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Public Sector Workplaces Turning to the Cloud

Some agencies in the public sector are still mired in paperwork and are slow to embrace cloud-based HR technology. What will push them?

by Sarah Fister Gale January 11, 2019



Surrounding city of Memphis CHRO Alex Smith, from left, is Belinda Vinson, data management supervisor; Eric Sabatini, sr. HR analytics & performance manager; Kimberly Bailey, HR solution supervisor; Alicia E. Jones, performance review coordinator; Kianah Wicks-Moore, HR solutions analyst; and Chastity Johnson, lead compensation coordinator. Photo by Michael Allen

When Alex Smith was hired as the chief human resources officer for the city of Memphis in 2016, she had never previously held a public sector job — one of the reasons she was selected.

City leaders wanted to bring fresh eyes to the team to address the ongoing problem of how to attract and retain the best talent to city jobs. Smith found that many of the city's human resources processes were still paper-based and data was stored in siloed databases, which added time and confusion to hiring and talent management.

"I knew we needed to automate some of these processes," said Smith, who previously held private-sector HR jobs with Brightstar Corp. and Target Corp. One of her first suggestions was to implement a cloud-based HR technology system that would streamline hiring and better manage candidates and employee data. After some negotiating, the chief information officer and head of finance agreed, and they adopted a cloud-based human capital management system from workplace software giant Oracle.

“It was a huge win,” Smith said.

The technology eliminated many of the manual tasks like copying addresses into multiple databases and producing monthly trend reports.

“Now I can focus on tasks that matter the most and I can track hiring data in real time,” she said. It also streamlined the candidate experience and helped her expand the city’s social recruiting and brand recognition. “It is helping us to be more proactive in attracting talent,” she said.

A few years ago, this kind of story — of a public sector agency investing in cloud-based HR technology and social recruiting platforms — would have been unusual. The public sector has a reputation for being slow to adopt HR technology to empower workers and streamline HR tasks, said Sean Morris, a principal at Deloitte covering human capital trends in the public sector. “There is a history of under-investing in human capital by government due to limited budgets.”

Public sector HR people also don’t have a seat at the funding table, which means there is no one to champion their cause, said Sean Osborne, vice president of product management for public companies for Acendire, a cloud-based talent management software company that serves the public sector. “We often find that HR doesn’t have the budget or authority to effect real change.”

Even when these agencies have funding for technology upgrades, the siloed nature of government agencies and opposing funding priorities can quickly push HR investments to the end of the line, Smith added. “If HR is competing with the police or fire departments for project funding, police and fire will always win.”

This lag effect is about more than just money. There is also a change management challenge. In government, many senior leaders and IT staff have been in those roles for years and they have a set way of doing their jobs and making decisions. Moving to the cloud is a completely different way of managing technology and data, and there is a lot of resistance to change, especially from employees who fear their jobs will be at risk.

Technology and Talent Are Getting Old

These delays have had a long-term impact on recruiting talent management trends across the public sector. Many public sector agencies still rely on paper-based recruiting and onboarding steps, which are cumbersome and can add weeks to the hiring process. “Millennials and Gen Z don’t understand why it would take that long,” Morris said, noting that the negative experience may cause them to look elsewhere for work. These organizations also lack tools and transparency to effectively support career development, or to use people analytics as part of business and talent decisions. All of this is making it difficult for public sector agencies to attract and retain talent, said Morris. “That has put them in the situation they are in now.”

That situation is a rapidly aging workforce and a recruiting environment that makes it difficult to attract and retain young talent. Data from the Office of Personnel Management shows that less than 7 percent of the federal workforce is millennials, even though they make up 35 percent of the workforce nationwide; and 44 percent of federal workers are over the age of 50, which means they are inching ever closer to retirement with few younger staff ready to take their place.

This combination of aging talent and outdated technology is making it difficult for them to compete for young talent, said Daniel Torrens, global public sector HCM strategist for SAP SuccessFactors. “Candidates have a lot of choices today, and public sector organizations haven’t been building their brand or engagement strategies.”

These pressures are forcing public sector agencies to shift their attitude about cloud-based HR technology and to prioritize these transitions as they consider their future talent development and workforce management needs.

“Government CIOs no longer question whether they should move to the cloud, it’s all about, ‘How do we get there,’ ” Torrens said.

That’s good news for vendors. Torrens noted that four years ago, these agencies were still paying off their on-premise solutions and wouldn’t even consider a move to the cloud. But in the past 18 months that has changed. “We are having a lot more conversations about how to build a business case and get funding to adopt the cloud.”



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Talent Needs Force the Issue

Fully 81 percent of public sector respondents now consider the cloud to be one of the top three technologies for ROI potential, according to the 2018 SolarWinds “IT Trends Report.” Almost as many (79 percent) see cloud as a top three solution to achieve productivity and efficiency benefits.

To support these interests, many public sector organizations, including government, education and health care, have adopted a cloud-first policy to replace legacy systems and design new more agile service-based solutions, said Sherry Amos, director of market development for education and government at Workday.

HR is also gaining more visibility in decision-making as public organizations acknowledge that talent management is a strategic issue that needs to be addressed. “In the past, finance drove all of these acquisitions,” Amos said. “But HR now has a seat at the table.” This is giving public sector HR leaders an opportunity to shape the future of workforce management and the technologies their organizations will use to support them.

This is where the challenge of moving public sector HR into the cloud shifts to the vendors, Morris said. The decision to move to the cloud is only the first in many steps for public sector clients. “If a vendor wants to support customers in the government cloud space, they have to federalize their tool.”

FedRAMP and Title 5

The majority of government organizations have to meet a very unique set of rules and requirements for adopting any cloud-based solutions, and they rely on vendors to adapt their systems accordingly. These include ensuring all data centers meet FedRAMP, the Federal Risk and Authorization Management Program requirements, which include an extensive list of rules for security assessment, authorization and continuous monitoring of cloud products and services.

“Meeting FedRAMP is a high barrier to entry in this space,” Osborne said. Vendors also have to adapt their platforms to meet Title 5 rules regarding administrative personnel, which cover issues such as pay schedules, job titles and priority hiring for veterans and people with disabilities. It can take months and a significant financial investment to adapt current HR platforms for a public sector workplace environment.

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Vendors also face a ton of pressure to get it right — because if they screw up things like data security it could result in national security risks. “Any time you move a large swath of data to a new environment you have to do your research because no system is foolproof,” Morris said.

The challenges are significant, but the effort to meet regulations and cater to this clientele is clearly worth it. “The federal government is the largest employer in the country,” Osborne said. And since most of these agencies are only just now considering cloud-based HR technology solutions, the commercial opportunities are bountiful. “The time is ripe right now for public sector organizations to move to the cloud,” said Eva Woo, global vice president of solutions management for SAP SuccessFactors.

Public Sector Tipping Point

The enormous sales potential is causing vendors across the HR technology industry to pay closer attention to the needs of public sector clients and to prioritize meeting regulatory requirements and adapting their customer management processes for a public sector environment. That includes adapting their sales and marketing strategies for longer procurement cycles.

“It can take two years just to secure funding and execute procurement,” Amos said. Public sector clients also tend to pursue a phased approach to their transition to the cloud, starting with low-risk systems to demonstrate safety and performance before moving to more mission critical systems that support HR and finance.

Morris noted that SAP and Oracle were among the first HR cloud-based solution providers to embrace public sector clients and their regulatory and procurement needs, though other vendors have been quickly following suit. He believes that the next three to five years will see a flurry of cloud-based HR projects across the public sector, including local and federal government, education, health care, and other agencies that need a better, faster and more transparent HR solution to deal with their recruiting and talent management needs.

Morris encourages vendors to make the continued investments in meeting regulations and to hire people with experience in public sector HR and IT who can help them navigate the complex procurement process. “The public sector is a massive market, but you have to play the long game,” he said. These agencies know they have to make investments in cloud-based HR solutions, but they will need vendors who can help them get there.

Vendors may also need to provide more IT support and education. City of Memphis’ Smith noted that many public agencies don’t have the head count or expertise to manage a cloud transformation on their own, so they will rely on vendors to fill gaps. “Having partners who will support training and change management needed on these projects is very important.”

These clients may have more needs than private sector companies, but the vendors who can support them and prove they understand how the public sector environment works will be best positioned to win these clients in the future.



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