

*Implementing Real Change in  
Human Resources Management*

**JULY 2000**

The Case  
for Transforming  
Public-Sector  
Human Resources  
Management



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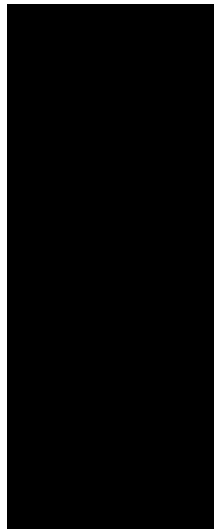
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# FOREWORD

Dramatic changes in the public sector during the 1990s, such as downsizing, restructuring and reengineering, and movements to improve performance and customer service are having a major impact on human resources management (HRM). This publication is a commentary on these developments and includes an overview of changes in public-sector HRM, the realignment of HR activities to support strategic goals and objectives, the changing roles and responsibilities of HR professionals and managers, changes in the role of training and development, changes in HR systems; and future trends. It also addresses the role the National Academy of Public Administration's Center for Human Resources Management is playing in promoting and facilitating these transformations.

Our objective in providing these insights into the recent past is to help prepare managers and HR leaders for future changes in HRM. There is no doubt there will be increased demands for a more streamlined and efficient government. This cannot be accomplished without a philosophical shift towards greater investment in human capital. HRM systems must continue to improve in order to accommodate and facilitate the need to acquire, develop, and retain a workforce with the necessary competencies.



Robert J. O'Neill, Jr.  
President  
National Academy of Public Administration







# PREFACE

## ABOUT THIS PUBLICATION

Our objective in preparing this publication is to provide a retrospective look at developments in human resources management (HRM) in the public sector, especially at the federal government level, since the mid-1990s. Why this time period? Clearly, there has been more talk about the need to put the “people factor” more prominently into the strategic planning of public organizations than at any other time. And during this period, numerous initiatives have been launched to “transform” human resources processes into a more modern, responsive function.

The information for this assessment has been drawn largely from the work of the National Academy of Public Administration’s Center for Human Resources Management since the Center’s establishment in 1994. This has encompassed over 20 studies of key government-wide HRM and service delivery issues and nearly 30 agency-specific technical assistance projects. Collectively, these research, benchmarking, and technical studies represent the most comprehensive compendium of information available on human resources challenges and trends in the public sector. It is not only a summary of key developments over the past five years, but also highlights those challenges facing public agencies as they plan to build a workforce capable of meeting tomorrow’s needs.

## ACKNOWLEDGMENTS

Gleaning the most useful and most significant material from so many studies and information sources was no small task, but we were fortunate to have a professional writing and editing team who were more than up to the task. Susan Knighton Cavanaugh served as the manager for the retrospective project, which included designing the document, and organizing and writing material. Contributing writers included Curt Dierdorff, Larry Goodwin, Allan Heuerman, Herb McLure, Jack McGrath, Ray Sumser, and Marylou Whelan, all of whom are senior consultants with the Center for Human Resources Management. We are grateful to them for their professionalism and high standards and to all others who participated in the five-year research and education program that has produced the information reviewed in this publication.



# CHAPTER

# 1

## An Overview of HRM Changes in the Public Sector

### A DECADE OF CHANGE

For the entire U.S. economy, the 90s was a period of intense change, during which organizations were challenged to improve performance and customer service, empower employees to get results, and to reduce costs. This fundamental transformation profoundly challenged human resources management (HRM) in both the private and public sectors to help organizations successfully address these issues.

In the federal sector, HRM was impacted by numerous changes such as downsizing, decentralization and deregulation, family-friendly workplace enhancements, dramatic applications of technology, new approaches to HR development, labor-management partnerships, and redirection of the HRM function. Increasingly, successful managers were required to understand their HRM responsibilities (hiring, firing, developing, and evaluating employees). HR professionals had to understand that their primary responsibilities were to advise and support managers and to help them provide a work environment where employees were treated with respect and dignity.

Throughout the latter part of the 1990s, the Academy, through its Center for Human Resources Management, has worked with federal agencies to develop and use HRM tools and techniques to help address the reinvention of government and, to implement real change in HRM. Through research, technical consultant services, workshops, and conferences, the Center addressed subjects such as the following:

- Downsizing, Restructuring, and Reengineering
- Information Technology
- Transforming the Human Resources Management Function

- Recruitment and Retention
- Accountability for Results
- Work/Life Enhancements
- Labor-Management Partnerships
- Human Resources Development

## **DOWNSIZING, RESTRUCTURING, AND AUTOMATION**

Downsizing, restructuring, and automation resulted in a reduction of 351,000 positions between 1993 and 1998. Of these, 231,000 (67 percent) were cut backs in the defense agencies. The downsizing targeted headquarters positions, high-grade levels, supervisory positions, and administrative positions in departments such as budget, procurement, and human resources. Such reductions were accomplished with tools like optional buyouts that were not targeted to those positions that were filled by employees who were performing unnecessary work.

While downsizing achieved the primary goal of reducing the federal payroll, it produced unanticipated negative results as well. Many of these were discussed in the Academy's 1997 report *Downsizing the Federal Workforce: Effects and Alternatives*.<sup>1</sup> The report concludes that organizations frequently learned that downsizing does not always cut costs, increases work backlogs, has a negative effect on productivity and mission accomplishment, results in long-term morale problems for remaining employees, causes a loss of organizational intellectual capacity and skill imbalances, and increases human resources costs such as training, overtime, contingent workers, and salaries.

Downsizing occurred 25 to 30 years after a period of growth in the federal government. It was accomplished by targeting highly paid employees and supervisors and offering buyouts that appealed mainly to employees who were eligible to retire. Consequently, agencies lost a substantial part of the generation of federal employees who started their careers in the 1960s. These employees represented a disproportionate share of the knowledge and expertise that existed in the workforce. They had been mentors, coaches, and models for the employees they left behind. Succession planning, internships, apprenticeships, and other developmental programs were disrupted, or not started. Remaining employees already dispirited by the loss of these respected colleagues were asked to absorb their workload without the benefit of their experience and knowledge, and without changes to governing laws and regulations.

Some agencies that reduced or eliminated their HRM functions were forced to rely on employees with other specialties to perform HR work as collateral duties. These employees were often not provided with sufficient training to

help them perform the work accurately and efficiently. Also, many transactional-based activities, which are generally administrative and routine in nature, began to be automated and moved to a shared-delivery system. At the same time that HR staffs were being reduced, they were being asked to perform different roles such as change agent, business partner, and leader and to assume different responsibilities such as managing change, strategic planning, and resolving conflict.

Some of the unfavorable consequences of downsizing such as skill imbalances and labor shortages could have been avoided had agencies done adequate strategic and workforce planning. The Center defines strategic workforce planning as a systematic process for identifying the human capital required to meet future organizational goals and developing the strategies to meet these requirements. It wasn't until the end of the 90s that organizations were recognizing more clearly that people are the key component to achieving strategic goals and objectives.

## **TRANSFORMING HUMAN RESOURCES MANAGEMENT**

The ability of federal agencies to respond to the downsizing challenge was severely limited by both perceived and actual barriers that exist in the present HRM system. Systems are considered by managers to be too complex and inflexible, and accountability for performing major HRM functions such as hiring, classification, pay, performance management, human resource development and discipline is unclear. These factors severely diminished HRM's effectiveness. As early as 1983 an Academy panel<sup>2</sup> found that "... accountability is divided and varies by functional areas within personnel management in such a manner that everyone and no one is fully accountable."

The National Performance Review (NPR) recognized in 1993 that accountability for HRM had to be redefined in terms of results—and within the context of decentralization, deregulation, simplicity, flexibility, and substantially increased delegations of authority. NPR's vision in the HRM arena was one in which managers can adjust work and people to meet mission demands in a cost-effective manner; create and maintain a quality, diverse workforce; lead and develop, train, set high expectations for, reward, and discipline employees; foster a quality work environment that lets employees manage work and personal responsibilities; and promote cooperative relationships with employees and unions. According to the NPR's report on HRM, achieving this vision would require:

- creating a flexible and responsive hiring system
- reforming the classification system
- improving performance management
- targeting the objectives of employee training and development

- enhancing programs to provide family-friendly workplaces
- improving workplace due process
- focusing equal employment opportunity and achieving results
- eliminating excess red tape
- forming labor-management partnerships

To realize this vision, the NPR proposed comprehensive civil-service reform legislation as well as HRM reform. Despite numerous efforts, civil-service reform legislation has not been passed. On the other hand, many federal agencies took vigorous actions to reform and reinvent HRM within the structure of the current system. This typically involved using more of the flexibilities or solutions already in the system and removing unnecessary barriers created by the agency. For example, the classification system has been identified as a major barrier to aligning work to accomplish mission needs. An interim broad-band model is one solution for overcoming this barrier. To assist agencies with their administrative reform effort, the Academy published *Innovations and Flexibilities: Overcoming HR System Barriers*.<sup>3</sup> In addition, OPM has taken several steps to reform federal HRM systems such as decentralizing examining and deregulating performance management. In turn, some agencies have empowered managers by delegating to them the authority to perform such functions as classifying positions.

## RECRUITMENT AND RETENTION

Both private- and public-sector organizations are competing for the same people and are protecting their investments in human capital. Their ability to function depends on having enough people who possess the needed skills and knowledge. While federal departments and agencies were given authority by OPM to conduct their own recruiting and examining for most positions, and although central registers and standard application forms were abolished, agencies must still use the same rules and regulations as before. Therefore, hiring is still a slow and tedious process. The flow of high-quality new hires in federal departments and agencies has decreased dramatically while the average age of workers has risen. Many federal managers are attempting to rebuild a pipeline of entry-level employees in the most competitive labor market of the last 40 years. However, current federal hiring methods do not keep pace with the private sector. An Academy report, *Entry-Level Hiring and Development for the 21<sup>st</sup> Century: Professional and Administrative Positions*,<sup>4</sup> presents new strategies for locating, hiring, and developing high-quality candidates more effectively for entry-level professional and administrative positions.

The NPR recommended that OPM take steps to “dramatically simplify the current classification system and give agencies greater flexibility in how they classify and pay employees” so that agencies could more effectively recruit and retain

quality staff. OPM was charged to propose legislation to “remove all grade-level classification criteria from the law.”

Also, two Academy reports were developed on a broad-banding approach to classification. *Modernizing Federal Classification: An Opportunity for Excellence*,<sup>5</sup> written in 1991, recommends that OPM establish a more modern governmentwide classification system based on the model proposed in the report. *Modernizing Federal Classification: Operational Broad-Banding Systems Alternatives*,<sup>6</sup> written in 1995 offers several broad-banding models and examples that agencies can adopt based on their specific needs.

Legislation to reform the current classification system has not been enacted. The benefits of change to a more flexible system, however, have been demonstrated numerous times by agencies that have utilized the demonstration project authority or Title V exemption.

## ACCOUNTABILITY FOR RESULTS

With the enactment of the Government Performance and Results Act (GPRA), federal agencies are measuring outputs and results. This means measuring how government programs and policies affect customers such as how many unemployed people get jobs, not how many people look for help at local Employment Service offices. Federal agencies must develop five-year strategic plans – linked to measurable outcomes, along with annual performance plans that include specific goals on what they intend to achieve. Performance plans contain performance indicators for measuring outputs and outcomes.

Because employees are the key to achieving most goals, HRM is being aligned with federal agencies’ goals and objectives. High priority is now being given to defining, acquiring, maintaining, and leveraging human capital. To help managers understand these issues, the Academy has issued a series of three Focus papers<sup>7</sup> that describes how HRM activities must be considered in the strategic content of improving organizational and human performance improvement. In addition, its report, *Building the Workforce of the Future to Achieve Organizational Success*,<sup>8</sup> provides guidance on strategic workforce planning (linking workforce planning to the strategic planning process), and investing in human capital.

## WORK/LIFE ENHANCEMENTS

Most American workers struggle to balance the demands of work and family. Over the past few years, a number of positive developments are helping workers to maintain healthy family lives as well as satisfying and productive careers. Initiatives include the Family and Medical Leave Act (FMLA) of 1993 which allows covered employees a total of 12 administrative workweeks of unpaid leave during any 12-month period for certain situations including the birth and care of a newborn and a serious health condition. Other initiatives are subsidized child-care costs, telecommuting, alternative or compressed work schedules, and wellness programs.

Computers, communication devices, copiers, faxes, and cheap air fares have changed the way employees do their work, changed the expectations of their clients and customers, and changed the nature of the workplace. In the federal government, for example, clerk-typists, who used to be the largest category of federal employees, have almost disappeared from the scene. This function is no longer needed because professionals now do their own typing using desktop computers. Paperwork is still the pervasive symbol of the bureaucracy, but it is produced and handled faster and cheaper, involves fewer people, can be delivered instantly wherever it is needed, and is being increasingly replaced by electronic records. Research, both library research and field research, and analysis can now be done from a desktop computer anywhere. Cellular telephones allow people to communicate with one another no matter where they are.

The Academy reviewed the dramatic changes that have taken place in both the workforce and the workplace in its 1998 publication *Work/Life Programs: Helping Managers, Helping Employees*.<sup>9</sup> The report helps managers to gain an understanding of workforce changes and work/life programs.

## **FORMING LABOR-MANAGEMENT PARTNERSHIPS**

Executive Order 12871, *Labor-Management Partnerships* was issued in October 1993 as a key element of the strategy to reinvent government. It spoke to the people factor in government reform in the specific context of those federal employees represented by labor unions. The order states that:

“Only by changing the nature of federal labor-management relations so that managers, employees, and employees’ elected union representatives serve as partners will it be possible to design and implement comprehensive changes necessary to reform Government.”

Since the order was issued, agency and union representatives have attempted to meet the partnership challenge. As the Academy pointed out in its September 1995 report, *Alternatives for Federal Agencies: Summary Report*,<sup>10</sup> the Academy’s “review of the best HR practices and strategies found that the leading organizations rely on employee input and involvement to insure that the best products and results are produced and that a competitive advantage is achieved.” Participants in the Academy’s symposium on labor-management partnerships in 1995 expressed both the benefits as well as the difficulties of partnerships.

Evaluation surveys conducted by the National Partnership Council and reports of specific agency experiences support the view that labor-management partnerships can improve labor-management relations and contribute toward more effective agency operations. At the same time partnerships have failed and partnerships have not been established in some agencies.

As 1999 approached its close, the President took steps to activate the Executive Order. On October 28 he issued a memorandum to agency heads, “Reaffirmation of Executive Order 12871 – Labor-Management Partnerships.”



The President directed agencies “...to develop a plan with their unions ...for implementing this memorandum and the Executive Order” and to report by April 14, 2000 on progress being made.

## HUMAN RESOURCES DEVELOPMENT

The Government Employees Training Act (GETA) of 1958 authorized agencies to manage their own training, determine their own training needs, and select and fund training to meet those needs. Changes in the 90s placed a premium on making effective use of this broad authority and numerous initiatives were directed to that end.

To strengthen training, OPM in 1992 developed a series of human resource development (HRD) policy initiatives including requirements for comprehensive training needs assessments, employee orientation, and management development. However, training was not always seen primarily as a tool for improving individual and organizational performance.

The Merit System Protection Board, in a 1995 study on HRD, noted that many organizations in the government will have to fundamentally change the way they have looked at training and development. Managers must come to realize that the accomplishment of their mission objectives in the future may well rest on learning to use their HRD resources in new ways.<sup>11</sup>

The Academy’s 1996 report, *Investment in Productivity: Successful Human Resources Development Practices*,<sup>12</sup> provides information that helps managers develop a strong conviction for the role and value of HRD. The report, highlighted in Chapter 5 of this document, presents nine critical practices of successful HRD programs. They include integrating HRD with strategic planning, prioritizing learning, institutionalizing continuous learning, using technology, investing in the long term, establishing an evaluation process, involving top leadership, and developing and assessing competencies.

Technology is also having a profound effect on learning. Not only do people have to develop computer skills to survive in today’s workplace, but they also have more information—information that needs to be managed (knowledge management) in order to be a usable tool for learning. Other learning tools were introduced including corporate universities, and distance learning. In support of life-long learning, the Executive Order “Using Technology to Improve Training Opportunities for Federal Government Employees” was issued in 1998. Its purpose is to organize and promote the use of technology to enhance learning in the federal government. A number of recommendations were proposed on how to effectively integrate technology into learning including the establishment of Individual Training Accounts for employees. These accounts set aside either dollars or hours for individual employees to use for their professional development and learning.

## NEED FOR HRM TRANSFORMATION

Managers are responsible for performing HRM activities – recruiting, deploying, developing, and evaluating employees with the assistance of HR professionals. However, as noted as far back as 1983 by an Academy panel, “The present personnel management system is far too process oriented. It is much too rigid and needs major change . . . Process drives out substance.” Also, the panel noted, “Management processes, centrally designed and dictated, often become overly procedural.. Personnel technicians rather than line managers end up making personnel decisions, thus putting further distance between line managers and their personnel responsibilities.”

To address these issues, the Academy’s Center for Human Resources Management has conducted various studies and workshops and issued reports to help agencies develop an HRM function that adds value to the organization. A primary emphasis was on identifying competencies needed by HRM staffs to ensure that HR offices have the capacity to be a strategic partner in achieving agency objectives. These reports include *A Competency Model for Human Resources Professionals*,<sup>13</sup> *A Guide for Effective Strategic Management of Human Resources*,<sup>14</sup> and *Improving the Efficiency and Effectiveness of Human Resources Services*.<sup>15</sup>

The Center also examined various ways in which the HRM function could increase its efficiency and effectiveness. Its report, *Improving the Efficiency and Effectiveness of Human Resources Services*,<sup>16</sup> emphasized the importance of technology. Another option for responding to a downsized HR function is to obtain services from other sources including interagency agreements with other agencies, outsourcing to the private sector, and reimbursable franchises. Chapter 6 and another Academy report, *Alternative Service Delivery: A Viable Strategy for Federal Government Human Resources Management*<sup>17</sup> describes these options

In 1997 the Center turned to another major dimension of enhancing HRM – the role of managers in HRM and their relationship with the HRM function. The Academy report, *Human Resources Management Responsibilities of Line Managers*<sup>18</sup> provides information regarding the HRM role played by line managers, required competencies, appropriate HRM accountability, and the relationship between the HRM responsibilities carried out by line managers and those assigned to the HR office.

**In response to these driving forces, line managers in partnership with human resource executives are now examining how the HRM functions can add value to organizations and help achieve their strategic goals. This is helping organizations to:**

- **align HR activities with the organization’s strategic focus – chapter 2 of this document**

- enhance the roles, competencies, and responsibilities of HR professionals – chapter 3, transforming the roles and responsibilities of managers – chapter 4, strengthening the contribution of human resource development – chapter 5, reinventing HR systems – chapter 6