NAVIGATING THE FUTURE OF WORK

California state agencies anticipate lasting changes for state employment — creating new opportunities and challenges.

STARTING A CONVERSATION

The COVID-19 pandemic triggered a sea change in how California state agencies and departments operate. Remote work and virtual collaboration became the rule rather than the exception for a large percentage of the state's workforce.

As the pandemic subsides, state leaders are assessing the impact of this massive shift and evaluating where opportunities may exist to make permanent changes. In February 2021, the Center for Digital Government and Accenture hosted an hour-long virtual conversation with leaders from key California state agencies and departments to understand how they are approaching the future of work.

Their comments during this conversation point toward significant and long-lasting changes in how and where state employees will work in the years ahead. All participants expect an unprecedented number of state employees to retain full or part-time telework schedules permanently. Several participants projected that 50 percent or more of their employees would continue with remote work at some level after the pandemic subsides.

Broad and permanent adoption of remote work creates a cascade of other changes for state agency leaders to consider. Agencies and departments probably will need less physical office space in the future, and the remaining real estate will be used differently. Performance measurement and management techniques must adapt to a virtual work environment. Hiring and talent development approaches need to evolve, too. And technology upgrades will be necessary to support new models of work and service delivery.

"After the huge disruptions caused by the COVID-19 crisis, government organizations are looking to get back on course and, importantly, build for the future; however, no one is going back to work as they remember it," says Accenture Managing Director Mark Noriega. "Agencies and employees alike are moving instead into a new future, one where work can be done from anywhere. Three years from now, successful organizations will be the ones that resisted the urge to race everyone back to the office in favor of rethinking their workforce model for the evolving world."

This paper details where participants say their organizations are headed, identifies key challenges and exposes emerging best practices as the state of California navigates the future of work.

THE PARTICIPANTS

> **Russell Fong,** Chief Administrative Officer, State Controller's Office

> **Marcie Frost,** CEO, CalPERS

> **Miriam Barcellona Ingenito,** Director, FI$Cal

> **Karen Johnson,** Chief Deputy Executive Director of Operations, Covered California

> **Abby Snay,** Deputy Secretary for the Future of Work, Labor and Workforce Development Agency

> **Kathleen Webb,** Chief Deputy Director, Department of Motor Vehicles
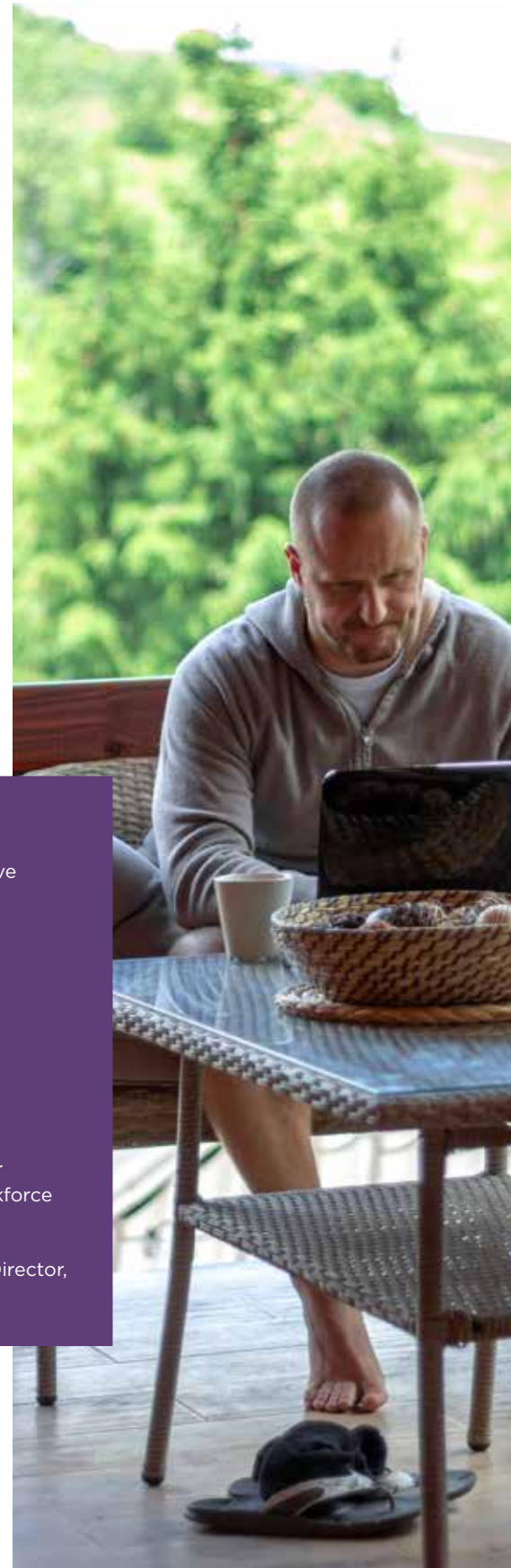
EVOLVING WORKPLACES AND WORKSPACES

The agencies and departments represented in this conversation moved employees to remote work wherever possible in response to the COVID-19 pandemic. Now, most are grappling with the question of how much of their workforce will continue remote work permanently. It's clear from their comments, however, that the pandemic is causing California state agencies and departments to permanently change telework policies — and as a result, these organizations are re-evaluating their need for brick-and-mortar facilities and rethinking the design of remaining office space.

A large part of the state's workforce will continue remote work on a permanent basis. The outlook for telework varies somewhat across agencies, based primarily on the agency's customer base, the type of work it does, existing technology capabilities and its experience with remote work so far. But all participating agencies expect a significant percentage of their employees to work remotely at least part of the time going forward.

FI$Cal, the department created in 2016 to operate California's statewide financial information system, has made the most aggressive commitment to permanent remote work. Ninety percent of the department's staff have permanently moved to full-time remote work. The remaining 10 percent work in the office part time, primarily to process mail and handle payroll and HR tasks.

Covered California, created in 2012 to operate the state's health insurance exchange, and CalPERS, which runs the state's public employee retirement system,

also anticipate big shifts toward permanent remote work.

Covered California anticipates 10 to 20 percent of its staff will become permanent remote workers, says Karen Johnson, Chief Deputy Director of Operations for the department. Another 50 percent of its workforce could have part-time remote schedules. CalPERS expects about half of its workforce to work remotely on either a full-time or part-time basis. The breakdown between full-time and part-time remote positions is still being worked out, says CEO Marcie Frost.

Movement toward permanent remote work is more complicated for agencies such as the California DMV and State Controller's Office, which maintain large networks of retail locations and/or operate large physical production operations. Both organizations expect to offer permanent full- and part-time remote positions, but the extent of the shift is less clear.

For the DMV, the state's largest retail operation, long-term expansion of remote work hinges somewhat on citizen adoption of digital transactions, says Kathleen Webb, Chief Deputy Director for the department. The more citizens use online DMV services, the fewer physical offices the department will need to operate and staff. The department also needs in-office staff to operate extensive printing operations that produce title and registration documents and other hardcopy materials.

On the other hand, the department has a significant number of back-office positions that could be suitable for remote work. The DMV also successfully shifted its call centers to remote operation in response to the pandemic.

Like the DMV, the State Controller's Office needs in-office staff to print paper warrants and operate the state's massive unclaimed property warehouse. Although the office intends to increase the overall amount of telework done by employees, it's still working out the specifics, says Russell Fong, Chief Administrative Officer.

> **"The DMV is experiencing both macro and micro changes in the way we do business."**
> — Kathleen Webb, Chief Deputy Director, DMV

"We're going to try to strive for 75 percent of staff doing some form of remote work," he says. "But every division is going to have to justify to the controller and myself what the mixture of teleworking and coming into the office should be — and it's very difficult."

Agencies need to evaluate which positions and which people are best suited to long-term remote work. Although agencies and departments quickly and successfully moved staff to remote work during the pandemic, permanently adopting this practice requires a different analysis.

"During COVID our incentive was to get people out of the building for safety reasons," Fong says. "Now we have to come up with the business case that justifies teleworking. For me, there are only three reasons to keep telework: It increases performance; it improves retention and recruitment for staff; or it reduces our costs."

Although most agencies participating in this project had positive experiences with remote work, Fong says results were mixed for his organization. "When you

actually see the output, it's less in some areas and more in other areas," he says.

Agencies and departments that have established metrics to measure the performance of individual employees are better positioned to decide which positions lend themselves to successful remote and hybrid work. CalPERS, for example, spent the past four years developing individual output metrics which now cover about 70 percent of its workforce. Only positions with measurable outputs are being considered for full- or part-time remote work, says Frost.

"These are public funds, so we need to be accountable," she says.

Management also needs to work with employees to understand who will thrive in a remote work environment and who will not. Most agency leaders say they won't require employees to work remotely if they prefer to return to the office.

"Some folks aren't good at doing telework," says Webb. "They are easily distracted and they have a hard time staying focused."

Agencies will need less physical office space in the future, and their remaining space will look different than it does today. Some state organizations already are shrinking their physical footprint because of this new workforce model. FI$Cal, for example, cut its permanent office space in half. The department is exploring additional space reductions and the possibility of moving to regionally located pod space in the Sacramento region where staff can reserve temporary workspaces when needed.

Covered California estimates permanent adoption of remote and hybrid work could reduce its real estate requirements by as much as 25 percent. In addition, a significant portion of the department's remaining physical space would be reconfigured to provide collaboration areas and shared offices, says Johnson.

"We're trying to envision what our workspace should look like now that we're going away from the traditional one-to-one employee to desk ratio," says Johnson. "We'll have more 'we space' and less 'me space.' So how do we optimize around shared space and conference rooms and give those spaces the right level of equipment."

As real estate needs shrink, agencies also are looking to share space with other state departments or even other levels of government. The new environment may drive unconventional partnerships as state organizations seek to right-size physical operations. Some of the most interesting

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4

thinking is happening at the DMV, which operates 190 retail offices throughout the state. The department's real estate requirements will be shaped at the community level by digital service adoption rates, availability of broadband internet access and other demographic factors. But the DMV is exploring innovative ways to reduce its physical footprint by opening express offices within retail stores, deploying 24-hour service kiosks and sharing space at other state agency field offices or at U.S. Post Office locations.

Similarly, the California Labor and Workforce Development

Agency is exploring partnerships with public library systems and local workforce boards to share resources. These partnerships, along with greater use of online services, could enable the agency to reduce real estate spending and direct more dollars toward employment programs.

"There are really great conversations going on from

a service delivery perspective around whether we need to go back to in-person visits and to what extent people can do their training and job searches online," says Abby Snay, the agency's Deputy Secretary for the Future of Work. "I think that's causing a reconsideration of precious dollars that are going into brick-and-mortar spaces."

MEASURING AND MANAGING REMOTE WORKFORCES

Permanent adoption of remote and hybrid work requires changes in how California state agencies and departments measure employee performance and manage their workforces. These two interconnected issues are perhaps the biggest hurdles to successfully implementing widespread and long-term remote work strategies.

Today, many state agencies lack good tools and techniques for measuring the output or perfor-mance of individual employees. This issue isn't specific to remote workers — it's true for in-office employees, too — but it becomes more acute as state government organizations permanently change workforce models.

State agencies need to develop effective measurements of employee performance. Lack of effective performance measures makes it difficult to create the business case for long-term remote work because agencies don't have accurate data to prove remote workers are as productive or more productive than in-office staff. Fortunately, there are examples of effective performance measurement within California state government — both department-wide and for specific functions — from which other agencies can learn.

FI$CaL and CalPERS have spent the past several years creating and implementing department-wide

measurements which are now easing the transition to permanent remote and hybrid work.

FI$CaL developed key performance indicators (KPIs) that roll up from staff, to management, to the director level. While key offices within the department have been using KPIs, the department is in the process of refining and developing the remaining indicators. This expertise in developing performance measures stems from FI$Cal's roots as a project management office for the deployment of California's statewide financial system. Contractor hours were carefully tracked for billing purposes during the implementation. The practice has since been transferred to state employees.

Today, the department tracks a series of metrics, including how fast it responds to trouble tickets submitted by users reporting problems with the financial system and how fast it releases system enhancements. These measures map back to the individual employees who perform these functions.

"I can see if we're missing any of our service level targets," says FI$Cal Director Miriam Barcellona Ingenito. "If we are, I can have a conversation with one of my deputies, and they can see, for example, that three employees are on leave in our service center and that's why ticket resolution is taking longer than expected in that area."

Ingenito says the process of determining how employees spend their time and mapping their effort to outcomes can be difficult. But these measures, which the department has developed over the past five years and continually evolves, become the foundation for justifying remote work and implementing data-driven management techniques.

"One of the reasons we've been able to go to telework is that we had those metrics in place," she says. "I could tell from my ticket counts that my staff is responding faster and they're more productive working remotely than they are in the office. I had the data to back it up."

Similar efforts are underway at CalPERS, where the agency has created effective measures for more than 70 percent of its activities.

"You need to spend the time to identify your core processes and then determine how to measure them," says CalPERS CEO Frost.

When the pandemic hit, these metrics let CalPERS monitor the impact of remote work on performance. Frost points to

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the agency's customer contact center as an example. Employees and supervisors can easily see important statistics like the number of callers in queue and how long those callers have been waiting. This information helps contact center agents manage their time effectively, and it helps supervisors understand when corrective action is necessary. The data-driven approach easily translated to a remote work environment — and it showed agents could productively work from home.

"We've always had our contact center onsite in Sacramento," says Frost. "But our contact center is doing extremely well working remotely — and I don't foresee requiring them to come back onsite."

Other agencies — including Covered California and the DMV — also pointed to remote contact center operations as examples of where telework is both successful and measurable.

"We've had an executive dashboard for about eight years now that reports metrics specifically for our call center," says Covered California's Johnson. The dashboard includes performance indicators such as how quickly calls are answered, how long agents spend with each consumer and the percentage of calls that are abandoned. Another report shows the percentage of agents who miss their scheduled shifts — a factor known as "shrinkage" in the contact center industry.

"When we went remote, our shrinkage rate actually decreased, so the number

of people who were available to answer calls increased, improving our overall service levels," says Johnson. "For the call center, remote work has been a tremendous success, and I think there will be higher percentages of our call center representatives working from home in the future."

Agencies need to adopt management techniques better suited to remote work environments. Development of employee performance metrics also supports a necessary shift in management techniques to supervise remote workforces. With more employees working all or part of their jobs from home, agencies and departments must replace "management by attendance" with approaches that are outcomes oriented.

Several agencies participating in this project had begun moving in this direction well before the pandemic struck to strengthen overall management. These agencies are now better positioned to supervise employees who aren't in the office.

Over the past four years, for example, CalPERS has adopted a management style that's more flexible and results-driven, supported by performance dashboards that track outputs across core processes.

"I can tell when people are working," says Frost. "As long as our outputs are in the targeted range, we're good. We can manage to the output targets and clear obstacles for our teams — we don't need to micromanage people."

Implementing these kinds of changes across the state will require

retraining for supervisors steeped in traditional techniques.

"You need to give tools to your managers, because this is very different than watching people at their desks from 8 to 5," says Fong at the State Controller's Office. "All the things we've taught managers throughout their careers are different than what you want to do in today's environment."

Fong said the Controller's Office recently put almost 300 managers through mandatory training — consisting of five 90-minute sessions — on how to manage employees in remote work environments.

"One of the things this does is point out just how different management is in a remote environment," says Fong. "You have to trust people; you have to manage them by the output."

Implementing long-term remote work also magnifies the importance of human capital management, adds the DMV's Webb.

"The DMV is experiencing both macro and micro changes in the way we do business," she says. "One thing I feel is really essential in our roadmap for the future is a robust workforce plan. I would think every department is going to have to go through some level of this."

Agencies already should be exploring how issues like the automation of routine tasks will impact future organizational models and staffing needs, says Webb. The shift to remote work adds other factors into the mix.

"It could change the kind of skills we look for," she explains. "If we're hiring call center agents who will work from home, we may look for qualities like the ability to work independently and a really strong commitment to customer service."

TAPPING NEW TALENT POOLS AND IMPROVING EQUITY

One key opportunity created by remote work is a huge expansion of workforce talent available to California state agencies. With state employees no longer tied to physical office locations, they can potentially live anywhere in California. This will allow state agencies to tap valuable new talent markets and offer flexibility that makes them more attractive to potential employees.

This trend already is playing out broadly across the employment market. A recent Accenture survey found that 87 percent of executives believe the remote workforce opens up the market for difficult to find talent and expands the competition among organizations.

"As an advocate for diversity and inclusion, I'm excited that we can now offer jobs to those who pre- viously were disadvantaged due to location, lack of transportation and other factors," says Accen- ture's Noriega.

Several agency leaders participating in this project say they're rethinking talent acquisition and retention policies. But agencies also must implement new communication, hiring and training practices to support employees who aren't in the office.

Geography is no longer a barrier to hiring and retaining the workforce talent agencies need. Eliminating or minimizing geography as a factor in state employment may help agencies hang on to valuable employees who might otherwise leave state service and attract new workers who haven't typically considered state employment.

Some agencies already are granting more flexibility to employees who want to relocate. At CalPERS, for example, Frost says employees based at the agency's Sacramento headquarters are asking if they still must live in the local area or even in the state of California.

"I do a weekly web chat with our entire organization and those are the two most common questions I get," she says.

While residence in California is required to hold a state job, CalPERS is now open to letting Sacramento-based employees move to other parts of the state — with an important caveat.

"You do have to understand that if your manager says, 'I need you

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> — Mark Noriega, Managing Director, Accenture

to come in the next day,' you have to come in the next day, no matter where you're living," says Frost. "As long as people understand that, I don't see a problem."

This flexibility also could open new career paths for CalPERS employees based in regional offices.

"We have some really talented people in our regional offices who don't want to relocate because of family or other reasons," she says. "Until now, their promotional path has been pretty limited because most of the jobs are in

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Sacramento. Now we might be able to give them a career path they didn't have before."

The DMV's Webb also is optimistic about the impact remote work can have on employee hiring and retention. Although the DMV operates nearly 200 field offices in the state, there are still many communities where state employment typically isn't considered an option — and some of them are rural and low-income areas where state jobs would be extremely desirable.

"I can't wait to move forward with this," she says. "I can target 58 counties now looking for potential employees who never thought they could put in for a state job because there wasn't a state office in their community."

Remote work also could make it easier for agencies to recruit and accommodate employees with disabilities, expanding the state's reach into another underutilized talent pool. "It really changes the dynamic around equity and diversity in hiring," Webb says.

Agencies may need to change recruiting practices to reach new talent. As state entities cast a wider net for potential workers, they'll need to rethink their reliance on in-person job fairs and other traditional recruiting events. Instead, agencies must get better at using social media platforms and digital communication channels to reach new audiences.

Along with getting the word out about job availability, agencies may need to launch educational efforts to help people through the application process.

"It's still a bit of an art form to get a job with the state of California, so that can be a barrier," says Webb. "As we recruit in areas where we

haven't traditionally gone, we may also need to teach applicants how to pursue a job with the state."

Agencies will need new policies, processes and training to support remote and hybrid workforces. Multiple agencies participating in this conversation have launched new communication efforts to engage remote workers, including web-based question-and-answer sessions between employees and leadership, all-staff virtual meetings and regular employee opinion polls. Several organizations also have created virtual meeting norms that give remote employees guidance on common issues like when they should be on camera and when it's ok to turn the video off.

In addition, agencies are digitizing human resources processes to match the new virtual environment. Covered California, for instance, launched

electronic onboarding and offboarding tools. "We wanted to make sure managers and supervisors had the same tools they had when they were in the office and could speak to HR in person," says Johnson. "All of that is in the virtual environment now."

And at the DMV, remote work is triggering new activity around online training and more sophisticated talent management.

The department is developing digital courses to replace its historic reliance on in-person training, says Webb. "We've already got a library of online training that's available to team members and team leaders, and it continues to grow."

Compared to in-person courses, e-learning is less expensive and more accessible to DMV employees, including remote workers.

"One of the things I'm sensitive to is training not being available to everyone, or maybe biases in how training is made available," she says. "This e-learning format basically eliminates those issues."

In addition, the DMV is exploring the development of a talent management system that would give the sprawling organization better insight into skills and abilities scattered across its 10,000-member workforce.

"There are a lot of benefits to this, especially as we enter a more virtual work environment," Webb says. "We can create working teams from employees located across California. We know this already happens in the consulting world at an international level. But we've never really harnessed how to best do that here at the state."

EVALUATING TECHNOLOGY FOR THE FUTURE OF WORK

Technology plays a fundamental role in the state's evolution toward new models of work. One lesson from the immediate pandemic response is that agencies and departments with modern technologies — flexible and mobile-friendly business applications, laptops and tablet computers for employees, and up-to-date security tools — had an easier time adopting and sustaining remote work and deploying new digital services for internal and external stakeholders. Long-term remote work — along with expanded digital services strategies — will have lasting impact on the technology tools provided to state employees, equipment needed for physical offices and modernization strategies for key systems.

End-user technology tools for state employees have changed permanently. The immediate need during the pandemic was to equip employees with mobile technology, mainly laptop computers and related gear, so they could work from home. Organizations like FI$CAL, where all staff members already had modern mobile computers and mobile security tools, were in a much better position to make the shift.

This experience is changing how agencies must view end-user technology going forward. Items that previously may have been considered luxuries — camera-equipped laptop and tablet computers, along with appropriate security protection — are now essential to support full- and part-time remote employees, and

to prepare agencies for future events that prevent employees from working in the office. Video cameras, in particular, are a critical tool for employee communication and engagement.

"Getting video cameras out to our remote employees was a big, important thing for us," says Fong, who joined the State Controller's Office in May. "I've met probably 20 people here in person. Video helps provide that face-to-face interaction. It's hard to build a rapport when I've never seen you, and you've never seen me."

Covered California addressed another critical barrier to remote work: internet connectivity in employees' homes. The department's IT division worked with a WiFi network vendor to pilot a solution that gives remote workers a secure, high-bandwidth internet connection that is routed through Covered California's servers.

"This was a big issue for some of our call center representatives who didn't have ideal internet service, or perhaps didn't have internet connections at all," says Johnson. "This is a solution that we'll probably look at implementing more broadly if we have more people teleworking."

In addition, state offices will need technology upgrades to support hybrid work and shared spaces. As discussed earlier, agencies and departments intend to use physical office space differently than they have in the past.

A WORK IN PROGRESS

Several participants in this conversation mentioned the changing nature of meetings and group collaboration sessions. Even when these activities are based in physical offices, they're likely to include a mix of in-person and remote attendees. This will drive the need for high-quality videoconferencing systems inside state facilities.

agility and resiliency of state government operations. Modern technology simply enables agencies to respond faster and more effectively to changing conditions and requirements.

"We can't defer the modernization of our technology any longer," says Webb. "Some DMV systems are still on Assembler

> **"I can tell when people are working. As long as our outputs are in the targeted range, we're good."** — Marcie Frost, CEO, CalPERS

Also, as departments implement shared desks and meeting spaces, they'll need reservation systems that let users book physical workspaces and enable supervisors to manage office capacity.

FI$Cal is using such a system, says Ingenito. "Employees enter which days they'll be in the office and add ergonomic needs they have, and the system shows which cubes are available," she explains. "Then they put in a reservation, just like a hotel."

Finally, there will be even more pressure on state organizations to modernize old technology systems and deploy new digital capabilities. Although the need for modern digital processes and services was apparent before the pandemic, the COVID-19 crisis emphasized the impact old technology has on the

code, and anyone who wrote Assembler code has long since retired. So we need to be careful about what we put on the back of a very fragile system."

The DMV is working with the California Department of Technology to stabilize its old systems and develop a modernization roadmap that leads to new technology that is cloud-based and user-centric, she says.

Participants in this conversation also identified a number of specific systems that are gaining importance as the state moves toward a new workforce model, including digital document and signature applications, data dashboard and visualization tools, and platforms to manage growing libraries of digital training materials.

California's journey toward new models for state employment is a work in progress. But it's clear that the rapid and in many cases successful adoption of remote work by state agencies during the COVID-19 crisis helped prove the concept's value and practicality. Now agency leaders are looking for opportunities to expand full- and part-time work permanently where it makes sense.

The push toward virtual work environments will drive potentially beneficial changes in how the state recruits, manages, trains and supports employees. In many cases, these changes will benefit all state employees, whether they work in traditional offices, telecommute part time or work fully remote. This shift also opens opportunities for agencies to tap new talent markets, retain valuable employees, boost performance and redirect money currently spent on physical facilities into important programs and services.

This report begins to sketch out how agencies view the future of work — and it identifies potential benefits and challenges in making these moves. But the views presented here aren't intended to be the last word; they are the start of a running conversation that will be critical to the state's success in the years ahead.