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Career Compass No. 117: "Do We Need a New Employer-Employee Compact?"

"The long-standing employer-employee compact or relationship no longer works. How do local government leaders begin to create a new mutually beneficial relationship with local government employees?

By Dr. Frank Benest | Sep 10, 2025 | ARTICLE

Dear Frank:

I am a long-time local government manager and currently serve as an Assistant City Manager in a medium-sized city in the western U.S. We are experiencing a variety of serious challenges which undercut our ability to perform and serve our community.

First, a number of talented employees have recently left our organization and we are having problems replacing them.

Second, those who have stayed seem overly anxious and often exhausted. Many complain about ever-increasing "priorities," too much work, and lots of stress. Productivity seems to have plummeted. We are certainly not keeping up with City Council and community demands.

Third, most staff (not just the younger ones) expect more from us, including more flexibility, work from home options, help with child or elder care, and support for mental health challenges.

Our agency has tried to respond in some reasonable ways. However, our efforts seem insufficient. How do we deal with all these serious problems challenging our current and future viability as an agency? What do we do to return to normal?

To support my colleague, can you suggest some things that I can do?

Response

When can we return to normal? Never.

The world has changed, even before COVID. The pandemic only exacerbated workforce trends. (See Career Compass #104 "Workforce Trends You Cannot Ignore.")

I believe that our traditional employer-employee relationship no longer exists, and we have not yet figured out what replaces it. The notion of working for government is especially unappealing to younger workers. They have grown up hearing much anti-government sentiment; they don't see government service as a noble calling; they dislike the uncivil discourse; they don't appreciate the endless meetings and all the bureaucratic process; and they demand flexibility.

In my view, we in local government need a new employer-employee compact to attract and retain talent, enhance productivity, promote adaptability and innovation, and in the process better serve our communities.

While it is not clear what a new employer-employee compact would definitively look like, my intent for this column is to ***provoke*** the thinking and action of local government leaders so that we transition to a new long-term relationship with our employees.

What is a Compact?

A compact is a formal or informal understanding between two or more parties identifying mutual purpose, expectations, benefits and obligations. Values, norms, processes, protocols, and rules are developed over time to support the understandings between the two parties.

In terms of the employer-employee compact, it is the understanding of what the organization and their employees "get" or benefit from the relationship and what the organization and the employees "give" to each other. The compact comprises a balance of getting and giving. Both parties understand and acknowledge a voluntary relationship that benefits both sides.

What Was the Old Compact?

The old compact in local government consisted of the public employer providing purposeful work, a livable salary, good benefits, decent working conditions, stable ways of doing things, fairly predictable advancement opportunities following a number of years, a set of understandable rules and processes based on a stable environment, and generally lifetime employment if you did not "screw up." In addition, local governments had a more or less stable and growing tax base (mostly property tax), and there were understandable rules (for instance, job descriptions) and a well-defined set of services that were provided by the public employees.

Employees provided the local government organization with generally a good and consistent work ethic, loyalty and commitment. Therefore, agencies enjoyed low turnover. With a good workforce and decent management and a stable revenue base, local governments had a defined scope of services and were able to provide them.

Why Does the Old Compact No Longer Work?

Due to globalization and the information age, stability has given way to rapid and unanticipated change which has completely disrupted society and all sectors of the economy, including local government. Let me identify just a few of the many dramatic forces at work.

First of all, the new economy is based on service and knowledge creation and transfer. Approximately 85% of the U.S. Gross National Product is related to service and knowledge. (See *statista.com*, Jan 25, 2025.) Yet, local government tax revenue largely comes from taxing property and the sale of things. As the service- and knowledge-based economy continues to grow, local government tax revenues are derived from a smaller and smaller sliver of the economy. Thus, local government faces permanent fiscal stress. With each recession, agencies must cut costs, which may include layoffs. Life-time employment is of course no longer assumed.

Second, demographic, social, value and political shifts have disrupted our local government world. Anti-government sentiment undercuts our ability to perform. One day people want to de-fund the police; the next day there are demands to add police and support them. With increasingly diverse and changing communities, people want local government to address problems for which there are no clear solutions (for example, immigration, homelessness, affordable housing, climate protection). To make matters worse, community polarization makes it difficult for local government to find common ground and respond to these adaptive challenges.

Moreover, we no longer have a well-defined portfolio of services. The demands keep coming with new governing board "priorities" seemingly each month. Our agencies thus have little focus and are strained to respond. Many employees are overwhelmed, stressed, and exhausted with overwork. (See Career Compass #116 "Combatting Chronic Organizational Distress.")

Third, the COVID pandemic caused many of us to rethink work, how work is done, and its place in our lives. The "Great Re-Evaluation" has led to new employee demands for remote and hybrid work, alternative schedules, less time commuting, more flexibility for child and elder care, and a focus on work-life balance and well-being. In fact, Gallup now reports that the number one reason that people change jobs is for better work-life balance and personal well-being. (See Corey Tatel et al., "The Top Four Reasons for Taking a New Job," *gallup.com*, Feb 24, 2025.)

Fourth, technological change (including AI) is forcing us to figure out how to deliver services in new ways, cut costs, and basically change the way we work.

Given all this disruption, a large number of employees are no longer committed to their local government organizations, freely exiting at any time. Based on survey data, Mission Square Research Institute found that over half of state and local government employees are thinking of leaving their jobs. (See "The Great Resignation and COVID-19: Impact on Public Sector Employment and How Employers Can Help," *missionsq.org*, Jan 27, 2022.)

A majority of those remaining with their agencies are "quiet quitting," doing the bare minimum. Gallup reports that in 2024 52% of the U.S. workforce was not actively engaged. (See Jim Harter, "U.S. Employee Engagement Sinks to 10-Year Low," *gallup.com*, Jan 14, 2025.) Even though remote and hybrid workers have been more engaged and more productive than totally onsite workers, senior management has increased control and accountability measures: more update meetings, demands to return to the office (even though much of the office work can be done at home), and in some cases increased use of surveillance software to ensure that remote employees are working.

"Limbo-Land"

The old employer-employee compact no longer seems to work. Local government organizations have yet to create a new compact. We are in limbo-land.

What Would a New Compact Look Like?

The old compact was a basically a *transactional* model. The organization gives employees decent pay and benefits, good working conditions, and lifetime employment. This model still lingers. As CEOs have tried to lure employees back to the office in the post-pandemic, many used a transactional approach, offering higher pay and better family-oriented benefits.

While employees certainly appreciated higher pay given inflation and better family-oriented benefits, what they really desired was a *relational* approach. Employees wanted the organization to care about them and their well-being and the well-being of their families. They wanted flexibility on how and when to do their work. They wanted management to acknowledge and respond to their concerns about commute times, child or elder care responsibilities, overwork, stress, and anxiety.

What Would Organizations Give?

Remember, compacts are about giving and getting. Both parties benefit.

If we need to move towards a new more relational compact with employees, what would local government organizations need to provide?

To create a more viable and vital employer-employee compact, good salaries and benefits are necessary but insufficient. In addition, I believe that employees want five basic things from their organization:

1. <u>Purposeful work</u>

Purpose is one of the strongest self-motivators. (See Daniel Pink, *Drive: The Surprising Truth About What Motivates Us*, 2011.) It used to be that providing a strong sense of purpose was part of our competitive advantage in local government. However, with overwork and ever-increasing new “priorities” and demands thrown at employees, some employees have lost a strong sense of purpose and meaning.

2. <u>Autonomy</u>

Autonomy is also a strong self-motivator. (See *Drive*.) People do want flexibility in scheduling. However, autonomy and flexibility go well beyond just scheduling. Within certain guiderails, people want flexibility in how work is done, in making decisions, and in contributing new ideas to solve problems.

3. <u>Learning and growth</u>

People are driven towards “mastery.” (See *Drive*.) They want to learn and grow and get better and better at what they do. In addition, people want organizations to not just allow for advancement over time, but rather to actively promote their career development. Talent development efforts (coaching, stretch assignments, team leadership opportunities, job rotations, apprenticeships of all kinds) are no longer nice-to-haves; they must become key organizational commitments.

Most importantly, learning is the new “social glue.” As long as talented employees are learning and growing, they tend to stay with an organization.

4. <u>Belonging</u>

People spend most of their waking hours working. They want to feel a part of something larger than themselves. . .a community. They especially want the organization to demonstrate that it cares about them and their families. Gallup has indicated that a key driver of engagement is that “someone at work cares about me.” (See Marcus Buckingham and Curt Coffman, *First, Break All the Rules: What the World's Greatest Managers Do Differently*, 1999.) Caring includes a commitment to support one’s growth and development and a general regard for the well-being of the person. (See Career Compass #107 "The Business Case for Workplace Belonging.")

To demonstrate caring, you cannot perceive employees as "head count" or mere positions or just another commodity that can be replaced. Leaders must demonstrate that you care about employees and their families. As long as employees commit to the organizations (see below for what organizations get), you will do your best to promote their development and avoid layoffs and other harmful acts. (See Career Compass #82 "Avoid Layoffs by Using a Menu of Strategies.")

5. Appreciation

We all need to feel appreciated. It is not enough that we show up for work, do our work, and get paid. We all want to feel recognized for our contributions. In fact, Gallup has found that a key driver for engagement is that "I have been recognized in the last seven days." (See *First*, *Break All the Rules*.) Oftentimes, we get recognized as an afterthought. Organizations must develop a "culture of appreciation."

These five elements are not an a la carte menu. They must all be incorporated into a strong relationship-based culture.

What Would Organizations Get?

For organizations to benefit from the new compact with employees, they need certain commitments from employees.

1. Engagement

As an employee considers joining a local government agency and stays with an agency, there must be an explicit understanding that the local government agency needs actively engaged employees. Actively engaged employees are open and enthusiastic about new challenges and ways of doing things, contribute their ideas, and are "all-in." Most importantly, engaged employees provide discretionary effort over and above the minimum.

2. Learning agility

In an uncertain and turbulent world, the organization's top management understands that learn-how becomes more important than know-how. Over time, the organization will become known as a "learning factory" and will attract agile learners. Because there is no learning without making mistakes, the organization will look at well-intentioned mistakes as pathways to learning.

3. Increased productivity

All the research suggests that a more engaged and learning-oriented workforce is more productive. Engaged employees also result in lower costs (lower turn-over and lost productivity, sick time, worker comp costs, disability claims). (See Gallup 2024 Global Workforce Report, *gallup.com*.)

4. A new kind of loyalty

Employees will commit to stay with an organization as long as they are learning and growing. Once they stop learning and growing, the organization understands that they may tend to leave.

5. Resilience and adaptability

McKinsey and Company reports that employees who live with a purpose are more resilient, adaptable, and in fact happier. (See Dana More et al., "Raising the Resilience of Your Organization," *mckinsey.com*, Oct 12, 2022.) Given the turbulent and polarized environment of local government, organizations desperately need employees who are resilient and can "bounce forward."

How Do We Move Towards a More Relational Compact?

I suggest that leaders start with the following steps:

1. Start conversations

The first thing to do is start a series of conversations with the Executive Team, all employees including mid-managers, and union leaders. Town Hall meetings, focus groups, and stay interviews with employees can provide rich data. (See Career Compass #80 "To Retain Your Talent, Use Stay Interviews.")

In these conversations, ask:

- ✓ What are your expectations about working for the organization?
- ✓ What do you want the organization to give you?
- ✓ What are you committed to give the organization?
- ✓ What is working for you?
- ✓ What is not working for you?
- ✓ What promotes your energy and active engagement?
- ✓ What drains your energy?
- ✓ What would drive you away?
- ✓ What would keep you here?

Once you have identified a number of themes, share the themes with all groups and then discuss the implications with the Executive Team, all employees, and the governing board.

2. State your intent

Once you have conducted a series of conversations, it is important to publicly state your intent to develop a more relational approach and share your personal leadership commitment. Stating your intent in public creates ownership and accountability.

3. Identify several initial efforts with the Executive Team

The Executive Team must take ownership of this effort to remake the employer-employee compact. The department directors do not have to create a full-blown initiative but the Executive Team must start someplace. For example. . .

- How do we begin to focus on purpose and every employee's contribution towards fulfilling the mission?
- How do we work with the governing board to narrow the focus and commit to only a few do-able priorities?
- How do we begin to promote different forms of autonomy and flexibility for different groups of employees, including front-line, customer-facing employees?
- How do we become more of a learning- and development-focused organization?
- How do we begin to take more smart risks and better promote in practice adaptability and innovation?
- How do we move from productivity metrics based on time at the office or in-person facetime to the measurement of outcomes and results?
- How do we further create a culture of appreciation?

4. Make understandings and expectations explicit

The Executive Team must make understandings about the relationship with employees and mutual expectations explicit. For instance, the organization may now make layoffs a last resort, favor internal promotions of qualified staff or agile learners, declare a move to greater autonomy within certain guide-rails, and/or reconceptualize the role for mid-managers.

The Executive Team can make these expectations clear in All-Hands meetings, incorporate them into the Employee Handbook, and make them central to all onboarding activities.

5. Make a few investments

What kind of resources are needed to move in this direction? Thankfully, most programmatic efforts do not require much funding. You might need some budget for management training and talent development programs or a revamped onboarding process, but not much. Creating a relationship-based compact is mostly about leadership will, focus and time.

6. Upskill mid-managers

Most mid-managers (and many department heads) see their primary role and responsibility as "pushing out the work." However, to develop a new relationship-based compact with employees, we must reskill or upskill mid-managers in order to better create relationship and connection with employees. (See Career Compass #96 "Why We Need Great Mid-Managers More Than Ever.")

Operating under a new compact, managers and other direct supervisors must focus on:

- ✓ Conducting more productive 1:1 conversations with employees
- ✓ Talking about purpose and helping employees connect their work to the organization's mission
- ✓ Allowing employees to "figure it out"
- ✓ Supporting the learning and growth of individual team members
- ✓ Showing appreciation for the contributions of direct reports

All of these new behaviors require some re-training of managers and support from the top. Positive change happens (or not) in the middle of the organization. Gallup reports that direct supervisors are responsible for roughly 70% of the variance in the engagement and performance of direct reports. (See Ken Royal, "Who's Responsible for Employee Engagement?" *gallup.com*, Sept 14, 2019.)

7. Heal the "trauma"

A lot of employees are feeling distress, what some researchers are now calling "trauma." While "trauma" may certainly seem like a loaded term, trauma is defined as anything that overwhelms a person's or an organization's ability to cope.

A good number of local government employees are distressed by too many priorities; too many low-value meetings (meetings have doubled in most organizations since the pandemic) and other low value-activities, such as administrative reports and annual performance reviews; working all the time; and not being able to discern if they are making much of a difference.

Part of the new compact is to "heal" or at least address much of this distress. Efforts may include eliminating low-value update meetings, instituting intentional scheduling (for example, "no meeting Fridays"), helping the governing board focus on a few meaningful priorities, and replacing the annual performance review process with meaningful 1:1 performance conversations. (See Career Compass #116 "Combatting Chronic Organizational Distress.")

8. Model the way

Of course, the most powerful way to promote change is to model new attitudes and behaviors. Are you and department heads modeling new behaviors for everyone?

9. Survey employees on a regular basis

Most of the issues identified in this column relate to the drivers of employee engagement. (See Career Compass #37 "Engaging Employees for Success.") Therefore, I encourage you to survey employees regarding their engagement at least once a year. It is also beneficial to reward and hold managers and department directors accountable based on their unit/department engagement scores.

Is a "Tour of Duty" Possible?

So that employees can try out a position or positions in a local government agency to determine if they fit given the new compact, perhaps we can experiment with a "tour of duty" concept. Employees who understand and are willing to commit to the new expectations would sign up for a possible three-year tour of duty. If they get what they need and the organization gets what it needs, the agency and the employee can re-up and commit to another three-year tour. The two parties enter into this voluntary relationship.

The employee self-selects in and may self-select out. The organization can also terminate the relationship if the employee does not meet the agency's expectations. (See Reid Hoffman et al., "Tours of Duty—The New Employer-Employee Compact," *Harvard Business Review*, June 2013.)

What About Unions?

Traditional public sector unions will continue to focus on salary, benefits and working conditions. It is appropriate for them to do so. Providing livable compensation and good benefits is necessary going forward, but completely insufficient to address the broken compact with employees.

Where possible, I suggest that top management and union representatives move from adversarial negotiating to interest-based bargaining to address a number of issues:

- ✓ How do we co-develop a set of flexible benefits for employees?
- ✓ How do we reward actively engaged, agile learners?
- ✓ What cost reduction and revenue enhancement measures do we promote together in order to reduce the need for future layoffs?

- ✓ How do we share with employees productivity gains due to new technologies or better ways of doing things?
- ✓ How do we update the notion that employees have a property right to their positions and cannot be terminated if they do the minimum?

Negotiating all of these issues requires a new collaborative relationship if not a real partnership with unions. Are they ready to move away from the old industrial model of unionism? Will employees begin to demand a new approach by their union reps? Is top management ready?

A New Compact Is Yet to Appear?

Some local government agencies are beginning to move in the direction that I propose. However, I believe that the effort must be more intentional and coherent.

Am I too naïve to suggest that we need to develop this new relationship with employees? Again, my aim is to help us all "zoom out" and provoke our thinking about how we respond to new realities. Given all the turbulence around us, we must move towards something more beneficial for both local government agencies and their employees. It is a long-term march but worth it.

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