Moving AI from buzz to value

AI and human capital management in government

Depending on who you listen to, artificial intelligence (AI) is either going to be the end of humankind or the solution to all its problems. Somewhere in the middle, of course, lies the truth. For those involved in human capital management (HCM) in government at all levels, federal, state, and local, finding that truth is a matter of great importance.

Government agencies face security, privacy, and other regulatory constraints unique to the public sector, and often lack the resources and agility of their private sector cohorts. There's little time, money, or flexibility to experiment with emerging technologies as the private sector does. That's not all bad, of course. The upside is that the private sector will usually work out many of the kinks in advance. They'll make the mistakes so that agencies won't have to.

However, AI—and generative AI (GenAI) in particular—is threatening that well-established adoption curve. With GenAI, we no longer have five or so years of lead time for the private sector to sort out the most productive use cases or the best approaches to implementation; it's coming within the next one-to-three years if it hasn't already begun to affect your agency. GenAI has democratized AI, taking it out of the realm of IT, software engineers, and data scientists where other AI algorithms have long lived and putting it into the hands of the masses. Anyone can access and use it. Elementary school children are using it. For anyone involved in HCM, it can't be pushed off or ignored.

Nor should it be. Despite the hype and concerns, AI can be an extremely valuable tool in HCM. There are several near-term opportunities where AI can greatly enhance agency HCM capabilities, including:

- **Talent optimization**, including recruitment, hiring, and onboarding processes
- **Intelligent workforce management**, including payroll processing and metrics, intelligent scheduling, rewards, and optimization of resource allocation

Why modern government is important

Government agencies in the U.S. must modernize in order to keep up with changing user needs, regulations, and health and public safety requirements. Leaders of modern governments rethink business processes and service delivery models to more effectively achieve their mission. This article is one of a series that features how modernizing affects the government workforce and the user experience, improves security and public trust, and accelerates the digital journey. KPMG team members offer insights intended to help guide governments in their modernization efforts to encompass all processes, technologies, policies, and the workforce so each works together to create connected, powered, and trusted organizations.

- **Employee growth and retention**, including performance management and assessments, skills-based career development aligned with agency strategies
- **Employee support**, including benefits administration, employee records management, HR support or service desks, updating employee handbooks and other employee resources, and regulatory and compliance adherence.

It's a relatively long list, so let's look at just one: Recruitment and hiring processes.

Recruitment and hiring processes

Government agencies at all levels are struggling to fill open complement. Since the pandemic, the labor market has been extremely tight with a continued low participation rate—1.7 job openings for every unemployed person in the first few months of 2024.[1] The US Chamber of Commerce says there are 9.8 million unfilled jobs and only about 5.9 million job seekers to fill them. The public sector has lagged far behind private employers, with several hundred thousand government jobs going unfilled.[2]

AI has the potential to attract more people—and indeed, more creative and talented people—to the public sector by removing drudgery and monotony from jobs.[3] It can also help by eliminating one of the impediments agencies have in filling many positions: the requirement for a four-year college degree. The National Governors Association has been encouraging states to address the labor shortage by prioritizing practical experience and skills training over degree requirements for state jobs. Typically, a degree has been used as a proxy for such skills and experience, but relying on degree alone can eliminate a large pool of candidates who have the necessary skills and experience but not the degree. AI has the potential to help identify the skills and experience required for a job and to match those to applicant skills in lieu of a degree.

If AI can help expand the pool of truly qualified candidates, then it can also help with the opposite challenge: addressing the high volume of unqualified applicants. The ease with which one can apply to any position in the internet age—typically with a single click or tap—has dramatically increased the number of people who are willing to "take a shot" despite their obvious lack of qualifications. And why not? It costs them nothing, but of course costs human resources (HR) managers dearly as they're forced to sift through thousands of such applications. AI can greatly enhance prescreening and selection of truly qualified and attractive candidates.

AI can also assist by writing better job descriptions that help make requirements clearer and entice more qualified candidates to apply. It may also help to steer unqualified applicants to positions for which they are qualified.

Once the pool is narrowed, AI can help identify the most competitive candidates, prescreen candidates using chatbots, schedule them in the ideal order for interviews, create ideal questions to ask them based on a candidate's personal background, and even help answer any questions they may have.

AI can also help eliminate the problem of employer "ghosting" of applicants—failing to send any response to an applicant, even a notice of rejection. In a recent survey, 67 percent of candidates said they have been ghosted by employers after a job interview. Historically underrepresented candidates face an almost 25 percent higher chance of being ghosted.[4] Such snubs may be felt personally and turn off candidates from applying to other positions in the future.

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[1] Federal Reserve Economic Data (FRED), February 2024
[2] Mark Wolf, "Despite Strong Labor Market, State and Local Government Jobs Go Unfilled," National Conference of State Legislatures (NCSL), September 2023
[3] Phil Murphy and Spencer Cox, "Reevaluating Degree Requirements for Government Jobs," National Governors Association, April 10, 2023
[4] Melissa Suzuno, "Flexibility is key: Results from the 2023 Greenhouse Candidate Experience Report," Greenhouse Software, Inc., June 5, 2023

While all these benefits have been focused on improving the quality and quantity the new hires, let's not forget that the same technology can also improve the job satisfaction and effectiveness of the HCM professionals using it. GenAI can allow them to spend more time on the personal interactions that drew many of them to the profession instead of the bureaucratic drudgery that many must now often deal with.

Efficiencies even before the hiring begins
We have heard from clients within several agencies at the federal level that even before the recruiting and hiring process begins, simply opening a job requisition can be an enormous challenge. It can take up to 120 days from the time a department or program head begins the process until the requisition is finally approved.

The challenge begins with the struggle to determine what should be included in the initial request—the standard language associated with a given skill set the position demanded. The complexity of policy validations that then must occur at several organizational levels—currently all manual processes—can create multiple back-and-forth "negotiations" largely centered around language.

KPMG has demonstrated its GenAI solution that can cut the process literally down to a few hours by drawing on the wealth of data tied to both job descriptions and policies, automating the back-office processes, and eliminating the back and forth.

Addressing the organization-wide impact

Looking at just this one item from the list—recruitment and hiring—should give anyone a sense that AI is poised to have a major organizational impact. The time to start preparing is now. But without the private sector to show us the way, where do agencies begin? We see five key steps:

1 **Start reexamining work at both the micro and macro levels.**

With any change of this magnitude will come an equally large number of questions and uncertainties, and therefore risks and challenges. Given the speed with which AI is advancing and impacting organizations, it's more than reasonable to not have all the answers. But that doesn't mean you can't start asking the questions.

How might it impact headcount and job descriptions? How could it affect contracts with labor unions? How many employees might need to be reskilled and how will that be handled? How could it affect the agency's budget?

Introducing such a significant change into any one job will clearly require a rethinking of how that specific work gets done, but collectively across multiple jobs it becomes an opportunity to rethink and redesign how all work gets done—how the agency's operating model should change. It's asking not only how the technology might affect business processes and constituent interactions but also how it *should* affect them to achieve the agency's mission more effectively.

Such reexamination should likely start close to home. It's clear that AI will reshape the HCM function itself, not just the workforce around it. HCM can help drive greater efficiency and effectiveness organization-wide, but its ability to unlock capacity and productivity for HCM professionals will ultimately reshape how HCM will operate in the not-so-distant future.

2 **Reconsider the attributes that are prized in new hires.**

There's also a separate ticking clock that could make the impact of AI on HCM within government agencies far greater than within the private sector. Consider that the federal workforce skews considerably older than the general US workforce. At the beginning of 2023, just 7 percent of permanent full-time federal employees were younger than age 30 compared with 20 percent in the broader labor market, and 31 percent of all government employees are eligible to retire by 2025.[5]

Like many other technology innovations, AI is expected to create more jobs than it kills.[6] However, those jobs will require very different skills than many employees have today. As you might expect, jobs for AI specialists are projected to increase by 39 percent over the next five years, for example.[7] Perhaps ironically, though, even employees skilled in AI and data science will likely be affected. Python, for example, is a very popular computer programming language in machine learning, and therefore a highly desirable skill to have for anyone seeking a job in that area. But GenAI may be changing that. Instead of someone thinking, "How do I write what I need in Python?", they may now be thinking, "How do I create the right prompts to get GenAI to write what I need?"

It may be that regardless of the position, the skills or human attributes you look for will change significantly. Curiosity or business acumen, for example, may be prized over technical skills.

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[5] Anthony Fauci and Max Stier, "The federal workforce is aging. It's time for a new generation," The Washington Post, February 7, 2023
[6] Clive Crook, "AI is likely to create more jobs than it kills," Bloomberg, December 8, 2023
[7] Ian Shine, "We often hear that AI will take our jobs. But what jobs will it create?," World Economic Forum, September 18, 2023

3 **Lay the groundwork with an AI-ready culture.**

AI promises to increase employee satisfaction by eliminating many mundane or repetitive tasks, making their jobs easier and enabling them to be more productive and creative. However, it can easily have the exact opposite effect due to one thing: fear.

A Pew survey about Americans' views of AI use in the workplace revealed that 62 percent of Americans believe that AI will have a major impact on workers generally, but that only 13 percent believe it will help workers more than hurt them.[8] Nearly a quarter of workers believe their own jobs are at risk.[9]

Whether employee fear is justified or not is immaterial to its impact on the organization. Employees who are insecure about their continued employment display lower levels of performance, commitment, well-being, and trust in the organization.[10] Fear can manifest into anxiety, depression, and hopelessness, and an environment in which these negative emotions are prevalent can become a very hard one to work in and be productive.[11]

The result can be an organizational culture that forms a major barrier to any AI effort. In our KPMG 2023 Technology Survey, US technology executives said that people issues— including communication and collaboration issues, along with organizational change resistance—were the top reasons blocking their transformation progress, not technology or budget issues. Sixty-eight percent of technology leaders said they struggle with leadership buy-in—an essential ingredient for inspiring change.[12] Government agencies may also face the additional challenge of labor unions and their resistance to any AI initiatives.

You can't start soon enough on building an AI-ready culture even if you haven't yet identified your first AI project. A detailed, multistage approach is typically required to help build belief and buy-in, but at its core, it involves one essential thing: listening to employees and involving them throughout the entire process so that any AI implementation is done *with* them and not *to* them.

4 **Begin building a knowledge base of the impact of AI and GenAI more broadly.**

In addition to culture, it's also important to build a knowledge base to help you understand the impact of AI and GenAI

more broadly on your employees and the work they do. An ideal place to start is by reexamining your learning programs, with a holistic approach geared toward introducing facets about AI, the art, the possible, and the skills needed from both a leadership and employee perspective. This must begin way before introducing any type of technology, use cases, etc., by expanding the focus on creating awareness through targeted learning and change adoption.

5 **Enable responsible AI through ethics, policy, and people.**

The use of AI in any form opens a Pandora's box of risks, including a lack of transparency and explainability, security and privacy concerns, bias and discrimination in hiring or promotion, misuse, legal or regulatory challenges, and more. Delivering value through AI requires thoughtful and ongoing considerations, with attention to fairness, transparency, regulatory compliance, and more.

HCM professionals must help ensure that the cart doesn't get out ahead of the horse in any rush to adopt an AI-based solution. These tools are designed for people to use and to change the very nature of what people do—especially how they make decisions. Consider how the lack of transparency into the workings of an AI model used in decision-making could impact hiring or promotions, performance evaluations, or compensation decisions. GenAI, for example, is infamous for its hallucinations—when it generates completely false or invented information as though it were fact. It's also entirely dependent on the data it was trained on. If that data contains errors or biases, then those same errors or biases are likely to appear in the results it produces.

Selecting the appropriate AI solution, therefore, isn't necessarily a straightforward task, nor is determining the safeguards that must be put in place to help prevent damage from the risks involved. Understanding how a trusted AI framework must be developed within and across the agency becomes a paramount consideration.

Underlying data plays a crucial role in responsible AI use as it forms the foundation for decision-making and algorithm development. Data quality is vital to ensure accurate, unbiased, and relevant insights are generated by AI systems, promoting fair and equitable practices. Rigorous testing processes are key in establishing the reliability and effectiveness of the AI system, helping identify and mitigate any biases or potential discrimination that may arise.

[8] Lee Rainie, et al., "AI in hiring and evaluating workers: What Americans think," Pew Research Center, April 20, 2023
[9] "AI Generates Excitement and Fear as Employees Worry about Job Security," Qualtrics, June 13, 2023
[10] Diego Bellini et al., "Understanding and Exploring the Concept of Fear, in the Work Context and Its Role in Improving Safety Performance and Reducing Well-Being in a Steady Job Insecurity Period ," Sustainability Journal, 2022
[11] Andrew Carton, et al., "Does Fear Motivate Workers — or Make Things Worse?," Knowledge at Wharton, December 4, 2018
[12] "2023 KPMG US Technology Survey Report," October 2023

What's realistic?

As with any seemingly overwhelming task, the first step is to prioritize. Where might AI have the greatest impact within your agency, for good or bad? Where are your biggest pain points or the best opportunities? What tasks are easily automated? How do you begin to attract young talent? Start asking and answering these questions now.

While the speed with which AI is impacting people and the workplace does mean we don't have the typical five-plus years to allow the private sector to clear the path and show us the way forward, it doesn't mean that partners—both professional services firms and technology providers—aren't already thinking about government. Unless you're the Department of Defense, you likely won't need to develop your own custom applications. Solutions from trusted vendors will appear that will be vetted, in packages designed specifically for government. AI will become embedded as part of the apps you're already using.

In an unusual twist, it may be that the private sector is the one that finds itself lagging in this area. A gating factor for any AI-driven HR information system (HRIS) is how dependent it is on the proprietary data companies must add. The net is that the application itself becomes proprietary and therefore something companies would typically be loath to share. The transparency afforded by governments may make government the place where vendors focus first.

But again, you can't wait for vendors. You can begin to explore use cases today—isolated experiments instead of full-blown implementations where you can score quick wins, get your feet wet, and begin to build confidence. You can adopt a "crawl, walk, run" approach to stage the efforts you've prioritized, for example:

- **Crawl:** Automate routine tasks and enhance the employee experience

- **Walk:** Advance talent development, recruitment processes, and data insights

- **Run:** Become a strategic partner in organizational growth and employee well being.

Accept, too, that no matter how well you anticipate and plan for AI's impact on your organization, there's a good chance that reality may fail to meet many of your projections or follow along with your plans. Remember how email was first seen as an incredible productivity tool that was going to completely change our lives for the better? In reality, while it may have greatly enhanced the speed of communication within and between organizations, it has also created an extra layer of complexity and an added burden. The lesson here is that change may change. Transformation is not a project with a beginning and an end; it's a never-ending journey, and so flexibility and agility are essential throughout.

How KPMG can help

KPMG has worked with federal, state, and local governments for more than a century, so we know how public sector agencies, education institutions, and healthcare organizations work—and we're helping them design and implement real AI use cases today.

We're experienced, nimble, and flexible. We understand the unique issues, pressures, and challenges government organizations face on the journey to AI adoption. We'll meet you where you are on that journey and help advance your progress with no agenda other than to see you succeed. We'll help you leverage the investments you've already made to help maximize their value—not try to sell you something new.

We offer clarity and insight. As a trusted advisor, we can help you make sense of everything going on in the highly dynamic world of AI that can impact your mission, from regulatory mandates to emerging technologies. We can help align your efforts with leading practices from both the private and public sectors, and help keep you moving forward quickly with confidence and conviction.

We see the big picture. We can help you anticipate and adapt to the wide-ranging impacts AI can have on your organization, including budgets and financial controls, business processes and operating models, and employee growth and retention. We can help you understand your data—where it comes from, what controls are required, how to help maximize value locked in it, and how to share that value across organizations. We can help you harness the power of AI ethically and responsibly with trusted AI principles and governance models for managing risk.
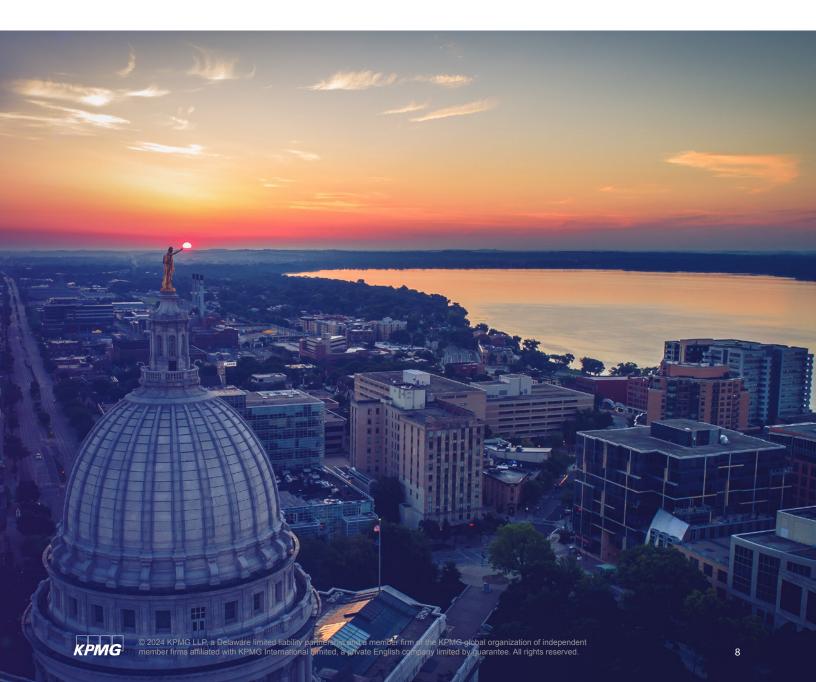
We can help you from strategy through implementation. Unlike business-only consultancies, our more than 15,000 technology professionals have the resources, the skills and experience, the battle-tested tools and methodologies, and the close alignment with leading AI technology providers to help achieve your vision, quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials, subject matter professionals, and public sector experience to help you deliver measurable results, not just blinking lights.

About KPMG

KPMG has worked with federal, state, and local governments for more than a century, so we know how agencies work. Our team understands the unique issues, pressures, and challenges you encounter in the journey to modernize. We draw on our government operations knowledge to offer methodologies tailored to help you overcome these challenges and work with you from beginning to end to deliver the results that matter.

The KPMG team starts with the business issue before we determine the solution because we understand the ultimate mission. When the way people work changes, our team brings the leading training practices to make sure your employees have the right knowledge and skills. We also help your people get value out of technology while also assisting with cloud, advanced analytics, intelligent automation, and cybersecurity. Our passion is to create value, inspire trust, and help government clients deliver better experiences to workers, citizens, and communities.

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