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The Honorable Luke E. Torian, Chair, House Appropriations Committee
The Honorable Janet D. Howell, Chair, Senate Finance and Appropriations Committee
The Honorable Grindly Johnson, Secretary of Administration

Subject: A Study to Review How Teleworking Can Reduce Operational Cost for State Government and Impact Recruitment and Retention of State Government Jobs

The attached report is submitted pursuant to Chapter 552, Item 83, N of the 2021 Virginia Acts of Assembly, Reconvened Special Session I.

Please contact me if there are any questions or concerns.

Sincerely,

Emily S Elliott

Emily S. Elliott
Director
Department of Human Resource Management

10/1/2021

A Study to Review How Teleworking Can Reduce Operational Cost for State Government and Impact the Recruitment and Retention of State Government Jobs

Virginia Department of Human Resource Management

A Study to Review How Teleworking Can Reduce Operational Cost for State Government and Impact the Recruitment and Retention of State Government Jobs

Purpose

The submission of this report complies with Chapter 552 (2021 Special Session), Item 83. N., which requires the Department (DHRM), in collaboration with the Department of General Services (DGS), the Virginia Information Technologies Agency (VITA), and any other state agency upon request, to examine the Commonwealth's existing telework policies, and how agency program and service delivery tools and methodologies employed during the COVID-19 pandemic may inform future policy objectives regarding the use of telework and alternate work schedules as a means of achieving administrative efficiencies, reducing cost, and sustaining the hiring and retention of a highly qualified workforce. No funding was authorized for this study.

A primary focus of the study is **to review how teleworking can be used as a means to reduce operational costs for state government, and recruit and retain workers for state government jobs**.

Background

In July 2008, DHRM released the Commonwealth's first Teleworking Policy that supported the use of teleworking and alternate work schedules within the state's workforce. Through legislative action, the Commonwealth mandated each state agency to have a goal of not less than 25% of its eligible workforce participating in alternate work schedules by July 1, 2009 and by January 1, 2010, each state agency, except the Department of State Police, to have a goal of not less than 20% of its eligible workforce telecommuting.

Operating in a decentralized Human Resource environment, the DHRM statewide Telework Policy provided guidance for Executive Branch agencies and, in turn, Agency Heads for each Executive Branch agency to determine how best teleworking and alternate work schedules could be utilized within their respective agencies to support workforce recruitment, retention and service delivery. Pre-pandemic, agency adoption of teleworking and alternate work schedules varied greatly within the Executive branch agencies. Prior to the COVID-19 pandemic, Commonwealth agencies reported roughly 26% of classified positions as eligible for teleworking with approximately 19% of the employees in eligible positions as actually teleworking in some capacity. Agencies also reported that 55% of classified positions as eligible for alternate work schedules with 18% of those employees currently having an alternate work schedule.

In early 2020, as a result of the COVID-19 pandemic, the Commonwealth of Virginia and its Executive Branch agencies had no choice but to adopt a mindset to support the use of teleworking and alternate work schedules as agencies were forced to close to the public, and a significant number of employees in the state workforce were instructed to remain at home. State agencies found that the ability to maintain continuity of operations for an extended period of time could only be accomplished by rapidly adopting teleworking and alternate work schedule practices far beyond what had been previously experienced within the Commonwealth.

During 2020 and into 2021, state agencies reported teleworking levels at their highest. In March 2020, 37 state agencies reported that 80 to 100% of their employees were teleworking and another 15 agencies reported 40 to 80% of employees were teleworking. The level of telework within the Commonwealth was achieved not only because of necessity and agency leadership support, but also through the use and support of technology. VITA provided much-needed technology and operational support.

To enable increased remote work, VITA deployed additional methods for Commonwealth employees to connect securely with Commonwealth systems. VITA expanded virtual private network (VPN) capacity by 700% (from 5,000 to 35,000 concurrent connections) in just over a month and implemented a cloud-based VPN alternative rapidly for large agencies with particular need.

Next, VITA provided additional devices and flexibility for remote workers. VITA obtained thousands of additional laptops sufficient to meet all identified remote work needs and created a secure option to take a desktop computer to a remote location for work.

Finally, VITA scaled up its support resources to meet the increased demand from agencies. VITA increased its help desk support staff to address a surge in call volumes and VPN access requests. VITA enhanced the frequency and detail of communications about its operations to provide additional insight to agency IT staff, worked with the Department of Human Resources Management (DHRM) to develop guidance for telework, and addressed nearly all agency one-time requests in an expedited manner.

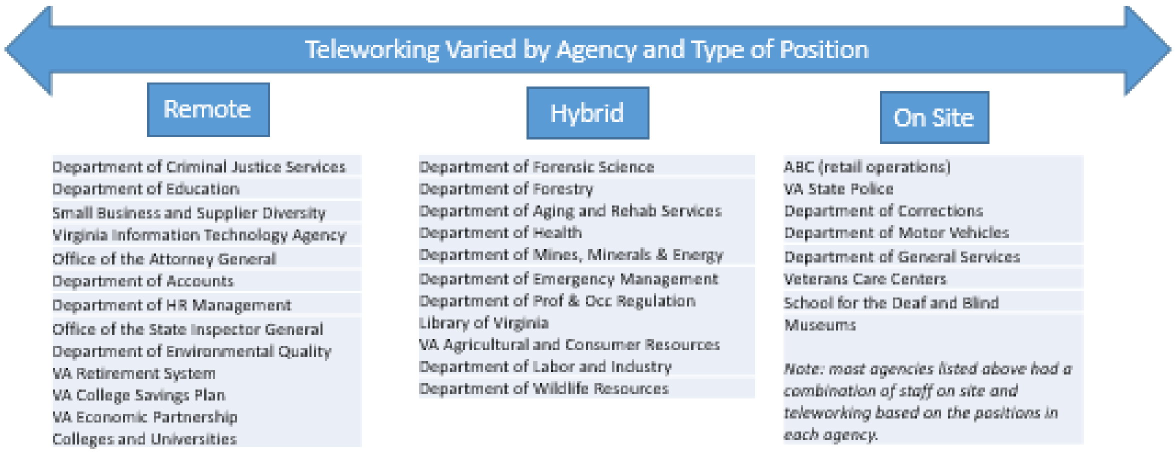
Additionally, throughout 2021, VITA has launched many new services to support agencies' efforts to automate and to facilitate work from anywhere. These services include robotic process automation, improved electronic signature capabilities and remote access tools, virtual desktop capabilities, and additional content management and collaboration tools.

Return to Office and Hybrid Work Environments

As Executive Branch agencies began their return to office planning, agencies conducted surveys that showed employee expectations had shifted as a result of the extended teleworking. A large number of employees expressed an ongoing interest to telework in some capacity, either full time or on a hybrid schedule. In a hybrid teleworking model, an employee works in a designated physical location (office) and an alternate (remote) location such as their home.

In January 2021, agencies reported a spectrum of teleworking that varied based on agency mission and types of positions within the agency.

Figure 1- Survey January 2021



In June 2021, DHRM surveyed Executive Branch state agencies to determine what percentages of employees were physically at work as opposed to working remotely. Of the 23 agencies that responded, the data showed that onsite workers ranged from 5%-10% to 75% depending on the agency.

Employee presence on site has changed little due to the ongoing concerns over the ability to control, prevent and mitigate the spread of SARS-CoV-2, the virus that causes coronavirus disease 2019 (COVID-19), along with the continued shift towards a long-term hybrid teleworking model. This was further validated by the findings of a recently study conducted by a study group participating in the Virginia Executive Leadership Institute (VEI). VEI is a program run by the Performance Management Group within the L. Douglas Wilder School at Virginia Commonwealth University.

In that study titled, Changing Spaces, Changing Workplaces, the group reviewed entrance data for nine state owned facilities over the course of multiple weeks. Using the week of July 26, 2021 through July 30, 2021 as an example, the occupancy rate for the nine buildings ranged from 14% to 20% with a daily average occupancy rate of 17%. Recommendations from the study group have been folded into the recommendations at this end of this report.

Potential for Office Space Reduction

Leadership across agencies continue to support teleworking as a recognized means to attract and retain talent while continuing to accelerate service delivery. There is also a realization that having full time and hybrid teleworkers brings forth an opportunity to look at physical workplace environments and the potential for a reduction in office space needed to house on-site workers.

While reducing office space seems simple, it comes with a great deal of complexity and detail that must be considered for both short-term and long-term workforce needs. In addition, an understanding of the Commonwealth's real estate program is critical to assessing the potential for office space reduction.

<u>Commonwealth's Real Estate Program</u>

The Department of General Services (DGS) Division of Real Estate and Facility Management, manages the Commonwealth's broad portfolio of leases, sells or assists with redeploying underutilized real estate assets and oversees other real estate transactions as needed by state agencies. The Division assists agencies and institutions to develop and maintain facility strategic plans, assessing current and future facility needs.

433,900 acres of land in **1,015** locations

10,888 owned buildings with **117 million** square feet of space

543+ leases administered with annual rental of **$62.9 million**

2,021 non-DGS administered leases

$148.7 million in cost savings and avoidance since 2005

Over **6.5 million** square feet of facilities managed

8,000+ annual customer-generated service requests

40 buildings managed, including the Capitol and Governor's Executive Mansion

4 owned and/or managed properties designated as National Historic Landmarks

13 owned and/or managed properties listed on the National Register of Historic Places and on the Virginia Landmarks Register

20 parking facilities with over **7,000** parking spaces

The chart on the right provides a high level overview of this program. DGS annually reports on this data and includes recommendations for any actions that may be required by the Governor and the General Assembly to identify and dispose of property not being efficiently and effectively utilized.

DGS has a lead role in tracking space occupancy, use, building efficiency and works closely with agency leadership to identify space need.

As noted in the submitted DGS Combined Real Estate Report dated November 15, 2020, pre-pandemic, opportunities existed then and remain today to support "increased teleworking for employees and a more creative use of space through hoteling or other shared uses by staff. Implementing new efficient approaches to agency space utilization is dependent upon the agency missions, services provided to the public, agency leadership and available funding. DGS is in a position to make recommendations; however, DGS does not have the authority over an agency's operation and funding to implement the recommendations."

DGS is well positioned to assist agencies in assessing space needs and utilization. However, agency leadership must first define their future workforce and service delivery model. It is further recognized that these models can change over time due to unforeseen circumstances. The ability to quickly expand and contract the Commonwealth's workplace footprint will create the greatest efficiencies. As reflected in Chapter 522, Item 79, A.2. of the 2021 Virginia Acts of Assembly, Reconvened Special Session I, "The rent rate for occupants of office space in seat of government facilities operated and maintained by the Department of General Services, excluding the building occupants that currently have maintenance service agreements with the department, shall be $15.96 per square foot for the first year and $15.96 the second year." Based on the cost of facilities per square foot, a reduction in building occupancy and the footprint needed to support the Commonwealth workforce has the potential to generate cost savings for the Commonwealth. This amount would be offset by any cost, to be identified, that may be needed to further support remote workers, albeit much of those cost are being covered already.

Federal Government – Return to Office and Workspace Reductions

On June 10, 2021, the White House announced its support for the federal government to "Open with maximum telework flexibilities." The Office of Personnel Management (OPM) went further to state that "During the pandemic, telework expanded dramatically out of necessity. As agencies consider what their post-reentry policies should be, OPM encourages them to consider telework as part of overall strategic workforce planning that provides new flexibility to agencies competing for top talent with other sectors across the country."

At the federal level, the Telework Enhancement Act of 2010 forced agencies to quantify remote work results. The Social Security Administration reported $900 million in real estate savings in 2018 and 2019, prior to the pandemic. The General Services Administration reported a 40% reduction in space and millions in real estate and administrative savings.

In March 2021, the U.S. Office of Personnel Management (OPM) published the Status of Telework in the Federal Government Report to Congress for Fiscal Year 2019. This report is a comprehensive reflection of telework within federal government. Cost savings are measured and reported in the following categories: Rent/Office Space; Utilities; Human Capital (Recruitment/Retention); Training; Reduced Employee Absences; Transit/Commuting Cost. Of note and interest is the use of both agency and employee realized savings supported by teleworking federal operations and employment.

The OPM has not yet released the Fiscal Year 2020 report; however, the updated report should be reviewed for further analysis. Of specific interest will be the impact of the COVID-19 pandemic and what is envisioned for the future federal government workforce model and the related facilities that house federal employees.

State Comparators - Return to Office and Workspace Reductions

That National Association of State Chief Administrators (NASCA) and real estate firm JLL conducted and released a study of 23 states on their plans for new workforce and real estate strategies. The study titled, How States are Future-Fitting Real Estate Portfolios, provides several case studies that demonstrate how teleworking can reduce square footage and occupancy costs by 15% to 30% "depending on the ratio of desk sharing and amount of collaborative space needed."

Within the report and related news articles released thereafter by NASCA, States reporting savings included the following:

- Utah – expected to save nearly $13.6 million annually based on the adoption of employees working a hybrid teleworking model. They reported exiting 67 leases and reducing its state-wide footprint by nearly 850,000 square feet.
- Colorado - will continue to have 20% of the state workforce working from home which will save the state about 1 million square feet of office space.
- Wisconsin – in their Vision 2030 report established a goal to decrease overall general office space by 10% or 400,000 square feet over the next decade through lease consolidation, a reduction in the number of state owned facilities and operational savings.

Findings

- Teleworking and alternate work schedules have proven beneficial in maintaining continuity of government operations, enhancing service delivery through automation of processes and online service delivery, lessening the impact on the environment by reducing travel and vehicle emissions and supporting employee attraction and reduction.
- Leadership across all entities must have the awareness and be sensitive to the realization that not all jobs (corrections officers, nursing or direct care, mechanics, retail, etc.) are designed for teleworking and not all employees are a good fit for teleworking. Leadership must manage teleworking and alternate work schedules with a sense of fairness and equity with the realization that a "one size fits all" approach to teleworking and alternate work schedules will not work across all agencies.
- The Commonwealth of Virginia has lagged behind the private sector in shifting to a workplace culture that fully and openly adopts teleworking and alternate work schedules. To be a competitive employer of choice, agencies must design workforce models that support full-time and hybrid teleworking models. This includes the design and delivery of service through automation and by redesigning positions to support working remotely.
- The technology enhancements and improvements stated herein have positioned the Commonwealth to embrace a more modern approach to workforce management and offer flexibilities in work locations that enhance the Commonwealth's ability to attract and retain both current and future employees.
- The Department of General Services, through its Division of Real Estate and Facility Management, has access to information and the expertise needed to support Executive

Branch agencies in the review of space utilization and in strategic planning for future workplace environments.

- Support for teleworking, use of alternate work schedules and the justification of workspace needed for employee' remains at the discretion of each agency head. There is no incentive or disincentive in place to maximize space efficiency (i.e. reduction of space and cost).
- DHRM policies support teleworking, the use of alternate work schedules and are intentionally broad to provide flexibility to meet agency specific needs. DHRM must continue to provide training to supervisors on onboarding new employees, managing remote employees and teams, and how best to manage by outcomes, not line of sight.
- The Federal government and other State governments have reported significant cost savings by continuing to embrace teleworking and putting in place goals or targets for state footprint reductions.

Recommendations

The following recommendations are provided for consideration.

1. Require each Executive Branch agency to conduct and regularly report on space utilization and cost. In turn, consider establishing a space reduction goal or establish a square footage allowance based on a formula created by DGS that accounts for criteria to be identified and includes the number of agency employees <u>eligible</u> to telework.
2. Require each Executive Branch agency to report on their ability to move to fully remote operations (to the extent practicable) and develop action plans to mitigate any identify gaps using the lessons learned from the COVID-19 pandemic including retention of remote workers. Require agencies to report this information annually to their respective Cabinet Secretary until all gaps have been closed.
3. Research and consider incentives that can be offered to encourage state agencies and/or employees to telework or participate in an alternate work schedule. This could include evaluation of changes to the state employee compensation and benefit plan that may allow for an employee to recoup cost to support teleworking offset by savings to an agency.
4. Require on an annual basis a determined number of agencies to undergo a space utilization review by DGS or a third party contracted resource. A key focus of the review would be to identify efficiencies and cost savings, as well as, look at future workforce needs to ensure long term needs are identified and incorporated in the Commonwealth's strategic planning for real estate and facility management needs.
5. Require DGS or a third party contracted resource to conduct a more in-depth review and evaluation of current real estate optimization with support of DHRM, VITA and any other agency as needed and present a short term 2 year and long term 5 year plan that reduces the Commonwealth's footprint and achieves cost savings while enhancing the Commonwealth's ability to attract and retain both current and future employees.

Conclusion

The Commonwealth of Virginia is well positioned to transform the public sector workforce and rebrand the public sector work experience. Doing so, requires a continued commitment to teleworking and alternate work schedules which will enhance the ability to attract and retain the current and future talent needed within state government. Teleworking and alternate work schedules can and do provide cost savings and facility efficiencies.

This report is submitted by the Virginia Department of Human Resource Management with input from the Virginia Department of General Services and the Virginia Information Technologies Agency.