



PARTNERSHIP FOR PUBLIC SERVICE

**Opening Statement by**

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**Human Capital Management Challenge:  
Fostering Employee Mentoring, Engagement, and  
Development in a Limited Budget Environment**

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Members of the IRS Oversight Panel, fellow panelists, and guests - good afternoon. I am pleased to be invited to talk with you today about the workforce challenges facing the Internal Revenue Service and the rest of the federal government. More importantly, I would like to talk about what might be done to help address those challenges – even in a time of tight budgets and increasingly negative public attitudes towards government.

I am John Palguta, Vice President for Policy at the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works. Prior to joining the Partnership over 10 years ago, I spent more than 30 years as a federal employee and an HR professional. I retired from federal service as a career member of the Senior Executive Service as the Director of Policy and Evaluation for the U.S. Merit System Protection Board.

The Partnership has two principal areas of focus. First, we work to inspire new talent to join federal service. Second, we work with government leaders to help transform government so that the best and brightest will enter, stay and succeed in meeting the challenges of our nation. That includes all aspects of how the federal government manages people, from attracting them to government, leading and engaging them, supporting their development and managing performance; in short, all the essential ingredients for creating, developing and maintaining a world-class workforce.

In my comments today, I would like to share my answers to three questions that are important to the operations and overall effectiveness of the Internal Revenue Service (IRS) in a limited budget environment:

1. Why drives employee engagement and why does it matter?
2. What do IRS employees have to say about their work environment?
3. What can IRS do to improve employee engagement?

## **The Urgent Need for an Engaged Workforce**

In late 2001, the Director of the Institute for the Study of Public Policy Implementation at American University approached the Partnership with an idea. That Director, Bob Tobias, had previously served as President of the National Treasury Employees Union and he understood the power of employee engagement to help government organizations operate effectively and efficiently. Bob proposed a joint venture with the Partnership that would ask federal employees via an anonymous survey to publicly rank the desirability of their federal organization as a place to work. From that conversation was born the “Best Places to Work in the Federal Government” initiative.

The *Best Places* rankings build upon data from the U.S. Office of Personnel Management’s (OPM’s) Federal Employee Viewpoint Survey which is now a highly anticipated annual employee survey. Since the first *Best Places* rankings were released in 2003, they have helped create much-needed institutional incentives to focus on priority workforce issues and provide managers and leaders with data that can use to help boost employee engagement. The rankings, available at [www.bestplacestowork.org](http://www.bestplacestowork.org), also provide all federal employees, the general public, and Congress with unprecedented insight into federal agencies and what the people who work in those agencies say about leadership, mission, and effectiveness. The 2011 rankings, which list 308 federal agencies and subcomponents, are based on responses from more than 266,000 federal employees. In 2012, OPM plans to survey more than 1.5 million of the federal government’s permanent workforce!

The methodology for the overall *Best Places* rankings is simple and straight-forward. It is based on the percentage of employees who provide a positive respond to three questions, i.e., 1) the degree to which they are satisfied with their job, 2) they degree to which they are satisfied with their organization, and 3) whether they would recommend their organization as a “good place to work.” The *Best Places* rankings also cluster 47 other questions from the OPM survey to rank agencies based on employee perceptions of 10 workplace dimensions, including teamwork, effective leadership, training and

development, and pay.

Let me be clear about why it is important to know about and to respond to employee perceptions about their job satisfaction and commitment. It's not a question of whether or not employees are "happy." Rather, employee satisfaction and commitment are two necessary ingredients in developing and sustaining a high-performing organization and attracting top talent to the organization. This is one area where research and common sense align – the more engaged federal employees are in their jobs and their workplace, the more productive they are and the more effective their organizations will be. While high employee engagement is not by itself sufficient to ensure that government is as effective as it can be, it is an essential element in the equation. The goal is to create an environment where federal employees are encouraged and empowered to provide the discretionary energy and effort above and beyond the minimum required. That level of commitment cannot be demanded from employees but employees can freely give it.

As others have already documented, the current demands upon the Internal Revenue Service are enormous. More output and greater outcomes are being expected each year from each IRS employee. Yet resources relative to the demands are shrinking during these tight budgetary times. Without an engaged and committed workforce, the IRS will not be able to provide the revenue and the benefits and services that the government and the public it serves so urgently need.

### **What IRS Employees Have to Say**

Among the 33 largest federal departments and agencies, the 2011 *Best Places* scores range from 53.0 to 85.9. The Department of Treasury's 2011 *Best Places* score is 67.9 which places it in a tie for 12<sup>th</sup> place with the Environmental Protection Agency. Within 12 identified subcomponents of the Department of Treasury, the 2011 scores range from 60.0 to 79.4. The Internal Revenue Service in 2011 had a score of 67.6 and it ranks 65<sup>th</sup> out of 241 federal agency subcomponents or the top third. Basically, over two-thirds of IRS employees give positive responses to questions about their overall satisfaction and

the willingness to recommend the IRS as a good place to work. While certainly not bad, it can be better.

The good news is that employee satisfaction and commitment have, until recently, been getting better. In 2003, the first year that the *Best Places* rankings were compiled, the IRS had a score of 56.1. However, each subsequent year through CY 2010, the IRS' *Best Places* Index Score increased – a total of more than 21 percent from 2003 to a score of 68.2 in 2010. However, along with more than two-thirds of all federal organizations, in CY 2011 IRS employees registered a slight decrease in overall satisfaction from 68.2 to 67.6. At the time the 2011 survey was being administered, government employees were on the alert for a possible shut-down over a disagreement on raising the national debt ceiling and they knew they were subject to a two-year pay freeze and a probable tightening of agency budgets going forward. It's a testament to the resilience of IRS employees and actions taken by IRS management that the IRS *Best Places* score did not decline even more. However, 2012 will be a crucial test of the future direction of the IRS on this account.

Looking at the other workplace dimensions within the IRS (see attached or [www.bestplacestowork.org](http://www.bestplacestowork.org)) can also be informative. For example, we know from our analyses of the relationship between an organization's *Best Places* score and the workplace dimensions that the "Effective Leadership" dimension typically shows the highest correlation with overall employee satisfaction. In that regard, there is some encouraging news for IRS in that the percentage of positive responses to this dimension increased each year from 50.2 in 2003 to 57.8 in 2011. On this dimension, IRS ranks 81 out of 229 agency subcomponents that are ranked on this dimension. IRS might have had an even higher ranking on this dimension if not for relatively low combined positive response rate of 46.6 percent to two of the 12 questions in this dimension that deal with empowerment, i.e.,

- "How satisfied are you with your involvement in decisions that affect your work?"
- "Employees have a feeling of personal empowerment with respect to work processes."

On the other hand, IRS employees give their supervisors/team leaders a relatively high overall score of 68.9 on the four questions under “Effective Leaders” that focus on supervisors/team leaders. On this sub-dimension, IRS ranks 64<sup>th</sup> out of 229 federal subcomponents.

IRS employees are even more positive on the workplace dimension that measures their perceptions of teamwork in the IRS. They give IRS and their colleagues a score of 71.6 in 2011 which gives IRS a ranking of 28 out of 229. On the other end of the spectrum, however, only 58.2 percent of IRS employee provided a positive response to the question of their satisfaction with their pay – the lowest percentage for IRS since we began tracking that dimension in 2007. This places IRS at 169 out of 229 federal subcomponents.

For purposes of this discussion, the aforementioned data points from the Federal Employee Viewpoint Survey serve as an illustration of the richness of the feedback from IRS employees over the last 10 years. While survey research does not provide all of the answers, it does help a great deal in determining what questions should be asked in efforts to improve organizational effectiveness. This leads to the final question that I posed at the outset.

### **How Employee Engagement Can Be Improved**

The good news for any organization seeking to improve organizational effectiveness by improving employee engagement is that there are actions that can be taken to do just that. In fact, there are now numerous instances in which federal organizations have significantly improved their “Best Places” score beyond the government average. When we’ve asked the leadership of those most improved agencies if they were surprised by the improvement or whether they could identify intentional actions taken to engender that response from employees, the answer is invariably the latter. I should also be clear, however, that there has never been a “silver bullet” that made the difference but rather it’s typically been “silver buckshot,” i.e., a coordinated set of activities taken over time to

address numerous interrelated issues that stood in the way. Often, the improvement was related to a decision to make an upfront investment in the workforce that resulted in a return on that investment down the road.

There is additional good news for the Department of Treasury and the IRS is that they have a track record that they can build upon. In the first “*Best Places to Work in the Federal Government*” rankings in 2003, the Department of Treasury ranked 21<sup>st</sup> out of 28 federal departments and agencies. In 2005, Treasury was 23<sup>rd</sup> out of 30 large departments and agencies. In 2007, the Department did manage to move to 14<sup>th</sup> out of 30 large agencies but there was concern that progress may be stalling. In March 2008 a department-wide initiative to establish Treasury as an “Employer of Choice” was announced at a half-day symposium kicked off by then Secretary Henry Paulson and Deputy Secretary Robert Kimmitt and webcast to all Departmental employees. The Department’s human capital strategic plan for FY 2008 started with a message from the Secretary that read, in part:

“The Department of Treasury Mission is to serve the American people and strengthen national security by managing the U.S. Government’s finances effectively, promoting economic growth and stability, and ensuring the safety, soundness, and security of U.S. and international financial systems. One of the ways we go about fulfilling this goal is by investing in our people – attracting, developing and retaining the best and the brightest talent. The Department’s workforce is one of the most critical factors affecting the achievement of the Department’s goals....

Our goal is to make the Treasury Department an employer that attracts an engaged workforce, and sets the standard as an employer of choice in the federal government community....”

This initiative kicked off a number of activities that were cascaded down throughout the Department and its subcomponents. I believe this is one of the reason why by 2010, the

Department of Treasury was one of the “most improved” federal agencies in the Best Places rankings with a score of 68.4 which is 18 percent higher than the Department’s score of 57.8 in 2003. This also moved the Department from its initial ranking of 21 out of 28 departments and agencies in 2003 to 12 out of 32 in 2010. As I mentioned, the Department retained this ranking in 2011 despite a very small decrease in its 2011 *Best Places* score.

Of course, since approximately 85 percent of all permanent Treasury employees are employed in the IRS, any significant improvement in employee engagement in the Department has to be reflected in the IRS. The Partnership is pleased to have been asked to assist in a small way to help the IRS with its improvement efforts and, therefore, we can attest to the fact that the improvements achieved were not accidental. For example, we facilitated more than one “action planning” session for IRS. These sessions typically involves a half-day exercise among senior managers to discuss potential areas for improvement based on the results of the Federal Employee Viewpoint Survey and to plan specific improvement efforts. Unlike with most organizations for which we have conducted action planning exercises, however, the IRS asked employee union representatives to participate actively in the session. We think this type of outreach made a positive difference in the usefulness of the actions decided upon.

Another lesson learned via the Best Places initiative is that an organization cannot rest of its laurels. We note, for example, that in 2007 the Securities and Exchange Commission (SEC) was ranked number 3 out of 30 large agencies with a score of 71.9. In 2011, however, the SEC fell to 27 out of 33 large agencies with a score of 58.3!

So, what are the basic ingredients for any organization that wishes to become and remain a *Best Place to Work* especially in a limited budget environment? I’ll conclude with some basic advice that falls into the “lessons learned” category.

- 1. Understand what employees are telling you.** As I mentioned, employee survey findings will not give you all the answers but it will tell you some of the questions to

ask. There are a variety of ways to better understand what may causing certain responses, such as employee focus groups; ad hoc cross-functional working groups; tasking first-line supervisors with discussing the results with their employees and giving them support if needed on how to do that, etc. There are also a number of analytical tools available to help in this regard, including the analysis and other tools available at no cost on the *Best Places to Work* website. It's also important to determine if different groups of employees see the world in the agency differently. For example, if managers think everything is fine and employees see it all falling apart, there is a communication issue at a bare minimum that needs to be dealt with.

2. **Develop a long range strategic approach that starts at the top.** I can't think of any organization that significantly improved their employee engagement where agency leaders were not actively supportive. Lower level managers and employees need to know that top management is fully bought into the effort to improve. Of course, once it starts at the top, it needs to quickly cascade down to the lowest levels possible, particularly when seeking to identify actions that can be taken to improve the work environment. Also, employee attitudes and perceptions usually change slowly – it may take two to three years in some cases to see significant results. Being in it for the long haul is important.
3. **Get employees involved in identifying solutions.** In a tight budget environment, don't simply ask employees to do "more with less," but rather ask them to help you and the organization figure out how best to get the mission accomplished within the current budget and workload realities. It may be that your agency can only do "less with less," which means that priorities have to be set. Sometimes, however, employees can help find better, more efficient ways to the get the basic mission accomplished – doing something *different* with less. In the 2011 FEVS survey, some IRS employees are asking for greater involvement in decisions that affect their work. Look for ways to give them that involvement. It's important for employees to know that they are all in this together.

- 4. Engage all stakeholders in planning actions and then follow-through.** Planning and outreach are important – and that may include engaging with the public – but at the end of the day it’s important that actions are actually taken. Look for low-hanging fruit in terms of items that can be accomplished right away, especially if they are important to employees. Longer range or more resource intensive actions may take more work or planning but in that case be sure to keep employees updated on the progress being made. Words are nice, but actions really will speak more loudly.
- 5. Invest in employees whenever you can.** Even in a time of limited budgets, it’s important to do all that one can to continue to invest in the workforce. Hiring the right employees for the jobs to be done is one important investment that pays long range dividends. Another major driver of employee engagement, however, is the feeling of personal accomplishment that a job well done should bring and knowing that one’s talents are used well in the workplace. In this latter regard, investment in training and development should be one of the last items to be remove from the budget rather than one of the first which currently is often the case. Low cost or innovative approaches to training and development is an investment that can more than pay for itself.
- 6. Make sure employees know they are appreciated.** Federal employees are not currently getting much positive reinforcement in the press or in the public debates about government. It’s important the employees know that their hard work and contributions are at least acknowledged and appreciated within the agency. This does not have to mean monetary awards if budgets are not available – there are many non-monetary ways to tell employees thank you. Sometimes it helps to simply let employees know that somebody recognizes that the personal sacrifice they may be making to do the job well in these tight times is helping the American public and making a difference.