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21ST CENTURY IDEAS FOR THE 20TH CENTURY FEDERAL CIVIL SERVICE

HEARING

BEFORE THE

SUBCOMMITTEE ON
REGULATORY AFFAIRS AND FEDERAL
MANAGEMENT

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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21ST CENTURY IDEAS FOR THE 20TH CENTURY FEDERAL CIVIL SERVICE

WEDNESDAY, MAY 20, 2015

U.S. SENATE,
SUBCOMMITTEE ON REGULATORY,
AFFAIRS AND FEDERAL MANAGEMENT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:02 a.m., in room SD–342, Dirksen Senate Office Building, Hon. James Lankford, Chairman of the Subcommittee, presiding.

Present: Senators Lankford, Ernst, Heitkamp, Booker, and Peters.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Good morning. This is the Subcommittee's first hearing on the Federal workforce. Today we are going to explore the policies guiding today's Federal civil service, and I appreciate our witnesses being here. I will take some time and introduce them in just a moment. Let me set some context.

The State of the Federal workforce is expansive. The Federal Government currently employs 2,663,000—and a few additional odds and ends coming in and out—in the Executive Branch as civilians. Ensuring that agencies have a process in place to efficiently recruit, retain, compensate, train, and, if necessary, dismiss problem Federal employees is a difficult but essential task. And as the Subcommittee with oversight on Federal management, this task falls to us.

But before we discuss these matters, I would like to take a moment to thank our Federal employees for their dedicated service. We have a tremendous number of very dedicated patriots that serve all over the country, and I am honored to be able to serve with them. For individuals that step up and say one thing or another about Federal employees, I can tell you, I have met a lot, and it is a great group of people.

I am reminded that 20 years ago in Oklahoma City the Murrah Federal Building was bombed, and we lost many Federal employees there. The people that went to work that day serving their country put their lives on the line. For those of us in Oklahoma and for all of us on this dais, we understand, and we understand well, that we are very grateful to people who choose to serve their country through Federal service.

It is also true that lately a few bad apples in our Federal workforce have made the news. That is a shame. And for those individuals, we understand well they do not represent what happens in the bulk of the Federal workforce. These stories represent the importance of congressional oversight, though, both as to the incidents themselves as well as the management policies that underlie them. But as they also tend to cast a shadow over the good work that individuals across the Federal Government accomplish each day for our Nation, we want to try to correct and do what we can to be able to minimize that.

Senator Heitkamp and I are deeply appreciative of the work of Federal employee. We are honored for their dedication. We are sponsoring a resolution recognizing the first week of May as Public Service Recognition Week, and we are joined by many of our colleagues on this Committee. We would like to extend our thanks again today.

The issues we will discuss, which may be critical of the way the Federal workforce operates today, are not indictments on those actually in the Federal workforce. In fact, I would wager that many of them share the same concerns as we do as I talk to many Federal employees that feel stuck and that their voice is not being heard for ways to be able to improve the system. So we hope to be able to provide a voice to many great Federal employees that have many great ideas on how to improve the process.

For example, some Federal employees may be upset that misbehaving employees may be placed on paid administrative leave, sometimes for a year or longer, pending a personnel investigation. Or some Federal workers may be irritated that because of the way in which many Federal agencies compensate employees under the General Schedule (GS), they are doing twice the work of a colleague but paid the same amount.

These are just a few concerns that Federal employees have brought to our attention. The stakes are high, and the responsibility of Congress is clear. Because we rely on Federal employees to run our government, it is also important that we work together.

It is time we think critically about many of the policies that currently govern the Federal workforce so we can maintain a talented pool of employees in the years and decades ahead. I look forward to discussing these issues with our members and with the witnesses today because the future of the Federal workforce depends on it. There is a lot of transition happening. We have to navigate it well.

With that, I recognize our Ranking Member for her opening statement.

OPENING STATEMENT OF SENATOR HEITKAMP

Senator HEITKAMP. Thank you, Chairman Lankford. Today marks the Subcommittee's first hearing examining the Federal workforce issues. I think that this is such a critical topic, and I am passionate about making sure that the workforce of tomorrow is the Federal workforce that can meet the needs of the constituency groups and can also make us proud as we serve in the context of public service.

Since taking office in January 2013, I have been very engaged in this issue because North Dakota, as you know, is experiencing an energy boom, and that has created a real crisis within our Federal workforce. The great irony of all of this is that people, I think, who used to say there are too many Federal workers, had a lot of criticism about Federal workers in general, now realize that when there are not enough people to do permitting in the Bakken at the Bureau of Land Management (BLM) and there are not enough grassland managers to actually approve plans for those lease holders, not having Federal workers creates a real economic challenge.

And so as a result, we have been very engaged with the Office of Personnel Management (OPM) to try and get salary adjustments for workers. As a result of that work, I have become very intimately involved in the salary structure, probably more than any other Member, but I am proud to say that working with OPM, we have been able to guarantee salary increases for almost 500 Federal employees in North Dakota.

Perhaps my most pressing concern, however, is why we are not retaining Millennials who come to work for the Federal Government. You can see that the average period of time—or the median period of time that Millennials serve in the Federal workforce is actually under 4 years. I doubt that if you did a study 20 or 30 years ago, when I would have fit in that category, that would have been the result.

And so when you couple statistics like that with the fact that nearly 30 percent of the entire Federal workforce will be retirement eligible in 2019, you can see we face some serious challenges in staffing the important work of the Federal Government.

So today I want to focus on not only what we can do better to recruit young folks, but what we need to do to retain them. As someone who used to run a large agency, I spent a lot of time on retention because the effort and the dollars in training tell you that if you have a good employee, the one thing that you definitely want to make sure that you keep is a good employee.

It is no secret why they are discouraged when you look at sequestration, pay freezes, furloughs, as well as the government shutdown in 2013. That did not exactly add to the morale of the Federal workforce.

But there are other reasons why young people are leaving and perhaps more difficult to get at, which is when you look at OPM's survey of Federal employees' viewpoints, only one in three Millennials believed that creativity and innovation were rewarded within their organizations, and only 34 percent of them were satisfied with the opportunities for career advancement.

So my goal this morning is to find out from you what we can do within the Federal workforce to do these retentions better. How can we improve the speed of the hiring process? How can we address the inability of the Federal workforce to compete with the private sector pay? How do we bridge the gap between human resources (HR) departments of agencies and line managers? And how do we improve supervisor training and ultimately employee morale? These are just a few of the areas I would like to explore, and I look forward to hearing the witnesses' testimony and to the reg-

ular dialogue that we have on this Subcommittee thanks to the structure that Chairman Lankford has put together.

But I want to close by just saying this is a critical issue. There is not a corporation in America, there is not an organization in America, when you say, "What makes you great?" that does not say, "Our people." And so if we are not doing what we need to do to retain the best and brightest in public service, then we need to know about it, and we need to fix it.

Thank you, Mr. Chairman.

Senator LANKFORD. Thank you.

At this time we will proceed with testimony from our witnesses. Let me introduce the four witnesses. I will introduce all four of you. Then we will swear you in, and then we will begin your testimony.

Yvonne Jones is the Director in Strategic Issues of the U.S. Government Accountability Office (GAO), where she manages teams analyzing Federal Government human capital issues. Prior to joining the Strategic Issues team, she was the Director in the GAO Financial Markets and Community Investment team.

Patricia Niehaus is the national president for the Federal Managers Association (FMA). Ms. Niehaus has been the national president since 2010 and also serves as an active member in the National Council on Federal Labor-Management Relations. She is an active Federal employee with over 30 years of service and is now the civilian personnel officer at Travis Air Force Base in California.

Dan Blair is the President and the Chief Executive Officer (CEO) of the National Academy of Public Administration. From 2006 to 2009, he served as the Chairman of the Postal Regulatory Commission (PRC); from 2009 to 2011, he served as a Commissioner. Mr. Blair was the Deputy Director of the Office of Personnel Management from 2002 to 2006, along with multiple other responsibilities. Thank you.

Mr. David Cox is the national president of the American Federation of Government Employees (AFGE). He worked for Veterans Affairs (VA) from 1983 to 2006, when he became the secretary-treasurer for the AFGE.

I would like to thank all the witnesses appearing before us today, and I really appreciate your written testimony that you have already submitted, as well as receiving your oral testimony in just a moment.

It is the custom of the Subcommittee that all witnesses are sworn in before you testify, so if you do not mind, I would ask you to stand and raise your right hand. Do you swear or affirm that the testimony you are about to give before this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. JONES. I do.

Ms. NIEHAUS. I do.

Mr. BLAIR. I do.

Mr. COX. I do.

Senator LANKFORD. Thank you. You may be seated. Let the record reflect that all witnesses answered in the affirmative.

We will be using a timing system today. I think everyone is familiar with that. There will be a little clock in front of you. That will count down to zero. We are giving everyone about 5 minutes,

if you can be as close to that as possible, and then we will have multiple rounds of questioning. It is the tradition of this Committee that the first round of questions will go 5 minutes for each person, and then we will open up a second round, which will be open colloquy with no timing on it, and that will allow us to interchange here on the Committee dais as well as with you. So expect two rounds of questions, and the second round will be more informal than the first, if that is OK.

Ms. Jones, you are recognized first. Thank you.

TESTIMONY OF YVONNE D. JONES,[1] DIRECTOR, STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. JONES. Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, thank you for the opportunity to discuss the State of the 21st Century Federal civil service and what can be done to ensure a top-notch Federal workforce.

Strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to the Congress and to the Nation. But strategic human capital management has been one of GAO's high-risk issues since 2001.

Congress, the Office of Personnel Management, and some agencies have addressed human capital challenges. For example, in 2002, Congress created the Chief Human Capital Officer (CHCO) position in 24 agencies and the Chief Human Capital Officers Council (CHCOC). And Congress provided the agencies with various authorities and flexibilities to manage the Federal workforce, but more remains to be done. I will describe five concerns about Federal workforce management.

First, the classification system. The General Schedule classification system was designed to uphold the key principle of equal pay for work of equal value, but the system is experiencing difficulties. Its occupation descriptions are considered too narrow to easily shift people between jobs, and its pay rules make it harder for agencies to recruit and retain valued employees. GAO concluded that we need a more modern and effective classification system which retains merit at its core, but which is more flexible.

Second, the Federal workforce has many critical skills gaps like cybersecurity and contract specialists. The Federal Government also needs to better identify future skills gaps. To close these gaps and predict future shortages, the Office of Personnel Management and agencies will need to collect and analyze data to be used in agency and governmentwide workforce planning.

Third, the Executive Branch agencies are managing their workforces in an era of constrained budgets. Therefore, they need to rethink how they do their own planning and how they work with other agencies. We found that the Federal human capital community is fragmented, with many actors executing personnel policies in ways not helpful to governmentwide workforce management. Our analysis showed that agencies have many common human capital challenges, but they address them alone. And we found that agency talent management tools lack two ingredients: identifying

[1] The prepared statement of Ms. Jones appears in the Appendix on page 29.

skills in their current workforces and moving people with needed skills to emerging or permanent positions.

The fourth issue is strengthening assessment of employee and senior executive performance. Adequately managing employee performance is a longstanding governmentwide issue. Without effective performance management, agencies risk losing the skills of top talent and failing to correct poor performers. But supervisors do not always have the skills to help staff address performance issues.

Evaluating the performance of senior executives is also important. By law, for senior executives to receive higher levels of pay, their performance appraisal systems must make meaningful distinctions based on an individual's performance compared to other executives. Recently, we found that 85 percent of senior executive service (SES) ratings were bunched in the top two ratings categories, raising questions about whether adequate distinctions are being made between executives.

And, fifth, retaining high-performing employees is critical to Federal Government operation. To retain employees, the Federal Government needs to strengthen worker engagement. Preliminary observations from our ongoing work found that governmentwide average levels of employee engagement declined from 67 percent in 2011 to 63 percent in 2014. The decline in the governmentwide average occurred because of drops in engagement at three large agencies: Department of Defense (DOD), Department of Homeland Security (DHS), and Veterans Affairs. But the majority of Federal agencies sustained or improved their engagement scores. Of 47 Federal agencies, 31 had steady scores, 3 increased their scores, and 13 had declining scores. The large number of agencies that sustained or increased engagement scores during challenging times suggests that agencies can influence employee engagement levels even in difficult circumstances.

In conclusion, greater progress will require continued collaborative efforts between the Office of Personnel Management, the Chief Human Capital Officers Council, individual agencies, and continued congressional oversight.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, this completes my prepared statement, and I am pleased to respond to any questions that you may have at this time.

Senator LANKFORD. Thank you. Ms. Niehaus

TESTIMONY OF PATRICIA J. NIEHAUS,[1] NATIONAL PRESIDENT, FEDERAL MANAGERS ASSOCIATION

Ms. NIEHAUS. Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, I am the national president of the Federal Managers Association and chief of civilian personnel at Travis Air Force Base in California. Thank you for allowing me to present FMA's views before you today. I am here on my own time and of my own volition, and I do not speak for the Air Force. I am here representing FMA's members.

The Federal civil service no longer reflects the standards today's job seekers expect. FMA supports changes that increase flexibili-

[1] The prepared statement of Ms. Niehaus appears in the Appendix on page 70.

ties, accountability, and performance results. In my written testimony, I address a number of challenges and FMA's recommendations in these areas.

After the satisfaction of serving our country, two of the most often cited attractions of civil service—retirement benefits and job security—are seemingly under endless attack. As FMA's national president, I hear how proud our members are to serve our Nation. In Oklahoma, FMA has chapters at both Tinker Air Force Base and McAlester Army Ammunition Plant. And in North Dakota, thousands of people rely on Social Security checks and the Internal Revenue Service (IRS) returns. It is discouraging to be constantly maligned and have our benefits attacked. FMA members comment on how this affects morale, which negatively impacts productivity, employee retention, and the ability to complete congressionally mandated missions. FMA urges Congress to avoid legislative efforts that would hurt retention and morale.

FMA believes the General Schedule should be utilized as a stepping stone to a more evolved system that focuses on pay for performance and reflect the needs of the present Federal workforce. Departments and agencies must have maximum flexibility and the ability to compete with the private sector to attract the best and the brightest men and women to answer the call of public service.

The current system promotes a workforce based on longevity rather than performance. The highest-performing employees should be rewarded with the highest rates of pay; those employees who fall below the curve in terms of overall performance should not be rewarded at the same level. Management should be a profession in the Federal Government rather than an additional duty. Managers must have time to manage instead of being technicians. First level supervisors and managers need access to training programs that are sufficiently funded. Investments must be made in training in areas such as addressing poor-performing employees, enhancing mentoring skills, and conducting accurate performance appraisals in order to recognize problems early and deal with them at the lowest possible level.

FMA calls for the introduction of legislation that requires agencies to provide supervisors with interactive, instructor-based training on management topics ranging from mentorship and career development to hostile work environments and poor performers within one year of promotion and ongoing training once every 3 years thereafter. In addition, the measure should include an accountability provision to establish competency standards to ensure the training is effective.

Initial and supervisory probationary periods were intended to be an extension of the hiring process. It is a time to evaluate the employee or manager and determine whether they are suited not just for the current position, but also for Federal service. Some career fields are so complex that it takes more than one year to properly train an entry-level employee. Extending the probationary period to one year after completion of the initial training would benefit the government and the employees, allowing supervisors to make decisions based on the employees' performance as fully trained employees and not just guess at how an employee will perform after the training is completed.

Too often pay comparisons between public and private sectors miss the mark because they do not compare positions with like positions. An accurate comparison cannot be made between a registered nurse at a VA hospital and someone performing manual labor at a nursing home. It is essential that any comparison and study of compensation ensure that skill levels, experience, education, and job duties are truly comparable.

FMA is grateful to the Homeland Security and Governmental Affairs Committee for unanimously supporting the Wounded Warrior Federal Leave Act, which would provide sick leave up front for our newly hired disabled veterans. We are proud to have originated this initiative, and we look forward to having it passed and signed into law.

The Federal civil service should be the model employer that others emulate. We should be such an attractive employer that young people are lining up to compete for positions as their first choice. This hearing is an important step toward determining what Congress should do to restore the faith in the men and women who make up the Federal workforce and ensure that missions are met as efficiently and effectively as possible.

Thank you for the opportunity to present our views, and I am happy to answer any questions you may have.

Senator LANKFORD. Thank you. Mr. Blair.

TESTIMONY OF THE HON. DAN G. BLAIR,[1] PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION; CHAIRMAN, POSTAL REGULATORY COMMISSION (2006–2009); AND DEPUTY DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT (2002–2006)

Mr. BLAIR. Thank you, Mr. Chairman.

Before I begin, I would like to take a moment to introduce three burgeoning potential public servants in the audience today who are serving as Academy interns this summer. We have Calvin Charles, Caroline Mihm—you may recognize the last name because Chris Mihm is her father, who is a liaison from GAO to this Subcommittee—and Robin Bleiweis. I would like to welcome them here today.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, I appreciate the opportunity to testify today. I serve as the President and CEO of the National Academy of Public Administration, an independent, nonprofit, nonpartisan organization chartered by Congress. Our organization consists of over 800 Fellows—including former Cabinet officers, Members of Congress, Governors, mayors, and State legislators, as well as distinguished scholars, business executives, and public administrators.

Today's civil service challenges have roots that stretch back more than a quarter century. In 1989, the first Volcker Commission highlighted many of those problems. While they have morphed in form, the Federal Government's workforce challenges have been identified many times over. Some can be addressed at the administrative level; others will require bolder action, buttressed by legislation.

[1] The prepared statement of Mr. Blair appears in the Appendix on page 85.

First, let us talk about the Federal hiring process. This has long exasperated Congress and multiple administrations. Flexibilities exist in this area if agencies would just use them.

I would not recommend that at this point, Congress enact new legislation regarding hiring. Time to hire is important, but a shortened timeframe may not yield the quality of hires an agency needs. Time to hire is a critical component, though, of the larger component of quality hires. OPM must provide strong leadership, and agencies must focus leadership attention. It is important to connect program and hiring managers with human resources staff to make sure the position description and vacancy announcements suit the hiring manager's needs.

You asked me to address issues surrounding Federal employee accountability. We hear almost weekly about poor-performing Federal employees and the reported inability to hold them accountable. I have the greatest respect for civil servants, and these reports are certainly not representative of the workforce at large. Yet they poison the atmosphere and lead to cynicism and distrust of the civil service and government.

The current appeals system was put in place as a reaction to attempts to politicize the workforce in the Watergate era, and it was premised on the concept of merit.

To increase accountability, especially at the SES level, the Subcommittee could explore the greater use of term appointments. Some agencies like the VA have received special authorities. The question now is whether the Department will use them.

Further, the Subcommittee may want to consider increasing probationary periods for new senior executives and General Schedule employees.

For General Schedule employees, a complex maze of appeals exists. Employees can utilize the Merit Systems Protection Board (MSPB), the Equal Employment Opportunity Commission (EEOC), and potentially a union grievance system. Modernizing the appeals process consistent with the public interest, constitutional requirements, and Supreme Court case law is a complex task, but one worth engaging to restore the public's trust in the civil service.

Federal employees themselves view the current system with cynicism. Both a recent Vanderbilt University survey and the 2014 Federal Employee Viewpoint Survey confirmed these views. A recent MSPB study notes that 77,000 Federal employees were fired over a 14-year period. Based on my interpretation of the study, it seemed like the agency was promoting the fact that a system is in place to remove poor performers and it works. But if you run the math, removing 77,000 employees over a 14-year period calculates to about 5,500 employees per year. With a Federal civilian workforce of over 2 million people, the percentage of employees relieved of their duties is paltry in comparison.

One reason for such inaction is the need for increased capacity from the Federal H.R. workforce to deal with the complex civil service procedures. As personnel systems become more decentralized, the need for increased H.R. capacity grows.

A larger question arises whether the landmark 1978 Civil Service Reform Act is due for an overhaul. My written testimony asks a number of questions, such as, do we need the complex number

of agencies that we have today handling civil service issues? OPM, MSPB, Office of Special Counsel (OSC), and the EEOC all have roles. Do we need a centralized personnel office? If so, how should it be structured? And is OPM that entity? Also, how do we address the General Schedule pay structure? And can the OPM White Paper on Pay from 2002 serve as a guide?

I would suggest that any private sector entity operating with a nearly 40-year-old personnel system and a nearly 70-year-old pay system would likely be out of business today.

Many of the questions I have raised today lend themselves to a thorough and comprehensive process of review. This is an excellent issue to tee up for the upcoming transition in 2016 and 2017. Civil service reform is one area ripe for discussion.

Mr. Chairman, that concludes my prepared statement, and I would be pleased to answer any questions the Subcommittee may have.

Senator LANKFORD. Thank you. Mr. Cox.

TESTIMONY OF J. DAVID COX, SR.,[1] NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL–CIO

Mr. COX. Mr. Chairman, Senator Heitkamp, and Members of the Subcommittee, on behalf of the more than 670,000 Federal workers AFGE represents, thank you for the opportunity to testify today on the modernization issues facing the Federal workforce.

Any discussion of modernizing the Federal Government must begin with an understanding that the Federal workforce is highly trained and educated, technologically literate, and ready to meet the many challenges we face today. If we are serious about ensuring that the Federal Government can address the problems facing society, then, simply put, our elected officials must stop attacking the Federal workforce.

Since 2011, Federal workers have sacrificed $159 billion in cuts to their compensation, sometimes in the name of deficit reduction and sometimes to pay for other priorities. President Obama froze their pay for 3 years, followed by increases to employees' pension contributions by 2.3 percent for those hired in 2013 and 3.6 percent for those hired thereafter.

Chairman Lankford, right now at the Oklahoma City VA Medical Center, they are hiring an occupational therapist with a starting salary of around $45,000. That newly hired employee will pay over $1,600 more per year than someone in the same exact job in the same hospital hired prior to 2012 or before. That is two mortgage payments and a few weeks of groceries.

Senator Heitkamp, at Grand Forks Air Force Base, they are hiring a social worker at a starting salary of around $58,000 a year. That new employee will pay $2,100 more per year than someone in the exact same job hired prior to 2012 or before. These cuts need to be repealed and full retirement benefits for all Federal workers restored.

In addition to these retirement cuts, Federal employees have also endured sequestration furloughs and a government shutdown in

[1] The prepared statement of Mr. Cox appears in the Appendix on page 96.

2013. I remind you of this sequence of events and the cuts imposed on Federal employees not just because they are unfair to them, but because they directly affect recruitment and retention. What would make a medical researcher working on a cure for cancer at the Muskogee VA Hospital or an electrician who repairs complex weapons at Tinker Air Force Base choose public service if their jobs were subject to salary cuts, furloughs, and government shutdowns year in and year out?

To its great credit, the General Schedule prevents discrimination based on gender, ethnic backgrounds, religion, sexual orientation, or disability. Over the last few decades, numerous flexibilities and updates have modernized and improved the GS system. The most recent example of this is in the Bakken region of North Dakota where Federal salaries were far outpaced by private sector pay. We commend you, Senator Heitkamp, for your tireless efforts to urge OPM and DOD to implement special pay rates and other flexibilities to make Federal wages more competitive with those in the private sector.

AFGE believes that a modern government must promote due processes and constitutional rights. Federal employees are not immune to termination, and the civil service rules exist to promote the constitutional principles of due process and to prevent the reestablishment of a Federal patronage system.

Finally, AFGE believes that a modern government must promote employees' engagement and empowerment. A modern workplace must value and implement transparency, fairness, and accountability. The easiest way to achieve all these things is by negotiating good and fair contracts to provide a meaningful channel for workers to provide input and for managers to learn from front-line workers. This creates a more nimble environment for identifying and solving problems and getting the work done.

This concludes my statement, Mr. Chairman. I would be happy to respond to any questions.

Senator LANKFORD. Thank you. Thank you to all of you for your written and your oral testimony. The Ranking Member and I will defer our time for questions. We are going to do ours at the end, and we will recognize Senator Ernst to go first.

OPENING STATEMENT OF SENATOR ERNST

Senator ERNST. Thank you very much to our panel. It is great to have all of you here. I think this is a much needed conversation as we look at our Federal employees and the workforce. Great points made, David, on some of those issues. And I often feel our military men and women are subject to the same scrutiny.

Anyway, I would like to start with Ms. Jones. Thank you for being here today. I appreciate it very much. You have made reference to a set of eight recommendations that OPM should take to ensure a more modern and effective classification system, and I would like to touch on this, because for the last few months I have been digging into an area in the acquisition world across the Federal Government, specifically program and project management, that seems to be struggling. And I think part of that reason is due to gaps in the GS system as it relates to the classification of program and project management. And program and project manage-

ment is the only fundamental job component of the acquisition process that does not have a distinct job series. And subsequently available program and project management positions are funneled through the general management positions or classifications where the desired skill set and required experience is very different.

And, in fact, program and project management falls under the series 0340, which is kind of a catch-all general management listing, and I think OPM would agree with that assessment. It is not conducive to finding qualified individuals for this very particular role.

If you were to go to opm.gov and look at the qualifications needed for program management, it actually says, "There are no individual occupational requirements for this series."

As I have looked at this and analyzed the struggles we have with the large Federal programs being over budget and off schedule, it appears that these issues could begin to improve if we had a better classification and listing of requirements needed for program and project managers. And just one more thing in this area. This lack of a credible listing has made it challenging for outsiders to locate who and where program and project managers are in the Federal Government.

So can you speak maybe to this issue a little bit? And I realize you may not be familiar with this specific case for project management, but I have a sense that it maybe is a broader issue within the GS system. If you could just discuss that a little bit, please.

Ms. JONES. Yes, I can speak to that. Our work has not focused on those particular kinds of jobs, but it is, I think, reflective of what we found in a more general sense, about trying to fill critical skills gaps in the Federal Government—because we did find that agencies and OPM sometimes have trouble writing job descriptions that are reflective of the work that needs to be done, and also changing those job descriptions expeditiously. And so in a situation like that, it may very well be hard for agencies to advertise positions or to have job descriptions which allow them to advertise positions so that they get the kind of applicants that they would want.

We do know that OPM and a number of the agencies are working together to try to figure out not only how to define position descriptions, but also to write the competencies that underlie those descriptions, and they are trying to figure out how to do it more quickly.

I hope that answers your question.

Senator ERNST. Yes, that is very helpful, and I do think also with USAJobs as a resource site out there, it is very difficult to navigate that as well for some of the best and brightest that wish to apply for these types of Government positions. It is a true struggle. If you could just speak to that, please.

Ms. JONES. OK. We are aware of issues that have been reported about USAJobs. We have not directly examined USAJobs and how its operation may affect an applicant's ability to use it. We have begun now a job on hiring in the Federal Government which may look at that particular issue, but I cannot give you more specifics right now.

Senator ERNST. OK. Well, I appreciate that. I think that is something that we will look at in the future. Thank you very much.

Senator LANKFORD. Senator Heitkamp.

Senator HEITKAMP. Thank you, Mr. Chairman.

A number of young people, who I am sure are here on a close-up program or visiting Congress, are in the audience, and I am tempted to ask them: How many of you want to be an IRS auditor? None of them.

how many of you in the audience of the young people who are here want to be a Federal employee? There are a couple.

And once you get there, you might not like it, and you might leave before 4 years are up. Or you might like it, and that is our job here, to try and figure out how we put the best person in the job that fits them and will challenge them and will give them the job satisfaction. I think the one thing that we miss when we look at a lot of economic indicators, whether it is retirement—and, sure, that matters—whether it is pay raises and great supervision, but we have to do a better job, I think, recruiting, training, and retaining the young people of America, or we are not going to be moving forward. We are not going to be the organization or the Government that we need to be in order to address the concerns of the citizens.

And so I want to get at that issue, what you think the primary barriers are of attracting and retaining these new Millennials and what we should be doing right now in analyzing the ones under 20 who have entered the Federal system and now are transitioning out. And I want to start with you, Mr. Blair. I think you have probably spent a lot of time looking at those schedules into the future and saying, "We have a crisis of retirement without a qualified workforce coming behind it."

What would you do if you were in Senator Lankford's and my role here and the Committee's role?

Mr. BLAIR. Well, I would say, "Do we have meaningful work for these Millennials who are coming in?" And I think the answer for that is absolutely yes. I think that the mission is absolutely critical, and that is what distinguishes the Federal Government from other private sector employers.

Then I think we have to look at the workplace itself. What is the course for advancement? How long do you have to stay in grade before you have to stand for promotion? I think those are issues. Am I going to be recognized for the work that I do? If I am part of a team, if I carry the team, am I going to be recognized or am I going to have to be lumped in with everyone else?

I think those are critical issues, and I do not think our systems today match that. In an effort for what was called "internal equity," we basically treated most people the same, and that is not—while it is an admirable goal, I think that in today's environment we need to be able to have tools available for us to recognize outstanding service. And those tools are awkward in the Federal civil service today.

Senator HEITKAMP. Mr. Cox, can you respond to that and maybe offer some insight from the perspective of the people you represent?

Mr. COX. The first thing I would say is I believe it is very important for Congress to get rid of sequestration because that continues to loom over the top of everyone who works for the Federal Government or has a future of wanting to work for the Federal Govern-

ment, because as long as that is there, it is just a stumbling block for what the future may hold, whether the agencies would be funded. So sequestration I think is the number one problem.

But also, again, I would agree with my colleague here, meaningful work, but, again, adequate pay, adequate training, having the resources of that agency so that the person comes in and feels supported in the agency. I went to work at the VA as a registered nurse. Within the first week, all of a sudden I realized I was the only registered nurse the first week on the job on the floor working. That was not the best orientation or the best environment to be had. You need more people there to spend time to mentor, to orient folks, and it was not the fact that they did not care. They did not have enough resources to hire enough nurses or there were not enough nurses available to be hired. So those types of things, having the resources to fund the agencies is very important.

Senator HEITKAMP. My time has expired. We have a pretty free-flowing discussion period after this, and so we will get out all your points.

Senator LANKFORD. We will. Thank you.

At the end of this conversation, we will work together to try to create a product, whether that is a legislative product or whether that is a series of letters to do as followup to try to figure out where we are going to followup from here on the ideas, both from what you have submitted written and orally. So I do want you to continue to think about that, some of the work product at the end of this.

Mr. Blair, let me ask a question that you had brought up as well, and that is the issue of the transition. Every time there is a Presidential transition, regardless of party, there is a shift and a relook again. So I would be interested in an open conversation about what things can we do as a Committee to help the next President prepare for that transition, things that we can put in place and say these issues need to be addressed when that transition occurs.

Mr. BLAIR. Thank you, Mr. Chairman. I think what Senator Ernst just raised was very important, this program implementation, because we have seen failures of program implementation across government for many years now, and that is one of the focuses of the Academy's transition work. Last week, we launched our Transition 2016 Initiative, and our focus is going to be on program implementation to make sure that the incoming Administration has before it the information it needs to evaluate how programs are being implemented, what is working, what is not working, and so they do not just throw the baby out with the bath water by saying the past Administration was bad, we are good, we do not have anything to do with it, and we want to start again from scratch.

So I think program implementation is extraordinarily important. I think that for the transition, civil service reform, while I do not know if there could be broad bipartisan agreement based upon the past decade of experience, but I think there can be some tenets to look at. And I would not recommend that we go forward with a baked cake for a new Administration, but you can certainly tee up the issues to make it part of their management agenda to deter-

mine how do we want to step forward with these kinds of reforms. This Subcommittee is poised and primed to do that.

Senator LANKFORD. Right. Well, that is what we are trying to gather at this point—ideas. We have our own. We are trying to gather other insight from other individuals as well.

Any other ideas that can come out? Obviously there is some in your written testimony as well. Do others want to contribute to basic ideas of if we are going to look at serious things to be able to transition in a couple years, things that need to be addressed when that transition comes?

Mr. COX. Sir, I would think, trying to go back, the Federal Employee Pay Comparability Act that goes back many years that said that we would pay Federal employees in comparison to what the private sector is being paid. It has never been implemented. Each year, the President, Congress, someone preempts the process. But I think trying to get Federal employees paid in accordance with the private sector with similar work that they are doing would be very important.

Senator LANKFORD. OK. Other ideas?

[No response.]

Let me transition to another thing. Then we will come back to it. I want to talk a little bit about what Senator Heitkamp was talking about, and that is recruiting. Does anyone know the cost of recruiting right now? The private sector can look at it and say if they are going to try to recruit someone new to their company, they have a basic cost of what that is. Do we have a good guesstimate of a cost of recruiting a new Federal employee? You have not seen that? OK. We will do some chasing and see if we can determine that and see not only retention but cost and how that works.

Ms. Jones, you made a comment and through your study, as you looked at the Employee Engagement Index that you created, which you also referenced in both your written and your oral testimony on it, 13 of 47 different agencies had declining Employee Engagement Index scores, 3 of 47 had an increase, 31 of 47 were flat. Now, what I am interested in is, Can we get a list of those different agencies so we can begin to compare? You had mentioned the big 3 there in the decline, 3 of the 13 that had a decline: Department of Defense, Homeland Security, and Veterans. Can you determine the why on those? Obviously, it is a large number of employees, but it also had a significant decline, but some of the 10 other entities.

Ms. JONES. In terms of the list of the entities, actually what we were doing was reporting evidence from OPM's Employee Engagement Index, so, yes, giving you the names of all the agencies is certainly feasible.

What we know about what increases in employee engagement based on the index is the relationship that the employee has with his or her supervisor, the extent to which the employee is getting—feels that the work that they are doing is important and they can connect it with the mission of the agency, the extent to which they feel that they are getting training and developmental opportunities, whether they feel they have an adequate work-life balance, whether there is an inclusive environment in the agencies—all of those things contribute to an employee feeling engaged.

I could supply you later with more detail about the three large agencies and what the particular factors may have been.

Senator LANKFORD. OK. Let me do that. Let us just open this up for open conversation. I will go ahead and transition this into our second round here, and all of us can participate at any point. But let me add to that. Why for Department of Defense, Homeland Security, and Veterans, what is your perception? As GAO looks at this and the scoring that came in from OPM, is there any single factor? You mentioned that, but what is happening there that is not happening in other places that Homeland Security, Defense, and VA are having issues with supervision, having issues with engagement? What is driving that?

Ms. JONES. OK. I would have to provide you later more detailed information on those particular agencies. The Employee Engagement Index aggregates information across 15 different questions, so we would have to look at the disaggregation and provide you with that detail, if you do not mind.

Senator LANKFORD. That would be helpful to us as we get a chance to look at the workforce, because obviously we want to look at why there is a decline in one area. And for the three that had the increase, do you happen to recall the three that had the increase in score, who they were? I did not see it in your report.

Ms. JONES. The Department of Education was one. Yes, I do not recall the other two at the moment.

Senator LANKFORD. Well, that would be helpful to us, to get, I guess, both extremes there. The 13 that had the decline, the 3 that had the increase, and try to figure out what is happening in each of these agencies that can be information shared. And I understand not every agency is the same and their structures are not the same, nor are we trying to make them all the same. It would be like trying to make all 50 States the same. They are not. But there are some things that we can learn from one and be able to share with the other, and that would be helpful to us.

Ms. JONES. Certainly, we can provide you with that.

Senator LANKFORD. OK.

Senator HEITKAMP. I want to just for a minute kind of talk about morale, because it all begins there, in my opinion. I think that you can, of course, look at the economics, but at the end of the day—and being a mother of two Millennials, I think that what they are looking for is job satisfaction. And, I ask these young people, How many of you want to be an IRS agent? They immediately have an idea. What does an IRS agent do? And that would be a bad thing. People would not like me. Right?

But if you ask them, How many of you want to help fund cancer research in the Federal Government so that we can solve childhood cancer problems? Or if we said—I just spent some time yesterday with General Welsh, Chief of Staff of the Air Force, and he said their recruitment policies, they were going in the wrong direction. They needed to sell the Air Force. And so, "I am an American airman." You may have seen those commercials. They are brilliant.

And so one of the things that we do not do in the workforce is we do not connect these jobs and these categories that we all talk about. You know, if you are an H.R. specialist, you all talk about the classification, but we do not connect them to the larger mission.

And when people feel connected to the larger mission, they tend to want to stay. They tend to want to continue. When we did the Air Force base adjustments, OPM was out, and I said, "OK, of all you civilian employees, how many of you are veterans?" And over half of them stood up, because they are still in the mission. They wanted to continue the mission that they started when they put on a uniform.

And so one of the things that I think we get too bureaucratic in a lot of ways in how we look at this, and we do not connect our employees to the mission, to the goal of the organization. And so I think it takes maybe some enlightened leadership or some different thinking at the top of how you think about the job that you are doing, not in terms of just widgets and, counting chits, but you think about it in terms of what does that do.

And I want to just close out by saying I gave a talk to the American psychologists, and they were headed up to the Hill, and behavioral health and mental health has had some real challenges in terms of funding and parity, and they were pretty low. And I said, "When you go in to see your Senator or your Congressman, why don't you just tell them"—"Do not tell them you are a Ph.D. psychologist. Tell them you save families for a living." You could visibly see, when I ran into them in the hallways, their step was a little lighter, because all of a sudden they had that image. "That is what we do. We do not counsel," all of the bureaucratic things. "We save families. That is our mission." And when you are connected kind of emotionally to a mission, when you are connected spiritually to a mission, you are going to stay with it even through some tough times.

And so one of the things that I would want to put on the table is: How do we sell the Federal service? How do we talk about the jobs that so many of our great Federal employees do and how that connects with the broader or brighter kind of opportunity? And I would be curious if any of you see examples of that and where it is good and where it is not good.

Mr. BLAIR. Senator, if I could begin, I think you hit the nail on the head on this with leadership. It is up to the department heads and agency heads to set the tone from the top down as to the importance of the workforce. And if that is a priority for them, if they are being held accountable for it, they can hold their senior executives and managers and supervisors, and it can cascade down through the system. So it is leadership, it is accountability. It is also a question of promoting the mission. Everyone within a department or agency should know how their jobs feed into the success of the organization. If they can point and say, "Yes, what I am doing is important because it leads to saving families," that gives a sense of ownership.

Senator HEITKAMP. Yes.

Mr. BLAIR. And so, again, these are issues for agency leadership. I look at this as either internal factors such as what can they do—what can be done within the agency or department, but then there are also the external factors. And I think that more needs to be done in promoting the service of the public. And in this regard, I think there are several areas to look into. The Presidential Rank Awards, we had that several weeks ago. These are senior execu-

tives that are nominated, and it goes through a process at OPM in which a select few, I think about 50 this year—I cannot remember the exact number—received Presidential Rank Awards. These are the highest awards you can get for the Senior Executive Service.

I hope you have all heard of them, and if you have not, that is a problem because that means that we are not publicizing them enough. The President met with the award winners for the first time in his Administration I think last year, and I think that sends a very strong message. If you look at the people who win these awards, it will blow your socks off, because they are doing incredible things.

But it is just more than the SES. I will be participating in a ceremony in a couple weeks at George Washington University for the Flemming Awards, which recognize Federal employees who are in mid-career, 3 to 15 years of service. Again, outstanding employees.

The Partnership for Public Service does the Sammies Awards. These types of external events bring attention, but we also have to recognize that we need to do more to change the tone and tenor of how we discuss our civil servants.

Senator LANKFORD. Let me just throw one thing in there as well. You talk about good examples of engagement on this. Mr. Cox had mentioned at one point Tinker Air Force Base. The Federal workforce at Tinker Air Force Base, the civilians that are there, have this incredible partnership with the men and women in blue. They are not aircraft that fly in the Air Force that have not gone through Tinker Air Force Base, and they understand the mission, where they fit into the mission, but they are also heard. So when there is a problem on the floor, when you are doing maintenance, there is a method already where they can communicate; and if any person on the floor has any issue, they know who to go to, and it actually gets heard. And it is very important. So that structure that is in place there, it is the same type of thing at the Federal Aviation Administration (FAA) in Oklahoma City where there is a great relationship where people get heard in the process, and I think it is very meaningful.

I want to mention one other thing, too, and I know we all have different questions on this, but several of you mentioned about lengthening the probation period. I was interested by that in the conversation, and there were multiple different ideas about the length of that probation period, how long it should be, when it should start. I would be interested in just a conversation about that and how we try to amalgamate some ideas here.

Ms. NIEHAUS. One of the things that FMA has been looking at for several years now is the fact that our members are reporting to us that when they have to make a decision on whether or not to retain a new employee, many of them are still in training. We were talking at a government managers coalition meeting with an FAA manager who said that they do not even see some of their new employees until they have been in training for 10 or 11 months. So the supervisor has not even met the employee when they have to make that determination whether they are going to keep them or not.

Senator LANKFORD. So your statement is the probation period for them, that one year time period starts when they have only really seen them for 2 months because it started earlier.

Ms. NIEHAUS. Yes. It starts on the day they are hired.

Senator LANKFORD. Right. So I am trying to identify. Your recommendation is the one year probation period starts after training begins and they are actually assigned to that spot, where they actually work their way——

Ms. NIEHAUS. Yes. After they are trained and the initial training is completed, then let them work our their probationary period and show that they can do the job rather than have a supervisor guess.

Senator LANKFORD. OK. Other ideas and thoughts?

Mr. COX. I think the probationary period is not going to be a one-size-fits-all. When you have someone who is an SES'er that is responsible for large numbers of people, at a large Federal installation, that is one thing. When you have a housekeeping aide in a VA medical center, currently has a one year probationary period, if you do not know that that housekeeping aide is performing or not performing in one year, then you have a much higher problem with the management level, not the housekeeping aide. And registered nurses already have a 2 year probationary period in the VA.

TSA, the entire agency, is a 2-year probationary period. TSA has probably the highest turnover of any government agency. It also has a different pay system than the GS pay system. So I do think looking at some things about TSA, their pay, their probationary period, high turnover numbers, may be a benefit also to give some insight. But I do not believe it is a one-size-fits-all.

Senator LANKFORD. OK. Would your recommendation on the SES be that it is a longer or shorter—and I would agree, by the way. It does not to be a one-size-fits-all.

Mr. COX. I think SES'ers would definitely have a longer probationary period. As a registered nurse, I felt like a 2-year period was a fair probationary period for me, that one year maybe would have been too short of a period.

Senator LANKFORD. OK. Any other ideas on that specifically? Ms. Jones.

Ms. JONES. On our work, we also found that some supervisors felt that they did not have enough time to review the employees' work, so we felt that the probationary period should be extended for at least one full supervisory cycle after the one year probation because the supervisors feel they do not have adequate time to assess employees.

Senator LANKFORD. OK. Mr. Blair, do you have any other comment?

Mr. BLAIR. Just one comment. We are talking about the probationary periods because once an employee reaches the conclusion of the probationary period, it then becomes so difficult to separate them after that. So I do not think you can necessarily consider the probationary period outside the context of looking at what the appeals process would be as well.

Senator LANKFORD. Right. I would agree, and we can have that for an additional question in just a moment. At times and in some agencies and some instances, it feels like once you move past your probation, you just go tenure at the university.

Mr. BLAIR. Absolutely.

Senator LANKFORD. And it is tough to be able to shift from there, so we will talk about that in a moment.

Joni, do you have a comment?

Senator ERNST. Yes. With that issue, something that has been in the news so much, the VA, something near and dear to my heart, caring for our veterans. Senator Heitkamp had said, really understanding that mission that is out there, and as we talk about recruiting some of those best and brightest to work for us at the VA, understanding the challenge right now when you have an agency where someone has not been held accountable to our knowledge of some of the egregious misbehaviors within the VA, it is hard for the VA to say, we help veterans, when there have been a lot of instances where veterans have been let down.

So there is a challenge there, and I do agree that, as you stated, Mr. Blair, that from the top down an agency will take on really the leadership or the personality of that leader. In the VA, of course, we have seen a change there. But, again, there is a lot of that reputation that has to be built back up again. And we have to see accountability at the highest levels and within that management structure. We really have not seen that in this particular agency. Any comments on how we can do better? What can we do better to make people accountable?

Mr. BLAIR. I think one of the tools that we do not have to use for accountability is pay, because pay—performance management systems and pay are—the link is tenuous at best. I think another thing that needs to be done is, again, leadership attention, as you mentioned earlier. I think the Secretary needs—I would be interested to see how VA is recruiting right now, and I would defer to Mr. Cox as a current VA employee—I do not know if you are current or if you are former.

Mr. COX. I am retired.

Mr. BLAIR. Retired, being employed, but I would like to hear—I am not sure how they could—I would like to know how well they can recruit right now given the current environment. I know that Congress has addressed this in terms of the senior executives with the VA, but I would like to see how the VA is utilizing that system. Shortened timeframes and cutting appeal rights in and of itself may be helpful, but you also have to balance it against constitutional requirements and case law and the opportunity to be heard.

Again, this does not help the Subcommittee's path anyway, knowing these are the barriers that are out there. I keep on coming back to it is the leadership and setting the leadership tone from the top down and trying—and it is also a question of change management. There had been a culture in VA that would have allowed for this to happen, and determining how that culture arose, what can be done, and how can you change that culture is also terribly important. It cannot be changed overnight, but that should be one of the top priorities for the Secretary. Or it would be my recommendation that the Secretary address.

Senator ERNST. Thank you, and I would agree. this was not just one isolated case in one hospital, but it was in many different locations across the United States that this happened. So there had to

be a higher level of responsibility with some of these actions, and it would be interesting to find out.

Senator HEITKAMP. Actually, Senator Ernst, it was a reward system gone awry, is what it was. So hit this mark, and so let us rig the numbers so we hit the mark so we can get the award, as opposed to actually digging down and finding out what is happening. And so, I am not excusing anything, but I think there was this system put in place that was a benchmark that may have been impractical to begin with given the resources the VA has, and then people took that opportunity to try and say we are the best when they absolutely were not. They were the most dishonest.

Senator ERNST. Right.

Senator HEITKAMP. And so, that is one of the things that we have to be very careful of, that when we set goals and aspirational kind of benchmarks, that we do not create fraud in achieving those marks.

I would like to get to an issue that, just as a supervisor—and I think that it is one of the toughest things to take a good lawyer or to take a good accountant, to take a great nurse, and make them a supervisor. We just assume that they are going to have those skills to basically supervise people when, being a great nurse does not mean you can be a great supervisor or being a very good attorney does not mean you are going to be a good supervisor.

And I think as a result many times what you do is you have people with an inability to motivate and an inability to actually deal with internal problems. And one of the reasons in my experience for dissatisfaction is when you have, 40 percent of the employees doing 100 percent of the work, and they feel devalued because there are a whole lot of people whose jobs they are doing because they want to get the job done.

So how do we deal with that, Mr. Cox? How do we deal with those people who really get taken advantage of in the system because they are working hard, but they are working next to someone who is not working hard?

Mr. COX. No. 1, you are right, I think many agencies do not spend enough time on supervisory training, working with new supervisors, mentoring, developing them. We need people to do the work so quickly that we do not spend the time adequately giving them the skills to do the job well. And, again, trying to motivate all employees to—do their fair share. There are performance expectations for everyone in the system, and they are expected to do that. If they are not performing properly, there are provisions in current law to place employees on performance improvement plans, and otherwise deal with poor performers. Sometimes it is the fact that those employees were not properly trained.

Senator HEITKAMP. But it takes someone who is willing to sit across the table and engage in conflict. And that is not an easy thing for a lot of people. I know Ms. Niehaus has a lot to say on this, I think.

Ms. NIEHAUS. And I think that if we have trained supervisors, they are able to do that. If you have an untrained supervisor or a minimally trained supervisor and they have an employee who is not performing, they do not know how to go to that employee. They

do not know how to inspire that employee to work better or to hold them accountable.

And if you also have a supervisor who is required to still do their technical duties, if you have a supervisor that is only giving 30 percent of their time to being a supervisor and to managing their employees, they are not going to be able to put the effort into mentoring and developing their employees to enable them to perform at the acceptable level.

So I think that if we can educate our supervisors and our managers and we can train them to be good supervisors and managers instead of just promoting the best technician into a supervisory role—and I think we need to have dual career paths for our people. We need to have technician career paths, and we need to have manager career paths, because a lot of our technicians accept manager and supervisor jobs because it is a higher rate of pay, but they do not want to do that type of work. They love their technical jobs.

Senator LANKFORD. I saw that in your written testimony. That is a very interesting point. They feel like they are stuck, they have great skills, and we as leaders in the Federal Government, we want them to stay in that because they contributed a tremendous amount, but they are trapped. It seems that the GS system allows them to continue to move up if they supervise more people, and so they have to make that jump. And so that to me is one of the areas that I saw where we have to ask the question: Is this the right way to do this? Are there other ideas you have seen or that others have seen for how do we do this dual track, as you referenced it, where there is not a compulsion—quite frankly, and twofold, one is that someone has to feel like they have to go supervise more people to do it, or that if I want to get a raise, I need to find some way for my agency to get more people under me so I can supervise more people and my pay goes up. So both of them are false incentives.

Ms. NIEHAUS. I agree; they are. And I think if we have maybe a senior technician position where they are a lead technician, maybe mentoring people as opposed to trying to manage and supervise, maybe that is the way to go. But I agree that if you have to go into the management and supervisory roles to increase your pay, whether you feel you are suited for that or whether you really want to do that or not, I think it does a disservice to our technicians and to our managers.

Senator LANKFORD. Mr. Blair.

Mr. BLAIR. Well, I think we have experienced that already, don't we, through the China Lake demonstration projects and the other demonstration projects that are out there. The current General Schedule is not flexible enough for that.

Ms. NIEHAUS. No, it is not.

Mr. BLAIR. And that is not, to indict the General Schedule. It is 70 years old. And, it represents the best thinking of mid-20th century America. But we are fast approaching mid-21st century America, and I think it is time for some different things. Pay banding has long been an "experiment" in the Federal Government that actually has produced results. I think that——

Ms. NIEHAUS. For over 30 years.

Mr. BLAIR. And I think that more—I do not even think it is time for demonstration. I think we need—or if there is going to be dem-

onstration, for instance, the demonstration project authority we have now is awkward, bulky, and it was set up in 1978. It is limited to 5,000 people, all the notice and comment that has to be involved. There are ways of streamlining it while still giving employees adequate and meaningful input, but also allowing an agency to move forward. Modernizing those types of systems I think would go a long way.

Senator LANKFORD. So is your recommendation that an agency as a whole would experiment with something new? How do you get a demonstration to show——

Mr. BLAIR. I think you certainly——

Senator LANKFORD [continuing]. Before with TSA, we look back at the numbers and such on it, but when you have these dual tracks, it gives you the opportunity to be able to see it. Is that a whole agency that does that or a whole new group of people? How do you do that?

Mr. BLAIR. I think an agency or a component thereof, but make sure that it is larger than a 5,000-person unit in order to get good, demonstrable results. And I think that these are easy solutions. Implementation is harder, but these are easy solutions that have been out there for several years.

Senator LANKFORD. Ms. Jones, you were trying to get in on this conversation.

Ms. JONES. Thank you, Senator Lankford. A couple of observations.

It is true that supervisors sometimes do not have adequate training in performance management, but sometimes they also feel that they do not have the support of senior leadership, and as many panelists have mentioned, the disciplinary process can be very cumbersome. So at root, the performance management system needs to be based on an understanding between agency leadership and all of the stakeholders that the performance management system is going to be applied to.

Yes, it is true that supervisors need to be trained, but then once they are trained, what they need to do is to interact with their staff on a continual basis, which means that they can give feedback on a day-to-day basis that at midyear and at the end of the performance cycle, they get more formal feedback, but that also supervisors be trained to recognize when an underperforming staff member is not doing what he or she should do and to understand how to have conversations with them. And the performance management system has to be flexible enough so that, for example, if you need to have an out-of-cycle performance rating so that a person understands the degree to which they are not performing, that that can be done.

Senator LANKFORD. Can that be done now? Or that cannot be done?

Ms. JONES. It can at certain agencies. We can do that at GAO. I think it varies from agency to agency.

The other thing I wanted to mention is that the senior leader positions already exist. In some agencies, for example, at GAO, our chief economist, our chief actuary, they are senior leaders, not SES. So, I guess agencies will decide themselves what they need to do

in terms of distinguishing between senior leaders who are managers and senior leaders who are more technically oriented.

Senator HEITKAMP. Well, I think the real challenge here is selecting the right supervision. And it has been my experience that you want people who can deal with conflict, but you want people who do not get drunk with power. And it is an interesting kind of balance. And you want people who can connect the employees to the mission.

I like telling the story, because he is a great friend of mine, but I had a guy who worked for me who was the head of sales tax when I was tax commissioner. He would come in at 5 o'clock every morning when no one else was there, and he would get through his paperwork. And then at 8, when the employees came in, he probably supervised about 40 employees. He would walk desk to desk and ask people how they were. And when they would tell him, "I was late this morning because the kids were not moving," he would say, "You know how I am? I am terrific." And by the end of the day, his whole division was terrific, because he had reached out to them every day. And when they did not perform, they did not want to disappoint him because he had that relationship.

And it takes a special person who has many skill sets that we do not always find in people who are proficient in their occupation. And that is really the challenge: How do you make the workforce rewarding and more fun? I am not saying, let us—but someplace that is light-hearted, some place where people feel a kinship or a friendship.

And one of the things we know, we are not going to get Millennials to stay in the Federal workforce if we are overly bureaucratic. It is the ABC of failure: arrogance, bureaucracy, and complacency. And Millennials do not fit in that category. They are not bureaucratic in how they look at things. They are not complacent with the way things are. And they tend to be more collaborative and less arrogant.

And so how do we avoid a system—I think it is Warren Buffett who uses the ABCs. But how do we jump-start this? Because we have a huge workforce, and moving this big ship to something that is more flexible and more attractive to a new workforce is going to be extraordinarily difficult. So some ideas on how we can infect this whole system with maybe more enthusiasm for what we do every day? And I should talk. I complain all the time about what I do all day. But, Ms. Niehaus, obviously, you have great experience where you work and care a great deal about the job that you do, but I think also experience this level of frustration.

Ms. NIEHAUS. Yes, and I see our workers, and a lot of our workers at Travis Air Force Base are veterans. I mean, the majority of our new hires are veterans, so they already understand the importance of our mission. But I think we might be able to do a better job with the new employees who are not veterans and who have not already been through military service of explaining what their role is in the mission. And I think that if our supervisors are trained to orient employees that way so that they know, "OK, you are turning a wrench on this aircraft and that aircraft goes and refuels other aircraft to allow them to perform mission in a war zone," I think it makes more impression than if somebody is just told, "OK,

go change the tire on this airplane." But our supervisors need to be trained in how to do that.

Senator HEITKAMP. I think that is right. Ms. Jones.

Ms. JONES. I would just like to make one more point about performance management. Our discussions have shown with supervisors across agencies that even when someone is performing poorly, that if it is possible to supervise them appropriately, to explain to them why they are not doing their work in a proper way, and to bring about an improvement in their work so that they do not have to be dismissed, that is actually a better result than dismissing someone. We have talked about the cumbersome nature of dismissals, but the agency has spent a lot of money recruiting the person, training the person. The person has learned a great deal about their work and the agency's work overall and how the Federal Government operates. So if it is possible to have a more positive outcome rather than a negative outcome, that would be better.

Senator LANKFORD. Redemption is always better. I will take that every time.

While you are dipping into that, there is one more big issue that we have kind of skirted around, and it is the termination process. We talked about the probation. We talked about some of the hiring things. Everyone has mentioned at some level, either in their written testimony or orally, something about the termination process. There are several ideas that were presented out there, but here are a couple things that I heard when I read through the materials and heard some of the oral testimony.

One was the administrative leave and the length of that, the paid administrative leave and how long that is.

The other thing was a statement that went around the morale issue, that individuals—and I have seen it. When there is an individual that everyone knows is a problem in the middle of the team, it hurts morale for the entire team. And everyone gets frustrated by that, and everyone knows I am being paid the same as that person is, but they are not doing their work, so it brings down the whole team. But everyone also knows in the Federal workforce it is incredibly difficult for someone to be released. And so we all put up with it.

So how do we fix that where we can actually protect some worker from a supervisor that may be an ogre that just wants to release everybody? So we want to give them some kind of due process to make sure we do not have a bad supervisor and that is why we have a bad environment, but to also deal with the employee that is just not cutting it at this point. So let us talk through some of the basics of that real quick. Specific ideas would be helpful. Mr. Blair.

Mr. BLAIR. Thank you. In my testimony, I outlined a couple of ideas, and I do not have the magic bullet for this, but it does seem to me——

Senator LANKFORD. We need it. [Laughter.]

Mr. BLAIR. Well, let us see if we can come up with something. It is a maze right now. You have multiple bites at the apple, and there are long policy justifications for the current system. But the current system adds to the cynicism. So I think we need to look at

it afresh. This is something that I think the expertise lies in OPM and MSPB.

Senator LANKFORD. Do they have the authorities right now that they need to——

Mr. BLAIR. I do not think they have the authorities to properly demonstrate it. I recommend a demonstration project or demos, pilot projects of some kind. Even if that is not feasibly, to come up with some recommendations on how—what should be changed in legislation in order to make it transparent accountable, but also give the public a sense that—along with due process, but give the public the sense that employees are being held accountable.

These are things that you cannot come up with in a day, but you are starting this process at a very important time, and these are things that as you said earlier, teed up for the transition issue.

I would like to go back to the Academy. I have folks who span the spectrum on different ways of doing these types of things, and I would look forward to that opportunity to engage them in some way and say, look I have members, a former president of the National Treasury Employees Union is a Fellow. One of my former board members was a political action director for Mr. Cox's union as well and was their communications director. I have agency heads. We span the spectrum. And a panel of Fellows looking at something like that can thread the needle. We have threaded the needle before for this Committee. We did work for you all 2 years ago on the STOCK Act. Congress looked at our report and adopted the recommendations. So I would be interested in seeing how we could be engaged to come back and bring together the best collective thinking in the Academy on something like this, and we can do that on a timely basis.

Senator LANKFORD. That would be helpful to us because, again, this is an issue that hurts high-performing teams. This is not just a matter of the Federal taxpayer paying someone who is not pulling their weight. It is a matter of demoralizing a whole team, a whole group of people, and I will be interested to know when we read through for Defense, VA, and Homeland Security if they are dealing with this or there are other issues that are in the process of what is causing this lack of employee engagement on this. But other ideas that this group has on dealing with the termination process to make sure that it is both fair but that it actually has a functioning process rather than someone just saying, "It is so hard to do it, I am just not going to even try. I will just leave him there and ignore him."

Mr. COX. I think part of the process is, again, what the Senator said earlier. Many times people do not want to deal with conflict. I have represented employees that have done things that were wrong. The process went very timely. There was an investigation done. The employee had due process. They suffered the consequence, and they paid the price. And many of them left the agency or either received some type of disciplinary action. Frequently, managers want to put it off and not deal with it. The provisions are there to move in a very timely process. All of AFGE's contracts call for quick action of investigation, tell employees they have done something wrong, deal with them.

Also, with the forum issue, employees must choose to file either through a negotiated grievance procedure, EEO, or MSPB. I see them try to go in several different directions, and they get kicked out and lose out because you just cannot, forum shop. The laws are constructed such that you have to be in one avenue and stay in that avenue. So there are procedures to deal with that.

Senator HEITKAMP. One of the complicating factors of these is frequently a manager will figure out a way to get rid of that employee and send them to another team. So they can poison more than one group of people. I think we have to start with training supervisors to deal with conflict, to try and take corrective action, to put—do not have low expectations of employees. That is one of the challenges you have, is you say it is good enough, it is C work. Well, I need A-plus work, so let us try and get A-plus work and make them part of the team. And I think most people are redeemable. There are people who are just bad actors and are not interested in putting in a fair amount of work. But I think most people with the right kind of supervision and with the right kind of training can be very good employees, but yet they fail because they get in this cycle of failure and get so demoralized that they are just filling in space and time. And I think early capture of problems—which is why the probationary period is so important. Early capture of these problems I think is also part of—you cannot just look at the termination process as just that process of going through the steps of terminating employment. You have to look at it as the whole supervision possibility from the very beginning, and so I do not look at these as two different pieces. I look at this as an overall management challenge.

Senator LANKFORD. And even in your description there, Mr. Cox, talking about all the different lanes that they could get in through the process, when you deal with Chapter 43 or Chapter 75 of the U.S. Code and that process and where they are going to go and understanding this is performance related or this is based on a specific action, and based on that action it gets very complicated in the process. And what you were describing as far as a quick process, if someone does something that is really dumb, it becomes this large-scale action, event, statement, explosion in work, what they are going to do with their attitude, it becomes very clear. But if it is just low performance and they have been trained, and they have been trained, and they have been trained, and they are not coming up, it is how do you help them, say OK, this is the wrong fit? To go with the good to great philosophy, you are in the wrong seat on the bus. We need to move you to a different seat on the bus and see if that works better, and if that seat does not work, we may need to move you off the bus. That is the difficulty of the process on it.

So any other comments or ideas on this? Because this is one of the difficult things we have to deal with.

Ms. NIEHAUS. Well, I think, as Senator Heitkamp said, not only do we have to train our supervisors, we have to give them time to supervise. You used an example of someone who came in at 5 in the morning, and their employees come in at 8. Not everyone can do that. Most of our supervisors have families, and they have lives outside of the office or the duty section. So we need to structure

our supervisory positions so that they have time to actually be supervisors and managers and not just technicians working, with an additional duty on top of their technical work.

Senator LANKFORD. OK. Ms. Jones.

Ms. JONES. I would say that it would be very important in terms of the cost to the government of figuring out a way to resolve these issues earlier. There are relatively few Federal employees who stay on administrative leave for more than 30 days and relatively even fewer still who stay on for 6 months or more than a year.

What we found in our prior work, though, is that this very small number of employees, the cost of them staying on administrative leave is much higher than their numbers would imply. So figuring out a way—and performance-related issues was one of the major reasons why they stayed on administrative leave for a long time. So figuring out a way to deal with situations earlier and much more expeditiously would be helpful.

Senator LANKFORD. OK. I want this panel to know that we are very interested in hearing the specific ideas because we want to help in this process. We have some great Federal employees that are out there that we like to put good team members around them that are working at the same level that they are because it builds morale and it, quite frankly, is better value for the taxpayer, and it builds that enthusiasm and quality of work. So this is one of those complicated issues that we have to resolve in the days ahead, and I look forward to that conversation and other ideas, and thanks again for your testimony on this.

I am going to go ahead and close the hearing down. Other members that were not here, they will have 7 additional days to be able to put a statement officially for the record, and we will followup with questions for the record as well in the days ahead.

I look forward to the ongoing conversation we will have about trying to resolve this. Thanks again. This hearing is closed.

[Whereupon, at 11:28 a.m., the Subcommittee was adjourned.]

APPENDIX

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Regulatory Affairs and Federal Management, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 10:00 a.m. ET
Wednesday, May 20, 2015

HUMAN CAPITAL

Update on Strategic Management Challenges for the 21st Century

Statement of Yvonne D. Jones, Director, Strategic Issues

GAO-15-619T

GAO Highlights

Highlights of GAO-15-619T, a testimony before the Subcommittee on Regulatory Affairs and Federal Management, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to Congress and to the nation as a whole.

GAO designated strategic human capital management as a government-wide, high-risk area in 2001. Since then, important progress has been made. However, retirements and the potential loss of leadership and institutional knowledge, coupled with fiscal pressures, underscore the importance of a strategic and efficient approach to acquiring and retaining individuals with needed critical skills. As a result, strategic human capital management remains a high-risk area.

This testimony is based on a large body of GAO work issued from January 2014 through February 2015, and ongoing work related to employee engagement. This testimony, among other things, focuses on key human capital areas where some actions have been taken but attention is still needed by OPM and federal agencies on issues such as: (1) the GS classification system; (2) mission-critical skills gaps; (3) performance management; and (4) employee engagement.

What GAO Recommends

Over the years, GAO has made numerous recommendations to agencies and OPM to improve their strategic human capital management efforts. While OPM and the agencies have implemented some of GAO's recommendations, actions are still needed on others to continue to make progress in these areas in the future.

View GAO-15-619T. For more information, contact Yvonne D. Jones at (202) 512-2717 or jonesy@gao.gov.

May 20, 2015

HUMAN CAPITAL

Update on Strategic Management Challenges for the 21st Century

What GAO Found

Serious human capital shortfalls can erode the capacity of federal agencies and threaten their ability to cost-effectively carry out their missions. GAO's prior work has shown that continued attention is needed to ensure agencies have the human resources to drive performance and achieve the results the nation demands. Key areas where the federal government has taken some actions but additional attention is still needed include the following:

General Schedule (GS) Classification System: In 2014, GAO identified eight key attributes of a modern, effective classification system, such as, flexibility, transparency, and simplicity. The GS system's design reflects some of these eight attributes, but when the Office of Personnel Management (OPM) implemented the system, the attributes of transparency, internal equity, simplicity, flexibility, and adaptability were reduced. This occurred, in part, because some attributes are at odds with others so fully achieving one comes at the expense of another. GAO recommended and OPM partially concurred with the need to examine ways to make the GS system consistent with the eight attributes of an effective classification system.

Mission-Critical Skills Gaps: The challenges that agencies face were not fully captured by the Chief Human Capital Officers Council Working Group's efforts that identified skills gaps in six government-wide, mission-critical occupations. In 2015, GAO identified skills gaps in nearly two dozen occupations with significant program implementation impacts. As a result, GAO recommended OPM take a number of steps to address this issue. OPM concurred and in response has established an interagency working group, which is expected to identify a new set of government-wide skills gaps by June 2015.

Improving Performance Management: OPM makes a range of tools and guidance available to help agencies address poor performance. In 2015, GAO concluded that improved supervision and better use of probationary periods are needed to address substandard employee performance. In response, OPM agreed to consult with stakeholders regarding the need for longer probationary periods for some complex positions. In 2015, GAO also found that OPM needed to do more to ensure meaningful distinctions are made in senior executive ratings and performance awards. OPM disagreed with the recommendation. GAO maintains that additional action should be considered to ensure equity in ratings and performance awards across departments.

Strengthening Employee Engagement: GAO's ongoing work indicates that the recent government-wide decline in engagement, as measured by OPM's Employee Engagement Index, masks the fact that the majority of agencies either have sustained or increased their employee engagement levels. Government-wide, engagement has declined 4 percentage points from an estimated 67 percent in 2011 to an estimated 63 percent in 2014. However, this decline is primarily attributable to 13 agencies where employee engagement declined from 2013 to 2014. In contrast, 31 of 47 agencies have sustained and 3 agencies have increased their employee engagement levels from 2013 to 2014.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee:

Thank you for the opportunity to be here today to discuss the state of the 21st century federal civil service, and what can be done going forward to ensure a top-notch federal workforce, the importance of which cannot be overstated. As we have long reported, strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to Congress and to the nation as a whole. However, the federal government is facing workforce-related challenges that could affect the ability of agencies to cost-effectively carry out their missions. These challenges include a retirement wave that could cause a loss of leadership and institutional knowledge at all levels. In the current economic situation, projections of how many federal workers will actually retire upon becoming eligible remain unclear. However, when these workers do retire, the federal government needs to have the right people in the right jobs at the right time to meet the challenges it faces. Other challenges include filling mission-critical skills gaps, improving performance management, and strengthening employee engagement during difficult times.

Strategic human capital management has been one of our high-risk areas since 2001.[1] Since then, Congress, the Office of Personnel Management (OPM), and some individual agencies have taken a number of actions toward addressing the government's human capital challenges. For example, in 2002, Congress created the chief human capital officer (CHCO) position in 24 agencies to advise and assist the heads of the agencies with human capital efforts.[2] The same law created the CHCO Council to advise and coordinate the human capital activities of member agencies.[3] Congress has also provided agencies—individually and across the federal government—with various authorities and flexibilities to manage the federal workforce and make the federal government a more attractive employer. Further, congressional hearings that have focused on

[1]GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

[2]Chief Human Capital Officers Act of 2002, title XIII of the Homeland Security Act of 2002. Pub. L. No. 107-296, § 1302(a),116 Stat. 2135, 2287 (Nov. 25, 2002). 5 U.S.C. § 1401.

[3]The CHCO Council now has 27 members who represent executive departments or multiple agencies (such as agencies within the intelligence community) or are designated by the Director of OPM, who chairs the council.

federal human capital management challenges have been important for ensuring that OPM and agencies continue to make progress in acquiring, developing, and retaining employees with the skills needed to carry out the government's vital work. Continued congressional attention to improving the government's human capital policies and procedures will be essential to further progress in this area.

While many actions to further progress have been taken in the last few years, ample opportunities continue to exist for agencies to improve their strategic human capital management, and for OPM to continue its leadership in these areas. For example, we reported in February 2015 that strategic human capital management remains high risk because more work is needed to address government-wide, mission-critical skills gaps.[4] A direct link between personnel management and organizational performance can be seen in a number of our studies that identified operational and other problems at various federal agencies. These problems include wait times at Department of Veterans Affairs medical facilities; management of oil and gas operations by the Department of the Interior; information technology management at the Social Security Administration; rail safety inspections by the Federal Railroad Administration; and acquisition management at the Departments of Defense and Homeland Security. All of these examples share a common problem: a breakdown of one or more human capital activities, such as robust workforce planning or performance management.

To address these and similar challenges, federal agencies will need to change their cultures and create the institutional capacity to become high-performing organizations. This includes recruiting and retaining employees able to create, sustain, and thrive in organizations that are flatter, results-oriented, and externally focused, and that collaborate with other government entities as well as with the private and nonprofit sectors to achieve desired outcomes. As federal agencies seek to improve their operations within budget constraints and to compete for talent with the private sector, federal agencies will need to focus attention on management practices that both increase the level of employee engagement, and also enable managers to make meaningful distinctions in performance to reward top performers and deal with poor performers.

[4]GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: February 2015).

My remarks today will focus on describing recent trends in federal civilian employment and also on some of the key strategic human capital management issues facing executive branch agencies and OPM. These issues include: (1) improving management and oversight of the federal classification system, (2) closing mission-critical skills gaps, (3) developing strategies to help agencies meet their missions in an era of highly constrained resources, (4) improving performance management, and (5) strengthening employee engagement during challenging times. (For a list of open human capital recommendations to agencies and OPM, see appendix I.)

My observations on employee engagement represent the preliminary observations from our ongoing work that we are doing at the request of the House Committee on Oversight and Government Reform, the House Subcommittee on Government Operations, and the House Subcommittee on Federal Workforce, U.S. Postal Service, and the Census. For that study we analyzed responses to questions from the OPM Federal Employee Viewpoint Survey for the years 2010 through 2014, from which the Employee Engagement Index is derived. We obtained agency officials's views on the information presented from our ongoing work and have incorporated their comments as appropriate. The rest of this statement is based on our large body of work on federal human capital management, issued primarily between January 2014 and February 2015, and is updated with more recent information as appropriate. For example, to update federal civilian employment trend information, we analyzed more recent data from OPM's Enterprise Human Resources Integration database. Detailed descriptions of the scope and methodologies for our completed work can be found in the original reports cited throughout this statement. The work that this statement is based on is either being conducted or was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Recent Trends in Federal Civilian Employment

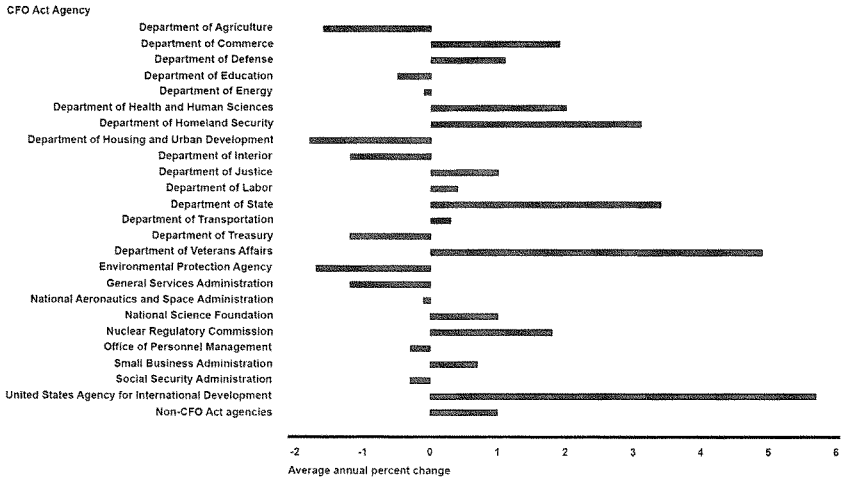
Federal Civilian Workforce Grew by 10.3 Percent from 2005 through 2014

From 2005 to 2014, the civilian workforce (excluding the U.S. Postal Service) grew from 1.88 million to 2.07 million, an increase of 10.3 percent, or 192,951 individuals.[5] Most of this growth (76 percent) occurred between 2009 and 2014. The number of permanent career executive branch employees grew by 221,672, from about 1.7 million in 2005 to 1.92 million in 2014 (an increase of 13 percent). Of the 24 Chief Financial Officers (CFO) Act agencies, 13 had a higher percentage of permanent career employees in 2014 than they did in 2005, and 11 had a lower percentage (see figure 1).[6]

[5]To conduct our analysis of federal workforce trends, we used OPM's Enterprise Human Resources Integration (EHRI) Statistical Data Mart. EHRI (formerly Central Personnel Data File–CPDF) is the primary government-wide source for information on federal employees. The EHRI data we analyzed cover executive branch civilian employees, excluding the U.S. Postal Service, legislative or judicial branch employees, or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010. We have previously reported on recent trends in federal government employment. See GAO, *Federal Workforce: Recent Trends in Federal Civilian Employment and Compensation*, GAO-14-215 (Washington, D.C.: Jan. 29, 2014).

[6]The CFO Act agencies are the executive branch agencies listed at 31 U.S.C. § 901(b).

Figure 1: Average Annual Percent Change in the Number of Permanent Career Employees by Agency, 2005-2014



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart. | GAO-15-619T

Fourteen Percent of On Board Employees Were Eligible to Retire in 2014

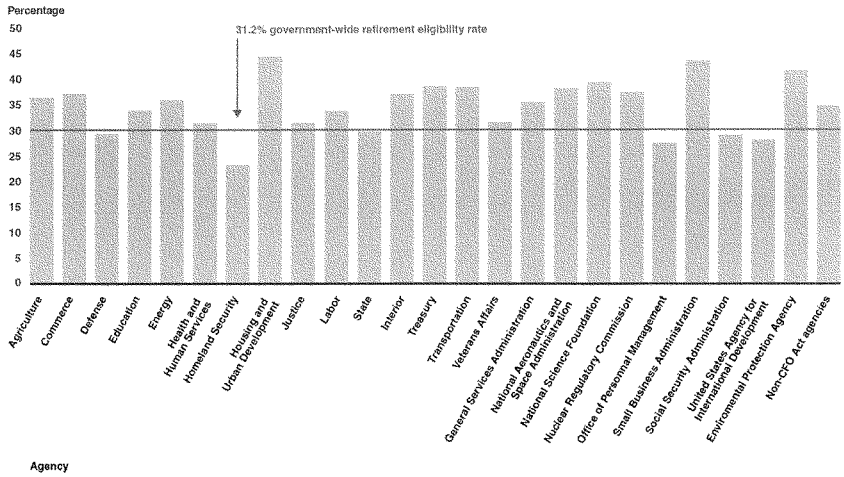
The retirement rate of federal civilian employees rose from 3.2 percent in 2004 to a high of 3.6 percent in 2007 when, according to data from the National Bureau of Economic Research, the recession began. During the recession, the total attrition rate dropped to a low of 2.5 percent in 2009 before rebounding to pre-recession levels in 2011 and 2012. Beginning at the end of 2007, the recession saw retirement rates decline to 3.3 percent in 2008, 2.5 percent in 2009, and 2.7 percent in 2010, before increasing again to 3.5 percent in 2014.

With respect to retirement eligibility, of the 1.92 million permanent career employees on board in 2014, approximately 270,000 (14 percent) were eligible to retire. By September 2019, approximately 590,000 (31 percent) of on board staff will be eligible to retire. Not all agencies will be equally

affected. Also by September 2019, 18 of the 24 CFO Act agencies will have a higher percentage of staff eligible to retire than the current overall average of 31 percent.[7] About 23 percent of Department of Homeland Security staff on board as of September 2014 will be eligible to retire in 2019, while more than 43 percent will be eligible to retire at both the Department of Housing and Urban Development and the Small Business Administration (see figure 2). Certain occupations—such as air traffic controllers, customs and border protection agents, and those involved in implementing government programs—will also have particularly high retirement-eligibility rates by 2019. About 63 percent of career executives may be eligible to retire by 2016.

[7]These projected retirement eligibility rates do not take into account hiring and separations that may occur over the next 5 years.

Figure 2: Percentage of Career Permanent Employees on Board as of September 30, 2014, Eligible to Retire by 2019 by Agency



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart. | GAO-15-619T

OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System

As we reported in 2014, the General Schedule (GS) classification system is a mechanism for organizing federal white-collar work, notably for the purpose of determining pay, based on a position's duties, responsibilities, and difficulty, among other things.[8] The GS system, which is administered by OPM and includes a standardized set of 420 occupations, grouped in 23 occupational families and 15 statutorily-defined grade levels, influences other human capital practices such as training, since training opportunities link position competencies with the employee's performance.[9] In 2013, the GS system covered about 80 percent of the civilian white-collar workforce (about 1.6 million employees).

The GS system was designed to uphold the key merit system principle of equal pay for work of substantially equal value and other important goals. However, some OPM reports and several public policy groups have questioned the GS system's ability to meet agencies' needs for flexible talent management tools that enable them to align employees with mission requirements. For example, in 2002, OPM outlined the advantages and disadvantages of the GS classification system and concluded that agencies should be allowed to tailor their pay practices to better recruit, manage, and retain employees to accomplish their mission.[10] In 2014, the Partnership for Public Service reported that by treating all occupations equally and linking them to the current pay scales, the GS system is unable to distinguish between meaningful differences in complexity and skill across occupations.[11] Also, as federal agencies have taken on additional roles and responsibilities, their missions have become increasingly complex, and their employees need to possess a range of expertise and skills that may not be adequately captured by the GS system.

We reported in July 2014 on the attributes of a modern, effective classification system and the extent to which the current GS system

[8]GAO, *Human Capital: OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System*, GAO-14-677 (Washington, D.C.: July 31, 2014).

[9]The GS system was created by the Classification Act of 1949 and later codified in title 5 of the U.S. Code (5 U.S.C. §§ 5101-5115).

[10]Office of Personnel Management, *A Fresh Start for Federal Pay: The Case for Modernization* (Washington, D.C.: April 2002).

[11]The Partnership for Public Service and Booz Allen Hamilton, *Building the Enterprise: A New Civil Service Framework* (Washington, D.C.: and Herndon, Va.: April 2014).

balances those attributes.[12] Our analysis of subject matter specialists's comments, related literature, and interviews with OPM officials identified a number of important characteristics for a modern, effective classification system, which we consolidated in eight key attributes (see table 1).

Table 1: Attributes of a Modern, Effective Classification System

Internal equity: All employees with comparable qualifications and responsibilities for their respective occupations are assigned the same grade level.
External equity: All employees with comparable qualifications and responsibilities are assigned grade levels and corresponding pay ranges comparable to the nonfederal sector.
Transparency: A comprehensible and predictable system that employees, management, and taxpayers can understand.
Flexibility: The ease and ability to modify the system to meet agency-specific needs and mission requirements, including modifying rates of pay for certain occupations to attract a qualified workforce, within the framework of a uniform government-wide system.
Adaptability: The ease and ability to conduct a periodic, fundamental review of the entire classification system that enables the system to evolve as the workforce and workplace change.
Simplicity: A system that enables interagency mobility and comparisons, with a rational number of occupations and clear career ladders with meaningful differences in skills and performance, as well as a system that can be cost-effectively maintained and managed.
Rank-in-position: A classification of positions based on mission needs and then hiring individuals with those qualifications.
Rank-in-person: A classification of employees based on their individual skills and abilities.

Source: GAO analysis of interviews with subject matter specialists and OPM officials, and literature reviews. | GAO-15-619T

In 2014 we found that, in concept, the current GS classification system's design incorporates several key attributes including internal and external equity, transparency, simplicity, and rank in position.[13] However, as OPM implemented the system, the attributes of transparency, internal equity, simplicity, flexibility, and adaptability were reduced. This occurred, in part, because some attributes are at odds with one another. So, fully achieving one attribute comes at the expense of another. Thus, OPM, working with its stakeholders, is challenged to determine how best to optimize each attribute.

[12]GAO-14-677.

[13]GAO-14-677.

We also reported that the GS system's standardized set of 420 occupations incorporates several key attributes, but falls short in implementation.[14] For example, the occupational standard for an information technology specialist clearly describes the routine duties, tasks, and experience required for the position. This kind of information is published for the 420 occupations so all agencies are using the same, consistent standards when classifying positions—embodying the attributes of transparency and internal equity. However, in implementation, having numerous, narrowly defined occupational standards inhibits the system's ability to optimize these attributes. Specifically, classifying occupations and developing position descriptions in the GS system requires officials to maintain an understanding of the individual position and the nuances between similar occupations. We concluded that without this understanding, the transparency and internal equity of the system may be inhibited as agency officials may not be classifying positions consistently, comparable employees may not be treated equitably, and the system may seem unpredictable.

We believe that, going forward, these eight attributes of a more modern, effective classification system can help provide criteria for policymakers and other stakeholders to use in determining whether refinements to the current GS system or wholesale reforms are needed. In our July 2014 report, we recommended that OPM, working through the Chief Human Capital Officer (CHCO) Council and in conjunction with key stakeholders such as the Office of Management and Budget, unions, and others, examine ways to make the GS system's design and implementation more consistent with the attributes of a modern, effective classification system.[15] OPM partially concurred with our recommendation to work with key stakeholders to use prior studies and lessons learned to examine ways to make the GS system more consistent with the attributes of a modern, effective classification system. But it also noted several efforts to assist agencies with classification issues, including its interagency classification policy forum and partnering with agencies to address challenges related to specific occupational areas. While these examples of assisting agencies to better implement the GS system on a case-by-case basis are helpful, they do not fully address the fundamental

[14]GAO-14-677.

[15]GAO-14-677.

challenges facing the GS system, which we and others have said is not meeting the needs of federal agencies.

OPM Has Not Conducted Oversight of Agency Classification Programs

In 2014, we also reported that OPM is responsible for establishing new—and revising existing—occupational standards after consulting with agencies.[16] From 2003 to 2014, OPM revised almost 20 percent of the occupational standards and established 14 new ones. However, there was no published review or update of 124 occupations since 1990. OPM officials said they first review occupations identified in presidential memorandums as needing review; however, they do not systemically track and prioritize the remaining occupational standards for review. Therefore, we concluded that OPM had limited assurance that it is updating the highest priority occupations.

OPM is required by law to oversee agencies' implementation of the GS system. However, OPM officials said OPM has not reviewed any agency's classification program since the 1980s because OPM leadership at the time concluded that the reviews were ineffective and time consuming. As a result, we also concluded that OPM has limited assurance that agencies are correctly classifying positions according to standards.

In 2014, we determined that, going forward, OPM could improve its management and oversight of the GS system, and like all agencies, must consider cost-effective ways to fulfill its responsibilities in an era of constrained resources.[17] Using a more strategic approach to track and prioritize reviews of occupational standards—that perhaps better reflects evolving occupations—could help OPM better meet agencies's needs and the changing nature of government work. We therefore recommended that OPM develop a strategy to systematically track and prioritize updates to occupational standards. However, OPM did not concur with our recommendation and noted that occupational standards are updated in response to a systematic, prioritized process informed by working with agencies and other stakeholders and analysis of occupational trends. OPM officials were unable to provide us with the documentation of such efforts. As we noted in our 2014 report, OPM had not published a review or update of roughly 30 percent of the total number of occupations on the

[16]GAO-14-677.

[17]GAO-14-677.

GS system since 1990. Further, OPM officials could not provide the near- or long-term prioritization of occupations scheduled for review. As a result, we concluded that OPM cannot demonstrate whether it is keeping pace with agencies' needs nor does it have reasonable assurance that it is fulfilling its responsibilities to establish new or revise existing occupational standards based on the highest priorities. We continue to believe that OPM should take action to fully address our recommendation.

We also recommended in 2014 that OPM develop a strategy that would enable it to more effectively and routinely monitor agencies's implementation of classification standards.[18] OPM partially concurred with our recommendation and stated that it will continue to leverage the classification appeals program to provide interpretative guidance to agencies to assist them in classifying positions. OPM also stated it will direct consistency reviews as appropriate, however as we noted in the report, OPM does not review agencies' internal oversight efforts. We continue to believe that OPM should develop a strategy to fully address the recommendation, and we will continue to monitor OPM's efforts in that regard.

OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps

Our past work has shown that mission-critical skills gaps in such occupations as cybersecurity and acquisition pose a high-risk to the nation.[19] Whether these gaps are within specific federal agencies or across the federal government, they impede federal agencies from cost-effectively serving the public and achieving results. To address complex challenges such as disaster response, national and homeland security, and rapidly evolving technology and privacy security issues, the federal government requires a high-quality federal workforce able to work seamlessly with other agencies and levels of government, and across sectors. However, efforts are threatened by trends that include current budget and long-term fiscal pressures, declining levels of federal employee satisfaction, the changing nature of federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge.

[18]GAO-14-677.

[19]GAO-15-290.

OPM Plans to Strengthen the Methodology Used to Identify Emerging Skills Gaps

In our 2011 High Risk report we stated that OPM, agencies, and the CHCO Council need to address critical skills gaps that cut across several agencies.[20] As we reported earlier this year, OPM and agencies have taken promising steps, but additional efforts are needed to coordinate and sustain their efforts. Additionally, agencies and OPM need to make better use of workforce analytics which can be used to predict newly emerging skills gaps.[21] An important government-wide effort we identified in this area was the CHCO Council's Working Group (Working Group). The Working Group has identified skills gaps in six government-wide, mission-critical occupations: cybersecurity specialist, auditor, human resources specialist, contract specialist, economist, and the science, technology, engineering, and mathematics (STEM) professions. Although this effort was an important step forward, our 2015 work identified skills gaps in nearly two dozen occupations with significant programmatic impact.[22] We also determined that the Working Group did not develop a more comprehensive list because of various methodological shortcomings. Going forward, we concluded that OPM and the CHCO Council will need to use lessons learned to inform a new round of work expected in this year. Specifically, the Working Group's experience underscored the importance of (1) using a robust, data-driven approach to identify potential mission-critical occupations early in the process; (2) prioritizing occupations using criteria that consider programmatic impact; and (3) consulting with subject matter experts and other stakeholders prior to identifying mission-critical occupations.

Our January 2015 report also noted that, to make further progress on this issue, the federal government needs to build a predictive capacity for identifying emerging mission-critical skills gaps.[23] Realizing this, OPM has established an interagency working group known as the Federal Agency Skills Team (FAST), which is composed of agency officials with workforce planning and data analysis skills. OPM has tasked the group with implementing a standard and repeatable methodology for identifying and addressing government-wide skills gaps, as well as mission-critical

[20]GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: February 2011).

[21]GAO, *Federal Workforce: OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps*, GAO-15-223 (Washington, D.C.: Jan. 30, 2015).

[22]GAO-15-223.

[23]GAO-15-223.

competencies, over a 4-year cycle. OPM officials said that, in its first year, FAST intends to meet regularly until it identifies a new set of government-wide skills gaps. OPM officials expect this to occur by June 2015.

Because we identified a number of shortcomings in the implementation of FAST, our January 2015 report recommended that the Director of OPM, in conjunction with the CHCO Council, take the following actions:

- Assist FAST in developing goals for closing skills gaps with targets that are both clear and measurable.
- Work with FAST to design outcome-oriented performance metrics that align with overall targets for closing skills gaps and link to the activities for addressing skills gaps.
- Incorporate greater input from subject matter experts, as planned.[24]

OPM concurred with these recommendations and has reported that it will implement all of these actions. However, not all actions will be implemented through FAST but instead will rely on subject matter experts from across the federal workforce. In the same report, we recommended that the Director of OPM work with agency CHCOs to bolster the ability of agencies to assess workforce competencies by sharing competency surveys, lessons learned, and other tools and resources. These actions will help ensure that OPM builds the predictive capacity to identify emerging skills gaps across the government—including the ability to collect and use reliable information on the competencies of the federal workforce for government-wide workforce analysis. OPM also agreed with this recommendation.

Finally, in January 2015 we also reported on OPM's efforts to assist in addressing skills gaps at the agency level.[25] OPM created HRstat, a process of holding regularly scheduled, data-driven review meetings led by an agency's CHCO to review performance metrics for driving progress on the agency's human capital management priorities and goals, such as

[24]GAO-15-223.

[25]GAO-15-223.

closing mission-critical skills gaps.[26] OPM launched HRstat as a 3-year pilot program in May 2012, with an initial group of eight agencies. However, our work determined that OPM should take a greater leadership role in helping agencies include a core set of metrics in their HRstat reviews so that OPM and agency leaders can have a clear view of progress made closing skills gaps. While it is important for agencies to have ownership over their HRstat reviews, OPM should also maximize its opportunity to use HRstat to gain greater visibility over the federal workforce. Therefore, in our January 2015 report we recommended that the Director of OPM take the following actions:

- Work with the CHCO Council to develop a core set of metrics that all agencies should use as part of their HRstat data-driven reviews.
- Coordinate with FAST personnel and explore the feasibility of collecting information needed by FAST as part of agencies's HRstat reviews.[27]

OPM agreed with our recommendation to develop a core set of metrics and plans to convene agency officials responsible for conducting HRstat reviews within their agencies, and have them identify a useful set of core metrics. OPM expects to complete this by the end of 2015. In regards to coordinating the efforts of FAST and agencies' HRstat reviews, OPM stated that integrating these efforts would not be appropriate because of differing data requirements and goals of the two processes. We continue to believe that OPM should explore coordinating these efforts to gain greater visibility over the federal workforce and to monitor progress toward closing skills gaps.

Efforts to close mission-critical skills gaps are often couched in discussions about interagency initiatives and working groups, as well as technical terms, such as staffing numbers, competencies, and metrics. Yet, the ultimate goal is a higher-performing, cost-effective government.

[26]Data-driven reviews—commonly referred to as "stat" meetings—are regularly scheduled, structured meetings used by organizations to review performance metrics with department or program personnel to drive progress on agency priorities and goals. Conducting frequent stat meetings is a leadership strategy proven to help agency officials achieve results by focusing on an identified set of priorities, diagnosing problems, and deciding on the next steps to increase performance. See GAO, *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228 (Washington, D.C.: Feb. 27, 2013).

[27]GAO-15-223.

With a continual focus on implementing the recommendations we have made in these areas, we believe that OPM, the CHCO Council, and agencies should begin to make progress on addressing current and emerging skills gaps.

Management Challenges and Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources

In May 2014, we reported on strategies for managing the federal workforce and planning for future needs in an era of constrained resources.[28] The strategies we identified included the following:

- **Strengthening collaboration to address a fragmented human capital community.** Our analysis found that the federal human capital community is highly fragmented with multiple actors inside government informing and executing personnel policies and initiatives in ways that are not always aligned with broader, government-wide human capital efforts. The CHCO Council was established to improve coordination across federal agencies on personnel issues. But, according to CHCOs we spoke to, the council is not carrying out this responsibility as well as it could. This challenge manifests itself in two ways. First, across organizations, many actors are making human capital decisions in an uncoordinated manner. Second, within agencies, CHCOs and the human capital staff are excluded from key agency decisions.

- **Using enterprise solutions to address shared challenges.** Our analysis found that agencies have many common human capital challenges. But, they tend to address these issues independently without looking to enterprise solutions (i.e., government-wide) that could resolve them more effectively. Across government, there are examples of agencies and OPM initiating enterprise solutions to address crosscutting issues, including the consolidation of federal payroll systems into shared-services centers. CHCOs we spoke to highlighted human resource information technology and strategic workforce planning as two areas that are ripe for government-wide collaboration.

- **Creating more agile talent management to address inflexibilities in the current system.** Our analysis found talent management tools

[28]GAO, *Human Capital: Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources*, GAO-14-168 (Washington, D.C.: May 7, 2014).

lack two key ingredients for developing an agile workforce, namely the ability to (1) identify the skills available in their existing workforces, and (2) move people with specific skills to address emerging, temporary, or permanent needs within and across agencies.

In our May 2014 report, we stated that the CHCOs said OPM needs to do more to raise awareness and assess the utility of the tools and guidance they provide to agencies to address key human capital challenges.[29] The CHCOs said they were either unfamiliar with OPM's tools and guidance, or they fell short of their agency's needs. OPM officials said they had not evaluated the tools and guidance they provide to the agencies. As a result, a key resource for helping agencies improve the capacity of their personnel offices is likely being underutilized.

Therefore, we recommended that OPM, in conjunction with the CHCO Council, (1) strengthen coordination and leadership on government-wide human capital issues, (2) explore expanded use of enterprise solutions to more efficiently and effectively address shared challenges, (3) review the extent to which new capabilities are needed to promote agile talent management, and (4) evaluate the communication strategy for and effectiveness of tools, guidance, or leading practices OPM or agencies provide for addressing human capital challenges.[30] OPM and the CHCO Council concurred with our recommendations.

Opportunities Exist to Deal with Poor Performance and Strengthen Performance Management

Managing employee performance has been a long-standing government-wide issue and the subject of numerous reforms since the beginning of the modern civil service. Without effective performance management, agencies risk losing (or failing to utilize) the skills of top talent. They also may miss the opportunity to observe and correct poor performance. Our past work has shown that a long-standing challenge for federal agencies has been developing credible and effective performance management systems that can serve as a strategic tool to drive internal change and achieve results.

More than a decade ago, we reported that day-to-day performance management activities benefit from performance management systems

[29]GAO-14-168.

[30]GAO-14-168.

that, among other things, (1) create a clear "line of sight" between individual performance and organizational success; (2) provide adequate training on the performance management system; (3) use core competencies to reinforce organizational objectives; (4) address performance regularly; and (5) contain transparent processes that help agencies address performance "upstream" in the process within a merit-based system that contains appropriate safeguards.[31] Implementing such a system requires supervisors to communicate clear performance standards and expectations, to provide regular feedback, and to document instances of poor performance.

Agencies Have Multiple Avenues Available to Address Employee Poor Performance

Managers' ability to deal with poor performers is also a concern of federal employees. OPM's Federal Employee Viewpoint Survey (FEVS) data from 2011 to 2014 show that around 30 percent of respondents provided positive responses to whether managers took steps to deal with poor performers. In 2014, over 40 percent of respondents disagreed that managers consistently take steps to deal with poor performers. Almost 30 percent neither agreed nor disagreed.

In general, agencies have three means to address employees' poor performance: (1) day-to-day performance management activities (which should be provided to all employees, regardless of their performance levels), (2) dismissal during probationary periods, and (3) use of formal procedures. Agencies' choices will depend on the circumstances at hand. Day-to-day performance management activities such as providing regular performance feedback to employees can produce more desirable outcomes for agencies and employees than dismissal options, which are a last resort. As we reported in February 2015, supervisors do not always have the skills to identify, communicate, and help address employee performance issues.[32] Given the critical role that supervisors play in performance management, it is important for agencies to identify, promote and continue to develop effective supervisors.

[31]GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

[32]GAO, *Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance*, GAO-15-191 (Washington D.C.: Feb. 6, 2015).

Probationary periods for new employees provide supervisors with an opportunity to evaluate an individual's performance to determine if an appointment to the civil service should become final. However, CHCOs we interviewed told us supervisors often do not use this time to make decisions about an employee's performance because they may not know that the probationary period is ending or they have not had time to observe performance in all critical areas. We agree with OPM that notifying supervisors that a probationary period is coming to an end is an agency's responsibility. However, we maintain that more could be done to educate agencies on the benefits of using automated notifications to notify supervisors that an individual's probationary period is ending and that the supervisor needs to make an affirmative decision or otherwise take appropriate action. OPM also needs to determine whether occupations exist in which—because of the nature of work and complexity—the probationary period should extend beyond 1-year and, if so, take appropriate actions which may include developing legislative proposals for congressional consideration. OPM agreed to consult with stakeholders to determine whether longer probationary periods are needed for certain complex positions.

In our February 2015 report, we noted that OPM provides guidance, tools, and training to help agencies attain human capital management goals that meet its strategic goal of enhancing the integrity of the federal workforce.[33] In addition to its regulations, OPM makes a range of different tools and guidance available to help agencies address poor performance through multiple formats, including through its website, webinars, webcasts, in-person training, guidebooks, and through one-on-one assistance and consultation with agencies, according to OPM officials. We identified in our report promising practices that some agencies employ to more effectively ensure that that they have a well-qualified cadre of supervisors capable of effectively addressing poor performance. The practices include:

- extending the employee's supervisory probationary period beyond 1 year to include at least one full employee appraisal cycle;
- providing temporary duty opportunities outside the agency or rotational assignments to supervisory candidates prior to promotion,

[33]Office of Personnel Management, *Recruit, Retain, and Honor: Strategic Plan FY2014-FY2018* (Washington, D.C.: 2014).

where the candidate can develop and demonstrate supervisory competencies; and
- using a dual career ladder structure as a way to advance employees who may have particular technical skills or education but who are not interested in or inclined to pursue a management or supervisory track.

We recommended that OPM determine if these practices should be more widely used government-wide. OPM partially concurred with our recommendation, noting that agencies already have authority to take these actions. We acknowledged OPM's point, but maintain that OPM can still take a leadership role and encourage agencies to take these steps. Also in our February 2015 report, we found that OPM, in conjunction with the CHCO Council and other key stakeholders, needs to assess the adequacy of leadership training that agencies provide to supervisors to help ensure supervisors obtain the skills needed to effectively conduct performance management responsibilities.[34] We recommended that OPM assess the adequacy of leadership training and OPM concurred.

OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in Senior Executive Service (SES) Ratings and Performance Awards

In 2012, OPM facilitated development of an SES performance appraisal system with a more uniform framework to communicate expectations and evaluate the performance of executive branch agency SES members, the government's cadre of senior leaders. The system is expected to promote consistency, clarity, and transferability of SES performance standards and ratings across agencies. Career SES employees receive a base salary and benefits. But, pay increases—as well as performance awards—are to be performance driven, based on annual ratings of executives' performance following reviews within their agencies. To obtain SES appraisal system certification for agencies seeking access to higher levels of pay, agencies are required to make meaningful distinctions based on the relative performance of their executives as measured through performance and pay criteria. OPM stressed that a major improvement of the system included dealing with the wide disparity in distribution of ratings by agency through the provision of clear, descriptive performance standards and rating score ranges that establish mid-level ratings as the norm and top-level ratings as truly exceptional.

[34]GAO-15-191.

In our January 2015 report, we found that more than 85 percent of career Chief Financial Officers Act agency SES were rated in the top two of five categories for fiscal years 2010 through 2013, and career SES received approximately $42 million in awards for fiscal year 2013.[35] In a closer examination of five departments (Departments of Defense, Energy, Health and Human Services, Justice, and Treasury) for fiscal year 2013, we found that, similar to the government-wide results, these five departments rated SES primarily in the top two categories. In addition, four of five departments awarded the same or higher performance awards to some SES with lower ratings.

Effective performance management systems recognize that merit-based pay increases should make meaningful distinctions in relative performance. This principle is central to the SES performance management system, where under the law, to be certified and thereby able to access the higher levels of pay, the appraisal system must make meaningful distinctions based on relative performance. OPM certification guidelines state that the SES modal rating—the rating level assigned most frequently among the actual ratings—should be below "outstanding" and that multiple rating levels should be used. However, OPM's guidelines also state that if an agency's modal rating level is "outstanding," the appraisal system can still be certified if accompanied with a full, acceptable justification. Nonetheless, the continued concentration of senior executives at the top two rating levels indicates that meaningful distinctions in SES performance may not be being made across government. OPM plans to convene a cross-agency working group in 2015 to revisit the SES certification process.

In our January 2015 report, we recommended that the Director of OPM consider various refinements to better ensure the SES performance appraisal system certification guidelines promote making meaningful distinctions in performance without using a forced distribution.[36] Options could include not certifying appraisal systems where the modal rating is "outstanding" or increasing transparency in cases where the modal rating is "outstanding." OPM disagreed with the recommendation stating that,

[35]GAO, *Results-Oriented Management: OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in SES Ratings and Performance Awards*, GAO-15-189 (Washington, D.C.: Jan. 22, 2015).

[36]GAO-15-189.

among other things, it could result in forced distributions in ratings. We maintain that additional action should be considered to ensure equity in ratings and performance awards across departments.

Retaining Employees: Strengthening Employee Engagement during Challenging Times

A growing body of research on both private- and public-sector organizations has found that increased levels of engagement—generally defined as the sense of purpose and commitment employees feel towards their employer and its mission—can lead to better organizational performance.[37] Engaged employees are more than simply satisfied with their jobs. Rather, they take pride in their work, are passionate about what they do, and are committed to the organization, the mission, and their job. They are also more likely to put forth extra effort to get the job done.

Put another way, if a talented workforce is the engine of productivity and mission accomplishment, then a workplace that fosters high levels of employee engagement helps fuel that engine. Preliminary observations from our ongoing work have found that government-wide levels of employee engagement have recently declined 4 percentage points, from an estimated 67 percent in 2011, to an estimated 63 percent in 2014, as measured by the OPM FEVS, and a score derived by OPM from FEVS—the Employee Engagement Index (EEI).[38]

However, our ongoing work also indicates that the recent government-wide average decline in EEI masks the fact that the majority of federal agencies either sustained or increased employee engagement levels during the same period.[39] The decline is the result of several large agencies bringing down the government-wide average. Our preliminary work indicates that 13 of 47 agencies saw a statistically significant decline in their EEIs from 2013 to 2014. While this is only 28 percent of agencies, nearly 69 percent of federal employees are at one of those agencies,

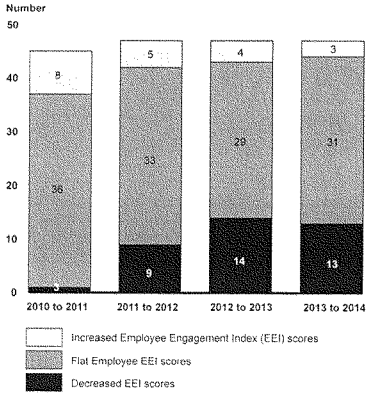
[37]Office of Personnel Management (OPM), *2014 Federal Employee Viewpoint Survey Results: Employees Influencing Change: Government-wide Management Report* (Washington, D.C.: 2014).

[38]While OPM's EEI measures conditions conducive to engagement, OPM and others refer to EEI as an agency's engagement level. For purposes of this testimony, we refer to EEI scores as engagement levels.

[39]GAO, *Federal Workforce: Preliminary Observations on Strengthening Employee Engagement During Challenging Times*, GAO-15-529T (Washington, D.C.: Apr. 16, 2015).

including the Departments of Defense, Homeland Security, and Veterans Affairs.[40] Meanwhile, the majority of agencies sustained or improved engagement. Between 2013 and 2014, of 47 agencies included in our analysis of the EEI, 3 increased their scores; 31 held steady; and 13 declined, as shown in figure 3.

Figure 3: Number of Agencies with Statistically Significant Increasing, Decreasing, and Flat Employee Engagement Index Levels, 2010 to 2014



Source: GAO analysis of Office of Personnel Management Federal Employment Viewpoint Survey (FEVS) data, 2006-2014. | GAO-15-619T

Note: Data represents agencies with more than 500 employees and with a minimum number of 100 respondents in each of the years. The counts in each bar sum to the number of agencies (from among the group that we analyzed) who participated in FEVS in the given year, ranging from 45 to 47 agencies. Statistical significance was determined by comparing whether the 95 percent confidence intervals around the agency estimate overlapped or not. A t-test was not conducted to determine if overlapping confidence intervals were statistically different. Agency employee engagement index estimates have margins of error which range from plus or minus 1 percentage point at the 95 percent

[40]The others were the Department of Energy, General Services Administration, Small Business Administration, Department of the Treasury, Federal Communications Commission, Broadcasting Board of Governors, Merit Systems Protection Board, Commodity Futures Trading Commission, and Consumer Product Safety Commission. We determined that a difference was statistically significant from one year to the next if the two 95 percent confidence intervals around an agency's EEI estimates did not overlap.

level of confidence for the largest agencies to plus or minus 5 percentage points at the 95 percent level of confidence for the medium sized agencies.

Even one agency with a downward trending engagement score is not to be taken lightly. There is room for improvement with all federal agencies. Yet, the large number of agencies that sustained or increased their levels of employee engagement during challenging times suggests that agencies can influence employee engagement levels in the face of difficult external circumstances. For example, the Federal Trade Commission maintained a consistent estimate of 75 percent engagement index score—well above the government-wide average—throughout the period of general decline.[41]

In conclusion, strategic human capital management must be the centerpiece of any serious effort to ensure federal agencies operate as high-performing organizations. A high-quality federal workforce is especially critical now given the complex and cross-cutting issues facing the nation. Through a variety of initiatives, Congress, OPM, and individual agencies have strengthened the government's human capital efforts since we first identified strategic human capital management as a high-risk area in 2001. Still, while many actions towards progress have been taken over the last 13 years, the job is far from over. Indeed, the focus areas discussed today are not an exhaustive list of challenges facing federal agencies and are long-standing in nature.

Greater progress will require continued collaborative efforts between OPM, the CHCO Council, and individual agencies, as well as the continued attention of top-level leadership. Progress will also require effective planning, responsive implementation, robust measurement and evaluation, and continued congressional oversight to hold agencies accountable for results. In short, while the core human capital processes and functions—such as workforce planning and talent management—may sound somewhat bureaucratic and transactional, our prior work has consistently shown the direct link between effective strategic human capital management and successful organizational performance. At the end of the day, strategic human capital management is about mission

[41]Estimates for the Federal Trade Commission have a margin of error no greater than plus or minus 3 percentage points at the 95 percent level of confidence.

accomplishment, accountability, and responsive, cost-effective government.

Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

Contacts and Acknowledgments

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Appendix I: Content and Status of Prior Human Capital GAO Recommendations

Product	Recommendation	Status
ISSUE AREA: IMPROVING MANAGEMENT AND OVERSIGHT OF THE FEDERAL CLASSIFICATION SYSTEM		
GAO-14-677	***Human Capital: OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System*** **(July 2014)**	
	To improve the classification system and to strengthen OPM's management and oversight, the Director of OPM, working through the Chief Human Capital Officer Council, and in conjunction with key stakeholders such as the Office of Management and Budget, unions, and others, should use prior studies and lessons learned from demonstration projects and alternative systems to examine ways to make the GS system's design and implementation more consistent with the attributes of a modern, effective classification system. To the extent warranted, develop a legislative proposal for congressional consideration.	In July 2014, OPM stated that it partially concurred with our recommendation to work with key stakeholders to use prior studies and lessons learned to examine ways to make the GS system more consistent with the attributes of a modern, effective classification system. OPM agreed that the system needs reform but OPM noted several efforts to assist agencies with classification issues, including its interagency classification policy forum and partnering with agencies to address challenges related to specific occupational areas. While these examples of assisting agencies to better implement the GS system on a case-by-case basis are helpful, they are not fully addressing the fundamental challenges facing the GS system, which we and others have said is not meeting the needs of federal agencies.
	To improve the classification system and to strengthen OPM's management and oversight, the Director of OPM should develop cost-effective mechanisms to oversee agency implementation of the classification system as required by law, and develop a strategy to systematically track and prioritize updates to occupational standards.	In July 2014, OPM stated that it did not concur with our recommendation to develop a strategy to systematically track and prioritize updates to occupational standards. Specifically, OPM noted that occupational standards are updated in response to a systematic, prioritized process informed by working with agencies and other stakeholders and analysis of occupational trends. However, OPM officials were unable to provide us with the documentation of their efforts. As noted in our report, OPM has not published a review or update of 124 occupations, roughly 30 percent of the total number of occupations on the GS system, since 1990. Further, OPM officials could not provide the near- or long-term prioritization of occupations schedule for review. As a result, OPM cannot demonstrate whether it is keeping pace with agencies' needs nor does it have reasonable assurance that it is fulfilling its responsibilities to establish new, or revise existing occupational standards based on the highest priorities. We continue to believe that OPM should take action to fully address our recommendation.
	To improve the classification system and to strengthen OPM's management and oversight, the Director of OPM should develop cost-effective mechanisms to oversee agency implementation of the classification system as required by law, and develop a strategy that will enable OPM to more effectively and routinely monitor agencies' implementation of classification standards.	In July 2014, OPM stated that it partially concurred with our recommendation to develop a strategy to more effectively and routinely monitor agencies' implementation of classification standards. OPM stated that it will continue to leverage the classification appeals program to provide interpretative guidance to agencies to assist them in classifying positions. OPM also stated it will direct consistency reviews as appropriate, however as we noted in the report, OPM does not review agencies' internal oversight efforts.

Product	Recommendation	Status
ISSUE AREA: CLOSING MISSION CRITICAL SKILLS GAPS		
GAO-15-223	***Federal Workforce: OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps* (January 2015)**	
	To assist the interagency working group, known as the Federal Agency Skills Team (FAST), to better identify government-wide skills gaps having programmatic impacts and measure its progress towards closing them, the Director of OPM-in conjunction with the CHCO Council-should strengthen its approach and methodology by (1) assisting FAST in developing goals for closing skills gaps with targets that are both clear and measurable; (2) working with FAST to design outcome-oriented performance metrics that align with overall targets for closing skills gaps and link to the activities for addressing skills gaps; (3) incorporating greater input from subject matter experts, as planned; and (4) ensuring FAST consistently follows key practices for project planning.	In January 2015, OPM stated that it partially concurred with our recommendation to strengthen the approach and methodology used by the interagency working group, known as FAST, to better identify skills gaps. OPM noted it agreed with, and planned to implement, the principles of each recommended action. However, OPM said it needed to clarify how its terminology and planned process differs from the description in our recommendation. In particular, OPM stated its process will identify government-wide rather than agency-specific skills gaps as it believes our draft recommendation suggests. We recognize that FAST was established to address government-wide skills gaps and have clarified the language in our recommendation accordingly.
	To ensure that OPM builds the predictive capacity to identify emerging skills gaps across the government-including the ability to collect and use reliable information on the competencies of the federal workforce for government-wide workforce analysis-the Director of OPM should (1) establish a schedule specifying when OPM will modify its Enterprise Human Resources Integration (EHRI) database to capture staffing data that it currently collects from agencies through its annual workforce data reporting process; and (2) work with agency CHCOs to bolster the ability of agencies to assess workforce competencies by sharing competency surveys, lessons learned, and other tools and resources.	In January 2015, OPM stated that it did not concur with our recommendation. Regarding EHRI, OPM maintained that it is impossible for the EHRI database to automatically capture staffing data currently included in MCO Resource Charts because some of these data includes specific agency projections and targets, which are provided via a manual data feed. OPM stated that it is assessing whether EHRI can be modified to allow agencies to supply these manual feed data into the database system. We have modified our report to recognize that EHRI cannot automatically capture the same agency staffing data that are captured through the MCO Resource Charts. In addition, OPM noted that there are funding implications associated with its ability to anticipate whether and when a modification schedule to the EHRI online database could be established.
	To help agencies and OPM better monitor progress toward closing skills gaps within agencies and government-wide, the Director of OPM should (1) work with the CHCO Council to develop a core set of metrics that all agencies should use as part of their HRstat data-driven reviews; and (2) coordinate with FAST personnel and explore the feasibility of collecting information needed by FAST as part of agencies' HRstat reviews.	In January 2015, OPM concurred with our recommendation to develop a core set of metrics that all agencies should use as part of their HRstat data-driven reviews, and explore the feasibility of collecting information needed by FAST as part of agencies' HRstat reviews.

Product	Recommendation	Status
ISSUE AREA: DEVELOPING STRATEGIES TO HELP AGENCIES MEET THEIR MISSION IN AN ERA OF HIGHLY CONSTRAINED RESOURCES		
GAO-14-168	***Human Capital: Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources* (May 2014)**	
	To create a more effective human capital system that is more responsive to managing priorities and future workforce needs, the Director of OPM, in conjunction with the CHCO Council, should strengthen OPM's coordination and leadership of government-wide human capital issues to ensure government-wide initiatives are coordinated, decision makers have all relevant information, and there is greater continuity in the human capital community for key reforms. Such actions could include: (1) developing a government-wide human capital strategic plan that, among other things, would establish strategic priorities, time frames, responsibilities, and metrics to better align the efforts of members of the federal human capital community with government-wide human capital goals and issues; and (2) coordinating communication on government-wide human capital issues with other members of the human capital community so that there is greater consistency, transparency, and completeness in exchanging and using information by stakeholders and decision makers.	In April 2014, OPM provided examples of working groups and other efforts to address issues such as closing skills gaps and developing HRStat, many of which are described in our report. Further, although the CHCO Council agreed that more could be done to coordinate, share resources, and explore talent management strategies, the CHCO Council disagreed with our finding that the human capital community was highly fragmented. Our analysis of the comments made by the CHCO Council found that the human capital community is fragmented and that our recommendation for a government-wide human capital strategic plan could help to coordinate these efforts to ensure initiatives were not duplicative and were aligned with the most pressing human capital challenges. A government-wide strategic plan should include input from the many participants in the human capital community—reflecting the different perspectives, missions, and resources of these organizations.
	To create a more effective human capital system that is more responsive to managing priorities and future workforce needs, the Director of OPM, in conjunction with the CHCO Council, should explore the feasibility of expanded use of enterprise solutions to more efficiently and effectively address shared or government-wide human capital challenges. Such actions could include: (1) seeking cost savings and improved functionality through coordinated government-wide Human Resources Information Technology planning and acquisition, (2) seeking agency input to ensure OPM's workforce planning tools provide effective guidance for agencies, and (3) sharing workforce planning lessons learned and successful models across the government.	In April 2014, OPM stated that in 2014 it began working with the CHCO Council to refine the strategic workforce planning method that the CHCO Council will use to identify enterprise-wide occupations and competencies for continued focus, and that all agencies will use to identify and close their own internal skill gaps. When developing these tools, OPM should consider agencies' capacity to implement them to ensure they are put to their best use. Further, OPM also said its March 2014 Strategic Information Technology Plan provides a strategy for aligning human capital systems and steps in the human capital life cycle. Given the past barriers to developing enterprise solutions for HR IT---such as agency specific resources and priorities—it will be critical that this new effort leverages the lessons learned from past efforts and individual agencies HR IT systems.
	To create a more effective human capital system that is more responsive to managing priorities and future workforce needs, the Director of OPM, in conjunction with the CHCO Council, should review the extent to which new capabilities are needed to promote agile talent management. Such actions could include developing or sharing: (1) tools, resources, and methods to help identify skills gaps and surpluses that can	In April 2014, OPM provided information about GovConnect, a pilot program launched in March 2014 and intended to create a talent exchange and networking capabilities within agencies. We revised the report to reflect this effort

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	inform agency recruitment, retention, and training needs; and (2) mechanisms for increasing staff mobility within an agency and government-wide to assist agencies in aligning their workforces with evolving needs.	
	To create a more effective human capital system that is more responsive to managing priorities and future workforce needs, the Director of OPM, in conjunction with the CHCO Council, should ensure agencies are getting the guidance and tools that they need by evaluating the communication strategy for and effectiveness of relevant tools, guidance, or leading practices created by OPM or the agencies to address crosscutting human capital management challenges.	In April 2014, OPM stated that it would expand its collaboration with agencies to design and deliver the tools agencies need through use of the LAB@OPM, OPM's innovation lab. We previously reported that OPM needs clear and specific outcome measures to help meet its goals of enhancing skills in innovation and supporting project-based problem solving. Otherwise, OPM's innovation lab efforts may not be able to demonstrate the types of results initially envisioned. It will be important for OPM to understand how the tools and guidance it develops through the innovation lab and other methods are being used by agencies.
ISSUE AREA: IMPROVING PERFORMANCE MANAGEMENT		
GAO-13-755	***Federal Employees: Opportunities Exist to Strengthen Performance Management Pilot*** **(September 2013)**	
	Recognizing that moving toward a more performance-oriented culture within federal agencies is likely to be a continuous effort and to ensure that the opportunity GEAR recommendations offer to improve performance management is not lost, the Acting Director of OPM, in collaboration with the CHCO Council, should define roles and responsibilities of OPM, the CHCO Council, and participating federal agencies going forward as the GEAR framework is implemented government-wide. In doing so, OPM, in collaboration with the CHCO Council, could define roles and responsibilities such as supplementing the GEAR report and updating the diagnostic toolkit as needed to reflect additional promising practices and lessons learned (such as those GAO identified) and guidance on using metrics. This should include considering whether connecting performance expectations to crosscutting goals should be part of the GEAR framework.	As of June 2010, the Executive Director of the CHCO Council told us that the implementation of GEAR needs to be a community effort and individual agencies need take ownership for implementing the parts of the GEAR framework that best suit their needs. The CHCO Council would like to avoid dictating roles and responsibilities to agencies on what to do and how to do it. OPM and CHCO Council officials did not indicate whether they planned to connect performance expectations to cross-cutting goals.
	To improve agencies' GEAR implementation plans, the Secretary of the Department of Homeland Security (DHS) should direct the Commandant of the Coast Guard to update the agency's GEAR implementation plan to include (1) performance measures that permit comparison between desired outcomes and actual results and (2) additional information schedules that are linked to specific actions.	As of September 2014, DHS had not provided updates on the status of the Coast Guard's effort to update its GEAR implementation plan to include (1) performance measures that permit comparison between desired outcomes and actual results or (2) additional information schedules that are linked to specific actions.

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GAO-15-189	***Results Oriented Management: OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in SES Ratings and Performance Awards*** **(January 2015)**	

	As OPM convenes the cross-agency working group, the Director of OPM, as the head of the agency that certifies-with OMB concurrence-SES performance appraisal systems, should consider the need for refinements to the performance certification guidelines addressing distinctions in performance and pay differentiation. Options could include
	• Revisiting and perhaps eliminating the guideline that allows OPM to certify agencies' performance management systems with an SES modal rating of "outstanding.
	• Strengthening the accountability and transparency of this guideline by activities such as
	  • Reporting agencies' justifications for high ratings to OPM on its website.
	  • Reporting agencies' justifications for high ratings to Congress.
	  • Obtaining third party input on agencies' justifications for high ratings, such as by the Chief Human Capital Officers Council.
		In January 2015, OPM generally agreed with the information in our report but did not agree with our recommendation. OPM expressed concerns that imposing such a criterion would lead to arbitrary manipulation of the final ratings rather than an appropriate comparison of performance to standards. OPM asserted that this situation would be ripe for forced distribution of the ratings, which is explicitly prohibited by regulation. OPM also stated that the more appropriate action is to continue emphasizing the importance of setting appropriate, rigorous performance requirements and standards that logically support meaningful distinctions in performance. As recognized in our report, OPM's regulations contemplate that it is possible to apply standards that make meaningful performance distinctions and to use a range of ratings while avoiding the use of forced distributions. As we also note, since our 2008 report on SES performance management systems—continuing through the career SES performance ratings for fiscal year 2013—questions persist about the extent to which meaningful distinctions based on relative SES performance are being made...
		OPM stated that it did not support the second part of our recommendation regarding three suggestions for increasing transparency for those agencies that are certified with a modal rating of "outstanding." Although we suggested that OPM report high rating justifications to Congress through its Annual Performance Report, we understand that this may not be the most appropriate vehicle to use; another avenue of reporting to Congress would certainly be acceptable, and we adjusted the text accordingly.

GAO-15-191	***Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance*** **(February 2015)**	
	To help strengthen the ability of agencies to deal with poor performers and to help ensure supervisors obtain the skills needed to effectively conduct performance management responsibilities, the Director of OPM, in conjunction with the CHCO Council and, as appropriate, with key stakeholders such as federal employee labor unions, should assess the adequacy of leadership training that agencies provide to supervisors.	In January 2015, OPM said that it concurred with our recommendation. OPM stated it would assess what and how agencies are training new supervisors and provide feedback for improving the curriculum. In addition, OPM stated that it would continue to provide agencies guidance on evaluating the effectiveness of leadership training.
	To help strengthen the ability of agencies to deal with poor performers and to more effectively ensure that agencies have a well-qualified cadre of supervisors capable of effectively addressing poor performance, the Director of OPM, in conjunction with the CHCO Council and, as	In January 2015 OPM said that it partially concurred with our recommendation. OPM agreed to work with the CHCO Council to (1) determine if technical guidance is needed to help agencies more effectively use the supervisory probationary period, (2) explore more government-wide use of rotational assignments, and (3) discuss options for

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	appropriate, with key stakeholders such as federal employee labor unions, should determine if promising practices at some agencies should be more widely used government-wide. Such practices include (1) extending the supervisory probationary period beyond 1-year to include at least one full employee appraisal cycle; (2) providing detail opportunities or rotational assignments to supervisory candidates prior to promotion, where the candidate can develop and demonstrate supervisory competencies; and (3) using a dual career ladder structure as a way to advance employees who may have particular technical skills and/or education but who are not interested in or inclined to pursue a management or supervisory track.	employees to advance without taking on supervisory or managerial duties. In each of these cases, OPM noted that agencies already have authority to take these actions. We acknowledged OPM's point and clarified the report accordingly. We maintain, however, that OPM can still play a leadership role and encourage agencies to take these steps.
	To help strengthen the ability of agencies to deal with poor performers and to help supervisors make effective use of the probationary period for new employees the Director of OPM, in conjunction with the CHCO Council and, as appropriate, with key stakeholders such as federal employee labor unions, should • educate agencies on the benefits of using automated notifications to notify supervisors that an individual's probationary period is ending and that the supervisor needs to make an affirmative decision or otherwise take appropriate action, and encourage its use to the extent it is appropriate and cost-effective for the agency; and • determine whether there are occupations in which-because of the nature of work and complexity-the probationary period should extend beyond 1-year to provide supervisors with sufficient time to assess an individual's performance. If determined to be warranted, initiate the regulatory process to extend existing probationary periods and, where necessary, develop a legislative proposal for congressional action to ensure that formal procedures for taking action against an employee for poor performance (and a right to appeal such an action) are not afforded until after the completion of any extended probationary period.	In January 2015, OPM said that it partially concurred with the part of our recommendation calling on OPM to determine if certain occupations require a probationary period longer than 1-year to allow supervisor sufficient time to assess and individual's performance. In particular OPM agreed to consult with stakeholders to determine, among other things, if an extension to the probationary period for certain complex occupations is needed and, if necessary, pursue the established Executive Branch deliberation process for suggesting legislative proposals. OPM noted that it has authority to provide for longer probationary periods under certain circumstances and we have modified the recommendation so that it also calls on OPM to initiate the regulatory process to do so if warranted. As stated in our report, however, extending the probationary period and concurrently limiting appeal rights during that time would require legislative action under certain circumstances. At the same time, OPM did not concur with the part of our recommendation for OPM to determine the benefits and costs of providing automated notifications to supervisors that an individual's probationary period is ending and that the supervisor needs to make an affirmative decision. OPM stated that choosing the best method to ensure that supervisors are aware that the probationary period is ending and appeal rights will accrue is an agency responsibility. We agreed. OPM also wrote that HR systems at all Shared Service Centers have the functionality to notify supervisors when an employee's probationary period is ending. However, as our report notes, even though OPM considers having a tool in place to notify supervisors that a probationary period is ending to be a leading practice, not all agencies have implemented that practice. Accordingly, we clarified the recommendation so that it calls on OPM to educate agencies on the benefits and availability of automated notifications to alert supervisors.

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	To help strengthen the ability of agencies to deal with poor performers, and to help ensure OPM's tools and guidance for dealing with poor performers are cost-effectively meeting agencies' and supervisors' needs, the Director of OPM, in conjunction with the CHCO Council and, as appropriate, with key stakeholders such as federal employee labor unions, should use Strategic Human Capital Management survey results (once available), Federal Employee Viewpoint Survey results, Performance Appraisal Assessment Tool responses, and other existing information, as relevant, to inform decisions on content and distribution methods. The importance of effective performance management and addressing poor performance may need to be reinforced with agency supervisors so that they more routinely seek out tools and guidance.	OPM partially concurred with our recommendation to use the results of various surveys such as the FEVS and other information sources to help determine the extent to which its tools and guidance for dealing with poor performers are cost-effectively meeting agencies' needs. Specifically, OPM said it would use relevant data from these resources to inform decisions about content and distribution methods for the material OPM makes available to agencies. At the same time, OPM noted that the information contained in these surveys and other data sources had certain limitations and may not always be relevant. We agreed and clarified the recommendation accordingly.
OTHER OPEN HUMAN CAPITAL RECOMMENDATIONS		
GAO-12-519	***Federal Telework: Program Measurement Continues to Confront Data Reliability Issues* (April 2012)**	
	To improve OPM's annual reporting of telework to Congress, the OPM Director should continue efforts to improve data collection and gather information that allows for the appropriate qualification of year-to-year comparisons and informs users about the effects of data collection changes going forward.	As of June 2012, OPM had revised its collection of telework participation data from agencies to include full FY participation data from FY12. This action should enable OPM to report year-to-year comparisons of telework participation in its 2014 Status of Telework in the Federal Government Report to Congress. This report is expected to be issued by OPM in late 2014/early 2015. Reporting an accurate year to year comparison of telework participation would complete the implementation of this recommendation.
GAO-12-878	***Federal Training Investments: OPM and Agencies Can Do More to Ensure Cost-Effective Decisions* (September 2012)**	
	To improve federal training investment decision-making processes, the Director of OPM should include in existing or new OPM guidance or technical assistance additional information in the following areas: (1) Steps agencies should take and factors they should consider when prioritizing federal training investments agency-wide, including developing a process to rank training using criteria, such as expected demand for the investment from internal sources, availability of resources to support the effort, potential for increased revenue, and risk of unfavorable consequences if investments are not made. (2) Steps agencies should take and factors they should consider for comparing the merits of different delivery mechanisms and determining the mix of mechanisms to use, in order to ensure efficient and cost-effective delivery of federal training. Such guidance could	In February 2015, OPM provided a document that summarized efforts that are underway to address our recommendation. According to the document, under the OMB/GSA Category Management Education & Training Initiative, OPM leads and participates on two working groups that are addressing federal training investment decision making. The working groups have been tasked with revamping several categories of training standards development; including improving federal training investment decisions and improving the quality of training data. According to OPM, the expected output is to measure impact, not just quantitative information, to inform data-driven decision-making on training investments. The document also stated that by the end of FY 2015, the working groups expect to complete three guides to include: 1) a draft of training prioritization standards; 2) standardization of, and guidance on, SF 182 and training data quality; and 3) guidance on developing

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	include requesting that agencies consistently utilize Standard Form (SF) 182 to document and report training costs associated with the different delivery mechanisms employed.	sound training programs and financial plans for training.
	To improve federal training investment decision-making processes, the Director of OPM should, in line with statutory and regulatory provisions on maintenance and reporting of training information, work with the CHCO Council to improve the reliability of agency training investment information by: (1) ensuring that agencies are familiar with and follow guidance outlined in OPM's Guide for the Collection and Management of Training Information regarding which training events should be documented as training and reported to OPM; (2) developing policies to strengthen the utilization of Standard Form- 182 to document and report training costs; (3) encouraging agencies through guidance and technical assistance, to develop policies that require consistent reporting of training data to their learning management systems; and (4) encouraging each agency to assess its existing training information system(s) and identify whether it is providing complete and reliable data and, if not, to develop approaches to improve the system(s), in order to do so.	In February 2015, OPM provided a document that summarized efforts that are underway to address the recommendation. According to the document, during FY 14, OPM & the Chief Learning Officers (CLO) Council co-chaired a working group to develop proposed standardized data elements/metrics and data quality scorecard. This task has been folded into the agenda of the OPM-led working groups under the OMB/GSA Category Management Initiative. OPM stated that by September 30, 2015, it expects to develop and approve proposed standardized data elements and metrics and a quality scorecard. In the summer of 2014, OPM administered a survey to the Training & Development List Serv members on the utilization of OPM's Training and Development Wiki on opm.gov. Survey results revealed that over 50 percent of the respondents Were not aware of the Wiki. A plan to revitalize the Wiki in order to provide improved guidance to agencies has been developed but OPM's Employee Services still needs to determine what funding is available for the product.
	To improve federal training investment decision-making processes, the Director of OPM should provide regular report summaries to agencies on Enterprise Human Resources Integration (EHRI) training investment data and its reliability, in order to improve the transparency and reliability of federal training investment data.	In February 2015, OPM provided a document that summarized efforts that are underway to address our recommendation. According to the document, OPM stated that by September 30, 2015, it expects to develop and approve proposed standardized data elements and metrics and a quality scorecard. In addition, OPM stated that the agency will provide agencies their training data reports from EHRI for FY 14 in FY 15.
	To improve federal training investment decision-making processes, the Director of OPM should, once federal training data reliability has been sufficiently improved, consistent with Executive Order No. 11348, use EHRI data to: a) counsel heads of agencies and other agency officials on the improvement of training, and b) assist agencies in developing sound programs and financial plans for training and provide advice, information, and assistance to agencies on planning and budgeting training programs.	In February 2015, OPM provided a document that summarized efforts that are underway to address our recommendation. According to the document, by the end of FY 2015, the OPM Talent Development working groups expect to complete three guides which will include: 1) a draft of training prioritization standards; 2) standardization of, and guidance on, SF 182 and training data quality; and 3) guidance on developing sound training programs and financial plans for training. In addition, the document stated that OPM will also develop a report: The State of Learning and Development in the Federal Government. According to OPM, this report will provide insight into best practices in the public sector. To develop this report, OPM plans to survey agencies' CLOs/Training Officers in Spring 2015, follow-up on survey results with focus groups (if needed), and research private-sector learning and development programs. The report is planned for delivery

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		in late 2015.
	To improve federal training investment decision-making processes, the Director of OPM should, in collaboration with the CHCO and Chief Learning Officer (CLO) Councils, identify the best existing courses that fulfill government-wide training requirements, such as mandatory Equal Employment Opportunity training, or training in common federal occupations, such as basic training in financial management, and offer them to all agencies through HR University or other appropriate platform to reduce costly and duplicative federal training investments.	In February 2015, OPM officials provided a document that summarized OPM's continuing efforts to address our recommendation. According to the document, OPM is designing and building a Government-wide University prototype known as Gov U. Through Gov U all federal employees will access accredited training and education through a centralized portal that links them to federally mandated training, occupational and management/leadership courses and degree programs, so the government can reduce costs, increase quality and assure access for all employees. According to OPM, the CLO Council's Mandatory Training Working Group drafted the government-wide mandatory training curriculum and also met to discuss the process for selecting federally mandated training courses to share across agencies in different modalities. The working group is currently developing the Domestic Violence, Sexual Assault and Stalking training. The course structure and interface have been designed and the course storyboarding is expected to be completed by the end of April 2015.
GAO-13-298R	***Federal Employees: Office of Personnel Management's 2012 Telework Report Shows Opportunities for Improvement*** **(June 2013)**	
	In preparation for the 2014 telework report, OPM should provide goal setting assistance for agencies not yet able to report telework goals, including agencies which intend to establish nonparticipation goals but are not yet able to report on these goals. OPM should request in its data call that each of these agencies report by what year the agency will be able to report its goals, including each agency's timetable for complete reporting and the status of action steps and milestones they established to gauge progress.	While OPM has taken several actions to implement our recommendation, it is premature to assess the results of these efforts. OPM has conducted several training sessions with agencies and added an appendix to its 2013 data call to assist agencies establish standards for setting and evaluating telework goals. Our analysis of OPM's 2012 telework report did not indicate a high number of agencies had set numeric goals, calling into question the value of OPM's techniques to assist agencies in setting goals. Since the time of our report, the evidence OPM has provided continues to emphasis similar training techniques it has traditionally used with no evidence it has yielded improvements. We will review the status of this recommendation when OPM releases its 2014 telework report.
	OPM should include in its 2014 report to Congress the amount of cost savings resulting from the impacts of telework each agency may have identified, and the method the agency used to assess or verify the savings.	OPM added questions to its 2013 telework data call to gather the amount of cost savings and the method the agency used to assess the savings. When OPM issues its 2014 telework report to Congress in 2015, we will assess the extent to which OPM has identified cost savings and how agencies assess or verify the savings.
	To improve the reliability of data collection, OPM should work with the Chief Human Capital Officers (CHCO) Council and its leadership to develop documented agreements and a timetable to complete an automated tracking system or other reliable data gathering method that can be validated by OPM.	OPM has not taken any further actions and continues to state it has completed the recommendation. In follow up work we conducted in April 2014, OPM cited the same material it provided in its August 2013 response letter. We continue to believe OPM's actions do not demonstrate the recommendation has been implemented. OPM has not provided the evidence called for in the recommendation, namely (1) documented agreements with agencies,

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		payroll providers, or the CHCO Council, or (2) a timetable to complete an automated tracking system or other reliable data gathering methods that can be validated by OPM. We followed-up with OPM in August and September 2014, and OPM confirmed there was no new information to report.
GAO-14-132	***Human Capital: Agencies Should More Fully Evaluate the Costs and Benefits of Executive Training* (January 2014)**	
	To help ensure that agencies track and report comparable and reliable cost data and perform evaluations that assess the impact of executive training on agency performance or missions, the Director of OPM, in coordination with the CHCO Council, should establish interim milestones for meeting with agencies in order to address training data deficiencies and to establish well-defined timeframes for improving the reliability of the data in its Enterprise Human Resources Integration database.	In May 2014, OPM outlined its action plan to address our recommendation. According to OPM, the agency will work with agencies via the Chief Human Capital Officers Council and Chief Learning Officers Council to poll agencies to establish an "as is" state of training data reliability and deficiencies. Based on evidence gathered, OPM plans to develop proposed standardized data elements, metrics and a data quality scorecard. Once both Councils approve the proposal, OPM plans to make changes to training data elements in the Enterprise Human Resource Integration data warehouse and Guide to Human Resources Reporting. OPM also has plans to monitor agency progress for improving data.
	To help ensure that agencies track and report comparable and reliable cost data and perform evaluations that assess the impact of executive training on agency performance or missions, the Director of OPM, in coordination with the CHCO Council, should improve assistance to agencies regarding evaluating the impact of executive training on mission and goals, for example by sharing information and examples of how agencies could better conduct such evaluations.	In May 2014, OPM outlined its action plan to address our recommendation. According to OPM, the agency will work through the Chief Learning Officers Council to encourage agencies to incorporate training evaluation in their executive training in a more robust way. OPM plans to use OPM-hosted roundtables and best practice sessions to provide agencies assistance on evaluating the impact of executive training. OPM will encourage agencies to adopt an evaluation approach that considers individual agency management practices while being consistent with OPM's Training Evaluation Field Guide.
	To enhance the efficiency of executive training, the Director of OPM, in coordination with the CHCO Council, should assess potential efficiencies identified by agencies for possible government-wide implementation, and then take the steps necessary to implement these, such as updating the guidance governing executive training programs.	In May 2014, OPM outlined its action plan to address our recommendation. According to OPM, the agency plans to survey agencies about the components and effectiveness of their executive onboarding programs and use the information, and other current research, to offer Government-wide Best Practice sessions. OPM will also use the results to update guidance governing executive onboarding programs and the Federal Leadership Development Program website.
GAO-14-306	***Office of Personnel Management: Agency Needs to Improve Outcome Measures to Demonstrate the Value of Its Innovation Lab* (March 2014)**	
	To help substantiate the lab's original goals of enhancing skills in innovation and supporting project-based problem solving, the Director of OPM should direct lab staff to develop a mix of performance targets and measures to help them monitor and report on their progress toward lab goals. Output targets could include number and type of lab activities over the next year. Outcome	In March 2015, OPM reported consulting with representatives from Harvard & Kennedy School of Government, Denmark's MindLab, and Intuit's Innovation Catalyst Group to improve its performance management planning. OPM said it has developed a suite of output measures to include things like the number of meetings held and people who attended and the number of agencies partnering with the lab. According to OPM, this

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	targets and measures should correspond to the lab's overarching goals to build organizational capacity to innovate and achieve specific innovations in concrete operational challenges.	suite of measures also includes outcome related measures for the lab, including the amount of estimated tax dollars saved as a result of lab activities and the satisfaction levels of participants in lab activities. OPM indicated that draft targets for these measures Were in review by the agency and that Lab officials had also developed a retrospective document on the lab that highlights key projects and the results of those projects.
	To help substantiate the lab's original goals of enhancing skills in innovation and supporting project-based problem solving, the Director of OPM should direct lab staff to review and refine the set of survey instruments to ensure that taken as a whole, they will yield data of sufficient credibility and relevance to indicate the nature and extent to which the lab is achieving what it intends to accomplish or is demonstrating its value to those who use the lab space. For example, lab staff should consider the following actions: (1) Developing a standard set of questions across all service offerings. (2) Revising the format and wording of existing questions related to skills development to diminish the likelihood of social desirability bias and use post-session questions that ask, in a straight-forward way, about whether, or the extent to which, new information was acquired. (3) Replacing words or phrases that are ambiguous or vague with defined or relevant terminology (e.g., terms actually used in the session) so that the respondent can easily recognize a link between what is being asked and the content of the session.	As of March 2015, OPM had revised its survey instruments to include standard, understandable surveys for (1) those receiving coaching skills in human centered design, (2) Lab Fellows who will use human-centered design techniques in their home agencies, and (3) human-centered design workshops. The surveys aim to measure participant's satisfaction with sessions in the lab, as well as anticipated return on investment and other job-related improvements from work conducted in OPM's and innovation lab.
	To help substantiate the lab's original goals of enhancing skills in innovation and supporting project-based problem solving, the Director of OPM should direct lab staff to build on existing efforts to share information and knowledge within the federal innovation community. For example, OPM lab staff could reach out to other agencies with labs such as Census, the Department of Housing and Urban Development, and the National Aeronautics and Space Administration's Kennedy Space Center to share best practices and develop a credible evaluation framework.	In March 2015, OPM stated that it participates regularly in communities of practice with government innovation professionals and experts in human-centered design. OPM also stated that its lab staff members make presentations about OPM's lab and innovation practices to multiple audiences, including members of the federal innovation community. For example, in December 2014 the director of OPM's lab provided subject matter expertise to the Department of Health and Human Services to try to help ignite its innovation program curriculum. In addition, OPM noted that it engages regularly with its innovation lab workshop alumni to support their efforts to bring design-led innovation to their agencies.
GAO-15-9	***Labor Relations Activities: Actions Needed to Improve Tracking and Reporting of the Use and Cost of Official Time*** **(October 2014)**	
	To help ensure that OPM and agencies collect, track, and report reliable data on the use of official time, the Director of OPM should consider	In October 2014, OPM stated that it partially concurred with our recommendation. OPM agreed to consider other approaches to developing its cost estimates in addition to

Product	Recommendation	Status
	other approaches to developing its cost estimate.	considering whether to continue using its current methodology. OPM stated that its cost estimates have been based on (1) official time and average salary data provided to OPM through EHRI; (2) official time data manually provided directly to OPM by certain agencies; and (3) official time data manually updated by a number of agencies. OPM said that the approach we used in the report linking official time hours taken by specific individuals to those individuals' actual salaries is not always possible using EHRI in all instances and is a labor intensive, and thus more costly process to undertake for the entire executive branch. The methodology we used was intended as an example of an alternative method for producing a cost estimate. OPM reported in October 2014 that 52 of the 62 agencies that reported fiscal year 2012 official time data to OPM did so using EHRI, thus OPM would be able to link official time hours used by specific individuals to the actual salaries for the overwhelming majority of reporting agencies. Although our approach may be slightly more labor intensive, it provides greater assurance that the cost reported is more representative of actual cost and, ultimately, more useful for oversight purposes.
	To help ensure that OPM and agencies collect, track, and report reliable data on the use of official time, the Director of OPM should work with agencies to identify opportunities to increase efficiency of data collection and reporting through EHRI.	In October 2014, OPM stated that it partially concurred with our recommendation. OPM stated that it will work with agencies to identify opportunities which they may wish to consider in order to increase the efficiency of data collection and reporting of official time through EHRI. However, OPM stated that it has no authority to direct agency actions regarding official time, including how official time data is collected and reported. It added that any opportunities to increase efficiency of data collection and reporting of official time are ultimately dependent upon individual agency determinations subject to local collective bargaining obligations. We agree that agencies are ultimately responsible for making changes to their data collection but OPM plays an important role via its reporting of official time. By following up with agencies that report discrepancies during the verification process, OPM could determine whether there are less resource-intensive alternatives for agencies to pursue that would yield more accurate data. We continue to believe that by following up with agencies on data differences, OPM has an opportunity to help improve the data quality on agency reporting through EHRI
	To help ensure that OPM and agencies collect, track, and report reliable data on the use of official time, the Director of OPM should consider whether it would be useful to share agencies' practices on monitoring use of official time through existing forums such as the Employee Labor Relations (ELR) network.	In October 2014, OPM stated that it partially agreed with our recommendation. OPM stated that it would consider whether it would be useful to share agencies' practices on monitoring use of official time through existing forums such as the ELR network, but ultimately, implementation of any identified practices is subject to each agency's policies and their collective bargaining obligations. We continue to believe that OPM has an opportunity to

Product	Recommendation	Status
		strengthen its assistance to agencies by sharing techniques and approaches on monitoring official time in a collaborative manner through its membership in the ELR network.
GAO-15-79	***Federal Paid Administrative Leave: Additional Guidance Needed to Improve OPM Data* (October 2014)**	
	To help ensure that agencies report comparable and reliable data to Enterprise Human Resources Integration (EHRI), the Director of OPM, in coordination with agencies and payroll service providers Develop guidance for agencies on which activities to enter, or not enter, as paid administrative leave in agency time and attendance systems Provide updated and specific guidance to payroll service providers on which activities to report, or not report, to the paid administrative leave data element in EHRI.	In October 2014, OPM partially agreed with our recommendation. OPM agreed that (1) some reporting requirements should be clarified, in particular, guidance regarding reporting holiday time; (2) it would clarify that the paid administrative leave category is a catch-all category for paid leave that does not fall into another EHRI category; and (3) it will collaborate with agencies and payroll providers in developing changes in guidance and EHRI payroll data elements. OPM said that its role does not include directing guidance to agencies on how to collect time and attendance data, but it does including issuing guidance on EHRI data requirements that agency systems should support. We believe that in directing EHRI data requirements to all responsible agency officials and payroll providers, OPM can provide such guidance to agencies. We continue to believe our recommendation is valid because we found that payroll providers were reporting time for activities as paid administrative leave that they should not, according to OPM.
GAO-15-252	***Human Capital: OPM Needs to Better Analyze and Manage Dual Compensation Waiver Data* (December 2014)**	
	To improve OPM's assistance to agencies and management of its dual compensation waiver program, the Director of OPM should analyze dual compensation waivers to identify trends that can inform OPM's human capital management tools.	In December 2014, OPM stated that it did not concur with our recommendation to analyze dual compensation waivers to identify trends that can inform OPM's human capital management tools. OPM noted that the waivers are authorized for specific purposes and that the statue does not require OPM to conduct any trend analysis. OPM also noted that it does not grant a large number of waivers and that those patterns are identified when particular circumstances, like natural disasters prompt agencies to seek waivers for similar issues. As noted in the report, we agree that there are clearly defined purposes and that there is no statutory requirement for OPM to conduct a trend analysis. While our analysis did find that most of rehired annuitants were likely hired under an authority maintained by the Department of Defense, OPM was unable to provide evidence of the number of individual or delegated waivers that it had approved in any year, including currently active waivers. Further, given the likelihood of future agency requests for dual compensation waivers for natural disasters, the patterns OPM identified after Hurricane Katrina and potential lessons learned are evidence of the kind of insight that could be informing OPM's other human capital management tools or resources. We continue to believe that OPM should

Product	Recommendation	Status
		analyze waivers and identify trends that could improve its other tools.
	To improve OPM's assistance to agencies and management of its dual compensation waiver program, the Director of OPM should establish policies and procedures for documenting the dual compensation waiver review process.	In December 2014, OPM stated that it partially concurred with our recommendation to establish policies and procedures for documenting the dual compensation waiver review process. OPM noted that it has policies and procedures for adjudicating waivers and that it is in compliance with the National Archives and Records Administration policies. However, OPM was unable to provide evidence of any such policies and procedures. In fact, OPM could not demonstrate adherence to federal internal control standards stating agencies should clearly document significant transactions and events and the documentation should be readily available for examination. Further, while OPM was able to ultimately produce 16 waiver decision letters, it was unable to provide a single complete, agency waiver application along with the supporting documentation and corresponding OPM decision letter. OPM also could not identify the total number of waivers for any given time period, meaning that even if OPM individually reviewed the thousands of documents in its document management system, it would not know if all materials were maintained appropriately. We continue to believe that OPM should take action to fully address this recommendation and comply with federal internal control standards.

Source: GAO. | GAO-15-619T

Testimony
Before the United States Senate
Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management
May 20, 2015

21st Century Ideas for the 20th Century Federal Civil Service

Statement of
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Chairman Lankford, Ranking Member Heitkamp, and Members of the Senate Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management:

My name is Patricia Niehaus and I am here today on behalf of the Federal Managers Association (FMA), representing over 200,000 managers, supervisors and executives in the federal government. Thank you for this opportunity to present our views on the management of the federal workforce before the Subcommittee. As federal managers, we are committed to carrying out the mission of our agencies in the most efficient and cost-effective manner while providing necessary services to millions of Americans.

I am the National President of the Federal Managers Association. In my professional life, I am the Chief of Civilian Personnel for Travis Air Force Base in California. I have completed 32 years of federal service in the Department of the Air Force, the last 29 of which were in the human resources field. I began my tenure as a GS-04 Secretary and worked my way up to my present position in the Civilian Personnel Office. During my career, I have spent time in the General Schedule (GS) and the National Security Personnel System (NSPS), and have worked with managers under four separate pay systems – the Federal Wage Grade, GS, the General Manager system, and NSPS. Additionally, I was involved with NSPS as a member of the NSPS Implementation Team for Travis AFB, as a trainer, a pay pool facilitator and as an employee rated under that system. Please note that I am here on my own time and of my own volition representing the views of FMA and do not speak on behalf of the Air Force.

Established in 1913, the Federal Managers Association is the largest and oldest association of managers and supervisors in the federal government. FMA was originally organized to represent the interests of civil service managers and supervisors in the Department of Defense (DOD) and has since branched out to include more than 40 different federal departments and agencies. We are a nonprofit, professional, membership-based organization dedicated to advocating excellence in public service and committed to ensuring an efficient and effective federal government. As managers and stakeholders in the federal government, we appreciate the opportunity to appear before you today at this vital hearing to examine the challenges facing the federal government in the 21st century and to have a robust discussion on ways we can improve on behalf of the American people.

The face of America's workforce in the 21st Century has changed dramatically. The General Schedule was implemented in 1949 – sixty six years ago – and the federal government has dramatically grown and changed since then. The workforce tackles much more diverse issues and functions. While the federal workforce was previously made up primarily of administrative and clerical employees, today's federal government is comprised of experienced professionals performing highly technical jobs that require a strong knowledge and skills base, forged through years of higher education and experience. In his 2015 Presidential Proclamation for Public Service Recognition Week, President Barack Obama noted today's civil servants are "scientists and teachers, social workers and first responders."

The federal civil service no longer reflects the standards today's job seekers expect. FMA supports changes that establish increased flexibilities, accountability and performance results. Below are FMA's views on challenges facing the federal workforce and policy changes that we recommend in order to modernize the federal government in the areas of recruitment and hiring, retention, performance management, termination, and compensation.

RECRUITMENT, HIRING, AND RETENTION

USAJobs

In order to become a member of the federal workforce, most applicants must utilize USAJobs.gov. Currently in its third version, the website, as run by the Office of Personnel Management (OPM), requires applicants to complete an application that is often far more cumbersome and complex than what is expected in the private sector. In November 2011, the House Subcommittee on Federal Workforce, U.S. Postal Service and Labor Policy examined USAJobs and its ability to assist in the hiring process and adequately screen applicants for actual qualifications. In his opening statement, then-Chairman Dennis Ross (R-FL) expressed concern that USAJobs users found the website frustrating and discouraging. At the same hearing, Patrick Manzo, Executive Vice President of Monster Worldwide, Inc., which managed the USAJobs website between the years 2003 and 2011, commented on the challenges federal agencies face in human capital management. He stated, "The federal hiring process is cumbersome and the time to fill mission critical positons is significantly higher than in the private sector. As the Administration noted when embarking on federal hiring reform in May 2010, the complexity of today's federal hiring process deters many highly qualified individuals from seeking and obtaining jobs in the federal government."

As I noted, in my professional career I am the Chief of Civilian Personnel for Travis Air Force Base and have spent almost thirty years working in human resources. In my own experience, I have found that USAJobs does not live up to the promises made by OPM. Questionnaires are poorly written and often very confusing for applicants. This dissuades qualified applicants from applying for federal jobs. As many federal agencies and departments are currently under reduced staffing, it is necessary that hindrances are removed to ensure agencies can obtain a fully functioning workforce. We cannot impede ourselves in the initial stages of the hiring process and expect a sustainable federal workforce that can meet the demands of congressionally-mandated missions and goals.

Veterans Preference

FMA regularly hears from its members that the federal hiring system is too complex and time-consuming. Part of that involves agency-specific rules and practices but part of it also involves the complex and confusing federal hiring laws, particularly pertaining to veterans preference. We do not advocate for the reduction of benefits provided to our veterans – in fact, FMA is working with a bipartisan team of legislators in both the House and the Senate on legislation to assist our veterans to enter into federal workforce, as I will discuss later in my testimony.

However, the mishmash of laws and regulations concerning the veterans preference program is burdensome. FMA recommends that these rules and regulations be merged into one consolidated regulation that spells out very clearly the entitlements owed to our veterans. That would not only benefit the hiring officials and their Human Resources Offices, but veterans themselves who would have more coordinated guidance.

Competitive Service Act

In 2010, then-OPM Director John Berry called on Congress to allow agencies to share their lists of best qualified talent as part of a broader piece of legislation aimed at reforming the federal hiring process. Senators Jon Tester (D-MT) and Rob Portman (R-OH) have draft legislation, the Competitive Service Act, which would allow agencies to review and select job candidates from another agency's "best qualified list" – a list of applicants who have already undergone a competitive assessment process and are certified as eligible for selection by an agency selecting official. Representatives Gerry Connolly (D-VA) and Rob Wittman (R-VA) are working on similar legislation in the House.

As an example, if an agency is looking to hire a Position Classification Specialist (PCS) that agency would be able to access a recent list of best-qualified candidates for a PCS position at any other agency. This tool would expand access to highly qualified candidates across the government and help streamline the hiring process, allowing agencies to recruit and hire top talent more easily. The legislation also requires that an agency provide up to ten days for their own employees to apply for the position and review those applications as part of the process to determine who is best qualified for the position. FMA has endorsed this legislation, along with the Partnership for Public Service.

Recruitment and Retention

After the satisfaction of serving our country, two of the most often cited attractions of civil service – retirement benefits and job security – are under seemingly endless attack. As FMA's National President, I hear how proud the Association's members are to serve their nation. However, it is discouraging to have our jobs constantly maligned and hard earned pay and benefits scrutinized. FMA members comment on how this affects morale, which negatively impacts productivity and the ability to complete congressionally-mandated missions and goals. Additionally, this drives away competent, talented employees, creating a hollow workforce. This is no way to run the federal workforce, and FMA urges Congress to avoid legislative efforts that would hurt retention.

We cannot expect to attract and retain the best and the brightest employees when they see federal employees being attacked left and right by the governing body who should be supporting them. The federal government already faces recruiting challenges. According to statistics from the Partnership for Public Service on federal hiring, in 2014, only 7 percent of new hires to the federal government were under the age of 25, compared to 23 percent in the private sector. With the largest demographic of the federal workforce between the ages of 45-59, it is critical to take steps to ensure a sustainable federal workforce as these workers consider jumping to the private sector or prepare for retirement. Federal employees endured three years of pay freezes and minimal cost-of-living adjustments, sequestration and a shutdown. If Congress continues to consider legislation that reduces benefits and arbitrarily eliminates jobs, it will make civil service the last choice for many young people and will cause many current federal employees to leave civil service.

Further concerning are bills that would make it harder to accomplish our missions by arbitrarily demanding cuts in staffing levels. The Federal Workforce Reduction Through Attrition Act (HR 417) as introduced by Representative Cynthia Lummis (R-WY), calls for agencies to only be allowed to hire one new employee for every three employees who leave federal service. This does not take into account the impact on many of the critical missions of this country. The Social Security Administration (SSA) and Internal Revenue Service (IRS) already face a depleted workforce and are unable to meet their missions. The IRS has lost 13,000 employees since 2010, and the results are stunning: According to IRS Commissioner John Koskinen, who spoke at the National Press Club on March 31, 2015, last year the IRS was only able to answer four out of every ten calls – not to mention a reported loss of $2 billion in revenue, without reducing missions. Mandating attrition and further reducing the federal workforce will only result in higher costs and more inefficiency.

Separately, the REDUCE Act (HR 340), sponsored by Representative Ken Calvert (R-CA), would eliminate 15 percent of the civilian DOD workforce. The civilian defense workforce is of vital importance. They work alongside the military at home and aboard, protecting the country from threats. Arbitrarily eliminating 15 percent of the workforce without eliminating 15 percent of the mission means more military members will have to work longer hours to compensate for the absence of the civilians who have been supporting the mission of defending our country. When the sequester was implemented in March 2013, DOD called for six days of civilian furloughs. During this time, the Department faced diminished manpower and caused a delay in mission execution. In June 2014, the Government Accountability Office (GAO) issued a report, GAO-14-529, stating that by furloughing over 624,000 civilian employees, DOD saved about $1 billion. However, the report commented this savings did not account for costs associated with implementing the furloughs and loss of productivity due to lack of human capital. Additionally, the report noted that several DOD officials saw a decline in civilian morale that further impacted ability to accomplish day-to-day goals. Since 1995, DOD has been on GAO's high-risk list for financial management due to the departments' inability to control costs, anticipate future costs, and failure to account for its spending. While these furloughs were only temporary, FMA believes a permanent reduction in the civilian defense federal workforce will only exacerbate this financial crisis.

In addition to discouraging people from a career in public service, federal employees are being driven out of their careers due to Congress viewing their hard earned retirement benefits as a means to combat the nation's deficit. Our current retirement systems all utilize the calculation of retirement annuities based on the highest three consecutive years of earnings. The Government Employee Pension Reform Act (HR 1230) would change that formula to reflect the highest five consecutive years of earnings. It is estimated that this would save the government $3.1 billion over ten years. That $3.1 billion would come directly out of the pockets of federal employees who have served their country long enough to earn their retirements, which in most cases means over 30 years. I have heard directly from retirement eligible employees that legislation like this only ensures employees will apply for retirement as soon as possible, if not leave the federal workforce altogether.

Compensation

There are multiple studies that seek to compare federal workforce compensation with that in the private sector. Too often, pay comparisons within the public and private sectors miss the mark because they do not compare positions to like positions. According to a 2014 GAO report, GAO-14-215, the federal government more regularly employs those with specialized knowledge and higher levels of

education than the private sector. An accurate comparison cannot be made between a Registered Nurse at a Veterans Administration Hospital to someone performing manual labor at a nursing home. It is essential that any comparison and study of compensation ensure that skill levels, education and job duties are truly comparable.

It is also important to discuss the harmful effect of proposals such as the PAID for Progress Act (H.R. 1137), introduced by Representative Tom Rice (R-SC), which would require an 8.7 percent pay cut for every federal employee who makes more than $100,000. Arbitrary, blanket attacks such as these drive people away from the federal workforce and further destroy recruitment and retention. This bill would impact employees across the country at the grades of GS-13 and above and in a few high cost areas, at GS-12 and above. These are the senior leaders in various locations across the country. They usually have many years of service, having progressed through the ranks, and have amassed an incredible amount of experience and expertise. Most managers and employees in GS-13, GS-14, and GS-15 positions could easily move to the private sector and get a significant increase in salary. Choosing an arbitrary cut off point for salaries earned over many years of service will only decrease the ability of the government to recruit and retain senior managers.

PERFORMANCE MANAGEMENT, TERMINATION, AND FMA RECOMMENDATIONS FOR MODERNIZATION

The federal workforce is in the midst of a human capital crisis. Exacerbated by attacks on pay and benefits; budgetary restraints caused by sequestration; a partial government shutdown that kept hard working men and women away from their duties; and, an increase in retirement eligible employees, federal managers face the pressure of ensuring a fully functional federal government. Not only do managers need to be trained and capable, but there must be a proper mix of managers, rank-and-file employees, and senior executives to fulfill each agency's mission. Achieving department and agency daily goals and congressionally-mandated duties require all members of the federal workforce to be fully engaged. Federal managers are in a unique position to lead from the top down to encourage going above and beyond the call of duty that promotes efficiency and effectiveness throughout the federal government, best utilizing taxpayers' money.

FMA makes the following recommendations based on our belief that providing talented managers with fair benefits and compensation, as well as the authority and flexibility to make tough decisions, is the key to managing a successful and strong civil service.

Pay for Performance

Pay-for-performance is a system that businesses in the private sector have utilized successfully for a long time. FMA believes the GS should be utilized as a stepping stone to create a more evolved system that focuses on pay-for-performance and reflect the needs of the present federal workforce. While the common denominator of all departments and agencies is providing exceptional service to the American people, the federal government is made up of the equivalent of many different businesses and industries. Departments and agencies must have maximum flexibility and ability to compete with the private sector to attract the best and the brightest men and women to answer the call of public service.

Transparency, fairness, and objectivity need to be core elements that comprise any personnel system. FMA urges a departure from the rigid approach of the current GS, to a classification and pay system that reflects the diverse missions of agencies across the federal government. The current GS system of classification and pay setting should be revised to more easily accommodate changing missions. The system would function more efficiently by allowing flexibility to significantly change positions, as needed to accomplish the mission of the agency.

The current system promotes a workforce based on longevity rather than performance. The highest performing employees should be rewarded with the highest rates of pay; those employees who fall below the curve in terms of overall performance should not be rewarded at the same level. Where is the incentive in performing better than your colleagues when little is done to recognize additional efforts?

Based on feedback from FMA members indicating the lack of distinguishing performance among employees serves as a de-motivator, it is time to change to a tiered system to rank employees which removes the "human factor" to the greatest extent possible. Looking back at NSPS, employees were too concerned with their number rating rather than the verbal feedback from their managers, and more education was needed so that a "3" (average or acceptable performance) was not viewed as a bad thing. It is imperative to take appropriate steps to ensure cronyism and favoritism are removed from the process to the greatest extent possible.

Under NSPS, an employee's pay raise, promotion, demotion or dismissal was much less inhibited than current rules permit. FMA supports the premise of holding federal employees accountable for performing their jobs effectively and efficiently and rewarding them accordingly. More specifically, removal of pass/fail performance rating systems that do not allow for meaningful distinction among levels of performance is a step in the right direction. FMA also believes the current GS system of classification should be revised to more easily accommodate changing missions. The system would function more effectively and efficiently by allowing flexibility to significantly change a position without reclassifying, as needed to accomplish the mission of the agency.

NSPS did away with traditional time in grade requirements. Under the GS, an employee may start out as a GS-5 but demonstrate the skills and abilities to work at a higher grade. Because of the current time in grade requirements, that employee must wait at least a year before a being promoted to the next higher grade, then another year before progressing onward in his or her career. The model of evaluation under NSPS, where employees were evaluated and paid based on the job they were performing and capable of, makes more sense and would encourage recruitment and retention of the federal workforce. I know of many instances at DOD where highly qualified employees accept lower-graded jobs to enter the system but are discouraged from staying in the federal workforce because of the arbitrary time in grade requirements. The federal government stands to lose many talented employees because of this.

If Congress considers making changes to the GS or develops a new pay system or performance review method, we recommend the following be included in any effort:

- maintenance of current benefits for active and retired employees;

- no loss of pay or position for any current employee solely as a result of the implementation of the new system(s);
- merit principles preventing prohibited personnel practices as well as an adherence to current whistleblower protections and honoring and promoting veterans' preference;
- continued use of the Merit Systems Protection Board (MSPB), an independent appeals process for disciplined or terminated employees;
- adequate funding of "performance funds" for managers to appropriately reward employees based on performance;
- development of a performance rating system that reflects the mission of the agency, the overall goals of the agency, and the individual goals of the employee, while removing as much bias from the review process as possible;
- a transparent process that holds both the employee being reviewed and the manager making the decision accountable for performance as well as pay linked to that performance; and,
- a well-conceived, ongoing and mandatory training program that includes skills training and is funded properly and reviewed by an independent body (we recommend the Government Accountability Office as an auditor) which clearly lays out the expectations and guidelines for both managers and employees regarding the performance appraisal process.

A shift in the culture of any organization cannot occur without an interactive, ongoing training process that brings together the managers responsible for implementing the personnel system and the employees they supervise. Implementation trumps design as the biggest factor in a system's ultimate success or failure. With the upheaval any major change brings to a new pay for performance system, it is necessary to remain committed to the change long enough to let it work.

Termination

Recently, allegations of misconduct plagued the federal workforce and scandals erupted in several federal departments and agencies. This behavior does not reflect the federal workforce as a whole, and FMA has long argued the need to better address poor performers. Misconduct must be punished, but it should not be easy to fire an employee. It is necessary to have protections and due process in place to prevent members of the civil service from being terminated on a whim or in response to outside pressures. The mission of the MSPB is to protect the merit system and ensure the federal workforce is capable of providing excellent service to the American public. FMA's concern lies not with the MSPB process, but with many agency attorneys who practice risk avoidance rather than risk management when it comes to problem employees.

Managers should continue to be required to provide justification and evidence to support disciplinary and performance actions taken against employees. We have an obligation to ensure that we are terminating employees for the right reasons – unacceptable conduct or performance that cannot be corrected any other way.

The current MSPB system, as written in the statute, is not broken. MSPB generally makes decisions promptly, and the employee is unpaid during that part of the process. It simply is not being used as it was written. The statute only requires a minimum 30 day notice period from the date the proposal to remove or demote is issued to the employee, to the effective date of action. That is not an

unreasonable period of time to decide whether or not to terminate an individual's employment. While disciplinary actions should not be taken based on suspicions or assumptions without supporting evidence, it certainly should not take two years to complete an investigation and determine whether or not there is sufficient evidence to remove a federal employee.

Performance cases generally do take longer than disciplinary ones. The reason for that is the requirement under 5 CFR 432 to provide the employee with an opportunity to improve. In many agencies, there is a practice of allowing at least 90 days of supervision before an employee is appraised and it logically follows that this is often the minimum period to allow employees to demonstrate they have improved to an acceptable level of performance. This is faster and less costly than recruiting for a replacement if the employee is able to improve. Once the improvement period is completed and the employee is determined not to have improved his or her performance to an acceptable level, the same notice requirement applies to the performance action as to disciplinary actions.

FMA urges Congress to exercise caution when considering any changes to the current system. Further limiting the number of days to process an action may result in findings of legal insufficiency and no action being taken, rather than taking time to resolve any documentary issues.

We do, however, believe that changes could be made regarding the use of administrative leave. In recent years, there have been instances of inappropriate uses of administrative leave, such as the National Archives Inspector General who retired last year after an investigation into allegations of misconduct dragged on for more than two years. To prevent similar abuses in the future, FMA recommends that the length of time agencies and agency attorneys take to prepare a case when an employee is under investigation be truncated. A time limit for completing investigations and shortening the use of administrative leave would save the government money and would give certainty to the employee.

Managers need to have time to manage, instead of being technicians. Management should be a profession in the federal government, rather than an additional duty. First level supervisors and managers need access to training programs that are sufficiently funded. Investments must be made in training in areas such as addressing poor performing employees appropriately, enhancing mentoring skills, and conducting accurate performance appraisals, in order to recognize problems early and deal with them appropriately at the lowest possible level.

Training

Current law requires agencies to establish training programs for managers on topics including: addressing poor performing employees, mentoring, and conducting accurate performance appraisals. However, there is no accountability to ensure managers participate, and during times of strained budgets, training is often viewed as a secondary expense and is typically the first program to meet the chopping block when cuts are made.

Many employees are promoted to management roles based on their technical skills rather than their ability to lead, especially under the GS system where pay is based on promotion through the various levels and steps. Therefore, it is not surprising that many employees note their supervisors' managerial skills lag behind their technical skills. An agency's ability to meet its mission directly correlates to the

quality of workforce management. There is a clear need for training if a manager is to be fully successful. If an agency promotes an individual to managerial status based on technical prowess but then fails to develop the individual's supervisory skills, that agency severely jeopardizes its capability to deliver the level of service the American public expects and does a disservice to both the manager and to the employees supervised by that inadequately developed manager.

The development of managerial skills is one of the greatest investments an agency can make, both in terms of productivity gains and the retention of valuable employees. This cannot be done solely by looking at a computer screen. A supervisor's ability to effectively monitor his or her workforce while resolving internal conflicts is instrumental in forming an appealing work environment. Whether serving as a mediator between upper-level managers and their staff or clearly defining organizational goals, well-trained federal managers serve a vital role in the continuity of operations on a day-to-day basis and are an essential component in ensuring the federal government retains a workforce that espouses a strong work ethic and commitment to the nation's wellbeing.

Management training can no longer be viewed as an expendable program. For federal agencies to remain competitive, effective and efficient, these programs need to be made mandatory. By establishing a mandatory initial training program and ongoing training series, the entire workforce benefits from enhanced supervision and improved leadership. Funding these programs in the appropriations process is essential to preventing training dollars from being cut when budgets are tight. Properly trained managers will also lead to fewer employee grievances, both formal and informal. When managers are properly trained to do the job for which they have been hired, everyone wins.

FMA calls for the introduction of legislation that requires agencies to provide interactive, instructor-based training on management topics ranging from mentorship and career development to hostile work environments and poor performers. After the initial supervisory training, which would take place within one year of promotion, supervisors would be required to receive ongoing training once every three years thereafter. In addition, the measure should include an accountability provision to establish competency standards to ensure the training is effective.

Probationary Period

Initial and supervisory probation periods were originally intended to be an extension of the hiring process. Probation is a time to evaluate the employee or manager and determine whether they are suited, not just for the initial position, but also for federal service. Some career fields are so complex that it takes more than one year to properly train an entry-level employee. FMA advocates that extending the probationary period to one year after completion of all necessary training would benefit the government and the employees by allowing supervisors to make decisions based on the employee's' performance as a fully trained employee – not just guess at how the employee will perform after the training is completed.

Many federal agencies employ labor forces requiring specialized, technical skills to carry out their duties. New employees must often master broad and complex procedures and policies to meet their agencies' missions, necessitating several months of formal training followed by long periods of on-the-job instruction. To ensure each manager and supervisor oversees a workforce that exhibits the abilities

required to execute its objectives, lawmakers must afford federal agencies the latitude to extend the probationary period beyond the current length of only one year.

In occupations where training takes substantial time, supervisors may only have a few months of work on which to judge employees' performance. A supervisor may have insufficient time to properly evaluate whether a new hire will be able to learn and apply the skills needed to perform the job with only a one-year probationary period. Many times, an employee will do well in formal training, but struggle once they start doing the actual work. With a one year probationary period, there is a very small window of time, if any, in which to: identify performance issues; counsel the employee; allow the employee the opportunity to improve; and, take appropriate action to terminate the employee during the probationary period.

Not only does this affect managers, but this also puts an unfair burden on the employee. These jobs are difficult and complex and it takes some people additional time to learn the job. Managers are placed in the difficult position of having to decide whether or not to keep employees when they may not have had sufficient time to evaluate them. There is an incentive to dismiss the employee prior to the expiration of the one-year window even though the employee may not have had sufficient time to show that they could master the job.

The power to amend the probationary period regulation, 5 CFR 315.801-.806, lies with the Office of Personnel Management as the statutory basis is 5 USC 3321, which simply calls for a probationary period. Even if it were extended, Chapter 75 of Title 5 extends full appeal rights to any employee who has completed one year of service. As the GAO notes in the introduction to GAO-05-812R, "the critical feature of dealing with poor performance during the probationary period is the limitation on appeal rights." Therefore, in addition to changing the probationary period, it is crucial to extend the statutory limitation on appeal rights to two years.

The extension of the probationary period is supported by a 2015 GAO report, GAO-15-191. Chief Human Capital Officers (CHCO) commented to GAO that often supervisors within federal departments and agencies are not given sufficient time to accurately review performance before the probationary period is complete. FMA members have seen this, especially members in the SSA and IRS, where the training period is longer than a year. CHCOs recommended to the GAO an extension of the probationary period in order to accurately assess an employee's abilities in the federal workforce. The current economic environment requires agencies to take on greater responsibility while receiving fewer resources, and it is critical that members of the federal workforce prove they are up to the challenge of serving the interests of the American public.

Wounded Warrior Federal Leave Act

On March 4, 2015, the full Senate Homeland Security and Governmental Affairs Committee unanimously passed the Wounded Warriors Federal Leave Act (S. 242), which would provide 104 hours of sick leave up front to first year federal employees who qualify under the Department of Veterans Affairs (VA) as thirty percent or more disabled due to a service-related disability. The bill, introduced by Senators Jon Tester (D-MT), and Jerry Moran (R-KS), would provide necessary leave to attend medically necessary appointments for service-related injuries without exhausting both sick and annual

leave. FMA is proud to have originated this initiative, which would provide vital leave the nation's wounded warriors need to address their disabilities, while continuing to meet their duties on the job.

The federal workforce is the largest employer of military veterans. Unfortunately, many of these dedicated men and women who continue their service to their country within the federal workforce after their military career, may suffer from chronic and life-changing service-related injuries. As a first year federal employee starting with a zero-sum balance of sick leave, these brave men and women often find themselves struggling between available leave and attending medically necessary VA appointments. S. 242 would ensure those who qualify as thirty percent disabled or greater by the VA will receive 104 hours of sick leave to be used their first twelve months of federal service for needed medical attention. As these disabled veterans served their country on and off the battlefield, it is only right that the federal government provide this much needed leave.

FMA is grateful to the full Homeland Security and Governmental Affairs Committee for supporting this effort in March, and we look forward to S. 242 advancing through the Senate. The Wounded Warriors Federal Leave Act will ensure that federal agencies and departments' missions and goals will be met while providing our disabled veteran first-year federal employees with the treatment they deserve.

Federal Human Resources Workforce

The Federal Human Resources (HR) workforce has been decimated by a loss of positions. Consolidation across the HR field has resulted in many partially trained people doing small pieces of the job without the ability to see the big picture and, all too often, from a remote location where they have no contact with the employees they service.

This is frustrating for both the HR Specialist and for the employees. As strange as it may seem, there are still federal employees who are not computer literate and who need extra assistance. The push to consolidate HR into massive centers eliminates the human factor. Much of the expertise in this career field is being lost to retirement. Returning human resource functions to the installations they service would ensure that employees are able to have face-to-face time with an HR Specialist when making life-changing decisions. It will also provide managers with another tool in their tool box to use in managing their employees and accomplishing their mission. This is a common sense improvement the federal government should take to improve the efficiency of the workforce and thereby increase its cost effectiveness and stewardship of taxpayer dollars.

Psychological Fitness

An issue that troubles many of our members that warrants a closer examination revolves around psychological fitness for duty requirements. Currently, most positions in the federal government do not allow supervisors to require a fitness exam, or a series of exams when an employee behaves in a bizarre or alarming manner. Mental health issues are not usually possible to diagnose in one visit, and most mental health professionals would incur a significant liability by doing so.

Regrettably, the ramifications of untreated mental illness are all too often devastating. This is both a morale and retention issue for surrounding employees and coworkers, and poses valid safety

concerns in the workplace. Managers should be able to tell coworkers that they have evaluated potential situations and that there are no threats. However, under current privacy laws and an inability to direct a psychological evaluation, managers are unable to say anything at all, leaving dysfunctional and potentially dangerous conditions in the workplace.

Enhanced Security Clearance Act

In the 113th Congress, a bipartisan group of Senators led by Susan Collins (R-ME) and Claire McCaskill (D-MO) sponsored the Enhanced Security Clearance Act (S. 1618) which would have eliminated current gaps in the security clearance process that covers all federal employees and contractors. FMA endorsed this legislation as it is an unobtrusive, automated cross check that makes sure both federal employees and contractors are self-reporting information that might affect their security clearance status – information they are already legally required to report.

The legislation would require a search of public records and databases at least twice every five years to look for any criminal or civil legal proceedings, financial information by covered individuals, or any other information that suggests ill intent or vulnerability to blackmail. Currently, there are often large time gaps between reinvestigations – up to fifteen years – and there is no mechanism for random security checks.

FMA views Senators Collins and McCaskill's legislation as a reasonable effort to enhance security and alleviate a burden on managers who are trying to maintain a safe workplace. We understand the bill could not prevent every tragedy like the shooter at the Navy Yard or the Edward Snowden leaks – both of whom had security clearances – but it would eliminate a clear gap in the process. FMA recommends that the current Senate consider similar legislation in the 114th Congress.

Succession Planning

Retirement applications will continue to increase over the next several years, with a recent Government Accountability Office report projecting more than a third of career federal employees will be eligible for collecting their end-of-career benefits by September 2017. However, at agencies such as Commerce, Housing and Urban Development, Labor, and Treasury, more than 30 percent of employees are eligible for retirement while 58 percent of Senior Executives Service and 45 percent of GS-15s will be eligible, putting the federal government at a leadership deficit. Given this forecast, preparation for the mass exodus of talent is critical to the stability of human capital operations in the public sector. There is a large gap of mid-career federal employees prepared for senior leadership roles. It is necessary for all federal agencies and departments to fully address strategic human capital management in order to defend against the loss of institutional knowledge and the failure to identify and prepare mid-career federal employees to assume senior leadership positions.

Failing to prepare with succession planning will have a negative impact on the continuity of operations within federal departments and intelligence communities, hinder counterterrorism efforts, cause a deterioration of service to the public, increase overall federal workforce costs, and compromise national security. Agencies largely turn to contractors to fill knowledge gaps when key federal personnel leave an agency.

To ensure that agencies effectively meet their missions, FMA encourages agencies to follow a two-pronged approach to integrate succession planning into its strategic plan. First, agencies should develop replacement strategies and identify staffing needs to project and plan for key losses. Secondly, agencies should invest in critical leadership training earlier in a high performer's career, at the GS-9 level. A commitment to and focus on succession planning will reduce end costs for agencies while increasing the efficiency of the federal government.

Telework

While agencies should devote significant time to the development of recruitment strategies, it is imperative that current federal employees also receive incentives to remain within government and their respective agencies. To this end, it is critical that the federal government adapt to take advantage of many workforce flexibilities created by advancements in technology. Of note is the expansion of telework opportunities.

While managers are often blamed for impeding implementation of telework among their employees, this could be remedied with managerial training on how to supervise teleworkers. Online training can supplement in-person training, but cannot be a substitute. This would go a long way toward easing concerns of managers and create a fair and transparent situation for both the manager and employee. Too often, frontline managers are left to their own devices to discover the best ways to implement telework. This can rightly be interpreted by employees as a disjointed and unfair application of expectations. Education for employees concerning telework is also critical to a successful program.

Given the flexibilities that technology allows us, and the ever increasing traffic on our roads, telework is inevitable. Government must invest in its managers so that they are empowered to confidently and fairly administer a telework program that seamlessly meshes with the ongoing work of all employees with the overriding goal of accomplishing agency missions.

Performance Rewards Available Under the GS System

Several provisions are currently in place under the GS system that allow managers and supervisors to reward employees' performance. I would like to discuss some of them, but I must point out that the application of these tools has been sparse throughout federal government and across agencies. To reward employees that go above and beyond the call of duty, managers can reward employees with Sustained Superior Performance (SSP) Awards, which vary in amount, and Quality Step Increases (QSI), which are generally approximately three percent of the employee's salary. Managers can also distribute small cash bonuses, usually between $25 and $250, for marked accomplishments. Some agencies also employ a Special Act or Service Award. This is a cash award given to recognize a meritorious personal effort, act, service, scientific or other achievement accomplished within or outside assigned job responsibilities and can be up to $25,000.

There are also non-monetary awards available that recognize employees' accomplishments while assisting agencies and departments combat financial restraints. Employees can be granted a Time Off Award of up to 40 hours per achievement. Time Off Awards are capped at 80 hours of time off during a leave year without a charge to leave or loss of pay as an award for achievements or performance contributing to an agency's mission. Other non-monetary awards include medals, certificates, plaques,

trophies, and other tangible incentives that have an award or honor connotation. These can be especially helpful if the employee receiving the award understands agency leadership is aware of his/her contributions.

As you can see, there are rewards available to high-performing employees that distinguish their performance. However, the resources available to managers and supervisors to reward those employees are limited, particularly in these difficult economic times. The budget process for awards is normally based on a small percentage of the aggregate base payroll. Last year it was less than one percent for many agencies. Therefore the total dollars available are insufficient. Additionally, the process for awarding employees is extremely cumbersome and many managers do not have the time to accurately identify performance and reward it appropriately. Many managers are also unaware that these incentives even exist.

Federal agencies have broad statutory authority to design and implement a variety of incentive programs to meet their specific needs, and managers throughout the federal government have effectively used different methods of performance awards to motivate and reward the workforce. In order for these awards to be used effectively, managers must have support from top agency leadership. When combined, these tools provide a powerful incentive for federal employees to remain in public service, and further expansion in the future will be necessary to continue to compete with the private sector.

CONCLUSION

The federal civil service should be the model employer that other employers want to emulate. We should be such an attractive employer that we have young people lining up to compete for positions as their first choices instead of looking elsewhere. This hearing is an important step toward determining what Congress can and should do to restore the faith in the men and women who make up the federal workforce and ensure that missions are met as efficiently and effectively as possible.

Thank you for the opportunity to share some of FMA's views with the Subcommittee on how we can modernize the federal government for the 21st Century. I am happy to answer any questions you may have.

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The Honorable Dan G. Blair

President and Chief Executive Officer

National Academy of Public Administration

Before the

Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management
U. S. Senate

May 20, 2015

Chairman Lankford, Ranking Member Heitkamp, and members of the Subcommittee, I appreciate the opportunity to testify today. I have been a Fellow of the National Academy of Public Administration since 2008 and have served as its President and CEO since July 2011. Established in 1967 and chartered by Congress, the Academy is an independent, non-profit, and non-partisan organization dedicated to helping leaders meet today's most critical and complex challenges. The Academy has a strong organizational assessment capacity; a thorough grasp of cutting-edge needs and solutions across the federal government; and unmatched independence, credibility, and expertise. Our organization consists of over 800 Fellows—including former cabinet officers, Members of Congress, governors, mayors, and state legislators, as well as distinguished scholars, business executives, and public administrators. The Academy has a proven record of improving the quality, performance, and accountability of government at all levels.

In your letter of invitation, you requested that my testimony identify and discuss a variety of human resources and public administration challenges facing the federal work. I am pleased to present this morning to the Subcommittee my views on these important policy issues. In addition, I will discuss policy changes that could ensure that federal workforce policies meet the needs of today's civil service.

KEY CIVIL SERVICE ISSUES

Today's civil service challenges have roots that stretch back more than 25 years. In 1989, the first Volcker Commission, the National Commission on the Public Service, highlighted many of the problems we face today[1]. While they may have morphed in form, the federal government's workforce challenges have been identified many times over. Some can be addressed at the administrative level without legislation; others will require bolder action, possibly buttressed by legislation. The challenge of this Subcommittee, Congress, and the Administration is how to develop solutions that will take hold in order to insure a continuing and viable civil service.

[1] The National Commission on the Public Service, *Rebuilding the Public Service*. 1989. See http://www.washingtonpost.com/wp-srv/opinions/documents/Leadership_for_America_Rebuilding_the_Public_Service.pdf

Federal Hiring

The federal hiring process has long exasperated Congress and multiple administrations, as well as federal managers and applicants themselves. A variety of issues surrounding hiring—including why it takes so long to hire and whether the federal government is recruiting individuals with the necessary knowledge, skills, and abilities—have been the focus of congressional oversight for the last 25 years.

Flexibilities exist in the federal hiring area. They include:

- Direct hire authority—the Office of Personnel Management has long possessed authority to allow agencies to directly hire employees. In order to grant the authority, OPM must determine that there is either a severe shortage of candidates or a critical hiring need for a position or group of positions. Congress should review this language to determine whether it should be granted more broadly. The OPM website lists a relatively modest number of occupations subject to this authority.

- Category rating and ranking—this authority was included in the 2002 legislation creating the Department of Homeland Security. While the Administration has mandated that agencies utilize this authority, we have found anecdotal evidence that some agency subcomponents still use the "rule of three" hiring method. Category rating and ranking can allow a broader pool of potential candidates while following veterans preference rules. The Subcommittee should survey agencies to determine who uses category rating and ranking and who does not in order to inform its oversight of federal hiring.

- New excepted service hiring authorities intended to address specific problems. For example, OPM has Schedule A initiatives granting agencies the ability to bypass some parts of the meandering federal hiring process to fast track the onboarding process for digital services experts. Under Schedule A hiring authority approved by OPM, for example, agencies can fill digital positions at the GS-11 through GS-15 level in temporary, one-year positions. These can be renewed in one-year increments, but only up

to Sept. 30, 2017. Schedule D hiring authorities address intake of new graduates. Special authorities also exist for returning veterans and their spouses.

I would not recommend Congress enact new legislation regarding hiring at this point. The current system possesses sufficient flexibility if agencies will just use it. OPM has launched an initiative entitled REDI (Recruitment, Engagement, Diversity and Inclusion).[2] According to OPM, this is a "data driven" human capital management strategy aligned with the President's Management Agenda. One component of this program involves "Untying Hiring Knots" designed to help educate federal human resources professionals on the available hiring flexibilities.

It is important to connect program/hiring managers with human resources staff to make sure that the position description/vacancy announcement suits the hiring manager's need. And, although additional flexibilities may be desirable in certain instances, they must be balanced against their tendency to complicate an already complex system.

I urge the Subcommittee to focus its oversight in this area on hiring quality. Time to hire is important, but a shortened time frame may not yield the quality of hires an agency needs. This requires that the hiring manager and the agency human resources office communicate effectively in the hiring process. Bringing high-quality new hires on board in a realistic timeframe requires custom position descriptions, well-crafted vacancy announcements, and agency leadership attention.

Accountability

We hear almost weekly about poor-performing federal employees and the reported inability to hold them accountable in a timely manner. I have the greatest respect for civil servants. Although these reports are certainly not representative of the workforce at large, they poison the atmosphere and lead to cynicism and distrust of the civil service and government in general. The

[2] For additional information on the effort, please see http://www.opm.gov/about-us/our-director/americas-workforce/redi-roadmap.pdf

current accountability system in place dates back to the 1978 Civil Service Reform Act. I urge this Subcommittee to exercise its oversight and legislative authority to tackle this difficult area.

The current system was put in place as a reaction to attempts to politicize the workforce in the Watergate era. It was intended to balance merit and fundamental fairness against the need for accountability and promoting the public trust. Merit must continue to serve as the foundation of the civil service, but this does not mean that the processes for General Schedule and Senior Executive Service cannot be modernized. It is important to show the public that public servants are accountable for their actions.

In examining the accountability and removal procedures for career civil servants, the Senior Executive Service (SES) is the most sensitive accountability system in place. In my experience, most executives voluntarily leave if faced with demotion or removal. High profile cases should not taint the entire SES.

To increase accountability, especially at the SES level, the Subcommittee could explore the greater use of term appointments. This concept involves an agency appointing a career executive to a specific term. At the expiration of the term, the appointment could be renewed or terminate. This concept is based on contract employment in the private sector where executives receive a contract for a specified time. This Subcommittee could investigate whether agencies even use the expedited new rules. However, shortened appeals time also can limit agency authority to appeal an adverse ruling.

Further, the Subcommittee may want to consider increasing probation periods for new Senior Executives and employees covered by the General Schedule.

For employees covered by the General Schedule, Grades 1-15, a complex maze of appeals exists. Employees can utilize the Merit Systems Protection Board, the Equal Employment Opportunity Commission, and potentially a union grievance system. The MSPB issued a recent report outlining the history of due process for federal employees and how it comports with the

Constitution.[3] Modernizing the appeals processes consistent with the public interest, Constitutional requirements and Supreme Court case law is a complex task, but one worth reviewing to restore the public trust in the civil service.

Federal employees themselves view the current system with some cynicism. For example, a recent survey of federal executives by Academy Fellow David Lewis, a professor at Vanderbilt University, found that large majorities believe that poor performing managers and non-managers are rarely removed or dismissed. This survey also found that accountability and fluency in federal human resources are highly correlated. Interestingly, executives who reported that their agencies provided adequate training on the merit system were more likely to report that poor performance in their agencies was addressed. This leads to an obvious lesson learned: executives who know the system are in a stronger position to use it to address poor performance.

These findings are consistent with those contained in the 2014 Federal Employee Viewpoint Survey. According to the 2014 FEVS results, only 28 percent of federal employees believe their agency is taking steps to deal with poor performers. This item is always near the bottom and was the second lowest rated survey item in 2014 after pay.[4]

The recent study by the Merit Systems Protection Board, entitled "What is Due Process in Federal Civil Service Employment," notes that 77,000 federal employees were fired from their jobs between FY 2000 – 2014. Based on my interpretation of the MSPB study, it seemed like the agency was promoting the fact that (1) a system is in place to remove poor performers and (2) the system works. But if you run the math, removing 77,000 employees over a 14-year period calculates to about 5,500 employees per year. With a federal civilian workforce of approximately 2 million, the percentage of employees relieved of their duties is paltry in comparison. In seeking increased accountability, it is important to recognize that pure employment at will is a fiction. Even in the private sector, companies have to comply with various laws, such as equal

[3] See MSPB, *What is Due Process in Federal Civil Service Employment. A Report to the President and Congress of the United States.* May 2015.
http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=1166935&version=1171499&application=ACROBAT

[4] At 20 percent positive, the lowest rated item is "Pay raises depend on how well employees perform their jobs."

opportunity and whistleblower protection. And the larger companies have significant internal policies and procedures that must be followed before termination.

The complexity in civil service procedures leads to inaction. There are multiple authorities over time; flexibilities are not used; and there is a need for increased capacity from the federal HR workforce, much like we have seen with procurement, IT, and cybersecurity. This challenge was noted in the Fiscal Year 2008 Annual Report by the Chief Human Capital Officers Council and was included as part of the Council's Transition guide for the incoming administration.[5]

To address this capacity issue, the Obama Administration has created the HR University (HRU). HRU is intended to serve as the Federal Government's "one-stop" training resource center for the Federal HR professional. Through the use of a web-based platform, HRU provides a wide variety of training and development resources geared toward HR professionals. The creation and operation of this entity is a positive accomplishment, but much more work needs to be done in this area.

One of these areas for additional attention includes strengthening the performance management process. On May 29th, the Academy will host Robert Goldenkoff, Director of Strategic Issues for the Government Accountability Office, to discuss GAO's findings on their report entitled: "OPM Needs to Do More to Ensure Meaningful Distinctions Are Made in SES Rankings and Performance Awards." Also, the Department of Defense is implementing an enterprise-wide performance management system for the civilian workforce called "New Beginnings". The system is based on three levels of performance "Unsuccessful, Successful, and Superior." [6]

Future Civil Service Reform

The previous decade's civil service modernization efforts focused on reforms of the General Schedule Pay and Classification System, as contained in the 1949 Classification Act. A pay system worthy of the mid-20th century federal government is woefully out-of-date today.

[5] http://www.chcoc.gov/Documents/DisplayDocument.aspx?PublicDocID=60

[6] http://www.federaltimes.com/story/government/management/agency/2015/05/14/defense-performance/27302727/

Further, I would suggest a re-examination of the utility and relevancy of the landmark 1978 Civil Service Reform Act is warranted. This nearly forty-year old statute marked significant progress at the time, but a thorough review to determine whether it meets the demands of a mid-21st century government would be of benefit.

Several questions are worth exploring in detail:

- The Civil Service Reform Act created separate and distinct roles and responsibilities for OPM, Merit Systems Protection Board, and Federal Labor Relations Authority. How are these relationships working today and what, if any, changes could be made to improve federal HR policies and procedures?
- In addition, what impact are other agencies, including Office of Special Counsel and the Equal Employment Opportunity Commission, having on our government's ability to support and sustain the Merit System Principles?
- Do we need a centralized personnel office? If so, how should it be structured, and is OPM that entity? The Balkanization of agency personnel systems questions the need for this central office given the issue of "have and have not" agencies like the Federal Reserve and other banking entities. But what about retirement and health and background investigations? Many agencies, both large and small, have neither the interest nor the resources to establish and operate their own personnel systems, but rely on OPM to fulfill these duties.
- How do we address the General Schedule pay structures? Can the 2002 OPM White Paper on Pay serve as a guide? [7]

More detailed study would be required to determine how best to structure a 21st Century civil service. I would suggest that any private sector entity operating with a nearly 40-year old personnel system and a nearly 70-year old pay system would likely be out of business today.

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[7] *A Fresh Start for Federal Pay: The Case for Modernization.* This thought provoking document offers a timely and comprehensive examination of the way the Federal Government currently determines employee pay. It is merely intended to open the conversation on the possibilities for a modernized Federal pay system for the 21st century. See http://archive.opm.gov/strategiccomp/whtpaper.pdf

However, in considering reforms to the civil service, one tenet must remain: the Merit System Principles should remain central to any federal personnel system. [8] These principles are not obsolete, but the programs that have been put into place to support them may be.

Performance Management

Much effort has been applied to enhancing performance management systems in the federal government. This Administration, along with past administrations, has tackled the challenge of devising systems that give fair and timely feedback to employees in an attempt to hold employees accountable for their performance. Further, such systems should require managers to distinguish among different levels of performance. Addressing poor performers requires rigorous documentation, and the agency performance management system, ideally, should be an ally to managers attempting to address poor performance.

Oftentimes, however, the system is not. According to Academy Fellow Jeffrey Neal, a former Chief Human Capital Officer at the Department of Homeland Security, past research has shown that "the vast majority of federal employees receive a rating at or above the mid-point. The number of marginal or less-than-satisfactory ratings is small. The number of unsatisfactory ratings is miniscule. Few managers, employees, union officials (or anyone else) will tell you the rating process serves a useful purpose. Many will say it is harmful."[9]

In February 2015, GAO released a report to Senate Homeland Security and Governmental Affairs Committee Chairman Johnson outlining avenues available to federal managers and supervisors to address poor performance.[10] In general, GAO found that federal employees and agency leaders share a perception that supervisors ineffectively address poor performance and that federal performance management systems are not built to address poor performance.

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[8]The Merit System Principles are nine basic standards governing the management of the executive branch workforce. The principles are part of the Civil Service Reform Act of 1978, and can be found at 5 U.S.C. § 2301(b)

[9] http://www.federalnewsradio.com/204/3455577/Why-do-we-bother-with-performance-reviews

[10] See GAO, Federal Workforce: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance, GAO-15-191, (Washington, D.C. Mar. 9, 2015). http://www.gao.gov/assets/670/668339.pdf

Congress should consider an overhaul of the current performance management system for the federal government. As a starting point, Congress could direct OPM, in consultation with MSPB, to conduct a series of demonstration projects exploring different options, consistent with Merit Systems Principles and due process requirements, for addressing this issue. Such pilots would likely take a legislative mandate since OPM has not utilized its demonstration project authority in at least six years, and changes to the appeals systems would likely require legislation. This would be a ripe subject for the next Administration to explore. Starting this process now would allow the result to be available within the first year or two of the next Administration.

THE UPCOMING PRESIDENTIAL TRANSITION

Many of the questions I have raised today in my testimony lend themselves to a thorough and comprehensive process of review. Now is the perfect time to initiative such an oversight effort in preparation for the 2016 Presidential Transition. This Subcommittee could do the new Administration and the public a tremendous service if it could recommend comprehensive bipartisan legislative initiatives for a new Administration to tackle as part of its management agenda.

Recognizing that the United States will have a new incoming Administration with a new President, new Cabinet, and new appointees throughout the executive branch, the Academy launched last week its *Transition 2016* initiative aimed at equipping government with the tools for success as we transition to a new Administration and Congress. Civil Service reform is one area ripe for discussion. Ed DeSeve (former Clinton Administration Office of Management and Budget Deputy Director for Management) and David Chu (former Department of Defense Under Secretary of Defense for Personnel and Readiness) are leading the Academy's efforts, and we will be working with the American Society for Public Administration in identifying key issues to assist in the Transition. The American University School of Public Affairs, Key Executive Leadership Program is supporting our efforts. In order to ensure that useful management reforms of the previous two decades are built upon, not discarded, one of our goals is to identify useful past and current initiatives and reforms.

Mr. Chairman, these are challenging times for the federal government and its workforce. With great challenges, however, come great opportunities. You have the power to strengthen their public service to ensure that it works for all Americans. I believe that the issues outlined in my testimony are worth further exploration and could make a positive change in the way the federal government conducts its business and manages its workforce.

Mr. Chairman, that concludes my prepared statement, and I would be pleased to answer any questions you or the Committee members may have.

Congressional Testimony

STATEMENT BY

J. DAVID COX, SR.
NATIONAL PRESIDENT
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

BEFORE

SUBCOMMITTEE ON REGULATORY AFFAIRS AND FEDERAL MANAGEMENT

SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

ON

21ST CENTURY IDEAS FOR THE 20TH CENTURY FEDERAL CIVIL SERVICE

MAY 20, 2015

American Federation of Government Employees, AFL-CIO
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Mr. Chairman, Ranking Member Heitkamp, and Members of the Subcommittee: My name is J. David Cox, Sr., and I am the National President of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 670,000 federal and District of Columbia workers our union represents, I thank you for the opportunity to testify today on the modernization issues facing the federal workforce.

I am proud to speak to you today on behalf of federal employees because I believe in this workforce and I believe in the many tasks that they perform for the American public. There are several challenges that the government workforce will face in the 21st century. First, agencies will need to attract dynamic and well-qualified federal employees, including young people, into the ranks of public service. It will need to do this while much of the expertise in government is on the verge of retiring and in an environment where government salaries are stagnating. Second, government needs to retain qualified employees in an era where there is increasing competition for qualified workers and private companies are outpacing government salaries. Paying federals workers adequately is paramount to solving recruitment and retention challenges. Finally, government must rise to the challenge of managing an increasingly diverse workforce. It will need to deal with these challenges in an environment where government workers have been vilified and where their compensation has been has been subject to political battles.

The Federal Workforce – Highly Trained and Diverse

Any discussion of modernizing the federal workforce must begin by understanding that the federal workforce is the epitome of modern. The government workforce is already highly trained, technologically literate, and ready to meet the knowledge economy challenges of the 21st century. When I get out into the field, I see the amazing work that these individuals do. They protect the safety of the traveling public, they guard dangerous criminals in our federal prisons, they provide physical and psychological care to our wounded warriors, they prevent and treat disease and epidemics, they keep our air, water and food supply safe, and I could go on. They perform the many jobs that are essential for their agencies' missions, the American way of life, and for all of us to achieve the American dream. I know that you see the same dedication and talent as you visit with federal workers in your states and when you visit your military bases, VA hospitals, or the host of government agencies and offices that exist in your states. The federal workforce represents the best of the American people in every way. It is highly diverse and includes many veterans, people of color, disabled individuals, and people of all walks of life. Federal workers are highly trained with over two-thirds having completed at least their bachelor's degree and another ten percent with an Associate's degree or skilled trade certification. This means federal employees are able to deal with challenges and the speed of change. They already manage highly technical facilities and information and processes. In fact, they could contribute to any private company but choose public service because they wish to give back to American society and to support the mission of their agency.

Federal employees are typical middle class Americans and as such embody the values of working hard to have a good life for themselves and their families. They participate in their communities and have a long-standing tradition of giving back through charitable contributions and community outreach and service. Federal employees often go that extra mile because of their public service orientation. As a result, they have the respect of their neighbors. Americans appreciate the work and the services that they deliver on a daily basis. In fact, a poll this past fall from George Washington University reported that confidence in federal workers is on the rise.

If we want to capitalize on the strengths of this workforce, we need to pay to them fairly and stop the constant effort to reduce pay and retirement benefits. We also need to have appropriate structures in place that allow our capable and committed workers to come forth safely and report serious issues. We need to have whistleblower protections that work and processes that encourage employees to participate in open dialogue about problems. It was government workers doing their jobs well, who are deeply committed to the mission and who put their careers in jeopardy to bring to light recent problems in the VA. Discussion of the VA workforce of late has focused too much on individuals who break rules and not enough on those who have put their careers and wellbeing of their families on the line to protect our veterans.

All of the qualities above position federal employees to promote the mission of our agencies, but in order to continue to attract the best workers, government must be a good employer that engages employees and develops potential.

Modern Government Must Stop Attacking the Federal Workforce

In light of their talents, skills, and all that they do to promote public safety and the public good, it is particularly disheartening that federal workers have had to live through years of what can only be characterized as relentless financial attacks.

The attack started with what became a three year pay freeze initiated by the Obama Administration for 2010, the same years that national pay increase averages for private sector employees topped two percent. Next were changes to employee pension contributions which effectively lowered salaries for those hired in 2013 by 2.3 percent and for those hired in 2014 by 3.6 percent. These cuts need to be repealed and full retirement benefits for **all** federal workers restored.

In the midst of these cuts, the Budget Control Act's sequestration provisions laid off hundreds of thousands of employees for as many as six days in the summer of 2013. It was during the sequestration lay-offs that the real effects of the pay freeze and retirement cuts were made apparent. The loss of one week's or even a few days' pay was enough to send many federal workers into full-blown economic crisis.

But it still wasn't over for federal workers: in the fall of 2013, the federal employees whose pay had been frozen for three years, whose retirement benefits had been cut, and who had just withstood up to six days of layoffs were now locked out of work

because of arguments over a health care policy. Regardless of which side of the debate one is on, our federal workers did not deserve to be pawns in that political showdown.

While Congress and the President did agree to back pay for all federal employees affected by the shutdown/lockout, it would be highly inaccurate to say that all were made whole. For the hundreds of thousands of federal employees who have no savings and live paycheck to paycheck, the delay in receipt of their paychecks had real consequences. Whether they had to buy groceries with a high-interest credit card, had to pawn valuables, or whether they actually fell behind on rent, car payments, daycare, child support, or other obligations; the delayed paycheck coming so soon after the reduced paychecks from sequestration furloughs put them over the edge. I heard from parents who lost their daycare slots, families who were evicted from their apartments, workers whose cars were repossessed. These are real people who suffered real harm, not pawns on a political chess board, and the leaders who were elected to represent them had let them down.

Federals workers do not deserve the relentless and continued attacks on their salaries, their retirements and their health care benefits. Since 2011, federal employees have suffered a $159 billion cut in compensation and some legislators want to extract more by further reducing wages and benefits. This trend is evident in the recent budget resolution conference report which again attacks federal employees with $194 billion in cuts, including increases in their pension contributions, a huge shift in health care costs to federal employees and retirees, and a ten percent reduction in the number of federal employees.

I remind you of this sequence of events and the sacrifices that federal employees have made not just because the attacks are unfair to the federal workforce but because they directly affect recruitment and retention. The more often the system penalizes federal workers and tries to solve political and economic problems on their backs, the less likely the government will recruit and retain the qualified and skilled workforce it needs. What would make a research scientist working on a cure for cancer or an electrician who repairs complex weapons choose a career adding to the public good instead of private coffers if their jobs were subject to salary cuts, furloughs, and government shutdowns year in and year out?

Recruitment and retention is also based on individual financial calculations. I have had many discussions with Secretary Bob McDonald at the VA. Secretary McDonald has had a successful business career, and he understands how to run a multibillion dollar enterprise. When he started as Secretary, he examined staffing at VA facilities and immediately noted that to recruit good medical professionals and to keep them, salaries had to be competitive. This pattern plays out across government. Unless government can compete with the salaries in the private sector, there will be no hope of keeping and attracting the best and the brightest.

Yet, the departure from private sector salary comparability has been extreme. The pay freezes have only increased the amount by which federal salaries lag behind those in

the private sector and state and local government. Each year the Office of Personnel Management (OPM) calculates pay gaps between the federal government's salaries and the salaries paid in the private sector and state and local government on a city-by-city and job-by-job basis using data from Bureau of Labor Statistics (BLS). The data tell a consistent and compelling story. Comparing salaries for the actual jobs performed by federal employees with the salaries paid by private employers (and state and local government employers) who employ workers in the same jobs shows federal salaries are an average of 35% lower. The pay freezes of 2011-2013 and the below US average increases of 1% in 2014 and 2015 have only exacerbated this problem. Federal agencies lag behind private sector, state and local government jobs.

Much has been written about the Millennial Generation and their interest in having jobs that promote the public good and are in the public service. The federal government is a natural fit for these workers and a place where they can match their values and talents. But this is also an opportunity that could easily be missed if the government is unable to recognize what Secretary McDonald has – effective services cannot be provided without competitive salaries and an end to relentless criticism and attacks from politicians.

Modern Government Must Promote Cost-Effective Quality

The American people are lucky to have such devotion on the part of the federal workforce after five years of relentless attacks. But as devoted as federal employees are, the budget policies of this era are making it all but impossible for this workforce to keep up productivity and efficiency on the job. This is leading to enormous stress for the workers and potential mission failure for the agency. While productivity and efficiency are important measures for any undertaking, whether it be a non-profit or a business, it is sometimes the case that efficiency and quality of service provision are at odds.

For example, a few months ago I spent several days along the U.S.—Mexico border with members of AFGE's National Border Patrol Council. Time and again, they described cases where the goal of border security and the goal of economic efficiency were in conflict. In short, the agency was rewarding managers for cutting costs, even where cost-cutting meant reductions in border security. Do Border Patrol Agents do an outstanding job of securing the border? Yes. They perform an extraordinarily challenging, dangerous, and complex set of duties and do so under the most difficult circumstances.

But the agency is highly focused on efficiency and cost reduction, and some improvements in efficiency are coming at the cost of mission. Securing the border is not the same as maximizing profit in a widget factory. The same logic should not apply. So while I can assure you that Border Patrol Agents are as angry about the pay freezes, retirement cuts, and budget cuts that threaten their pay as anyone would be, they keep a laser-focus on border security. And their biggest complaint is that their managers' performance bonuses are based on saving money, not on the number of arrests or amount of illegal drugs confiscated from smugglers or other measures of

security. Efficiency, not quality enforcement, seems to be the priority, and border security suffers.

The same issue has emerged at the Department of Agriculture where changes in poultry inspections have reduced the presence of US inspectors and sped up the line to 140 birds per minute. Yes, this saves the USDA about $90 million over three years and increases poultry corporation profits. But the safety of the food supply has been sacrificed in the bargain. Again, efficiency over quality service provision and public health suffers.

I see the same thing in Veterans' Hospitals. The VA's own handbook says that a physician should have no more than 1,200 patients, and the same standard has been extended to other independent providers such as nurse practitioners, physician assistants, and other health care providers. These standards exist to promote quality of care, so that patients are able, in a timely fashion, to obtain appointments for follow-up or preventive care. They also exist so that providers can monitor patients to make sure their conditions are not deteriorating or that medications are having the desired effect. But AFGE members tell me that caseloads for psychiatrists and other primary care physicians now routinely exceed 2,000 patients. And this can have a devastating impact on our veterans. When veterans with conditions ranging from Post-Traumatic Stress Disorder to diabetes are not able to get in to see their doctors, we all know how tragic the consequences can be. Similar situations occur for those in need of physical therapy follow-up appointments. And like Border Patrol and the USDA, the Veterans Health Administration has increasingly placed cutting costs over the health and welfare of veterans. Higher caseloads for primary care providers may be efficient, but the sacred mission and quality of care at the VA is being sacrificed in the process.

In terms of government operations, seeking cost efficiencies has been used to justify contracting out of government work. But it has been proven time and again that federal workers are more cost effective than contracting out for services. More than $330 billion is spent annually on service contracts, and this creates an uncounted and unaccountable shadow workforce that is larger and more costly than the federal workforce. This year, the Department of Defense will spend only $68 billion on its civilian workforce, but it will spend over $146 billion on service contractors.

On top of the higher price tag, security concerns have emerged from using federal contractors. Not only have contractors been responsible for the tragic attack on the Navy Yard and NSA leaks, but in each case their security clearance was verified by a contractor who has since lost the right to hold US government contracts due to shoddy work and security breaches. In these cases, neither economic efficiency nor quality of service were achieved. Wouldn't those dollars have been better spent on insourcing that work and developing those functions in-house?

The government that will meet the challenges of the 21st century must grapple with the tension between quality and cost efficiency and on both of those counts, the federal workforce is the right choice.

Modern Government Must Promote Pay Equity

The federal workforce is the most diverse workforce in the country. The US government, like the US population, is a mix of genders, races, ethnicities, classes and physical ability levels. But these characteristics of the federal work force should not be a reason to pay someone less or more. The pay system should promote equity across demographic groups.

Several months ago, OPM published a report entitled *"Government wide Strategy on Advancing Pay Equality in the Federal Government."* It is the most informative, objective, and important examination of the federal pay system published by any entity in several years and deserves close attention. The OPM report was prepared in response to the President's request for a gender pay-equity analysis of federal pay systems that paid close attention to the General Schedule's classification system and its transparency. The President also asked for recommendations for administrative or legislative action that would promote "best practices" that were found to minimize inequities.

Although the report focused on just one outcome of the federal pay system – its success in advancing gender pay equity – the study provides important insight into the General Schedule system's strengths as a whole. Any pay and job classification system must be judged on attributes such as internal and external equity, as well as transparency and effectiveness. External equity refers to whether a pay system meets market standards. We know that the General Schedule fails the external equity test, but not because of any kind of systemic flaw but rather because successive Congresses and administrations have not funded it even before the pay freezes. We have the annual reports of the Federal Salary Council since 1995 to prove that.

But this OPM report on one aspect of internal equity, gender equity, is extremely telling. It compares data on federal employment over the past two decades and finds great progress on the part of women in ascending to higher-graded positions. But the most important finding was that *there is no significant gender pay difference by grade level among GS workers.* That is, at each pay grade, there was no real difference between the salaries paid to women and men doing the same jobs. This is a great virtue of the federal GS pay system.

The study showed that, depending on the methodology used, from 76 to 93 percent of the observed pay gap between federally employed men and women is attributable to women being concentrated in lower-graded occupations. *Indeed, the only real observed inequities arose where managerial discretion operates,* such as in the awarding of quality step increases, promotions, and starting salaries. While women are more frequent recipients of promotions and quality step increases, managers have exercised discretion in providing higher starting salaries to men. But even starting salaries were mostly equivalent; it was in just four occupational categories that male starting salaries exceeded those provided to women by more than ten percent. Among

members of the non-General Schedule Senior Executive Service, women's salaries were 99.2 percent of men's, a remarkable achievement.

These findings constitute a ringing endorsement of the current pay system, a system that assigns salaries to the position, not the individual. In the jargon of pay-setting, the General Schedule is oriented more toward a "rank-in-position" rather than a "rank-in-person." And that orientation is the secret to having a pay system that avoids discrimination.

The federal government has attempted other pay systems, the most problematic of which was the experience with National Security Personnel System (NSPS) in the Department of Defense. NSPS was so disastrous that it lasted only a few years and represents a cautionary tale on the dangers of abandoning an objective "rank-in-position" system like the General Schedule for federal agencies. From 2006 to 2009, 225,000 civilian workers in DoD were subject to a system that based salaries and annual salary adjustments on supervisors' assessments of employee performance. NSPS also granted managers tremendous "flexibility" on classification of jobs, hiring, assignments, promotion, tenure, and "performance management." The system's only additional funding relative to the General Schedule payroll base was for outside consultants who had a large role in designing, implementing, and training DoD managers in their new system.

Even in its brief three-year existence, NSPS damaged the federal government's excellent record of internal equity on race and gender. Data on salaries, performance ratings, and bonuses showed marked advantages to being white and male, and working in close geographic proximity to the Pentagon. Those in the Office of the Secretary of Defense, the Defense Finance and Accounting Service and Tricare were found to be higher performers, on average, than civilian employees in the Departments of the Army, Navy or Air Force.

A modern pay system cannot discriminate against women, minorities, ethnic backgrounds or disability. Not only is this intolerable morally, but it does not get the best and the brightest people hired, promoted, recognized and rewarded. Tried and true, the GS system is as close to color, crony and gender blind as it gets.

In fact, the GS system has evolved to answer many of the criticisms that have traditionally been leveled against it. Especially over the last few decades, numerous flexibilities and updates have modernized the GS system. In the 1990's, the General Schedule went from having one nationwide annual cost-of-living adjustment to a city-by-city, labor market-by-labor market cost-of-labor salary adjustment system. Special rates were authorized as well. In the 2000's, Congress passed legislation that introduced broad new hiring authorities, managerial flexibilities in salary-setting, and a program for substantial bonuses for recruitment, relocation, and retention. Congress enacted legislation to allow student-loan repayment, and new personnel system demonstration projects. This fall, phased retirement became a reality and OPM is also set to enact 12 new pay localities in 2016. The GS system continues to evolve to address 21st century

challenges. The list of new flexibilities is long, and in many cases, these new authorities have improved the General Schedule.

The flexibilities built into the improved General Schedule system are effective. In the Bakken Region of North Dakota there has been a tremendous gas and oil boom. This caused significant economic pressures on government workers at Minot Air Force Base because their salaries lagged behind wages paid to private sector workers performing similar work. Retaining and recruiting government workers became difficult because private wages drew people into the private sector. Senator Heitkamp worked tirelessly to find a solution for federal employees and has been able to use special rates and other GS system flexibilities to increase government pay and to make sure that Minot Air Force Base continues to be mission ready.

Unlike a private firm, the federal government is spending the public's money in ways that are meant to promote the public interest. NSPS was an object lesson in what happens when the Merit System Principles are undermined, particularly the principles that promise "equal pay for work of substantially equal value," and that "employees be protected against arbitrary action, personal favoritism, or coercion for partisan political purposes." Veterans Preference in hiring, retention and promotions is also inevitably undermined. These are the lessons of NSPS and should be a warning that just because something appears to be "new" does not mean it overcomes discrimination or favoritism. The OPM report demonstrates that the General Schedule's pay and classification system beats the private sector and any other type of split, "rank-in-person" system on equity time and again.

Modern Government Must Promote Due Process and Constitutional Rights

Just a few days ago, the Merit System Protection Board (MSPB) released a report entitled "What is Due Process in Federal Service Employment?" That report provided a detailed analysis of the rules and procedures for termination in the current federal system. The take-away message of the report was twofold: first, federal employees are not immune to termination, and second, the civil service rules exist to promote the Constitutional principles of due process. All workforces are protected by these rights and the process that has developed over the years in the federal environment protects employees from being terminated for partisan political reasons – a challenge that no private corporation has to contend with. The process has the effect of reducing litigation and assuring individuals are not targeted because of their race, gender or other protected status.

The report reminds us of a time when the civil service was not based on the merit system, meaning it did not hire people to do their jobs because they were qualified. Instead, people were hired in the spoils system and they got their jobs because of who they knew. Americans want experts to have government jobs. We want trained economists to tell us if unemployment is increasing or interest rates are slowing down economic expansion. We want trained surgeons to operate on our wounded warriors, not someone who got their job because they play golf with a cabinet secretary.

The MSPB report reminds us that the basis of due process is first, to require that a person facing termination or discipline is presented with the charges against him and has the right to defend against those charges. Second, is the right to appeal a removal decision to a neutral third party. Protections through due process that extend the few weeks it takes to terminate an employee are a small price to pay for the assurances of Constitutional rights and to assure that the federal civil service remains neutral and technocratic. In addition, they are processes protected by the US Constitution's Fourteenth Amendment.

A modern federal workplace must recognize first and foremost that the system in place reflects the work that is done. Practices in the federal government must reflect a higher set of principles. They must reflect the mission of many federal agencies to protect public health, provide assistance in times of food insecurity, homelessness, poverty and old age. The solution is to make sure our federal employees have safeguards in place to keep them from being victims in political disagreements. The solution is that government must not only respect but defend the rights of due process so that employees can defend against accusations.

Any system that removes these rights is not merely wrong it is regressive. It moves us back to a time when the civil service was not comprised of highly qualified and committed individuals, but to a time where who you know trumps what you know. Where politics trumps objective criteria for qualification or performance.

Modern Government Must Promote Employee Engagement and Empowerment

A considerable amount of research has been done by academics and corporate consultants on the idea of employee engagement. Based on this research, both OPM and President Obama have promoted programs to increase federal employee engagement because it increases the productivity of the government and helps agencies accomplish their mission. A modern workplace must consider employee centered policies including transparency, fairness and accountability to have an engaged workforce.

Given the treatment of federal workers in the last few years, it is not surprising that morale and employee engagement are extremely low and sinking. But federal employees are a devoted and resilient bunch. Yes, there have been declines in job satisfaction because federal employees do not believe they should be a constant target and easy place to extract money from the budget. Some are still paying off debts incurred from sequestration and the delayed paychecks of the shutdown. But they love their country, they love their jobs and they are devoted to the missions of their agencies.

Wherever I go, I hear the same story. I'm a union president, so I get an earful about cuts and sequestration and how difficult it is to accomplish the mission under these circumstances, but the mission is always first. The first concern of Border Patrol Agents is protecting Americans from drug smugglers, human traffickers, and other illegal

crossings. The first concern of workers at a Veterans' Administration hospital is the welfare of wounded warriors. The first concern at our military installations is that the troops are well equipped and readiness is assured. The first concern at FEMA, TSA, and ICE is getting the job done for the American people. The first concern of our Social Security Administration members is that Americans receive all the benefits they have earned and paid for, and have access to trained representatives who can explain these benefits. The first concern of Correctional Officers is that our communities are protected from the dangerous criminals they guard in our federal prisons. And the first concern of USDA meat and poultry inspectors is that Americans have safe food to eat.

In the most recent Federal Employee Viewpoint Survey, 96% of federal employees said they are willing to put in the extra effort to get the job done. Overwhelmingly, this is a committed workforce that believes in public service and public safety and puts the mission of the agency they serve first and foremost.

For decades, the administrative philosophy behind the federal government has been that the U.S. benefits from having an apolitical civil service governed by the merit system principles. Workers are hired based on their skills and merits, not on which side of the political spectrum they fall. The pay and benefits that derived from those principles were supposed to be adequate to recruit and retain a high-quality workforce, capable of carrying out important public sector functions, from law enforcement to guaranteeing care for wounded warriors to protecting public health. The government would not be a bottom-of-the-barrel exploitative employer, paying the lowest possible wages and forgoing health care and retirement benefits, like so many of today's most profitable corporations. Likewise, the government would not be a place where anybody could get rich at the taxpayer's expense.

Moreover, the government as an employer would be a model when it came to ideals of due process, internal equity and non-discrimination, promoting fairness and seeking employees devoted to the public interest. And on pay and benefits, it would aim at "comparability," defined in the pay law as no less than 95 percent of what private and state and local government pays on a locality basis. While the current workplace has lived up to some of these ideals, others, particularly around pay comparability need to be strengthened.

The government needs to also promote a human centered workplace to capitalize on the talents, skills and commitment of the federal workforce. Employees are more engaged when they are empowered in the workplace, and workplaces with engaged employees are more likely to better achieve their mission.

Empowering workers begins with promoting collaborative bargaining for good and fair contracts. Labor management partnerships should also be forged to better accomplish goals. While some private corporations today are focused on ignoring employee input, seeking low skills and paying below a living wage, other are embracing the creativity and talents of the workforce and recognizing that collective bargaining represents the most meaningful channel for workers to provide input and for managers to learn from

front-line workers. This creates a more nimble environment for identifying and solving problems.

In addition to our collective bargaining relationships, AFGE has been actively engaged in labor-management forums and partnerships and has taken every opportunity to engage management constructively at the highest levels of government and at local workplaces. One project of note has been the Department of Defense "New Beginnings" which has been creating a performance management system through a labor management partnership. This partnership has helped each side understand the other's motives, goals and constraints. Although not finalized, the New Beginnings performance management system has great promise to enhance employee/manager discussions about performance. We anticipate it will overcome many of the problems in current performance management systems which are often based on poorly trained and overworked supervisors' perceptions of an employee's work product instead of real communication with employees regarding their performance.

Simply put, including labor/employee voices at the design phase of New Beginnings has helped build a structure that will lead to greater engagement and better outcomes. This lesson should be learned across the government: when workers see that their voices are included in policies that affect their workplace, and when they see that their concerns are being heard and acted upon, there is no question in my mind that the workforce will be more engaged and the mission will be better achieved. Labor-management partnerships can and do lead directly to these benefits.

The 21st century manager and supervisor must understand that management techniques that promote transparency, accountability and employee empowerment will lead to better accomplishment of the mission. This type of management training is being pursued across government. It is endorsed by OPM and is helping to modernize the federal system.

Conclusion

To attract and retain a high-quality and trained workforce, Congress must stop the economic attack on workers. Instead, it needs to pay them fairly and keep their benefits whole. A modern government must define success in terms of protecting the public interest and safety and to do that efficiently it should look to the federal employee and stop pouring money into outsourcing. A modern government must promote pay equity and the system that determines pay must be based on values that eliminate discriminatory and subjective practices in pay. A modern government must stand up for and promote the Constitutionally established rules of due process to ensure that the federal system is based on merit not spoils. A modern government must promote employee engagement and empowerment and build supervisory models based on these values because this is the most efficient way to assure mission is accomplished. AFGE strongly supports the Federal Adjustment of Income Rates (FAIR) Act (S 164) introduced by Senators Schatz and Cardin as a measure that will help the federal system recruit and retain the best employees.

That concludes my statement, Mr. Chairman. I am happy to respond to any questions.

Senior Executives Association

the voice of career federal executives since 1980

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June 3, 2015

The Honorable James Lankford
Chairman
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
601 Hart Senate Office Building
Washington, DC 20510

The Honorable Heidi Heitkamp
Ranking Member
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
605 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee:

Thank you for the opportunity to submit written testimony to the Subcommittee on Regulatory Affairs and Federal Management regarding 21st Century Ideas for the 20th Century Federal Civil Service. The topics being considered by the Subcommittee in this hearing, including but not limited to – recruitment, hiring, and retention of the federal workforce, effective performance management, compensation under the General Schedule and other pay systems, disciplinary and dismissal processes that uphold principles of fairness and due process – are ripe for the attention of Congress. These written comments will focus on broad, government-wide topics while also addressing issues of particular relevance pertaining to the SES.

The Senior Executives Association (SEA) is a professional association that for 30 years has represented the interests of career federal executives in government, including those in Senior Executive Service (SES) and equivalent positions, such as Senior Level (SL) and Scientific and Professional (ST) positions. SEA has long promoted policies to ensure an efficient and effective government. In doing so, SEA has advocated for a strong SES system to ensure that the Federal government can attract, develop, and retain the best career leadership possible.

The SES is comprised of the approximately 7,000 men and women who are critical to a high performing government and to implementing an Administration's program goals and management agenda in each agency. These are the top career professionals in government, with an average of 26 years of experience; a majority who hold advanced degrees, and all

obtained their positions on the basis of merit following a rigorous selection and vetting process. Career Senior Executives undertake a myriad of jobs and hold substantial responsibilities, including overseeing budgets and programs that would place their responsibilities on a par with executives in Fortune 500 companies.

Senior Executive Service

SEA testified before the House[1] and Senate[2] in 2014 regarding necessary updates for the SES and the civil service. That testimony is relevant to the topic of this committee's inquiry into the civil service, and I encourage Members to review it, as the testimony remains just as relevant as when submitted. Key challenges for the SES, hiring, recruitment and retention, selection and development of leaders, SES pay, and performance management are addressed, among other issues.

Budget and Appropriations

Article I of the Constitution enshrines the principal obligation of Congress to approve a budget. Based on an agreed upon budget, Congress then may appropriate funding to facilitate the implementation of that budget. Unfortunately, it has been nearly twenty years since the last time, in 1997, that Congress approved a budget in accordance with the law. According to the Congressional Research Service (CRS), in only four years since 1977 has Congress passed all appropriations bills on time.[3] The result has been a troubling reliance on continuing resolutions (CRs), which create massive uncertainties and inefficiencies within agency operations.

The persistent reliance on CRs is relevant to a discussion regarding the federal workforce because budget uncertainty negatively effects agency operations, hinders planning, and results in suboptimal allocations of resources, according to a 2013 Government Accountability Office (GAO) analysis.[4]

At a time when Congress is attempting to curtail wasteful government spending, a goal with which SEA whole-heartedly agrees, the act of relying on CRs in-and-of-itself is creating waste, with agency staff dedicating inordinate amounts of time to budgeting and re-budgeting for multiple scenarios and contingencies, rather than focusing their full attention on implementing the laws and programs which Congress has enacted.

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[1] Testimony of SEA President Carol Bonosaro before the House Subcommittee on Federal Workforce, U.S. Postal Service and the Census for "Oversight of the Federal Workforce: the Viability of the Senior Executive Service," July 11, 2014, http://oversight.house.gov/wp-content/uploads/2014/07/Ms.-Bonosaro-Testimony-Bio.pdf.

[2] Testimony of SEA President Carol Bonosaro before the Senate Subcommittee on the Efficiency and Effectiveness of Federal Programs and the Federal Workforce for "A More Efficient and Effective Government: Cultivating the Federal Workforce," May 6, 2014, http://www.hsgac.senate.gov/download/?id=20e20158-5b8f-43ce-a974-21b7c485a0af.

[3] Congressional Research Service, R42647, Continuing Resolutions: Overview of Components and Recent Practices, August 2012, https://www.fas.org/sgp/crs/misc/R42647.pdf.

[4] Government Accountability Office, GAO-13-464T, Effects of Budget Uncertainty from Continuing Resolutions on Agency Operations, March 2013, http://www.gao.gov/products/GAO-13-464T.

Federal executives and managers are tasked with ensuring agencies and programs run effectively, agencies' missions are met, and programs stay within budget. Yet the ability of executives and managers to fulfill those prerogatives is hindered by chronic budgetary uncertainty. Such uncertainty produces negative effects inside agencies, such as deferred decisions and delayed upgrades to systems, leading to increased costs to the American taxpayer. These negative side effects are unacceptable to our members, yet they can only be addressed by Congress making the difficult decisions about what policies and programs to fund, and at what levels and doing so in a timely fashion.

GAO's research has "consistently shown the direct link between effective strategic human capital management and successful organizational performance."[5] As the board of directors for the federal government, it is important that Congress fulfill its fiduciary responsibilities to timely provide agencies with budgets to facilitate the process of strategic human capital planning and management. Failure to do so lays a portion of blame for the Executive Branch's organizational performance squarely at the feet of legislators.

Human Capital Management

Human capital management has been on the GAO's High Risk list since 2001. With 14 percent (approximately 270,000) of the current federal workforce retirement eligible now, and those figures expected to rise to 31 percent (approximately 590,000) of the entire federal workforce by 2019, it is critical that Congress work with the Administration and agencies to ensure appropriate human capital management and planning is taking place right now in order for the government to be equipped with the employees necessary to tackle increasingly complex 21st century challenges. The impending retirement wave for the federal workforce, including that for the SES, where 63 percent of executives will be retirement eligible by 2016, presents both a challenge and an opportunity.

The challenges presented by the looming retirement wave are well documented. Many agencies do not engage in adequate succession planning, lack robust systems for strategic workforce training and development, and inadequately identify and work to close skills and competency gaps. Compounding these challenges is a fragmented human capital community where agency actions and initiatives are not necessarily aligned with broader, human capital efforts, according to GAO.[6]

Meanwhile, the Office of Personnel Management (OPM) and the Chief Human Capital Officers (CHCO) Council are not fully asserting their leadership on the issue of human capital management across the government.[7] OPM and the CHCO Council have produced many tools and resources, offer advice and counseling, and have initiated many reviews and working

[5] Government Accountability Office, GAO-15-619T, Update on Strategic Management Challenges for the 21st Century, May 2015, http://www.gao.gov/products/GAO-15-619T.

[6] GAO-15-619T

[7] Government Accountability Office, GAO-14-168, Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources, June 2014, http://www.gao.gov/products/GAO-14-168.

groups. However in the case of some of these initiatives where linkages should exist, for example with efforts to assess and close mission-critical skills gaps - initiatives like HRstat reviews, the CHCO Council's Working Group on mission-critical skills gaps, and the Federal Agency Skills Team (FAST) - opportunities for collaboration and silo-busting are being missed.[8]

It is important for Congress to assess OPM's role and responsibility for the federal workforce. Is it the central human resources/human capital policy shop for the federal enterprise? If so, is OPM currently funded and staffed adequately to fulfil this mission? Should OPM and its policy guidance be given teeth it currently lacks? If not, does each agency need dedicated authorities and flexibilities to mold the workforce it and the government needs to meet missions? As Congress considers updates to the civil service, these questions and many more must be asked and answered.

The opportunity for Congress is that the government is operating on a 70-year-old classification system and a 40-year-old civil service framework. With questions long raised about the adequacy of the General Schedule system for a government that increasingly employs highly educated professionals rather than clerical employees[9], coupled with a demographic shift in the workforce, Congress has now has a moment to have the difficult and complex discussions about how to structure the workforce and civil service to best serve the American people in the 21st century. Doing so will not be easy or engaging or headline grabbing, but a transformational opportunity now exists to reform the workforce in order to drive improved efficiency, effectiveness, and performance – the question is, does Congress have the fortitude and will to seize the moment and pursue meaningful updates?

Recruitment, Hiring, and Retention

The ability of any organization to effectively recruit, select for hire, and retain talent is of paramount importance. Congress plays an important role in fostering an environment in which Americans want to serve their nation by working for the federal government and that the government has the tools it needs to attract and retain the next generation of public servants.

The predominant focus by Congress in recent years on negative and punitive legislative proposals relating to the federal workforce – scaling back or eliminating due process protections that guard against politically motivated personnel actions, setting higher contributions from employees for their pensions and benefits, scaling back pay and benefits, discussing eliminating public service loan forgiveness programs, reducing the number of agency employees absent a business case for doing so, proposing attrition-based restrictions on hiring, to name a few – coupled with negative congressional rhetoric about the workforce has created an environment in which many talented recent graduates and other citizens are not considering the federal government for employment.

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[8] Government Accountability Office, GAO-15-223, OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps, January 2015, http://www.gao.gov/products/GAO-15-223.

[9] Government Accountability Office, GAO-12-564, Results of Studies on Federal Pay Varied Due to Differing Methodologies, July 2012, http://www.gao.gov/products/GAO-12-564.

In 2014, only 7 percent of new hires to the federal government were under the age of 25, compared to 23 percent in the private sector, according to the Partnership for Public Service.[10] Given an impending and long-anticipated retirement wave in government, Congress has a duty to foster an environment in which public servants feel appreciated and valued for their service.

Congressional recognition of the fact that 33.2 percent of new hires to the federal government in 2014 were veterans[11], coupled with knowledge that over 90 percent of the growth of the workforce since 2004 has been at the Departments of Defense (DOD), Homeland Security (DHS), and Veterans Affairs (VA), hopefully can drive a shift in attitude regarding the workforce.

Congress should examine current federal recruitment and hiring practices. Concerns have been raised in recent years by many about the USAJobs platform, the state of the Presidential Management Fellows (PMF) program[12], the Pathways Program that eliminated old internship and recent graduate programs[13], and the time it takes between applying for a job and receiving a decision, to name a few. These areas are ripe for improvement and congressional oversight.

A 2015 report by the Merit Systems Protection Board (MSPB) found that the principle of fair and open competition for federal jobs is being challenged by a proliferation of hiring authorities, overuse of restrictive hiring authorities and practices, potential abuse of hiring authorities by some managers, and some human resources' staff prioritizing internal processes over providing efficient customer service to job applicants.[14] While agencies are unique, the sprawling morass of numerous authorities causes confusion for hiring managers and human resources specialists and inhibits effective oversight.

Congress should explore the role of competitive examining in federal hiring, and which authorities need to be streamlined and consolidated legislatively versus which can be accomplished administratively by OPM and agencies. When it comes to hiring authorities and flexibilities, Congress needs to answer whether departments and agencies should be considered as constituting a single enterprise or as many separate entities.

Questions have also been raised recently about the government's hiring of individuals with past conduct or tax delinquency issues. While these issues should not be grounds for automatic disqualification for federal employment, ensuring agencies have information about applicants

[10] Partnership for Public Service, Fed Figures 2014, http://ourpublicservice.org/publications/download.php?id=350

[11] "The President's Council on Veterans Employment Announces Increase in Veterans Hiring in FY 2014," Office of Personnel Management, March 23, 2015, http://www.opm.gov/news/releases/2015/03/the-presidents-council-on-veterans-employment-announces-increase-in-veterans-hiring-in-fy-2014/.

[12] "Critiques of the Presidential Management Fellows Program," The Washington Post, November 17, 2014, http://www.washingtonpost.com/blogs/on-leadership/wp/2014/11/17/critiques-of-the-presidential-management-fellows-program/.

[13] "SSA Managers Group Suggests Improvements for Pathways Program," FEDmanager, March 11, 2015, http://www.fedmanager.com/news/2079-ssa-improvements-for-pathways-program.

[14] Merit Systems Protection Board, "The Impact of Recruitment Strategy on Fair and Open Competition for Federal Jobs," January 2015, http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=1118751&version=1123213.

early in the process can help ensure they are not wasting time considering an applicant who will not receive an offer of employment. SEA has provided to OPM a proposal to change agency guidance and ensure Optional Form 306[15], the Declaration for Federal Employment, is mandatory and used as one of the first pieces of information an agency considers in determining suitability for federal employment, including both for new hires and employees transferring between agencies.

Diversity

In order to compete in an increasingly diverse economy, we must commit to making our federal workforce more inclusive and multifaceted. Doing so means OPM and agencies must eliminate barriers for minorities, women, and individuals with disabilities to enter the workforce, and once they are in the workforce, that talent pipelines exist to facilitate career growth and lay the foundation for diverse managerial and SES ranks.

Agencies should also create plans to enhance and maximize opportunities for the advancement and appointment of minorities, women and individuals with disabilities. These plans should be approved by OPM and must address how the agency is identifying and eliminating barriers and steps the agency is taking to provide advancement opportunities, including: conducting outreach; fostering leadership development and identifying career enhancing opportunities; and conducting inventories of employee skills to address current and potential gaps. These plans should be updated every two years to ensure that the agency is keeping on task and adapting to hiring trends.

To do this at the SES level, we can move to require, to the extent practicable, that Executive Resources Boards (which are tasked with conducting the merit staffing process for career entry into the SES; which, ideally, have general oversight of the management of the agency's executive resources; and which must approve development plans for each of the agency's CDP participants) include minorities, women and individuals with disabilities.

Probationary Period

Across the government, most employees are subject to a one year probationary period upon starting their jobs. During this time they are in an "at-will" status. SEA supports legislation extending the probationary period for positions that require extensive training.

For example, air traffic controllers and some positions with the Social Security Administration (SSA) and Internal Revenue Service (IRS) have extended training periods, significant portions of which occur outside of the employee's home office, before achieving journeyman status. Since managers often do not work extensively with those employees during the first year and cannot fully assess their on the job performance, it is reasonable to extend the probationary period or begin it upon completion of training. Furthermore, managers should have to certify that an employee has cleared the probationary period.

[15] Office of Personnel Management, Optional Form 306, https://www.opm.gov/Forms/pdf_fill/of0306.pdf.

This extensive out of office training is not an issue at the SES level and agencies routinely use the current one year period to remove unqualified Senior Executives. To the extent that it is not being fully utilized, that is an issue of training and understanding how to use the probationary period. SEA has heard nothing from agencies or from Senior Executives to suggest that an extension of the SES probationary period is necessary or useful, given the high barrier to entry into the SES corps.

Supervisor Selection, Training, and Development

Supervisors are the nexus between Government policy and action and the link between management and employees. For this reason, the supervisor's proficiency in both technical and leadership skills is important for success. Effective supervisors increase employee motivation, communicate expectations, and ultimately increase organizational performance. The Merit Systems Protection Board (MSPB) highlighted the importance of first-level supervisors in a 2010 report.[16]

The manner in which the government selects which employees to take on supervisory roles is in dire need of an update. Under the General Schedule, an employee often must take on supervisory duties in order to ascend the ranks. Yet there is no assessment of whether that employee, who may be an excellent technician or subject matter expert (SME), has the capacity to serve as a supervisor and leader. Federal employees require career ladders that let them chose whether they prefer to remain a SME or whether they want to manage, and both options should present opportunities for career advancement and growth.

Research published by Gallup[17] highlights the importance of selecting the correct employee for supervisory and managerial duties in the first place. One in ten employees have the unique combination of skills and perspective to be a manager, while an additional two in ten can be taught to be a great manager. That means seven out of ten employees, who may be great SMEs, are likely not cut out for supervising employees. Ensuring the government selects the appropriate individuals for supervisory roles will produce an improved management talent pipeline, with the most adept of those leaders eventually rising to the SES ranks.

Meanwhile, more must be done to ensure that supervisors, managers, and executives are provided the training and development necessary to oversee the workforce. Despite directives from OPM and laws passed by Congress (i.e. P.L. 108-411) mandating agencies provide initial and ongoing supervisor training and have succession management plans, it is clear that improvements in these areas are necessary. Oversight of existing laws is needs, and consideration of whether additional legislative or administrative updates are necessary should be discussed.

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[16] "Merit Systems Protection Board, "A Call to Action: Improving First-Level Supervision of Federal Employees," May 2010, http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=516534&version=517986&application=ACROBAT.

[17] "Why Great Managers Are So Rare," Gallup, March 25, 2014 http://www.gallup.com/businessjournal/167975/why-great-managers-rare.aspx.

Performance Management

Training is also a key to successful performance management efforts. Supervisors and employees alike need to understand their agency's performance management system and their roles and obligations within that system. A lack of understanding or poor implementation of performance management systems breeds distrust between supervisors and employees, which can generate disengagement and lowered productivity and performance levels.

Many Senior Executives are supervised by political appointees who are not trained on performance management. A survey of Senior Executives conducted by SEA in 2013 found many dissatisfied with their performance management systems, noting appointees often failed to timely discuss and establish annual performance plans, to discuss progress throughout the year, and to provide the results of year-end appraisals.[18] More than four months into the next fiscal year, one fourth of respondents reported not receiving a final performance rating for fiscal year 2013. The survey found low morale among Senior Executives stemming from a malfunctioning performance management system, lack of transparency and communication regarding their performance, no performance awards despite receiving the highest level performance rating, lack of support from appointees and the Administration, and pay compression.

Under current law, Senior Executives may be removed for poor performance and, when they are, they have no effective appeal rights. By law, Senior Executives must be removed from the SES if they receive two unsatisfactory ratings within five consecutive years or two less than fully successful ratings within three consecutive years. An agency may choose to remove the Senior Executive after just one unsatisfactory rating. SEA strongly supports holding employees accountable for their performance. Should an executive need to be removed, then an agency already has the tools to do so.

This is true, as well, for General Schedule employees, however, many managers and supervisors are not well versed in how to rehabilitate or remove poor performers. OPM recently developed a handbook on this subject; it should be mandatory reading for every supervisor, manager, executive and human resources specialist.

Political Appointee Onboarding and Training

To ensure that political appointees can properly assimilate into the agencies they are entering, it is imperative that we have a system to foster this transition.

Each agency should provide onboarding to new political appointees within their first month in the appointed position. This onboarding process can be conducted as in-person training, virtual training, or through a comprehensive handbook. It should include:

- Ethics guidance

[18] Senior Executives Association, "Deteriorating Pay for Performance Adversely Impacting Morale and Retention within the Federal Career Senior Executives and Professional Corps," May 2013, https://seniorexecs.org/images/documents/Deteriorating_Pay_for_Performance.pdf.

- The agency's budget, procurement and HR processes – to include supervision of the career SES and general workforce performance management
- Career-political relations
- Congressional relations
- Agency's mission, structure, stakeholders, programs and culture

The basic onboarding course or handbook should be prepared by the National Academy of Public Administration (NAPA) for use by agencies, and the process should be conducted or supervised by the office of the Chief Operating Officer, or agency equivalent. Funds should be made available for the orientation of political appointees in the Presidential Transition Act of 2000 (P.L. 106-293) may be used to off-set costs incurred by agencies or NAPA in creating onboarding programs.

In addition to training appointees, agency leadership positions in operations and administration should be reserved for career SES, rather than filled by political appointees who are most appropriate for policy-oriented appointments. Career executives provide the necessary institutional memory, have a long-term focus, and are essential at times of transition.

Employee Discipline and Manager Fairness

Managers often do not receive adequate training on working with employees, dealing with provisions of their agency's contract or contracts with federal employee unions, or dealing with problem employees. The proliferation of EEO and other employee complaints, and the complexity of the rules surrounding disciplinary cases, make managers reluctant to deal effectively and quickly with poor performers and employee misconduct.

Increased emphasis on accountability through statutes such as the No FEAR Act (P.L. 107-174) makes managers even more reluctant to act against poor performers out of fear of an EEO or IG complaint, which can take up a substantial amount of their time and threatens to label them unfairly. While there are legitimate EEO claims, some employees who use the EEO process are merely attempting to paralyze their managers. These charges clog the system and delay attention to justified complaints.

Managers are often kept in the dark about complaints against them – they are not always told that a complaint has been filed, the basis of the complaint, or when a resolution to the complaint has been reached. Even a manager who is a "witness" to the complaint is often not asked to testify to provide his or her side of the issue.

Considering the overly lengthy process from the time a complaint is filed to ultimate resolution of the complaint, managers can be left in a state of limbo for years as they wait to learn the resolution of the case. This hampers job productivity and manager morale, especially given the large number of cases that are ultimately found to be without merit.

To combat this problem, the SEA and the Government Managers Coalition (GMC) have long supported a Federal Managers Fairness Act that would allow managers to participate during the

EEO process, have the right to be consulted before a settlement, have the right to know when a case is filed and when it is finished, and be considered for lost benefits resulting from EEO complaints found to be without merit. The Federal Managers Fairness Act would allow managers to be assured that they will receive fair treatment during the complaint process. It will also provide managers with one more tool to ensure that they effectively deal with employees and are not unfairly burdened by a system they do not fully understand.

SEA also supports the creation of a Federal Employee Court of Appeals that would serve as a singular point of resolution for all employee complaints, including EEO and labor arbitration. Creation of such a Court would end the process of "forum shopping," in which employees can file complaints to various entities (i.e. MSPB, EEOC, FLRA, OSC), in the hope of delaying the process or reaching a settlement. A unified Court would also address the problem of conflicting precedents in EEO cases by various circuit courts.

SEA is concerned with recent efforts by Congress to make it easier for agencies to discipline or terminate employees. These concerns arise not because SEA opposes employee accountability – in fact, SEA strongly supports holding employees accountable for their performance and conduct – but rather because of fears that placing Congress or the media in the middle of personnel decisions threatens to politicize those decisions, and by extension, the workforce. Following the assassination of President James Garfield in 1881 by a disgruntled federal job seeker, Congress passed the Pendleton Civil Service Reform Act (ch. 27, 22 Stat. 403) in 1883 to ensure government jobs were awarded based on merit rather than political affiliation and connections.

SEA believes the rules already enshrined in law are adequate for ensuring the accountability of the workforce, and Congress should focus on ensuring that managers understand the tools at their disposal and how to use them, and that agencies, including counsel and human resources, support managers in taking actions against poor performing employees.

Administrative Leave

Administrative leave has been improperly used by agencies pending a decision on employee actions. SEA is currently working with members of the Senate on a bipartisan legislative solution to revamp the administrative leave process. Administrative leave in the federal government should only be authorized at the agency's discretion and should be more narrowly defined when being used in cases of adverse actions or investigations.

Up to three consecutive days of leave per instance without reduction in pay is a sufficient amount of time to initially assess claims of misconduct and ensure that this person is not a potential threat to themselves or their colleagues, government property, or information related to an investigation. If additional time is needed to continue and complete the investigation, the head of the agency should be notified and approve such an extension.

Under ordinary circumstances, an employee whose removal or suspension, including indefinite suspension, has been proposed or who is under investigation, should remain in a duty status in his or her regular position during the advance notice period.

In those rare circumstances where the agency determines that the employee's continued presence in the workplace during the investigation or notice period may pose a threat to the employee or others, result in loss of or damage to Government property, or otherwise jeopardize legitimate Government interests, or the agency has probable cause that the employee may have committed a felony, the agency may elect one or a combination of the following alternatives:

- Assign the employee to duties where he or she is no longer a threat to safety, the agency mission, or to Government property, including information pertinent to the investigation;
- Allow the employee to take leave, or carrying him or her in an appropriate leave status (annual, sick, leave without pay, or absence without leave) if the employee has absented himself or herself from the worksite without requesting leave;
- Curtail the notice period when the agency can invoke the crime provisions of title 5.

Ending the misuse of administrative leave will save taxpayer dollars, promote accountability and decision making by agencies on personnel actions, and is an SEA priority.

Pay for Performance

Many Members of Congress say they support the concept of pay for performance in the government. The SES is a pay for performance system, which was created by the Bush Administration in 2004. Within a broad band, all pay adjustments are discretionary and based on performance. Senior Executives receive annual performance ratings based on standards which focus on measurable results, and high performers are eligible to be considered for a performance award. Unlike GS employees, Senior Executives do not receive locality pay, comp time or cost of living increases. Almost 25% of the SES make equal to or less than their GS subordinates.[19]

Many Senior Executives perceive the performance appraisal system to have a lack of transparency and fairness. There is a skewed risk and reward ratio that Senior Executives face. They take on more duties and work longer hours, yet receive no compensatory time, no locality pay, and no guaranteed annual comparability pay raises, all of which are a part of the compensation system for GS employees, as is a more robust right to appeal adverse actions.

Over the past several years, multiple surveys of Senior Executives have highlighted that the SES pay and performance system is a major factor in the recruitment and retention challenges

[19] Senior Executives Association, "Myths and Realities: Pay Overlap Between SES and General Schedule Employees," June 2013, https://seniorexecs.org/images/documents/press_releases/Overlapping_Pay_Myths_Realities_01.pdf.

facing the SES.[20] Additionally, it is important to note that these individuals are focused on working on behalf of the American people rather than earning the higher salaries many would receive in the private sector. Coupled with the other challenges facing the SES and the workforce as a whole, this system serves as a major detractor to recruitment, retention and high morale.

While there are many talented, able managers who are motivated by a call to public service, incentives are still needed to encourage others to make the leap from the GS-14/15 level into the SES. Those who do join the executive ranks find that the pay and performance management system does not work as intended. What is clear is that a system that was meant to relieve pay compression, to be transparent and flexible, and to reward superior performance, has instead become a disincentive for many of the best employees who might otherwise desire to serve in the highest ranks of the career civil service.[21]

It is time to implement meaningful reforms, including ending downward pressure on performance awards, strengthening the timeliness and transparency of the system, and putting stability back into the system by restoring locality pay and providing annual increases based on the General Schedule increases to those executives rated fully successful or higher.

If SES is a pay for performance system, high performers must be rewarded. SEA is concerned that the current rhetoric surrounding federal pay is degrading the pay for performance concept. Generally, performance awards have evolved into the part of compensation that draws meaningful distinctions in performance. Like all federal employees, Senior Executives were subjected to three years of frozen pay and even though that was lifted for GS employees, many agencies did not grant pay adjustments to their SES employees. Because SES annual pay increases are entirely discretionary, this has created the perception that a Senior Executive cannot rely on the receipt of an increase based on superior performance.

The statute governing the SES pay and performance management system provides that 10% of the aggregate amount of basic pay paid to career Executives as of the end of the previous fiscal year (with an alternative formula provided for small agencies) can be utilized for performance awards. However, for Fiscal Years 2011-2014, OPM and the Office of Management and Budget (OMB) issued guidance limiting the overall spending on awards to 5 percent of the aggregate salary of career Executives instead of the usual 10 percent.[22] As a result, at some agencies, even those Executives rated at the highest level have not received performance awards. This undermines trust in the pay for performance model.

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[20] Senior Executives Association, "Taking the Helm: Attracting the Next Generation of Federal Leaders," 2010, https://seniorexecs.org/images/documents/Full_Report.pdf.

[21] Senior Executives Association, "Deteriorating Pay for Performance Adversely Impacting Morale and Retention within the Federal Career Senior Executives and Professional Corps," May 2013 https://seniorexecs.org/images/documents/Deteriorating_Pay_for_Performance.pdf.

[22] Office of Management and Budget, "Guidance on Awards for Fiscal Year 2014," November 2013, http://chcoc.gov/transmittals/TransmittalDetails.aspx?TransmittalID=5846.

Conclusion

In addition to significant preparatory time and behind the scenes effort, Congress spent nearly a full week debating the Civil Service Reform Act of 1978. In the years since then, Band-Aids and quick fixes have been applied, yet the fundamental nature of the civil service has not been robustly considered or debated. SEA and the organizations which testified for this hearing have highlighted many areas of potential legislative and administrative action that can be taken to strengthen the civil service.

Given the complex challenges our nation and the world face in the 21st century, it is important that Congress work with stakeholders to develop a path forward for modernizing the civil service while maintaining important features, such as the protection against politicized personnel actions. SEA stands ready to work with this Subcommittee and all Members to discuss how the civil service can be brought up to date in order to best serve the American people.

Sincerely,

Carol A Bonosaro

CAROL A. BONOSARO
President

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June 3, 2015

The Honorable James Lankford
Chairman
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
601 Hart Senate Office Building
Washington, DC 20510

The Honorable Heidi Heitkamp
Ranking Member
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
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Dear Chairman Lankford, Ranking Member Heitkamp, and Members of the Subcommittee:

Thank you for the opportunity to submit written testimony to the Subcommittee regarding 21st Century Ideas for the 20th Century Federal Civil Service. Our nation faces increasingly complex challenges, and while the civil service has adapted somewhat over time since its last major reform in 1978, Congress needs to debate and determine which aspects are working well and which updates and reforms are needed to ensure the government is positioned to recruit and retain a talented and diverse workforce up to the task ahead. PMA stands ready to engage in this effort.

Formed in 1981 by managers at the Internal Revenue Service (IRS), the Professional Managers Association (PMA) is a national membership association representing the interests of professional managers, management officials and non-bargaining unit employees in the federal government. Over the past 34 years PMA has expanded to advocate and support several federal departments and agencies. The focus of our organization is to be a voice for all managers, management officials and other non-bargaining unit employees.

Valuing Public Service

First, it's time for Congress to stop the attacks on the federal workforce and the assaults on pay and benefits. The Public Service Recognition Week (PSRW) resolution (S.Res.160) introduced this year by the leaders of this Subcommittee certainly was appreciated by PMA's members and the federal workforce, yet much more work is needed to improve the public perception of the civil service.

Currently, less than 7% of the federal workforce is made up of individuals under 30. Within the IRS, less than 3% of our 87,000 employees are under 30, with half of those employees working part-time. The multi-year pay freeze, derision of the workforce by Congress and the media, coupled with recent furloughs and the government shutdown, serve as serious detractors to prospective applicants to federal service, particularly among millennials.

If we want to incentivize young people to pursue careers with the federal government, we must provide adequate compensation, benefits, and a workplace that is competitive with the private sector. A recent analysis by the Government Accountability Office (GAO) found that federal employees with graduate and professional degrees are undercompensated compared to their private sector counterparts (GAO-12-564). Increasingly the government employs such individuals because they have the education and skills necessary to address the complex challenges agencies tackle on behalf of the American people.

Veterans, who have been educated and trained to meet these challenges, often chose to continue their service in government, and in 2014 accounted for one third of all new hires to the federal government. Ninety-four percent of all new employees hired between 2004 and 2012 worked for three agencies - the Departments of Defense (DOD), Homeland Security (DHS), and Veterans Affairs (VA), according to GAO (GAO-14-215). When Congress attacks the federal workforce there is a great possibility that the victim of that attack is a veteran, someone serving as one, or someone in service of our national and/or homeland defense.

Congress must ensure a talented workforce is in place to manage programs innovatively and cost-effectively by providing managers with flexible hiring tools so they can hire the most qualified candidate for the job. Additionally, Congress must reduce the barriers to hiring to encourage people to enter public service and ensure that agencies engage in strong and consistent recruiting, workforce development, and succession planning. The federal workforce should serve as a model employer and needs to offer work-life balance and workplace flexibilities, such as telework and paid parental leave, in order to attract the best and brightest from the populace into federal service.

Alleviating Complications Caused By Budget Uncertainty

Ongoing continuing resolutions (CRs) and across the board cuts to agency budgets due to sequestration are counterproductive and cost the government money in the long run by perpetuating and creating inefficiencies. When budgets are reduced without regard to programs and priorities, staffing capacity is reduced, leading to backlogs at customer service driven agencies and an inability to administer programs as efficiently as possible. PMA supports ending sequestration and encourages Congress to timely fulfill its obligation to agree to a budget and appropriate funding to agencies.

An additional suggestion to streamline the budget process would be switching to a biennial budget. Having a sense of the financial future for the next two or three years would allow

agencies to plan multi-year projects with the knowledge that they have the funding to complete them. This would also aid in the hiring and training process as agencies would know they have the funding for new employees.

Many of our members are employed by the IRS, which is the sole agency in charge of collecting revenue for the United States and therefore is on the frontlines of deficit reduction. As mandated by Congress, the mission of the IRS is to enforce tax laws, collect taxes, and conduct audits. It is not up to the agency to determine which laws to enforce. As with all federal agencies, every mandated function requires necessary funding and personnel to ensure the agency is able to effectively meet its mission.

The current congressional budget process does not require consideration of realistic manpower assessments to determine if agencies have the capacity to carry out the tasks assigned to them by Congress, nor does it facilitate strategic workforce planning. A "do more with less" mantra only goes so far and at some point additional staff and resources may be necessary to effectively deliver agency services and programs. If Congress does not provide agencies adequate resources, it is unreasonable to then lash out at agencies when they do not perform as expected.

Tight budgets have resulted in the postponement of critical upgrades to the agency's information technology (IT) systems, resulting in significant costs to maintain the operational capabilities of legacy systems. In this area, an up-front investment by Congress in the agency and its operations, while bearing a near-term cost, will reduce costs in the long run, with benefits accruing to the agency in terms of improved operations, Congress for better oversight capabilities, and the American taxpayer. The same applies to other agencies across the government. Agencies should examine the limitations of current systems and a universal shift to more updated models should be outlined and implemented, weighing the cost/benefits of this transition.

Workforce Training and Development

Across the government, training and development of employees is often the first item to hit the chopping block when budgets are cut. No successful business would operate in this manner. Congress, through the appropriations process, should reserve a portion of every agency budget to the continuous training and development of its workforce. Training funds should be fenced so that the agency must spend that money on training and not divert it as soon as budgets tighten. Doing so will have a significant return on investment due to improved employee engagement, productivity, and performance.

The ability of the IRS to execute functions to their utmost capability has been stymied in recent years (GAO-14-534R), especially through cuts to the agency's training and travel budgets. According to a GAO report (GAO-14-605), since FY10 the agency has seen its training funding reduced by 83% and training-related travel reduced by 87%. Per employee training has been reduced from $1,600 to $200 between 2009 and 2013, despite the passage of significant new legislation with requirements the IRS must implement, such as the Foreign Account Tax

Compliance Act (FATCA) and the Affordable Care Act (ACA). The National Taxpayer Advocate's Annual Report to Congress details training cuts of 74% to 96% across the agency's departments. The combination of a workforce not trained on new developments in law and regulation, along with a shrinking workforce, resulted in several recent "scandals," both real and manufactured.

Whether it be misuse of government charge cards, engaging in prohibited personnel practices, or addressing poor performing employees, lack of training is cited in nearly every GAO and inspector general report identifying issues with the federal workforce. It is imperative that Congress ensure that agencies are training their employees, but further, that training requirements are not merely check-the-box activities but are those whose effectiveness is measured and assessed.

Improving Supervisor Training and Selection

In the wake of "scandals" and a series of Inspector General (IG) and Merit Systems Protection Board (MSPB) reports that consistently point to a need for supervisor training to ensure accountability and proper workforce management, it is clear that a statutory solution is needed to ensure that such training occurs.

Current statutes provide limited oversight on agency requirements for training managers. Consequently, training is often cut when budgets are tight. Consistent training for all new supervisors and refresher training for current supervisors is necessary to ensure that supervisors have the tools and skills to effectively manage a large workforce and complex personnel systems, including, for example, those to discipline or remove problematic employees. Additionally, refresher trainings should be held every three years.
PMA has long supported efforts to build upon current statute by providing guidance for agencies on the type and amount of training that should take place. We have supported requiring OPM to collect data from agencies on training being conducted and directing agencies to develop supervisor proficiency measurements based on OPM's existing competencies.

In an effort to control costs and ensure that taxpayer dollars are well-spent, it is imperative that we examine several key factors. Before creating new training programs, agencies should search for efficiencies by first looking at other existing training programs and utilizing those to the extent possible. Agencies should also be given the flexibility to choose the manner in which to deliver training, from classroom instructor-led training to online seminars, enabling agencies to select the most effective and cost-efficient method.

Congress has legislated in this area before, with the Federal Workforce Flexibility Act of 2004 (P.L. 108-411), which directed agencies to provide specific training to develop supervisors and managers as part of a comprehensive succession management strategy. OPM published final regulations on Supervisory, Management, and Executive Development, 5 CFR part 412, on December 10, 2009. Yet despite the passage of a law and issuance of regulations, inadequate attention is still paid to supervisor training, development, and selection. Congress should conduct oversight on implementation of laws designed to strengthen supervisor and employee development.

Agencies must also provide training when employees make critical career transitions, for instance, from a non-supervisory position to a supervisory position or from manager to executive. This training should be consistent with assessment of the agency's and the employee's needs. It should also be conducted in a timely manner, occurring within the first six to twelve months of transition.

Supervisors and managers are the nexus between Government policy and action and the link between management and employees. For this reason, the supervisor's proficiency in both technical and leadership skills is important for success. Effective supervisors increase employee motivation, communicate expectations, and ultimately increase organizational performance.

The 2010 Merit Systems Protection Board (MSPB) report, A Call to Action: Improving First-Level Supervision of Federal Employees, highlights the critical important of improving first-level supervision of the federal workforce, including ensuring the appropriate individuals are selected in the first place for supervisory duties.

In 2011, the National Council on Federal Labor-Management Relations examined the federal government's performance management accountability framework and made recommendations for improvements. The need for a comprehensive supervisory training program is outlined in the Report to the National Council on Federal Labor-Management Relations—Getting in G.E.A.R. for Employee Performance Management. Specific recommendations for supervisory training include:

- Train individuals on creating performance expectations that are clear, accountable, verifiable, and focused on the mission, the public, and results
- Provide managers and employees with training on how to provide, receive, request, and use frequent feedback.
- Train both supervisors and employees on how to incorporate team feedback into performance.
- Identify and leverage current Government-owned supervisory and leadership training and tools.
- Incorporate a blended learning approach, based on agency needs, that includes both formal and informal training.

The effective utilization of training, in combination with a training needs assessment, supports a culture of engagement and aligns individual performance management with organizational performance management. This alignment of individual and agency goals and objectives also fulfills the requirements outlined in the GPRA Modernization Act of 2010.

PMA supports legislation to ensure that supervisors receive first time and on-going training and that OPM is given the authority to adequately oversee such training.

Managers would also benefit from a resource that can guide them in situations where they must deal with problem employees. Having a source similar to a labor relations office would ensure that these issues are properly handled and improve management morale. It is not uncommon to hear managers voice their concerns over disputes that involved a supervised employee and the union.

Probationary Period

Currently, most new employees are subject to a one-year probationary period. During this time, a manager is expected to train and review an employees' performance and make any necessary changes, including letting the employee go. Throughout the probationary period, employees are in an "at-will" status, giving a manager time to assess the employee's performance and ability to do the job while also having the ability to terminate the employee without using disciplinary channels.

However, many jobs require more than one year of training before an employee is fully functional and managers are unable to adequately conduct a performance review until training is complete. Many federal jobs are complex and require extended training or assessment before an employee is fully able to perform. Employees often must wait several weeks after receiving their position before they begin formal on-the-job training. Training for these jobs can take several months, leaving managers with little opportunity to assess an employee's on-the-job capabilities.

Additionally, many of the jobs with lengthy training requirements are customer service-oriented and require not only formal technical training, but also time to get used to interfacing with the public. In some cases, even with on-the-job training and other supervision, an employee is not fully proficient at his/her job for several years given the unique nature of the workload.

In some instances, managers and employees even serve on rotational shifts and a manager may not work directly with the employee under the probationary period for more than a shift or two at a time.

Once an employee has completed an extended training period, the manager often has little time to assess the employee working at full capacity. If a manager feels that more training or counseling is necessary, the few remaining months of the probationary period are not sufficient for an employee to incorporate what he or she has learned and to show improvement, nor can the manager adequately assess the employee's performance and potential, and ultimately make a decision before the probationary period has lapsed.

If managers miss the one-year window to dismiss a failing employee, the burden of proof to justify removal becomes much greater if they decide to do so later. For that reason, managers have an incentive to dismiss the employee prior to the expiration of the one-year window even though the employee has not had sufficient time to show that they could master the job.

The probationary period should not be seen as "one size fits all," and PMA supports legislation extending the probationary period to two years for certain positions.

Manager Fairness and Appeals Updates

Managers often do not receive adequate training on working with employees or dealing with problem employees. The proliferation of EEO, OSC, and other complaints and the complexity of the rules surrounding these cases make managers reluctant to deal effectively and quickly with poor performers and employee misconduct.

Increased emphasis on accountability through statutes such as the No FEAR Act makes managers even more reluctant to act against poor performers out of fear of an EEO or IG complaint, which can take up a substantial amount of their time and threatens to label them unfairly. It is imperative that we support managers when they have a problem employee, and when an employee misbehaves in a manner that is unacceptable for a federal worker, that person must be dismissed and we must support managers in this area. A labor relations office for managers dealing with these types of issues would be a step in the right direction.

While there are legitimate employee claims against their managers, some employees use the complaint process in an attempt to paralyze their managers. These charges clog the system and delay attention to justified complaints.

To combat this problem, the PMA, as part of the Government Managers Coalition (GMC), support introduction of a Federal Managers Fairness Act that would allow managers to participate during the EEO process, have the right to be consulted before a settlement, have the right to know when a case is filed and when it is finished, and be considered for lost benefits resulting from EEO complaints found to be without merit.

The Federal Managers Fairness Act would allow managers to be assured that they will receive fair treatment during the complaint process. It will also provide managers with one more tool to ensure that they effectively deal with employees and are not unfairly burdened by a system they do not fully understand.

Additionally, PMA supports legislation to consolidate various employee disciplinary adjudicatory forums (MSPB, FLRA, EEOC) into a single Federal Employee Court of Appeals, which routes into one consistent system a more efficient structure to handle employee complaints and ensure that they are resolved in a timely manner.

Fixing the IRS Pay-For-Performance System

IRS managers are subject to an alternate pay system that is comprised of 3 broad pay bands with compensation based on performance. PMA supports reforms that ensure that the pay and performance management system is fair, equitable, and truly rewards performance.

The system should have transparent and well-communicated pay levels and avenues for advancement. The agency should not impose arbitrary quotas to assign performance ratings or

awards. Managers and non-bargaining unit employees should receive performance awards regardless of impending retirement or transfer of assignment prior to payment of award. Performance awards should not be denied to those managers and non-bargaining unit employees who are at the pay cap. Pay compression should be addressed to ensure that top level federal employees receive the full salary and locality payment they are entitled to.

Managers and non-bargaining unit employees routinely work long hours during the week and come in on the weekend, with little availability to use accrued comp time. Employees should be allowed to keep comp time for up to 26 pay periods.

Conclusion

Thank you for the opportunity to offer written testimony for this important hearing. PMA looks forward to working with Members of the Subcommittee to improve the government and ensure it is able to take on the challenges of the 21st century.

Sincerely,

Thomas R. Burger

Thomas R. Burger
Executive Director

NTEU
The National Treasury Employees Union

STATEMENT FOR THE RECORD

BY COLLEEN M. KELLEY, NATIONAL PRESIDENT

NATIONAL TREASURY EMPLOYEES UNION

ON

21st Century Ideas for the 20th Century Federal Civil Service

BEFORE THE

SUBCOMMITTEE ON REGULATORY AFFAIRS AND

FEDERAL MANAGEMENT

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

U. S. SENATE

MAY 20, 2015

Chairman Lankford and Ranking Member Heitkamp, thank you for the opportunity to share my views with the Subcommittee. As National President of the National Treasury Employees Union, I have the honor of representing over 150,000 federal employees at dozens of federal agencies. While our members perform a wide variety of functions and hold diverse positions—as bank examiners, scientists, attorneys, administrative personnel, and Customs and Border Protection officers, all of these federal workers share the same goal—to support the federal government in its delivery and implementation of services and programs for the American public. However, inadequate funding and overall uncertainty with the funding process has created an environment that is making it increasingly difficult for agencies and workers to accomplish both their missions and day-to-day tasks.

SHUTDOWN

The sixteen day government shutdown that occurred in October 2013 greatly impacted the federal workforce, and to this day continues to reverberate within agencies and amongst employees. In the immediate run-up to the shutdown, agencies were required to draw up and implement plans to furlough employees that also included reducing staffing for call centers and other assistance centers that the public rely on heavily. So, rather than focus on the jobs they are hired to perform, agency leaders and front-line employees spent countless hours preparing internally for the shutdown, and closing down operations, knowing that once the shutdown was over, employees would be faced with a mountain of work that built up during those weeks of ceased operations. At the Internal Revenue Service (IRS), the shutdown forced a delay in the start of the 2014 filing season by one to two weeks, affecting every taxpayer in the country. And, during the 16-day shutdown, approximately 90 percent of the IRS workforce was furloughed, including revenue agents, revenue officers and other employees involved in the collection work that helps the IRS bring in approximately 93 percent of federal government receipts.

The shutdown required agencies to make determinations and notifications of which personnel would remain on the job, and which individuals would remain at home, creating a challenging morale atmosphere in the workplace. While agencies are to rely on guidance based on appropriations law that dictates whom to retain versus furlough, furloughed employees begin to question their place and role in the office, and wonder whether the work they do matters. Not surprisingly morale suffers. Added to this, is the fact that approximately two million federal workers immediately suffered the consequences of not being paid—whether they are required to still continue to report to work or stay at home, none are paid during a shutdown. However, mortgage and credit card companies and rent still have to be paid on time, and federal employees, like all workers, rely on their scheduled pay dates to satisfy their bills. Federal workers do not know how long a shutdown may last when it starts, and once the first paycheck is missed, fear and uncertainly spread.

While the 2013 government shutdown may be a distant memory for some, significant and long-lasting damage occurred in the workplace through the exposure of such frailty within the

system. Federal workers remain concerned and frustrated over whether they can count on their next pay check, and the one after that, and the one after the upcoming fiscal year, and the one at the end of the next calendar year, and after the next congressionally-imposed deadline. Coupled with the constant lack of ability for agencies and offices to be able to plan, derived from lurching from Continuing Resolution (CR) to CR with little to no funding levels assured, federal employees are left in a unwelcome state of limbo, unable to execute key programs and decisions, pervading the system with program inefficiencies, backlogs, and impossible timeframes.

SEQUESTRATION

As you know, sequestration, resulting from the Budget Control Act of 2011 and from Congress' inability to reach agreement on a long-term deficit reduction plan, is also greatly impacting agencies and the federal workforce. At the time of its enactment, it was believed that the sequester cuts would be so severe, it would force lawmakers to compromise, but as we know it did not. As originally enacted, the sequester required $1.2 trillion in cuts to government spending over the years 2013 to 2021. This translated into a requirement that OMB sequester over $100 billion from projected spending each of these years. While the more recent Bipartisan Budget Act of 2013 changed the amounts for 2014 and 2015, cuts are required again starting in 2016. Unless the sequester is ended, it will cripple the ability of the government to deliver services to the American public.

As an example of the kind of impact sequestration is having on federal agencies, U.S. Customs and Border Protection (CBP) at the Department of Homeland Security, began by planning to furlough all of its employees for fourteen calendar days. While additional funding included in the Fiscal Year 2013 CR and the authority to reprogram funds ultimately allowed CBP to avoid furloughs, CBP remained particularly hard-hit by the sequester. CBP had to continue a hiring freeze for non-frontline personnel, reduce funding for training and limit overtime hours available for frontline personnel, even as it recognized the adverse impact these actions would have on its vital missions of helping secure our nation's borders and facilitating vital trade. Sufficient CBP staffing is critical to ensure security at our nation's ports of entry and mitigate prolonged wait times at the air, sea and land ports of entry. There is perhaps no greater roadblock to legitimate trade and travel efficiency than the lack of sufficient staff at the ports. Understaffed ports leads to long delays in our commercial lanes as cargo waits to enter U.S. commerce, negatively impacting the private sector. These delays result in real losses to the U.S. economy. According to the Department of Commerce, border delays are estimated by 2017 to cost the U.S. more than 54,000 jobs and $12 billion in output, $3 billion in wages and $1.2 billion in tax revenues annually. The cumulative loss in output due to border delays over the next ten years is estimated to be $86 billion.

At the IRS, cuts mandated by sequestration forced the IRS to furlough all of its employees for three days in Fiscal Year 2014. According to the IRS, the sequester cuts to operating expenses and furloughs of employees resulted in the inability of millions of taxpayers to get answers from IRS call centers and taxpayer assistance centers and significantly delayed IRS responses to taxpayer letters. Since Fiscal Year 2010, IRS funding has been cut by almost

$1.2 billion, or 17 percent after adjusting for inflation. The funding reductions from the sequester and other cuts have forced the IRS to operate under an exception-only hiring freeze since December 2010, and will have forced the Service to reduce the total number of full-time, permanent employees by 17,000 by the end of Fiscal Year 2015. The lack of sufficient staffing has strained IRS' capacity to carry out its important taxpayer service and enforcement missions. The U.S. Government Accountability Office's (GAO) 2014 report on sequestration, "*2013 Sequestration: Agencies Reduced Some Services and Investments, While Taking Certain Actions to Mitigate Effects*", provides a detailed and devastating account of how just one year of sequestration had already affected the federal government and its workforce. CBP had to cancel training classes, including those related to detecting potential terrorists and high-risk cargo. Greater backlogs and delays were experienced by citizens at the Social Security Administration and the Office of Personnel Management. The Department of Justice filed 1,600 fewer criminal and civil cases. Treasury indicated that reductions at the IRS would likely result in billions of dollars in lost revenue. GAO noted that many officials, at agencies that furloughed employees and at agencies that did not, expressed concerns about how sequestration affected the morale of current employees, as well as affecting their ability to recruit personnel with appropriate skills. GAO's report also stated that agencies believed that sequestration negatively affects strategic workforce planning, an issue that federal agencies already struggle with. It makes sense that it's difficult to align your workforce needs with your mission when the amount you have to spend shrinks significantly, and particularly when agencies have to maintain arbitrary blanket hiring freezes, like at the IRS, which bars them from bringing in needed skilled employees. Sequestration was a bad idea from its very beginning. It is not possible to run an effective government under its constraints. Sequestration must end and Congress must return to a more reasonable budgeting policy.

PAY & BENEFITS

Federal employees have had their pay and benefits diminished by **$159 billion** in the name of deficit reduction. They are the only group in the country to have been singled out for such disproportionate cuts.

President Obama has recommended a 1.3% pay raise for calendar year 2016. As the President noted in his Fiscal Year 2015 Budget Proposal's chapter on *Improving the Federal Workforce*, "Taking into account both the recent pay freezes and the changes in retirement contributions, earnings for new Federal employees have fallen 10 percentage points relative to the private sector between 2009 and 2014." In the last five years, federal workers have endured a three-year pay freeze, followed by two years of one percent across-the-board pay raises, and no increase in locality pay. Notably, increases in federal wages lag private sector raises by 6.3% over these last five years. Department of Labor September 2014 data reflects an annual 2.3% growth in private sector workers' wages and salaries--the highest since 2008—and is evidence of the economic recovery and tightening labor markets.

Federal agencies need to be able to respond to this overall, healthier job market by being in a position to provide sufficient pay raises—both for recruitment and retention purposes. Agencies must ensure they can hire and maintain a professional workforce that is charged with administering and implementing our nation's law and programs. Federal IT workers in particular

have fallen far behind their private sector counterparts. For 2015 alone, Robert Half International, the world's largest specialized staffing firm, reports that private sector IT employees will see an average 5.7% salary increase in 2015. The proposed 1.3% percent pay raise is insufficient. Federal employees need their salaries to keep up with inflation, as they, like all Americans, face rising food, health, and other day-to-day living costs. We have recommended that Congress pass a meaningful 3.8% pay raise for 2016, and are supporting the FAIR Act legislation, *S. 164* and *H.R. 304*, introduced by Senators Brian Schatz (D-HI) and Ben Cardin (D-MD) and Congressman Gerry Connolly (D-VA).

At the same time federal employees have seen their pay fall further and further behind, they have also seen their benefit programs diminished in the name of deficit reduction. In recent years, legislation has been introduced seeking significant increases in federal employee contributions to the federal retirement program, ending the FERS supplement for those who retire before age 62, changing the retirement formula from high three to high five, eliminating the FERS defined benefit entirely, and reducing the COLA increase each year for annuities by using the "chained" CPI as the benchmark. Discussions leading up to passage of the Bipartisan Budget Act and the recent budget included similar proposals. This kind of assault contributes significantly to the low morale in the federal workforce.

As a result of the Bipartisan Budget Act a new federal employee is regularly contributing a minimum of 15.05% out of each paycheck, including for the Thrift Savings Plan. 4.4% of that amount is a contribution to the FERS retirement system. The FERS system was a result of two years of work by Congress in the late 1980s. The original FERS contribution of 0.8% was determined to be a reasonable employee contribution amount for the modest defined pension offered through FERS, which is a fully funded pension system. Purely because Congress needed to find revenue, federal employees are paying an unreasonable amount into FERS. Congress must scale back FERS employee contributions to its original formula of 0.8% as called for under Congresswoman Donna Edwards's (D-MD) legislation, *H.R. 785*. Still, the 2015 budget passed just a few weeks ago by Congress calls for another $193 billion in cuts for federal employees. It is simply not possible to maintain morale in the federal workforce when that workforce endures years of stagnant wages and lives under constant attack and targeting of their employee benefit programs. It also leads to increased stress on workers, particularly those nearing retirement, who become concerned that years of planning for their income security in retirement may now be in jeopardy at the end of their careers. NTEU cannot state strongly enough that defined benefit pensions are what created a middle class in this country. The only way we can begin to strengthen the middle class again is to provide decent wages and decent, guaranteed pension benefits. We need more Americans making livable wages with a modest guaranteed pension. The current notion, popular in some circles, that such benefits should be removed from the two million workers in the civil service simply makes no sense.

TRAINING, CAREER ADVANCEMENT & PAID PARENTAL LEAVE

For several years, the Partnership for Public Service has taken data from OPM's Federal Employee Viewpoint Survey (FEVS) and issued a report called "Best Places to Work in the Federal Government". Although the majority of respondents continue to indicate that they like the work they do, it is clear from the survey that federal employee morale is at an all-time low.

Not surprisingly, satisfaction with pay has declined significantly, and other big drops can be seen in training and development opportunities, rewards and advancements. Employees have seen training opportunities disappear, at times replaced with an emailed Power Point presentation, making it difficult for these individuals to gain new skill sets, and to keep up with advancements in IT and other specialized industries such as medicine and science, including at the U.S. Food and Drug Administration and the Department of Agriculture.

Another area of significant concern is lack of mobility as a result of lower agency funding. As employees depart, positions are simply eliminated, meaning that lower-level employees who may have long been preparing and waiting for an opportunity to apply for a more senior positon as a way to advance their careers, now find that there is no way to move ahead. To face a future at an agency after being told that there is simply no chance of advancement, despite performance or skill-set, is daunting and unsurprisingly deals a devastating blow to morale. The agency may be unable to retain such an employee, losing this employee to another agency, or to the private-sector, leading to higher turn-over costs. Younger employees can be particularly impacted by a lack of potential career advancement, at a time when the average age at agencies stands at 47, compared to 42 in the private sector, according to the Department of Labor.

Access to paid parental leave is another benefit that is particularly of interest to younger workers who are interested in raising a family while working full-time. In order to compete with companies for workers that are offering paid parental leave and other flexible benefits in this area, Congress needs to advance Representative Carolyn Maloney's (D-NY) legislation, *H.R. 532,* which would provide federal employees with six weeks of paid parental leave. Additionally, to ensure agencies can recruit and retain the skilled workers they need for ever more complex programs, NTEU urges continued support for the Public Sector Loan Forgiveness Program. This program requires graduates from professional programs such as law or medicine to work for ten years in the public sector, including the federal government, to make payments on their student loans without missing a payment, and at the end of ten years, their student loans are forgiven. The first loans forgiven by this program will start in 2017. NTEU members report to us that they could not afford to work for the federal government without this vital program.

CONCLUSION

Lack of adequate and predictable funding, including the sixteen-day shutdown and sequestration have made it more challenging for the federal workforce to do its job. If you want a well-functioning government, the people who staff that government must be skilled, compensated fairly, and provided with sufficient resources to operate and administer programs. NTEU members—like all federal workers—continue to demonstrate their resilience and commitment to their agencies. However, as captured in the annual FEVS surveys, major indices continue to fall –including job satisfaction, organization satisfaction, work experience, and whether an individual would recommend federal employment. The key items needed to turn things around are proper funding and respect for the workforce---all items I would note that occurred for the most part during the 20th Century, in response to this hearing's title. The first years of this new century have not been kind to the civil service, and our nation's leaders should take heed that in the 21st

Century—as in the last Century--the American people continue to want a responsive government that has the capacity to deliver. However, it will fail to do so if left by Congress without the people to ensure that it succeeds.

Richard G. Thissen
National President

Jon Dowie
National Secretary/Treasurer

May 20, 2015

U.S. Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management (RAFM)
601 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Lankford and Ranking Member Heitkamp,

As the Homeland Security and Governmental Affairs Subcommittee on Regulatory Affairs and Federal Management debates modernizing the federal civil service system, the National Active and Retired Federal Employees Association (NARFE) wishes to share its views and concerns with you. Thank you for providing us an opportunity to do so, and for holding this important hearing.

Those entering the civil service today in most occupations enter the same pay and classification system as the generation before us, despite the fact that the federal civil service looks vastly different today. In the 1950s, 70 percent of federal employees performed clerical or low-level administrative work.[1] Today, nearly two-thirds of federal employees work in professional and administrative positions, often in highly technical and specialized fields. There hasn't been a major overhaul of the General Schedule since it was created in 1949. It is past time to bring the federal service pay system up to speed with its modern workforce.

The need for modernization manifests itself in one key statistic – less than 7 percent of today's professional federal workforce is under age 30. Federal service is unattractive to many younger workers for a variety of reasons, which are examined below. However, for those who do find public service appealing, the lengthy and complicated hiring process, which is focused on key words instead of human qualities, often discourages, and sometimes prevents, them from joining the federal workforce.

There is another element to this, and that is the treatment federal employees receive from their "Board of Directors" – Congress. The Federal Employee Viewpoint Survey has revealed a drop in employee morale over the past several years. As you know, federal employees had their pay frozen for three years and have received very small pay raises (1 percent) the past two years. Given this reality, the morale decline is not surprising. But the pay issue doesn't tell the full story. Federal employees are unjustifiably treated as Congress' punching bag and piggy bank. For the past four years, federal employees have faced unprecedented threats to their pay and benefits, resulting in a loss of $120 billion as they paid for deficit reduction, sequestration and

[1] *Building the Enterprise: A New Civil Service Framework*, Partnership for Public Service, available at: http://ourpublicservice.org/publications/viewcontentdetails.php?id=18.

other congressional priorities. Most recently, the House fiscal year 2016 budget resolution included $318 billion in cuts to the pay and benefits of the federal community. If you were a job seeker fresh out of college, would you enter the civil service, knowing how little regard Congress has for its workforce?

The time for change is now, but it will not be easy. Varying viewpoints in Congress about the role of government in our country, as well as the perpetual debate over federal compensation, could easily derail meaningful reform. But you are in a unique position to help shape the discussion and keep Congress on track. Thank you for taking on this enormous responsibility.

For your consideration, NARFE offers the following principles that the Association considers important to move the federal civil service into the 21st Century:

- **Occupation-specific and market-sensitive pay system for professional and administrative jobs.** The adequacy of federal employee compensation has been the subject of several studies and lengthy debate. While we could continue that debate here, we do not believe this is the place, as it would blur a key element of reform: determining federal pay based on market pay for specific occupations rather than generalized and inaccurate averages for an occupationally diverse workforce. Doctors, lawyers, engineers and other highly specialized employees within the federal government are compensated at a rate far lower than their private-sector counterparts. Their desire to serve their country should not be a trade-off with their paychecks.

- **Performance-based pay adjustments.** Compensation must match job performance. Where is the incentive to go above and beyond when pay raises are tied to the will of Congress? Pay-for-performance has been attempted before and failed, for a variety of reasons. However, managers and supervisors should be held accountable for drawing meaningful distinctions in performance among employees and be given the authority to reward them accordingly.

- **Mandatory and properly funded managerial training.** Regardless of the federal civil service system that is in place, employees need to operate and work within its structure. Managerial training would improve the operation of any personnel system, including the current one. First, without training, managers may not be familiar with the rules and procedures they should follow to perform their jobs effectively. Second, personnel management requires skills and tasks unfamiliar to non-managers promoted to supervisory roles. Proper training should improve their ability to become proficient in their new roles. Effective managers create a harmonious environment, and happy employees typically are more productive. NARFE echoes the call for legislation that requires agencies to invest in meaningful managerial training.

- **Greater opportunities for promotion and advancement without attaching managerial responsibilities.** As noted above, personnel management requires its own

skill set. Yet the current system often promotes individuals into supervisory roles based on superior technical abilities. For example, some highly skilled doctors, lawyers or engineers may not be the best suited for managerial responsibilities; but their only path to promotion and higher pay is by taking on those responsibilities. There should be room for promotion and pay raises based on superior technical and subject-matter expertise, regardless of level of managerial responsibility. NARFE supports the Partnership for Public Service's proposal to allow experts in their field to advance without taking on supervisory skills for which they are not capable or in which they are not interested.

- **A simplified and streamlined hiring process that expands the role of federal managers.** The complexity and length of the federal hiring process are impediments to recruiting the best and brightest applicants. Qualified prospects may not even bother applying, or often are hired elsewhere before the federal application process runs its course. Furthermore, while preserving merit-based hiring is crucial to maintaining a merit-based system, federal managers ought to have a greater role in choosing the right person to fit the job and should be held accountable for their hiring decisions. The current system relies too often on imprecise key words and rating systems that may provide a better indication of a candidate's knowledge of the federal hiring process than their qualifications for the job.

- **Limiting the number of political appointees, and preserving the merit-based civil service.** Political appointees are hired, at least in part, based on political considerations, rather than entirely on their ability to perform the job proficiently. Recent attempts to limit merit-system due process protections, or remove them entirely, seem to ignore this country's troubled history of corruption and political favoritism that resulted from nonexistent or inadequate procedural protections. Merit-based hiring and firing, and the due process that accompanies these actions, exist primarily to preserve the integrity of a merit-based civil service, even as they protect individual employees as well. We need fewer political appointees, not more. Similarly, at-will employment for federal employees would simply mean a more politicized civil service, with all the predictable and unsavory consequences that would result.

- **Adequate succession planning across government.** For too long, federal agencies have remained unprepared for the retirement wave that is taking shape. More than 50 percent of senior leaders and lower-level managers are eligible, or soon will be eligible, to retire at several federal agencies. Hiring freezes, or near-hiring freezes, will make replacing these individuals much more difficult, from the standpoint of both the internal and external pools from which to choose. NARFE is concerned that agencies are unprepared for the mass exodus that eventually will take place within every agency in the federal government. We encourage Congress to hold agencies more accountable for succession planning to ensure continuity of operations and reduce costs, whether it be through proper onboarding procedures or ensuring contractors are not hired simply to fill gaps.

Finally, the country needs a fundamental change in the way Congress treats federal budgets. Across-the-board cuts only serve to require employees to have to do more with less. Workloads remain the same. You cannot have an effective civil service without first asking one essential question: What do we want from our federal government? Without examining this, even the best designed civil service will fail, particularly in this era of arbitrary budget cuts.

Thank you for your consideration of our views. Should you have any questions or would like to discuss this further, please contact NARFE's Legislative Director Jessica Klement at jklement@narfe.org or 703-838-7760.

Sincerely,

Richard G. Thissen

Richard G. Thissen
National President

CC: Members of the Subcommittee on Regulatory Affairs and Federal Management (RAFM)

Post-Hearing Questions for the Record
Submitted to Ms. Yvonne Jones
From Chairman James Lankford

"21st Century Ideas for the 20th Century Federal Civil Service"
Wednesday, May 20, 2015
United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. **At the hearing, we discussed a metric called the Employee Engagement Index (EEI), used to estimate productivity and mission accomplishment of the federal workforce. To illustrate EEI levels, GAO provided a helpful chart (Figure 3) on page 23 of the report, "Update on Strategic Management Challenges for the 21st Century." According to Figure 3, 13 agencies exhibited decreased EEI scores from the previous year, while 31 agencies exhibited flat EEI scores, and three agencies exhibited increased EEI scores. We discussed the three agencies with decreased EEI scores that brought down the government-wide average, including the Departments of Defense, Homeland Security, and Veterans Affairs. Please list the other agencies with decreased EEI scores, as well as which agencies had the flat and increased scores.**

   Based on the results of our work, the agencies with statistically significant increases from 2013 to 2014 were

   1. Department of Labor,
   2. Office of Management and Budget,
   3. Securities and Exchange Commission

   The agencies with statistically significant decreases from 2013 to 2014 were

   1. U.S. Agency for International Development
   2. Broadcasting Board of Governors
   3. Commodity Futures Trading Commission
   4. Consumer Product Safety Commission
   5. Department of Defense
   6. Department of Energy
   7. Federal Communications Commission
   8. General Services Administration
   9. Department of Homeland Security
   10. Merit Systems Protection Board
   11. Small Business Administration

12. Department of the Treasury
13. Department of Veterans Affairs

The agencies where there was not a statistically significant change from 2013 to 2014 were

1. Department of Agriculture
2. Department of Commerce
3. Corporation for National and Community Service
4. Court Services and Offender Supervision Agency
5. Department of Education
6. Environmental Protection Agency
7. Equal Employment Opportunity Commission
8. Export Import Bank of the United States
9. Federal Election Commission
10. Federal Energy Regulatory Commission
11. Federal Mediation and Conciliation Service
12. Federal Trade Commission
13. Department of Health and Human Services
14. Department of Housing and Urban Development
15. Department of the Interior
16. US International Trade Commission
17. Department of Justice
18. National Aeronautics and Space Administration
19. National Archives and Records Administration
20. National Credit Union Administration
21. National Gallery of Art
22. National Labor Relations Board
23. National Science Foundation
24. National Transportation Safety Board
25. Nuclear Regulatory Commission
26. Office of Personnel Management
27. Pension Benefit Guaranty Corporation
28. Railroad Retirement Board
29. Social Security Administration
30. Department of State
31. Department of Transportation

2. **Please provide any additional insight as to why EEI scores at the Departments of Defense, Homeland Security, and Veterans Affairs declined.**

A number of factors may have contributed to these agencies declines in Employee Engagement Index (EEI) scores from 2013 to 2014; however, identifying the specific causes for the decline in EEI scores was out of the scope of our work. To identify specific reasons, agencies can look to both the (1) EEI component scores— leadership, supervisors, and their intrinsic work experience—and (2) EEI scores in various subsets of their workforce. As we testified in April 2015, employees' perceptions of leaders consistently received the lowest score, and at times was about 20 percentage points lower than other components (GAO-15-529T). The questions comprising the EEI leadership component focus on integrity of leadership and on leadership behaviors such as communication and workforce motivation.

Additionally, assessing EEI scores in subsets of the workforce, such as by component or demographic group can also help identify reasons for a decline. As we stated in our April 2015 testimony, the demographic groups with the widest gap between most engaged and least engaged were pay category and supervisory status (GAO-15-529T). For example, respondents in progressively lower General Schedule (GS) pay categories had progressively lower levels of engagement government-wide. In contrast, employees in the SES pay category reported consistently higher engagement levels—at least 10 percent more than any lower pay category. In summary, by analyzing both the EEI component scores and EEI scores by subsets of the workforce, agencies can better understand reasons for decline and where more work is needed.

Finally, in 2012, we reported on the Department of Homeland Security's efforts to improve employee morale. The report contains detailed information on engagement levels throughout DHS. We recommended that DHS examine its root cause analysis efforts and, where absent, add the following: comparisons of demographic groups, benchmarking, and linkage of root cause findings to action plans; and establish clear and measurable metrics of action plan success. DHS concurred with our recommendations and is taking actions to address them. (GAO-12-940).

3. **What metrics are used in the Federal Employee Viewpoint Survey that contribute to the EEI? That is, what is the EEI "engagement level" metric actually measuring?**

According to OPM, the EEI does not directly measure employee engagement, but it does cover most of the conditions likely to lead to employee engagement. Employee engagement is the employees' sense of purpose that is evident in their display of dedication, persistence and effort in their work or overall attachment to their organization and its mission. The FEVS Employee Engagement Index is a

measure of the engagement potential of an agency's work environment – the conditions that lead to engagement. This index includes three subfactors:

(1) Leaders Lead – reflects the employees' perceptions of the integrity of leadership, as well as leadership behaviors such as communication and workforce motivation.
(2) Supervisors – reflects the interpersonal relationship between worker and supervisor, including trust, respect, and support.
(3) Intrinsic Work Experience – reflects the employees' feelings of motivation and competency relating to their role in the workplace.

OPM calculates the EEI by averaging the EEI component scores for a given group, subgroup or agency, which are an average of the percent positive responses to each of the questions in the respective subfactors.

4. **In responding to questions on job descriptions and classifications, Ms. Jones stated that "OPM and a number of the agencies are working together to try to figure out not only how to define position descriptions, but also to write the competencies that underlie those descriptions, and they are trying to figure out how to do it more quickly." Please expand on these efforts and OPM's progress to date.**

OPM has begun to develop a process for identifying mission-critical competencies by training agency workforce planners and other human capital professionals to identify mission-critical competencies within their individual agencies. To be completed over a 4-year cycle, OPM officials have stated that in the first year agency workforce planners will collect and assess workforce data from a variety of sources and receive input from subject matter experts on the skills gaps of particular occupations. In subsequent years, agency officials expect to develop performance measures and targets measuring progress in closing gaps within particular occupations and competencies identified as mission-critical. We will continue to monitor OPM's efforts on this initiative.

5. **OPM has the authority to approve a number of hiring authorities for agencies to fill critical positions. Do you think agencies appropriately leverage these available authorities? If not, what factors contribute to the underuse of these authorities?**

We have ongoing work examining the use of hiring authorities government-wide and the effectiveness of those authorities in meeting agency and applicant needs. Our previous work has found that the insufficient and ineffective use of existing flexibilities can significantly hinder the ability of federal agencies to

recruit, hire, retain, and manage their human capital. The appropriate use of human capital flexibilities is crucial to making further improvements in agencies' efforts to recruit, hire, and manage their workforces. Agencies need to reexamine the flexibilities provided to them under current authorities and identify those that could be used more extensively or more effectively to meet their workforce needs (GAO-08-762T).

To ensure more effective use of human capital flexibilities, it is important that agencies (1) plan strategically and make targeted investments, (2) ensure stakeholder input in developing policies and procedures, (3) educate managers and employees on the availability and use of flexibilities, (4) streamline and improve administrative processes, (5) build accountability into their systems, and (6) change their organizational cultures. By more effectively using flexibilities, agencies would be in a better position to manage their workforces, assure accountability, and transform their cultures to address current and emerging demands (GAO-03-428).

Post-Hearing Questions for the Record
Submitted to Ms. Yvonne Jones
From Senator Heidi Heitkamp

"21st Century Ideas for the 20th Century Federal Civil Service"
May 20, 2015

1. **According to GAO, research has identified several recruitment challenges facing the federal workforce, such as passive recruitment strategies that can result in missed opportunities to identify qualified applicants and unclear vacancy announcements that can delay hiring. GAO has asserted that these challenges "put the federal government at a serious competitive disadvantage in acquiring talent." Other research has also highlighted the importance of retaining high-performing federal employees and determining factors that contribute to employee turnover.**
    a. **What are the primary barriers to attracting and retaining qualified individuals to the federal workforce?**
    b. **What legislative reforms could assist in addressing these barriers?**
    c. **USAJobs.gov does not have the best reputation, and the online application process can be daunting and confusing. What role does USAJobs play in this challenge? How does it impact the speed of the hiring process?**
    d. **Employee retention is a problem, especially when looking at millennial employment. To what extent have agencies identified organizational factors contributing to turnover of new employees?**

    a. We have previously reported that problems and challenges with recruitment and hiring in the federal government include passive recruitment strategies, unclear job vacancy announcements, and manual processes that are time consuming and paperwork intensive. For years it has been widely recognized that the federal hiring process all too often does not meet the needs of (1) agencies in achieving their missions; (2) managers in filling positions with the right talent; and (3) applicants for a timely, efficient, transparent, and merit-based process. In short, the federal hiring process is often an impediment to the very customers it is designed to serve in that it makes it difficult for agencies and managers to obtain the right people with the right skills and applicants can be dissuaded from public service because of the complex and lengthy procedures (GAO-08-762T).

    b. We have not conducted the work necessary to answer this question.

    c. We have not conducted the work necessary to answer this question.

d. Although we have not looked specifically at organizational factors related to employee turnover, the results from OPM's 2014 FEVS indicate that overall, millennials like their jobs. The survey found that nearly two-thirds—61 percent—are satisfied with their jobs and 62 percent would recommend their organization as a good place to work.

2. **According to the Partnership for Public Service analysis of the 2014 OPM Federal Employee Viewpoint Survey, fewer than half of all employees are satisfied with the training they receive or feel that their training needs are assessed by their agency. However, training is critically important in ensuring employees are well prepared to do their jobs.**
   a. **What should agencies be doing to meet the training needs of their employees, particularly in a fiscally-constrained environment?**

The federal government's efforts to build and retain a workforce of skilled and efficient employees are essential to addressing skills gaps in critical fields and effectively and efficiently delivering services to the public. Training and development programs play a vital role in fulfilling these goals. However, agency leaders need to be as strategic about how they invest resources in this area as they are in other key areas of agency operations. Training investment decisions should be based on an assessment of the appropriate level of training and the prioritization of those investments, as well as an evaluation of the most cost-effective delivery mechanisms, and the known costs and benefits of their training investments (GAO-12-878).

3. **A recurring theme of this hearing was the lack of quality management - that we are not doing enough to ensure agency supervisors have the tools and skills needed to effectively guide their teams and create the effective, efficient federal workforce our nation needs.**
   a. **What are some basic steps agencies can take to improve the quality of management?**
   b. **What can be done to ensure that managers and leaders are held accountable for developing employees, rewarding high performers and addressing poor performance?**
   c. **What steps can OPM take?**
   d. **What steps can Congress take?**

   a. On a broad basis, steps agencies could take include developing strategies toward implementing leading management practices developed in our prior work and outlined on GAO's public website. GAO has identified leading practices in five key areas of human capital management: (1) strategic workforce planning, (2) workforce training, (3) performance management, (4) recruitment and hiring, and (5) diversity.

By taking steps to address the challenges presented in each of these areas, federal agencies will be better prepared to face a range of ongoing and newly emerging human capital management issues driven by fiscal constraints, changing demographics, and the evolving role of the public sector (GAO-04-39, GAO-04-546G, GAO-05-90, GAO-08-762T).

b. Effective performance management systems ensure that managers and leaders are held accountable for rewarding high performers and addressing poor performers. In our recent report on Senior Executive Service (SES) ratings and awards, we noted that OPM needs to do more to ensure meaningful distinctions are made in SES ratings and awards (GAO-15-189). If agencies are not consistently applying performance definitions for senior leaders it may be difficult to link individual performance with broader organizational goals.

   We have reported that agencies have three means to address poor performance: (1) day-to-day performance management activities (which should be provided to all employees regardless of their performance), (2) dismissal during probationary periods, and (3) use of formal procedures for dismissal (GAO-15-191). We recommended that OPM, in conjunction with the Chief Human Capital Officers Council and other stakeholders determine whether promising practices at some agencies could be used government-wide. Such practices include (1) extending the supervisory probationary period beyond one-year to include at least one full employee appraisal cycle, (2) providing detail opportunities or rotational assignments to supervisory candidates, and (3) use a dual career ladder as a way to advance employees with technical skills who may not be interested or inclined to pursue management positions. OPM partially agreed with this recommendation, but said agencies already have the authority to take these actions. We acknowledged their point, but said OPM could take a leadership role in encouraging agencies to take these steps.

c. In addition to the steps outlined above, we have recommended that OPM, in conjunction with the CHCO Council and other key stakeholders, as appropriate:

   - Assess the adequacy of leadership training provided to supervisors. OPM agreed;
   - Educate agencies on the benefit of using automated notifications supervisors that an individual's probationary period is ending and that the supervisor needs to make an affirmative decision or otherwise take action. OPM said this is an agency responsibility and we agreed;
   - Use Strategic Human Capital Management Survey results (once available), Federal Employee Viewpoint Survey results, Performance Appraisal Assessment Tool responses, and other existing information, as relevant, to inform decisions the content and distribution methods of

the tools and guidance for dealing with poor performers. OPM partially agreed noting that not all information from these systems will be relevant, which we acknowledged; and

- Eliminate the guideline that allows agencies to provide a justification for the modal SES rating to be "outstanding" or make those justifications more transparent. OPM partially agreed. OPM says it will not eliminate the guideline but has worked with a cross-agency workgroup to make agency justifications when the modal SES rating is "outstanding" more transparent.

d. We have not identified additional steps for Congress to take in the area of federal performance management. However, to address poor performers we have recommended that OPM, in conjunction with the CHCO Council and other key stakeholders, determine whether there are occupations in which—because of the nature of work and complexity—the probationary period should extend beyond 1-year to provide supervisors with sufficient time to assess an individual's performance. If determined to be warranted, initiate the regulatory process to extend existing probationary periods and, where necessary, develop a legislative proposal for congressional action to ensure that formal procedures for taking action against an employee for poor performance (and a right to appeal such an action) are not afforded until after the completion of any extended probationary period. As stated in our report, extending the probationary period and concurrently limiting appeal rights during that time would require legislative action under certain circumstances.

   In addition, Congress can play a strong oversight role in holding OPM accountable for ensuring agencies implement leading management practices and the actions outlined in questions (b) and (c), above.

4. What have you heard from your members regarding the reasons younger employees are leaving federal work in favor of the private sector?

Our work has shown that sequestration, the federal shutdown, furloughs, and pay freezes in recent years have eroded the attraction of working for the federal government. OPM's 2014 survey results indicate that millennials want to work for organizations that support creativity and innovation. Only 1 in 3 federal millennials said that creativity and innovation are rewarded in their organizations; and only 34 percent were satisfied with the opportunities they have for career advancement.

5. Your written testimony discusses the looming retirement wave of federal workers. This is a common theme when discussing the future of the federal workforce. When you couple that retirement wave with the data that suggests a lack of interest or unwillingness of millennials to work for the

federal government long-term, that challenging situation becomes even more challenging.

a. In your opinion, what steps do federal agencies and Congress need to take now to best manage this retirement wave?

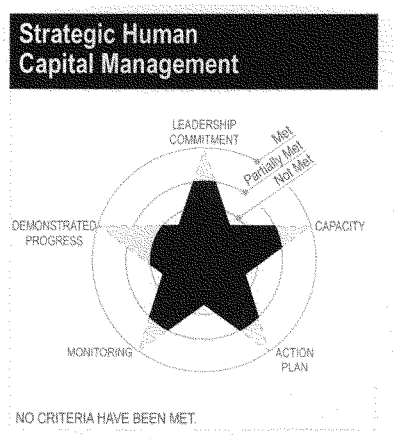
Faced with a workforce that is becoming more retirement eligible and the need for a different mix of knowledge, skills, and competencies, it is important that agencies strengthen their efforts and use of available flexibilities from Congress and OPM to acquire, develop, motivate, and retain talent. Further, agencies have a variety of options to tap older, experienced workers to fill workforce needs, including retaining workers past initial retirement eligibility, hiring new older workers, and bringing back retired federal annuitants. Importantly, federal employment offers rewards, such as interesting work and opportunities to make a difference in the lives of others, as well as a variety of tangible work-life flexibilities that make an organization an employer of choice. Agencies should focus on those work-life programs, including alternative work schedules, child care assistance, telework opportunities, and transit subsidies, that could be used more extensively or more effectively to meet their workforce needs. In using telework and other flexibilities, it is important for agencies to have clear goals so that they can assess their programs and develop and implement changes necessary to improve their success (GAO-09-632T).

At the same time, retirement-eligible employees present an opportunity for agencies to align their workforces with current and future mission needs. Indeed, as the federal government faces an array of current and future challenges, agencies will be confronted with going beyond simply replacing retiring individuals by engaging in broad, integrated planning and management efforts that will bolster their ability to meet both current and evolving mission requirements. Combined, these challenges underscore the importance of strategic workforce planning and early preparation to help ensure agencies maintain their capacity to carry out their vital functions. Thus, as we have reported in our prior work, agencies should (1) take such key steps as determining the critical skills and competencies that will be needed to achieve current and future programmatic results; (2) develop appropriate talent management strategies to address any gaps in the number, deployment, and alignment of skills; and (3) monitor and evaluate their progress toward their human capital goals. In short, understanding the dynamics of the federal workforce will help guide decision-making on workforce composition and budgeting (GAO-14-215).

6. Strategic Human Capital Management has been on the GAO's High-Risk List since 2001. This is true despite a variety of agency and OPM efforts to improve this overall process. One of my overarching concerns from serving on this committee is making sure agencies have the tools and focus they need to get off the High-Risk List.

a. What is getting in the way of getting the federal workforce off the High-Risk List?
b. What steps do you recommend that Congress take? What do we need to do?

a. Mission-critical skills gaps in such occupations as cybersecurity and acquisition pose a high-risk to the nation: whether within specific federal agencies or across the federal workforce, they impede federal agencies from cost-effectively serving the public and achieving results. OPM and agencies have partially met four of the five high-risk criteria by demonstrating a leadership commitment to address the issue, developing capacity and action plans outlining appropriate strategies, as well as taking the initial steps to monitor their progress. However, OPM, the CHCO Council, and agencies will need to implement specific strategies and evaluate their results to demonstrate progress on addressing skills gaps.



Source: GAO analysis. | 2015 High Risk List GAO-15-290

Our work has made several recommendations that cut across the five criteria for removal from the High Risk list. Most recently, in January 2015, we reported that OPM and the CHCO Council should incorporate lessons learned from their initial efforts to close skills gaps to strengthen future

approaches (GAO-15-223). We recommended that OPM, among other actions, take the following steps:

- Develop goals for closing skills gaps with targets that are both clear and measurable.
- Design outcome-oriented performance metrics that align with overall targets for closing skills gaps.
- Follow key practices for project planning when developing action plans designed to close skills gaps.
- Identify a core set of metrics that all agencies should use as part of their HRstat data-driven reviews.

OPM generally concurred with these recommendations, and we will monitor OPM's progress in implementing them going forward. Furthermore, individual agencies must take the lead in addressing their own mission critical skills gaps.

b. Congress has provided agencies—individually and across the federal government—with various authorities and flexibilities to manage the federal workforce and make the federal government a more attractive employer. Hearings held by the House and Senate that have focused on federal human capital management challenges have been important for ensuring that OPM and agencies continue to make progress in acquiring, developing, and retaining employees with the skills needed to carry out the government's vital work. Continued congressional attention to improving the government's human capital policies and procedures will be essential going forward (GAO-15-290).

Post-Hearing Questions for the Record
Submitted to Ms. Patricia Niehaus
From Chairman James Lankford

"21st Century Ideas for the 20th Century Federal Civil Service"
Wednesday, May 20, 2015
United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

In our discussion, you mentioned the need for dual career paths, in which federal workers can be promoted into senior technical, non-managerial roles. How would these initiatives fit into larger General Schedule reforms? Could this initiative be implemented within the current General Schedule system?

In the blue-collar Federal Wage System, also known as the Prevailing Rate System, there is a grade system between the worker (Wage Grade or WG) level and the supervisor (Wage Supervisor or WS) known as the Wage Leader (WL). Each has a separate pay schedule (see below). To optimize white-collar leaders as a career path for those who do not want to be supervisors or who do not have the temperament or people skills for supervision, a similar three-part pay system would be ideal.

This concept could be translated into the GS system; however, a separate pay schedule based on type of employment (employee, leader, supervisor) would be most effective. For example, if a journeyman-level specialist was graded as a GS-11, the Lead Specialist could be graded as a GS-12 and the supervisor a GS-13. The lead's responsibilities in addition to journeyman-level and advanced-level technical work would be training and mentoring the journeyman-level specialists and trainees. Assigning the advanced-level work to the leader would free the supervisor from technical duties and allow more time for managing employees while still allowing for advancement of non-supervisory technical employees.

AF Schedule Area 018R San Francisco, California (SF) Effective: 16 November 2014

AC-0018R Defense Civilian Personnel Advisory Service
Alexandria, Virginia 22350-1100 Issue Date: 30 December 2014

SUBJECT: Federal Wage System Regular and Special Production Facilitating Wage Rate Schedules for the San Francisco, California (SF) Wage Area

TO: Commanding Officers of Military Departments and DoD Component Installations in the Area

The schedules shown below have been established under authority of DoD Instruction 5120.39, dated September 10, 2008, subject to the limitations contained in CPM 2014-19, dated 19 December 2014. Rates are established as required by 5 USC 5343(d), if applicable, and are to be applied in accordance with the provisions of 5 CFR Part 532 to all employees whose official duty station is located within the geographic boundary of the wage area definition shown on the reverse side.

WG WD-WN

WL-WS Grade	WG-Rates 1	2	3	4	5	WL-Rates 1	2	3	4	5	WS-WD-WN Rates 1	2	3	4	5	Pay Level
1	14.26	14.84	15.44	16.03	16.60	15.67	16.31	16.97	17.62	18.28	23.32	24.30	25.27	26.24	27.19	
2	16.04	16.70	17.35	18.04	18.69	17.63	18.37	19.10	19.82	20.56	25.11	26.15	27.19	28.23	29.31	
3	17.81	18.57	19.31	20.05	20.79	19.61	20.43	21.25	22.04	22.86	26.91	28.04	29.12	30.24	31.39	1
4	19.61	20.43	21.25	22.04	22.86	21.58	22.47	23.35	24.26	25.13	28.68	29.88	31.07	32.24	33.45	2
5	21.38	22.29	23.16	24.06	24.95	23.54	24.52	25.49	26.47	27.44	30.48	31.74	33.01	34.27	35.53	3
6	23.16	24.12	25.09	26.06	27.02	25.49	26.57	27.61	28.66	29.72	32.05	33.38	34.73	36.04	37.39	4
7	24.78	25.80	26.86	27.88	28.91	27.25	28.38	29.54	30.65	31.80	33.56	34.96	36.35	37.75	39.15	5 1
8	26.29	27.38	28.47	29.56	30.64	28.91	30.11	31.33	32.51	33.72	35.07	36.52	37.97	39.44	40.91	6 2
9	27.80	28.93	30.09	31.23	32.39	30.54	31.82	33.07	34.37	35.62	36.56	38.06	39.57	41.11	42.64	7 3
10	29.29	30.50	31.73	32.94	34.14	32.20	33.55	34.89	36.24	37.56	38.05	39.65	41.23	42.82	44.40	8 4
11	30.80	32.06	33.35	34.62	35.92	33.85	35.26	36.67	38.09	39.50	38.51	40.13	41.73	43.33	44.94	9 5
12	32.08	33.42	34.77	36.09	37.43	35.29	36.79	38.24	39.73	41.27	39.10	40.75	42.35	44.01	45.63	10 6
13	33.35	34.73	36.10	37.49	38.94	36.66	38.21	39.74	41.29	42.80	39.86	41.50	43.18	44.82	46.50	11 7
14	34.60	36.03	37.49	38.94	40.37	38.05	39.60	41.23	42.80	44.34	40.74	42.44	44.09	45.79	47.51	8
15	35.88	37.31	38.83	40.40	41.86	39.42	41.04	42.72	44.31	45.99	41.74	43.48	45.22	46.96	48.70	9
										WS-16	42.84	44.64	46.43	48.20	49.98	
										WS-17	43.78	45.60	47.44	49.26	51.07	
										WS-18	44.81	46.68	48.53	50.41	52.28	
										WS-19	41.97	43.72	45.47	47.22	48.97	

JAMES R. BRADY
Chief
Wage and Salary Division

Order Date: 9 September 2014
Effective Date: 16 November 2014
Supersedes Schedule Issued 3 February 2014

Post-Hearing Questions for the Record
Submitted to Ms. Patricia Niehaus
From Senator Heidi Heitkamp

"21st Century Ideas for the 20th Century Federal Civil Service"
May 20, 2015

1. According to GAO, research has identified several recruitment challenges facing the federal workforce, such as passive recruitment strategies that can result in missed opportunities to identify qualified applicants and unclear vacancy announcements that can delay hiring. GAO has asserted that these challenges "put the federal government at a serious competitive disadvantage in acquiring talent." Other research has also highlighted the importance of retaining high-performing federal employees and determining factors that contribute to employee turnover.
    a. What are the primary barriers to attracting and retaining qualified individuals to the federal workforce?

I believe the most significant barrier to attracting and retaining qualified individuals to the federal workforce is the General Schedule classification and pay system. This antiquated, rigid system does not address the needs of the agencies filling positions and it makes those positions less attractive to applicants. As Senator Heitkamp noted during the hearing, there are significant gaps in the classification system with one of the most important career fields—Project Management—being completely ignored or forced into the mold of another career field. This system was created for a 1940s workforce that consisted of primarily clerical employees. In many agencies, clerical positions are rapidly becoming a thing of the past as we develop more and more technologically. A large number of white-collar occupational standards have not been updated since the 1990s; and some have survived unchanged since the 1970s. There is some flexibility in starting pay for new employees, such as using the Superior Qualifications authorization (5 CFR 531.212) which allows an employee to start at a step higher than step 1 of the GS grade of the position and Recruitment Bonuses for hard-to-fill positions; however, once in the position, the employee is still trapped in the General Schedule step system and usually has to wait at least a year to be promoted, even if he or she is fully qualified for the next higher grade. In the private sector, employees are rewarded with pay increases that recognize individual performance not longevity.

Private industry manages their hiring and salary administration based on their budgets and market pricing not arbitrary rules about how much a particular position is worth based on an antiquated standard. Our members report to us that it takes months to get a position classification reviewed and, even when it is looked at, there is little room for deviation because the General Schedule does not have flexibility as one of its qualities. Air Force uses a system of "Standard Core Personnel Documents" which are pre-written position descriptions. This does save some time on the part of the position classifiers but doesn't allow for the type of flexibility management needs to be able to compete with the private sector for the best and the brightest.

b. What legislative reforms could assist in addressing these barriers?

DoD has a long history of successful Demonstration Projects. China Lake is a 30+ year example of a successful program. One of the reasons some of them are successful is that those systems were allowed to get through the growing pains involved in any major cultural change and the systems were adapted when needed.

Performance Management, including position classification and pay, should be a living entity not a stagnant set of tables and checklists. While NSPS was not a total success, an alternate classification and pay system that doesn't rely on longevity as the driving factor is what we need to begin bringing the federal civil service into the 21st century.

The most prominent criticism of NSPS was the perception of favoritism and the time commitment involved for both managers and employees. I do not think that means we should never try again. The private sector has always operated on the basis of "pay for performance." Future systems should include more training for both employees and supervisors and top down commitment to oversight of the program. During NSPS, we heard from members who worked on installations where the Installation Commander—the top authority on that installation—was too busy to attend the training and delegated the responsibility for the program down several levels. This sends a very clear message to all levels of management in those organizations that there is no top-down interest or oversight. We also heard from managers who were frustrated that their employees weren't interested in putting any effort into their self-assessments. I can't imagine an employee in private industry passing up an opportunity to point out why he or she deserves a raise or a bonus for the work they've performed. The NSPS training initially provided to managers was constructed well but we heard from our members that it was not delivered with a consistent message. The training initially provided to employees was only a one-day session. It covered the basics of the program but did not give clear direction on tracking their own performance to use in their self-assessments.

c. USAJobs.gov does not have the best reputation, and the online application process can be daunting and confusing. What role does USAJobs play in this challenge? How does it impact the speed of the hiring process?

USAJobs.gov is a very cumbersome system and the questions applicants must answer during the application process are often confusing and contradictory. In private industry, an applicant usually only has to submit a resume and cover letter when applying for a job. At Travis AFB, we recently announced summer hire jobs. We intended to fill over 70 positions. We got less than 50 applicants qualified by USAJobs—even though the jobs are at the basic entry level (GS-3). In previous years, we've handled the application and qualification process at base level and have not only filled all available positions but had "back-up" candidates waiting in case an opening occurred after the initial hire.

d. Employee retention is a problem, especially when looking at millennial employment. To what extent have agencies identified organizational factors contributing to turnover of new employees?

I have not seen any formal studies by agencies on the reason(s) millennials are leaving federal service at an alarming rate. However, many of our members report that the reasons given them informally are frustrations with "the system." Millennials, like most of us, want to be recognized for their contributions not just for longevity and find the current General Schedule system antiquated and rigid. The concept of "paying your dues" before moving up is not one they're familiar with. Many millennials come into the federal system with advanced degrees but little work experience. This is viewed by some established federal employees as unfair rather than a sign of the times. For example, one of our members reported that his new employee was being ostracized by co-workers because he didn't start at the GS-7 level and "work his way up." That employee came into federal service with a Master's Degree and was placed at the GS-11 based on his education and military experience.

If we are to be the employer of choice in the future, we need to work on the culture of our organizations as well as the structure of our performance management system. Employees who believe they are "owed" advancement based on longevity must be educated to understand that advancement should be based on contributions not just showing up. Employees get a paycheck for coming to work every day and doing a good job. That is the standard for acceptable performance. However, employees should get rewarded above and beyond the paycheck when they perform above and beyond the usual expectations for their position, either through promotion or through in-place salary increases.

2. According the Partnership for Public Service analysis of the 2014 OPM Federal Employee Viewpoint Survey, fewer than half of all employees are satisfied with the training they receive or feel that their training needs are assessed by their agency. However, training is critically important in ensuring employees are well prepared to do their jobs.
   a. What should agencies be doing to meet the training needs of their employees, particularly in a fiscally-constrained environment?

One of the first things agencies should do is invest in training their managers. A well-trained manager not only contributes to a productive, healthy work environment; that manager can and should be a training resource for employees. Some of our members report that their employees don't believe they're receiving training unless they're sent to courses away from the job. That is an expectation that a well-trained manager can correct.

In this time of fiscal austerity in most agencies, unfortunately, training is usually the first casualty in the budget wars. In many career fields, on-line training is sufficient and productive. However, there are some career fields, particularly technical ones, where hands-on training is absolutely necessary. I think in many instances, managers are already prioritizing training needs but that also creates room for resentment among employees. I'll use my own staff as an

example: I have one new specialist and seven experienced specialists. One of my experienced specialists complained recently that it wasn't fair that the new person gets to go to training this year and the experienced person didn't. However, training decisions must be based on available funding and mission needs not employee preferences.

3. A recurring theme of this hearing was the lack of quality management - that we are not doing enough to ensure agency supervisors have the tools and skills needed to effectively guide their teams and create the effective, efficient federal workforce our nation needs.
   a. What are some basic steps agencies can take to improve the quality of management?

   Training and time are the most important factors to improve the quality of management. An untrained manager with the best of intentions can easily cause problems in the workplace without being aware that rules are being violated. Likewise, managers who have little time to devote to their employees due to technical obligations are less effective than those who can actually be managers not technicians. It's harder to look at the big picture when you're weighed down with the technical aspects of a job.

   b. What can be done to ensure that managers and leaders are held accountable for developing employees, rewarding high performers and addressing poor performance?

   Again, training managers to be managers not just the best technician in the office is key. Also, ensuring that management responsibilities are not just additional duties and providing sufficient time to manage is critical. Addressing poor performance is a time-consuming, cumbersome process and many managers just don't have enough time to do this. It's more expedient to just rate everyone the same (and pass/fail performance rating systems certainly reinforce this) than it is to differentiate between levels of performance. I do not believe that we have a cadre of punitive managers out to "get" their employees; nor do I believe that we have a workforce of lazy, unproductive employees. For the most part, managers have good intentions and truly care about our employees. The federal workforce is primarily made up of dedicated individuals who work hard to get the mission done and who perform valuable service to our country and our citizens. But even the best of intentions can be undermined by a lack of training, funding and time to manage.

   c. What steps can OPM take?

   OPM should consider management as a career field. Establishing standards that require a management position to be more stand-alone management than technician with "additional" management duties is the first step toward making that happen. The best technician is often not the best person to supervise other technicians. Perhaps OPM could make available some form of aptitude testing for management functions. Guidance on developing dual career paths (management vs. senior technician) would also be helpful.

d. What steps can Congress take?

Congress should ensure that agencies are adequately funded to reward their employees and to provide meaningful levels of management with time and training to be managers. Some of our members have as many as 40 or 50 direct reports. This is an impossible workload in and of itself and those managers also have technical duties they are expected to perform. There is no way a manager in this situation can adequately address poor performance or develop other employees. There are simply not enough hours in the day. Management must be considered a primary duty or we will continue to see employees not being recognized for exceptional performance or held accountable for poor performance.

4. What have you heard from your members regarding the reasons younger employees are leaving federal work in favor of the private sector?

As I said in question 1, many of our members report that the reasons given them informally are frustrations with "the system." Millennials, like most of us, want to be recognized for their contributions not just for longevity and find the current General Schedule system antiquated and rigid. The concept of "paying your dues" before moving up is not a familiar one. Many millennials also come into the federal system with expectations of being instant executives. We need to train our managers to manage that type of expectation as well as to meet the needs of younger employees for feedback and recognition.

5. You proposed moving the pay structure of the federal workforce from the GS system to a pay for performance system, much like the National Security Personnel System (NSPS), which was experimented with at the Department of Defense. While I understand the thought process behind a pay for performance structure, the many shortcomings of the NSPS at the DOD gives me pause.
   a. What oversight and safeguards would we need to put in place to ensure that favoritism and perceived lack of equity, which plagued the NSPS, would not once again reappear?

Safeguards:

i. Top Down Commitment: if top level management (military and civilian) are not held accountable for the program, it will fail.
ii. 365 Days: Performance management is a year-round process and should not be reduced to just the annual appraisal. One aspect of NSPS that was good was the ability for second-level supervisors to actually see the real-time documentation of feedback sessions between first-level supervisors and employees. This was a good tool to ensure conversations took place when they were supposed to. In order to meet any standard of feedback, whether quarterly, monthly or more often when needed, managers need time to be managers not technicians.
iii. User-Friendly: the NSPS data system was not particularly user friendly. Keep it simple.

iv. Transparency, while respecting the privacy of individual employees, is key to the successful administration of any new performance management system and intensive, detailed training for everyone involved is just as important. One thing we must impress upon employees is taking responsibility for their part of the equation. If an employee wants their manager to consider an accomplishment when completing an appraisal, the employee needs to step up and identify that accomplishment not just assume that the manager "knows" what the employee did. Blowing their own horn is hard for some people and, in many cultures, it is even discouraged. We need to ensure that every employee understands the value of self-assessment. Results reported in the aggregate may also be helpful for employees to measure themselves against. It is also critical to keep in mind that the culture changes required to move from a longevity-based system to a contribution-based system take time. There is not instant fix for this problem.

b. While the promise of a larger paycheck is an obvious motivation for any employee, if we were to fully fund performance awards under the current GS system would that not achieve the same results?

Fully funding performance awards is one step in the process; however, performance awards are generally one-time payments and do not impact the employee beyond that particular time. If we are to be the employer of choice, we need to re-think our system of rigidly confining an employee in one classification and at one grade. Under NSPS, we had employees who "grew" into much higher levels of responsibility during the process and we were able to appropriately reward them for that growth. We were also able to adjust (downward) the pay of individuals who were providing marginal performance while retaining them in their position. Under the General Schedule, the employee would only get step increases based on longevity and possibly a one-time award payment and there is usually no penalty for marginal performance in a multi-tier system. The high achieving employee would have to watch the average employee at the next desk get the same longevity increases without the growth.

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Dan G. Blair
President and Chief Executive Officer

July 21, 2015

The Honorable James Lankford
Chairman
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
316 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Lankford,

Please find my response to your questions for the record attached.

Thank you for providing me the opportunity to testify at the May 20, 2015 hearings before the Subcommittee on Regulatory Affairs and Federal Management Committee on Homeland Security and Governmental Affairs

If you have any further questions, or need any additional information, please do not hesitate to contact me.

Sincerely,

Dan G. Blair

Post-Hearing Questions for the Record
Submitted to the Hon. Dan Blair
From Chairman James Lankford

"21st Century Ideas for the 20th Century Federal Civil Service"
Wednesday, May 20, 2015
United States Senate, Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs

1. In your testimony, you stated that, "OPM, MSPB, Office of Special Counsel, and the EEOC all have roles. Do we need a centralized personnel office? If so, how should it be structured? And is OPM that entity?" Do you or your colleagues at NAPA have any additional thoughts regarding the organization of a centralized office, tasked with administrative and personnel issues for the entire federal government?

ANSWER: The Academy has not had an opportunity to undertake a comprehensive review of the current civil service structure. We do plan to visit the issue in our upcoming Transition 2016 initiative. We will be assembling a panel of Academy Fellows, along with members of the American Society of Public Administration, to review the current system and make findings and recommendations on needed changes. This panel review should help inform Congress and the incoming Administration on these issues. We intend this panel to be convened in the Fall and run through the upcoming Presidential Transition in the late winter/spring of 2017.

2. OPM has the authority to approve a number of hiring authorities for agencies to fill critical positions. Do you think agencies appropriately leverage these available authorities? If not, what factors contribute to the underuse of these authorities?

ANSWER: My experience while at OPM was that some agencies did not utilize the flexibilities available to them. Whether it was lack of knowledge or lack of capacity, some agencies frequently continued the use of outdated HR practices. In my view, use of out dated practices also reflected the lack of high level leadership attention and the failure to hold officials accountable for effective and efficient human capital practices. During the George W. Bush Administration, agency accountability was measured through a balanced scorecard rating agencies. It has been my experience that holding agency leaders accountable for effective HR practices is a driver to motivate HR offices.

3. In your written testimony, you stated, "Now is the perfect time to initiat[e] such an oversight effort in preparation for the 2016 Presidential Transition." Could you explain the efficiencies to be gained and benefits to be captured by implementing substantive civil service reform during a Presidential transition period?

ANSWER: I do not suggest that substantive civil service reform be implemented during the Presidential transition period. I do suggest that Congress lay the groundwork for the new Administration so that it can move forward, working with Congress, in enacting the needed reforms.

A new Administration will hit the ground running with multiple agendas. To facilitate reform efforts, Congress should, in the next 18 months, develop a substantive hearing record exploring avenues for reform. The Senate Homeland Security and Governmental Affairs Committee is in a prime position to do this spade work in advance of an incoming Administration so that the Administration could have the benefit of the Committee's work in proposing and working on significant reforms.

I would suggest the subcommittee continue with oversight hearings, much like the one which I was invited to testify, in order to develop a legislative record that could be used as the basis for reform legislation. The subcommittee could consider issuing a report at the end of the Congress laying out its work, findings and recommendations for legislative reform. This allows the incoming Administration the opportunity to build on this record in working with Congress on enacting needed reforms.

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Dan G. Blair
President and Chief Executive Officer

July 21, 2015

The Honorable Heidi Heitkamp
Subcommittee on Regulatory Affairs and Federal Management
Committee on Homeland Security and Governmental Affairs
110 Hart Senate Office Building
Washington, DC 20510

Dear Senator Heitkamp,

Please find my response to your questions for the record attached.

Thank you for providing me the opportunity to testify at the May 20, 2015 hearings before the Subcommittee on Regulatory Affairs and Federal Management Committee on Homeland Security and Governmental Affairs.

If you have any further questions, or need any additional information, please do not hesitate to contact me.

Sincerely,

Dan G. Blair

Post-Hearing Questions for the Record
Submitted to Mr. Dan Blair
From Senator Heidi Heitkamp

"21st Century Ideas for the 20th Century Federal Civil Service"
May 20, 2015

1. According to GAO, research has identified several recruitment challenges facing the federal workforce, such as passive recruitment strategies that can result in missed opportunities to identify qualified applicants and unclear vacancy announcements that can delay hiring. GAO has asserted that these challenges "put the federal government at a serious competitive disadvantage in acquiring talent." Other research has also highlighted the importance of retaining high-performing federal employees and determining factors that contribute to employee turnover.
    a. What are the primary barriers to attracting and retaining qualified individuals to the federal workforce?
    b. What legislative reforms could assist in addressing these barriers?
    c. USAJobs.gov does not have the best reputation, and the online application process can be daunting and confusing. What role does USAJobs play in this challenge? How does it impact the speed of the hiring process?
    d. Employee retention is a problem, especially when looking at millennial employment. To what extent have agencies identified organizational factors contributing to turnover of new employees?

    ANSWER: Federal recruitment has proven to be a long-standing challenge to the federal government. Applicants have voiced concerns about the ability to effectively apply for federal jobs and have expressed dissatisfaction with the screening processes. Effective recruitment practices require that the hiring office works effectively with the agency human resources office to craft vacancy announcements that are easily understandable and accurately reflect the duties and responsibilities of the position. Ensuring that the vacancy announcement is reflected accurately in its job announcement on the USAJobs site is one way to make the process more timely for the agency and applicants.

    I understand OPM has emphasized millennial recruitment and retention as a priority. Making sure that millennials, and all employees, have meaningful work is a primary method of ensuring effective retention.

    The federal government needs to adjust to the changing work patterns of millennials, who most likely will see a career path involving multiple employers. Pay and benefit systems should adapt to those employees who may only stay a few years with the federal government and be flexible enough to be used as an incentive to recruit them to return to the federal workforce.

2. According the Partnership for Public Service analysis of the 2014 OPM Federal Employee Viewpoint Survey, fewer than half of all employees are satisfied with the training they receive or feel that their training needs are assessed by their agency. However, training is critically important in ensuring employees are well prepared to do their jobs.

a. What should agencies be doing to meet the training needs of their employees, particularly in a fiscally-constrained environment?

ANSWER: Training is a function of budget capacity and often is reduced to meet agency budgetary demands. Agencies need to insure that scarce training funds are aligned with goals and priorities consistent with the agency mission and employee development goals.

3. A recurring theme of this hearing was the lack of quality management - that we are not doing enough to ensure agency supervisors have the tools and skills needed to effectively guide their teams and create the effective, efficient federal workforce our nation needs.
   a. What are some basic steps agencies can take to improve the quality of management?
   b. What can be done to ensure that managers and leaders are held accountable for developing employees, rewarding high performers and addressing poor performance?
   c. What steps can OPM take?
   d. What steps can Congress take?

ANSWER: The inability to tie pay effectively to performance in the federal sector significantly hinders the ability of managers and supervisors to reward high performing employees and hold poor performers accountable. The current General Schedule system is a relic of the mid-20th century and needs to be modernized to reflect current practices in human resources management. The inability to utilize pay as an incentive for performance effectively neutralizes steps to improve performance management systems.

OPM could work with agencies to develop demonstration projects that utilize pay for performance concepts. While the current demonstration project authority is extremely limited, Congress could take steps to expand the number of employees subject to such projects and streamline the processes to make it simpler to implement them.

In addition to the above, Congress can begin now to lay the groundwork for an effective civil service reform effort that could come to fruition with a new presidential administration.

4. What have you heard from your members regarding the reasons younger employees are leaving federal work in favor of the private sector?

ANSWER: I have not heard specifically from Academy Fellows on reasons younger employees are leaving the federal workforce. As noted above, ensuring that millennials, and all employees, have meaningful work is a primary method of ensuring effective retention. I would like to see the data on why millennials are leaving and work with the subcommittee to structure an Academy effort to shed light on these reasons and recommend strategies for encouraging retention of high performing employees.

5. GAO's written testimony includes an interesting look at the weaknesses and positives of the General Schedule (GS) classification system and some ideas on how to improve it so that it better meets our nation's federal workforce needs. Based on your experiences, and those of your members, what recommendations would you make regarding the possible updating of the GS classification system?

ANSWER: The Office of Personnel Management produced a white paper on federal pay and compensation while I served as Deputy Director. The paper can be found at http://archive.opm.gov/strategiccomp/whtpaper.pdf.

> In the conclusion of the executive summary accompanying the paper, OPM noted:
>
> *"This White Paper is pre-decisional: although it documents many problems in our current pay and job evaluations systems, it does not describe the solutions to those problems. Its objectives are to help stakeholders learn from the Government's history and experience and to inform the debate over how the Government can preserve core values of public service – such as equity, procedural justice, openness, and accountability – while modernizing its compensation practices."*

This paper outlined a sensible and contemporary approach to reforming the General Schedule. It was produced in 2002 and should be revisited to reflect changes in human resources management since that time. I would recommend that the white paper serve as a basis and guide for discussions on how to modernize the civil service. I would welcome the opportunity for the Academy to work with the subcommittee to update this paper and provide options and ideas for legislative action.

6. In your testimony, it seemed that there is a fear within management of giving an employee low or even average marks during performance reviews. I believe that a sign of a good manager is not only knowing when to heap praise onto an employee for a job well done, but also being able to identify shortcomings in a worker's product and helping that employee develop into a greater resource for their team. It seems that just saying everyone does a great job all the time really signals a lack of understanding of the role of a manager.
    a. Are new managers getting the training they need to effectively supervise workers under their watch?
    b. What can we do to better ensure that throughout their careers managers are constantly receiving the training and resources they need to support their staff?

ANSWER: Effective training in performance management is critical for managers and supervisors if they are going to be able to fairly assess an employee's performance. Such training should be administered throughout the lifecycle of the supervisors' and managers' careers. However, failure to link that performance assessment to pay renders this into little more than an annual exercise with little positive incentive to improve performance. Rather, a supervisor's or manager's negative assessment could be subject to an employee grievance (if the employee is in a bargaining unit) and require the supervisor/manager to spend substantial time defending the assessment. This process does not incentivize supervisors and managers to rigorously assess performance. Rather it incents a supervisor/manager to give a rating that may inaccurately inflate an employee's performance.

New and old managers should be held accountable and continuous training throughout that individual's career is integral to successful management practices.

Post-Hearing Questions for the Record

Submitted to Mr. J David Cox

From Chairman James Lankford

"21st Century Ideas for the 20th Century Federal Civil Service"

Wednesday, May 20, 2015

United States Senate, Subcommittee on Regulatory Affairs and Federal Management

In your testimony, you emphasized the need for the federal government to treat its employees well, and that sustaining federal employee confidence is essential to recruiting and maintaining a sophisticated workforce. In your opinion as President of AFGE, how does the massive OPM data breach, made public June 4, 2015, affect employee confidence?

AFGE is deeply concerned about the OPM data breach and its effects on federal employees. A cybersecurity breach such as this does lower worker confidence in the ability of the federal government to keep the information of their workforce secure.

Post-Hearing Questions for the Record
Submitted to Mr. J David Cox
From Senator Heidi Heitkamp

"21st Century Ideas for the 20th Century Federal Civil Service"
May 20, 2015

1) **According to GAO, research has identified several recruitment challenges facing the federal workforce, such as passive recruitment strategies that can result in missed opportunities to identify qualified applicants and unclear vacancy announcements that can delay hiring. GAO has asserted that these challenges "put the federal government at a serious competitive disadvantage in acquiring talent." Other research has also highlighted the importance of retaining high-performing federal employees and determining factors that contribute to employee turnover.**
    a. **What are the primary barriers to attracting and retaining qualified individuals to the federal workforce?**
    b. **What legislative reforms could assist in addressing these barriers?**
    c. **USAJobs.gov does not have the best reputation, and the online application process can be daunting and confusing. What role does USAJobs play in this challenge? How does it impact the speed of the hiring process?**
    d. **Employee retention is a problem, especially when looking at millennial employment. To what extent have agencies identified organizational factors contributing to turnover of new employees?**

In an era where the federal workforce is under a relentless economic attack and has experienced a reduction in pay and benefits for years, it is a testament to their extreme devotion to the missions of their agencies that people remain as career civil servants. Since 2011, the federal workforce has lost a total of $159 billion from a series of attacks which have included pay freezes ($98 billion), increased retirement contributions ($21 billion), sequestration ($1 billion) and lower than baseline pay raises ($39 billion).

In addition to the economic attack, Congress has also proposed legislation that will remove federal employee due process rights, lengthen probationary periods which will allow employees to be fired without cause, and weaken whistleblower protections. Congressional rhetoric that overwhelmingly refers to federal workers in negative terms also takes its toll. These actions and this rhetoric send a strong negative message to federal employees. They lower morale and create barriers to attracting and retaining a highly qualified workforce.

Even when lawmakers vow to change their rhetoric and show their appreciation for federal workers, the legislation under consideration continues to demonstrate hostility toward federal workers. Friendly words and feel-good rhetoric will not attract or retain workers. Actions that demonstrate support for a well-trained and well-compensated workforce will.

The federal workforce is more highly trained than the US workforce as a whole. Two-thirds have earned at least a Bachelor's degree and another ten percent have an Associate's degree or skilled trade certification. As one would expect from an information society and economy, the GAO notes that growth in government jobs is largely in "occupational categories that require higher skill and education levels" (GAO-14-215). Because of this, competition for the best workers will increase and as the government workforce continues to professionalize, it will become more difficult to attract and retain qualified individuals.

Economic and political attacks make it harder for the federal workforce to make ends meet, lower morale and reduce engagement. The solution is simple: these attacks must end. The federal government must match the salaries and benefits that large private firms and state governments provide. Federal workers must be compensated competitively and not bear the brunt of budget and partisan disagreements. These changes would make federal employment more attractive and keep talented individuals in the federal sector.

Higher pay should be the first order of business. The Federal Adjustment of Incomes Rate (FAIR) Act of 2015 would give federal employees a 3.8% raise and begin to undo the damage done by the pay freezes. Second, the Federal Employee Pension Fairness Act would repeal the wholly unnecessary and unfair increased retirement contributions for employees hired since 2013. Conversely, legislation that threatens federal healthcare or threatens to voucherize the Federal Employee Health Benefits Program would make the entire benefit package that federal employees receive less attractive to potential employees and hurt retention.

USAJobs.gov certainly has its problems including the most recent concerns that it is vulnerable to cyberattacks. We advocate making the tools to apply for a federal job as user friendly and efficient as technology allows recognizing that government employment has certain parameters that must be met by the electronic application process (i.e. veterans' preference). However, focusing efforts on the system by which individuals apply for jobs does not get at the most pressing issues of why individuals are not interested in working for the government.

Millennial workers who are in the federal government likely joined the workforce at a time when they have never experienced a raise that keeps up with private sector raises and have faced several years of no real raises, and, depending on agency, pay cuts from furloughs. Millennial workers may be interested in careers where they feel they make a difference and where their work is meaningful, but these are not the only considerations for any worker. *But feelings that you've "made a difference" don't pay the rent.* This generation is falling behind economically. They will likely never recover economically from the pay freezes and retirement cuts unless they are repealed. Their student debt obligations top $1.2 trillion dollars. Much of this is held by millennials with 71% of current college students leaving school with debt.

Millennials have to pay the debts they accrued while completing their education and additionally find a way to put some money aside for buying a car, a home and affording a family. With the enormous debt burden that they carry, stagnant salaries, the fear of furloughs and shutdowns and the new uncertainties that come with government jobs due to poor funding and sequestration make these jobs less attractive for the long term. While agencies are permitted to provide student loan payment incentives as a benefit for recruitment this program seriously is underfunded. Lack of funding has led to a decline in the number of workers who participate and the amount disbursed. Agencies simply do not have the budget to make a meaningful difference for millennial workers facing student loan repayment at a time when student loan debt has hit historic highs.

Additionally, one of the most egregious issues that the employees who have been hired the last few years have to deal with are the new inequities built into the pension system. Employees who started in 2013 contribute 2.3% more toward their pensions than those hired before 2013 and those hired after 2013 contribute 3.6% more than those hired pre-2013.

This burden falls most heavily on millennials and treats them as second- and third- class workers simply because of when they entered the workforce. Those who have started with the civil service since 2013 experience lower take-home pay and will have less means to contribute to their Thrift Savings Plan (401(k) equivalent) accounts. Lower take-home pay combined with loan debt means a substantial lowering of their standard of living and shortfalls in their overall earnings and retirement income security.

All of these factors mean that Millennials experience pressures to leave federal service for more lucrative private options. While agencies may have some tools to address these issues, the problems are systemic and need to be treated as such.

2) **According the Partnership for Public Service analysis of the 2014 OPM Federal Employee Viewpoint Survey, fewer than half of all employees are satisfied with the training they receive or feel that their training needs are assessed by their agency. However, training is critically important in ensuring employees are well prepared to do their jobs.**
    a. **What should agencies be doing to meet the training needs of their employees, particularly in a fiscally-constrained environment?**

Training is paramount for having successful and prepared employees but it is also an area that is easy to cut when budgets get tight in exchange for "focusing on mission." Unfortunately the link between training and mission is often missed. To accomplish the mission, workers need training so they can be successful at their jobs and supervisors need training to be able to manage workers effectively. It is not surprising that employees indicate their dissatisfaction with training since training programs have been reduced due to budgetary concerns.

Part of the problem is the overreliance on on-line trainings. Technology has allowed training to be less costly and in an era of government cutbacks, more trainings have been moved to on-line format. However, the effectiveness of such trainings is a matter of great debate. Both studies that argue on-line training is and is not effective exist. Issues such as computer literacy, age, motivation and interest in the material are all intervening factors that can alter effectiveness. In addition, depending on the person's job, some training needs to be hands-on and needs to be in person.

In addition to more formal training, employees need to have more options to be part of mentoring relationships where training can happen one-on-one with advice from a skilled practitioner. This is one of the pillars of the new phased retirement program, where a skilled employee mentors a new employee to teach him/her the job. While this program has been approved, it is slow in starting but holds great promise for meaningful training.

3) **A recurring theme of this hearing was the lack of quality management - that we are not doing enough to ensure agency supervisors have the tools and skills needed to effectively guide their teams and create the effective, efficient federal workforce our nation needs.**
    a. **What are some basic steps agencies can take to improve the quality of management?**
    b. **What can be done to ensure that managers and leaders are held accountable for developing employees, rewarding high performers and addressing poor performance?**
    c. **What steps can OPM take?**
    d. **What steps can Congress take?**

The lack of training for supervisors and poor supervisor selection work in tandem to create poor first-line supervisors in the federal government. This in turn leads to ineffective management and hurts both mission and the treatment of federal workers.

In the current civil service system, long-term employees see their salaries "top out" and become uncompetitive. The only way for employees to continue to increase their earnings is to move into management positions. This trend has been more pronounced lately with three years of pay freezes followed by two years of 1% pay adjustments which have motivated federal workers to look for ways they can increase their pay, but stay in federal service.

The problem with this type of career advancement is that someone who may be highly trained and successful at their job and an excellent "technician," may not be the best candidate for a manager. But people move into these positions because that's the only way to have a higher paycheck. Solving some of the central pay issues would remove the incentive for those without management skills to become managers. This would allow individuals who have leadership and management skills to be selected based on those skills instead of just their technical skills. Additionally, it would allow managers to be chosen for their positions based more on soft management skills, or the leadership

traits that stress interpersonal skills and relationship building with the workforce. These skills are necessary for 21st century managers to master.

Management and leadership training needs to emphasize that workers are highly skilled and are able to make recommendations about how their job can be done better. Management training that emphasizes empowering and engaging the workforce to address workplace issues needs to be a priority. This includes understanding and being able to abide by and apply the principles in collective bargaining agreements since they represent negotiated solutions to workplace problems and issues. Managers who understand and respect the role of unions are more likely to be able to work with the union to solve problems and less likely to escalate problems into grievances.

One of the main tools that can be used to hold managers accountable is to strengthen whistleblower protections for employees. In a system where employees can be easily punished or fired, they are less likely to report when agencies are violating the law. Legislation that protects employees from retribution and retaliation allows employees to speak without fear about the serious problems they may encounter at the job site.

4) **What have you heard from your members regarding the reasons younger employees are leaving federal work in favor of the private sector?**

We hear daily from AFGE members who are increasingly frustrated that federal employees are under economic attack. Federal workers are committed to the mission of their agency and they are committed to public service, but they have had to endure many hardships as they have faced hostile lawmakers who have blamed them for all of the ills in the federal budget. Even so, in the most recent Federal Employee Viewpoint Survey, 96% of federal employees said they are willing to put in the extra effort to get the job done.

No group has been more affected by the attack on federal workers than younger employees who are at the start of their federal career. Many new employees have experienced furloughs, sequester cuts, shutdowns and 0% pay raises firsthand. Additionally, one of the most egregious issues that the employees who have been hired the last few years have to deal with are the new inequities built into the pension system. Employees who started in 2013 contribute 2.3% more toward their pensions than those hired before 2013 and those hired after 2013 contribute 3.6% more than those hired pre-2013.

This unequal pension contribution treats new hires as second- and third- class workers simply because of when they entered the workforce. Those who have started with the civil service since 2013 experience lower take-home pay and less able to take full advantage of their own or the government's contribution to their Thrift Savings Plan accounts. Lower take-home pay combined with loan debt means a substantial lowering of their standard of living and shortfalls in their overall earnings and retirement income security. What is there to keep these workers in the public sector when the amount by

which their salaries lag behind private sector and state and local government salaries continues to increase.

One trend that we have seen, particularly in law enforcement and the skilled trades, is that younger employees easily get federal jobs because there is lower competition for them in many parts of the country due to their poor pay. But once these employees are trained, they move on to the private sector or on to public sector work in state or local government jobs in order to increase their earnings. In many of these jobs, the federal installation has a very difficult time retaining and filling the jobs they have.

Much has been written about younger workers born after 1980 and often referred to as the Millennial Generation. Some argue that they have an interest in jobs that promote the public good, are contributing to something that they believe in. The federal government is a natural fit for these workers and a place where they can match their values and talents. But this is also an opportunity that could easily be missed if the government is unable to recognize that the young workforce will not stay with federal employment if pay continues to be inadequate.

5) **GAO's written testimony includes an interesting look at the weaknesses and positives of the General Schedule (GS) classification system and some ideas on how to improve it so that it better meets our nation's federal workforce needs. Based on your experiences, and those of your members, what recommendations would you make regarding the possible updating of the GS classification system?**

The GAO testimony needs to be considered alongside the OPM report entitled *"Government wide Strategy on Advancing Pay Equality in the Federal Government,"* which affirms some of the main benefits of the General Schedule pay system. Prepared in response to the President's request for a gender pay-equity analysis of federal pay systems, it paid close attention to the General Schedule's classification system and its transparency. The President also asked for recommendations for administrative or legislative action that would promote "best practices" that were found to minimize inequities.

The study provides important insight into the General Schedule system's strengths as a whole. Any pay and job classification system must be judged on attributes such as internal and external equity, as well as transparency and effectiveness. External equity refers to whether a pay system meets market standards. We know that the General Schedule fails the external equity test, but not because of any kind of systemic flaw but rather because successive Congresses and administrations have not funded it even before the pay freezes. Federal Salary Council annual reports since 1995 confirm this.

On internal equity, one finding is particularly important: *there is no significant gender pay difference by grade level among GS workers.* Simply, at each pay grade, there

was no real difference between the salaries paid to women and men doing the same jobs. This is a great virtue of the federal GS pay system. (And those who decry the GS system and propose alternatives that allow managers to pay different salaries to different individuals in the same job should be forced to explain how they would produce the pay equity that the GS system produces.)

The OPM study showed that, depending on the methodology used, from 76 to 93 percent of the observed pay gap between federally employed men and women is attributable to women being concentrated in lower-graded occupations. *Indeed, the only real observed inequities arose where managerial discretion operates,* such as in the awarding of quality step increases, promotions, and starting salaries.

These findings constitute a ringing endorsement of the current pay system, a system that assigns salaries to the position, not the individual. This orientation is the secret to having a pay system that avoids discrimination and fairly compensates individuals for the job they do, not for who they are.

The problems with the current GS system emerge more from the unwillingness of Congress to fund and support the work to manage the GS system. The Office of Personnel Management has not done an adequate job maintaining and updating the infrastructure on which the GS system is built which includes updating classification standards, job descriptions, and researching and adding flexibilities to make it more responsive. This is the place to start to update the GS system – fund it adequately so its benefits, like its pay equity, can be realized and improved upon.

Without this important maintenance work the benefits of the GS system are constrained. Many flexibilities have been added over the years that have expanded the GS system and have made it more responsive. These include bonuses for recruitment, relocation and retention as well as managerial flexibilities in salary-setting. There are also opportunities for programs that attract workers such as student loan repayment. But many of these flexibilities have not been utilized by agencies due to the low funding. This is the current plight of the student loan repayment benefit as well as many special rates and pay flexibilities, retention and recruitment bonuses and many other programs. The more the GS system is starved, the more criticism it will unduly receive and the benefits of a non-partisan pay system that promotes equity will not be realized.

6) **In your testimony, you noted that the government needs to "promote a human-centered workplace to capitalize on the talents, skills and commitment of the federal workforce." You went on to say that empowering workers comes from a variety of factors - collaborative bargaining for fair contracts, seeking employee input, and labor-management forums. The Department of Defense's "New Beginnings" program is one of the labor-management partnerships that you highlight as an effective model.**
   a. **How can we apply a similar model to other government departments and agencies?**
   b. **What makes this program different from other efforts to improve labor-management relationships? What has made it successful?**

The New Beginnings process has been a partnership between labor and management with the goal of creating a new culture in the Department of Defense through a rolling out a new performance management system. In addition to performance management, the system will also focus on (a) training supervisors to work more effectively with employees and (b) addressing problems in the hiring system. All of the recommendations of the New Beginnings project came from design teams that were included representatives from labor and management.

This project represents an enormous multi-year commitment from both labor and management, and we believe the results are promising. Both sides have gained new insights into the constraints and concerns of each side and have built a working relationship based on trust. Throughout the process the experiences and positions of rank-and-file workers were presented at and their concerns are represented in the recommendations, so the process has given voice to workplace concerns and has focused on increasing transparency, fairness and accountability.

While the final product is still at the stage of component review (which could change the system), it appears that the system will be one that will dramatically change the culture at DoD. It is based on performance reviews that build manager/worker discussions into the culture and that prioritize on-going worker engagement and development. The performance management system also incorporates supervisor accountability and many safeguards that provide consistency, transparency and fairness to the awards process.

The system also significantly changes supervisor and manager training and seeks to focus on improving soft management skills which are based on engaging the workforce in conversation and team decision making instead of unilateral authoritarian rule. Finally, changes to the hiring system and the creation of accessible on-line materials for the hiring manager will lead to more transparency in decision-making and fairness.

The New Beginnings project will live or die based on the commitment to fund the transition from the damaging performance management systems of the past. Management and employee training are central to the successful implementation of the system. So while there is hope for a real change to happen in DoD, much is still

unsettled. Agencies can learn from this experience, however, by truly engaging labor partners and building relationships so that similar systems can be designed to cater to the unique circumstances in each agency. In fact, the teams working on the New Beginnings project are hopeful that many of their innovations will be considered by other labor-management partnerships around the government.

7) **In your discussion of pay differentials for employees in the federal government versus those in the private sector, you noted that "unless government can compete with the salaries in the private sector, there will be no hope of keeping and attracting the best and the brightest." The lack of adequate compensation, as well as recognition, for federal workers is definitely a huge issue.**
   a. **What solutions would you propose for working to alleviate this pay gap between the federal and private sectors?**
   b. **How can agencies better recognize their employees for their performance, monetary or otherwise?**

The first step in addressing the pay gap between the federal and private sector is to understand how dramatic the departure from private sector salary comparability has been. Each year the Office of Personnel Management (OPM) calculates pay gaps between the federal government's salaries and the salaries paid in the private sector and state and local government on a city-by-city and job-by-job basis using data from Bureau of Labor Statistics (BLS). The data tell a consistent and compelling story. Comparing salaries for the actual jobs performed by federal employees with the salaries paid by private employers (and state and local government employers) who employ workers in the same jobs shows federal salaries are an average of 35% lower. The pay freezes of 2011-2013 and the below US average increases of 1% in 2014 and 2015 have only exacerbated this problem.

This is a large gap to close, and it can only be closed by stopping the process that continues to widen it. This means that an effort must be made legislatively to compensate for the years of neglect that have caused the gap to widen. Beyond that, an effort must be made to restore pension contributions to reasonable levels instead of forcing more contributions for newer workers. In addition, the Federal Wage System (FWS) which sets wages for blue collar workers has not been able to effectively work because of caps which have limited FWS increases to the low GS raises. Simply, the course that Congress has been on regarding federal pay must be reversed.

Legislation like the Federal Adjustment of Incomes Rate (FAIR) Act of 2015 that would adjust federal pay by 3.8% next year can begin to repair the damage from pay freezes, 1% adjustments, and furloughs. The Federal Employee Pension Fairness Act would restore generational equity to pension contributions and give newer workers more money to take home. Measures like these would be a start and would signal that lawmakers understand that imposing such draconian pay and benefit cuts on federal employees went far overboard.

There are many flexibilities built into the improved General Schedule system which can be used to address the gap in pay. For example, in the Bakken Region of North Dakota there has been a tremendous gas and oil boom. This caused significant economic pressures on government workers at Minot Air Force Base because their salaries lagged behind wages paid to private sector workers performing similar work. Retaining and recruiting government workers became difficult because the gap between private wages and federal wages drew people into the private sector largely because the salaries were greater. The solution in this case was to use special rates and other GS and Wage Grade system flexibilities to increase government pay and to make sure that Minot Air Force Base continues to be mission ready.

While financial compensation is the most important element in closing this gap and increasing retention and recruitment, there is a certain role for non-monetary awards and recognition for excellent performance. However, any performance management system that assesses excellent contributions has to be built with appropriate training for the supervisors who make the awards and there needs to be an emphasis on supervisory responsibility, transparency and fairness. Without operational guidance to make sure the awards process is consistent and fair there is likely to be low buy-in by employees who could see the system as rigged. In addition, who receives awards need to be transparent and employees need to understand the criteria so that they can understand how their work can also be recognized and rewarded.

8) **OPM established a Diversity and Inclusion in the Government Council made up of department and agency Chief Human Capital Officers (CHCO's). The CHCO's were directed to advise OPM, OBM, and the Equal Employment Opportunity Commission on government-wide recruitment and retention practices to promote a diverse workforce.**
   a. **Do AFGE and other labor organizations have a role when it comes to providing input on the Council's activities?**
   b. **What ideas do AFGE and other labor organizations support to promote diversity in senior leadership at departments and agencies?**

   The Diversity and Inclusion in the Government Council was established by then-OPM Director Archuleta in Feburary 2015. AFGE has not been permitted to participate in this council, despite asking for the opportunity. AFGE supports efforts to promote diversity in senior leadership, but we believe that the best means for doing so is strict adherence to the merit system principles which awards federal jobs to the person most qualified for the position, not the person with the best connections.

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