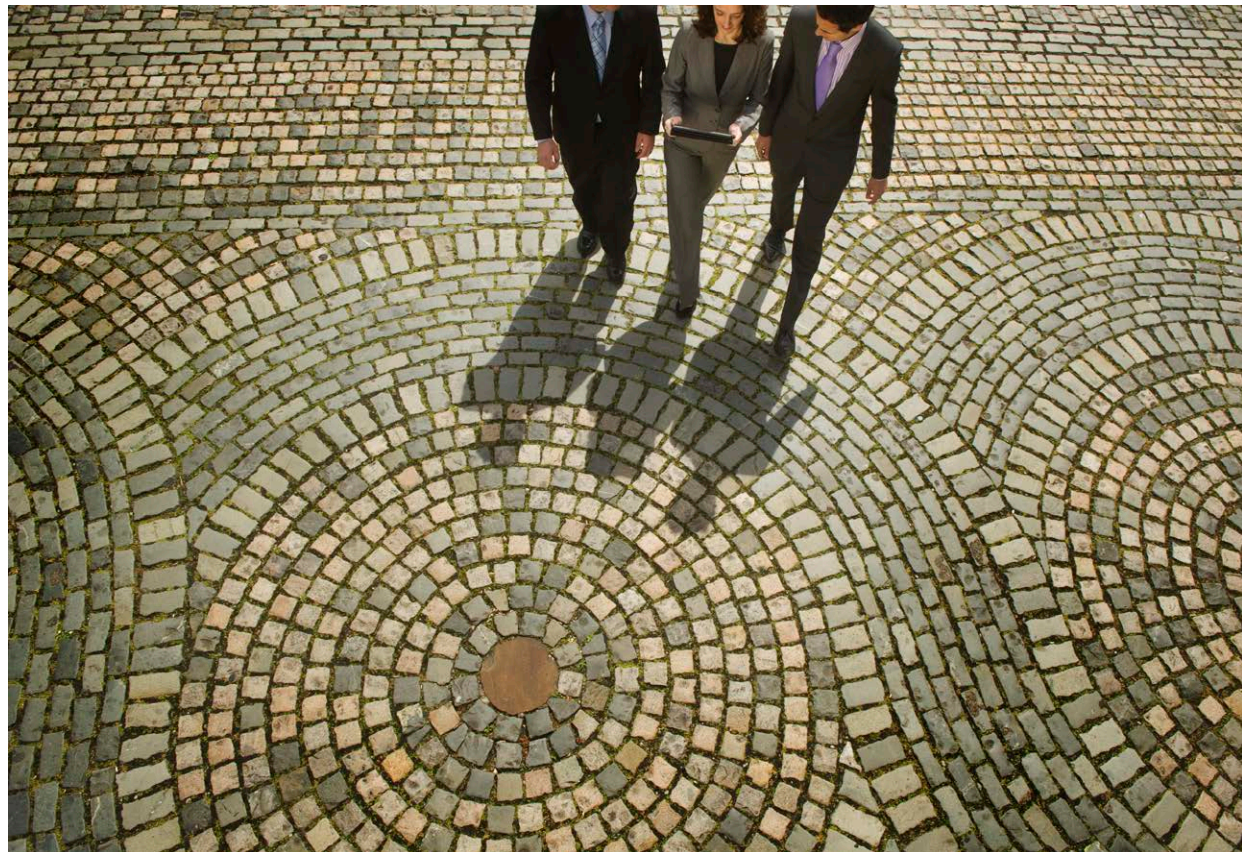


Resetting horizons
Global Human Capital Trends 2013
Public Sector Industry



Resetting horizons: Global Human Capital Trends 2013

Looking beyond continued uncertainty, the world's leading organizations are raising their sights, and pivoting from the great recession to the new horizons of 2020 with a focus on talent, globalization, growth, and innovation. This report introduces 13 global trends that are driving critical business and human capital decisions. The report provides information on these trends across global markets through results of a survey of over 1,300 business and HR professionals from 59 countries. To read the full report, please visit www.deloitte.com/hctrends2013



Exploration

Leadership.next: Debunking the superhero myth

Yesterday's leadership theories are not keeping pace with the velocity of today's disruptive marketplace. Organizations are seeking a new model for the age of agility.

www.deloitte.com/leadershipnext



How boards are changing the HR game

To seize new opportunities for sustainable growth and manage heightened risks, boards of directors at high-performing organizations are pulling CHROs much deeper into business strategy—and far earlier in the process.

www.deloitte.com/boardschangingHR



Leading talent from the BRIC

In an era of pervasive globalization, organizations are building multi-directional talent networks that are not only geared toward existing markets, but can also power new emerging markets.

www.deloitte.com/leadingfromtheBRIC



A global diversity dividend

In the midst of ongoing global expansion and a worldwide shortage of critical talent, companies are stepping up efforts – at very different speeds and levels of investment – to recruit and retain a workforce diverse in both demographics and ideas.

www.deloitte.com/diversitydividend



Workplaces of the future: Creating an elastic workplace

Workplace flexibility has become table stakes for attracting and retaining employees. Now companies must align their flexibility strategy with their core strategy to realize the benefits.

www.deloitte.com/workplacesofthefuture



The open talent economy

Jump ahead to the year 2020. Half the people you rely on don't actually work for you and that's a good thing—if you're ready.

www.deloitte.com/opentalent



Execution

Organization acceleration

Faced with tougher, more numerous challenges, today's organizations are demanding more from their change initiatives by pursuing strategies that are customized, precise, and sustainable.

www.deloitte.com/orgaccelerationtrend



The war to develop talent

The talent management pendulum is swinging from recruitment to development.

www.deloitte.com/developtalent



Transforming HR to meet new business priorities

HR transformation efforts are continuing to shift their focus to business priorities, concentrating on areas such as talent, emerging markets, and the HR organization.

www.deloitte.com/transformingHR



Branding the workplace: Innovating the talent brand

Social media has erased whatever lines used to exist between the corporate brand and the talent brand. They're two sides of the same coin.

www.deloitte.com/talentbrand



The aging workforce: Finding the silver lining in the talent gap

Organizations can capitalize on shifting retirement patterns to help narrow their talent gap.

www.deloitte.com/agingworkforce



The performance management puzzle

Some say traditional ways of managing employee performance are irrelevant in today's fast-changing work environment. Others argue that these methods drive accountability and differentiated compensation. Both are right.

www.deloitte.com/performancepuzzle



Human capital analytics: Thinking like an economist

Increasingly, many HR leaders have to answer questions that have an economic issue at their core—the allocation of a scarce resource called talent.

www.deloitte.com/HCEconomist



I am pleased to share with you a summary of the market trends and priorities that are driving human capital decisions for public sector leaders across the globe.

This focused report compares results from 58 leaders in public sector to the results of our Global Human Capital survey of more than 1,300 business leaders and HR executives in 59 countries comprising the world's major economic regions.

Deloitte's Global Human Capital survey set out to identify which trends are playing the most significant role in global organizations today and which are further out on the horizon. We have categorized these trends as either *leading* or highly relevant today, *rising*, relevant in the next one to three years, or *emerging* three or more years from now.

For public sector, the top HR and Talent trends each come from the *leading* category and are identified as being most relevant today, with implications over the next one to three years and beyond:

- War to Develop Talent
- Organization Acceleration
- Transforming HR to Meet New Business Priorities
- Leadership.Next
- How Boards are Changing the HR Game

This public sector report was designed to complement Deloitte's 2013 Global Human Capital Trends report, "Resetting Horizons." We believe both reports will inform your organization's leaders on the issues impacting public sector organizations across the globe.

Pip Dexter
Human Capital Public Sector Industry Leader
Deloitte Touche Tohmatsu

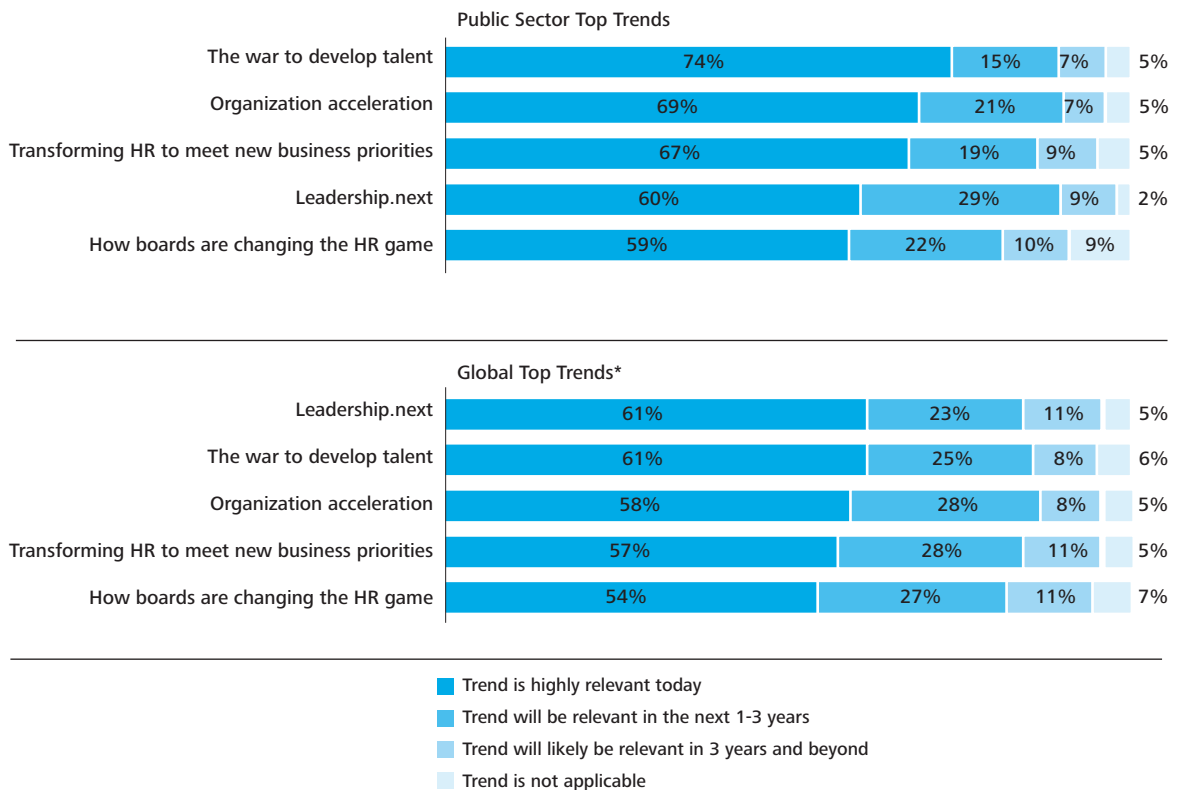
Leading, rising and emerging trends in the public sector

Findings suggest that the public sector shares similar concerns to that of the private sector. There are two key differences, a greater struggle to execute, coupled with a greater sense of urgency.

There is a greater sense of immediacy within the public sector compared to the global aggregate – i.e. respondents see top trends as highly relevant today as opposed to in the next 1-3 years and beyond. Perhaps this is because electorates are demanding results and governments are under more pressure than ever to deliver. This pressure is passed down to public sector organizations, challenged to drive unprecedented change and deliver results in shorter timeframes. The challenge then becomes prioritization. The public sector should look to prioritize these challenges and focus their attention on the quick wins, or largest return on investment.

Public sector organizations are focused on developing their capabilities and ability to deliver change in the organization, which is making the most of what they have got. Given continued economic uncertainty and constrained government spending, public sector organizations face the challenge of reducing cost and being more efficient whilst responding to demands for enhanced service. This is made more challenging by having limited ability to bring in new talent to deliver this. In 2012, the majority of all global economies experienced soft economic growth (if at all). Therefore, governments just do not have the money to spend on public services.

Public Sector and Global Top Trends from the Global Human Capital Survey



*Global Top Trends includes both public and private sector organizations

General Business Outlooks

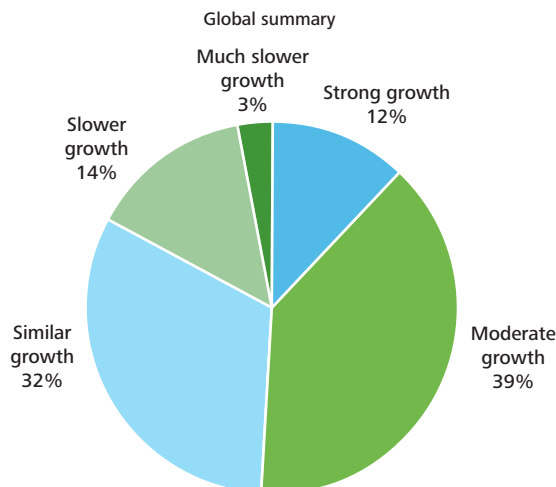
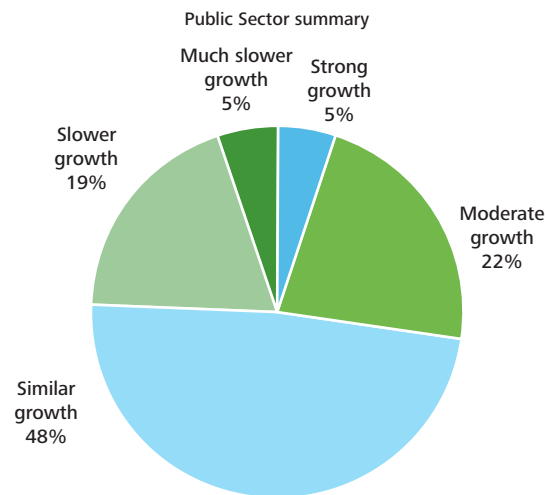
Generally the public sector appears guarded about future growth in the industry with only 27% of public sector respondents having a positive outlook on growth in 2013 compared to the global average of 51%. This may be linked to the fact that the public sector has limited control over its revenue stream. Revenue is tied to the strength of the economy and current local taxation policy. With the economic outlook continuing to be austere in many parts of the world, it is understandable that the perception around growth is less positive. Many parts of the public sector would be cautious in the current conditions, as they watch interest rates fall, unemployment rates increase and many parts of the private sector (retail, manufacturing) underperforming.

HR and Talent programs

Public sector respondents believed that the HR and Talent programs in their organization were adequate to underperforming. The key difference is that only 18% of public sector respondents felt that HR and Talent programs were world class in some or all areas compared to 24% from all other industries combined. Public sector organizations face two key challenges in increasing the quality of HR and talent programs.

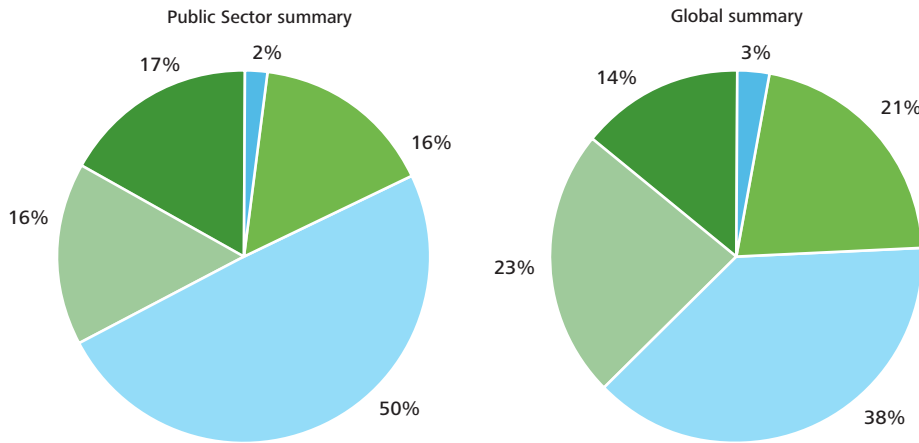
- **An inability to develop and deploy programs quickly:** The public sector is not as agile in getting the endorsement to develop new programs to address shifting needs. Changes to HR and Talent programs often requiring changes to policy, which can be an arduous process.
- **A large workforce:** Given that workforce numbers are relatively large in the public sector, it is more challenging to introduce innovative solutions and enact change. It can be a long time between a decision being made that impacts public sector employees and the realization of these decisions on the ground. Generally, anecdotal evidence suggests public servants are change fatigued. The challenges this sector face are unique in their complexities and require revised or alternate approaches to HR and Talent program delivery.

Public Sector and global outlook for 2013 compared to 2012



Given these challenges it is important that public sector organizations prioritize the HR and talent programs that are going to best enable the organization to address critical priorities.

Capabilities of organization’s HR and Talent programs



- We are world class in HR and Talent programs
- We are world class in some areas of HR and Talent programs while we need to improve in several key areas
- We have adequate HR and Talent programs for our industry but we need to improve
- We are getting by in HR and Talent programs but significant improvements are needed
- We are underperforming in HR and Talent programs and radical improvements are needed

Top three pressing HR and talent concerns

Ranking	Public Sector	Global
#1	Sustaining employee engagement/morale (61%)	Developing leaders and succession planning (55%)
#2	Developing leaders and succession planning (54%)	Sustaining employee engagement/morale (39%)
#3	Connecting HR and talent with business critical priorities (46%)	Connecting HR and talent with business critical priorities (33%)

(% indicated the % of total respondents who have rated the concern 1, 2, or 3)

Issue #1. Sustaining employee engagement/morale

The issues of sustaining employee morale, developing leaders and connecting HR and talent with business critical priorities are more pressing for the public sector respondents than their private sector counterparts. Public sector employees operate in an environment that is currently focused on reform and cost reduction. As public sector leaders face an increasing amount of scrutiny to reduce costs and reform their organizations, job security is threatened. The level of uncertainty means that many employees are constantly wondering when their area might be targeted. Focusing on programs that support employees through these uncertain times and managing the ‘dip’ in productivity that is often seen when employees go through change will go some way to supporting these organizations to address employee engagement and morale priorities.

Issue #2. Developing leaders and succession planning

Not surprisingly, leadership was the second most pressing issue. The trend in public sector over the past few years has increasingly seen the need to have leaders who not only understand the organization and the political environment it operates in but, also to have leaders who are agile and have strong business acumen. Public sector organizations are faced with the challenge of balancing strong departmental knowledge and experience with leaders who are able to transform the organization to be able to run more efficiently and effectively. Leadership development programs that focus on building business leaders with strong business acumen, that can help public sector organizations continue to deliver services to the community with less resources and budget, will be central to these organizations addressing business critical priorities.

Issue #3. Connecting HR and talent with the business critical priorities

The third most pressing issue was connecting HR and talent with business critical priorities, which is reflective of the changing role of HR in the public sector. Public sector organizations are looking to their HR function to contribute to the development of the organization strategy, with a specific focus on the people components. HR needs to be working with the business to develop workforce strategies and solutions that consider: the existing workforce composition (e.g. demographics, skills); anticipate how changes to work (systems, processes and services delivered) impact on the organizations operating model, structure and workforce requirements; and implement workforce solutions to improve productivity, efficiency and organizational performance.

Further considerations for public sector HR and talent programs

In developing HR and talent programs for public sector organizations, HR need to consider the challenges of: the aging workforce, diversity, and developing an understanding of what the future of work looks like for the public sector.

The Aging Workforce

Some 50% of respondents from the public sector ranked the aging workforce trend as highly relevant today, which is the highest across all the industries represented in the survey. For example, by 2018 in the United States almost 40 million working Americans will be 55 years or older, an increase of 5.8 percent in a decade. In contrast, workers aged 16 to 24 will make up only 12.7 of the labor force.¹ The proportion of older workers in the public sector in many OECD countries is growing at a faster rate than in private sector organizations which may explain why this is seen as more front of mind for public sector organizations than private sector.

With a focus on reducing the size of public sector organizations, how can the public sector address this challenge? One potential solution could be to increase the focus on introducing new roles and pathways for older workers.

The Diversity Dividend

The public sector has a great responsibility to focus on diversity due to the client service focus. Reflecting the customer base will ensure that the complexities of the issues facing different demographics (i.e. ethnicity, disability, health issues etc.) are properly understood and that these complexities are considered and reflected in policy decisions.

Impact: The public sector has a responsibility to all citizens within a country. So in America for example, that means 310 million people are impacted by decisions and policies set by the public sector.

¹ Deloitte, The 2011 *Shift Index*, p. 17

Largest employer: In every country, the public sector is a large employer and they have an important social responsibility to ensure greater workforce participation. Therefore, their decisions in relation to diversity and inclusion strategies have the potential to impact a much larger population than the private sector.

Quality of decisions: Decisions made by the public sector have the potential to impact to broader society. Therefore, the onus is on the public service to make very good quality decisions. The decisions need to be well researched, well thought out, and it is through leveraging diverse perspectives and including all those who have a valuable contribution to make, that the quality of these decisions can be improved.

Role modeling: The public sector has a responsibility to practice what they preach. If we, as citizens, are striving for a successfully diverse and inclusive community, where minority groups feel included, and not marginalized, then this should be reflected in our public sector.

Workplace of the Future

The workplace of the future in the public sector will be “all about me”. Where in the private sector this may refer to the employee, in the public sector it is not only about the employee, but the customer or citizen as well. It is anticipated that the public sector will move towards a more localized user-driven delivery model. This will be enabled by access to data in a way never seen before, for example through national health identifier numbers. The workforce may be localized, although networked to other state and federal bodies.

Conclusion

As many of the largest employers in countries, the public sector has a responsibility to keep at the forefront of emerging HR and talent trends. The challenge in an age of austerity is to prioritize resources in programs that will have the greatest value add for the organization. Increasingly, we are seeing the need for public sector organizations to invest in the capability of their leaders and their own HR functions to ensure the people agenda is intrinsic to the organization’s strategy.



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