



MANAGING TALENT IN SMALLER MUNICIPALITIES

A REPORT FOR THE AMCTO DIPLOMA IN MUNICIPAL
ADMINISTRATION (DMA)

*WITH WORKFORCE DEMOGRAPHICS CHANGING RAPIDLY, ARE MUNICIPALITIES
TAKING THE APPROPRIATE STEPS TO ENSURE THE TIMELY AND EFFECTIVE TRANSFER
OF KNOWLEDGE?*

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Executive Summary

In an effort to add value to the way in which smaller municipalities manage human capital assets, this report examines the topic of talent management. This report dives into the subject of the looming staffing crisis and changing workforce demographics as baby boomers retire and Gen Z enters the workforce. It reviews the current literature surrounding talent management and how the public sector has responded. It inspects how and why municipalities should implement talent management initiatives to address the impending staffing and knowledge crisis.

The purpose of this report is to educate readers on the topic of talent management and motivate smaller municipalities to begin to allocate resources for talent management strategies in order to attract and retain staff that could otherwise be lost to the private sector or to larger municipalities. Talent management strategies also help to facilitate the transfer of knowledge as key municipal employees prepare for retirement.

The challenge for many municipalities, regardless of size, is where to begin. To add to the complexity of talent management in smaller municipalities there is a lack of resources available for human resource initiatives in general. There is no universal approach or “guide” on how to implement talent management strategies, but this report does attempt to give a few simple steps on how to get started.

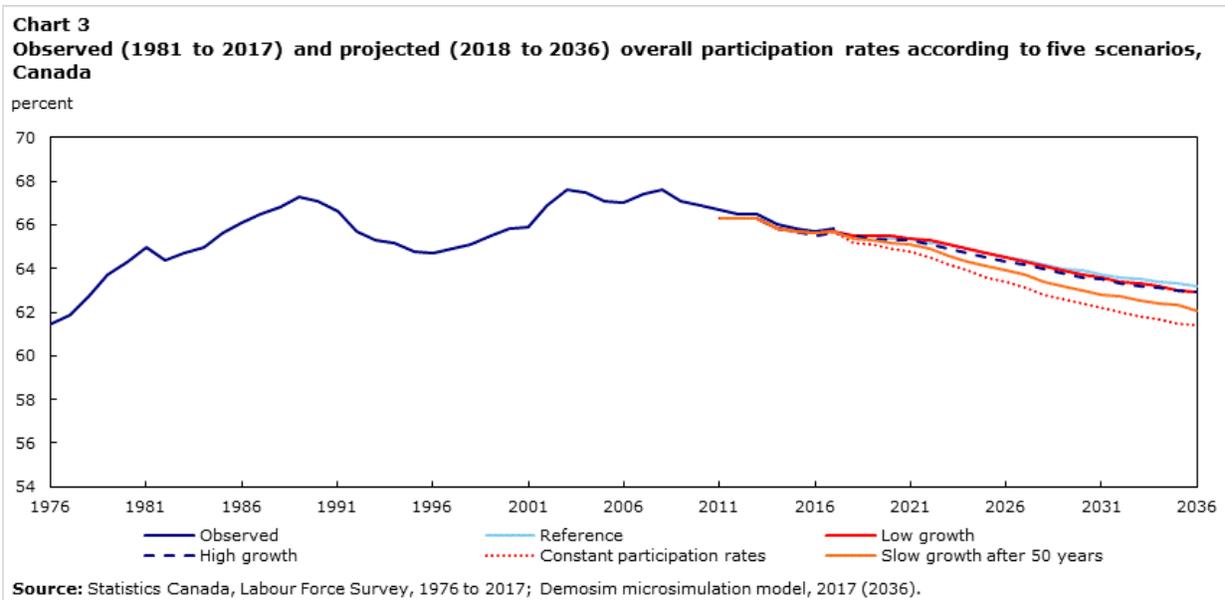
In conclusion, the main emphasis of this report is for smaller municipalities to learn about the benefits and challenges of talent management and to use the resources provided to get them started on implementing a talent management strategy within their respective organization. The actual strategy they will need to employ will vary with the size and particular demographic profile of their municipality but taking small steps forward will assist the sector in becoming less vulnerable to losing the knowledge that the key leaders currently hold.

Investigating the Impending Staffing Crisis and Changing Workforce Demographics

The municipal sector is well aware of the discussion surrounding the impending staffing crisis and changing workforce demographics that are upon us in Ontario. In a 2016 presentation, the ONWARD coalition presented that in 2015 the Ontario Municipal Employees Retirement System (OMERS) membership average age of a member was 46, and that the baby boomer generation had shifted the member demographic to see more than 42% of active members over the age of 50, a 10% increase from 2005 (Pine, 2016). As of 2015, 67,000 members were eligible to retire, with an additional 51,000 set to become eligible by 2020. These statistics speak to a looming staffing crisis and leadership gap that threatens Ontario municipal governments’ capacity to identify and

meet strategic objectives. It also threatens the ability to recruit qualified staff into key leadership positions and proves the importance of recruiting young talent in the municipal sector (Pine, 2016).

To add to the intricacy of the staffing crisis, according to Statistics Canada the average annual growth in the Canadian labour market between 2010 and 2014 was approximately 1.0%. By 2016, this growth was projected to be less than 1% and moving forward to 2022 could reach between 0.2% and 0.7%. By contrast, the annual change in the labour force reached just over 4% during the period 1971-1976, when the large baby-boom cohort was entering the labour market. In four of the five scenarios explored by Statistics Canada, the decreasing labour force growth is projected to be completed after 2026, when most baby boomers (born between 1946-1964) will have left the workforce (Statistics Canada, 2012). This is concerning on both a provincial and national level. Statistics such as these prove that attention is required from municipalities of all sizes in order to help mitigate the risks associated with an aging workforce.



There is an urgency for municipalities to act and prepare for this crisis. In 2015, municipalities employed over 260,000 employees, were responsible for 40.3 billion dollars of annual spending and owned over 67% of all physical assets in Ontario, proving that the Ontario municipal sector is a key economic driver (Pine, 2016). Elected officials and senior staff must work together to address the looming leadership gap and actively promote talent development and management efforts.

Secondary to the looming staffing crisis, is the phenomenon of millennials, born between 1981 to 1996, moving into key leadership positions and Gen Z, born between 1997 to 2012, entering the labour market as boomers are exiting (Dimmock, 2019). In a 2020 article Weber discusses the inevitable changes facing the global labour market as the different cohorts begin to work alongside one another. Waber speaks to the

challenges for HR leaders in particular to find a balance between a supportive and efficient environment for an increasingly age-diverse workforce, while keeping up with the digital communication tools necessary to support inter-generational collaboration. Waber writes, “constant examination of a company’s work patterns to ensure alignment across these generations is necessary to ensure effective collaboration” (2020). The municipal sector needs to recognize the shift in the labour market and adjust both communication and talent development efforts across generations.

What also needs to be recognized within the municipal sector is that while the boomers exit the workforce, organizations must plan for the replacement of this large and knowledgeable cohort of workers. In an article about talent management in an aging workforce, Thomas Calo addresses the particular risks and challenges that organizations face in ensuring the transfer of the valuable knowledge that older workers possess (2008). Calo writes, “as the workforce driving the knowledge economy ages, new challenges will arise, particularly the risk of a significant loss of valuable knowledge as older workers retire from the workforce. In the knowledge economy, even flawless execution cannot guarantee an organization's continued success, as the failure to incorporate new information can cause an organization to fall behind... Yet it is noteworthy that so many organizations continue to maintain a short-term focus by laying off talented workers and facilitating early retirements before putting in place a strategy to capture and retain the valuable knowledge that is lost when the most experienced individuals leave the organization” (2008, 1-2). The municipal sector needs to acknowledge the need to develop and retain new talent, while making the most of the knowledge held by the retiring generation of talented municipal employees.

In conclusion, the existing statistical evidence and research surrounding the looming staffing crisis and shifting labour market demographics means that municipalities must begin planning to safeguard themselves from the imminent staffing and knowledge gaps. Smaller municipalities must start to allocate resources for talent management strategies in order to attract and retain staff that could otherwise be lost to the private sector or to larger municipalities that have the necessary resources and capacity to compete for talented individuals. Talent management will help to facilitate the transfer of knowledge as many key employees prepare for retirement.

Talent Management Defined

Talent management, by definition, is a comprehensive approach to human resource management, which integrates the core human resource functions of attraction, retention, development, and transition in order to get the "right individuals" in place to drive organizational performance. The approach was first identified in the late 1990s as a way for information technology firms in the "dot-com" economy to hire and hold on to in-demand employees. By the mid-2000s, demographics, globalization, technology, and more flexible employment terms combined to make talent management a popular human resource strategy in most sectors of advanced industrial economies around the world, including public administration in Canada (Glenn, 2012). More specifically, talent

management in the municipal sector is the process through which organizations anticipate and meet the needs for talent in strategic positions (Walker, 2020, 141).

While there are many facets and topics under the umbrella of talent management, a talent management strategy is a plan of action to optimize employee performance that is aimed to improve business performance. It includes many human resource processes to attract, onboard, develop, engage, and retain high-performing employees. This process involves workforce planning, attracting good talent through recruitment and selection, developing leadership and succession planning, developing talent through ongoing learning opportunities, managing performance related to productivity/efficiency improvements, compensating appropriately, and recognizing and rewarding high performance (Peterborough County, 2015). While each of these aspects could be discussed in more detail, the objective of this paper is to bring the topic of talent management to the forefront of municipal discussions so smaller municipalities can address and plan for the impending staffing and knowledge crisis. Municipalities need to be armed with strategies to set them up for success as the labour force we have come to know continues to change daily.

There has been little written about the strategies and programs that Canadian public services currently use to attract, retain, and transition key employees beyond a few core pieces (Glenn, 2012). The concept of talent management remains a relatively young topic of research and debate with gaps in the present literature that leaves opportunities for additional research (Walker, 2020, 143). This is especially true among the municipal sector, but it is key for municipalities to move forward with a strategy given today's labour force challenges. While it is important for municipalities to engage some sort of talent management strategy to address the challenges the sector is facing in regard to labour shortages, it is equally important for these strategies to be reviewed and tailored to the staffing cohorts that municipalities are hiring. A talent management strategy that is flexible and engages all ages of employees will set municipalities up for success into the future. Talent management will help guarantee that key positions are filled with the right (talented) individuals and ensure stability and sustainability within the sector for years to come. Municipal senior staff and Councils can demonstrate leadership and forward-thinking by implementing talent management strategies and processes to ensure the transfer of knowledge and that strategic initiatives will continue to be met into the future.

Why Talent Management is Important

As municipalities in Ontario (and across Canada) are facing the significant loss of human capital infrastructure as key leaders are retiring, they need to sufficiently prepare. If no action is taken it will leave the municipal sector vulnerable to the effects of demographic changes. As many experienced and talented municipal staff retire, they will take accumulated knowledge, expertise, and experience with them. The public sector work force is generally older than the private sector and thus more vulnerable to the effects of demographic change (AMCTO, 2015, 11-12). Ontario municipalities need to act now and implement talent management strategies to mitigate these risks.

Most of the concerns that have been expressed regarding the looming staffing crisis have involved the loss of knowledge from the retirement of the baby boomers and on the potential shortage of workers to fill the gaps left by exits from the workforce. A distinct but related concern that must be addressed is how to make the best use of older workers who remain in the workforce (Calo, 2008, 2-3). Implementing a talent management strategy is key to ensuring that appropriate knowledge transfer happens as key leaders retire, and the next generation is sufficiently prepared. Recruiting, motivating, and retaining a talented workforce are not short-term problems or passing fads. They are systemic and chronic problems that organizations will face for the foreseeable future (Calo, 2008, 2-3). Without a talent management system or plan in place it leaves municipalities vulnerable to staffing losses. Without a formalized system, there is no way of ensuring that crucial knowledge is being transferred to upcoming leaders to ensure the continued delivery of critical programs and services that municipalities must provide.

Municipalities and public sector entities that rely primarily upon external hiring to buy the knowledge lost through turnover and retirements will find that strategy to be decreasingly effective. When the talent supply exceeded demand prior to the boomers exiting the workforce, external hiring may have made sense as a primary strategy. But the talent pool is shrinking and the demand for talent is increasing. Even if external talent can be bought, the competitive costs will continue to increase (Calo, 2008, 4-5). What is also concerning is the existing municipal employees who are passed over for an opportunity that is provided to an external hire. Consequently, strategies for organizations are necessary to retain and grow talent internally and to ensure the transfer of knowledge within the organization.

In conclusion, it is more important than ever for smaller municipalities to engage in talent management strategies to facilitate the transfer of knowledge while senior staff remain in the workforce and to do so before it becomes too expensive for these municipalities to compete for new talented staff.

Who is Responsible for Implementing Talent Management

It is the Municipal Council who is responsible for implementing a talent management strategy to attract and retain a competent individual for a Chief Administrative Officer (CAO) position. The CAO, with the support of Council, is responsible for ensuring that a talent management strategy or system is in place for other key leadership positions within a municipality. The strategy can be implemented and amended as required with assistance from the municipality's management team. A strategy needs to be flexible in order to work across an organization as a whole.

Council and senior leadership needs to work together to ensure a plan and proper processes are in place to support talent management implementation. This may be difficult in smaller municipalities that lack the resources (both financial and human) required to go above and beyond the regular workday requirements. However, smaller

municipalities must consider talent management a priority in order to properly manage their human capital resources and sufficiently prepare for the drastic changes occurring in the workforce. It is important for these municipalities to just get started and make a simple plan that meets their organizational needs and fits within their culture.

For talent management initiatives to move forward organizational “buy-in” is required. That is, all levels of management must be on board with the importance of talent management strategies. To be successful, the value must be understood throughout the whole organization. In high-performing companies and organizations, senior management is also responsible for the success of talent management. But at the same time, for talent management to be successful, formal processes with many people involved must exist and for strong links between leadership and talent to translate into specific organizational value-based behaviours (Lockwood, 2006, 3). It is key for Council and senior leadership to believe in talent management strategies and to make that a key piece of their municipal culture.

Objectives and Outcomes of Implementing Talent Management Initiatives

The objectives of implementing talent management initiatives include but are not limited to:

Increased financial outcomes:

Organizations with a deliberate talent management strategy demonstrate significantly higher financial performance compared with their industry peers (Bethke-Langenegge et al, 2011, 526-528).

Increased attractiveness to potential employees:

Studies suggest that talent management improves an employer’s image and attractiveness, but only if that strategy is transparent and clearly communicated both within and outside the company (Bethke-Langenegge et al, 2011, 526-528).

Increased employee engagement:

Studies relating to talent management initiatives point out the positive impacts on employee engagement. Additionally, companies with established talent management capabilities achieve improved quality, skills, and higher innovative ability in their employees (Bethke-Langenegge et al, 2011, 526-528).

Improved organizational culture:

Organizations that value being understanding towards their employees and acting upon their attitude emphasise the positive effect on organizational performance when they focus strongly on employees’ needs, which is what a talent management strategy is intended to do (Bethke-Langenegge et al, 2011, 526-528).

Knowledge Transfer:

The reality in most public organizations is that much of, if not most, institutional knowledge resides with individuals. Every organization has its share of people who are known to be the experts on specific problems or issues. In far too many instances' employees are often seen as interchangeable and easily replaceable parts. When dealing with knowledge workers as opposed to low-skilled workers in a highly structured or routine job, knowledge cannot simply be extracted from an older experienced worker and transplanted into a younger worker. Knowledge, especially tacit knowledge, is very personal, and knowledge workers need to be provided with opportunities and incentives to want to pass it on (Calo, 2008, 5). Talent management initiatives facilitate the transfer of knowledge between employees and generations.

Prepares the municipal sector for the future by implementing best practices:

Council and stakeholders must realize that a municipality's most valuable asset is its staff – even though its most expensive asset may be hard infrastructure like roads. According to the American Productivity & Quality Center, the three main barriers to adoption of a best practice are a lack of knowledge about current best practices, a lack of motivation to make changes involved in their adoption, and a lack of knowledge and skills required to do. This relates directly to managing municipal staff as assets. Staff must be given the ability to improve by education, workshops, and conferences, so that they are aware of ongoing municipal best practices and bring those concepts back home (Sandberg, 2012). By recognizing that municipal staff are critical assets/infrastructure and implementing appropriate “best practice” talent management strategies to facilitate their development and retention, the municipal sector is better prepared to face the loss of knowledge and challenges of the evolving labour market.

Challenges of Talent Management

Smaller municipalities in Ontario lack human resource departments to lead talent management initiatives to address the changing demographic landscape they are faced with. While many municipalities acknowledge the necessity and importance of addressing talent management and its many facets (attraction, recruitment, retainment, engagement, etc.), they find it challenging to initiate or implement talent management strategies for a variety of reasons.

Based on the research completed for this paper, the following is a non-exhaustive list of challenges smaller municipalities are facing:

Size of Municipality

Smaller municipalities may not be able to offer opportunities for employees to advance in their careers, which hinders a municipality's ability to retain talented employees. Staff that aspire to advance their careers in the public sector may be forced to move to large organizations as a result.

Lack of Financial Resources

Budgets may also play a role in a municipality's ability to attract and retain talented staff. Smaller and more rural municipalities often lack the resources to compete and retain talented employees in comparison to larger municipalities with stronger financial

positions. This can result in employees leaving for better salaries and benefits offered by larger municipalities.

Non-Formal Strategies

Smaller municipalities often lack formal planning initiatives that are pre-approved by Council. Although they may see the benefit in initiating talent management initiatives, without a formal talent management strategy in place, staff are often unable to mobilize resources to address talent management needs and may lose talented staff or opportunities for knowledge sharing as a result.

Communication Breakdown

Municipalities are lacking engagement and understanding the needs and desires of the multiple cohorts they are now employing. The reality is that Canadian employees are less loyal than other global counterparts and employers are overestimating how employees feel in terms of purpose and value. This poses a risk for municipal employers in losing talent that is compounded by the fact that 63% of Canadian employees are actively looking or open to taking a new job (ADP, 2018, 18).

A common communication breakdown is the assumption that older workers have the same motivations now as they did when they were younger. Older workers are not necessarily less motivated than when they were younger, but they are differently motivated. Accepting this reality leads to the realization that the content of jobs and the career path for older workers need to be modified, which will require a shift in embedded principles of management (Calo, 2008, 6). Similarly, motivating younger workers requires different engagement strategies than those of older workers. Municipalities need to learn how to effectively communicate with all cohorts and implement appropriate (and flexible) strategies to ensure that all employees are engaged, and talented employees are retained.

Strategies for Smaller Municipalities to Implement Talent Management Initiatives

The below strategies are designed to assist municipal leaders in developing a formalized, simple, and effective talent management strategy to meet real municipal needs. It was developed by researching public sector talent management initiatives. Strategies must be flexible and allow for generational differences to prevail as the municipal sector faces a staffing and knowledge transfer crisis. The following is not an exhaustive list and should only form the basis for an initial talent management system to enhance the retention of older workers and to facilitate the transfer of knowledge from these valued workers as they prepare for retirement.

Step 1) Gather a demographic profile

Gathering an inventory of ages, length of service, the number of employees eligible to retire now and in the foreseeable future (the next five years) is critical to effective decision making. Historic patterns, if available, are also important to assess. There may be a cultural expectation that employees retire at a certain age, or that provisions of the

pension plan encourage or discourage workers from retiring at certain ages. With this information available, needed policy or cultural changes can be identified (Calo, 2008, 5).

Step 2) Complete a knowledge risk assessment and identify key positions

Closely related to retirement risk is the risk of loss of knowledge. If critical older workers leave the organization, there is also the risk that the knowledge they possess will leave with them. It is especially important to identify key or critical positions that are essential to the organization that are occupied by retirement-eligible employees.

Step 3) Policy and cultural assessment

Policy, as well as cultural changes, will be necessary to transition municipalities to a more enlightened and needed approach to retirement. Phased retirement, for instance, describes a wide range of formal policies and informal practices that foster employees' gradual transition to retirement rather than their abrupt separation from the organization (Calo, 2008, 5-6). Planning well in advance of retirements and communicating with employees is key to successful knowledge transfers and employee transitions.

Within the policy assessment phase, job redesign may be necessary. Designing jobs to fit the unique needs and talents of older worker will benefit individuals and the organization. Human resource practitioners and senior managers should take the lead in the development and implementation of what may best be referred to as age-appropriate careers tracks (Calo, 2008, 6). A key component to the cultural change and job design is allowing for mentorship. Fostering relationships between knowledge holders and younger employees who can benefit from that knowledge will go a long way toward ensuring knowledge transfer. It should not be surprising that mentoring and coaching are probably the most effective ways of knowledge transfer from one person to another because mentoring builds close personal relationships and creates a positive organizational culture (Calo, 2008, 6).

Once these steps are completed, there is still more work to be done. Constant evaluation of key talent management features like attraction, recruitment, engagement, and retention will be required. Managers should make it a priority to communicate with their direct-reports by assessing knowledge, skill and ability gaps, identifying an employee's current and future career path, focusing experiences on blended learning events (including on-the-job training to facilitate knowledge transfer), and driving and sustaining career development once key milestones are achieved (Zigelstein-Yip, 2015). Managers ought to communicate with their staff to understand the differences of desires between generations as they manage varying cohorts. Senior administrative staff must communicate the benefits of talent management programs to Council and advocate for strong and effective strategies, including compensation and engagement initiatives, that require financial resource investment.

Other simple, yet effective, strategies for municipal managers to consider when beginning to implement talent management initiatives include formal compensation reviews and subsequent salary grids, official succession planning programs, holding

regular personal development conversations with staff, and recruitment strategies based on evident talent and core competencies (that are not based on hiring “nice” people). Leaders must be receptive to changes and must learn to embrace our changing labour force. Talent management initiatives must be flexible, agile and allow for multiple approaches to support the diverse labour market. This may include supplementing strategies with appropriate technologies since the digital age is here to stay. The municipal sector will need to move from seeing talent management as a standalone activity to one directly connected to business strategies and strategic work plans.

Conclusion

While these are easy steps to write out and recommend, it is important to recognize the resource demands that municipal staff are constantly faced with. While talent management is an ongoing process that is key to future municipal success, municipalities need to work within their limits and implement what works for them to address their areas of biggest concern first. Municipal managers in small rural settings are doing their best to meet daily demands such as unfunded government mandates, increasing inter-governmental reporting, and increasing service demands. Any efforts towards talent management are a step in the right direction. It is ultimately up to municipalities to evaluate whether talent management efforts will deliver effective results and address the staffing and knowledge crisis that the sector is faced with. The main emphasis for smaller municipalities is to first acknowledge the crisis and challenges that are looming, and then take a step (no matter the size) in the right direction to address it. If smaller municipalities can make small efforts, it reduces the chances of losing precious knowledge each time one of their valued employees retires and consequently supports the municipal sector as a whole.

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