

*Why Employee Engagement  
Matters for Government  
Financial Management*

*By Bob Lavigna*

**M**y chief assets drive out the gate every night. My job is to make sure they come back.”<sup>1</sup> This is a concern for every organization, and especially for government financial management, where the war for talent is often fierce. And unlike many other public-sector occupations, the quest to recruit and retain financial management talent often requires head-to-head competition with the private sector.

We often hear leaders in government say that their employees are their most important resource. After all, public-sector organizations can’t succeed without talent — the right people with the right skills in the right places at the right times. In government financial management, people are indeed the primary resource.

But just having talented employees isn’t enough — they must also be committed and engaged. Decades of research, including in government, have shown that a high level of employee engagement drives superior organizational performance.

According to a 2018 GFOA report on employee engagement, “If staff are fully engaged in their jobs, then they will put in the extra effort needed to provide the best services possible. If they are disengaged, they will, at best, put in the bare minimum effort necessary to satisfy their job description and, at worst, will actively seek to undermine the organization.”<sup>2</sup>

Decades of research, including in government, have shown that a high level of employee engagement drives superior organizational performance.

In other words, employee engagement isn’t just another touchy-feely human resources program, and it isn’t about making sure employees are happy all the time. It’s about delivering performance and service, especially in financial management.

But what is employee engagement, exactly?

According to the U.S. Merit Systems Protection Board, which has done extensive research on employee engagement in government:

Employee engagement is a heightened connection between employees and their work, their organization, or the people they work for or with. Engaged employees find personal meaning in their work, take pride in what they do and where they do it, and believe that their

organization values them ... The greater an employee’s engagement, the more likely the employee will go above and beyond the minimum required and expend discretionary effort to provide excellent performance.<sup>3</sup>

## WHY ENGAGEMENT MATTERS

Research in the public and private sectors has consistently and conclusively shown that improving engagement improves organizational performance.

In the private sector, this research shows that high-engagement companies outperform low-engagement companies on key financial indicators such as sales, revenue, revenue growth, profit, stock price, earnings per share, and so on.

For example, as reported in the Wall Street Journal last year, an analysis of 693 large publicly traded companies showed that the single biggest driver of performance was employee engagement and development — more impor-

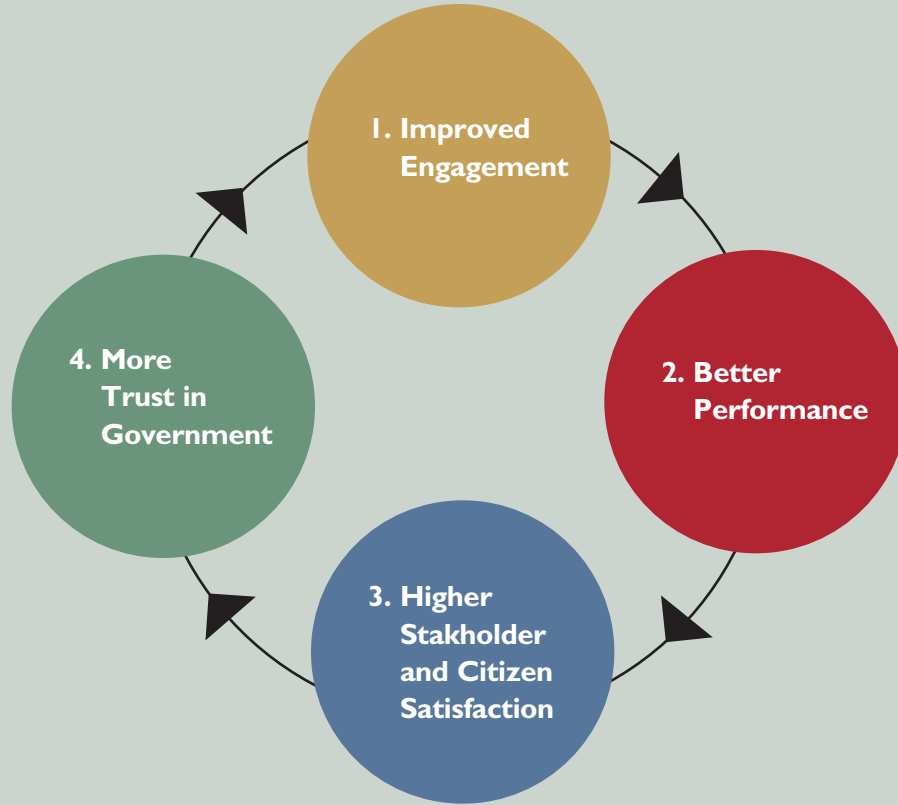
tant than research and development, new products, marketing, and even leadership.<sup>4</sup>

Of course, government does not typically have the same kinds of financial metrics as private-sector firms. However, engagement also drives important outcomes in government.<sup>5</sup> These include achieving strategic goals, delivering responsive customer service, promoting innovation, retaining good employees, improving attendance, and even keeping workplaces safe. For example, one analysis revealed that federal agencies with the most-engaged employees were three times more likely than low-engagement agencies to achieve their strategic goals.<sup>6</sup>

The annual national survey conducted by the Institute for Public Sector Employee Engagement has consistently shown that highly engaged employees, including those in state and local government, are up to three times more likely to believe that their organizations are successfully achieving their missions and that they can influence outcomes such as cost, quality, and customer service.

The impact of employee engagement in government is illustrated in the “engagement value chain” shown in Exhibit 1.

## Exhibit I: The Engagement Value Chain



As this model shows, when a public-sector organization improves its performance by improving employee engagement, customers and stakeholders (including internal customers and stakeholders) will be more satisfied with the services they receive. This improved satisfaction leads to more trust in government — and also to greater interest in government careers. Moreover, when public servants believe that the people they serve trust them and their work, they are likely to feel more engaged.

In other words, it's a virtuous cycle.

The beneficial effects of engagement go beyond the workplace. Research has shown that highly engaged employees feel better about their lives in general. What happens at work affects how we feel and behave

at home. If people are engaged at work and believe they are making a difference, they will also have a higher level of overall well-being.

High employee engagement can also help with recruiting. Good performers want to work with other good performers in organizations where employees are committed to the mission.

Employee engagement isn't just another touchy-feely human resources program, and it isn't about making sure employees are happy all the time. It's about delivering performance and service.

### EMPLOYEE ENGAGEMENT IS LOW

The Institute for Public Sector Employee Engagement conducts an annual national poll to assess the level of employee engagement across the U.S. public and private sectors, including by level of government. Its most recent results are summarized in Exhibit 2.

## Exhibit 2: The Level of Employee Engagement across the U.S. Public and Private Sectors



"Overall Government" includes employees in federal, state, and local government combined.

As the chart shows, the level of fully engaged employees is low across the board. However, public-sector employee engagement is lower than in the private sector, including a higher percentage of not-engaged employees. By level of government, local employees are more engaged than state and federal government employees, but not by much.

The government results can be interpreted as a bad-news, good-news story. The bad news is that employee engagement in the government workforce is low. On the other hand, the glass-is-half-full news is the tremendous potential for government to improve performance by improving the engagement of its employees.

### WHAT DRIVES ENGAGEMENT

To boost engagement, organizations need to understand — empirically — what influences employees' level of engagement. Without data, the alternative is to speculate about solutions.

The Institute for Public Sector Employee Engagement's research provides data on engagement, includ-

ing identifying the factors that have the biggest impact on employee engagement statistically — the "key drivers" of engagement.

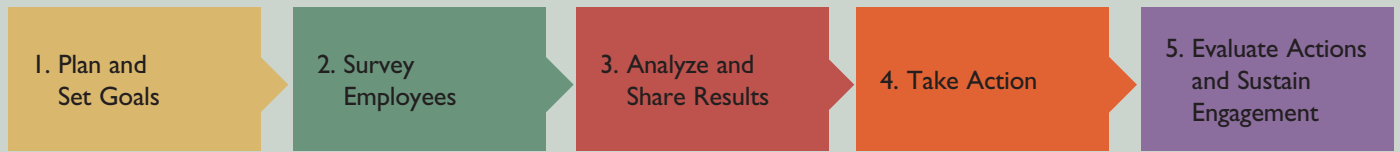
The institute incorporates two types of potential engagement drivers in its research. First are workplace factors — leadership and managing change, the work itself, the mission, supervisors, resources, team members, compensation and benefits, and training and development.

In addition, the institute separately analyzes the cultural drivers of engagement because an organization's culture is critically important to its success. As the saying goes, "culture eats strategy for breakfast." Culture-related factors include promoting innovation, valuing and treating employees fairly, encouraging employees to learn from mistakes, and involving them in decisions.

According to the institute's research, the top workplace factor influencing engagement among government employees is "leadership and managing change." That is, engagement is

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### Exhibit 3: Employee Engagement Process Model



Adapted from *Engaging Government Employees* by Bob Lavigna (AMACOM, 2013).

high when employees feel good about their leaders, and these leaders are visible, managing change effectively, and implementing positive changes.

Among cultural issues, the top driver for public-sector employees is, “I feel valued for the work I do.” The institute’s results support other research, which has shown that up to 79 percent of employees who leave their jobs do so because they don’t feel appreciated.

Public-sector managers often argue that their ability to recognize superior performance financially is severely limited. While this is indisputable, not just budgetarily but also politically, showing employees they are valued is often not about money.



For example, a critical aspect of employee recognition is helping employees understand that their work matters and that they should be proud of what they do. Recognition can also mean simply telling colleagues that they, and their contributions, are appreciated.

For example, the University of Wisconsin Hospital and Clinics suggested the following ways for its managers and supervisors to recognize employees “without spending a dime:”

- Recognize employee achievements at a staff meeting.
- Surprise an employee with a sticky note of thanks.
- Put a thank-you note on the department bulletin board.
- Compliment an employee within earshot of others. (Word will spread.)
- Mail a handwritten note to the employee’s home.
- Send a department-wide e-mail praising an employee or team.
- Start meetings by recognizing employees and asking employees to recognize each other.
- Pull an employee aside and ask for their opinion.

This list just scratches the surface. The book, *1501 Ways to Reward Employees*, includes more than 500 pages of “low- and no-cost” ways to acknowledge good performance.<sup>7</sup>

Unfortunately for the public sector, the institute’s research reveals that government scores lower than the private sector on the key engagement drivers of leadership and employee recognition. In fact, leadership and managing change is the lowest-scoring dimension in government. Only 50 percent of public-sector employees responded positively to survey questions about their leaders. Moreover, only 63 percent of government employees believe they are valued at work.

## FIND OUT WHAT MATTERS TO YOUR EMPLOYEES

The institute's poll results are useful in understanding the powerful impact of leadership and employee recognition on engagement. However, there isn't a one-size-fits-all solution to improving engagement. By one count, there are more than 90,000 government jurisdictions across the United States. Each has its own mission, politics, culture, budget, etc. It is inconceivable that any single action, or set of actions, will influence engagement across all of these organizations.

Instead, each organization should establish a baseline by measuring the level of engagement among its employees, and identify the areas its employees feel good about, as well as where employees believe the organization can improve. And then the organization needs to take action on these areas to build a culture of engagement.

How can organizations measure employee engagement? The research shows that regular employee surveys are the best way to assess engagement. Surveys establish an engagement baseline and identify the factors that drive employees' engagement. Over time, regular surveys enable the organization to see if the needle of engagement is moving in the right direction.

This doesn't mean that surveys are the only way to collect data on how employees feel about their work and their organization. There are other approaches, such as one-on-one discussions, employee focus groups, exit interviews, and even "stay interviews" (where employees are asked what makes them want to stay with the organization). Each approach can also help the organization understand how employees feel about key workplace and cultural issues, and therefore how to improve engagement.

But regular surveys provide the most comprehensive, consistent, and useful data. Moreover, by surveying the entire workforce, the organization sends a powerful message: Everyone's voice is important, no matter what you do or where you are in the organization.

The good news is the tremendous potential for government to improve performance by improving the engagement of its employees.

Exhibit 3 shows the five-step model the institute uses to survey employees, analyze the level and drivers of engagement, take action, and then sustain engagement over the long term. This is not a one-size-fits-all approach. The model is general enough to allow individual government organizations to tailor it to their mission, values, strategy, culture, capabilities, and budget.

Surveying employees is only one step in the process to improve engagement. In particular, steps four and five — taking action and sustaining engagement — are essential. Unfortunately, some organizations, including in government, survey their employees, achieve a high response rate, and then "declare victory."

This is a fatal mistake. Organizations that survey their employees and then fail to take action will likely discover

### Engagement and Retention

A county government is experiencing annual turnover of up to 45 percent among new hires in key occupations including financial management. Like many governments, the county spends a lot of time and money to hire talented employees — but then it loses many of them soon after they start.

Compensation may be a factor, but the county believes the high level of turnover goes beyond pay. As a result, county leaders have committed to devoting as much time and energy to retaining employees as it does to hiring them. These leaders believe the path to better retention lies in improving employee engagement.

But the challenge is to determine how to improve engagement. To answer this critical question empirically, the county is conducting an employee engagement survey to establish a baseline and identify the factors the county should focus on to influence engagement. Because, as the research shows, improving engagement will improve retention, particularly with new hires.

that engagement has declined, not improved.

## CONCLUSIONS

Measuring and improving employee engagement is a strategic decision that should be made after thoughtfully considering goals, process, and consequences. There is no single action an organization can take to successfully attract, develop, engage, and retain financial management talent. Instead, what is needed is an integrated and comprehensive strategy.

According to the Chartered Institute of Public Accountancy and Finance report on talent management in government, “There is an increasing focus on attracting and retaining the best finance professionals working in government around the world. This doesn’t happen by chance and requires robust talent management strategies to be introduced by governments. Managing talent effectively means that governments will be better placed to improve performance and demonstrate how talent adds value to the business of government.”<sup>8</sup>

Measuring and improving employee engagement should be an integral part of the talent management strategy. ■

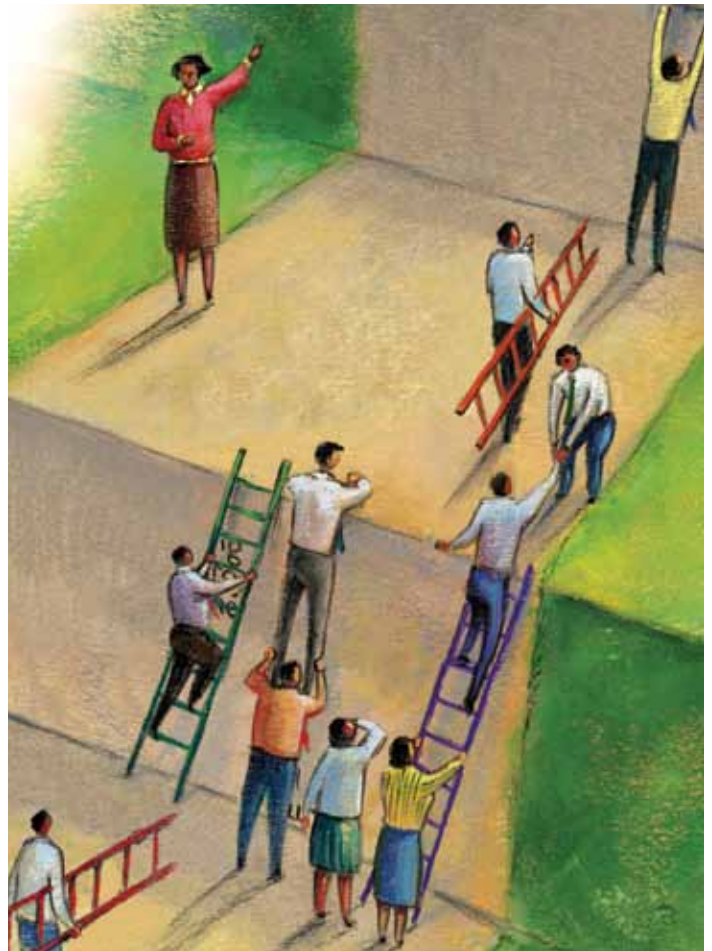
### Notes

1. Jim Goodnight, co-founder and CEO of SAS, a leading business software company that is also a perennial member of *Fortune* magazine’s annual “100 Best Companies to Work For.”
2. Government Finance Officers Association, *Realizing the Best of Both Worlds: An Engaged Workforce and More Satisfied Citizens* (GFOA, 2018).

Among cultural issues, the top driver for public-sector employees is, “I feel valued for the work I do.” The institute’s results support other research, which has shown that up to 79 percent of employees who leave their jobs do so because they don’t feel appreciated.

3. U.S. Merit Systems Protection Board, *The Power of Federal Employee Engagement*, 2008.
4. Rick Wartzman and Lawrence Crosby, “The Key Factor Driving a Company’s Results: Its People,” *Wall Street Journal*, August 13, 2018.
5. Bob Lavigna, *Engaging Government Employees* (AMACOM, 2013).
6. U.S. Merit Systems Protection Board, *The Power of Federal Employee Engagement*, 2018.
7. Bob Nelson, *1501 Ways to Reward Employees* (Workman Publishing, 2012).
8. Chartered Institute of Public Accountancy and Finance, *Talent Management in Government Finance*, 2018.

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## Want to Learn More about Employee Engagement?

Join us Wednesday, September 18, 2019, at 2 p.m. (Eastern) for a one-hour webinar by Bob Lavigna, who will take a deeper dive into the topic of employee engagement.

Check [gfoa.org](http://gfoa.org) for more information and to register.