Human Capital Management in Government
An industry insight from the Global Human Capital Study 2005
New technologies, competitive pressures and rising customer expectations are driving change in all organisations. But for managers of human resources in government agencies, the journey is particularly tough.

They face similar issues to other HR practitioners: recruitment, retention, training, work design, cost management, workforce planning and, of course, cultural change. But years of insufficient funding, outdated regulations and simple inertia have made it more difficult for government employees and their organisations to reinvent themselves to meet today’s challenges.

Resistance to change in government agencies is common – private sector employees are more accustomed to the shifts involved in a changing free economy.

Technology is causing ripples as well. For government agencies, grappling with rising customer demands and expectations is a new challenge, heightened by the increased accessibility that new technology brings.

New technologies require skills lacking among government employees.

The changing workforce is also having a significant impact. Baby boomers in public service are retiring without enough experienced personnel to replace them.

These and a host of other factors – including hiring freezes and other no-growth policies, private sector competition for skilled workers and lack of interest in public service careers – all combine to make the CHRO’s task of equipping the agency to respond to the citizen that much harder.

It is in these areas that public sector Chief Human Resources Officers (CHROs) must turn their attention. A full understanding of each area and the human resource impact on their agencies will set the task ahead to transformation and gear their departments up to deliver next generation HR solutions.

“The ability of the (agency) to respond to rising citizen demands for service are put at risk by the current skill set of the (agency’s) workforce.”

U.S. Government agency
Putting the public first
Worldwide, governments are being asked to change the way they legislate, deliver critical services to the public, manage internal operations and interact with constituents. Political leaders mandate accountability for performance and use of public funds. Citizens and businesses demand more convenient services, Web-based transactions and direct links to public policymakers. The Web is increasingly seen as a means to attract new talent, and to offer staff educational opportunities.

Expectations about where, when and how citizens, government employees and private-sector businesses should interact are being reshaped by new technologies such as mobile computing. The increased accessibility that these new technologies bring has added to the pressure on organisations to meet customer demands quickly and efficiently. IBM research shows that commercial organisations have an average 1.8 opportunities to resolve a customer’s issues satisfactorily before they take their business elsewhere.

Government agencies similarly recognise that they need to respond to an increasingly demanding public, listing increased customer responsiveness and improved quality rate as two of their top three business priorities – 83 per cent and 78 per cent respectively [Source: IBM GHCS 2005]

There’s one big difference. Public sector customers usually have nowhere else to go. Failings tend to raise high emotions and can tie up a lot of management time.

Minimising the amount of wasted time and resources means mobilising the workforce around customer service – not just front-office staff, but also those involved in back-office processes.

Fundamentally, every person in the organisation should understand that they have customers, be aware of their customers’ needs and demands, and be equipped to deal with these demands.

“(Our) employees are being challenged to address the rising workload… and the significant increase in citizen demand on… services.”

U.S. Chief Human Resources Officer (CHRO)
**Joined-up government**

Before government organisations can communicate effectively with their external customers, they first need to be able to communicate effectively among themselves, to create joined-up government. That means integrating applications, processes, management and delivery channels, as well as linking internal agencies to outside stakeholders. Integration requires the marrying of technological and people-based solutions. As one US CHRO found, his office was “required to interact with more and more outside organisations... skills were needed in coalition building.”

Improved integration must also be balanced with reducing costs across the government, a need typified by the Gershon Report. In his recent review, Sir Peter Gershon addressed the UK’s civil procurement in light of the government’s objectives on efficiency, modernisation and competitiveness. As a result of this study, the UK Government is now looking to deliver a 2.5 per cent efficiency gain across the public sector by 2008, through the reduction of both administrative costs and roughly 100,000 existing jobs. But savings are to be redirected towards recruiting 250,000 front line staff, which will help in improving customer service.

The pressures to move towards joined-up government are both service and cost-related, and are forcing governments to invest in the systems and processes required for more effective delivery of services. To complete the transformation to the flexible and unified organisation that citizens and legislatures expect, governments need to deliver products and services when customers need them. That means moving to an on demand environment supported by flexible infrastructure, new technologies and reengineered processes.
The slow take-up of e-Government

There is global consensus that e-Government can change the way in which governments operate, improve the quality of life of its employees and citizens, and increase competitiveness in a global economy. There are already numerous examples of e-Government success stories from central and local governments across Europe, and government entities such as those in the province of Manitoba in Canada, the US states of Michigan and Florida, Dade County in Miami, the city of Naestved in Denmark, Singapore and a handful of others.

However, market research indicates that few governments have actually advanced past the preliminary stages of placing existing services online. A global economic downturn has led to a reduction in public spending.

An e-Government approach could change HR management dramatically, but economic barriers remain in place.

The changing workforce

The challenges associated with an ageing workforce are being felt at all levels within government. In our survey sample, the average age of a government employee is 42.1, compared to 38.3 for private sector employees. Over-one quarter of public sector employees is aged 50 or over, compared with 15 per cent in the private sector [Source: IBM GHCS 2005].

Governments are beginning to prepare themselves for what amounts to mass retirement, and the need to replace the skills that are walking out the door. Agencies such as the State Department, the Department of Transportation and the U.S. Agency for International Development will all have 40 per cent or more of their employees eligible for retirement by 2006. Public sector agencies in Europe are experiencing similar challenges.

In order to fill these critical skill gaps, government agencies need to hire a new generation of employees.

“The challenge is with the pyramid of age – one generation is about to retire... and there is a risk of losing some critical skills.”

European Government agency
However, a recent Gartner Research report concluded, “their (government’s) optimistic hiring intentions will not fully materialise unless the government significantly changes its HR management programs, compensation, and job classifications”.

Change needs to be led from the top, not just in workforce culture but government culture. As one Asian CHRO commented, “Being dependent on the government for every decision has a heavy toll on the organisation.” His organisation had commissioned an “exhaustive” report recommending transformation, but “the report has not been used in any way for lack of political will to change”. Another CHRO from Europe commented on “political interference in the organisation structure” acting as a change barrier.

The line to the top is also more often than not indirect – the CHRO reports to the head of the agency (equivalent to the CEO) in just 43 per cent of agencies [Source: IBM GHCS 2005].
A survey by the online recruitment firm Totaljobs.com\(^2\) indicated that 90 per cent of jobseekers would consider applying for a public sector post, but are deterred by the belief that the public sector is bureaucratic.

The public sector is also regarded as an ungenerous employer, offering limited prospects to new hires – a view supported by one CHRO in South America who struggled to “enhance and motivate employees with no additional benefits”.

Sixty-eight per cent of agencies surveyed used salary scales with fixed increments while just 18 per cent used broad banding, compared to 43 per cent in other industries [Source: IBM GHCS 2005]. Almost two-thirds of jobseekers interviewed by Totaljobs.com said that public sector employers did not have a modern outlook.

If government agencies are to attract top-tier talent, they need to improve the value and benefits of an agency career.
The implications for Human Capital Management

The challenges raised by these workforce-related issues place significant pressure on today’s government human capital strategies.

A crucial first step is for leaders to consider their workforces in a new light – as a strategic asset rather than a cost base. If they assess the skills required of their people, devise strategies for securing the right people with the right skills and use technology to support their objectives, they will contribute to developing a dynamic workforce that can operate to its full potential.

Making these plans a reality requires committed leadership and thoughtful change management.

Public sector managers can address human capital mandates in a number of ways. They can look at organisational redesign and re-evaluate their recruitment and retention policies. They can invest in training programmes, new career ladders and leadership development.

An agency can use any number of techniques to improve its human capital — but without a sound strategic approach, such efforts are likely to go astray.

Government leaders must “establish a baseline of their human capital profile; build a business case for future human requirements, and make targeted investments as part of the agency strategy to attract, develop, and retain the talent necessary to meet its mission and goals.”

U.S. Government Accountability Office (GAO)
Such an approach needs human resources managers who are prepared to transform both themselves and their operations. Instead of just handling basic personnel activities and transactions, the next generation of HR requires public sector HR leaders to become strategic partners with other agency leaders, focused on adding value by leading the people aspects of transformation.

They must invest in the research required to develop a sound strategy, identify leading-edge approaches to human capital management and implement plans to fill top priority gaps in skills and experience.

Components of a sound human resources management strategy for public sector organisations include:

- **Reorganisation**: the fundamental redesign of government processes to improve its capacity for coherent and efficient implementation of public policy.
- **Culture change**: uniting and motivating staff behind a common commitment, a commitment to the customer – a move away from the concept of product delivery to one of client service.
- **Workforce management and planning**: moving public sector organisations away from traditional grade-based approaches to reward systems based on skills, competencies and demonstrated performance.

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**Percentage of companies measuring recruiting effectiveness**

![Graph showing the percentage of companies measuring the quality of new hires, evaluating the recruiting process, and tracking hire to start time.](source: IBM Global Human Capital Study 2005)
• **Employee recruitment, selection and retention**: few government agencies measure recruiting effectiveness [Source: *IBM GHCS 2005*] – however, government agencies have a good record when it comes to offering employees greater use of flexible hours and telecommuting. Acquiring new people with new skills for a new organisation, and creating a challenging, rewarding environment that inspires employees to stay with the organisation are essential.

• **Work design and cost management**: assuring that policy is designed so that it can be delivered efficiently – which implies a top-level liaison between civil service and government.

No single activity can ensure an effective future workforce. But if implemented correctly, a comprehensive and highly effective human capital strategy has four qualities:

• It is linked to an organisation’s mission, and so enables employees to focus on that mission and on achieving the organisation’s goals.

• It makes it possible for the workforce to adjust quickly to rapid changes in requirements and environment.

• It produces actions that reduce the cost of human capital.

• Most of all, it delivers the people power that leaders need to turn vision into reality.
CHROs of government agencies face unique challenges. For example, one of the major differences between such agencies and the private sector is that the former rely far less on outsourcing for both HR administrative support and staffing. At the same time, government agencies have a greater focus on responsiveness and quality, and less focus on profitability and revenue generation.

CHROs of government agencies who want to deliver next generation HR solutions and transform their people from the brakes of the organisation to the accelerator need to review the following key issues, including some pivotal questions:

**Link to organisational mission and strategy**
- What services should my organisation provide to fulfill our mission now and in the future?
- Which processes and functions are most important to these services?
- Does my organisation have the skills and tools needed to operate these services?
- How do I maintain the right staffing levels across the organisation to do the core work and unique events?

**Recruiting and sourcing employees**
- Do I have the right people in the right jobs at the right times?
- Are we bringing in and keeping the people we need?

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**Percentage of government organisations that use alternative HR sourcing channels**

Source: IBM Global Human Capital Study 2005
Retention and employee development
• What are we doing to prepare our people and organisation for the future?
• How do I attract and retain young high flyers, high potential managers and rare skills?

Performance management, rewards and recognition
• How do I reward and motivate my people in an environment where I can’t give a bonus, promotion, career progression or salary rise when I want?
• How can I assure that performance assessments are adequately equipped to evaluate functions and people performance?

Knowledge and learning
• How do I retain and share knowledge and experience of subject matter experts who are retiring?
• How do I rapidly get new employees up-to-speed in their new roles?

Headcount, budget, diversity, training, sickness/absence
• How do I ensure that any process or technology initiative meets regulatory compliance standards?
• How can I reduce my HR budget and headcount?
• How do I enhance the value of my HR organisation?
• How do I get the most out of our ERP systems?
• How do I leverage wider technology transformation initiatives?
• How do I fuse disconnects between front office and back office technology?

CHROs who are looking to deliver HR services more efficiently and effectively across the organisation must not only determine the answers to the previous questions, but solutions that can be implemented against those answers that do not satisfy.
Better HR for government
Among the many challenges facing government agencies is to achieve efficiency targets and improve service delivery for HR. However, the benefits of such an achievement are apparent.

Doing so will lower the cost of providing HR outcomes and release resources back to the organisation. It will increase manager and employee satisfaction, and provide more accurate information about the workforce.

It will improve data consistency across the organisation, enable management decision making and ensure regulatory compliance.

This is only the starting line. There are a number of areas that require focus and each brings with it a host of potential benefits. Together, these benefits add up to stronger HR strategies and, ultimately, an improved governmental function.

International Security Government Agency

Dramatic developments in world politics signified radical change for a 19-member cross-border security alliance. While its primary mandate, security, remained unchanged, its approach shifted, with a change in strategic objectives and the introduction of objective-based budgeting. To support this shift, the organisation needed a comprehensive review of its people management practices, including a shift to competency-based performance management, the introduction of better training and development, the enhancement of internal mobility, and the improvement of line management and HR function capability. In an innovative engagement, IBM provided project management support, coaching to the organisation’s project leads, expert input in the content of all sub-projects, and implementation and delivery support.
Training & development

Successful talent management extends to a systemic approach to the way an organisation develops its own talent. Government agencies have a greater reliance on external education suppliers than other industries [Source: IBM GHCS 2005]. They must make best use of the training and development budget, get the best value from training resources and investment, and thereby improve staff competence and performance.

Doing so will achieve cost savings in training delivery as well as more value from training expenditure overall. Handled properly, this will improve employee response to new mandates as well as faster time to performance. More important than this in the long-term is the retention of key skills and people, and maintaining relevant skills for longer.
Engaging and motivating your people
Keeping government employees (and management) motivated and involved is vital, insofar as it will help you ensure that, at the very least, front line services stay the same or, hopefully, improve.

In addition, this will contribute to cost reduction by minimising staff turnover and duplication of change initiatives, while avoiding industrial disputes, legal action and negative press.

It will also maintain and improve service levels by helping keep the people you want, encouraging the behaviour you want from staff and a more adaptable workforce. Ultimately, it will also improve stakeholder relationships.

Breaking the “silo” mentality
One of the major challenges for government agencies is to improve their ability to work across organisational boundaries to achieve their mission.

This can only be achieved through shared information and knowledge, and improved organisational cohesiveness and co-ordination.

All too often, a simple lack of information can cause irreparable damage to reputation and well as service levels. Striving for a more interactive and inter-related workforce model will help to prevent government failures and incidents due to a lack of effective collaboration. There will be a single version of the truth across all departments, which can only lead to greater effectiveness and a wholeheartedly co-ordinated effort within the agency.

“\textit{It was essential to design [our] strategic plan with the participation of the different areas [in the agency] in order to achieve the commitment and involvement of everybody.}”

South American Government agency CHRO
The U.K. Ministry of Defence (MoD) is a large and complex organisation that historically had operated in silos – between central and geographically dispersed groups, between civilian and military, and between services. A clear example of this was the 5.2 million pages that existed on the MoD internal websites, including 475 new sites. For staff, finding information was difficult; 58 per cent took more than five minutes to find what they were looking for. In 2003, extensive consultation from the Army, Navy and RAF led to the development of a user-centric intranet design, focused on common tasks for the U.K. MoD. This cross-MoD Defence intranet program is providing simpler, clearer access to information and advice to all staff in the MoD. By focusing on processes, tasks, activities and information management, the team was able to create a new frame of reference that avoided the “tribal” requirements of each of the specific defence organisations.

Workforce on demand for government

In an atmosphere of unpredictable demands being placed on employees across all industries, the key for government agencies in particular is to respond flexibly.

By implementing a more flexible HR strategy, agencies guarantee a fast response from their workforce while minimising cost as well as waste. It improves the staff’s capacity to meet assigned goals and puts the right people in the right place, at the right time and at the right cost.
IBM Business Consulting Services’ experience with government clients, coupled with our Human Capital thought leadership, has enabled us to identify key themes driving governments worldwide. We work with a range of public sector organisations to help them meet targets, reach customers efficiently and effectively, optimise their workforce, and pave the way for a powerful transformation of the services they deliver, focused around dynamic people management.

Connecting with customers is not just about technology. It also involves people, organisations and the way in which society and government interact with one another. A clear and unremitting focus on the customer cannot simply be bolted on to existing systems, but depends on a planned, integrated approach – and a commitment to change at every level, driven by the CHRO defining next generation HR and creating dynamic people management.

**Dynamic People Management**

To meet these objectives, organisations are shifting the way they look at people – seeing them as a strategic asset rather than a cost. People are the competitive difference – “the capability within”. Companies need to take a systemic view of their workforce and examine the variety of levers that can improve organisational performance. They then need to manage people dynamically to make the most of their human capital. This involves:

- understanding the key drivers of workforce productivity
- designing jobs and organisation structures that improve productivity and manage labour costs
- acquiring the talent the organisation needs in a timely and cost-effective fashion
- ensuring that employees know how to do their jobs, can use available tools and knowledge, and receive suitable training
- measuring staff performance and aligning it with appropriate rewards

**Conclusion: Towards a new kind of human resources**
• optimising staffing levels for both short-term work scheduling requirements and longer-term workforce planning objectives
• ensuring leaders at all levels have the skills, tools and values to perform to their best
• creating a workplace culture that encourages excellence, collaboration and staff retention.

**Next Generation Human Resources**

In many organisations, the ability of the HR function to tackle these important strategic issues is hampered by an increasing lack of resources owing to cost pressures and an excessive administrative burden. In addition, HR organisations often struggle to demonstrate the true contribution of the programmes they initiate to the bottom line.

To be successful, HR leadership needs to reduce the administrative burden and develop a results-oriented focus. It must evolve into the Next Generation Human Resources of the future, ready to compete successfully in a global environment. It must:

• benchmark current operations and offer insight into best practices in HR service delivery
• redesign processes to leverage leading technologies and existing systems infrastructure
• create a measurements system that ensures HR is focused on the right tasks and can describe its contribution to the business
• review alternative HR service delivery mechanisms.

It is time for CHROs in government agencies to develop a new human capital agenda that places people at the strategic heart of the organisation. They must connect the investments made in employees with performance outcomes, and identify and deploy the optimal strategies to promote the retention of key people.

In short, it is time for the HR function to migrate from a basic services provider to a strategic advisor that leads the people aspects of business transformation initiatives in their organisation.
IBM Business Consulting Services’ Human Capital Management (HCM) focuses on helping clients improve the value of their human capital assets to the organisation. With more than 3,000 practitioners, Human Capital Management has a full suite of end-to-end capabilities to address client’s challenges.

Around the globe, IBM has partnered with public sector organisations at all levels to deliver end-to-end Human Capital Solutions that leverage available technologies. Our approach looks at four key factors:

**More from People**

More from People focuses on getting the highest possible value from your workforce while controlling your human capital costs. We can assist you in assessing your strategy and examining your operations, and then analysing how your workforce implements the initiatives that drive your business.

Our analysis provides a methodical and measurable approach to determine the right people strategy for your organisation. The result is a unique combination that produces the behaviours that drive increased productivity and profits.

**Better HR and HR Business Transformation Outsourcing**

Better HR is about transforming the way that human resources works and delivers value to the business by improving the quality and reducing the cost of HR processes and systems. We help clients to design, implement and adopt the most appropriate combination of HR service delivery portfolios, operating models, technologies and processes for their organisation, either internally or through an outsourced arrangement. This allows the HR function to move successfully from being a simple service provider to a strategic advisor that is capable of delivering Next Generation HR.
Learning and Development
This initiative inspires and equips people in business to improve their performance, skills and knowledge. It focuses on improving the effectiveness and reducing the cost of learning and development within the organisation by assessing the organisational approach, technology and methods used to deliver it.

On Demand Workplace
IBM On Demand Workplace brings together all the strands of information that run through an enterprise in ways that can radically change the way you work. It helps clients achieve dramatic improvements in efficiency, effectiveness and innovation by integrating and simplifying core employee work processes.

Reference
1 The Global Human Capital Study 2005 was a quantitative and qualitative study of global human capital practice. The study referenced 320 surveys and 106 interviews with CHROs. Within the study, we examined 23 government agencies whose findings are reported in this document.

2. www.totaljobs.com
To learn more about IBM Business Consulting Human Capital Management, consult your IBM Sales Representative or visit ibm.com/bcs/humancapital.


**USA**
Lisa Tondreau  
Human Capital Management, Americas Geo Leader  
+1 703 653 7330  
lisa.tondreau@us.ibm.com

**EMEA**
Mary Sue Rogers  
Human Capital Management, EMEA Geo and Global Leader  
+44-20-8832-5018  
mary-sue.s.rogers@uk.ibm.com

**Asia Pacific**
Bill Farrell  
Human Capital Management, Asia Pacific Geo Leader  
+61-2-939-78717 x8717  
bill.farrell@au1.ibm.com