



Shaping tomorrow's talent agenda for the public sector

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Vast demographic changes are transforming the world and profoundly affecting how the public sector manages talent. Six priorities can help leaders shape a robust talent framework for the future.

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Globally, we face major demographic shifts that offer both daunting challenges and transformational opportunities for the future. There are specific ramifications for workforce composition and service delivery in the public sector. In particular, communities are better served when organizations reflect their constituents, paying special attention to the changing needs and preferences of citizens.

In the coming years, we will see a very differently shaped public sector. Long-term trends such as aging populations, the expanding presence

of Gen Z in the labor force, growing workforce diversity, and hybrid and remote work arrangements are reshaping demand for government services and making it critical that these services fulfill the entire spectrum of customer needs. By 2030, Gen Z is expected to account for about 30 percent of the global workforce.^[1] In the United States, Gen X made up 42.0 percent of the federal workforce in 2021, while Gen Z accounted for just 1.6 percent.^[2] One consequence of this disproportion is that the government faces a challenge when it comes to mentoring, apprenticing, and developing its next-generation workforce.

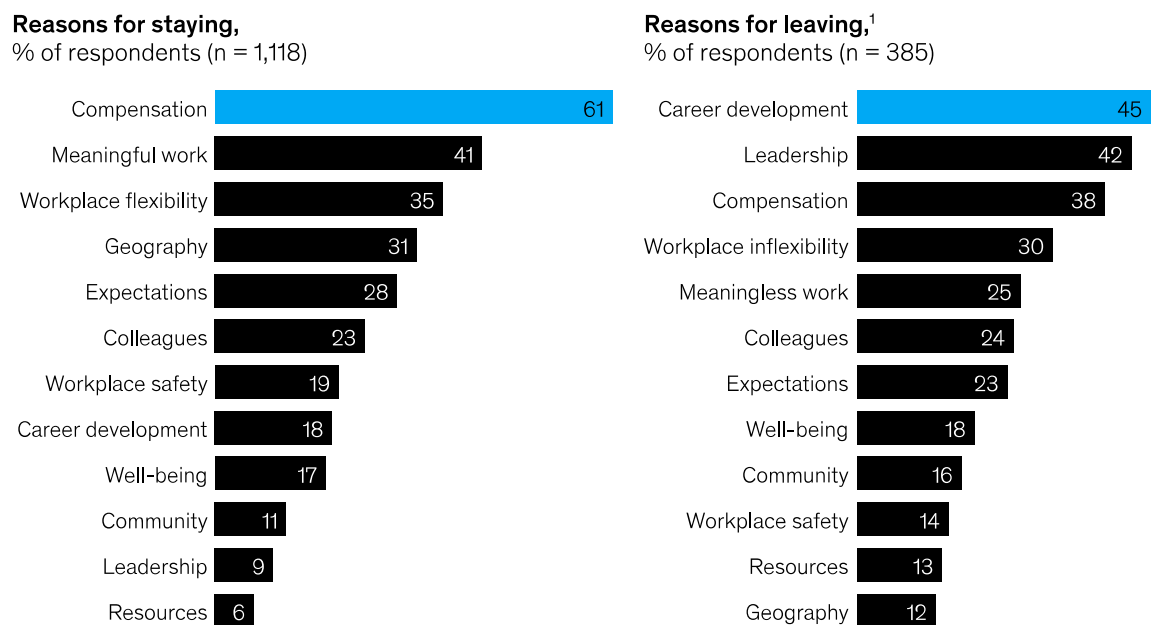
This has significant implications for organizations and leaders at every level. In this article, we discuss six priorities that the public sector could consider as part of its talent agenda and thereby seize the potential of these demographic shifts rather than be overwhelmed by them (see sidebar, “The critical impact of population demographics”). This six-part agenda can help attract and retain public sector employees in a manner that keeps pace with demographic trends. The agenda involves developing a strong employee value proposition (EVP); planning strategically for future workforce needs; establishing dynamic career pathways; considering stronger diversity, inclusion, and accessibility (DIA) approaches; modernizing operating models; and deploying AI, generative AI, and automation in talent management. Implementing the model will require strong leadership commitment and capabilities, as well as employee involvement in all aspects of the transformation.

Why do public sector employees leave—or stay?

We have examined this issue for many years and found several predictable patterns that drive employee satisfaction and retention in the public sector. Our [Great Attrition, Great Attraction 2.0 Global Survey](#) showed that public sector employees stay in or leave their jobs for different reasons (exhibit). Compensation is important to more than half of respondents in their decision to stay, but the top reasons for leaving are career development (45 percent of respondents), leadership (42 percent), and compensation (38 percent).

Exhibit

US respondents rate compensation as the most important reason for staying in a job, while reasons for leaving vary.



¹People leaving include individuals who quit or retired, as well as other separations.
Source: McKinsey Great Attrition, Great Attraction 2.0 Global Survey, Apr 2022, n = 1,503 for the public sector in the US

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The payoff to getting this balance right is dramatic. When public sector leaders prioritize their employees, they unlock significant improvements in the following areas:

- *Employee satisfaction.* We have seen an approximate threefold increase in employee satisfaction when leaders improve development opportunities and employee experience.^[3]
- *Productivity and performance.* Higher employee satisfaction can increase productivity and performance.^[4]
- *Citizen satisfaction.* Satisfied customers are more likely to trust the agency providing them with a good service. Better performance has a direct positive impact on citizen satisfaction, as the people who use public sector services recognize the benefits of a satisfied frontline workforce.^[5]

To achieve these improvements, leaders may wish to consider a holistic approach to attracting, retaining, and developing talent. We suggest a model that focuses on six important aspects of talent management.

Employee value proposition. The EVP is the “why” of going to work every day. Modern workers desire an employer who not only can provide monetary compensation but also fulfills their needs for flexibility, purposeful work, and career growth opportunities. A strong EVP that integrates a value-based performance measurement and flexible work environment can help pull top talent into an organization and keep the current workforce engaged.

In the public sector, organizations can strengthen their EVPs by offering competitive salaries and benefits, providing career growth opportunities, and emphasizing the impact of their work on the community.

Example: A UN agency reviewed its EVP to attract and retain talent in highly strategic roles for its 2030 strategy. By implementing hiring incentives such as bonuses, introducing on-the-job monetary and nonmonetary rewards for high performers (for instance, performance

bonuses and accelerated promotions), and enacting cultural interventions, the agency established itself as an employer of choice across four key dimensions: great organization, great job, great leaders, and great employee recognition.

Strategic workforce planning. This process entails predicting and addressing future workforce needs. It involves identifying critical roles, assessing future skill requirements, and formulating recruitment or training strategies accordingly. This proactive approach allows organizations to align their workforces with future strategic goals, ensuring readiness and resilience in the face of change.

Public sector leaders can kick-start strategic workforce planning by identifying key roles that are vital to their strategic objectives, analyzing the skills and competencies required for these roles, and devising recruitment or training strategies to address any skills gaps. Additionally, investing in leadership pipelines in which employees are trained, coached, and equipped to lead can help ensure a steady supply of leaders with the right competencies for future challenges.

Example: The ministry of immigration for a G-20 country initiated a digital transformation journey marked by the establishment of a “digital factory.” The ministry restructured its hiring process to target individuals with digital skill sets, refined selection procedures to better identify innovative thinking and adaptability, and developed programs to advance the technological proficiency of its workforce. This strategic pivot allowed the ministry to drive its digital transformation efficiently, ensuring that the necessary talent was available and engaged, with an estimated 100 candidates added to and funneled through the pipeline in about four months and more than 150 pain points and opportunity areas uncovered in the baselining exercise.

Career pathways. The changing job market is driving the demand for dynamic career pathways that depart from the traditional ladder toward a “climbing wall” model where the trajectory is not strictly upward. This shift is driven by a demand for diverse skills and experiences and an increasing emphasis on work–life balance and personal growth.

Future career pathways can provide flexibility for employees to move in different directions. This could include departmental shifts, specialist roles without managerial duties, or temporary steps back to learn new skills.

To implement these dynamic pathways, public sector leaders should foster a culture that values diverse career experiences. This includes implementing flexible policies, providing development programs, and rethinking performance criteria to value diverse skills over hierarchical progression.

Example: A multilateral organization recently transformed its traditional single-career pathway into a dynamic talent model. The new structure encourages flexible movement within the organization. Unlike the previous model, which offered limited mobility and promotion opportunities, the new approach accommodates diverse roles and skill sets. It also allows employees to evolve from individual-contributor positions into expert or managerial positions. Within months of the model’s implementation, several staff members had started to move both horizontally and cross-diagonally within the organization.

Modernized operating model. Today’s working environment, marked by hybrid work arrangements and the demand for quicker turnaround times and greater citizen centricity, necessitates a shift toward a more dynamic and modernized operating model.

Hybrid working integrates both remote and on-site work, offering flexibility and inclusivity, while agile operations prioritize responsiveness

and adaptability, helping to ensure quicker decision making and delivery. This operating model places a premium on citizen centricity, emphasizing services designed around the needs of the people served, leading to improved public satisfaction and trust. The demands of hybrid operating models are also creating new management challenges—including challenges to classic management approaches, which rely on working together.

To implement these dynamic and modern operating models, public sector leaders can begin by embracing hybrid work setups and investing in digital tools to facilitate communication and collaboration. They can also adopt agile methodologies to streamline processes, promote cross-functional collaboration, and enable faster decision making.

Example: A public sector entity implemented an agile operating model to make its communications more reactive and strategic. Faced with fragmented regional communications, the organization conducted an assessment against a custom-designed best-practice framework. This led to the creation of a new organizational model that included updated processes for proactive engagement and coordinated communication, as well as new ways of working that addressed key pain points and delivered on the ambitious vision for the future. The improved operating model built on three key areas to bring together expertise in strategic planning and execution while enabling improved cross-functional working to deliver a proactive and forward-thinking communications approach.

Diversity, inclusion, and access. In a diverse society, it is critical that public sector organizations reflect the communities they serve, as this can lead to better decision making, increased public trust, and improved service delivery.

The future of DIA approaches in the public sector is likely to be comprehensive and integrated into all aspects of organizational culture and operations. This extends to adopting inclusive recruitment and retention strategies that cultivate a diverse workforce and creating professional-development opportunities that are accessible to everyone.

To implement these approaches, public sector leaders could include DIA goals in their planning and find ways to measure performance. Inclusive hiring practices can attract a diverse range of candidates, and training in unconscious bias can increase fairness in decision making. Leaders can also invest in mentorship and professional-development programs to support career progression for employees with diverse backgrounds.

Example: In February 2022, McKinsey teamed up with the Partnership for Public Service, which presented a series of workshops aimed at equipping US federal leaders working across the public sector with research-based insights—and a community of practice—that support more effective DIA work. Strengthened awareness of these strategies has helped public sector leaders accelerate implementation of DIA approaches.^[6]

AI, generative AI, and automation. In the past three years, we have seen unprecedented growth in the deployment of AI across all sectors. The public sector is also influenced by these trends but has seen a relatively slower uptake than other sectors, partly because of the need to establish proper settings for the safe and ethical use of new domains. Over the coming years, there will be more opportunity to leverage these tools in safe ways. These technologies have the potential to optimize talent management and enrich the EVP, enabling data-driven decisions and personalized services.

The future holds the potential for these technologies to play a transformative role in talent management. Generative AI can simulate workforce planning scenarios, AI can optimize recruitment strategies, and automation can streamline routine tasks. These technologies can also offer personalized learning experiences, enhancing professional development. To implement them, public sector leaders should consider establishing a digital transformation strategy and identifying the best areas for pilot projects. Upskilling employees, fostering digital literacy, and ensuring data privacy and ethical AI use are crucial steps. This integration can enhance operations and create an enriched experience for employees.

Example: The Singapore government has launched its Artificial Intelligence Government Cloud Cluster (AGCC), which is designed to accelerate AI adoption in Singapore's public sector and to help advance local research efforts in applied AI. A digital academy will put in place programs that help agencies develop AI expertise and implement data governance practices. The training programs will be tailored to 150,000 public officers across 16 ministries and more than 50 statutory boards. [7]

How to think about talent differently

When we look at the most successful talent organizations in the world, we see that they all do some things differently. Committed leaders engage employees in the talent transformation process. Feedback around the purpose and priorities for the transformation can help define success factors and increase buy-in.

At the same time, the organization must have both the functional (for instance, digital and analytics, delivering results, resources, and risk

management) and leadership (for example, leading self, others, and systems) capabilities and competencies needed for success, which may require additional investment in training and development programs.

Good communication can foster understanding and support for the program and help to align the organization around unifying goals and values. Public sector executives should track progress and measure success with transparent, objective metrics and benchmarks to ensure that transformational change outlasts any individual leader.

Best-in-class talent management is more crucial than ever. To navigate these uncertain times successfully, public sector leaders must reimagine their strategies and foster innovation in their approach to talent management. By harnessing the potential of demographic shifts, the public sector can evolve, attract, and retain the finest professionals and continue to serve citizens effectively in a rapidly changing society.

How relevant and useful is this article for you?

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