

Testimony

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Committee on Oversight and Government Reform

Subcommittee on Federal Workforce, Postal Service, and District of Columbia

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Public Service in the 21st Century: An Examination of the State of the Federal Workforce

Investing in the Federal Workforce: Strategies to Enhance Government's Most Vital Asset

**Statement of
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Chairman Lynch, Ranking Member Chaffetz and Members of the House Oversight and Government Reform Subcommittee on Federal Workforce, Postal Service and the District of Columbia:

My name is Patricia Niehaus and I am here today representing the over 200,000 managers, supervisors and executives in the federal government on behalf of the Federal Managers Association (FMA). Please allow me to take a moment and thank you for this opportunity to present our views 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.

Currently I serve as the Labor Relations Officer for the Travis Air Force Base in California. I have completed 26 years of federal service in the Department of the Air Force, the last 23 of which were in the human resources field. I began my tenure as GS-04 Secretary and moved up to my present position in the Civilian Personnel Office. During my career, I have spent time in two separate pay systems - first as a General Schedule (GS) employee and now a National Security Personnel System (NSPS) employee - and have worked with managers in three pay systems - Federal Wage Grade, GS and NSPS - to provide advice and guidance on personnel management issues. Over the past three years, I have been involved with NSPS as a member of the NSPS Implementation Team for Travis AFB as a trainer, as a pay pool facilitator and as an employee rated under this system. During my career with FMA, I have held several positions, including Chapter trustee, Chapter Vice President, Chapter President and Zone Vice President. I am presently serving my third term as President of Chapter 167, Travis Air Force Base. Please keep in mind 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 and has since branched out to include some 35 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 stakeholders in the successful implementation of human resource management, we appreciate the opportunity to appear before you today.

ISSUES CONFRONTING THE FEDERAL WORKFORCE

As a new Administration inherits a nation struggling to remain on solid ground amidst a collapsing economy and military engagements on multiple fronts, the President and Congress can remain confident that the 1.8 million member federal workforce will continue to go above and beyond the call of duty to successfully achieve the government's missions and goals. The Federal Managers Association strives to maintain that commitment by promoting an environment that attracts talented, civic-minded and hardworking federal employees to ensure the American public receives the highest level of service.

Today, the civil service finds itself at a critical juncture. As roughly half of all federal workers become eligible for retirement within the next decade, Congress and the President must set an aggressive agenda to avoid a potentially disastrous "retirement tsunami" and promote confidence in

government. Severe budget constraints facing federal agencies serve only to compound the challenges presented in replacing management ranks and filling critical positions. As federal managers, we find ourselves on the front lines during these times, and we believe managers will play a critical role in shaping legislation that advances the mission of the civil service.

Federal employees serve alongside their military counterparts on the ground in Iraq and other conflicts abroad. They are also on the cutting-edge of disease research, energy efficiency and the many social programs that deliver needed services to millions of Americans. However, federal employees continue to face an uphill battle every year the President proposes a pay raise unequal to and less than their military counterparts. We thank Congress for standing by the tradition of pay parity, which has helped our recruitment and retention efforts. We at FMA also recommend the following to assist in federal recruitment and retention as well as to prompt other needed changes to make federal employment more attractive to the future leaders of our nation.

IMPROVING THE FEDERAL HIRING PROCESS

As baby boomers begin to flee the government in record numbers, we will be faced with an unprecedented retirement wave. We must ensure the skills and knowledge of these employees are not lost by preparing for their exit today. Currently, we lack the ability to transfer the historical knowledge of our senior employees to the next level of personnel that will serve as their replacements through the merit promotion system. The following issues must be addressed in order for the government to adequately prepare for the impending retirement wave.

Length of Application Process

One of the many impediments potential employees face when considering a career in public is the length of time it takes to navigate bureaucratic procedures during the hiring process. Most job vacancies take at least three months to be filled, and upwards of a year if a security clearance is necessary. USAJobs is also incredibly difficult to navigate if you do not know in advance what you are looking for. This is simply unacceptable. If the federal government as a whole seeks a reputation as the premier model employer, it is essential that agencies operate in a fashion that most efficiently and effectively meets their own needs and the needs of those they seek to hire. To accomplish this goal, greater attention must be paid to streamlining the four stages of successful hiring laid out by the Office of Personnel Management (OPM): preparing to hire, recruiting top talent, selecting the best and measuring success.

In his opening statement before the Senate Homeland Security and Governmental Affairs Committee during his nomination hearing, OPM Director John Berry discussed the need to bolster each piece of the government's human resource operation to maximize federal service as a career of choice. The inability of agencies to identify positions that must be filled, recruit the desired talent and successfully hire qualified candidates in a timely manner severely jeopardizes our pursuit of this end. With a looming retirement tsunami, we must enact a shift within the federal government that promotes the expeditious pursuit of individuals to not only fill the void left by these retirees but to expand on the government's mission to provide American taxpayers with the best and brightest workforce.

Senators Daniel Akaka (D-Haw.) and George Voinovich (R-Ohio) recently introduced legislation, S. 736, which seeks to drastically reform the process by which the federal government recruits and hires individuals into public service. Language included in the Federal Hiring Process Improvement Act of 2009 would require agencies to post job openings and announcements in plain, concise language, eliminate the need for applicants to submit “knowledge, skills, and abilities” essays and require agencies to provide timely updates on each application’s status. The bill further mandates agencies develop workforce plans based on hiring needs while allowing no more than 80 days to pass from the point a vacancy is identified to when an offer is made.

Unlike in the past, technological impediments no longer serve as an excuse for the prevalence of the lengthy hiring process. As Senator Voinovich explained, we have updated our use of technology but have failed to update the actual hiring process, creating a great disservice to those seeking federal employment and reinforcing the notion of the bureaucratic nature of our government. The men and women in search of employment in public service, whether they are college students seeking their first experiences as members of the labor force or twenty-year veterans of the private sector, will not wait months, let alone a year, for the government to contact them before looking for other work. It is essential that Congress consider this commonsense legislative proposal set forth by Senators Akaka and Voinovich to capitalize on the current preference potential employees are placing on service in the public sector.

Direct Hire Authority

Federal agencies encountering workforce vacancies they deem critical in nature are afforded the opportunity to request the use of direct hiring authority in order to circumvent the standard hiring process. Upon OPM’s approval, agencies granted this authority do not need to navigate the standard channels when considering an applicant to fill the position. It is our belief the use of this beneficial tool must be expanded to meet the requirements posed by an ever increasing workload in the face of an impending retirement wave.

While maintaining the core principles of a fair and equitable hiring process, expansion of the direct hiring authority will serve agencies and applicants alike by reducing the duration positions remain vacant. Agencies must be required to submit a full proposal to OPM explaining the reason for the opening’s “critical” designation, which, in our opinion, contradicts the immediate nature of the opening. Consideration should also be given to positions that currently fall outside of the traditional critical label. Looking beyond jobs in the fields of engineering or computer technology, agencies should be given greater discretion to determine what positions should be filled most expeditiously to advance their missions.

In this situation, OPM serves at the ultimate decision-maker. While having a central agency in charge of personnel practices is useful and necessary, agencies should be given broader authority to fill vacancies based on their individual needs.

Streamlining Job Announcements

It is our experience that many applicants in search of service in the federal government are more interested in serving the public than a particular agency. For example, an individual seeking employment as an accountant may apply for a position in one particular agency because a vacancy is presented, but they may be more than willing to work for several other agencies. Federal agencies must do a better job of simplifying job descriptions and reaching out to these applicants. It is a shame to hear potential employees express their frustration with the federal hiring process because they found an ideal fit, failed to secure the position, and proceeded to give up on a career in civil service when many other agencies may be in pursuit of their experience and skill set.

The Federal Hiring Process Improvement Act of 2009 contains language establishing an inventory of applicants seeking employment in the federal government. Complied by OPM, such a database of applicants would allow federal agencies to tap into talent they would otherwise miss. OPM would store applicants' résumés, contact information and other pertinent materials deemed appropriate for one calendar year. Applicants could update their information at will throughout the period their file remains in the database. Agency officials could search the database by agency and job classification, allowing them to match their vacancy to the appropriate candidate. Development of such a system to further connect the federal government with potential employees is crucial as we confront workforce challenges posed by the impending wave of retirement.

Recruitment Incentives

As the federal government competes against the private sector for the best and brightest in the U.S. workforce, it is essential that agencies take advantage of the tools at their disposal to recruit these talented workers into public service. While the nature of the work within federal agencies may prove the number one draw for men and women considering careers in government service, the use of added incentives may ultimately persuade those individuals on the fence deciding between the public and private sectors, especially if applicants have to endure a lengthy hiring process. Two of these available incentives, monetary payouts and student loan repayment, have proven successful recruiting tools and should be expanded upon in the future.

In a report released in September of 2008, the Office of Personnel Management compared the use of recruitment, relocation and retention incentives in calendar year 2007 to calendar year 2006. Incentives, in this instance, referred solely to monetary disbursements as established under the Federal Workforce Flexibility Act of 2004 (P.L. 108-411). Based on information gathered from 41 federal agencies, the use of recruitment incentives increased by 95 percent over the two years and proved critical in accomplishing strategic human capital goals. In 2007, agencies distributed 7,176 incentive payouts totaling \$57.5 million, a dollar increase of 74.82 percent over 2006. The average payout totaled \$7,454.¹

¹ United States Office of Personnel Management, *Recruitment, Relocation and Retention Incentives: Calendar Year 2007 Report to the Congress*, September 2008

Agencies allocated the majority of these payments to new hires filling mission critical positions, most often in the fields of health care, engineering, security and information technology. As discussed in our statement concerning the use of direct hire authority, it would serve many agencies best if they were to expand the designation of positions as “mission critical” depending on their needs as opposed to restricting the title to more traditional positions. Agencies’ use of the payments covered a wide range of grade or work levels, according to OPM, and it is essential that this continues to preserve institutional knowledge in all levels of the federal workforce. Additionally, we must ensure payouts take place in a timely fashion.

While federal agencies may award themselves high marks for their use of these payouts, the usage of student loan repayment programs is woefully deficient. Of the 83 agencies reporting on the use of student loan repayments for OPM’s FY07 report to Congress on the recruiting tool, only 33 provided the benefit to their employees, for an average of \$6,377 per employee in assistance. While this marks a 15 percent increase over FY06, we are still falling short of where we need to be. In FY07, student loan assistance was given to only 6,619 employees, with nearly 4,400 coming from two agencies – the Departments of Defense and Justice.² Government agencies that currently harbor no plans to establish such programs should pay attention to the benefits expressed by those that do take part. All agencies responding to the survey noted that student loan repayment had a positive impact on recruitment and retention. One agency specifically said the incentive allowed it to directly compete with the private sector for entry and mid-level hires. Notably, the Federal Bureau of Investigation used student loan repayment to recruit and retain 359 intelligence analysts in FY07.³

An American Council on Education report found that roughly two-thirds of college students graduate with over \$15,000 in debt from educational loans. Masters, Ph.D. and professional graduates face significantly higher debt totals, averaging \$27,000, \$45,000 and \$65,000 respectively.⁴ According to a 2002 survey conducted by the Partnership for Public Service, two-thirds of students graduating from law school said the debt they accrued eliminated a position in the federal government as a viable post-graduate option.⁵ It is more than unfortunate that these highly educated individuals are forced to look elsewhere for employment when the federal government could help alleviate their financial burden.

FMA supports legislation introduced in the 110th Congress, S. 1047/H.R. 2363, which would amend the tax code to allow federal student loan reimbursements to be excluded as income. Authorizing the federal government to offer potential new members of the workforce a way to pay down their student loans would attract more highly talented employees to federal service.

REEMPLOYING OF FEDERAL ANNUITANTS

As the United States continues to tackle the financial crisis during a presidential transition, many former federal employees with economic-specific institutional knowledge will need to return to

² United States Office of Personnel Management, *Federal Student Loan Repayment Program: Fiscal Year 2007 Report to the Congress*, May 2008

³ Ibid

⁴ Partnership for Public Service, *Student Loan Repayment*, Issue Brief PPS-05-07, August 11, 2005

⁵ Ibid

government to train and mentor current employees through this trying time. Agencies need the authority to allow these individuals to come back to work.

However, federal employees who strive to continue serving the nation after retirement are penalized for returning to work in the form of a pay reduction to offset federal retirement annuity. Military retirees who return to work as civilians do not face this offset. The rate at which federal employees are retiring from the federal government is cause for concern. The Office of Personnel Management estimates that over 50,000 employees retire annually and over half of our nation's workforce will be eligible to retire in the next decade.

Currently, the agency hiring a reemployed annuitant must request a waiver from OPM to ensure the employee's pay is not reduced if they return to service. These case-by-case waivers are hard to come by, often not approved and reserved for emergency or unusual circumstances. It was not until after the September 11th terrorist attacks that these waivers were even allowed. Additionally, current regulations do not allow for the short term rehiring of annuitants for the purposes of training, mentoring or work on special projects.

The National Defense Authorization Act for Fiscal Year 2004 (P.L. 108-136) gave the Secretary of Defense authority to hire federal annuitants without reducing their salaries by the amount of their annuities and without the required approval of OPM. Under this law, a federal annuitant hired by the Department of Defense is entitled to receive both a federal annuity and the full salary for the position into which he or she is hired. Consideration should be given to extending this authority to the rest of the federal government.

Reemployed federal annuitants make up only a small fraction of the federal workforce. Between 2000 and 2007, the number of reemployed Civil Service Retirement System (CSRS) annuitants increased from about 2,200 to more than 4,200. Over the same period, the number of reemployed Federal Employees Retirement System (FERS) annuitants increased from about 450 to just over 1,000. As a percentage of civilian Executive Branch employment, reemployed annuitants increased from less than 0.2 percent of total federal employment in 2000 to about 0.3 percent of total employment in 2007.⁶

There is promise, however. In 2000, 75 percent of reemployed annuitants were subject to salary offset, and 25 percent were employed under waivers allowing them to collect both a federal annuity and a federal salary. By 2007, just 40 percent of reemployed annuitants were subject to salary offset, while 60 percent were employed under waivers allowing them to collect both a federal annuity and a federal salary.⁷

Legislation introduced by Senator Susan Collins (R-Me.) in the 111th Congress (S. 629) would authorize federal agencies to reemploy retired federal employees on a part time basis, without forcing employees to take a reduction in salary corresponding to retirement annuity. The bill limits the number of hours a reemployed annuitant can work. Such safeguards ensure the annuitant will only serve part

⁶ Testimony of Patrick Purcell, Congressional Research Service, before the House Oversight and Government Reform Subcommittee on Federal Workforce, Postal Service and the District of Columbia. May 20, 2008.

⁷ Ibid.

time for the purposes of training, mentoring and filling critical positions until a full time employee is hired or promoted.

Specifically, reemployment would be limited to 520 hours in the first six months following retirement and 1,040 hours in any 12 month period. Reemployed annuitants would be able to contribute a total of 3,120 hours of service before any offset to their annuity occurs. While the individual would receive both salary and annuity payments, they would not be considered employees for the purposes of retirement and would receive no additional retirement benefits based on their service. The bill also mandates that agencies fill no more than 2.5 percent of their workforce with these individuals, and any agency exhibiting a workforce consisting of over one percent reemployed annuitants would be required to file a report to Congress and OPM detailing the appointments. The bill contains a clause that would conclude the hiring benefit five years after enactment, calling for a review of the program within three years of enactment by the Government Accountability Office and establishment of a corresponding report to be delivered to Congress.

We should strive to mitigate the loss of federal employees to retirement and ensure that the government can function effectively, while also filling critical gaps and helping train the next generation of federal managers. This is a crucial tool for successful recruitment, retention, and mentorship between experienced federal employees and new civil servants.

LABOR-MANAGEMENT RELATIONS

No viable change in the human resource management of the government will take place without the full buy-in of agency leadership, managers and employees. In undertaking a new endeavor, feedback from and collaboration among managers and employees significantly increases morale. Open and honest communication between management and union leaders will ultimately lead to fewer grievances and contract disputes. When all the stakeholders are involved in the formation of new programs or policies, they likely will be more accepted by the workforce.

Former President Bill Clinton signed Executive Order 12871 which established a National Partnership Council. The Council was formed to advise the President on matters involving labor-management relations in the Executive Branch. It also required agencies to establish individual partnership councils and increase union involvement in agency decision-making. The Federal Managers Association held a seat on the Council. However, shortly after taking office, President George Bush revoked the Order and dissolved the Council. At the time of disablement, union leaders touted the partnership's recent improvements, while conservative groups claimed the Order weakened the authority of federal managers.

When the Council met on a national level, the concerns of managers were heard in many ways. However, there was a disconnect and inconsistent behavior in the deployment of the partnership to the field, and in some cases, agencies chose to exclude first and second line managers from their councils. For a partnership to succeed, it is imperative that it be built with all involved parties engaged. FMA supports the idea of true partnership with labor and management sitting at the table without limitations imposed on either party.

EXTENDING THE PROBATIONARY PERIOD

We at FMA also support an increase in the probationary period of newly-hired federal employees and the statutory limitation on appeal rights from one year to two years as we consider changes to the hiring process. Persons qualifying for veterans' preference would be exempted. Currently, virtually all new federal employees are required to serve a one-year probationary period. During the probationary period, employees are in "career-conditional" status. If they do not perform in their first year, they can be dismissed for cause without having the appeal rights to which career civil service employees are otherwise entitled.

The increasing complexity of certain jobs require a long formal training period and an even longer "trainee" period before employees reach full operating level. In the Social Security Administration, for example, the Claims Representative position is one of the most common jobs into which new federal employees are hired. It is generally acknowledged that it takes most people at least 2-3 years to get comfortable in the job. One year simply is not enough time to evaluate whether or not an employee will be able to succeed in the job.

A specialized Claims Representative undergoes formal basic training for a period of four months. Frequently, SSA hires generalist Claims Representatives which require eight months of training in separate four-month segments. Many times, this training is conducted in a location different from the office where the trainee will be permanently assigned, giving the supervisor less time to observe and evaluate the employee. After the formal training period is concluded, the trainee is given a reduced workload and supplemental training for several additional months.

For these reasons, a supervisor may have insufficient time to properly evaluate whether a new hire will be able to properly 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, we have a very small window of time, sometimes as little as four months, in which to: identify performance; counsel the employee; allow the employee the opportunity to improve; and, take appropriate action to remove.

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. If managers miss the one-year window to dismiss a failing employee, the burden of proof becomes much greater if they decide to do so later. 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 one-year probationary period is a regulation (5CFR 315.801-.806) that could be changed by the Office of Personnel Management. The statutory basis is 5USC 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 Government Accountability Office (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.

We believe that a legislative remedy increasing the probationary period and the limitation on appeal rights from one to two years for all newly-hired federal employees except qualified veterans would lead to more efficient government service. We are ready to work with other interested parties to develop appropriate legislative language.

ISSUES CONFRONTING FEDERAL MANAGERS

We are facing a pivotal time in American history when the need for the federal government to provide services that assist and protect the American public could not be more present. The budget deficit continues to grow at record levels and managers continue to be asked to do more with less. While they still perform admirably, there are many changes that could strengthen their ability to offer the best services to the American people. Federal managers must have the flexibility and resources to recruit and retain talented and knowledgeable civil servants.

Not surprisingly, we are in the midst of a human capital crisis, exacerbated by the fact that sixty percent of all federal managers and supervisors – roughly 100,000 workers – and more than half of the current federal workforce – about 900,000 employees – will be eligible for regular or early retirement in the next few years. FMA believes there must be a proper mix of managers, rank-and-file employees, and senior executives to fulfill each agency’s mission. Arbitrary downsizing and outsourcing without proper mission analysis only hurts front-line supervisors’ ability to manage at all, much less administer effectively.

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.

TRAINING, TRAINING, TRAINING!

Current law requires agencies to establish a training program for managers on addressing poor performing employees, mentoring and conducting accurate performance appraisals. However, there is no accountability for managers to 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.

As the attrition rate in the federal government continues to rise, the management ranks need replenishing and the new crop of managers needs better training to deal with the challenges of a modern workforce. 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.

Many employees promoted to management roles are often done so based on their technical skills, especially under the GS system where pay is based on promotion through the various levels and steps. It is not surprising, therefore, that many employees note that their supervisors' managerial skills lag behind their technical skills.⁸ 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.

The development of managerial skills is one of the greatest investments an agency may make, both in terms of productivity gains and the retention of valuable employees. 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.

The Federal Supervisor Training Act of 2009 (S. 674), introduced by Senator Akaka, 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 includes an accountability provision to establish competency standards to ensure the training and its intent is effective.

By establishing a mandatory initial training program and ongoing seminars, the entire workforce benefits from better supervision and improved leadership. Funding these programs in the appropriations process is essential and will prevent training dollars from being cut when budgets are tight. When managers are properly trained to do the job for which they have been hired, everyone wins. We believe properly trained managers will also lead to fewer employee grievances, both formal and informal.

Mentorship

As supervisors of the next generation of employees, the onus is on us to develop these individuals into successful members of the federal workforce. It is therefore imperative that we establish a leader-follower motivational program through mentoring and coaching. As an essential component to the stability of every organization, the mentoring and coaching process provides an avenue for honest and empathetic collaboration while developing participants' full potential. Mentorship provides intangible benefits to any employee or supervisor's professional growth.

⁸ United States Merit Systems Protection Board, *The Federal Government: A Model Employer or a Work in Progress?*, September 2008

Ideally, the relationship should foster an atmosphere of high competency and a mutual interest in the professional and personal wellbeing of each other. Often, the day-to-day duties of an employee overshadow the big picture. A mentor reinforces the importance of performing every task to the best of the employee's ability, while maintaining a global perspective on its significance in the long term. Moreover, development of such a relationship serves as an added motivational factor to improve work performance.

A mentor can be defined as a role model, an able advisor, a supporter, or a friend, but most importantly the mentor must be a person who has a vested interest in an employee's goals. Mentoring is an optimal way to share knowledge, experience and expertise throughout an organization. Developing a mentorship program enhances motivation and improves morale among an entire workforce.

For mentorship programs to be effective, several guidelines must be adhered to. A mentor should not be a direct supervisor of the employee, but must have buy-in from the supervisor. Each participant must be personally vested in the relationship - a mentor may provide both professional and personal support. Finally, the mentor relationship should cross professional areas of expertise while lasting a specific period of time, after which an informal relationship may continue.

It is our belief that the establishment of the provisions contained in the Federal Supervisor Training Act of 2009 coupled with increased attention on the development of mentorship programs will prove invaluable as we face a wave of retirement that will drastically reshape the civil service. Creating as smooth a transition as possible as we employ the next generation of public servants must remain a top priority for the 111th Congress and beyond.

MANAGING MULTIPLE PAY SYSTEMS

Since its inception, the General Schedule has been hailed as the cornerstone of the federal workforce. However, several agencies now employ personnel systems other than the GS for some or all of their employees. While we are encouraged that the government has abandoned most pass/fail systems, we are concerned that the differences between pay-for-performance systems and the General Schedule make it difficult for employees to switch jobs within the government. There is also the added hindrance of a single agency employing multiple systems as in the Department of Defense and Internal Revenue Service.

DOD, for example, currently employs workers enrolled in the NSPS, GS, and Wage Grade pay systems. It is simply unacceptable that a single agency utilizes multiple pay systems that are often at odds with each other within individual departments. This problem is exacerbated when raises among equally performing employees differ. It is the view and recommendation of FMA that DOD establish cohesion within departments in order to foster a greater sense of equality among the workforce. Employees should not be at a disadvantage simply because they are enrolled in a different pay system than their counterparts whom they work alongside.

Overall, the discussion needs to concentrate on whether government wishes to pursue pay-for-performance. If the answer is yes, we need to establish core principles so that a single system that can be

implemented across agencies. Transparency, fairness and objectivity need to be core elements that comprise any system we create. Another potential option is the modification of the General Schedule system to incorporate some of the elements that provide the flexibility and ability of those systems that have been tried among agencies.

MANAGEMENT FLEXIBILITIES

As the federal government faces a human capital crisis created by decades of poor succession planning and inadequate leadership development, Congress authorized new flexibilities for managers to aid them in carrying out the missions of federal agencies as well as to overcome the retirement wave they are currently confronting. However, more needs to be done to address workforce concerns facing the civil service.

FMA applauds ratification of the Federal Workforce Flexibility Act of 2004 in the 108th Congress which seeks to increase managerial flexibilities by providing managers with the authority to: use recruitment, retention, and relocation bonuses to hire and retain the best and brightest; increase demonstration and pilot projects in the areas of personnel management; utilize streamlined critical pay authority to use higher salaries to attract employees needed for critical positions; increase the importance of agency training as a career development tool; and, allow federal employees to earn compensatory time for personal time spent traveling on agency business. We recommend the following in order to facilitate greater usage of these flexibilities.

Retention Incentives - 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 absolutely 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, and we urge Members of Congress to support recently introduced legislation which builds upon this retention tool currently paying significant dividends to agencies employing it.

A critical recruiting and retention tool in the federal government's pursuit of the best and brightest workforce, telework affords employees the opportunity to conduct their duties from locations outside of their central offices via remote connections. In March, lawmakers in the House and Senate introduced legislation which would expand telework opportunities available to federal employees through the establishment of a standard government-wide policy on the flexibility initiative. Despite the apparent benefits this program entails, similar legislation introduced in the 110th Congress failed to become law.

The Telework Improvements Act of 2009 (H.R. 1722/S. 707) sets a series of parameters agencies must adhere to in the implementation of telework initiatives. Establishing OPM and GAO as the primary bodies of oversight and telework data compilation, the Act emphasizes the need for agencies to adapt to an evolving workforce and embrace a workplace flexibility program already available on a limited scale.

The legislation would require agencies to allow eligible employees to engage in telework for a minimum of 20 percent of the hours worked over a two week period, monitored by a Telework Managing Officer present in each agency. Lawmakers included language in the bill expanding the training available to federal employees and their supervisors to further promote the trust necessary for the program's success. Development of a standard government-wide policy on telework would produce benefits in terms of productivity gains, employee satisfaction and environmental conservation far outweighing the cost of adjusting to a change in workforce management.

Retention Incentives - Performance Rewards Available Under the GS System

Several provisions are currently in place under the GS system that allow managers and supervisors to award employees' performance. I would like to discuss some of them, but I must point out that usage of these tools has been sparse throughout federal government and across agencies.

There are Within Grade Increases (WGI), which can be up to three percent of an employee's salary, Sustained Superior Performance (SSP) Awards, which can be up to five percent, and Quality Step Increases (QSI), which can also be up to three percent. 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. Employees can be granted a Time Off Award which can be up to 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 believes agency leadership is aware of his/her contributions.

Retention and relocation payments have proven successful tools to retain a highly skilled workforce. As established under the Federal Workforce Flexibility Act of 2004, federal agencies are allowed to distribute payments to employees as incentives to remain on board and in some instances to further compensate them for relocating to remain with the agency. According to OPM, agencies issued 1,974 relocation incentive payouts in FY07, a 95.64 percent increase over FY06. The amount of the payments totaled \$23.2 million, a 99 percent increase over the previous year. The average payout totaled \$11,735. Agencies also issued 22,794 incentive payouts totaling \$127 million for retention purposes in FY07. The average retention payout totaled \$5,573.⁹

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. The budget process for awards is normally based on a percentage of the aggregate base payroll (usually around 1.5 percent); therefore the total dollars available are insufficient. Additionally,

⁹ United States Office of Personnel Management, *Recruitment, Relocation and Retention Incentives: Calendar Year 2007 Report to the Congress*, September 2008

the process for awarding employees is extremely cumbersome and many managers do not spend the time to accurately identify performance and reward it appropriately. I believe many managers are also unaware that these incentives even exist.

It has been our experience that federal agencies have broad statutory authority to design and implement a variety of incentive programs to meet their specific needs. We have heard from managers in different agencies who use different methods of performance awards. 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.

ACROSS THE BOARD CUTS OF MANAGEMENT

We are concerned with the Obama-Biden campaign proposal titled, “The Change We Need in Washington,” which specifically states, “Barack Obama will thin the ranks of Washington middle managers.” We at FMA strongly disagree that arbitrarily thinning the ranks of federal managers is the most effective way for President Obama to achieve his goals and to tackle government reform.

In looking for a creative solution to develop a more effective federal government, many previous incoming administrations have focused on what they see as a “bloated” federal workforce. Consistent with this focus, President Clinton organized the National Performance Review that called for a reduction of the civilian federal workforce by 100,000 jobs by the end of 1995, with 10 percent of those cuts coming from senior management. According to the White House Record of Progress for the Clinton-Gore Administration, by the end of his presidency, the workforce had been reduced by 377,000 jobs. The National Performance Review also called for the span of control (the number of people who report directly to a manager) to increase from 1:7 to 1:15. In reaching President Clinton’s reduction goals, agencies eliminated thousands of management positions without any measurement of the effectiveness of the effort. This decision undoubtedly has had a direct impact on the increasing backlog of cases at the Social Security Administration and Veterans’ Affairs.

An arbitrary cut of managers based upon an across the board ratio for all of federal service is not the answer. Instead, we encourage you to think about the long-term impact qualified managers have on the ability of an agency to meet mission critical goals. Focus should be on making an objective job-specific determination of where managers are needed, what type of critical skills are required to accomplish the task, and developing and training those individuals to manage their subordinates effectively within the context of governmental and agency performance goals.

We suggest the best way to reform the management sector of the federal government would be to allow the Government Accountability Office to conduct an objective in-depth study of the effects of actions taken in the 1990s that initially reduced the management ranks. Of particular interest is a review of the effect that the earlier cuts had on agency employee and customer surveys, existing goals and scorecards, and other tangible measurements of agency performance.

Based on our observations and feedback from our members, the negative impacts of these cuts on the remaining managers and the ability of federal employees to meet agency critical missions has

been long-lasting. With the onset of retirements predicted over the next few years, it is probable that non-surgical reductions will result in skill imbalances, loss of institutional memory, severe work pressure and responsibilities beyond the managers' training level, a loss of focus on agency goals and a lack of lower level managers ready and willing to accept higher level positions.

We applaud the new Administration's goal of government reform and look forward to working with the President to meet his objectives. We hope you will consider the usefulness of a strong management team, rather than wholesale implementation of further cuts to an already reduced managerial workforce.

PAY-FOR-PERFORMANCE

Considering the focus of the hearing is on human resource management, we would be remiss if we did not mention the current implementation of pay-for-performance systems in the federal government. As those who are responsible for the implementation of new personnel programs, it is our stance that changes need to take place. The current General Schedule pay system and performance review methods are antiquated. However, certain fundamental principles of merit remain crucial to preserving the integrity and accountability of a new employment system. We have seen through demonstration projects and pilot programs in various agencies around the country over the past few decades that implementing human resource management structures can help improve the productivity and missions of agencies.

We believe that the highest performing employees should be rewarded with the highest rate of pay; those employees who fall below the curve on their overall performance should not be rewarded at the same rate. The link between performance and pay provides employees with the confidence that their efforts will be appropriately recognized and rewarded. Where is the incentive in doing a better job than your colleague when little is done to differentiate additional efforts?

Any personnel system must adhere to certain basic principles if the system is to succeed. The integrity of pay-for-performance will be severely hindered if all high performers are not rewarded accordingly. Recently, a large percentage of FMA's members within the Department of Defense were transitioned into the National Security Personnel System. Additionally, FMA members at the Internal Revenue Service are also under the IRS' pay-for-performance system. We would like to focus our written comments on these two systems.

NSPS Program Deficiencies and Recommendations

The implementation of NSPS has caused a fundamental shift in the culture at DOD; a shift for which many of our members were not adequately prepared. This has marked the biggest change to a federal agency personnel system in over a generation. We have heard strong calls from our members to return to the General Schedule pay system. As discussions continue on Capitol Hill regarding the future of the system, we believe certain changes need to be made while NSPS serves as DOD's pay system. It has been our experience that DOD leadership is out of touch with what is carried out on the ground. Below is a list of problems and recommendations we believe DOD should address to ensure a fair and transparent system.

Going into the new system, the biggest cause for concern among our members was how the funds in the pay pools would be distributed. In 2007, Congress guaranteed all NSPS employees sixty percent of the GS raise. It is absolutely critical that any employee rated a 3 (valued performer) or above should, *at a minimum*, receive the congressionally approved pay raise. The General Schedule increase is the cornerstone of current federal compensation policy and should not be included as part of performance-based increases. The purpose of the yearly increase is to keep government salaries competitive with the private sector in hopes of closing the growing pay gap between the two. Issues of fairness and low morale would certainly surface if a valued performer were to receive less than the GS raise. Employees who are considered valued performers but receive less than they would have under the General Schedule have no confidence in the system.

During the last three ratings cycles, we have seen the average pay raise under NSPS greatly exceed the GS raise over those three years. We are encouraged that the system is accurately rewarding high performers. However, there is no guarantee the pay pools will have the funds to distribute more than the sixty percent required by Congress. Should budgets be cut, this trend could easily be reversed. If the pool of money is lacking, the performance of some deserving federal employees may go unrecognized, causing the system to fail in meeting its objectives, in addition to creating dissention among employees.

With a sixty percent pay increase guaranteed, it is feared any other pay employees receive (assuming performance standards are met or exceeded) will come in the form of a bonus which does not count towards basic pay for retirement purposes. This not only affects employees' salaries from this point forward, but also their high three and Thrift Savings Plan matching contributions. In such a situation, higher performing employees are better off under the old GS system.

The perceived bell curve distribution of raises is also of grave concern. Managers and supervisors have reported extreme pressure from higher-ups to maintain a specified distribution of funds or performance ratings within each pay pool. There is severe danger of ratings being deflated or inflated to accommodate a small section of the population. Employees must receive the ratings their performance dictates and they should not be harmed by a capricious ceiling. For any personnel system to be fair and effective, evaluative ratings and performance awards must be based on merit, not quotas and arbitrary caps. Forced distribution does nothing but contradict a pay-for-performance system.

We are also finding there is a lack of concrete business rules that allow for a transparent and fair deployment of pay-for-performance. We have heard several reports of the Pay Pool Panels and Sub-Pay Pool Panels being out of touch with the objectives and job functions of the employees whom they are rating. If the Panel is the ultimate authority on the final evaluation attributed to each employee and is able to adjust a supervisor's prescribed rating, employees should have access to their evaluation before the Panel engages in the review cycle.

As they are aware of the amount of money in the pool, the Panels have a direct stake in the final ratings of the employees. We have heard reports of great pressure from the Panels to lower ratings, especially in the cases of poorly written self-assessments. The Panels are too focused on the impact they have on the share value. The sole purpose of the Pay Pool Panel should be to ensure fairness, transparency and consistency exist in the system.

Additionally, business rules require a supervisor to provide a feedback session before completing the NSPS appraisal, but we are hearing this usually does not take place. This is a key part of the NSPS process that is often not given the importance it deserves. Job objectives should be discussed with employees to ensure they line up with mission objectives, supervisors' objectives and where good work can be identified and how improvements can be made. We find it alarming these conversations are not taking place.

Many employees continue to feel uncomfortable in the assessment of their own work as required under NSPS. Inadequate training in this area has contributed to employees' lack of confidence in the delivery of their own rating, as they are not sure how to properly convey the value of the work they perform each day. For many employees, this is their first experience providing such information, and a self-evaluation that fails to reveal their full worth to the agency may have a significant negative effect on their paychecks. It has been our experience that the Pay Pool Panels heavily rely on one's written assessment, despite the fact that these assessments are not required. More attention must be paid to properly train employees how to write self assessments in order to ensure employees get the rating their efforts merit.

If NSPS is to garner greater support from the employees engaged in its execution each day, more attention must be paid to the processes and enhanced coordination on which comprehensive implementation depends. A thorough examination of the ratings cycle and the prevalence of multiple pay systems within DOD and individual departments is necessary to allow employees to work with the system instead of against it.

The Internal Revenue Service Performance System

At the Internal Revenue Service, managers and supervisors operate under a paybanding system, while the agency's bargaining unit employees remain under the General Schedule. Currently, IRS leadership has decided that the 8,800 managers within the Internal Revenue Service receive at least the same base pay and locality pay increases that GS employees receive each year. As with NSPS, it is the overwhelming belief of our members that the congressionally appropriated pay raise should remain an across the board increase for performing managers and supervisors in IRS. However, any change in IRS leadership could mean a change in policy in which no one is guaranteed a pay increase regardless of performance rating. We believe including the General Schedule increase in the pool of money available for performance-based increases would be out of line with pay setting practices of other federal employees, including non-management IRS employees who are excluded from the system.

Many managers at the IRS face the unfortunate situation of having their annual salary equal to the non-manager employees they supervise. Since they operate under two different pay systems, it is not uncommon for managers and the employees they supervise to receive the same pay. In fact, managers often report that at least one of their subordinates makes more money than they do. As there is no additional compensation for the added workload and increased responsibility, there is an inherent disadvantage to becoming a manager.

Additionally, the IRS must take strides to eliminate the current service-wide performance ratings caps. For the IRS personnel system to be truly pay-for-performance, there cannot be arbitrary caps on

the number of higher ratings. Managers must receive the ratings their performance dictates and they should not be harmed by a capricious ceiling. For any personnel system to be fair and effective, evaluative ratings and performance awards must be based on merit, not forced quotas.

Unfortunately, each IRS segment is allowed to give a percentage of their managers an “outstanding” rating and “exceeded expectations” rating regardless of the actual performance of the managers in the pool. Even if all managers in the pool have exceeded their performance standards by a large measure, only a set percentage can get the highest rewards. As a result, some managers receive a rating below their performance. This negates the inherent principle behind a pay-for-performance system.

Currently, a manager’s salary cannot exceed the top of the band in which he/she is placed. The top and bottom salaries of each band shift upward each year based on the GS increase. For example, if the top of the band is \$100,000 and the GS increase is 3 percent, the new top of the range is \$103,000. The increase managers at IRS receive is based on a percentage of their pay. (For example – 8 percent for outstanding, 6 percent for exceeds expectations and 3 percent for meets expectations). Assume the range goes up by 3 percent and a manager receives an outstanding rating worth 8 percent. Managers at the top of the band will receive the 3 percent increase, but the additional 5 percent is lost. We at FMA believe an additional performance bonus should be awarded to managers whose performance ratings would have resulted in a higher increase in salary, if not for their being at the top of their band. The additional performance bonus should be equal to the amount of performance increase denied due to the salary cap.

However, if the manager had received a “meets expectations” rating and the IRS decided to award less than the GS raise for this rating, the performing manager is no longer at the top of his/her pay band. On one hand, a manager cannot exceed the top of the range; on the other, a performing manager can fall below the top. A policy change should be enacted to equalize this disparity to ensure managers at the top of the band continue to be recognized for their performance.

Lastly, the current awards pools fail to adequately reward managers for performance and for the compensation risk they face. In determining the awards pools, compensation should reflect the appropriate risk aspect of pay-for-performance. Increasing the pool available for performance awards will accomplish this goal.

Some Members of Congress, including Members of this Subcommittee, have asked for a halt in the implementation of pay-for-performance systems. We applaud DOD’s decision to forgo any more conversion of NSPS until an independent review of the system takes place. As this issue is debated and decisions are made on Capitol Hill, we encourage you to involve all stakeholders, including federal managers.

CONCLUSION

If the federal government is to stand as an employer of choice now and in the future, we must remain dedicated to advancing policies and legislation that strengthen the core principles of the civil service. Whether developing recruitment incentives or enhancing existing programs to bolster a positive and productive work environment, we must understand that the government’s most important resource

are the men and women who devote their lives to the public good. Consideration of the suggestions discussed in my testimony will facilitate our efforts to confront the challenges posed by an evolving workforce in the midst of an economic crisis, presidential transition and multiple military engagements abroad.

While we eagerly anticipate President Obama's further discussion of civil service reforms, we caution Congress and the Administration to approach such reforms in a calculated manner to ensure the preservation of the values and practices that have served the federal workforce well to date. Change for the sake of change can have disastrous consequences, but at the same time we cannot promote a laissez-faire approach in modernizing the civil service. To compete with the private sector for the best and the brightest in the workforce, we must aggressively pursue an agenda that capitalizes on the federal government's inherent strengths while developing new human resource techniques to advance the public's perception of the civil service.

Thank you again for the opportunity to express our views before the Subcommittee and I am happy to answer any questions you may have.