader talent gap challenges. State labor agencies directly serve unemployed individuals who are seeking jobs in the moment, and these agencies often possess additional information on past employers and job experience. Digitalization and analytics could help CAOs rapidly identify and access active job seekers, providing opportunities to promote state positions that are vacant and fit individuals' skill sets and experience.

Welcoming and hiring refugees. One state had a large number of refugees from Afghanistan and Ukraine, many of whom were highly skilled and seeking opportunities. State government representatives were often among the first points of contact for these refugees. The state proactively promoted open job postings to the refugee community, helping refugees more easily assimilate into their new environment and culture and creating a new pool of talent that the state is well positioned to access.

Partnering with departments of corrections. One state's CAO organization partnered with its corrections department to teach incarcerated people new skills, including computer coding and other abilities that were in critical shortage in the state government. After release and with appropriate screening, they were then offered job opportunities in state agencies, with a focus on web development and webmaster jobs.

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[11] "Secretary Perdue announces Kansas City region as location for ERS and NIFA," US Department of Agriculture, June 13, 2019.
[12] "Federal civilian employment," US Office of Personnel Management, September 2017.

Reaching for resources across sectors

CAOs have also tapped into resources across sectors. For example, public-service internships and tech platforms hold promise as diverse pathways to finding and recruiting talent.

Partnering with higher education. Long-standing partnerships between public institutions and higher education include the White House Fellows program, launched in 1964. Many states are building on these kinds of partnerships with internship opportunities for undergraduate and graduate students. One state is building relationships with leading universities throughout the country to allow students to gain experience in public service through internships. Many student interns become full-time employees of state agencies.

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Developing partnerships with technology platforms. One state created a centralized CAO account to consolidate the multiple HR technology accounts used by various divisions. In addition, the CAO is capitalizing on the larger size of the consolidated account to explore strategic partnership opportunities with the tech platform.

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Conclusion

Among the top ten strategic priorities that state chief administrators identified (Exhibit 6),[13] "becoming an employer of choice" may be a foundational requirement to enable many of the other strategic priorities, including digitalization of government operations, procurement modernization, and citizen-centric government processes. CAOs have consistently identified "talent attraction and retention" as the top priority for improving CAO services, including procurement and IT and technology.

[13] "July 2022–June 2023 top ten core strategies for state chief administrators," NASCA, June 2022.

Exhibit 6

NASCA and state Chief Administrative Officers identified ten core strategies and priorities for 2022 and 2023.

Digitalization of government operations

Transformative workforce development

Real estate, facilities, and space optimization

Employee engagement and workplace culture

Becoming an employer of choice

Citizen-centric government processes

Embedding diversity, equity, and inclusion into government operations

Procurement modernization

Enterprise-wide data management and analytics

Operational excellence and process improvement

Source: "July 2022–June 2023: Top ten core strategies for state chief administrators," NASCA, June 2022

In this paper, we have focused on a number of short-term actions that CAOs are beginning to implement in response to talent challenges. For example, CAOs are doing the following:

— **redesigning states' employee value propositions** so that they match the reasons individuals are attracted to and remain in public-sector work

— **expanding the geographic and demographic sources of talent** outside of prepandemic priorities

— **identifying "state only" initiatives**, creatively leveraging data and contact points that only state government can access

These initiatives could contribute to significant progress. We have also identified additional opportunities that CAOs could consider in both the near and longer term to transform talent strategies and create sustainable change:

— **Cultivate effective and inspiring leadership.** Ensure that leaders are equipped with the skills, resources, and capabilities to lead effectively in the new normal. Encourage leaders to drive efforts to motivate and inspire others by highlighting inspiring government work.

— **Ensure that the mission comes first in daily work.** Reinforce meaning and purpose by linking day-to-day activities to the overarching goals of the state government. Boost motivation and engagement by recognizing employees at all levels for how their individual contributions support the CAO's broader agency mission of helping fellow agencies improve communities and the lives of citizens.

— **Prioritize continuous people development.** Ensure that development opportunities are embedded throughout the employee journey. Offer tailored personal learning and growth trajectories to upskill employees and cultivate a culture of inclusion and belonging. Take advantage of remote work by offering more virtual, asynchronous training and development opportunities.

— **Build a robust people analytics function.** Implement performance management systems tied to simple reporting metrics to ensure that workforce initiatives are delivering on key goals. Accelerate hiring and weed out bias by integrating data and analytics into HR processes and decision making.

— **Develop new approaches to customer centricity to strengthen ties with citizens.** CAOs can reap a dual benefit by becoming champions for citizen-centric processes, focusing on the outcomes and experiences for end users. As an EVP, improving citizen outcomes and experiences is core to helping staff understand the meaning and purpose of their roles. Furthermore, CAOs recognize that state agencies (that is, clients) may require the expertise of CAO organizations to convert customer needs into business requirements.

CAOs have a critical role to play in transforming states' human-capital management to make their states employers of choice for talented and motivated workers.

Human-capital management has risen to the top of challenges that CAOs face today. As states begin to implement a multitude of initiatives to fill near-term job vacancies and close gaps, CAOs have a critical role to play in transforming states' human-capital management to make their states employers of choice for talented and motivated workers.

About NASCA

Founded in 1976, the National Association of State Chief Administrators (NASCA), is a nonprofit, 501(c)3 association representing state Chief Administrative Officers (CAOs)—public officials in charge of departments that provide support services to other state agencies. NASCA provides a forum for CAOs to exchange information and learn new ideas from each other and private partners. NASCA's mission is to help state CAOs and their teams strategically transform state government operations through the power of shared knowledge and thought leadership.

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