Comparisons of public and private sectors have become increasingly commonplace over the last decade as the former has faced mounting pressures on – and scrutiny of – efficiency and performance.

But, in terms of the management of performance and people, is there really a difference between the sectors?

To explore the influence and interaction of private sector talent strategies on the public sector in Europe, Hudson conducted interviews with more than 20 senior officials in the public sector across France, the UK, Belgium and the Netherlands.

This paper is a structured compilation of their opinions and our responses.
INTRODUCTION

With the world in the midst of a new war for talent, talent management is becoming a strategic part of companies’ policy.

Over the next few years, the worldwide market will face a dramatic change for the worse in talent availability. This mounting pressure stems from a massive retirement of the ‘baby boomer’ generation and, simultaneously, a smaller inflow of new joiners to the workforce.

The situation is exacerbated by the resulting gaps in knowledge transfer from the retiring workforce to a comparatively smaller number of recipients.

For the public sector, these talent challenges are magnified. According to a survey by the Organisation for Economic Cooperation and Development, the number of employees aged 50 and above is considerably higher in the public sector than the private sector.

The necessity of continuity in expertise and competencies may, therefore, be felt earlier – and more acutely – in the public sector than the private sector.

We asked public officials to compare talent strategies of both sectors and to uncover potentially meaningful comparisons.

DIFFERENCES IN HR POLICIES

Our interviews with senior officials and HR practitioners in the public sector revealed a sense of annoyance at the idea of comparing their talent management strategies to that of the private sector. The general opinion was that this distinction is hugely artificial.

It is certainly true that, while there are indeed talent ‘pioneers’ in the private sector, there are also companies who have long suffered from a lack of focus on talent strategies. Our own experience is that, for many companies, talent management means nothing more than identifying strong personalities and profiles (whether that be internally and externally).

That said, our interviews revealed a common consensus among public sector officials that nowadays talent management tools typically originate from the private sector, and agreed that innovation is most often cultivated in the private sector.

THE PRIVATE SECTOR AS INNOVATOR

While private sector organisations are described as frontrunners in the introduction of new talent management tools, there are major differences in the culture and management policies between a public sector entity and a private sector company that could prevent the former from modelling its policies on the latter’s.

Does that mean we should write off private sector innovation as genuinely useful to the public sector?

The remainder of this paper analyses:

- the impediments to successful application of private sector talent management cited by officials in the public sector
- the way government institutions apply talent management instruments
- the role of the line managers in the unfolding of talent management policies

Through better understanding of the differences between public and private sectors, we explore the potential for the public sector of private sector innovation in talent management strategies. Our proposal is that this can offer a valuable competitive edge for the public sector in attracting, engaging and retaining talents for the public sector of the future.

*Refer to findings in High Potentials, The Competitive Edge Within Your Company by Marc Timmerman and Charlotte Sabbe.
IMPEDIMENTS
WHAT’S STOPPING THE PUBLIC SECTOR FROM BENEFITING FROM PRIVATE SECTOR TALENT MANAGEMENT TOOLS

ONLY THE ACADEMIC NEED APPLIES

“Legal restrictions that hamper the recruitment process are an annoyance.”

Bureaucracy and limited flexibility in the sourcing and recruitment process has obstructed the engagement of the right talent. HR managers in France and Belgium, in particular, echoed this throughout our interviews. In most EU nations, the starting point in the recruitment process is invariably the education level of the candidate. This includes academic educational history, and types of schools attended. Education is often the only if not the most important criteria.

The private sector also places high emphasis on similar selection criteria. However a candidate with other interesting qualifications will be considered. This crucial difference is a source of frustration to HR managers in the public sector.

Another impediment is the “equality” principle. Every candidate without exception has to go through an entry examination which is both costly and time-consuming. Good candidates may be offered other positions in the meantime. In France and Belgium, this procedure is particularly seen as a liability. In contrast in the Netherlands and in the UK the recruitment process has been liberated to some degree to avoid this.

“A great number of stakeholders call for a different kind of manager.”

Our interviewees believe that trade unions, public opinion and media attention have made the public sector a very different work environment for managers.

As an “open house” the public sector is subjected to media scrutiny. Public opinion has a major impact on the everyday pressures of public sector officials. In this instance, assessment of good candidates should give a key role to criteria other than academic performance.

SUCCESS CAN BE DIFFICULT TO RECOGNIZE

“A policy based on results is difficult.”

Typically, in the private sector, performance is measured against financial targets and outcomes. But career development based on performance is difficult to elaborate in the public sector.

Can there be clear targets in public sector that are not based on financial outcome as in the private sector? In the public sector, every citizen is a ‘customer’ and a ‘shareholder.’ And these shareholders are represented by the politicians who are the board of directors. Career development based on performance is difficult to elaborate in the public sector.

Furthermore, political dynamics are the opposite of a rational company policy and made it hard to be identified as a measurement of performance. As interviewees pointed out, with the short cycle of political change, this makes development of long-term targets even more difficult.

Our perspective

Overall, the sense is that overly stringent adherence to academic qualifications and limited flexibility regarding other assessment methods has not only excluded potential talents at the initial assessment stage, but put good candidates off at the final selection process. It has also excluded assessment to future fit and work environment stress.

It also means that the introduction of new talent management tools in the public sector is caught between the need for long-term talent strategy and a short-lived political cycle. In several countries, these innovative projects have been put aside due to political pressure.
Not having a strong policy in recognising achievements means that identification of high potentials for succession-planning is inherently compromised. While many European institutions have successfully implemented a policy that resembles a high-potential policy, it remains an exception.

Arguably, people who are willing to work in the public sector should be aware of the apparently academic selection and limited career possibilities, high potentials should realise they will not be promoted within two years. The public sector has often cited “Public Sector Motivation” (see side bar) as an attractive alternative benefit compared to recognition and advancement in career.

For the public sector to continue to attract the best talents, they will no longer be able to rely only on “civic duty”. They will have to attract, retain, and develop the right talent while working these boundaries.

COUNTRY EXAMPLE

The Belgian government has recently relooked at its performance management to include its mission, objectives and culture. It developed a clear competency framework that takes into consideration its unique environment. This is treated as a change process that requires a bottom-up broad consultation and involvement to ensure that the framework has its own “life” after its development. After it has been broadly accepted, it is implemented with the performance management system. The key to success is involvement and training of the first line management.

This secured their buy in and, through training, enabled to evaluate performance and competencies.

PUBLIC SECTOR MOTIVATION

One of the drivers to choose a career in the public sector is indeed “Public Sector Motivation”. It is also true that candidates sometimes choose a career in the public sector because they expect a better work-life balance.

Interestingly, however, we found a shifting reality towards a more dynamic management approach in many public sector organisations. Public sector officials can be more active in creating a more attractive employer branding, a competency-based system of internal (and even external) mobility and individual career management, especially for top management.

They can build a flexible and dynamic talent management system that fully leverages the richness of their own public sector universe. In light of the impending retirement ‘boom’, this will be crucial in retaining the new top talents that will form the basis of the public sector of the 21st century.
THE INTRODUCTION OF TALENT MANAGEMENT INSTRUMENTS FROM THE PRIVATE SECTOR

Below is a look at how government institutions in different countries have applied talent management instruments and lessons learnt.

CREATIVITY IN OVERCOMING A RIGID COMPENSATIONS AND BENEFITS POLICY

“If talent cannot be rewarded better, then we have a problem.”

A Dutch interviewee

Flexibility in remunerations schemes required

The rigidity in the rules on compensation and benefits has long been a handicap in the public sector. Implementing a variable remuneration that is common in the private sector has not been easy. In many areas of the public sector, the same tools for a compensation and benefits-policy have not changed for the past 10 years. Salaries are tagged mainly to seniority and imply that niche skills and talents will be rewarded according to pay grades that may not reflect the value of their skills.

Higher ceiling in salaries

A lower ceiling in remuneration is another challenge in finding the right reward. The salary policy in the public sector is a barrier to mobility of labour forces between the private sector and the public sector. A highly skilled candidate may have to choose to forgo up to 30% of his/her salary to work for a governmental organisation. The non-financial benefits and attraction of working in the public sector has eroded due to increasing gaps in salary brackets.

Opening up the range of benefits

The availability of other non-salary based benefits in private sector will deepen the gap in overall compensation. Some fiscally deductible benefits and financial bonuses are a political hotspot and make it close to impossible to implement.

“A junior engineer is better paid in the public sector than in the private sector. But this gap is closed and widens in the other direction very quickly. The experienced engineer will potentially find his/her pay lower than his peers in the private sector.”

A French official

OUR PERSPECTIVE

Given the political climate and the constant – and understandable – scrutiny by the general public, it is positive to see growing trends and evolution. Firstly, there are efforts to relax the rigidity of compensation policies and salary ceilings to recognise rare skills and talents. In Belgium, the new regulations for senior management in local government have made it more possible for a variable remuneration for senior management positions. Some public companies have also started to use reward surveys from the private sector to benchmark their salaries.

Public sector organisations have tried to compensate the lack of flexibility in compensations and benefits by introducing individual development programmes by working with HR consultants.

FIRST STEPS ARE TAKEN IN THE DEVELOPMENT OF SUCCESSION PLANNING

Succession planning has been almost absent in the public realm for years. But we can see a change in mentality because of the need to invest in scarce talent. There are governmental organisations who have taken first steps in the introduction of succession planning.

“Usually, our people retire at 60. Five years beforehand we identify the people who are close to retirement. We must avoid a shortage of talent before the pool dries up. This means that we try to convince people to stay a bit longer. We discourage early retirement, especially for the best people and let bad performers go...”

A French official
TRAINING AND CAREER DEVELOPMENT ARE POPULAR HR TOOLS

Training is not a new HR tool in the public sector, but the question is: has it been effective?

Typically, public sector organisations use a catalogue of training programmes and send their employees on a programme that may not be useful, justified or suitable. Several interviewees have criticised this approach.

The choice for training must always be determined by the competences an organisation wants to acquire and develop. With training programs being better matched to specific employees, it will increase the employability of the workforce.

OUR PERSPECTIVE

In this area, we see public sector organisations working more and more efficiently in choosing the right training programmes. Instead of an à-la-carte menu of choices and enforced training hours, they have also started to look into individualising development plans by using development centres and 360° feedback instruments. These also are useful tools to achieve and extend the current talent pool by upgrading the workforce selectively.

INTERNAL MOBILITY IS WELL DEVELOPED IN SOME COUNTRIES – BUT FAR LESS IN OTHERS

Officials interviewed agreed that experience in working for different services in the public sector is an important element of career development – and, indeed, this is seen as one of the benefits of a public sector career.

In reality, the differences in mobility among government services differ greatly. The UK, for example, has a clear internal mobility policy, but this is less apparent in France or Belgium. In these countries, the efforts also differ. While services have a desire to improve internal mobility from 5% per year to 15%, in some public services, internal mobility is barely above 0.3%.

This trend may grow with the younger generation entering public service.

“We provide internships similar to some companies in private sector. But internal mobility does not happen often in the public sector. It is rare to see a employee moving from central government to local government and some people even questioned if we can call this internal mobility.”

One interviewee

One of the main reasons for low internal mobility is that the same recruitment procedures and rules apply for internal and external candidates.

Interview feedback was that this not only proves time-consuming for line managers, but is frustrating for employees who want to develop a mobile career. In addition, managers in the public sector have mixed feelings about internal mobility. Many public managers are reluctant to endorse or support it, for fear of losing their most talented people.

All experts agree that mobility between private sector and public sector is a necessity to encourage different types of talent and they are convinced of the need for an increasing mobility between the public and private sector. The differences between rewards, along with a perception that moving from the private sector to the public sector is a retrograde or even damaging career move, have limited the switch.

OUR PERSPECTIVE

Overall, however, we see a growing awareness for internal mobility from both individual employees and from the organisations. Firstly, public sector organisations are increasingly willing to experiment with policies and tools that will influence their organisational culture to be more open when it comes to the notion of mobility. Secondly, individual civil servants seem to have a growing expectation of internal mobility as part of career development.
MEASURING IS KNOWING – BUT IMPLEMENTING EVALUATION TOOLS IS NOT ENOUGH. THEY HAVE TO BE USED CORRECTLY

Since the end of the ‘90s, several public organisations have implemented employee satisfaction surveys and routinely analyse absenteeism and turnover figures as a series of quantitative measures in their HR policy.

Interestingly, throughout our study, we also found commonly developed management tools such as 360° feedback being used as a form of evaluation.

The topic of 360° assessment prompted immediate reaction from our interviewees. 360° can be a very powerful evaluation and development tool if it has been adapted to the identified competencies. It has to be used with a strong communication and development approach that fits the cultural identity of the company. A ‘one size fits all’ approach, however, will not add value.

Interviewees reported that, occasionally, they had seen managers misuse 360° to avoid providing negative feedback to direct reports personally.

OUR PERSPECTIVE

A positive example is how most Belgian public sector organisations currently evaluate their top management. They use an external party to conduct interviews with a selection of collaborators, internal clients of managers who are being evaluated. The integrated report is presented to the formal evaluator of the job holder who bases his/her formal evaluation on this document.

FLEXIBLE WORKING IS BEING INTRODUCED GRADUALLY TO THE PUBLIC SECTOR

Flexible hours are being introduced gradually in the public sector but there’s still a significant gap between it and commercial companies.

The same is the case with working at home. Some public managers are convinced that the public sector will not be able to attract young people in the public sector when they are told constantly when and where to work. This means that traditional registration systems in the civil service, which monitor the time at which people arrive and depart, will become obsolete, if they are not already. Here again, the public sector will have to deal with an important stakeholder: the trade unions.

OUR PERSPECTIVE

According to our findings, for the UK and the Netherlands, a lack of flexible hours is not a major issue compared to Belgium and France, although, in Belgium, some successful experiments have been done with flexi-time.
THE IMPORTANCE OF THE LINE MANAGER

The success of any HR policy depends to a major degree on the role of middle management. Line managers, therefore, must play a determining role in the development of a modern talent management policy.

However, the line manager can sometimes represent impedance rather than impetus. The challenge is not unique to the public sector but since the reward systems in the public sector are rigid and change infrequently, managers who had come into their present position thanks to the workings of the old system have less motivation to reform it.

The same managers will also prefer rigid hierarchical structures to changes and modern HR management policies. The selection and the promotion of the right people in management roles will mean integrating the right agents of change in the public sector.

OUR RECOMMENDATIONS

We suggest two important measures to engage line managers in a modern HR policy. The manager should be assessed in a professional way and more ‘authoritarian-type’ leadership styles replaced by more autonomous styles.

While some public organisations may be reluctant to accept this kind of HR tools and still prefer a top-down-approach, to ensure a continual positive evolution of the talent management strategies in the public sector, the next generation managers and leaders will need to be carefully selected and motivated towards change.

Some of the questions that can be put to managers include:

- Does he/she invest time in talent development?
- Is there any openness for new HR techniques?
- Does he/she encourage internal mobility of his/her subordinates?
- Does he/she support training and do his/her subordinates have access to training?

We also suggest involvement of line managers in training programs either in providing content or in facilitating a session. Cross-functional or business team managers can be placed into workshops to work on projects. They can learn from each other and develop other skill sets. In a positive evolution, some public sector unit managers organise a breakfast meeting with their employees every 15 weeks. This is a start to help each other to develop their skills and horizontal competence development.
CONCLUSIONS

While the war for talent can not – and should not – be understated, the current economic situation has created a momentary breathing space. Public sector organisations have access to talents that, in an upward economic cycle, might not naturally find their way to them.

Complacency, however, would be dangerous.

Firstly, the large availability of applicants does not necessarily mean they are the right talents for the public sector.

Secondly, demographic pressures, unrelated to the economy, will not change, which means that when the economic pressure eases, the pressure on talent shortages will continue unabated.

Nevertheless, we believe the here and now represents an opportunity for the public sector. The innovation of the private sector will afford the public sector a wider and evolving selection of talent management policies and instruments. If we can channel the frustration that is clearly felt towards perceived impediments into positive recognition of the characteristically different environment in and the benefits of the public sector, we can use this understanding to effectively adapt private sector innovations.

The challenge is to find the right HR specialists or partners who are able to adapt existing private sector talent management strategies for the public sector. Time may be running out and the talent shortage becoming more acute, but with the right support and advice the public sector, which is already filled with many talented people, can attract the best – and set itself on course for a successful 21st Century.
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