



CHAPTER ONE

THE CHANGING ROLES OF THE HUMAN RESOURCE OFFICE

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Efforts to reform the way in which governments handle the personnel management function have a long history in the United States. Kellough and Selden (2003) claim that there were at least twelve major administrative reforms in the twentieth century alone. The last thirty-year period, however, has seen almost continuous calls for reform, many of them leading to significant changes in how the human resource (HR) function is organized and managed in the federal government, starting with President Jimmy Carter's Civil Service Reform Act of 1978 and moving through the Grace Commission's recommendations under President Ronald Reagan (Levine, 1985; Hansen, 1985) to the National Performance Review (NPR) era of *reinventing government* led by Vice President Al Gore (National Performance Review, 1993; Thompson, 2001) and to President George W. Bush's President's Management Agenda (Office of Management and Budget [OMB], 2002), which James Pfiffner (2007, p. 7) has characterized as containing possibly "the broadest human resource management changes since the Pendleton Act." Early evidence suggests that the administration of President Barack Obama will put forward proposals to make further changes in human resource management structures and practices. Although much of the public attention to these various reform efforts focused on specific policy changes, such as *pay for performance* and *contracting out*, underlying all these initiatives was a debate

about the proper role of a personnel office in the management of the affairs of government.

We begin with a brief overview of the background of public personnel management and then explore the range of roles that HR offices are asked to perform and some of the approaches agencies have used in carrying out these roles. Finally, we take an early look at the probable directions of the Obama administration in the HR arena. Although our focus is primarily on the U.S. federal government, many of the trends discussed are also being seen at state and local levels and in governments outside the United States.

Before we turn to the issue of roles for the HR office, it is useful to look briefly at the context for this discussion—the structure of the personnel process in the public sector. In the private sector each business or organization is free to establish its own personnel system, although it must work within the constraints posed by a growing body of employment law governing such issues as non-discrimination, labor relations, rights of the disabled, and family and medical leave, among others. It is also important to understand that the HR office is responsible hierarchically to the chief executive officer, who ultimately determines which role or roles the HR office should perform. In the public sector, however, individual agencies have traditionally had little freedom to design their own personnel systems: they must operate within civil service laws. Traditional civil service systems were complex, highly formalized, and stressed uniformity rather than flexibility. These systems typically included a centralized body, such as a civil service commission, or, at the federal level, the U.S. Office of Personnel Management, which not only set the rules but actually administered the system, developing and administering civil service examinations for hiring and promotion and establishing pay policy, among other functions. These centralized organizations also had the responsibility of oversight over agency personnel offices. As we show later, the recent history of HR management in the federal government has been one of policy swings, from centralization to decentralization (Ban and Marzotto, 1984), from detailed regulation to deregulation, and from in-house to outsourced provision of services. The Obama administration appears to be heralding a swing back of the policy pendulum in at least some of these areas.

The Multiple Roles of the HR Office

The roles that can be played by the human resource office have changed and grown over time, presenting the dilemma of sometimes conflicting goals. In this chapter we discuss the following roles:

- *The administrative role*, which has been redefined in response to pressure to shift from ensuring compliance to offering customer service.

- *The organization developmental (OD) and consulting role*, which requires HR staff to take on a broader function, serving as internal consultants to managers on a wide range of organizational issues.
- *The contract management and coordination role*, which reflects the increased tendency to outsource parts of the HR function and requires agency HR staff to manage contracts with providers and often to coordinate in-house staff and external staff, sometimes from several contractors.
- *The strategic human resource management role (or human capital management, in the current jargon)*, which requires HR to support the strategic mission of the organization or agency as a whole. In order to meet that goal, HR leaders are urged to act as full members of the management team, linking personnel /HR policy to agency mission, goals, policy, and budget.

The Administrative Role: From Compliance to Customer Service

The traditional tasks of the personnel office in government, as that office has evolved since the creation of civil service systems in the late nineteenth century, have emphasized routine processing of administrative actions, including what many consider the fundamental tasks of any personnel office—recruitment activities such as advertising jobs and testing applicants, performing job analysis and classification, administering benefits, and assisting managers with disciplinary actions. But that administrative function takes place in the context of an increasingly convoluted set of laws, rules, and regulations governing the civil service system, thus requiring HR staff to also enforce compliance with the rules by ensuring that managers do not circumvent established procedures in any of the administrative areas. For example, the HR office is often charged with making sure hiring proceeds according to merit principles, salaries are based on the actual tasks assigned to the position, or employees are disciplined appropriately according to the nature of their offense.

A central theme of reform efforts has been making HR staff more responsive to the needs of their customers by having them taking a positive rather than a negative approach to the administrative role. HR staff have long been criticized for their negative stance, their heavy focus on compliance, and their tendency to be naysayers, that is, to tell managers that they can't do what they want, rather than helping them to find a way to meet their goals within the system (Perry, 1995). Past criticisms of personnel offices have focused on "personnel staff's excessive concern with strict compliance with the rules and procedures rather than results" and on "lack of sufficient staff resources in the personnel office" and "lack of sufficient skill in the personnel staff" (U.S. Merit Systems Protection Board, 1993, p. 21).

These critiques of the traditional personnel system reach back for decades. Alan Campbell (1978), who spearheaded the effort that led to the Civil Service Reform Act of 1978 and who became the first head of the U.S. Office of Personnel Management, excoriated personnelists for “rigidity, inflexibility, and a turn of mind . . . that thinks in terms of protecting the system; can’t do, rather than can do” (p. 61). At the heart of the problem has been a deep-seated role conflict between personnelists and line managers. As noted elsewhere (Ban, 1995): “Personnel staff saw themselves as the ‘keepers of the flame,’ charged with preserving merit in the merit system—a probably accurate reflection of congressional intent. This view of their role was also instilled by their socialization, both inside most agencies and particularly in training given by the U.S. Office of Personnel Management (U.S. OPM) and its predecessor, the Civil Service Commission (CSC), which reinforced in budding personnelists an adversarial view of the system. They were conditioned to see managers as the people asking them to break the rules—to violate the merit system” (p. 91).

In addition to tensions resulting from this traditional compliance function, conflict has arisen because personnel offices serve multiple clients; they work for managers but also for employees themselves. Thus they risk being seen as either “management tool or employee advocate” (Straus, 1987).

Scholars and advocates for reform have proposed solutions for the problems and limitations common to the administrative role for over thirty years (Balk, 1969; Campbell, 1978; Nalbandian, 1981). At the most basic level, they have simply urged personnelists to do what they do better and faster and to be more responsive to the needs of managers. More specifically, this means improving accuracy and speed in processing routine administrative actions, such as shortening the amount of time it takes to hire a new employee or to reach a decision on a job reclassification. It also means taking a more positive attitude toward managers’ requests, helping them to find creative ways to do things within the constraints of the system instead of simply saying no. The effort to deliver the standard administrative services more effectively and efficiently has been characterized as *improving customer service* and has focused on several specific strategies: restructuring the delivery of HR services, changing the culture of the personnel office, deregulating the HR function, and relying more heavily on technology to improve service. Let us examine each of these trends in turn.

Restructuring the Delivery of Services. There have been repeated attempts to restructure HR delivery. In the 1990s and early 2000s, the trend was toward decentralizing the HR function down to the operating level in order to give managers the service they need. Both the NPR and the National Commission on the State and Local Public Service (also known as the Winter Commission, for its chair,

former Mississippi governor William Winter) expressly called for decentralization. In fact the NPR reforms resulted in virtually eliminating the central role of OPM and delegating responsibility for hiring, across the board, to individual agencies (U.S. Merit Systems Protection Board, 2002a). Yet some research (Ban, 1995; National Academy of Public Administration, 1996) has shown that centralized personnel functions, if well managed, can provide high-quality service.

One of the ways many federal agencies have coped with cuts in the size of their HR staff has been to eliminate many local HR offices and to consolidate service in regional or national offices (Ban, 1988–89). As discussed later, that consolidation continued under the Bush administration, which also strongly encouraged outsourcing government roles and functions, including HR functions, either to *shared service centers* within government or to the private sector (Johnson, 2004; Durant, Girth, and Johnston, 2009). State governments also experimented with this approach, contracting out everything from payroll administration to background checks, from job classification to employee benefits administration (Coggburn, 2007). The assumptions were that central servicing organizations were more efficient because of economies of scale and that the private sector, with its emphasis on customer service, would do an even better job of administering these personnel activities than government employees, though there is increasing evidence that this assumption does not always hold true (Coggburn, 2007; Bowman, West, and Gertz, 2006). Furthermore, neither centralizing the HR function nor outsourcing will necessarily be perceived by the customers as providing better service. According to an HR leader in a D.C.-based federal agency, managers “want the HR resources within physical seeing them and touching them distance,” which presents a real challenge when, as is true in this leader’s agency, the administrative functions have been outsourced to an office in West Virginia.

Changing the HR Office Culture. Culture change to facilitate a customer service approach to the administrative role has also been an ongoing effort. The 1990s saw the introduction of total quality management (TQM) in personnel offices in both the federal government and state and local governments (Berman, 1997). TQM encouraged personnel staff to examine their relationships with their customers and to set measurable goals for their work. It also stressed restructuring work away from narrow specialization and toward a more generalist approach and applying cross-training so that one staff person or team could follow through on all the related steps of a complex personnel action and could build ongoing relationships with a specific group of customers (Barzelay, 1992). Even though many organizations have moved on to newer reforms, the core values of TQM continue to shape the strategies for introducing or reinforcing a customer service focus among personnel office staff.

Deregulating Human Resources. One key thrust of reform proposals is to deregulate civil service systems (National Academy of Public Administration, 2000), the idea being that if there are fewer rules, there will be fewer compliance problems. At the federal level, this was a central theme of Bill Clinton's and Al Gore's efforts at reinventing government. The report of the National Performance Review (1993) critiqued the excessive complexity and rigidity of civil service regulation and argued that "[w]e must enable all managers to pursue their missions, freed from the cumbersome red tape of current personnel rules" (p. 22). Indeed, one of the first actions taken under the NPR was to abolish the federal government's 10,000 page Federal Personnel Manual (Ban, 1988–89). Advocates of state-level reform in the 1990s also focused on the need to deregulate. For example, the National Commission on the State and Local Public Service (1993) decried "rule-bound and complicated systems" and argued that "[w]e must not be so hidebound in order to protect against failure that we quash the spirit of innovation" (p. 25). Some states took extreme approaches to deregulating the civil service, with Georgia and Florida abandoning their traditional civil service systems and adapting the private sector model of *at will* employment to the government sector (Gossett, 2002; Nigro and Kellough, 2008; Bowman, West, and Gertz, 2006).

Achieving Greater Efficiency Through Technology. Perhaps the most enduring response to improving the delivery of administrative services is to apply more technology. There is no doubt that personnel work, like virtually all work, has been changed by the advent of new technology—change so rapid that it is difficult to track. Technology has altered all aspects of human resource management, with the greatest effects having occurred in the routine processing required by, for example, benefits administration, payroll, and employment records generally (West and Berman, 2001). More recent developments include the use of technological applications in the hiring process, which allow, for example, online posting of vacancies, computerized or online application and testing processes, and computerized scoring or sorting of applicants (Mooney, 2002; U.S. General Accounting Office, 2003a). Both HR specialists and line managers are also using new software that assists in performance appraisals and in position classification. Training is increasingly delivered online. Current integrated systems allow managers to track key agency indicators, such as workforce trends, and to link workforce analysis with budget analysis (Ashbaugh and Miranda, 2002; Shiplett and Sutton, 2002; National Academy of Public Administration, 2000).

Technology has certainly had positive effects on how personnel offices work. It holds out the promise of doing more with less, by freeing up HR staff time for the consulting and strategic roles described later (although, as with privatization, this change may require retraining or restructuring). Or, given the cuts in HR

staff at the federal level, technology may simply help personnel staff to keep their heads above water. Improved service and faster processing of time-sensitive tasks are not the only benefits. Technology enhances staff members' ability to analyze data in sophisticated ways critical to strategic HR management.

Still, technology has costs and drawbacks. The obvious costs are for hardware, software, and staff training, and given the rapid changes in technology, these costs will recur. In fact the time between introduction of a new technology and its obsolescence continues to shorten, and the costs of upgrading can be a major drain on the budget, particularly for smaller organizations or jurisdictions. The increasing use of technology requires recruiting staff with a new mix of skills, ideally people who combine technological sophistication with good social interaction skills, a combination not always easy to find at the salaries many public jurisdictions can offer (West and Berman, 2001).

Technology can also have a negative effect on perceived quality of service by reducing face-to-face interactions. This is a contested issue, with some staff feeling that e-mail and the Internet facilitate their connections with coworkers and peers in other jurisdictions and others fearing that both HR staff members and service recipients may feel increasingly alienated (West and Berman, 2001). Perceptions of quality of service may also vary as organizations move toward *employee self-service* models that permit workers to go online to get information and to enter information about such things as leave requests and changes in benefits. Some employees will see this as easy and efficient, giving them direct control over these routine functions, but others will feel frustrated when they have questions the machine cannot answer, or when they try to call for information and get caught in endless recorded prompts, unable to get to a real person (Gardner, Lepak, and Bartel, 2003).

Striking the Right Balance. The challenge remains, however, to balance the two sides of the administrative role: although the current rhetoric stresses the need for HR to be a *business partner* to support the agency's mission, some HR officials recognize that the pendulum may have swung too far and that the compliance aspects of that role may need to be strengthened. As a senior HR professional in the federal government told the chapter authors, "We moved very far away from enforcing the rules [in the Clinton era]. We paid attention to the rules and were concerned about the rules, but enforcing the rules wasn't so important. It is ironic that this last Bush administration did put a lot more emphasis on the rules." She found this ironic because under the Bush administration there was a major scandal involving the Department of Justice in which senior political officials admitted to politicizing the hiring of career staff by screening them on their political beliefs and activities, a clear violation of the law (U.S. Department of Justice, 2008).

The Role: From Training to Consulting

Historically, the HR office began to expand its services beyond the traditional narrow definition of the personnel function by working with agency management to identify and address the training needs of employees, both so employees could better perform their assigned tasks and so that they could prepare for advancement to management positions in the organization. Unlike the tasks associated with the administrative role, these new activities were not strictly transactional, creating at least potential conflict with the traditional role. Indeed, during Theodore Roosevelt's administration, an executive order prohibiting any government employee from helping anyone pass a civil service examination was interpreted by many agency leaders as a general prohibition on offering training (Van Riper, 1958, p. 247). However, the personnel shortages caused by World War II provided the impetus for the provision of training, which then became an important task for personnel offices in almost every federal agency (Van Riper, 1958, p. 380).

Over time the training function expanded into a broader role as both agency HR offices and the U.S. Office of Personnel Management bought heavily into the concept of HR staff becoming consultants in organizational development by assisting agencies with organizational redesigns, developing *performance management* systems, and working directly with individual managers to address their staffing and training needs. To understand just how deeply OPM has invested in this strategy, one need only read a portion of this OPM online advertisement: "To help your organization achieve success, the U.S. Office of Personnel Management provides a full range of these consulting services through our Performance Management and Organization Development (PMOD) Solutions area. Drawing on our expertise across the HR spectrum and our nationwide network of professionals, we can assist any federal, state, county, or municipal agency. We understand government because we *are* government. And because we operate on a cost-recovery basis, we can often provide more cost-effective solutions than private sector consulting organizations" (U.S. Office of Personnel Management, n.d.).

The OD and consulting role and the administration role require different relationships between HR staff and managers. In particular, the OD and consulting role downplays the compliance function and thus necessitates a culture change for personnel staff, as these new services must be offered on a voluntary basis, relying on requests from managers. This role also requires the acquisition of new competencies. Staffing and classification specialists do not automatically know how to conduct employee surveys or how to counsel managers on strategies for restructuring agency operations or improving productivity.

One study of civil service reform at the state level pointed up the difficulty of reconciling these two roles and quoted a personnel director drawing a parallel

between centralized civil service operations and centralized oversight of finance: “I assure you that when folks have a difficult question about a financial decision, they don’t call the state auditor. They call somebody who will help them decide what the state auditor might say. Balancing performance review with being consultative is difficult because it will mean that it will be in the agencies’ best interest to hide all difficult or questionable decisions instead of seeking advice” (Carnevale, Housel, and Riley, 1995, p. 25).

Upgrading HR Staff Skills. The OD and consulting role also requires a different skill set (and mind-set) than routine administrative work does, presenting a real challenge to offices attempting to expand their functions to include this role. In fact staff sometimes lack even the requisite skills to perform the traditional administrative role effectively, let alone taking on this new role. Past studies (U.S. Merit Systems Protection Board, 1993) found not only that managers felt the personnel specialists they dealt with were underprepared but also that over half the personnel specialists themselves felt that they lacked the skills or training they needed. Unfortunately, in the intervening years the situation does not seem to have improved. In response to a 2007 survey (Partnership for Public Service, 2007, p. 14), one-third of HR leaders reported that “their staffs do not have adequate skills.” A 2008 survey (Partnership for Public Service, 2008) found that “[t]he federal HR talent pool is limited. . . [and] many of these workers have outdated skills. . . . The shift away from transactional skills to a more consultative role for HR staff that requires strategic thinking was noted by many participants” (p. 9). Moreover, the problem of current and relevant skills exists not only at the agency level but also in the OPM itself. In a 2005 survey, Merit Systems Protection Board employees ranked their own agency, the Office of Personnel Management, near the bottom in relation to this statement: “The workforce has job-relevant knowledge and skills necessary to accomplish organizational goals” (U.S. Merit Systems Protection Board, 2007, p. 10). Such skill deficits have been exacerbated by the very low staffing levels in many personnel offices. But increasing personnel staff numbers is not a viable option in most agencies or jurisdictions. At the federal level, one of the legacies of the Clinton years was a sharp reduction in the number of HR staff (Ban, 1988–89), which continued through years of the Bush administration, and funds necessary to train new HR staff members or to upgrade the skills of existing staff are often in short supply.

Division of Labor in Filling the OD and Consulting Role. Because this role requires skills and a relationship with managers that are different from those required by the administrative role, it is often a challenge for HR offices to manage it effectively. One approach is to separate the two roles organizationally, with

a personnel unit performing the traditional functions and an HR unit providing consulting services to managers. Another approach is franchising or outsourcing of the routine personnel functions, discussed in more detail later. The argument is that this will save money via economies of scale and will free internal resources for providing consulting services. Alternatively, some agencies will keep the routine processing in-house but contract out for OD support with what one OPM senior official has described as an “army of consultants” ready to help.

Another strategy linked both to improved customer service and to changing roles for the personnel office is delegation of greater authority over personnel decisions to line managers themselves. The intention is to empower managers by letting them perform basic personnel functions, such as classifying positions, for example. At the same time, in theory, delegation of authority should lead to a changed role for personnelists, who are no longer the controllers and who become consultants helping managers exercise their new authority. Some managers will clearly welcome the freedom to “do it yourself.” But as Nigro (1990) has put it, this approach “imposes extraordinary demands on administrators while saying very little about how they should go about meeting this challenge” (p.195). Asking managers to take on responsibility for personnel functions may make them feel overburdened and resentful. Indeed, some managers have rejected taking on broader HR authority (Ban, 1995).

The Contract Management Role: From Customer to Contract Manager

Almost from the beginning, HR offices have had contracting officers to help them with the purchase of supplies or occasional specialized consulting services. However, as discussed previously, many federal agencies, confronted with the challenge of delivering more services with fewer resources, have turned to strategies that dramatically restructure the delivery of services. These include centralization of the routine HR functions within an agency as well as contracting out either to another government agency or to a private firm. This removes routine processing of personnel actions, which some describe as the *backroom functions*, out of the HR office that works directly with managers. This approach has advantages but significant costs as well. And it presents HR staff with yet another role they need to play effectively if this structural response is to be effective.

HR offices need to identify the services that can be centralized or outsourced and also to whom they should turn for the outsourced services. For many years, external providers have been used for major information technology (IT) functions, for training, or for providing employee services, such as Employee Assistance Programs. More recently, the usual model has been to hand off the routine functions, so that the internal HR staff are free to perform both the OD and consulting role and the strategic management role discussed in the next section.

This approach is not new, although it expanded greatly in the Bush years. Almost all federal agencies long ago farmed out their payroll functions to the small number of what are now called *shared service centers* (SSCs), housed within some large federal agencies. The Department of Defense and the Department of Health and Human Services, for example, have created such centers to provide a wide range of HR services to their component agencies and offices. In 2005, OPM initiated what it calls the HR Line of Business model, certifying five of these centers to act for federal agencies other than those that house them, resulting in (in OPM jargon) “governmentwide, modern, cost-effective, standardized, and interoperable HR solutions providing common core functionality to support the strategic management of human capital” (U.S. Office of Personnel Management, 2005). The five SSCs are

- Department of Agriculture: National Finance Center
- Department of Defense: Civilian Personnel Management Service (CPMS)
- Department of Health and Human Services: Program Support Center
- Department of the Interior: National Business Center
- Department of the Treasury, Bureau of Public Debt: Administrative Resource Center (franchise services)

In addition, some private firms have been certified as HR Line of Business providers and others have entered the market. In a particularly controversial case, the Transportation Security Agency signed a \$1.2 billion contract with Lockheed Martin for management of its HR services, an award that was protested by one of the losing bidders, Avue, which pointed out that it was an approved HR Line of Business provider and Lockheed Martin was not (Newell, 2008). Surveys of senior HR managers (Partnership for Public Service, 2007, 2008) make it clear that the SSC model is particularly attractive to small agencies that can take advantage of the economies of scale the SSCs represent, though not all users have been satisfied with the service received from the SSCs.

The challenge for HR offices is that even though in theory both centralization and outsourcing can free up staff time for performing the OD and consulting role, in practice both approaches require considerable time and skill to manage effectively. As Rainey makes clear in Chapter Thirty-One of this volume, there are many potential pitfalls in outsourcing, which can be avoided only by careful staff work. Among the competencies required are the abilities to manage a competition among possible service providers and to evaluate their proposals; to engage in contract negotiation; to effectively oversee contract work; to coordinate the work done in-house and that performed by the external provider, possibly involving multiple contractors and subcontractors; and critically important, to provide liaison services between managers and external service providers.

A senior manager in a small HR office saw this last competency as critical: “I really think that’s where the HR function, if we want to satisfy our managers, is going to be going in the next ten years . . . [toward being] that intermediary between the back room [and the manager] and facilitating what the manager needs and not making the manager write the PD [position description, for hiring], because the managers hate that.”

In order to manage contracts, HR staff are being trained and certified as *contracting officer technical representatives* (COTRs), and small offices find they need to devote significant staff time to oversee their contracts and to facilitate communication between the contractors and managers. Even with this effort, not all agencies have been satisfied with the level of services received, and a few have brought operations back in house. One respondent to the Partnership for Public Service survey (2008, p. 11) described the SSC approach as “‘taking a step backward’ in terms of service level and functionality.

Academic critics of outsourcing have noted that the promised savings through efficiencies of scale do not always materialize and that there is a risk that contracting out services will result in “reduced quality and weakened accountability” (Durant, Girth, and Johnston, 2009). Contracting out to the private sector also raises the potential for political abuse; some have charged that contracting is the new spoils system (Battaglio and Ledvinka, 2009). Others bemoan the loss of institutional memory internally and feel that managing contracts is less interesting for staff than doing actual HR work (Lawler, Ulrich, Fitz-enz, and Madden, 2004). As discussed later, the Obama administration is reversing the trend and *insourcing* some functions, but public HR offices will continue to need to play the contract management role to some degree for the foreseeable future.

The Strategic HR Management Role: From Team Member to Business Partner

The strategic management role expands the functions of the HR office even further: it not only provides consulting to line managers but its senior staff members become part of the senior management team in developing strategic plans for the organization as a whole. No longer should the focus be only on carrying out the administrative functions or helping individual managers. The new charge is to serve as a business partner and support the mission of the organization. This strategic approach to HR entails new power relationships within the organization, with the senior HR staff functioning as part of the management team, sitting at the table with top management when major policy or program decisions are being made and ensuring that HR implications are considered. In sum, HR becomes a major organizational player—an integral part of the strategic planning

process (U.S. Office of Personnel Management, 1999; Vandenabeele and Hondeghem, 2004).

The strategic management role differs from the OD and consulting approach in several ways. The organizational development role is targeted to operating levels, with personnel specialists working with individual line managers to solve organizational problems. In the strategic HR management role, HR staff work at the very top of the organization, hand in hand with senior managers. Within the OD role, personnelists are typically working on short-term operational planning and consulting. In the strategic HR management role, the focus is much more long term and proactive, with HR specialists charged with advancing the management agenda and avoiding future problems through strategic planning, including projecting future staffing needs.

In the federal government, strategic planning was elevated and formalized by the Government Performance and Results Act of 1993. Involvement of the HR director and staff in the planning process was, however, initially mixed. In the federal government, according to an OPM study, this has traditionally been a problem: “Historically, members of the HR community have remarked on the difficulty they have had ‘getting to the table’ with top agency management. Rather than being involved in agency planning from the beginning, HR is commonly consulted after decisions have been made in order to help implement any major changes. Considering the invaluable perspective HR has on how decisions will impact agency resources, HR professionals have been frustrated that they are not involved sooner in the planning process” (U.S. Office of Personnel Management, 1999, p. 9).

Involving HR in a meaningful way at the strategic level is challenging for several reasons. First, as with the OD role, it requires new skills and a new mindset for HR staff. As Tompkins (2002) points out, “many personnel directors have been slow to insist upon a strategic role because their professional training has not prepared them to perform such a role. Training in personnel management tends to emphasize the administration of personnel systems rather than general management or organizational development” (pp. 100–101).

Further, the strategic management role requires developing a relationship of trust and confidence on both sides, but the relationship between senior HR staff and the top management team is different in government and in the private sector. In government, top managers are usually political appointees. They may be hesitant to bring the HR director, traditionally a career civil servant with long service, into the inner circle of discussions regarding agency goals (Maranto, 2005).

The responses to this challenge have been a change both in terminology and in structure. First, the new term *human capital* was introduced. It has been

defined as “the know-how, skills, and capabilities of individuals in an organization” (Lengnick-Hall and Lengnick-Hall, 2003). As a Merit Systems Protection Board publication explained: “The term focuses the highest level of management attention on managing agency resources. It connotes a strong relationship to financial resources which easily capture[s] managers’ attention . . . [Salaries and benefits are] often our number one expense, but the federal government has not spent sufficient effort managing this important asset” (U.S. Merit Systems Protection Board, 2002b, p. 1).

In 2002, as part of the law creating the U.S. Department of Homeland Security, Congress passed a government-wide reform that creates a new position, the *chief human capital officer* (CHCO), in every agency. The goal was to increase the visibility of human capital issues and to ensure that these issues would be taken seriously within the agencies by creating a position parallel to such other senior positions as chief financial officer (CFO), chief information officer (CIO), and chief acquisitions officer (CAO). The CHCO role is a strategic one: “to provide the agency head strategic policy and planning advice and assistance in carrying out agency functions related to selection, development, training, and management of a high-quality, productive workforce” (Crumpacker and Crumpacker, 2004, p. 236). At the time of the law’s passage there was considerable debate over whether the CHCOs should be political appointees or career civil servants. On the one hand, making the CHCO a political appointee would increase the odds that he or she would be accepted as an equal by other top politically appointed officials. On the other hand, career CHCOs would provide continuity and technical expertise. Currently, according to a senior OPM manager, almost half of the CHCOs (eleven of twenty-four positions) are political appointees (some currently occupied on an acting basis by career staff), but that balance may change as the Obama administration continues to fill those positions. The exact titles and responsibilities of the CHCOs differ across agencies, with some CHCOs also serving as CFO, CIO, or CAO to encourage coordination of functions (Partnership for Public Service, 2007). Assessments by informed observers we interviewed were moderately positive; they agreed that creation of the CHCO position had in fact raised the visibility of HR issues, although apparently not CHCOs are accepted as “full partners in the senior leadership team” (Bilmes and Gould, 2009). Further, regular meetings of the CHCOs in the CHCO Council have encouraged the sharing of best HR practices across the federal government (Partnership for Public Service, 2007).

The question remains, however, whether HR staff are ready to support the strategic role. For this role the critical skills are analytical; staff need the ability to use data to analyze performance and to think long term and strategically; for example, they need to collect and analyze the data needed to predict future

hiring needs. One senior HR staff person we interviewed is trying to hire people with master's degrees in business or public administration in order to bring those analytical skills to her organization. Retraining existing staff is unlikely to succeed in meeting this need.

Future Directions: Moving from Bush to Obama

As we have seen, the Bush administration elevated the importance of HR management by creating the CHCOs. Strategic management of human capital was made one of the five government-wide initiatives of the President's Management Agenda (Office of Management and Budget, 2002), with OPM taking the lead in implementing this initiative (Vandenabeele and Hondeghem, 2004). The focus on human capital issues was reinforced by the U.S. General Accounting Office (GAO) (known since mid-2004 as the Government Accountability Office), which has continued to designate the "human capital challenge" as one of the high-risk areas for the federal government (U.S. General Accounting Office, 2001, 2003b; U.S. Government Accountability Office, 2009b).

Early signs are that the Obama administration understands well the critical importance of HR issues. Although management issues did not play a big role in the 2008 presidential campaign, when compared to health care, the war in Iraq, and the economy in general, President Barack Obama and his appointees at the White House Office of Management and Budget and the U.S. Office of Personnel Management, Peter Orszag and John Berry, respectively, have set out an ambitious agenda that is likely to have significant impact on human resource offices across the federal government. Among the priorities, many of which seem to have support both in Congress and among employee unions, are these:

- An increase in overall hiring at the federal level, and streamlining of the hiring process
- A reduction in outsourcing, and a movement toward recentralization of both hiring and pay
- An emphasis on pay for performance
- A more cooperative relationship with employee unions, including labor-management partnerships
- A continuation, if not expansion, of the role of the agency-based chief human capital officers in strategic human resource management

This list of priorities is, of necessity, tentative, as we are writing in the early days of the Obama administration, so how they will take shape is not yet clear.

In examining this list, one can see that none of the roles described in this chapter have been sidelined; agency HR offices and the Office of Personnel Management will need to strengthen abilities in all these roles in the coming years.

An Increase in Hiring and a Streamlined Process

Among the first obstacles any incoming administration faces in Washington are the cumbersome procedures for hiring new employees; it often takes months to put a new staff person in place. The passage of the economic stimulus package shortly after the inauguration required the hiring of a large number of new staff to administer the distribution of funds and to monitor their use (Rosenberg, 2009b). If health reform succeeds, it too will require new staff. At the same time, the number of federal employees eligible to retire is very high (Liebowitz, 2004), although the financial crisis has slowed the actual rate of retirement somewhat (Parker, 2009b), and as discussed later, OMB is calling for reductions in outsourcing. This is likely to result in significant insourcing, which will also require more staff. Yet despite past reform efforts (Llorens, 2009), the hiring process is still seen as inadequate and in need of drastic reform.

Rapid hiring of new staff to manage the economic crisis was facilitated by granting agencies permission for *excepted service* hiring and by providing dual compensation waivers for hiring retirees at full salary (Davidson, 2009a). According to the OPM interim director, this authority allowed “agencies to expeditiously hire needed staff without sacrificing veterans’ preference. . . . OPM has remained steadfast in its protection of merit system principles and veterans’ preference, while at the same time providing agencies with flexible hiring authorities to meet their urgent needs” (Rosenberg, 2009b).

A few weeks later, Senators George Voinovich (R-OH) and Daniel Akaka (D-HI) introduced the Federal Hiring Process Improvement Act of 2009 (S. 736), which requires agency heads to work with the CHCO Council to develop ways to speed up the hiring process, including switching from government application forms with supplemental rating factors to résumés and cover letters. However, this legislation also calls for extensive record-keeping and reporting requirements that might slow the process down. Three months later the directors of OMB and OPM both issued memoranda instructing agencies to take actions to reform hiring similar to those contained in the proposed bill (Office of Management and Budget, 2009b; U.S. Office of Personnel Management, 2009a). OPM director Berry is clearly taking the lead and has said, “we must engage in an aggressive campaign to mandate the needed innovations” (U.S. Office of Personnel Management, 2009b), a position consistent with what one observer termed a more “muscular” OPM under this administration (Davidson, 2009b).

An Increase in Insourcing and Less Balkanization

One clear change from Bush to Obama (especially with a democratically controlled Congress) is in the stance toward contracting out. While the Bush administration aggressively pursued a strategy of outsourcing to the private sector, the Obama administration has reversed course. A recent memorandum from OMB Director Orszag (Office of Management and Budget, 2009a) instructed agencies to reconsider activities that have been outsourced and to return to the situation where government employees perform functions that are “inherently governmental” (Losey, 2009b) or which are needed to ensure that “the agency has sufficient internal capability to control its mission and operations” (Office of Management and Budget, 2009a, attachment 1, p. 2). This was followed in late July by an order to agencies to reduce contract spending by 7 percent over the next two years (Castelli, 2009). The process of insourcing will directly affect contracting in the HR arena, but in all areas, including HR, the process may take time, as agencies have, most likely, lost or never developed the needed competencies and will have either to hire or train staff to perform the work that has been outsourced. By no means does this require that all outsourcing be abandoned. Rather, HR directors and CHCOs will need to analyze carefully the costs and benefits of insourcing. It is important to note that this policy change refers only to contracting to the private sector, and not to reliance on shared service centers within government, discussed above.

At the same time, OPM director Berry has been speaking out about the “balkanization” of government’s personnel systems (Parker, 2009a; Davidson, 2009b). This is, unfortunately, a fair assessment. The Civil Service Reform Act of 1978 allowed agencies to request a waiver of civil service law in order to carry out demonstration projects testing new approaches to human resource management (Ban, 1988–89). Although several of the early projects were seen as successful, OPM was never able to get Congressional approval to change the law to make these more flexible approaches available on a government-wide basis (Ban, 1988–89), and no subsequent administration was willing to take on the challenge of comprehensive civil service reform. Instead, individual agencies started to request directly from Congress waivers to “secede” from the central personnel system in order to introduce new, more flexible personnel systems (Naff and Hyde, 2006). Under the Bush administration, that process was carried to an extreme when the Department of Defense and the newly formed Department of Homeland Security (together currently employing more than 50 percent of the federal government’s civilian workforce) were both exempt from many of the personnel regulations in Title V of the U.S. Code and given authority to develop their own personnel systems (Thompson, 2006, 2008; Brook and King, 2008).

The Department of Homeland Security's Personnel System and the Defense Department's National Security Personnel System have both been controversial because they remove the right to unionize from many employees, based on a national security argument (Brook and King, 2008). With the change in administration in 2008 and increased opposition from Congress, the future of these separate systems is uncertain (Rosenberg, 2009a, 2009c), and it appears that the pendulum may swing back to a more government-wide approach.

Because the OPM director has made it clear that his approach to system reform will be incremental, it is too soon to say how far he will go in attempting to recentralize, but his public statements include a criticism of the current pay system, which he sees as resulting in "different salaries among employees doing similar work" (Parker, 2009a), and he has said he would like to see a "single, government-wide pay system," while recognizing that this will be difficult to accomplish (Davidson, 2009b). He has also recognized the shortage of staff to manage contracts (one of the HR roles discussed earlier) and has announced that OPM is "collaborating with the Federal Acquisition Institute (FAI) to introduce the idea of working as one Federal Government to recruit and hire contract specialists at the entry level" (U.S. Office of Personnel Management, 2009b).

Government-Wide Pay for Performance

Pay for performance for federal employees has been tried, especially for managers, but has not met with much success. Past attempts, starting with the Civil Service Reform Act of 1978, have been abandoned (Kellough and Lu, 1993; Pearce and Perry, 1993; Oh and Lewis, 2009). An overview of these systems concluded that they "have had little positive impact on employee motivation and organizational performance" (Kellough and Lu, 1993, p. 48). Nevertheless, the Obama administration has announced its intention to develop a government-wide pay-for-performance system (Rosenberg, 2009a), even though as a candidate, President Obama promised to look into alleged problems with the government's most extensive pay-for-performance system, the NSPS (Losey, 2009a), which has been criticized not only by Defense Department employees but by the GAO (U.S. Government Accountability Office, 2009a). Those we interviewed told us that OPM director Berry is committed to raising salaries of federal workers but recognizes that he cannot realistically do so without linking pay to performance, in order to counteract negative stereotypes of government workers. But he risks having a negative rather than a positive effect on morale, given how difficult it is to design performance appraisal systems that are perceived as fair (Kellough and Lu, 1993; Pearce and Perry, 1983; Crum, 2009; Rosenberg, 2009c).

A Changed Labor-Management Environment

The past several administrations have been characterized by sharp swings of the policy pendulum in the area of labor management relations. President Carter enshrined a number of labor rights in the Civil Service Reform Act of 1978. One of President Reagan's first actions was a mass firing of unionized air traffic controllers when they went on strike. President Clinton, as part of the reinventing government initiative, supported strong labor-management partnerships. President George W. Bush abandoned the partnership effort and, in the name of national security, removed large numbers of federal employees' right to organize and join unions. Federal unions strongly supported Obama's candidacy and anticipate a swing back toward a partnership approach (Losey, 2008). In fact, OPM director Berry has stated in congressional testimony that he favors revitalizing partnerships and has committed to working with unions on issues such as "pay for performance, benefits and outsourcing federal jobs" (Neal, 2009). A formal executive order has not yet been released but is anticipated soon (Davidson, 2009d). And, for the first time, management at the Transportation Security Administration, which was created with rules forbidding unionization for many workers, actually met with labor to begin a discussion that might lead to the granting of collective bargaining rights to TSA employees (Davidson, 2009c).

In this newly positive environment, it is not totally a surprise that at least some unions have expressed a willingness to discuss the idea of pay for performance with OPM (Rosenberg, 2009a). This reflects both a high level of trust in the new administration and a recognition that this may be the price they need to pay to win higher salaries for their members.

From the point of view of HR offices, a revival of partnership will require changes in operating procedures as staff work to renew relationships. Some experts have asserted that "after eight years of crumbling labor-management relations, federal managers and unions have forgotten how to communicate" and may require training in building effective partnerships (Losey, 2009b).

A Continuing Strategic Approach to HR Management

A 2008 survey of CHCOs showed some anxiety about the coming transition (Partnership for Public Service, 2008). Respondents encouraged the new president not to "throw the baby out with the bath water" but rather to build on the good work that had begun in developing a strategic approach to HR and in making specific reforms in systems such as performance management, actions essential to future pay reform. OPM director Berry has assuaged that anxiety by making it clear that he sees the CHCOs as major players. In a meeting with the

CHCO Council in May, he made it clear that he would use council members as a “sounding board” when he tackles major reform (Parker, 2009b). One well-placed observer told us that the new administration really dislikes the term *human capital management*, so the language may change, but the focus on strategic HR management is likely to continue or even strengthen.

CONCLUSION

As should now be clear, the challenge for HR professionals is not just that their roles are changing but also that the number and complexity of those roles has expanded. In the federal government, managers are asking more of their HR offices. They expect the HR staff to provide outstanding service but also to be business partners, taking on a broader role in supporting the agency mission. HR offices, often short staffed, are stretched in trying to fill all these roles. HR staff often lack the skills needed for these new roles and may also face the dilemma of actual conflict between different roles, especially between the compliance interpretation of the administrative role and the customer service aspects of virtually all the other roles. Some organizations have coped with these multiple and conflicting roles by separating HR functions into separate units or by either centralizing or outsourcing administrative functions, but the underlying conflict remains.

Even at this early stage it is clear that the transition from the Bush administration to the Obama administration and the changes envisioned by the new director of OPM will demand more, not less, of HR offices. They will need to improve their skills and adapt to new systems and priorities in hiring, pay, labor relations, benefits, and many other areas, all while coping with ever-changing technology. Anticipated retirements may lead to considerable turnover in HR staff, giving HR directors the opportunity to rebuild, based (one hopes) on a careful analysis of the competencies needed to continue the process of professionalizing the HR function. Although in the past the HR office needed large numbers of staff to handle routine processing functions, those tasks are now either contracted out or automated. The HR office of today and tomorrow needs staff with analytical skills, consulting know-how, and the ability to work effectively to support management while upholding the merit system principles codified in Title V of the *U.S. Code*, which articulate the core values on which the personnel system is based. Success in building an HR staff with these capacities in each agency will be critical for the successful implementation of the Obama administration’s ambitious policy agenda.

Discussion Questions

1. This chapter has described four roles for HR offices. Do HR offices sometimes play other roles? What are these additional possible roles for HR offices?
2. The chapter focuses on HR management at the federal level. Is the balance among the roles different at the state and local levels? In what ways are HR structures and roles different in nonprofit organizations and in for-profit organizations?
3. If you are working, how is the HR function organized in your workplace? Is there a formal HR or personnel office? (If not, who performs these functions?) If there is a formal office, how would you describe the balance in that office among the different roles described in this chapter? Do you think this balance is right for your organization in the current era? If not, how should this balance change?
4. If you are working, interview someone who has been with the organization for which you work for many years (or if you are a full-time student, interview someone who has worked for the university for many years), and ask this person how his or her relationship to the organization's personnel or human resource office has changed over the years. Give special attention to issues like customer service and technological innovations and the range of services the HR office provides. When your interviewee compares the roles played by the HR office today to the roles it played when he or she began work, is he or she more satisfied or less satisfied with the current roles? For what reasons?
5. Thinking about the initiatives that the Obama administration has already announced, which role or roles do you think will consume most of the time of agency HR offices and the Office of Personal Management itself in the administration's first term?
6. If you had the talent to invent a technological solution to any HR administrative problem or a way to improve any administrative service, what would be the first three problems you would want to solve or services you would want to improve? What are the reasons for your choices?

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