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The Business Case For HR Reform

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Everyone's talking about reforming the civil service, and it's high time they did. Bust so far, the HR reform discussion has a distinctively "geek" quality to it – rich on the technical HR details and slim on the business problems those details are designed to solve. Why do we need civil service reform? What specific business needs do agencies have today that the civil service system can't satisfy? How will reform proposals solve those business needs?

It's not hard to make the business case for federal HR reform. I suspect any group of federal executives could quickly articulate an overwhelming argument and keep focused on it as HR reform progresses. Otherwise, we could end up with a HR reform package that does little to transform government into the high-performing, business-like organization it needs to become (1978 comes to mind).

This article identifies 10 critical business needs that any credible HR reform proposal should meet. This is by no means a definitive list, but for discussion purposes, it's a good start.

1. Attract and retain a competent workforce.

As the baby boomers retire, most agencies will find themselves with big recruiting needs unlike anything they have experienced in 15 years. To recruit this new workforce, agencies don't need a lot, but they do need the basics: an efficient assessment and hiring process that allows them to make job offers quickly; the flexibility to offer a competitive starting compensation package (competitive doesn't mean top tier; most agencies will get along fine offering a total compensation package that is at or slightly below the market); and the promise that a federal career offers long-term opportunities for professional and financial growth.

2. Attract and retain the best of the best.

Some lines of business must be able to attract and retain much more than just a competent workforce. Some really do need star power. The research and development area is a good example. While there is plenty of room for competent researchers in the Department of Defense labs, at NIH, and in other research organizations, there is also a critical need that a sizeable percentage of those researchers (10 percent or more) be the very best in the world in their particular field. Attracting and retaining stars is a completely different undertaking than attracting and retaining competent workers. And the current civil service fails miserably at this task.

3. Dramatically increase workforce agility.

Agencies need to be much quicker on their feet, and nothing about the current civil service is quick.

- They need to put people where they are needed, when they are needed.
- They need to quickly retool and retrain – when the workforce becomes misshapen, as it can easily do.
- They need to quickly adjust it using retirement or separation incentives and business-based RIFs. When they need a new skill set, they need to go out and quickly get it.

Across the board, they need to be able to do these and other HR tasks without higher-level approval – the number one obstacle to agility.

4. Eliminate the poor-performance drag.

Sadly, a consistent theme emerges when talking to federal executives. It runs like this: “It’s too hard to deal with performance problems. When they develop, we park the problem performers on the shelf someplace where they can’t do any harm, then move on to get the mission done as best we can with those that are left. We have this huge drag on the performance of the organization – people the rest of us have to carry.” Agencies absolutely must have tools to deal with this situation. No successful organization can afford to have even one non-contributing employee.

5. Incentivize high performance.

Egalitarianism is rampant in the civil service. As a result, very little distinction is made between average employees and the highest performers. Pay increases are based on longevity, not performance or contribution. Agencies need to infuse a culture of performance throughout the organization, and that has to start with giving meaningful performance ratings, and paying people a lot or a little based on their performance.

6. Increase the return on workforce investment.

While agencies need much more out of their HR programs, they need to get it without paying any more for it. They need to find ways to get a far higher return, in terms of workforce skills and performance, for the same bottom-line investment in salaries and benefits. This may sound like a cake-and-eat-it-too dilemma, but it’s really not. Far higher returns can easily be squeezed out of the government’s current HR investment. Look at the cost-savings that could result from taking on poor performers, elevating the general competency and performance of the workforce, rationally setting salaries in line with the market, etc.

7. Execute the business strategy.

Because federal HR is administered from the top down, agencies are severely limited in their ability to use HR as a strategic tool to accomplish their business strategy. Not only does HR need to be faster, as explained above, it needs to be almost entirely owned by, and under the control of, line management. Civil service reform has to decimate Title 5, dramatically reduce the role of OPM and delegate operational HR policy control down the chain of command. As a federal executive, I need as much control over my HR programs as any CEO in America.

8. Create bottom-line leaders.

Federal executives need to be unequivocally focused on achieving the outcomes for which their agency was created and allocated a large chunk of public funds. One of the positive results of the 9/11 tragedy is a newfound awareness that, for some agencies, mission-accomplishment is really, really important and the purpose of agency management is to make sure that mission gets accomplished. Agencies need an executive HR system that holds leaders accountable for bottom-line results, offers significant rewards for accomplishment of those results, and provides practically unlimited flexibility to hire and fire executives.

9. Reduce HR overhead.

Even after a 50 percent reduction in HR staff since 1995, HR still costs too much in the federal government. Too much time and effort is expended on non-value-added processes. Agencies need to dramatically streamline and simplify their HR processes, further reduce their HR overhead costs, and then invest management time and effort in value-added HR programs they really need.

10. Integrate and focus the workforce.

Workforce fragmentation is a serious problem in the federal government. Concern about fragmentation may seem odd, in light of the earlier discussion, which suggests that even more fragmentation is needed in order to allow each organization to forge its own HR path. But the problem is fragmentation within an agency, or major component thereof, not fragmentation across the government as a whole. Past attempts to fix management and HR programs have created rigid stovepipes that cut an organization up into isolated pieces. We have laws that prescribe programs for acquisition, for finance, for IT. We have prescribed occupational groupings and requirements. We have prescribed pay schedules for different workforce components (wage grade, general schedule). For the organization to be effective, it has to integrate its entire workforce into one team – focused on a common mission and business agenda.

This is the test every HR reform proposal must meet. We need to pointedly ask how this or that piece of HR legislation, or proposed HR rule change will satisfy the critical business requirements that have weighed the federal government down for decades. If they fail this test, we're just spinning our wheels.