Building a Culture of Excellence and Engagement

The 2015 Human Capital Management Report
Human capital comprises the talents, aptitudes, and skill sets of a group of individuals within an organization, recognizing that these can be improved through training and strategic investment. Within the context of government, human capital takes on a level of importance that cannot be understated. Agencies whose continuity is vital to the nation depend on recruiting and training to function. It is the mission of government HR to groom future generations of leaders who can continue the work of their predecessors and strive to elevate the level of service they provide to the American public.

In 2015, several challenges face those tasked with securing the next generation of government employees and building the effectiveness of the current workforce. Morale continues on a general downward trend, influenced by last year’s government shutdown and ongoing budget reductions that will lead to reduced staff sizes and salaries within many agencies.

Addressing dissatisfaction in an environment where monetary rewards may not be commensurate with performance is a difficult task. Managers must tackle engagement gaps through adoption of stronger employee recognition practices, as well as more flexible working schedules and non-monetary compensation. As the Baby Boomer generation continues to reach retirement age and exit the workforce, ensuring that accrued skills and knowledge do not get washed away by the “silver tsunami” is a top concern. Along with managing the Boomer retirement wave comes the pressing issue of identifying the next generation of leaders who will replace them. As the Millennial generation comes of age in the workforce, agencies must modernize their strategies for attracting talent, lest they lose the strongest candidates to the private sector.

In order to meet these challenges, agencies are being forced to increase their visibility through social media and digital venues, as well as cultivate and retain the talent within their internship programs, a staple of the governmental hiring process. Looking forward in 2015, the high levels of dedication present among government employees must be channeled effectively in order to reverse negative trends and build a firm foundation for the future.
Finding and developing the right candidates for jobs is the top challenge facing HR, Recruitment, and Training professionals in the Federal and Defense space.

The HCMG 2014 benchmark study results indicate that the two top concerns among survey respondents are finding qualified job candidates, and training and development for all staff, with 68% and 63% of respondents currently working on these priorities, respectively. As more high-level personnel in Federal and Defense agencies reach retirement age—and increasingly retire as soon as they are qualified to do so—it is becoming more imperative that agencies attract and groom candidates qualified to take over these key positions.

These candidates will increasingly be members of the Millennial generation, placing pressure on agencies to modernize their technology and branding in order to compete with the private sector.

Only 22% of survey respondents indicated that they currently had a functioning Millennial recruitment policy in place, with 30% responding that their strategy was on its way to being implemented, but not yet functional. The remaining 48% had no Millennial recruitment strategy whatsoever - a dangerous gap that threatens the continuity of talent development and knowledge retention as high level officers continue to age out of key positions.

In 2015, focus on courting Millennials is slated to grow as a priority. In order to do so, Federal and Defense agencies must turn away from increasingly antiquated methods of hiring and adapt to the mobile-centric, highly social methods Millennials use. For some agencies with histories of secretive practice and limited public facing exposure, adapting to the challenges of social media integration can feel paradoxical, but these efforts are vital to creating a modernized and attractive agency brand that can win bids for top-level talent.

Shrinking budgets and staff sizes dictate that agencies must function in efficient and data-driven capacities.

A major source of concern among agencies seeking to develop the next generation of human capital resources in the Defense and Federal space are Congressional and Presidential pressures to reduce budgets and reliance on contractors, with President Obama’s administration aiming for $487 billion in reductions to the Defense Department’s budget over the next 10 years. This will translate into frozen pay and reduced staff size across the civilian workforce, as well as government HR and policy managers being faced with uncertain staffing levels and changing hiring policies. What is clear is that human capital needs and resources must be approached from an increasingly strategic standpoint and backed up by data to justify requirements and demonstrate responsible allocation of resources.

Apart from recruiting new talent, turnover reduction, internal review, and closing skill gaps are among top concerns for 2015.

Fifty-four percent of survey respondents indicated that they are currently working on identifying and closing skill gaps, with a further 45% and 44% involved in providing continuous feedback and identifying and retaining top performers. Emphasis on turnover reduction through talent recognition and development is slated to grow as a priority. Federal and Defense agencies are working to continue to build performance in the face of reduced staff sizes and budgets, as well as prevent morale fallout in the wake of last year’s government shutdown. By empowering employees through developing their skill sets, agencies can significantly mitigate the consequences of turnover: reduced morale overall and increased responsibilities for remaining staff.
In addition to HCMG benchmark data, several government HR executives gave their insight on the trends covered in this report through interviews. Selected quotes appear in this report alongside numerical data to paint a more vivid picture of the state of government human capital in 2015, addressing both the challenges and opportunities the year will hold. Below are contributor names and titles, as well as the names of the agencies that they work for.

**John Palguta**  
Vice President  
The Partnership for Public Service

**Jennifer McDowell**  
CIO Realignment Project Manager  
USDA Forest Service

**Verron M. Brade**  
Director of the Office of Human Capital Management  
NASA Goddard Space Flight Center
As shrinking budgets and staff sizes loom large among agency concerns, the strategy of “lose one, hire one” threatens the retention of accrued knowledge and skillsets. Management must no longer be satisfied simply hiring employees on an as-needed basis; they must identify and groom leadership skills in the employees who represent the future of government human capital resources. Twenty-nine percent of survey respondents indicated that leadership development was their top priority for ongoing staff development, reflecting the need to identify the qualified personnel who will rise to replace the high-tier segment of workers nearing their retirement.

Twenty-two percent placed adaptability and flexibility toward changing needs at the forefront of their training initiatives, and another 21% indicated that continuous learning and development headed their own priorities for developing the aptitudes of their staff. Nineteen percent of respondents placed succession planning as their number one priority for developing staff, while only 9% of respondents indicated that training in use of technology systems and applications was their primary goal, reflecting a clear desire to train leaders, more of whom are exiting the workplace each year.

Compounding the fear of losing high ranking personnel is the fact that over half of survey respondents ranked the succession planning at their agencies as under par, with 42% responding that their succession planning efforts were not very successful and 18% characterizing them as unsuccessful, for a combined 60% of the total response. By contrast, only 2% of survey respondents ranked their succession planning efforts as very successful, an alarming 50% decline from 4% in 2013.

Projections from the GAO reveal that 58% of senior executives and 45% of GS-15s will reach retirement eligibility by 2016, setting an ever-shrinking time horizon as the backdrop to this critical problem.
According to 2014’s Federal Employee Viewpoint survey results published by the US Office of Personnel Management (OPM), currently 11% of government employees are Millennials, yet this fraction of total survey respondents was among the most highly educated demographics. Forty-four percent of Millennial respondents had obtained their Bachelors degree, the most out of all generations included in the survey, and a further 39% had obtained a higher degree, second only to the Traditionalists, a generation that is swiftly aging out of service. Not only are Millennials well educated with the potential to assist agencies in much needed modernization, but they are also slated to become the dominant generation in the workforce by 2025. Estimates indicate that 75-80% of the workforce will be made up by members of the Millennial generation within the next decade. All this gives rise to the question of what agencies can do to promote stronger Millennial recruitment in the face of competition for talent coming from the private sector.

“Young folks want to hear from other young folks about a job and what it is like to work in an organization at a more personal level. I know that some HR departments have been very successful in taking out some of their young employees to talk with students. The students are able to get a one on one personal opinion from somebody within their age group who works in the organization. This outreach is great recruitment source.” - Jennifer McDowell

The majority of agencies don’t have a Millennial recruitment strategy

48% Not at this time
30% In progress, but not yet implemented
22% Strategy is in place

“To get the most out of the federal internship option under the Pathways program requires that agencies use social media as a major part of their recruitment strategy, tailor their outreach, and develop and use their relationships with colleges and universities to identify great interns. Then they must provide great experiences for those interns, many of whom will be Millennials.” - John Palguta

Agencies must improve their efforts to attract Millennials and the mediums they use to reach them

Despite the urgency of increasing outreach to Millennials, the majority of HCMG survey respondents said that they had no specific Millennial recruitment strategy in place.

Thirty percent of respondents reported that they currently had no strategy in place but were in the process of implementing one. Less than a quarter of respondents had successfully implemented their Millennial recruitment strategies, and a disturbing 48% had no strategy in place and were not in the midst of changing. With close to half of represented agencies lacking in this area, the potential for a major talent gap looms large in the event that change isn’t quickly embraced.

Survey respondents listed their top three management priorities for 2014:

1. Recruiting people with the right skills for the job
2. Succession planning
3. Identifying and closing skill gaps
The majority of Millennial recruitment within government agencies comes from internship programs, with 78% of respondents stating that they relied on internships in order to recruit within the demographic. Bringing Millennials on board is often accomplished through conversion authority hiring, bringing the participant onto a team full time after they successfully complete a probation period. Career fairs are another venue used to recruit Millennial talent, with 62% of respondents using them within their recruitment strategies for Millennials. Sixty percent of respondents indicated that social media was one of the methods which they used, which was the third strongest result. As agencies modernize, social media may grow as a venue for attracting talent and spreading the word about opportunities to a wider audience. In particular, social media should be seen as a tool for amplifying Millennial interest in internships through targeted messaging and outreach.

Social media can play a role in increasing the number of hires who enter the internship talent funnel

Survey respondents listed their top three greatest needs for staff development within their organizations:

1. Leadership development
2. Adaptability and flexibility to changing agency needs
3. Continuous learning and development

“I was in the Department of Defense six years ago. We worked to try to incorporate social media and YouTube recruitment videos into hiring aerospace engineers within Warner Robins Air Logistics Center. For really illustrating different types of opportunities, social media geared towards sharing and recruiting proved to be successful.”

- Jennifer McDowell
Managing Morale Through Employee Empowerment

Government employees are consistently willing to do what it takes, with a results-oriented job performance culture ranking as the highest performing metric out of those included in the HCMG benchmark survey. Fifty-seven percent of respondents reported that they were somewhat successful in this area, with another 14% saying that they were very successful. Compounding these findings, the OPM viewpoint survey results found that 96% of surveyed employees were willing to put in extra effort to get a job done, the highest performing metric included in the survey.

Despite these strong numbers, employee engagement in government readings fell last year to 56.9%, continuing an annual trend of decline that has persisted for the last four years, according to Best Places to Work data, published by the Partnership for Public Service. The reading is the lowest ever recorded since the rankings were introduced in 2003, highlighting a disconnect between high levels of enthusiasm and a steadily growing sense of disillusionment among government employees. This gap in morale was likely widened by work and pay suspension during the government shutdown, and fueled by stagnant management practices and resource gaps within departments.

“How I’m seeing is that we’ve got great potential here in the desire of federal employees to do a good job and to go the extra mile. That can be untapped and wasted potential if we don’t provide them with the right work environment, the tools, the resources and the leadership they need to do their jobs well.”

- John Palguta
Addressing gaps in talent management resources

With tight budgets dictating a strategic use of resources, agencies can struggle with allocating more to talent management programs. Sixty-three percent of respondents indicated that the investment in talent management programs at their agencies would remain the same in 2015. Twelve percent of respondents actually planned to decrease their investment in talent management programs, no doubt influenced by budget cuts, yet this is still an alarming statistic given the critical importance of human capital development in government.

These numbers are not necessarily due to apathy on the part of management personnel, and in fact the large majority of survey respondents indicated that they are unsatisfied with the current state of their talent management initiatives. Fifty-eight percent of survey respondents indicated that their talent management programs fell somewhat short of where they needed to be, with a further 20% saying that the gap in standards was significant. Only 2% of survey respondents indicated that they were ahead of benchmark, painting a picture of a talent management infrastructure that is in major need of change, but unsupported by resources apart from time and ingenuity.

How Do Your Current Talent Management Programs and Procedures Compare to Where They Need to Be?

- 58% Current programs fall somewhat short of where they need to be
- 20% Current programs fall significantly short of where they need to be
- 20% Current programs are exactly where they need to be
- 2% Current programs are ahead of where they need to be

“Engaged employees are more productive employees. They are going to be more innovative, more committed, and all the other good things that you want in a work force. The current annual federal employee survey dates back to 2002, and what we see is that in 2014 we reached a new low, government wide, in employee satisfaction and commitment. However, this decline is not uniform across agencies. Even though pretty much everybody in government was impacted by pay freezes and by sequestration and tight budgets and furloughs and so on, some agencies still managed to buck the downward trend and actually improved employee engagement.” - John Palguta

“For maintaining employee engagement, collecting and acting on feedback has been instrumental. We regularly run focus groups, and have hired statisticians to look at the breakdown of our results so that we can make strategic investments that improve the quality of employee experience.” - Verron M. Brade

Are you increasing your investment in talent management in 2015 relative to 2014?

- 63% Same investment
- 25% Increased our investment
- 12% Reducing our investment
Thinking strategically to improve engagement

Some leading agencies have endeavored to increase engagement through embracing teleworking and flextime programs. Seventy-three percent of survey respondents had already implemented flextime and teleworking into their employee’s schedules. According to OPM’s survey results on telework, 57% of surveyed government employees were notified of their eligibility for flexible or remote scheduling. Thirty-three percent were not notified, with the remaining 10% reporting that they were not sure whether or not they had been notified. Bringing up awareness of these engagement boosting programs is of critical importance for them to have their intended effect. Without support from management, an employee might not ever be aware that they have the option to participate in special scheduling programs, which belies the potential morale boosting effect of these allowances.

Another popular method of improving engagement is non-monetary recognition, with 63% of respondents already using the technique, and a further 18% who reported they were implementing it in 2014. Non-monetary recognition includes employee awards, verbal and written appreciation, celebration of accomplishments and special dates such as birthdays or work anniversaries, and other gestures meant to show appreciation. Work-life programs are another area where government agencies are attempting to use non-salary based benefits to improve employee engagement and loyalty. Fifty-nine percent of survey respondents were already engaged in supporting work-life programs. Alternative work schedules (AWS) are the most popular benefit, according to OPM data, boasting an 89% participant satisfaction rate, although all of the offerings boasted satisfaction ratings exceeding at least 67%.

Which of the Following Has Your Organization Implemented or Plans to Implement to Improve Employee Engagement and Motivation?

- Recruiting people with the right skills for the job (73%)
- Training and development for all staff (61%)
- Work/life programs (59%)
- Mentorship programs (58%)
- Increase training & employee resources (54%)
- Salary adjustments (50%)
- Teleworking (44%)
- Non-monetary recognition (32%)
- Rotations (30%)
- Has Implemented in the past 12 months
- Plans to implement in the next 12 months

“Which of the following has your organization implemented or plans to implement to improve employee engagement and motivation?”

1. Recruiting people with the right skills for the job
2. Training and development for all staff
3. Annual performance reviews

Additional findings

Survey respondents indicated what initiatives they were investing in. The top three most popular responses were:

1. Recruiting people with the right skills for the job
2. Training and development for all staff
3. Annual performance reviews

“We need a diversity of viewpoints in our workforce, including from different generations, but just having the diversity isn’t enough. We have to figure out how to tap into it and get people working together, bringing different perspectives and ideas to improve agency operations.”
- John Palguta

“One of the things we do well at NASA is create inclusion through social engagement. We have clubs for interests ranging from ballroom dancing and soccer to karate, as well as affinity groups representing Asian, Hispanic, and LGBTQ communities, to name a few examples. It’s important to us that everyone here feels comfortable and has a voice in the community.”
- Verron M. Brade
Creating change starts at the management level

For organizational change to effectively take hold, it must start at the management level. Out of all the possible responses to the question of what non-monetary barriers are in the way of organizational improvement, workplace culture was the overwhelming standout. Eighty percent of survey respondents indicated that the culture of their agencies was a barrier to positive change.

Change-averse culture must evolve if agencies are going to successfully implement new technologies and strategies that allow them to remain competitive against the private sector. One of the ways that change in processes can be implemented is through dialogue and review, but providing continuous feedback was the weakest performing metric out of those listed for ranking in current agency performance. A full 50% of respondents ranked their continuous feedback process as below where it should be, with the highest percentage of responses within that category calling their efforts flatly unsuccessful, at 15%.

Management must initiate efforts to connect with personnel and understand their concerns, as employees need to feel that their managers are on their side and working towards the same goals they are. When employees decide that management’s apathy is a roadblock to their productivity, it creates an environment where high levels of intrinsic enthusiasm can co-exist with low engagement and morale, increasing the risk of turnover among a potentially high performing class of employees. In 2015, bridging the gaps between employees’ needs and concerns and leadership within and across organizations will be a major priority in order to reverse negative trends that have been allowed to persist for years.

What Do You See as the Top Barriers, Other Than Budget, That Are Preventing You from Reaching Your Talent Management and Performance Goals?

"I think the big thing facing our organizations for some time is how do you work within a blended workforce to facilitate knowledge management and retention? How do we partner some of our more seasoned folks with some of our younger folks in order to grow capability and to help share their knowledge and experience before they retire?" - Jennifer McDowell

How Do You Feel Your Current Agency Performance Ranks on the Following Initiatives?

Survey respondents ranked their agencies on engagement metrics. The top three with the highest percentage of “unsuccessful” responses were as follows:

1. Succession planning 18%
2. Change management 12%
3. Employee Engagement 10%
Key Recommendations

In 2015, government human capital managers can address the most significant talent management challenges facing them through the adoption of key recommended strategies. These recommendations are based on the HCMG benchmark survey results analyzed in this report, as well as interviews with government human capital managers on best practices and strategies that have worked to improve retention, morale, and diversity in the hiring process.

1. Implement powerful non-monetary compensation strategies.
When additional resources to invest in talent management programs are unavailable, managers should improve in the areas of employee recognition, educating personnel on their available benefits and flexible work options, and skill sharing via mentorship and leadership training. Since increased monetary recognition is not an option in the majority of cases, managers are encouraged to think creatively to identify ways that quality of experience can be improved in other areas. Recognizing achievements, significant dates such as birthdays and employment anniversaries, and creating forums for sharing skills with employees are all powerful options.

2. Welcome change and diversity.
An agency culture that welcomes change and diversity should be a priority, and this change needs to begin at the management level. Simply assuming that a successor will be the one to implement organizational change is an irresponsible stance that harms the continuity of agency performance. Collecting employee feedback on what needs to be changed is a good jumping off point for strategic improvement, and can be made easier by going through interest and affinity groups for more a segmented response.

3. Improve Millenial outreach.
Millennial outreach strategies must be adopted and talent nurtured within agency internship pipelines through inclusion programs and mentorship opportunities. Even for agencies where the later age of retirement means hiring candidates with more experience are common, internships represent a powerful tool for bringing in fresh, qualified talent who can grow into leadership roles. Social media can play a role in building program awareness, and Millennial interns and employees already at an agency should be looked to for more insight on how to reach their peer group.

4. Improve communications.
Managers should improve inter-employee as well as inter-department communications. A siloed approach to development is not viable during a resource crunch. Utilizing the enthusiasm present among government workers starts with identifying their primary concerns, as well as sharing their skills and aptitudes across agencies in order to maximize training and minimize additional spend. Identifying top performers should be the first step to building an inter-agency talent network.

“One of the things I hope I have learned about being a decent manager is that if I let my employees help me, they can make me better. It takes all employees to make an organization better. So I think you start with top management commitment to engagement, but then you have to take the feedback you’ve gotten from employees and dig into it. A good employee survey will not give you all the answers, but it will tell you the questions to ask. Getting employees involved in not only identifying problems and challenges, but also the solutions, can work wonders.”
- John Palguta
Appendices

Appendix A: Who Responded to the Survey

The analysis contained in this report is based on responses to a benchmark survey prepared by HCMG event producer Greg Ashton and answered on-site at HCMG 2014. Survey questions were chosen after weeks of research into the trends shaping the future of Federal and Defense human capital, as well as interviews with top-level HR and Management professionals working in government. Responses were provided by 143 government executives, clarifying the greatest challenges and opportunities relevant to human capital management in 2015.

![Job Function and Organization Type categories](image)

Appendix B: Methodology

Interviews with guest contributors were conducted after HCMG benchmark survey data was compiled, and centered on discussion of HCMG and OPM Federal Viewpoint Survey results for 2014.

Appendix C: Related Research

“2014 Viewpoint Survey Results”, United States Office of Personnel Management

“The Big Picture: Government-Wide Analysis”, Best Places to Work 2014 by the Partnership for Public Service

HCMG
The Human Capital Management for Government Training Series brings together key stakeholders from throughout the Federal and Defense HR communities to discuss best practices for managing human capital, improving efficiency, and advancing innovation. Launched in 2006, the series of events has evolved into the meeting place for strategic-level policy makers and operational-level HR managers and often serves as the catalyst for new initiatives.

Cornerstone OnDemand
Cornerstone OnDemand is a leader in cloud-based applications for talent management. The company’s solutions help organizations recruit, train, manage and engage their employees, empowering their people and increasing workforce productivity. Based in Santa Monica, California, the company’s solutions are used by over 2,100 clients worldwide, spanning more than 18.1 million users across 191 countries and 42 languages.

Worldwide Business Research
WBR is the world’s most dynamic large-scale conference company and part of the PLS group, one of the world’s leading providers of strategic business intelligence with 16 offices worldwide. Every year, over 10,000 senior executives from Fortune 1,000 companies attend over 100 of our annual conferences – a true “Who’s Who” of today’s corporate world. With a deep commitment to building lasting relationships and delivering quality content and networking, WBR inspires your career.

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