

# Comparing the priorities of state agencies and the private sector

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STATE ISSUE BRIEF 02  
STATE & PRIVATE SECTOR PRIORITIES  
JUNE 2009

# COMPARING THE PRIORITIES OF STATE AGENCIES AND THE PRIVATE SECTOR

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This Issue Brief is one of the resources prepared for managers and supervisors as part of the States as Employers-of-Choice project. Questions about this Issue Brief or the overall project can be directed to either Tay McNamara at Boston College (mcnamatd@bc.edu) or Bob Davis at the Twiga Foundation, Inc. (davismcs@msn.com).

### Acknowledgments

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We would also like to express our appreciation to the representatives of 222 agencies from 22 states who took the time to respond to the survey questions.

### States as Employers-of-Choice

A Collaborative Project of the Twiga Foundation, Inc., and the Sloan Center on Aging & Work

Report prepared by Melissa Brown, Michelle Wong & Tay McNamara, PhD.

## INTRODUCTION

This second in a series of Issue Briefs highlighting the findings from the States as Employers-of-Choice Survey focuses on state agencies' priorities. The States as Employers-of-Choice Survey was conducted in order to assess state agencies' level of awareness and understanding of demographic changes, help them assess their response to the aging workforce, and contribute to planning for possible action steps.

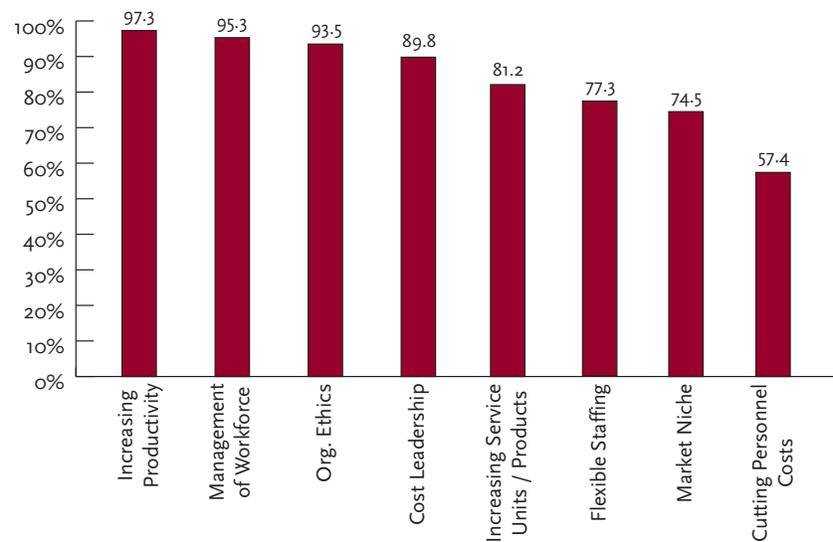
This Issue Brief discusses the results of the priorities component of the States as Employers-of-Choice Survey and focuses in particular on how the state agency priorities contrast with those of the private sector. As a comparison, this Issue Brief uses results from the National Study of Business Strategy and Workforce Development, a 2006 survey of for-profit and nonprofit organizations in the private sector that also examined, among other things, organizational priorities in the private sector.<sup>1</sup>



### WHAT ARE STATE AGENCIES' PRIORITIES?

The top four priorities ranked as “important” or “very important” among state agencies were: increasing productivity through increased efficiency, management of workforce talent, organizational ethics, and cost leadership. **Figure 1** ranks all of the state agency priorities.

Figure 1: State Agency Priorities: % of Respondent Agencies Ranking Priority as “Important” or “Very Important”



Research on public sector management has considered how agencies identify priorities and how agencies' priorities relate to their overall performance. As a great deal of this research has focused on strategies to increase productivity in the public sector, it is not surprising that nearly all state agencies in the States as Employers-of-Choice Survey also recognized this as a major priority. Increasing productivity through increased efficiency can be a critical strategy to meeting agency objectives.

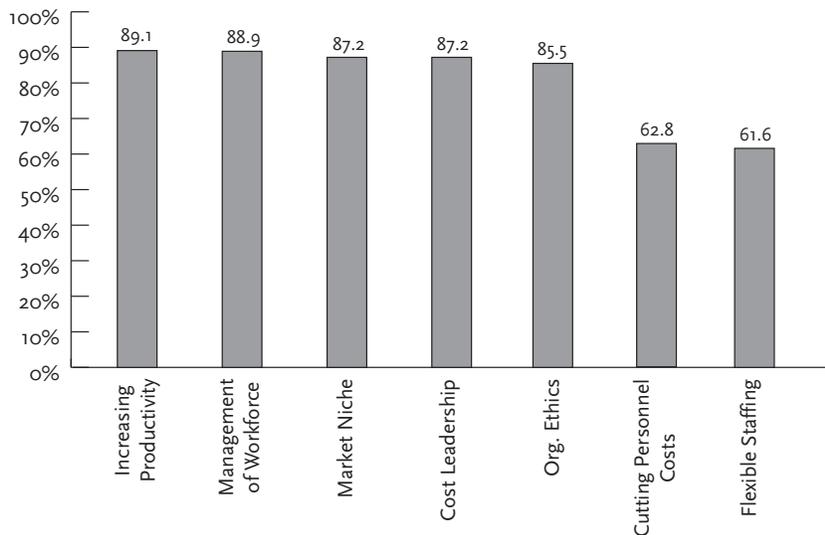
The second priority as ranked by state agencies in the States as Employers-of-Choice Study—managing workforce talent—has also garnered attention in the research on public sector management. In the federal government, for instance, the U.S. Office of Personnel Management has focused on implementing initiatives to improve human resources practices.<sup>2</sup> Similarly, agencies in the States as Employers-of-Choice study identified effective workforce management as critical to meeting agency objectives, whereas ineffective practices were deemed as threats.

Research on public sector management has also acknowledged organizational ethics as “a matter of substantial and increasing concern in public management.”<sup>3</sup> Likewise, in the Employers-of-Choice Survey, 93.5% of state agencies recognized organizational ethics as an “important” or “very important” priority. When asked about opportunities to help fulfill their mission, agencies identified providing ethics training as one such opportunity.

### WHAT ARE PRIVATE SECTOR PRIORITIES?

The top priorities identified by private employers in the National Study were: productivity, managing the workforce effectively, expanding market niche, and cost leadership. Of these top four priorities, three of them (productivity, managing the workforce effectively, and cost leadership) were also among the top four priorities in the public sector. Figure 2 ranks all of the private sector priorities.

Figure 2: Private Sector Priorities: % of Respondent Agencies Ranking Priority as “Important” or “Very Important”



Productivity has long been a focus for researchers in the private sector<sup>4</sup>, a trend that will likely continue as organizations try to increase efficiency in the current economic climate. Notably, the respondents in the National Study also ranked increased productivity as their highest priority. When asked about potential opportunities to enhance organizational outcomes, respondents frequently cited improving productivity as one way to better overall performance.

Just as in the public sector, research in the private sector has shown that effective

workforce management is an important priority. Businesses agree that managing human resources talent is one of their greatest challenges to becoming successful.<sup>5</sup> Interestingly, respondents in the National Study identified workforce management as both an opportunity and a threat to organizational performance. Workforce management practices can have a significant impact an organization's ability to recruit, train, and retain the workforce talent needed to meet organizational objectives.

Lastly, research has highlighted the importance of market niche in the private sector due to the benefits it provides, such as long-term profitability and customer retention.<sup>6</sup> Respondents in the National Study also perceived developing market niche as a chief priority. In particular, private sector employers identified securing a market share and expanding into new markets as opportunities to meet organizational goals.



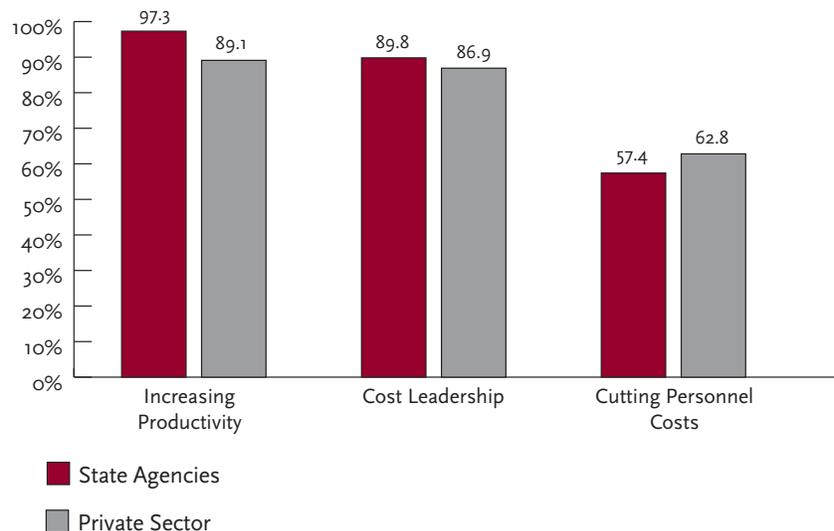
## HOW DO STATE AGENCY PRIORITIES COMPARE WITH THE PRIVATE SECTOR?

In comparing the results from the States as Employers-of-Choice Survey with those from the National Study of Business Strategy and Workforce Development, some noticeable similarities and differences emerged.

### A. Financial Priorities

Both the States as Employers-of-Choice Survey and the National Study of Business Strategy and Workforce Development asked questions regarding the following financial priorities: increasing productivity through increased efficiency, cost leadership, and cutting personnel expenses. As depicted in Figure 3 below, the most important financial priority for both state agencies and private employers was increasing productivity, which ranked the highest among the entire list of concerns. As shown below, cutting personnel costs was the only financial priority that the private sector felt was a more pressing concern than did the public sector.

Figure 3: Financial Priorities in State Agencies and Private Sector



Although state agencies and private businesses both perceive increasing productivity through increased efficiency as a top priority, they may face a number of impediments in their efforts to improve productivity. When asked about the top threats that could make it difficult for the agency to fulfill its mission, decreases in funding/revenue and an inability to recruit and retain the staff needed were common threats cited by both state agencies and private businesses.

Despite these concerns, agencies also recognized opportunities to ensure they had the talented workforce needed to meet their objectives. For example, agencies identified leadership training and knowledge transfer as opportunities to ensure institutional knowledge was retained in light of the aging of the workforce.

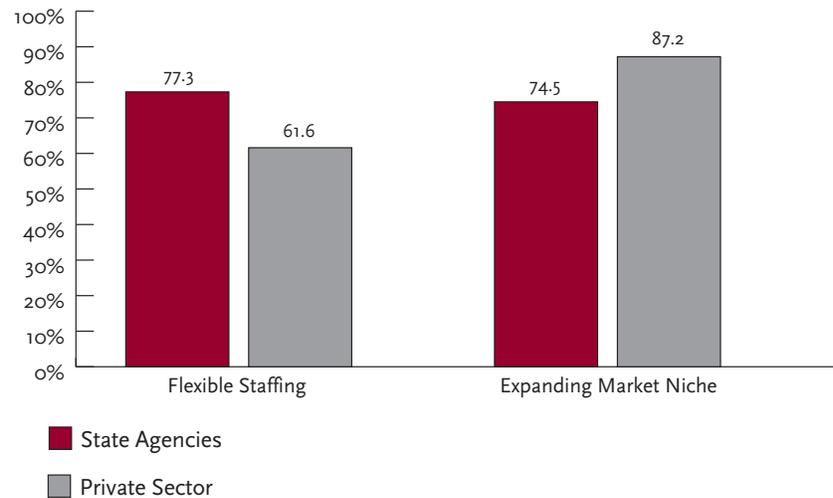
Lastly, cost leadership (i.e., reducing economic costs below those of competitors), was identified as a priority in both the private sector and public agencies.<sup>7</sup> As 89.8% of state agencies in the Employers-of-Choice Survey cited it as an “important” or “very important” priority, it is clear that state agencies recognize that they are competition with other service providers. For example, public transportation agencies must compete with taxis, whereas private health clinics may offer some of the same services provided by public health agencies. To remain competitive, state agencies must identify ways to reduce costs while continuing to deliver a high quality of services to consumers.

Given the current economic climate, it is not surprising that such a large percentage of agencies identified these financial concerns as high priorities. The vast majority of states are facing budget shortfalls in 2009, which are projected to continue into 2010 for many of these states. As a result, a number of states have been forced to cut expenditures, including implementing reductions to the state workforce. Attention to cost is essential to ensuring that state agencies can continue to meet their objectives despite a decreased workforce and, for many agencies, an increase in demand for services.<sup>8</sup>

### *B. Substantial Differences in the Public and Private Sectors*

In comparing these two surveys, there were substantial differences between the public and private sector responses to flexible staffing and expanding market niche. State agencies may prioritize flexible staffing to a greater extent than the private sector due to differences in workforce demographics. As nearly a quarter of the workforce in state governments is 55 years of age or older (compared to 16.7% in the private sector)<sup>9</sup>, offering flexible staffing can be one strategy agencies use to retain older workers and recruit workforce talent. Notably, expanding market niche was one of only two variables that the private sector believed was more important than did the public sector. This is not surprising considering that private sector organizations must market their products and services, whereas the roles and responsibilities of state agencies are typically very well defined.

Figure 4: Different Priorities in State Agencies and Private Sector



### C. Opportunities in the Public and Private Sectors

Examining priorities in the context of changing workforce demographics can help employers focus on the opportunities that are available in their agency or business. Respondents from both the States as Employers-of-Choice Survey and the National Study acknowledged that the aging of the workforce is a threat to their organization because of “loss of institutional knowledge with baby boomer retirements” and “brain drain when skilled folks retire.”

Some respondents, however, realized that such changes provide opportunities as well, citing “phased retirement/aging workforce opportunities” as one of the top three prospects to improve their organization. Understanding these changing workforce demographics can assist both state agencies and the private sector in formulating the proper strategies to effectively meet their priorities.

## CONCLUSION

Many of the priorities indicated by state agencies as “important” or “very important” are priorities shared by the private sector. In addition, many of the opportunities and threats identified by state agencies that can help or hinder them in meeting these priorities were also noted by private sector employers. For example, both state agencies and private sector employers identified increasing productivity through increased efficiency and management of the workforce as top priorities. In addition, they also recognized the aging of the workforce as both a challenge and an opportunity in terms of meeting these priorities and other organizational objectives.

Remarkably, state agencies and private sector employers also identified opportunities to meet this challenge: flexible work arrangements. Offering flexible work options can be one strategy organizations utilize to encourage older workers to work past traditional retirement age, as most older workers who want to remain in the workforce state that the typical 8-hour day/5-day workweek is not the employment structure they desire. Providing employees access to flexible work options can be a cost-effective way to recruit skilled applicants and retain workforce talent.

## *Organizations*

The Sloan Center on Aging & Work at Boston College promotes quality of employment as an imperative for the 21st century multi-generational workforce. We integrate evidence from research with insights from workplace experiences to inform innovative organizational decision-making. Collaborating with business leaders and scholars in a multi-disciplinary dialogue, the Center develops the next generation of knowledge and talent management.

The Twiga Foundation, Inc., founded in 2005, is a nonprofit corporation dedicated to inspiring, promoting, and maintaining family consciousness at home, in the workplace, and in the community. Workplace flexibility is a key component in addressing the mismatch between the workplace and family needs. The Twiga Foundation's efforts are centered on bringing to light an understanding of workplace flexibility as a good business strategy that, additionally, helps to insure a strong workforce for the future.

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### *At a Glance: The States as Employers-of-Choice Study*

The States as Employers-of-Choice Project is a collaborative initiative being implemented by the Twiga Foundation, Inc., and the Sloan Center on Aging & Work at Boston College. This project is supported by the Alfred P. Sloan Foundation. The 2-year project provides resources to HR managers at state agencies so that they can respond to shifts in the age demographics of the workforce.

The States as Employers-of-Choice Study is one component of the overall project. Data collection began in spring 2008 and was concluded in fall 2008.

A total of 222 agencies from 22 states responded to the online survey used to gather information.

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Additional Publications from the States as Employers-of-Choice Project Include:

*State Research Highlight:*

- States as Employers-of-Choice (March 2009)

*State Issue Briefs:*

- Flexible Work Options in State Agencies (June 2009)
- Comparing the Priorities of State Agencies and the Private Sector (June 2009)

*State Fact Sheets:*

- State Population Aged 55+ with College Degree (March 2009)
- State Unemployment Rates for Persons Aged 55+ (January 2009)
- State Unemployment Rates\_by Age Group (June 2008)
- State Government Workforce\_by Age Group (June 2008)