As Supervisors Retire:

An Opportunity to Reshape Organizations

1883

A Report to the President and the Congress of the United States by the U.S. Merit Systems Protection Board

THE CHAIRMAN

1883

U.S. MERIT SYSTEMS PROTECTION BOARD
1615 M Street, NW
Washington, DC 20419-0001

October 2009

The President
President of the Senate
Speaker of the House of Representatives

Dear Sirs and Madam:

In accordance with the requirements of 5 U.S.C. 1204(a)(3), it is my honor to submit this Merit Systems Protection Board report, "As Supervisors Retire: An Opportunity to Reshape Organizations."

This report details how the coming exodus of supervisors presents opportunities for agencies to shape the future supervisory cadre by recognizing and capitalizing on the changing nature of Federal supervision. We explore how the role of the Federal supervisor is changing and how leaders can select, develop, and manage supervisors who can function effectively in this dynamic environment.

Our research indicates that the Federal workforce can expect large numbers of supervisors to retire soon, particularly those of the baby boomer era. The emergence of a knowledge-based multi-sector workforce, increasing strategic human resources management initiatives, greater supervisory flexibilities, the advent of telework, and the need for enhanced supervisory communications have changed the work place dramatically. As supervisors leave, agencies should take advantage of this opportunity to cultivate supervisors with the knowledge, skills, and abilities to function effectively and even thrive in the modern workplace.

Considering the increasing losses of supervisors and the changing workplace, we offer several recommendations. Agencies should structure work units in light of the job functions, competencies, and the workplace complexities we discuss. Agencies should also consider the mix of supervisors to non-supervisors and give supervisors the time to devote to supervision. Finally, agencies should put in place effective procedures to recruit, select, and develop a diverse supervisory workforce with the knowledge, skills, and abilities needed to promote engagement and drive performance.

We hope agency leaders will review these considerations and see positive results from this opportunity for organizational change.

Respectfully,

Neil A. G. McPhie

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A REPORT TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES
BY THE U.S. MERIT SYSTEMS PROTECTION BOARD

U.S. MERIT SYSTEMS PROTECTION BOARD

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EXECUTIVE SUMMARY

There has been much discussion of the coming retirement wave, including the need for agencies to prepare for a corresponding wave of hiring. However, not all types of positions in the Federal Government will be hit equally by this predicted mass exodus of skilled employees. The supervisory and managerial cadre are likely to experience the most losses, as individuals in those positions tend to be older and have more years of service than their non-supervisory counterparts, making more of them eligible to retire. While this means that agencies should now consider how to hire their future supervisors, it also means that they should be asking some very serious questions about how the agencies' workforces should be structured 5 or 10 years from now. The predicted retirement wave and subsequent hiring effort presents not just an opportunity to change who works for an agency, but also an opportunity to change how the organization functions for the better.

Background

The impending wave of Baby Boomers poised to retire from Federal service will most likely leave in their wake a serious void in the workforce. This mass exodus will disproportionately impact supervisory and managerial ranks, considering their typically greater age and time in service. Contributing to this dilemma is the past decade's modest but real increase in the number of supervisors and managers required to oversee the modern workplace.

The nature of supervision is changing, largely because today's supervisors are faced with many challenges that affect the work they and their staffs do and how they do it. Supervisors are being called to strategically manage their human resources, a complex and time-consuming task, albeit a necessary one. This occurs in an increasingly knowledge-based environment where work is no longer about production and processing paperwork, but rather about analyzing and synthesizing information. The proliferation of human resources flexibilities are increasing supervisors' authority and creating a greater need to spend time communicating with employees. Telework initiatives require supervisors to develop strategies to manage employees other than through direct observation, and the move to outsourcing creates a multi-sector workforce that has its own management challenges.

For these reasons, the disproportional loss of leadership in the coming years may severely impact agencies that have come to rely on their supervisors and managers to perform expanded functions in complex work environments, and agencies will be called upon to recruit and develop the employees needed to replace much of this leadership talent. Maintaining organizational efficiency and effectiveness in the face of these changes will be a growing concern for agencies as both administrative burdens and supervisory losses mount. However, with this challenge comes opportunity. As supervisors retire and replacements are needed, agencies should seize this opportunity to create a new supervisory cadre that is better equipped to manage in a dynamic, knowledge-based work environment.

Highlights of Findings

- The U.S. Office of Personnel Management predicts that of the Federal employees eligible to retire through FY 2014, 57 percent will do so. Our analysis shows that supervisors are far more likely to retire since they tend to be older with greater lengths of service.

- From 1998 to 2008, the average number of employees supervised by a supervisor steadily decreased from about 8 to about 7.5, and data from the Central Personnel Data File indicate that supervisors are spending more of their time on supervisory, rather than technical, responsibilities.

- Data show that supervisors who oversee more employees tend to report having less time for strategic human resources management including personnel hiring, development, management, and retention.

- The representation of minorities and women in supervisory and managerial positions has been increasing. The coming retirement wave will provide increased opportunities for such persons to move up as many non-minority supervisors retire.

Recommendations

- Agencies should reexamine the work demands placed on supervisors and the ratio of employees to supervisors in order to ensure that supervisors have the competencies, management support, and the time to devote to the job of supervising.

- Agencies should recognize and take into account the changing nature of supervision as they build recruitment, assessment, selection, and development programs for supervisors. The supervisory competencies required, as well as the context in which they are applied, have been changing dramatically in recent years. In addition, leading diverse groups of knowledge workers requires a new set of knowledge, skills, and abilities that can foster an engaged workforce.

- Agencies should develop valid supervisor assessment methods that measure the competencies required of our changing workforce and workplace including structured interviews, job simulations, and situational judgment tests.

- Agencies should develop training programs that teach supervisors how to engage employees by empowering them, promoting teamwork and cooperation, recognizing their contributions, and rewarding employees appropriately.

- As part of the Government's mandate to have a fully representative workforce, agencies should take advantage of the coming retirement wave to recruit and select qualified women and minority applicants for supervisory positions by using focused recruitment and valid assessments while following the merit principles.

INTRODUCTION

There is often a presumption that when an individual retires, the agency will simply hire someone new to perform the exact same duties. This is one reason that some agencies have position descriptions that are more than a decade old. However, the world changes—quickly. When a supervisor leaves an agency, managers should not automatically assume that what was required of that position will still be needed. A vacancy in any position is an opportunity for agencies to reconsider what duties are required, and how those duties should be performed.

In preparation for the coming retirement wave, agencies should be asking questions about what their needs will be in 5 or 10 years, particularly their needs regarding supervisors. Questions to ask include the following:

- How many supervisors will we need in order to maintain organizational efficiency and effectiveness?
- How will we prepare to hire the right supervisors when the time comes?
- What skills will our supervisors need in order to supervise employees effectively and efficiently?
- How will we recruit and select new supervisors?
- How will we train and develop new supervisors?

The time to ask these questions and plan changes in the organizational structure is now. Otherwise, when the increase in retirements occurs, agencies may find that their staffs are so busy trying to fill the gaps in their organizations that insufficient attention is paid to what their organizations actually need.

This report briefly looks at what has happened to the supervisory workforce over the past decade, including the ratio of non-supervisors to supervisors and the demographic composition of the workforce, and the changing nature of supervision due to a number of challenges facing supervisors in how they manage their workforce. Because we see the coming retirement wave as an opportunity for agencies to reshape their supervisory workforce, we recommend that agencies begin preparations to construct their supervisory workforce of the future. While we cannot suggest the nature of the final design, our intent is to alert agencies to the questions they should be asking themselves as they plan for the future.

The U.S. Merit Systems Protection Board (MSPB) has conducted this study as part of our mission mandate to report on the Federal civil service's compliance with the Federal merit systems principles.

The data for this study come from the Office of Personnel Management (OPM) Central Personnel Data File (CPDF). All data used with this study are for full-time, permanent employees for fiscal years 1998 through 2008. The non-supervisor workforce for purposes of this report refers to "white collar" workers who are not team leaders, supervisors, or managers, according to the CPDF.

THE CHANGING DEMOGRAPHICS OF FEDERAL SUPERVISORS

Over the past decade, the supervisory workforce in the Federal Government has undergone significant changes. There have been shifts in the age, tenure, race, and gender of the supervisory workforce. These changes could impact the composition of the Federal supervisory workforce in the coming years.

Defining Supervisors and Managers

OPM's Guide to Personnel Data Standards uses three categories to define Federal supervisors: supervisor (CSRA), management official (CSRA), and supervisor or manager. The first two supervisory categories "supervisor (CSRA)" and "management official (CSRA)," were established under the Civil Service Reform Act (CSRA). The "supervisor (CSRA)" title includes anyone who meets the legal definition of supervisor in the Civil Service Reform Act, but who supervises less than 25 percent of the time. Under the Federal-sector labor relations law the term "supervisor" means "an individual employed by an agency having authority in the interest of the agency to hire, direct, assign, promote, reward, transfer, furlough, layoff, recall, suspend, discipline, or remove employees, to adjust their grievances, or to effectively recommend such action, if the exercise of the authority is not merely routine or clerical in nature but requires the consistent exercise of independent judgment...."[1] Thus, simply because a person has the power to hire, assign work, or remove an employee does not mean he or she has the job title of "supervisor" as we use it in this report. The "management official (CSRA)" (the CPDF's second supervisory category) includes anyone who meets the legal definition of a management official, but who supervises less than 25 percent of the time. The term "management official" under 5 U.S.C. § 7103(a)(11) means "an individual employed by an agency in a position the duties and responsibilities of which require or authorize the individual to formulate, determine, or influence the policies of the agency."

For the present study, however, we will only use the third supervisory category, which is titled "supervisor or manager." People in this category are individuals whose job title indicates supervisory responsibilities, either explicitly (Supervisor, Information Technology) or implicitly (e.g., Director, Information Services), and they supervise employees at least 25 percent of the time according to the CPDF.

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[1] 5 U.S.C. § 7103(a)(10).

The word "supervisor" as used in this report will refer only to an individual who meets the criteria for supervisor under this third supervisory category. For purposes of supervisor ratio calculation, we define non-supervisors as those having CPDF designations of "All others," "leaders," "team leaders," and "management officials."

The Retirement-Eligible Supervisor Workforce

Because the composition of the supervisor workforce is not the same as that of the non-supervisor workforce, the coming retirement wave will not have the same effect on each of these groups. Importantly, because the supervisory workforce tends to be older with more years of service, it has more retirement eligible employees. The trend lines from 1998 to 2008 in **Figures 1 and 2** show supervisors as older and with more Government service, but they also reveal a recent tapering off of the average age and the average number of years of service. These two changes are due to the influx of new hires to replace senior employees who have already retired.

Figure 1: Average Age of Federal Employees by Supervisory Status

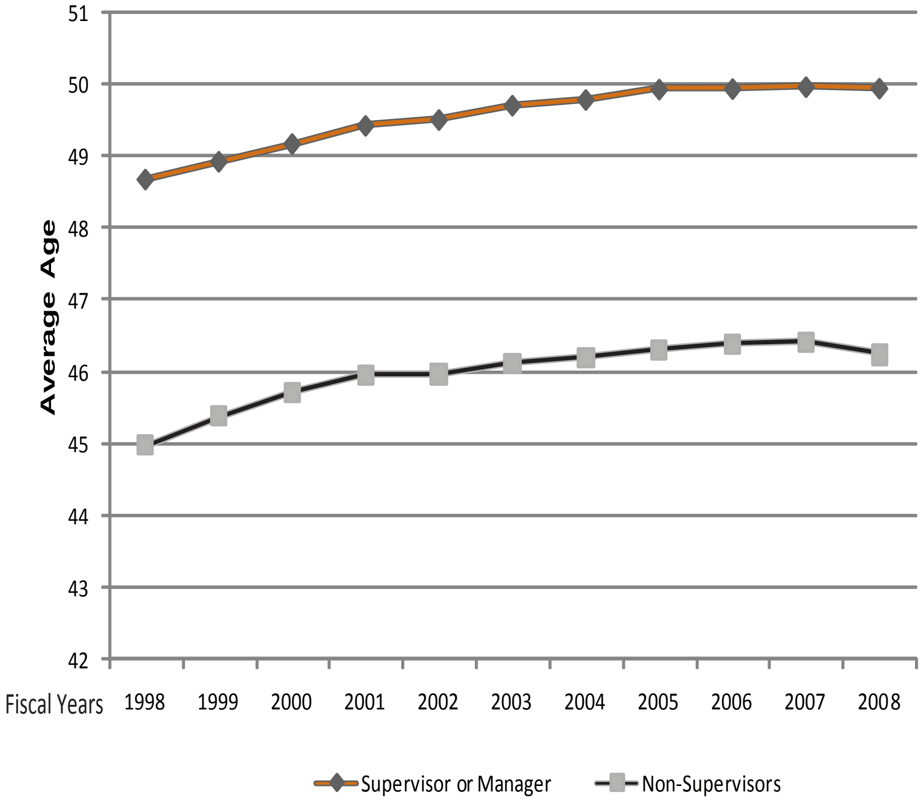
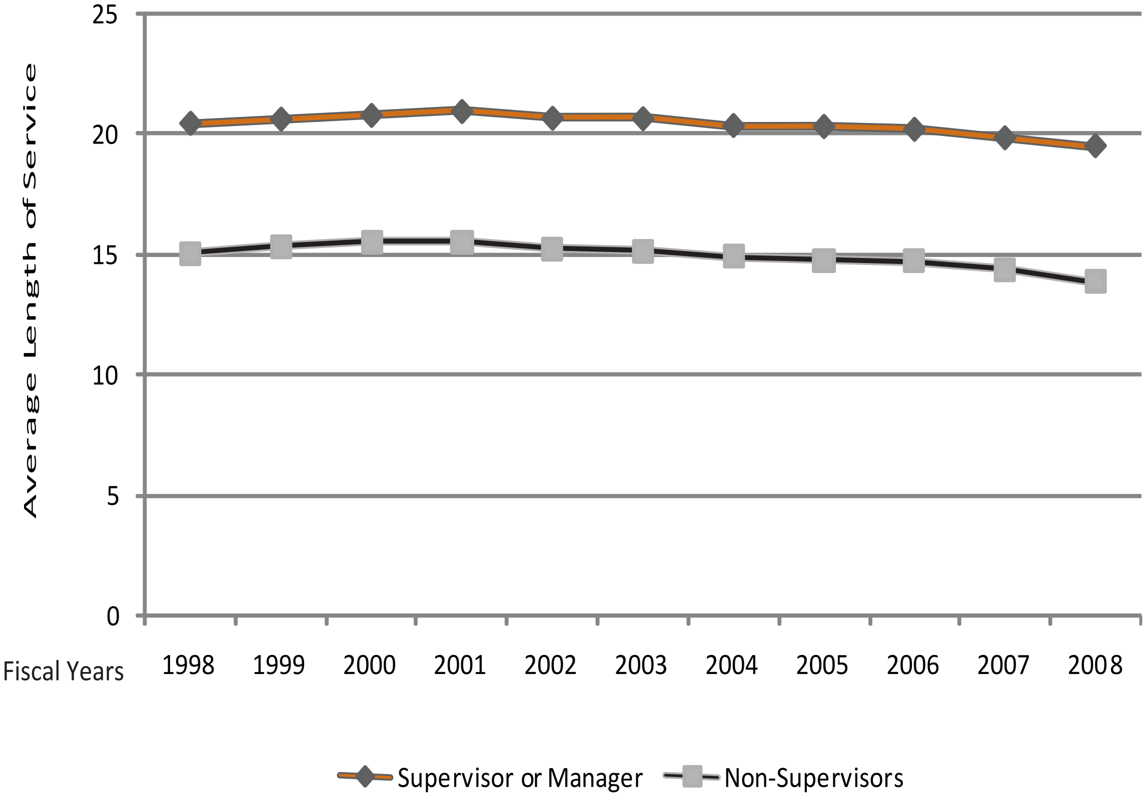


Figure 2: Average Length of Service of Federal Employees by Supervisory Status



In a 2008 report, OPM estimated that as of 2009, about 31 percent of the 1,572,855 permanent full-time Federal employees will be eligible for voluntary retirement.[2] This report also estimates that by the year 2014, about 53 percent of the permanent full-time Federal employees will be eligible to retire and 57 percent of this eligible group is expected to actually do so. Therefore, by the year 2014, the data predict that approximately 483,000 employees will be retiring. While the OPM report did not distinguish supervisors from non-supervisors, based on our data showing that supervisors tend to be older with more years of service, we believe they are poised to retire at even faster rates than are non-supervisors. With over 30 percent of current Federal employees predicted to retire by 2014, agencies will need to plan to replace those workers. However, the anticipated loss of so many supervisors calls for even more immediate action, as supervisors can take longer to train and develop than employees in many non-supervisory positions and their performance may be more critical to agency operations.

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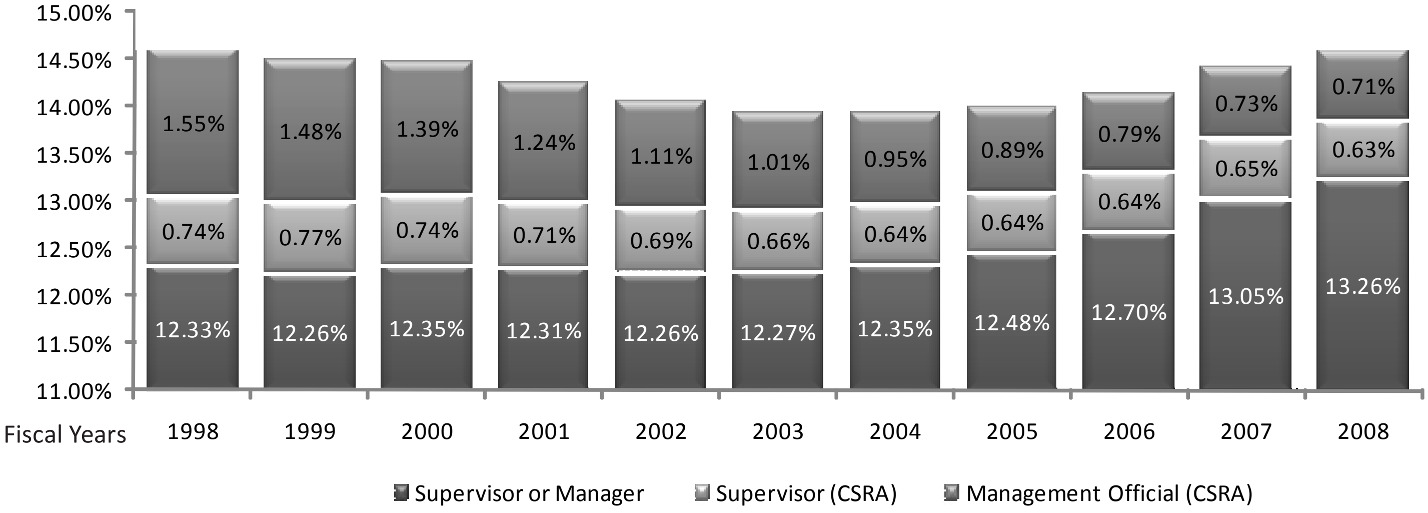
2 U.S. Office of Personnel Management, "*An Analysis of Federal Employee Retirement Data: Predicting Future Retirements and Examining Factors Relevant to Retiring from the Federal Service*", Washington, DC, March 2008.

The Increase in Supervisors Over the Past Decade

The proportion of supervisors has increased from 12.33 percent of the Federal workforce in 1998 to 13.26 percent in 2008, as shown in Figure 3 below. This makes the supervisory ratio of non-supervisors to "supervisors or managers" 8.11 to 1 in 1998, compared to 7.54 to 1 in 2008. There could be a number of explanations as to why there appear to be slightly more supervisors overseeing smaller staffs.

The data indicates that one explanation may be that supervisory responsibilities are increasing, leading agencies to increase the number of conversions to the "supervisor or manager" category defined by OPM. At first glance, **Figure 3** shows supervisor proportions rising about 1 percent from 1998 to 2008. However, as can be seen in Figure 3, the increase in the "supervisor or manager" category may have largely come from the "supervisor (CSRA)" and "management official (CSRA)" categories. This means that much of the apparent increase in the number of "supervisors or managers" may not necessarily indicate that more supervisors have been hired, but rather that more people have assumed supervisor or manager roles at least 25 percent of the time and, thus, have been reclassified as supervisors or managers.

Figure 3: Supervisors and Managers as a Portion of the Total Employee Workforce



This explanation is further suggested by Figure 3 data showing that in 1998, 14.6 percent of the workforce was in some category of supervisor or manager, and in 2008, the number was nearly the same at 14.6 percent. Again, it appears that the 1998-2008 change may not necessarily be the result of an increase in "supervisors or managers," but rather a change in how much time the people engaged in this type of work are spending on their subordinates.

Another potential explanation for the increase in supervisory positions is a form of "grade-creep." Under the General Schedule Supervisory Guide (GSSG), those who spend at least 25 percent of the time on supervisory functions can have their grade, and thus their pay, determined based upon the grades of those they supervise. Supervisors or managers are thus usually one grade higher than the bulk of their workforce.[3] Those who are not graded under the Supervisory Guide, on the other hand, have a grade based upon their technical responsibilities. Thus, if the work in an office has a complexity no greater than the GS-13 level, one way to raise a person to meet the legal definition of a GS-14 supervisor is to certify that the person supervises GS-13s at least 25 percent of the time. This may be a method agencies use to retain higher performing employees effectively working as supervisors whom they might otherwise lose to other agencies or the private sector.

It is also possible that in some situations the agency did not understand that there was another supervisory category that would be better applied, i.e., Supervisor (CSRA).[4] For example, a veterinary doctor who is only supervising one receptionist is likely to have a grade based on the doctor's medical skills and not the receptionist's grade. Classifying such an employee as "supervisor or manager" may not accurately reflect the actual supervisory and managerial role, and thus, such a classification should be reevaluated. The anticipated exodus of supervisors will allow agencies to examine and optimize the organization's structure, including the amount and type of supervision necessary to oversee operations.

The Diversity of Supervisors

The Nation's workforce—both the Federal and private sector labor force—has become increasingly diverse in terms of its proportions of both minorities and women in recent years. In the Federal Government, however, this diversity has not been equally reflected across all grade levels. In particular, Federal supervisors have historically been disproportionately white and male compared to the overall Federal workforce.[5] Fortunately, some progress has been made in achieving a more diverse workforce at both the supervisory and the non-supervisory levels, as can be seen in **Figures 4 and 5**. Minorities and women now make up a larger percentage of both the supervisory workforce than a decade ago. However, with the anticipated retirement wave and resulting supervisor losses will be an opportunity for increasing the representation of women and minorities in the supervisory ranks.

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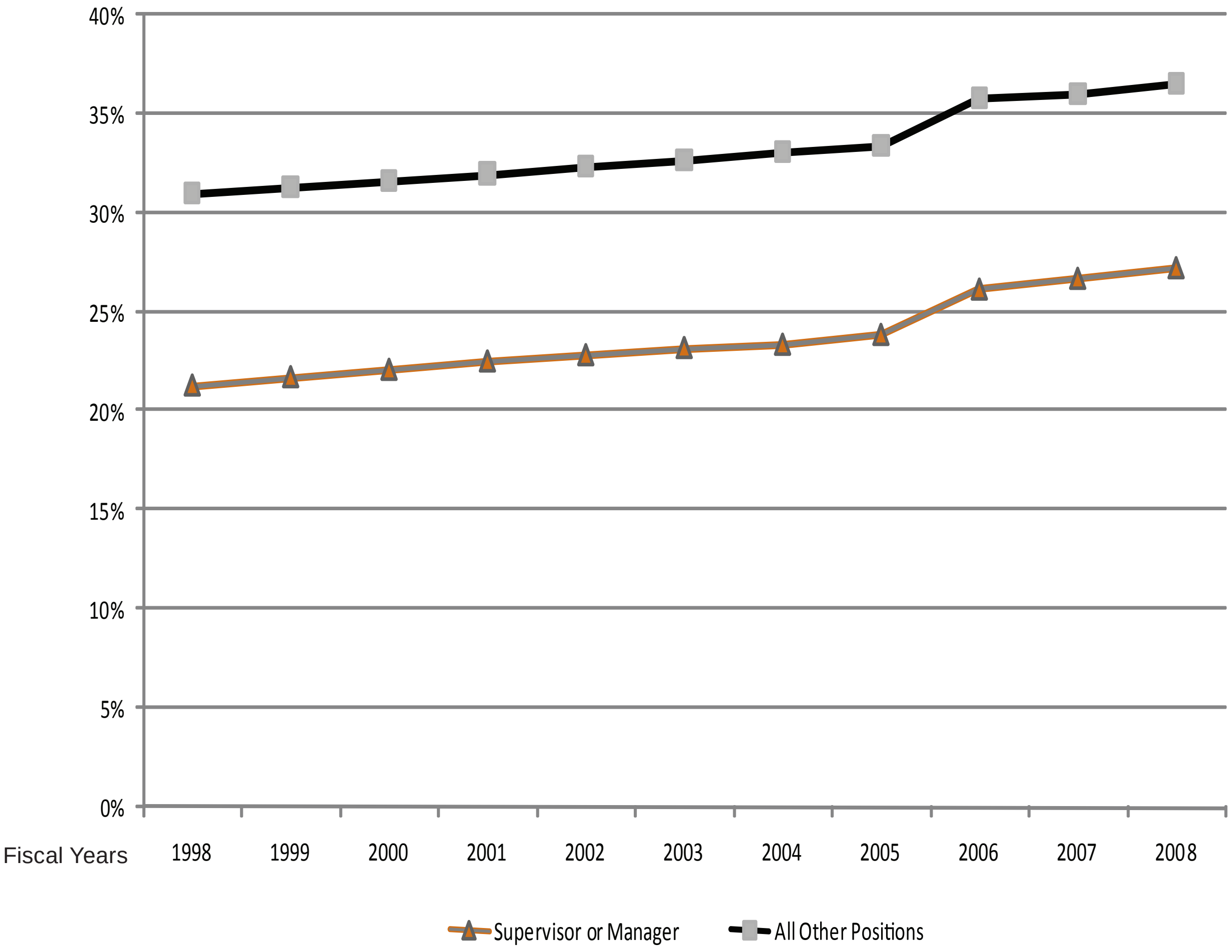
[3] U.S. Office of Personnel Management, General Schedule Supervisory Guide, Washington, DC, June 1988, http://www.opm.gov/fedclass/html/gsfunctn.asp.

[4] Supervisors (CSRA) defined under 5 U.S.C. § 7103(a)(10).

Figure 4: Minorities in the Federal Workforce



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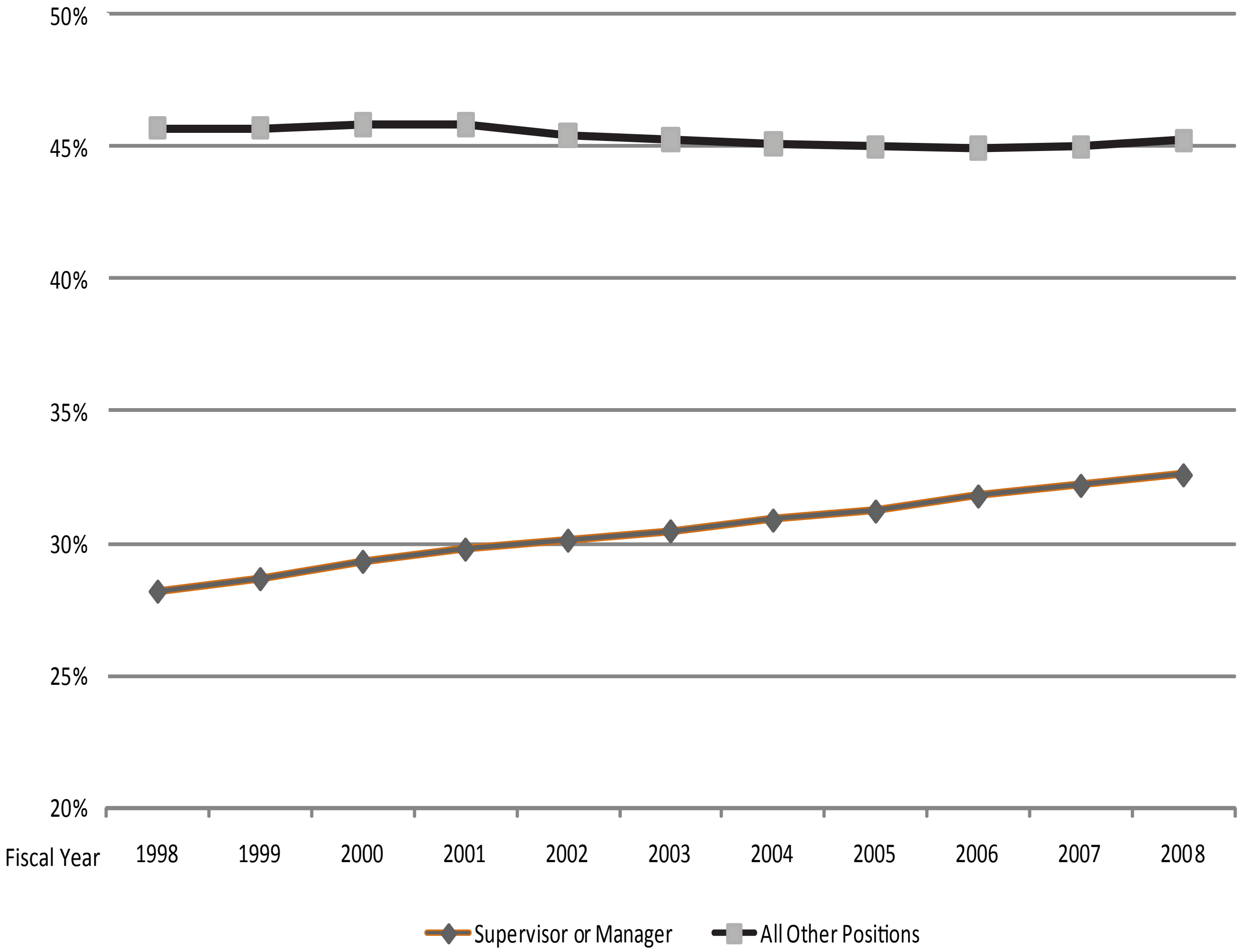
[5] For a discussion of the current role of ethnicity and gender in the Federal workforce, see our upcoming report: *"Fair and Equitable Treatment: A Review of the Progress Made and the Challenges Remaining"*. For a discussion of more historical data, see these MSPB reports: *"A Question of Equity: Women and the Glass Ceiling in the Federal Government"*, October 1992; *"Fair and Equitable Treatment: A Progress Report on Minority Employment in the Federal Governmen"*, August 1996; and *"Achieving a Representative Federal Workforce: Addressing the Barriers to Hispanic Participation"*, 1997. These reports are available at www.mspb.gov.

Figure 5: Women in the Federal Workforce



The merit system principles state that "[a]ll employees and applicants for employment should receive fair and equitable treatment in all aspects of personnel management without regard to political affiliation, race, color, religion, national origin, sex, marital status, age, or handicapping condition[.]"[6] This means that it is inappropriate to select, promote, or otherwise reward someone based on their race, ethnicity, gender, or any other non-job-related criteria. However, it is also a merit system principle directive that when recruiting, an agency should "endeavor to achieve a work force from all segments of society[.]"[7] Thus, agencies should carefully plan their supervisory recruitment strategies to balance the two merit system principles by seeking to attract a well-qualified and diverse candidate pool for their supervisory positions. It is important for agencies to recognize that because they may be replacing many supervisors in a relatively brief period, using a poorly-designed supervisory recruitment strategy could have a long-term effect on this crucial group of supervisors.

The pool of existing GS-14 supervisors is a likely source from which new GS-15 supervisors will be hired. Similarly, today's GS-13 non-supervisor may be tomorrow's GS-14 supervisor. Thus, having a diverse pool of qualified individuals in "feeder" positions will be crucial to creating a diverse candidate pool from which to select the best-qualified new supervisors. Shaping that pool is not something that can be done at the last minute.

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[6] 5 U.S.C. § 2301(b)(2).
[7] 5 U.S.C. § 2301(b)(1).

THE CHANGING NATURE OF FEDERAL SUPERVISORS

As the Federal Government focuses on replacing retiring supervisors, it faces an opportunity to change how we think about the overall nature of supervision. The retirement wave will disproportionately impact supervisory and managerial ranks, considering their typically greater age and time in service. Contributing to this dilemma is the past decade's modest but real increase in the number of supervisors and managers required to oversee the modern workplace. Agencies have already begun looking at some of these issues. As discussed in the previous chapter, they have provided more opportunities for women and minorities to be supervisors. Also, changes in the number of supervisors and the supervisory ratio reflects shifts in the amount of time that some agencies expect supervisors to spend in managing the workforce versus doing technical work.

In addition to these demographic issues, the nature of supervision itself is changing. As we will see in this chapter, the workforce is changing; and the way work is accomplished is becoming more complex. These changes will present supervisors with new and difficult challenges in terms of how they supervise the work of their staffs. These challenges could result in an altered view of what supervisors should be doing, which would then call for different duties, skills, training, and/or recruitment strategies to ensure the Federal Government maintains a qualified supervisory workforce. Below, we present a number of the challenges that will likely affect the nature of supervision over the next decade.

Shift Toward a Knowledge-Based Workforce

More Federal jobs are becoming knowledge-based in this information age. Therefore, the work and the worker have been changing in profound ways. Knowledge workers are information processors who add to an organization's products and services by applying their knowledge.[8] Examples of knowledge workers may include doctors, lawyers, scientists, and information technology workers. These workers gather data and information from many sources, add value to the information, and distribute value-added products or services to others.

The emerging knowledge-based workforce places additional burdens on the supervisors and managers who must recruit, select, train, and manage the performance of knowledge workers. For example, managing the performance of knowledge workers must take into account the changing motivations of such employees, such as their tendency to be more internally versus externally motivated, requiring supervisors to be more sensitive to this motivation.[9] Internally motivated employees are those who exert effort for reasons such as their need for achievement, self-satisfaction, and personal fulfillment. Externally motivated employees are driven more by pay and awards. Monetary awards and salary increases will still be valuable to internally motivated persons, but the opportunity to be innovative may take on greater motivational value. Also, research shows that knowledge workers are frequently motivated by having an interesting and challenging work environment that provides the opportunity for personal growth.[10]

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[8] P.F. Drucker, *"Managing Knowledge Means Managing Oneself. Leader to Leader"*, 16, 2000, pp. 8–10.

Because managing personnel in a knowledge-based environment presents challenges to supervisors and managers,[11] we discuss here some of the steps agencies can take to accommodate the changing demands of the knowledge-based workplace. For one thing, supervisors and managers of knowledge workers are being increasingly called on to organize communication networks rather than hierarchies. Knowledge managers and supervisors must adapt to environments where they are more of a teammate and coach than a traditional boss, as they balance oversight with fostering empowerment when interacting with subordinates. It is not difficult to see how this shift in traditional supervisor-subordinate roles increases the demands upon supervisors and managers, and might necessitate lower supervisory ratios. As supervisors retire, agencies will have the opportunity to shape the incoming supervisor cadre into a force that can thrive in a knowledge-based environment. However, some changes in the way agencies select and develop supervisors may be in order.

When developing supervisor and manager selection systems, agencies should consider a candidate's skill, ability, and comfort with changing supervisor-subordinate dynamics and the shift to knowledge-based work. Agencies should also develop leadership training programs that address changes needed to lead effectively in more professional knowledge-based work environments. As indicated above, leaders of the future will have to possess or develop the knowledge, skills, and abilities needed to supervise increasingly independent, professional, educated, and internally motivated knowledge-based workers.

Because engaging knowledge workers is an increasingly important part of a supervisor's job and will be even more so in the future, we suggest that the conclusions from the MSPB report, *The Power of Federal Employee Engagement*, can help agencies effectively deal with this trend. This report notes that engaged employees take pride in their work, are satisfied with their leaders and the recognition they receive, desire the opportunity to grow and perform, and prefer work in a positive team-driven environment. While engaging a higher percentage of the workforce will require supervisors who can instill pride in work by emphasizing the importance of assigned projects and showing how the work is important and relates to organizational goals, supervisors of knowledge workers must also create challenging opportunities for these autonomous and independent employees to be innovative and demonstrate creativity. They must foster team spirit and a sense of goal-focused group membership that facilitates engaged performance among these more independent-minded workers. In addition, supervisors should try to meet engaged knowledge workers' desire for life-long learning opportunities that allow them to achieve excellence. Although knowledge workers tend to be more internally motivated, they also desire the recognition that drives performance – another challenge for supervisors to try to meet. While *The Power of Federal Employee Engageme*nt report details many specific ways in which agencies can foster engagement in the workforce, several stand out as particularly relevant for knowledge workers.

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[9] F.M. Horwitz, C.T. Heng, & H.A. Quazi. "Finders, keepers? Attracting, motivating and retaining knowledge workers," Human Resource Management Journal, 13(4), 2003, pp. 23-44.

[10] M. Tampoe, "Motivating knowledge workers – the challenge for the 1990s," Long Range Planning, 26(3), 1993, pp. 49-55.

[11] T.H. Davenport, S.L. Jarvenpaa, & M.C. Beers, "Improving Knowledge Work Processes," Sloan Management Review, 37(4), 1996, pp. 53-65.

For instance, supervisors should emphasize the importance, relevance, and value of the employees' contribution to the mission. Knowledge workers who see their role in the broader context tend to be more engaged. Supervisors in this environment should monitor performance and provide feedback to employees whose work products and performance tend to be measured more by quality than by quantity. To do this more effectively, knowledge worker supervisors will often need to gather more information in order to evaluate and provide feedback. These supervisors may also need to put forth increased effort to determine training needs and ensure that relevant performance-enhancing training is provided. Knowledge work tends to be dynamic and often involves information with a limited "shelf life," thus it may require continuous learning. The opportunity to acquire more skills and improve existing skills is particularly important to knowledge workers and these opportunities foster further engagement. Because knowledge workers require more reinforcement and feedback, supervisors must stand ready to reward and recognize performance consistently, fairly, and in a way befitting the effort exerted by these employees.[12] Agencies should take advantage of the coming supervisory exodus to recruit, select, appraise, and train new supervisors on their ability to engage knowledge workers in our increasingly information-based, technology-oriented, and collaborative work environment. To do this, they should begin now to prepare the enhanced recruitment, selection, assessment, and development tools that are needed.

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[12] S. Ashford, "Reflections on the looking glass: A review of research on feedback-seeking behavior in organizations," Journal of Management, 29 (6), 2003, pp. 773-799.

Demands to Strategically Manage Human Resources

Under former President George W. Bush's Performance Management Agenda, the Strategic Management of Human Capital was prescribed for all Federal agencies. This initiative called for agencies to improve their management practices to ensure they are aligned with the agency's mission, assuring continuity of leadership, creating a results-oriented performance culture, addressing gaps in leadership, addressing workforce competency gaps, and ensuring accountability. Agency actions under this agenda resulted in changes to the way many agencies staff, develop, and evaluate their workforce. Strategically managing the workforce can be complex and require more time and a different supervisory skill set to implement effectively. For instance, supervisors need to be well versed in strategic planning, performance management, training and development, and recruitment and selection. Unfortunately, MSPB research has shown that many Federal supervisors have not received sufficient training to carry out these responsibilities. Therefore, as agencies consider the changing nature of their supervisory workforce, they need to evaluate how to ensure supervisors have the skills necessary to carry out these responsibilities.

Strategically managing the workforce may also require more supervisors. Based on our Merit Principles Survey 2007 data, we found that supervisors and managers oversee more employees (higher supervisor ratios), tend to report having less time to engage in strategic personnel hiring, development, management, and retention. Instead, supervisors who have a greater span of control, that is, more employees to supervise, tend to spend more time on day-to-day operational concerns, and less time on strategic issues and workforce development. In essence, the amount of time available for supervisors to spend on strategic human resources management is constrained by the number of employees that they must supervise.

The 2007 Merit Principles Survey item from which we drew this conclusion read: "What percentage of your time is devoted to the following activity: Creating a work unit or organization equipped to successfully meet the challenges of today and tomorrow through strategic hiring, development, management, and retention?" We found that as the supervisor ratio decreases (fewer employees to supervise), the amount of time the average supervisor has for strategic human resources increases.[13] This inverse relationship has implications for supervisory workload and the allocation of supervisory time. Not surprisingly, the more employees there are per supervisor, the less time a supervisor tends to feel he or she has to invest in strategic hiring, development, management, and retention efforts.

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[13] The negative correlation (degree of inverse relationship) between supervisor ratio and this survey question was statistically significant with $r = -.44$ ($p < .05$).

Because of the importance of strategic planning to human capital, we recommend that agencies bear in mind the hidden "cost" of assigning more employees to a supervisor than can be effectively managed. Because the "right" number of employees per supervisor will vary based on the workforce, agencies should determine the "right" balance based on an analysis of what is needed, and not on an assumption that all workforces need the same supervisory ratio.

Advent of Human Resources Flexibilities and Increased Communication Needs

More agencies are moving to the use of new human resources flexibilities that grant supervisors more authority while trying to ensure more accountability. The intent of these flexibilities is often to help supervisors tailor their management strategies to the specific needs of the organization in areas such as staffing, compensation, and performance management. However, these new roles often result in greater administrative burden and prescribed structure. They also frequently require increased communication with employees. Take for instance pay for performance concepts.

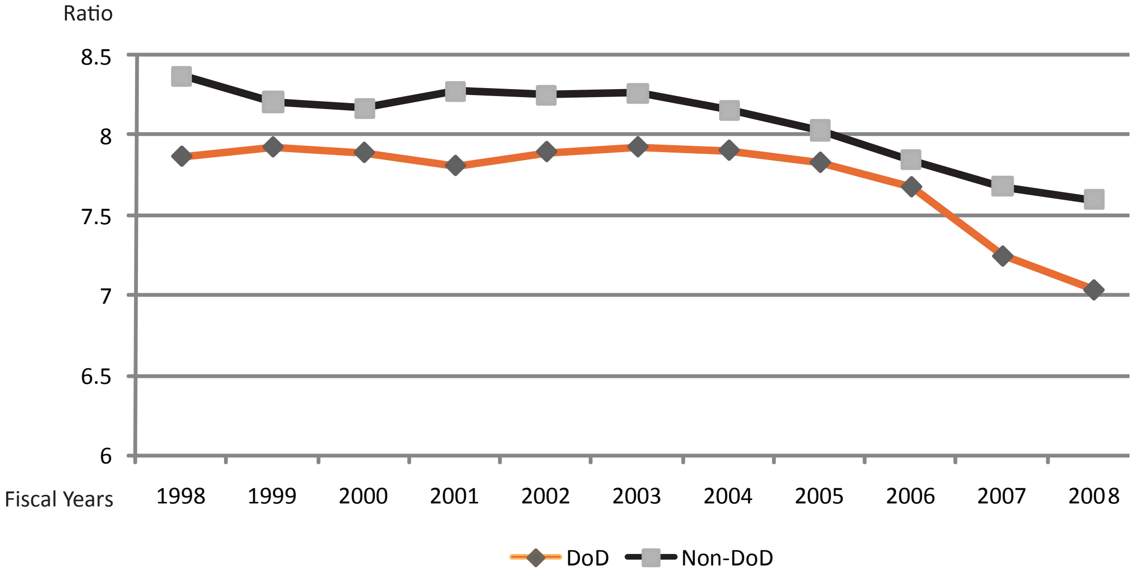
Pay for performance systems can increase supervisors' administrative burdens and prescribe complicated systems for setting objectives and standards that are then used to appraise employees. In order to accomplish these tasks, supervisors must devote increased time to employee communication as they design and develop performance plans and follow the often substantial approval processes for assigning and justifying performance appraisal ratings. Also, new systems require more training, compelling supervisors to frequently attend pay for performance and performance management training as they develop skills in setting well-defined expectations and monitoring employee performance. Clearly, more supervisory effort and attention are required where pay for performance systems are being utilized. If the use of pay for performance systems increases, as some Federal executives and some in Congress desire, the need for highly effective and efficient supervisors will be felt more acutely by Government agencies and the anticipated retirement wave will further increase this urgency.

An example of how pay for performance systems may change the role of the supervisor by increasing the time spent on workforce issues can perhaps be found in the implementation of the National Security Personnel System (NSPS) at the Department of Defense (DoD). The NSPS was initially implemented in 2006 and by 2009 almost 30 percent of DoD employees were converted to the system.

Hearings held by the Defense Business Board in July 2009 found that the NSPS pay for performance system greatly increased the workload of supervisors. The report of these hearings noted that the pay for performance system under NSPS increased the work required in managing performance and created significant demands on supervisors to learn and implement responsibilities such as setting pay and participating in "pay pools" without relief from their day-to-day workload.[14]

In addition to the findings in the Defense Business Board's report, we found that although only one-third of people in DoD were converted to the pay for performance system under NSPS, these changes may have contributed to a change in the supervisory ratios in DoD over the past few years. As shown in **Figure 6**, the supervisor ratio in DoD has declined more steeply than in other Federal agencies, a change that coincides with the increasing implementation of NSPS in DoD. Although we can not definitively say that these decreases in the supervisory ratio seen in DoD are the result of the pay for performance system, agencies considering a move to such a system should be aware of the possible effect on supervisors' time and resources when estimating their future need for supervisors.

Figure 6: Supervisor Ratio for DoD versus Non-DoD



While pay for performance systems and the use of other human resources flexibilities certainly require supervisors to spend more time communicating with employees, all agencies, regardless of their human resources system, need to recognize the value of providing their supervisors with sufficient time to dedicate to their employees. With this in mind, we include in this section a discussion on supervisory communication and the need for agencies to ensure that they have supervisors with good communication skills.

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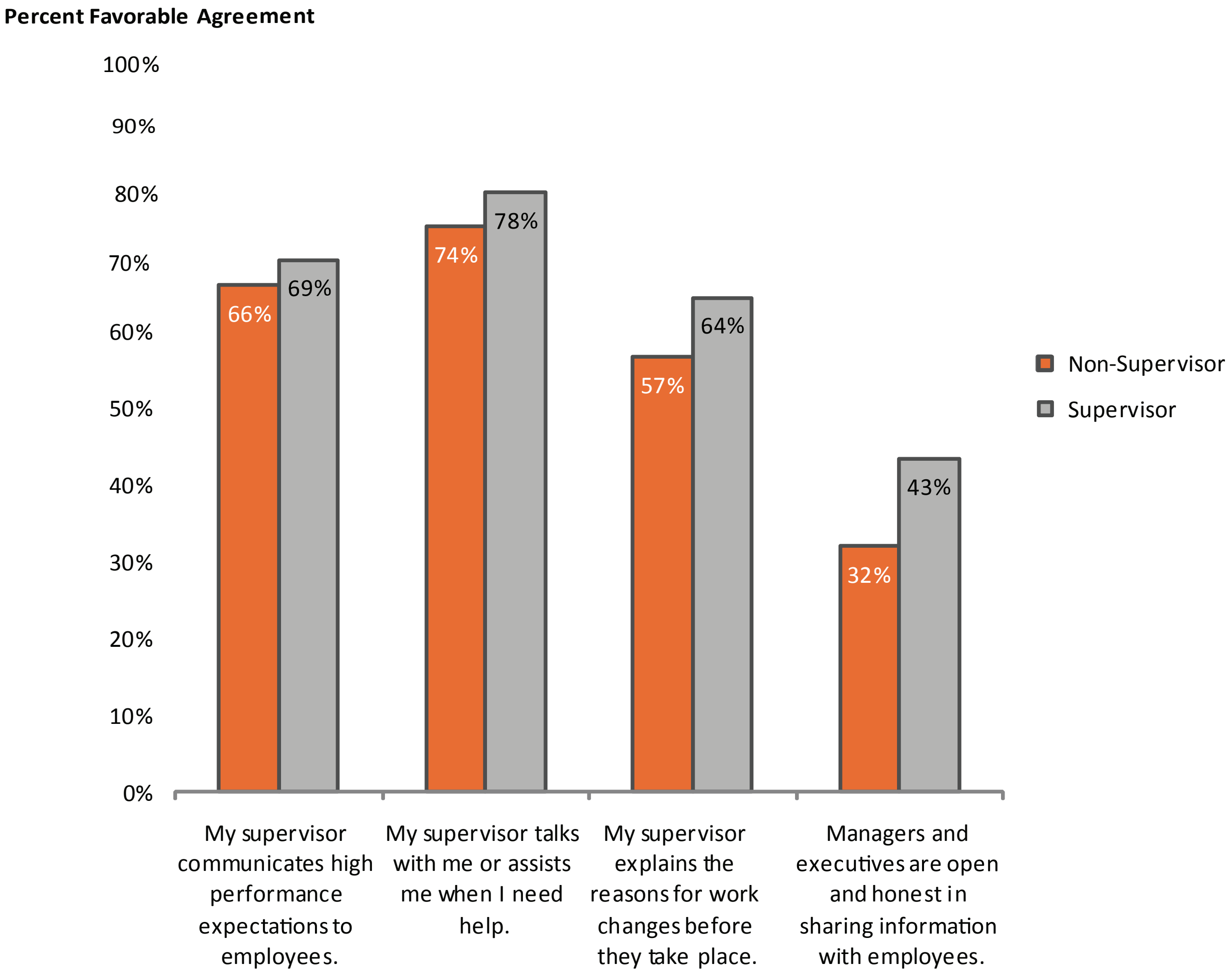
[14] Defense Business Board, *"Report to the Secretary of Defense, Review of the National Security Personnel System"*, Washington DC, July 2009, p.15.

For example, according to **Figure 7**, employees vary greatly in their perceptions and expressed attitudes about supervisor behavior, and the data suggest that these perceptions are affected by whether they themselves are supervisors or non-supervisors. While non-supervisory employees were less likely than supervisors to feel that their supervisors and managers are communicating high performance expectations, talking with them when they need help, and explaining reasons for work changes, the difference was especially pronounced in the category of openly and honestly sharing information. We believe agencies should attend more to the different perspectives of supervisors and non-supervisors because these differences in attitude can be useful gauges of how well supervisors are doing their fundamental job of communicating to their employees.

Figure 7: Quality of Communication With Supervisors



Source: Merit Principles Survey 2007

Although improving communication between a supervisor and an employee may take time, it is critical in fostering employee engagement and improving organizational productivity. When determining supervisory roles in an organization, particularly how much time is expected of supervisors to spend on workforce management (as opposed to technical tasks), agencies should consider the return on investment when a supervisor takes the time to constructively communicate with subordinates.[15] The anticipated loss of retiring supervisors could reduce the agencies' ability to provide this needed communication, but it also affords an opportunity to select and develop supervisors with strong communication skills. In essence, the opportunity to appoint large numbers of supervisors can offer agencies fertile ground for cultivating a communicative performance culture.

In a recent study of Federal performance management,[16] the MSPB obtained data regarding Federal employees' perceptions concerning supervisor feedback and involvement in the workplace. The MSPB report also offered suggestions for improving supervisors' communication skills. For example, it suggested that agencies are likely to hire more supervisors with better communication skills by using skill-focused recruitment, realistic job previews illustrating the desired communications competence, and the exercise of the probationary period as an opportunity to demonstrate communication competence. Other MSPB reports note the critical part that using better selection strategies have in hiring people with the desired skills.[17]

Once they are on board, new supervisors should be encouraged to involve employees in building high performance work environments and establishing trust through frequent open communication. We hope that as agencies replace the many supervisors who are expected to retire, they will also take the opportunity to provide new supervisors with the training, resources, and support needed to improve effective communication with their employees. As our research on employee engagement has shown, such action can have a profound effect on agency performance over time.

Teleworking Initiatives

Another factor that may be changing the nature of supervision in the Federal Government in recent years is the increase in the number of employees working under telework arrangements. This push towards teleworking is expected to become even more common in the future. Telework supervisors will need all of the knowledge, skills, and abilities of non-telework supervisors but may also require additional competencies. While all supervisors need the courage to hold employees accountable for their performance by communicating high expectations and taking action when employees are not performing, supervisors of teleworking employees will also need to distinguish between those employees who would be successful under telework arrangements and those who would have difficulty working in this type of environment. To be successful with telework, employees will need to be self-disciplined, conscientious, and willing to perform under a telework scenario. The supervisors will also need to develop mechanisms for tracking and monitoring progress under conditions where daily direct observation is difficult.

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[15] For more on the role of supervisory communication with employees in the creation of an engaged workforce, see our recent report, *"Managing for Engagement – Communication, Connection, and Courage"*, 2009 and *"The Power of Federal Employee Engagement"*, 2008 available on the studies page of MSPB's website, www.MSPB.gov.

[16] U.S. Merit Systems Protection Board, *"Managing for Engagement–Communication, Connection, and Courage"*, Washington, DC, 2009.

[17] U.S. Merit Systems Protection Board, *"The Federal Selection Interview: Unrealized Potential"*, Washington DC, February 2003; and *"Job Simulations: Trying Out for a Federal Job"*, Washington, DC, 2009.

As with any employee, a teleworker's need for a supervisor's time will likely vary based upon the type of work and the employee. Leaders of teleworkers should put processes in place to effectively communicate with their teleworkers, to accurately monitor and measure their performance, and to provide frequent and regular communication. Of course, supervisors should establish such processes for all of their employees. However, leaders of teleworkers may face more challenges in fostering team cohesion and integration depending on the number of teleworkers they supervise and the frequency with which the telework occurs.

The move to telework environments will require new skills from supervisors, who must be selected, trained, and evaluated on their ability to manage telework performance and maintain the engagement of increasing numbers of teleworking employees. The expected loss of supervisors can provide agencies with opportunities to select and develop new supervisors with the skills and attitudes supportive of telework environments.

Outsourcing and Managing a Multi-Sector Workforce

Another factor that is changing the nature of supervision is the trend toward using outsourced or contract personnel to perform work previously done by Government employees. As noted by the Economic Policy Institute,[18] Federal agencies have experienced pressure to cut costs and reduce the size of their workforce, a development that has prompted them to contract out work to the private industry for goods and services. The Economic Policy Institute estimates that from 2000 to 2006, Federal spending on outsourcing increased from $256 billion to $415 billion, a 69.1 percent increase. The movement to outsource Government jobs was driven by the Competitive Sourcing Initiative[19] which was introduced in 2003 by Congress and moved forward under President George W. Bush's Management Agenda. Opening competition between the public and private sectors had the effect of converting many previously designated Federal jobs to non-Federal governmental contract positions. It is now relatively common to have Federal employees working side-by-side with non-Federal employees, primarily contractor employees.

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[18] Economic Policy Institute, Outsourcing Poverty: Federal Contracting Pushes Down Wages and Benefits, (Issue Brief No .250), Washington, DC, February 11, 2009.

[19] Executive Office of the President, Office of Management and Budget, Competitive Sourcing: Conducting Public-Private Competition in a Reasoned and Responsible Manner, Washington, DC, July 2003.

This multi-sector workforce presents supervisors with many issues in terms of managing how the work is accomplished. Supervisors often have limited authority to oversee the work of the contractor. They cannot directly supervise contractors and therefore have to work through an intermediary to hold the contractor accountable for the work. The Office of Management and Budget (OMB) recently pointed out that agency supervisors often lack the knowledge of how contractors are deployed in the organization and integrated with Federal employees.[20] Morale problems can result if contractors are viewed by Federal employees (or vice versa) as having higher salaries, better benefits, or better employee perks for the same work. Also, the OMB recently expressed concerns that overreliance on contractors can lead to the long-term erosion of in-house capacity as well as result in agencies neglecting necessary human capital investments.[21] All of these issues could require supervisors to have a different skill set, a different role in the organization, and different training for that role.

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20 Peter R. Orszag, Director, Office of Management and Budget, Memorandum for the Heads of Departments and Agencies, "Managing the Multi-Sector Workforce," July 29, 2009.

21 Ibid.

CONCLUSIONS

As this report has emphasized, the role of Federal supervisors is changing. The anticipated increase in the number of Federal supervisors leaving the workforce presents the Government with a significant challenge and a significant opportunity. Agencies have the advantage of knowing that large numbers of supervisors will be retiring in the near future and that supervisory roles are changing because of the changing nature of the Government's work and how it is performed. The convergence of these two events places agencies in a position to capitalize on this "changing of the guard." Specifically, good supervisors must be developed and trained, which can take substantial time and resources, even for those who exhibit innate leadership abilities. Advance planning will help agencies to have in place, and in queue, supervisors who have the right competencies. This planning should include a strategy for how the agency will hire and develop more supervisors, but it may also mean reorganizing work units in a manner that frees supervisors to spend more time supervising.

In some organizations, having supervisors with both heavy technical and supervisory workloads may be inefficient because it may require supervisors to develop and maintain a high level of skill and knowledge in both the technical and supervisory areas. While supervisors may need to be technically capable, the role of supervision should not be neglected. An agency may find (with respect to some kinds of work) that supervisors who spend their time effectively engaging their subordinates are more valuable than those who are involved in primarily technical, rather than supervisory, activities. Getting the Federal workforce to be more productive, and thus better serve the public, may depend more on a person's abilities as a supervisor than it does has on his/her technical competence.

The need for capable supervisors is likely to become increasingly important as agencies transition to a knowledge-based workforce with many complex and time-consuming human resources and management initiatives. Thus, the coming losses in both the supervisor ranks and the pools from which new supervisors may be drawn raises the urgency for agencies to develop plans that include a focus on the quality of those whom they hope to hire. This means that agencies should consider not only the number of supervisors they will require, but also the skill sets that will be of greatest value to those supervisors as the demands of the job change. This, in turn, should influence how agencies go about recruiting and selecting such people.

RECOMMENDATIONS

To help agencies meet the challenge of replacing large numbers of supervisors while taking advantage of the opportunity to improve the quality of supervisors in the Government, we offer the following recommendations:

- Agencies should consider how their work units should be organized in the future to function as effectively and efficiently as possible in performing all the work of the organization.

- Agencies should reevaluate the best mix of supervisor to non-supervisor, taking into account the nature of the work and the worker, the management initiatives (e.g., pay for performance, telework) and the human resource management initiatives under which the supervisor must operate, and the competencies that they expect will be possessed by the needed pool of new supervisors. Agencies should also think carefully about the job functions they want their supervisors to perform and the competencies needed to perform these functions. In order to engage employees, their supervisors must have not only the relevant supervisory competencies but also strong management support and the time to devote to their task of supervision.

- After completing the suggested foundational work, agencies should put in place procedures to recruit and select new supervisors who have the knowledge, skills, and abilities to lead in an increasingly diverse, knowledge-based, and performance-driven environment. Competency in supervising independent, professional, educated, and internally motivated workers should be foremost among the competencies assessed when selecting supervisors for such environments.

- To this end, agencies should develop valid assessment procedures that can be used to select new supervisors who will be effective in the changing knowledge-based workforce. Structured interviews, job simulations, situational judgment tests, and other forms of job-related assessments determined to be more effective may be developed with a focus on measuring the competencies required in the workplace of tomorrow.

- Agencies should develop supervisory training programs that emphasize supervisory behaviors that promote and foster engagement of the employees they supervise. Such training programs will equip supervisors with the skills to empower employees, promote teamwork and cooperation, help employees grow, and recognize their contributions.

- Agencies should plan now to use the exodus of supervisors as an opportunity to recruit from diverse sources and use valid assessment tools as a basis for selections that will contribute to a diverse and representative workforce. Qualified minority employees should be identified, groomed, and placed in the pipeline for supervisory roles using the same valid selection methods.

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