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*The Human Capital Challenge**

The federal workforce and federal workplace are changing. There has been change in agency missions, change in the nature of work, change in performance requirements, and change in the demographics and expectations of the new workforce. It is often said that the only thing that has been constant in the past decade has been change.

While change can be viewed as both stressful and unpleasant, it can also be viewed as an exciting challenge and an opportunity for improvement. The federal government now faces two major challenges:

- The people challenge
- The workplace challenge

And government needs to respond effectively to both challenges if it is to continue to perform the ever changing and more complex missions and activities assigned to the federal workforce.

The need to respond to both the people and workplace challenge is driven by a vision of the 21st century workforce as one that is agile, highly skilled, adequately compensated, and appropriately assigned. In addition, the work environment must be safe, healthy, and productive, offering flexible policies and modernized systems. To meet this vision, the

* This article is adapted from the Spring issue of *The Business of Government*, the magazine of The PricewaterhouseCoopers Endowment for The Business of Government. All the reports cited in this article can be obtained on the Endowment's website at: endowment.pwcglobal.com.

government must undergo a transformation. The first step in achieving that transformation is to change the way it has traditionally viewed people. Instead of taking them for granted, people are now being recognized as “human capital”—the key to an organization’s success or failure. This change in attitude toward employees is a key step in the transformation that is under way throughout government.

Since its creation in July 1998, The Pricewaterhouse Coopers Endowment for the Business of Government has supported a series of grant reports on human capital. We thought it would be interesting and useful to look back on those reports and assess what we have learned about the human capital challenge now facing government.

The People Challenge

The new conventional wisdom is that all sectors of society are engaged in a “war for talent.” While the “supply and demand” of talent tends to fluctuate with changes in the national economy, the key point is that talent can no longer be taken for granted and that all organizations must now engage in competition for the best and brightest in the nation’s workforce. The “war for talent” has many components: how organizations recruit, retain, and develop their people.

Change Drivers

There is now a confluence of events that has created powerful drivers to transform the federal workforce and workplace. The drivers are:

- **Shifting Demographics:** The workforce is changing in both complexion and responsibilities. These changes allow for new and diverse skills and talents to enter the workforce and the opportunity to restructure agencies to become more citizen-centric and results-oriented.
- **Budget Constraints:** When funds are limited, agencies must focus on improving employee productivity and the capability of the entire workforce.
- **Market Force Demands:** As part of the “now” generation, the government workforce will be held accountable for becoming leaner, more flexible, and more responsive and timely in delivering services. By attracting and retaining the best and brightest minds, who bring new ideas with them, innovations in performance will be more likely to occur.
- **New Technology Requirements:** Gaining access to and applying today’s technology to recruitment, records management, systems integration, and employee services will provide the tools needed to better respond to workforce and customer demands.

The “war for talent,” however, starts with recruiting. In their book *The War for Talent*, Ed Michaels, Helen Handfield-Jones, and Beth Axelrod write, “The recruiting game has changed dramatically. It’s no longer about selecting the best person from a long line of candidates; it’s about going out and finding great candidates.” (Michaels et al., 13) Another “war” book, *Winning the Talent Wars* by Bruce Tulgan, also emphasizes the importance of recruitment. He writes, “Your human resources department can no longer be on the sidelines for the talent wars. They must become strategic staffing war rooms, central to the daily scramble.” (Tulgan, 74)

A prime recruiting ground for government continues to be schools of public policy and public administration. In her grant report, “Winning the Best and the Brightest,” Carol Chetkovich presented findings from her research on public policy student attitudes toward public service. She found, somewhat surprisingly, that even students who had chosen to obtain a master’s degree in public policy were now leaning toward seeking employment in the nonprofit or private sectors rather than the public sector. The students, however, continue to voice support for the concept of public service.

If the trend is to be reversed, Chetkovich concludes that a series of actions are needed on both the part of public policy schools themselves and the government. In the area of recruiting, Chetkovich recommends that the government:

- Recruit earlier, more energetically, and proactively.
- Streamline and increase flexibility in hiring processes.
- Open up more lateral hiring options.

The Chetkovich recommendations for aggressive recruiting and lateral hiring are strongly supported by the “war for talent” literature. Michaels, Handfield-Jones, and Axelrod write, “We believe that companies must fundamentally rethink and rebuild their recruiting strategies. They should hire at all levels—middle and senior as well as entry levels—which is a powerful way to inject new skills and new perspectives.” (Michaels et al., 13)

Like the private sector, the government has traditionally been characterized by lifelong careers in the same organization. “For several generations, the corporate ladder was the dominant image for the way people move through companies. People entered at the bottom, and if they were successful, climbed to the top,” write Michaels, Handfield-Jones, and Axelrod. (Michaels et al., 71) They argue, as do many others, that the old paradigm has now been shattered. It began to break in the early 1990s, report Michaels, Handfield-Jones, and Axelrod, “when companies realized that they didn’t have enough talented managers in their ranks to pursue all the opportunities and challenges they were facing. . . . By the end of the decade, promoting

Organizational Checklist— Responding to the People Challenge

One of the key elements in organizations moving forward is for each to review where they currently are and where they want to go in the future. Organizations should ask themselves the following questions:

- How successful are your recruiting efforts?
 - Do your workers' present skills match your future position requirements?
 - Are your employees being developed for today's—and tomorrow's—mission?
 - Are your employees agile and mobile?
 - Do you have a succession-planning program in place?
 - How well prepared are you for pending retirements in your organization?
 - Are you fully using the flexible recruiting and retention tools currently available?
 - Do you have a human resource strategic plan in place?
 - Do you have an adequate training budget?
 - Do you offer employee education advancement options?
 - Do you have a formal employee recognition program?
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exclusively from within, the cultural model that had existed since the beginning of the Industrial Revolution, was disappearing.” (Michaels et al., 71)

Over the last several years, both the executive branch and the United States Congress also came to the realization that the federal government might not have all the talent it needed to respond to the increasingly complex tasks that it was being asked to undertake. In response to the perceived need for additional talent from the outside, Congress gave four federal agencies special authorities for hiring professionals from the outside. The special authorities also included increased flexibility in setting their pay and recruiting outside candidates. In his grant report, “A Weapon in the War for Talent,” Hal Rainey presented case studies of how the Federal Aviation Administration, the U.S. Patent and Trademark Office, the Office of Student Financial Assistance, and the Internal Revenue Service have used their special authorities to recruit new, experienced talent into the federal government.

The use of special authorities has proven to be controversial in the federal government. There have been complaints from some senior career civil servants that the new special authority executives are receiving a higher level of pay than members of the career Senior Executive Service.

But Rainey concludes that special recruiting authorities have proven to be a valuable addition to an agency's hiring portfolio. It can be argued that in the “war for talent” era, the federal government needs a broader set of hiring “tools” than have traditionally been available in the past. Just as the private sector concluded that it may no longer have all the necessary talent within its own organizations to meet future business challenges, the federal government may also sometimes need to go outside of its own organization to recruit new talent. Rainey quotes from IRS testimony to Congress, “Our critical pay executives bring external experience, practices, and knowledge not currently available within the organization.”

Another major theme of the “war for talent” is the need to develop and nurture talent already in the organization through a variety of executive development activities. The conventional wisdom now is that special attention and increased resources need to be devoted to developing employees in order both to enhance their ability to achieve their organization's mission and to serve as a major retention tool. Nearly 60 percent of managers who intend to leave their current employer within the next two years cite insufficient development and learning opportunities as critical or very important reasons for their leaving. (Michaels et al., 98)

In his report, “Organizations Growing Leaders,” Ray Blunt described how five organizations in the federal government—the Pension Benefit Guaranty Corporation, the United States Coast Guard, the Western Area Power Administration, the Veterans Benefits Administration, and the Social Security Administration—each created effective executive development programs. While there are common elements in all the programs, one is impressed by the variety of techniques and approaches used in the various programs. Blunt writes, “There are few consistent practices used by all of the exemplary organizations. The use of senior mentors, the identification of behavioral leader competencies for development . . . the use of well targeted internal training courses, and the use of self-development study or reading are all consistent practices. In addition, exposure to the strategic agenda and to officials of the organization and the use of individualized development plans are widely used.”

In another grant report for the Endowment, “Leaders Growing Leaders,” Blunt focused on the importance of individual leaders developing their successors. Blunt describes four roles that current executives can play in developing future leaders: as exemplars, mentors, coaches, and teachers. In support of Blunt's emphasis on the importance of mentoring and coaching, the “talent” literature views coaching as both an important retention and development tool. Bruce Tulgan writes, “It takes time to build an unstoppable groundswell, but the need for coaching is

immediate.” (Tulgan, 114) He reports that many organizations are turning to dedicated insiders or outside professionals to be coaches to employees throughout the ranks.

There is clear evidence that public policy students are eager for both developmental activities and the opportunity to be mentored and coached. Chetkovich recommends that government support professional development and make advancement opportunities clear as effective recruiting tools. She writes, “Entry-level professionals are very concerned about the possibilities opened up or closed down by their first position, particularly given the expected fluidity of their careers. Even if advancement in the traditional sense of promotions on a career ladder is not available, the opportunity to learn, to develop new skills, and to be exposed both to new substantive areas and to other institutions and actors are all extremely valuable and appealing aspects of the job.”

Blunt concluded that the “use of challenging job-based experiences” as a development strategy is a key principle of excellent organizations. While “job-based experiences” are clearly viewed as a major factor in an individual’s personal development as a leader and manager, the reality is that mobility continues to be limited in the federal government. With the exception of temporary assignments as part of agency executive development programs, such as those described by Blunt, individuals are pretty much left to their own devices to find new positions and challenges in government.

In “Reflections on Mobility,” Michael Serlin presented case studies of six individuals who achieved high mobility and moved across the federal landscape during their careers. Serlin argues that such mobility is good for both the individual moving from agency to agency and the organizations receiving them. “All of the individuals featured,” writes Serlin, “introduced approaches in the agencies they joined by building on past managerial experiences and knowledge.” In many ways, these individuals became living “knowledge transfer” agents by bringing their experience from one organization to another.

Serlin recommends that the federal government become more aggressive and active in encouraging mobility within the federal government. He advocates more cross-training across government and the creation of both a web-based database of senior executives and a well-staffed and knowledgeable executive search office in government to assist agencies in filling key senior career positions. In a related theme to Chetkovich’s call for an increase in lateral hiring, Serlin recommends the development of incentives to encourage executives who leave federal service to return later in their careers.

By effectively responding to the various aspects of the people challenge, such as recruiting and development, the federal government will come a long way to preparing itself for the next decade and beyond. But if it does not also

effectively meet the second challenge, the workplace challenge, any success in meeting the people challenge will have gone to waste. Responding effectively to the workplace challenge is potentially government’s greatest retention tool. Employees will continue to work for their present employer as long as they are being engaged, challenged, and stimulated in a pleasant, congenial work environment. Nearly 60 percent of managers report that “interesting, challenging work” is the critical factor in their decision to join and stay with an organization. (Michaels et al., 45) Thus, it can be argued that the “work” and the “workplace” are keys to retention and productivity in the office.

The Workplace Challenge

This second challenge can be characterized as the challenge to create a workplace in which individuals find fulfillment and satisfaction, and achieve their personal—and the organization’s—goals. The workplace challenge is multifaceted and must be viewed from several vantage points. First, it deals with the environment, both physical and emotional. It includes the treatment of people and the application of guidelines and processes, and it encompasses the infrastructure from which transformation takes place. The environment is generally measured by the “climate” in the workplace: the way people feel about their work, their leaders, and their co-workers. The goal is to make the climate highly conducive to ensuring employees’ personal and professional growth. Emphasis should be placed on making the workplace pleasant from both a visual and comfort standpoint.

Just as the “war for talent” has spawned a growing literature, so too has the “workplace” issue, with a focus on both positive and negative trends surrounding the workplace. In *White-Collar Sweatshop*, Jill Andresky Fraser describes the trend toward longer hours, declining rewards, and increased pressure in the private sector. She writes: “Workloads have gotten so heavy that free time really does seem an unimaginable luxury for men and women in all kinds of jobs and industries across the United States. Cell phones, laptops, and other workplace technologies loom as inescapable, since without them white-collar staffers cannot hope to meet the ‘24/7’ demands of their employers. As layoffs, benefit cutbacks, and subtle forms of age discrimination have become ever more pervasive throughout the business world, long-term security for many people now seems to hang on the whims of the stock market, rather than on the strength of their careers.” (Fraser, 200)

On the “positive” side of the workplace literature, Don Cohen and Laurence Prusak’s *In Good Company* describe how organizations are now using “social capital” to improve life in the workplace and to make organizations more effective. Cohen and Prusak define social capital as consisting of “the stock of active connections among

people: the trust, mutual understanding, and shared values that bind the members of human networks and communities and make cooperative action possible.” (Cohen and Prusak, 4) Their picture of organizations is much more positive than that of Fraser. Cohen and Prusak describe corporations that are working hard to increase trust and communication within their organization.

In “A Learning-Based Approach to Leading Change,” Barry Sugarman described a new organizational model—the learning organization. Building on the work of Peter Senge, Sugarman contrasts the new learning organization with the traditional model of the bureaucracy. The new learning organization is more informal, more creative, more participatory, and more flexible than the traditional bureaucracy. Sugarman presents three case studies of federal organizations that attempted to move toward a learning organizational model. He also describes how a learning-based change model differs from the traditional change model.

While the learning organization model has not yet spread to many other organizations in government, it is precisely this model that Chetkovich argues will be more appealing to the new generation of students entering the workplace. To attract more public policy students, she recommends that government:

- Offer work that makes use of the candidate’s skills and interest in policy.
- Restructure workplaces away from hierarchy and toward interaction.

Chetkovich writes, “Numerous scholars and consultants have argued that the successful ‘organization of the future’ will be fluid and interactive rather than rigid and hierarchical. Communication and coordination arrangements will shift according to the nature of the task, and accountability will be based more on results than rules; it will also be mutual rather than top-down. . . . Just as flexibility and autonomy can be satisfying, a rule-bound hierarchical environment can be disheartening to employees and discouraging to prospective candidates.”

A major defining characteristic of the new workplace will be the concept of collaborative management. In “Labor-Management Partnerships,” Barry Rubin and Richard Rubin describe the collaboration that took place in Indianapolis, Indiana, between labor and management. They present a case study of how Mayor Stephen Goldsmith forged an effective working partnership with the American Federation of State, County and Municipal Employees (AFSCME).

Another key characteristic of the organization of the future is that it will be a more diverse workplace than it has been historically. In “A Changing Workforce,” Katherine C.

Organizational Checklist— Responding to the Workplace Challenge

Just as organizations should ask questions related to meeting the people challenge, there are also questions that should be asked in regard to the workplace challenge:

- Do workers have adequate office space, use of computers, and safe working space?
 - Are enterprise portal systems available to employees?
 - Is there a strategic plan that addresses separate program planning for Equal Employment Opportunity and diversity programs?
 - Is there a partnership council with scheduled meetings (at least quarterly) with the unions?
 - Do you provide alternative work schedules?
 - Is flexi-place work scheduling available?
 - Do you provide transportation subsidies?
 - Do you offer child-care services on the premises or provide subsidies?
 - Do you have separate Equal Employment Opportunity and diversity programs?
 - Are meals, or access to kitchens, readily available?
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Naff and J. Edward Kellough explored the concept of diversity and its implication for the workplace of the future. Naff and Kellough support the concept of diversity set forth by the National Aeronautics and Space Administration (NASA), which says that employees are diverse because “they bring a variety of different backgrounds, customs, beliefs, religions, languages, knowledge, superstitions, values, social characteristics . . . with them to the workplace.” In addition to racial and ethnic cultural groups, NASA also states that there are class cultures, age cultures, gender cultures, and regional cultures.

Naff and Kellough explore the differences between diversity and the traditional equal employment opportunity/affirmative action approach. They describe the diversity literature, which argues that diversity must be “managed” in the future if organizations are to effectively create workplaces in which employees work together in a cooperative, productive manner. Without increased attention to differences and how individuals from different backgrounds work together, there is danger that productivity and organizational effectiveness will suffer in the years ahead. Rather than being about legal and social requirements as has been historically the case with EEO/affirmative action, Naff and Kellough support the argument that managing diversity is about “productivity, efficiency, and quality.”

Clearly, the multiple dimensions of the people and workplace challenges discussed in this article present senior leadership in the federal government with a daunting

task. Office of Personnel Management Director Kay Coles James has expressed a vision for a future federal workforce that is “world-class” and against which the private sector will benchmark for best practices. We present this article to spark debate and discussion about how this lofty vision can become a reality. 🏠

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Recommended Reading

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