



Some public agencies use contingent workers,
but obstacles remain to broader use

Government Goes Contingent

By Lauren Keller Johnson

The old adage “good enough for government work” has long expressed the widespread perception that public-sector organizations accept lower standards of job performance than do private companies. Indeed, in many Americans’ minds, the phrase “government work” raises unflattering images of sluggish processes, bloated staffs and wasted resources.

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Some people accept these images because they unthinkingly assume that less-than-stellar performance is inevitable in federal, state and municipal agencies. After all, these organizations don't operate like corporations, which must constantly raise productivity and earn profits if they hope to compete successfully with rivals.

These days, there's pressure from the top on federal agencies to improve. President Bush said so in his Management Agenda, announced in 2002 and published by the Executive Office of the President and the Office of Management and Budget. The document lays out a roadmap for improving the federal government's performance. The plan includes government-wide initiatives such as more strategic management of human capital, a commitment to more competitive sourcing, and tighter links between budgets and performance.

"There are few items more urgent than ensuring that the federal government is well-run and results-oriented," Bush maintained in the message section of the agenda.

Acting Like a Business

Charged to demonstrate more entrepreneurial spirit, some federal agencies (as well as some state and local governments) have begun stepping up their application of private-sector practices such as outsourcing and the use of contingent workers. For example, a 2004 report by the Conference Board, a nonprofit business research and management training group, described outsourcing of human resources processes (including staffing, recruitment and vendor management) in a range of government organizations, including the U.S. Transportation Security Administration (TSA), the Detroit Public Schools, the Florida Department of Management Services and the Texas Health and Human Services Commission (HHSC).

According to Jennifer Harris, communications

officer at the Texas HHSC in Austin, approximately 70 percent of the state's health and human services budget goes to contractors. "Whether it's assisting with the transition and consolidation of 12 agencies into five during the 2004 and 2005 fiscal years or administering our Medicaid provider claims-processing system, there are many examples of the use of contract workers," Harris says.

The "war on terror" has catalyzed new legislation that frees some government agencies to use contingent workers more than civil service laws normally allow. For example, the Departments of Defense and Homeland Security (which, according to the Office of Personnel Management, employ about 42 percent of all civilian federal employees) have been exempted from key provisions of the civil service law related to hiring, pay, performance management and labor management relations.

The exemption has enabled these agencies to use contingent workers in ways that improve the quality of service delivered to their customers. The TSA's ability to hire numerous part-time screeners has helped it achieve adequate coverage during times of peak demand at most airports (usually early morning and late afternoon), according to James Thompson and Sharon Mastracci, professors at the University of Illinois at Chicago and authors of a study titled "The Blended Workforce: Maximizing Agility Through Nonstandard Work Arrangements." The result is less waiting for air travelers.

Resistance and Resentment

As in the private sector, the use of contingent employees has enabled public-sector entities to control costs as well as expand or contract their workforces in response to fluctuations in workload. However, in some government organizations, resistance by labor unions has proved stiff. Their reactions sometimes have made it difficult, if not impossible,

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for government agencies to reap the advantages of hiring contingent workers.

Take the city of Palo Alto, Calif. Dismayed by soaring healthcare costs and other expenses, the city initiated a cost-saving strategy that hinged on increasing the use of contingent employees. According to a city auditor's report, in 1998-1999 Palo Alto spent \$3 million on temporary and contract workers. By 2002-2003, that figure had grown to \$4.2 million. However, the city hired temporaries directly rather than through a staffing provider and eventually ran into protests over benefits for its contingent workforce. In 2004, the city's roughly 300 temporary workers organized as a subdivision of Service Employees International Union Local 715, which is bargaining on their behalf. Yet at the same time, the city continues to face budget cuts — hardly a situation in which it can spend more for vacation pay, health insurance and other employee benefits. This anecdote should warn government agencies to plan carefully and proceed cautiously when they choose to go the contingent workforce route.

Protests and union negotiations aren't the only forces holding back public-sector organizations from extracting more strategic value from contingent workers. Traditional mindsets and lack of skills also can pose obstacles.

"Public-sector managers and employees are strongly tied to tradition," says Joyce Gioia, president of the Herman Group of Greensboro, N.C., which consults on workplace issues and the future of business. "They're older than private-sector employees — the average age is 47 — and they tend to steer clear of change. Yet, like corporations, government agencies have come under pressure to reduce costs while still getting the job done. They need to embrace workforce management strategies that private-sector companies have used for some time now."

Gene Zaino is CEO of MyBizOffice in Herndon, Va., which handles business process outsourcing for international assistance agency USAID as well as for corporations. He notes that some policies limiting use of contingent workers are being relaxed and that there's growing recognition that "government agencies must operate more like commercial enterprises."

But many agencies lack the skills needed to acquire contingent workers in timely fashion. For example, Zaino says, "Procurement organizations may not be educated on how to hire contingent workers using anything beyond the established request-for-proposal protocols." Most government organizations, he adds, haven't set up systems and processes for efficiently engaging and disengaging contractors and other temporary workers. Instead, "when they're overstaffed and need to cut back, it's much easier for them to outsource entire capabilities."

Maximizing Value

To respond to the unique challenges they may face in attempting to use contingent workers, agencies must match their contingent workforce strategies to the services they provide, the legal and budgetary constraints and conditions under which they operate and the resources available. That often means a different blend of employees for each agency.

Audrey Daniels, HR director for Foster City, Calif., reports her city "doesn't use contingent workers often because we don't have the budget for it. When we do use them, we primarily hire part-timers to fill long-term vacancies created by traditional employees going out on medical leave or for some other reason. But we always revert to a full-time equivalent basis."

Most of the fill-in employees Foster City hires are interns. However, the municipality also hires retirees on a consultant basis to handle professional project work. Daniels says the city finds these returning retirees through the League of California Cities, an association of city officials who collaborate to enhance their knowledge and skills, exchange information and combine resources to influence public policy decisions.

Of 12 federal agencies Thompson and Mastracci examined in their study, only six — the Forest Service, Internal Revenue Service (IRS), National Aeronautics and Space Administration (NASA), Naval Research Laboratory (NRL), TSA and Veterans Health Administration — use non-traditional workers extensively. These organizations' contingent workforce

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strategies reflect the nature of their work, its unique challenges and their operational structures.

For instance, both the NRL and NASA conduct highly technical research projects. Each uses many contract workers, whom it can hire on a per-project basis — sometimes for stints lasting as long as four or five years.

Because the NRL does not receive money from the government, it has more autonomy in its use of contingent workers. In 2004, contract workers made up 40 percent of the NRL's total workforce of 4,500. The lab also maintains contracts with agencies that can provide clerical personnel during peak workloads. In addition, the agency uses contracts to identify high-potential workers — using the “temp to perm” strategy to offer permanent employment to contractors who have special skills the NRL needs to stay ahead of the technology curve.

Other agencies also adapt their contingent workforce strategies to their work's unique characteristics. For example, USAID — the principal U.S. agency charged with extending assistance to countries recovering from disasters, trying to escape poverty and engaging in democratic reforms — has long used contractors to deliver food, equipment and medicine to developing nations around the world, Zaino says.

“These are usually 30-day, project-based assignments that require highly specialized skills and are often arranged on an emergency basis,” he explains. “Sending traditional full-time employees on these assignments would not be the best strategy” because of their short durations and variety of skills needed. And in general, USAID prefers to deploy and pay contractors as they're needed, rather than maintain a full-time workforce of whom some may sit idle between jobs.

Balancing Workloads

Thompson and Mastracci surveyed several agencies that experience major fluctuations in workload during the year. Typically, such organizations' contingent workforce strategies feature part-year or seasonal arrangements. For instance, the U.S. Forest

WEB RESOURCES:

“The Blended Workforce: Maximizing Agility Through Nonstandard Work Arrangements”
<http://www.businessofgovernment.org/main/publications>

“HR Outsourcing in Government Organizations”
<http://www.conference-board.org>

Service retains seasonal employees — mostly college students — for the period extending from May through October, when fire outbreaks are most likely to occur. In 2003, the Forest Service's workforce of 53,000 included 14,000 “seasonals” who were hired on a temporary basis and did not receive health and retirement benefits.

The IRS also has a predictable busy season. Between January and April every year, the organization has to process a whopping 200 million tax returns. Most returns-processing positions are permanent in the sense that incumbents are entitled to return each year. However, these employees don't receive benefits, owing to federal rules stipulating that only seasonal employees who work at least six months are entitled to health insurance.

With high-ranking officials expecting government agencies to demonstrate new agility and efficiency, they now face many of the same pressures as the private sector. Like their counterparts in the corporate world, these organizations can't afford to ignore the value that contingent workers provide. Organizations that formulate and execute thoughtful contingent workforce strategies will stand the best chance of delivering greater value to the people they serve and satisfying those to whom they report.

While private-sector companies have incentives for efficiency in the form of greater profits and stronger customer loyalty, government agencies that prove their worth will likely enjoy their own version of rewards: more reliable funding, even during times of aggressive budget cuts. <

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