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TESTIMONY

of

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FEDERAL WORKFORCE.”

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Chairman Lynch and Distinguished Members of the Subcommittee:

Thank you for the opportunity to testify before this Subcommittee on Senior Executive Service matters as they relate to the federal government's overall human resource management practices and policies. The Senior Executives Association (SEA) is a professional association that for over 28 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.

There are many challenges and opportunities facing the federal government in terms of its ability to recruit and retain a highly qualified workforce and its human resource management capability. A strong and capable workforce underpins the federal government and ensures that agencies can effectively meet their missions. It also provides an effective mechanism for accountability to the American public for the operation of government programs.

The government is now at a critical juncture – problems with pay and performance management systems, the hiring and acquisition processes, and a potential retirement tsunami threaten to reduce the effectiveness and quality of the federal workforce. Given the programs – including the economic stimulus - being implemented just this year, it is imperative that reform efforts be undertaken to address these issues.

In considering the human resources challenges facing the federal government, I will focus on those that specifically affect the Senior Executive Service. A strong workforce requires strong leadership. In order to ensure that the SES remains the high caliber corps that it is today, it is necessary to review potential problem areas and discuss needed reforms. These include recommendations by the Senior Executives Association to restore career leadership, create a more fair and transparent pay and performance management system, provide for training and continuing development of the SES, and review the SES hiring process. Making such reforms to the SES system will help all agencies recruit and retain the best Senior Executives and ensure that they have the necessary leadership to successfully accomplish the missions of their agencies.

The SES and the Human Resource Capacity of the Federal Government

The Senior Executive Service is comprised of the approximately 7,000 men and woman who are critical to high performing government and are crucial to implementing the political and management agenda of each agency and the Administration. These are the top career professionals in government, with an average of 26 years of experience, who obtained their positions on the basis of merit. Career Senior Executives undertake a myriad of jobs and hold substantial responsibilities, as well as serving as the interface between political appointees and the rest of the career civil service.

The focus of the last several administrations on streamlining the government, as well as the growth in political appointee positions over the years, has reduced both the size of the SES and the role of career leadership. In looking for a creative solution to develop a more effective federal government, previous administrations have focused on what they saw as a “bloated” federal workforce. In 1994, 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. The career executive corps alone was cut by 18 percent. According to the White House Record of Progress for the Clinton Administration, by the end of his second term, 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 through across-the-board cuts thousands of management positions without any measurement of the effectiveness of the effort. This process was continued throughout the last Administration and deserves some review to understand the ramifications on federal agencies and their ability to meet mission critical goals.

Cuts to managers and support personnel, including human resources professionals, have led to a lack of effective infrastructure and a loss of the expertise and ability necessary to run vital programs. This loss of infrastructure has been exacerbated through a significant increase in outsourcing. Instead of focusing on outsourcing as one tool to achieve an overall goal of effective management through accomplishing administrative functions in the most effective manner, outsourcing became a goal in and of itself. Some agencies outsourced virtually their entire human resource departments. Most now view this as a mistake because these employees played an important and committed role in administering agency personnel operations. HR should be integrated into the culture of the agency, not something provided by an outside group. SEA encourages a review of those functions, such as human resources, to determine which should be brought back into their agencies.

Recently, the Department of Defense has announced a policy to bring some outsourced positions, such as acquisition professionals, back within the agency. For Senior Executives, this is good policy as it is more efficient and effective to manage programs and personnel that are in-house. Career executives are well aware of the merits of contracting out when there is a benefit to be achieved from the specific capabilities and flexibilities of the private sector. But the outsourcing has had unintended consequences, such as lowering federal worker morale and providing for extensive administrative overhead in designing, implementing, and then post-auditing the competitions.

The recent DoD problems with the acquisition workforce and process and the overall governmental need to have infrastructure in place to oversee stimulus spending and other challenges facing the government has led to a reversal of the policies of previous administrations about outsourcing. A review of the policies governing the SES should also be conducted. We are now seeing signs of a similar loss of infrastructure and expertise at the Senior Executive Service level. SEA is concerned that difficulties with recruitment and retention, exacerbated by a pay for performance management system that

requires reforms, and a lack of focus on strengthening career leadership, will lead to a loss of quality within the SES. It is imperative that the federal government have the necessary career leaders in place to oversee the acquisition process, stimulus programs, and other critical government functions. Appropriate attention to the human resource management practices governing the Senior Executive Service is necessary to facilitate a reversal in the difficulties related to recruitment and retention of career leaders.

Before proceeding to specific SES issues, it is worth noting that a “crazy quilt” of personnel and pay systems has developed through the Executive Branch, as many agencies have sought and received authority for separate personnel and pay systems. This is true both generally and specifically for the executive corps. This proliferation has hindered oversight and prevented coherent human resources policy development and management of the government’s most valuable resource, its employees. While a large task, the consideration of the problems which have resulted from this proliferation and how they might be best addressed is one which is not only worth undertaking, but essential if we are to see truly significant change.

Recruitment and Retention Issues within the SES

Restoration of Career Leadership

Most career Senior Executives have spent their careers in civil service and are committed to the mission of the federal government and their agencies. Morale has been lowered by years of lessening the role of the career executive by filling many SES positions with politically appointed non-career SES. Also, the failure to provide career leadership at certain top positions – as was once the practice in government – has produced the result of a loss of continuity and expertise. With the proper focus and respect, the career executive corps is ready and able to step up and lead their agencies, implement new policies and programs and effectively serve the American people.

Given the transition and the critical issues facing the country, it is imperative that career leadership be given attention by Congress and the new Administration. Career executives are the key to the continuity and expertise necessary to ensure critical programs and daily agency operations continue to function while there is a lack of political appointees in place. Career senior executives also play a crucial role in overseeing the effective and proper use of the economic stimulus funds that will go to federal agencies. To ensure that Senior Executives have the necessary support and tools to carry out their mission, the Senior Executives Association suggests the following reform:

Consider placing high-performing career executives in Assistant Secretary for Administration and other key positions requiring long-term experience at each agency, specifically, as Deputy or Chief Human Capital Officers, Chief Information Officers, Chief Financial Officers, and Chief Operating Officers. These positions are now reserved almost exclusively for political appointees, as is the position of Assistant Secretary for Administration, which was formerly held by senior career employees in cabinet departments. In only two departments – Justice and Transportation – do career Senior Executives now hold that position, as a result of a statutory requirement (at Justice, the

Assistant Attorney General for Administration is also required to be held by a member of the competitive service).

SEA makes this recommendation because a) continuity in leadership and expertise during the transition from one Administration to another is needed and the need is not satisfied when a political appointee resigns and another takes his or her place, and b) relatively short-term political appointees have limited ability to accomplish long term agendas. Further, Administrations are not gaining the benefit they might from seasoned and accomplished career executives who know how to operate government programs and to pursue the agendas of their political leadership.

SES Pay and Performance Management System

The current proliferation of demonstration projects and alternate personnel systems across government have created a complex system that strains the human resources capacity of the federal government. This Balkanization of pay and performance personnel systems creates confusion among employees as they move within departments and across agencies. Varying benefits also create a sense of haves and have nots between employees within a single agency. A more uniform, consistent and transparent personnel system is needed to ensure a more effective government and to increase workforce morale.

Today's SES pay and performance management system is an example of this. It was created in 2003 and thrust upon the SES without a dialogue with those it affected. There has now been sufficient time and experience to examine how well the system works. SEA believes the system needs to be modified to ensure that quality applicants will aspire to the SES and those already in the SES will want to stay. The large number of Senior Executives eligible to retire makes a review of the SES system even more imperative.

Multiple surveys of Senior Executives have highlighted that the SES pay and performance system is a major reason for the recruitment and retention challenges facing the SES. SEA has become aware of a perception among an increasing number of federal managers that the SES is not a desirable career goal. This is due in large part to the skewed risk and reward ratio that Senior Executives face. Senior Executives 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 General Schedule (GS) employees. While there are many 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 ranks find that the pay and performance management system does not work as intended. What is clear after four cycles is that a system that was meant to relieve pay compression, to be transparent and flexible, and to reward 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.

When SEA surveyed Senior Executives in 2006, one of the most telling findings was that 47% of respondents believed that GS-14 and GS-15 employees were losing interest in aspiring to SES positions. A 2008 OPM survey on the SES pay and performance management system found that only 50% of Senior Executives believed that the current SES pay and performance management system was helpful in recruiting qualified applicants for SES positions. This is a disturbing trend that is regularly reported to SEA and confirmed now by two survey results.

SEA believes that the pay system, added to the increased risks of becoming a Senior Executive, is another factor deterring managers from aspiring to the SES. SES annual pay increases have not kept up with GS increases over the past several years because increases in the Executive Schedule, which sets the caps for SES pay, have lagged behind GS increases. From 1994 to the present, if the EL-II pay rate had increased each year by the same percentage as GS pay in the Washington DC area, EL-II (the cap on SES pay in certified agencies) would now be \$242,318, not \$177,000. In addition to the lack of locality-based pay adjustments, SES annual pay increases are entirely discretionary, irrespective of performance, creating the accurate perception that a new Senior Executive cannot rely on the receipt of annual comparability increases upon entry to the SES. Moreover, GS and alternate pay systems have become more generous with the result that today some GS-15 or equivalent employees make more than the Senior Executives they work for, particularly if the Senior Executive is new.

Many Senior Executives also express concerns about a distinct disconnect between ratings, pay adjustments and performance awards. The SEA survey found that many executives believe the connection between their performance ratings and pay adjustments were based on administrative decisions and budgetary constraints, not actual performance. Further, there was no connection between increased responsibilities and pay; of the 233 executives reporting increased responsibilities since the implementation of the new pay system, 191 (82%) received no salary increase.

SEA believes that overall reform of the SES pay system is imperative and should be accomplished as part of an overall pay reform of the entire federal pay and personnel system. SEA looks forward to working with those in Congress and the Administration who share the belief that such a reform is necessary. While that reform is taking place, and until it occurs, SEA proposes several common sense solutions as a short term remedy for the issues with the SES pay and performance management system, including:

- All Senior Executives rated as “Fully Successful” or better performance level should receive at least some annual increase. In an October 31, 2006 memorandum regarding Certification of Performance Appraisal Systems for Senior Employees for Calendar Year 2007, OPM Director Linda Springer expressed OPM’s expectation that “senior employees who are at a pay level consistent with their current level of responsibilities and who receive an acceptable (“fully successful” or better) rating should receive a pay increase.” Agency discretion (as noted above), however, interferes with this outcome. In January 2008, Senior Executives rated “Fully Successful” in F.Y. 2007 received

an average 2.5% pay increase; contrast this with a GS employee in the Washington DC locality pay area, who received a 4.49% adjustment without regard to his or her performance rating. An annual guaranteed increase for executives who have performed successfully should be at least as much as the increase in the Executive Schedule plus the increase in locality pay for the geographic area in which the executive works. That would still, in most years, be below what GS employees receive.

- Include performance awards in a Senior Executive's "high three" in calculating his or her retirement annuity. We believe that this second provision would make the SES an attractive career goal for the best applicants and will help assure a high quality future SES. Also, it recognizes the reality that performance awards have become an integral part of the SES compensation system.

Continuing Development and Candidate Training Programs

As the Subcommittee noted in its invitation to testify, a key part of a functional government includes a skilled workforce. While some agencies have training programs in place, there is no required across the board training for Senior Executives. Some training and development opportunities do exist in the form of Candidate Development Programs (CDP's). More attention needs to be given to ensuring that Senior Executives receive appropriate training throughout their careers. That includes specific "on-boarding" programs (which may include, for example, executive coaching and/or a mentor for the first year), as well as attention to activities which can keep a career executive up to date and revitalized throughout his or her time in the SES.

Training programs are often cut when agency budgets are tight and are often neglected in an agency's strategic planning. The lack of training and development related to a strategic plan is a problem that affects the preparedness and effectiveness of agencies government-wide. SEA recommends that agencies be required to address training needs within their strategic plans and that training and continuing development needs of the Senior Executive Service be pursued and implemented.

SES Hiring Process and Reforms

The hiring process throughout the federal government is in need of reform. It is an overly burdensome, opaque, and time consuming process that often deters the best applicants. Addressing the problems with the system should be a priority in any discussion of the pressing issues confronting the federal workforce. That being said, the hiring process for the SES, while sharing some of the same problems, is generally quite different from other systems. Applicants must submit a set of responses outlining their Executive Core Qualifications. This information is then given to a Qualifications Review Board which reviews the information and makes recommendations to the Office of Personnel Management and the specific agency to which the applicant is applying. This rigorous process is necessary to ensure that the most qualified candidates are chosen to become Senior Executives.

SEA understands that the complexities of the SES hiring process can be a deterrent to some applicants, especially those applying from outside government. OPM recently started a pilot program to attempt to streamline the process. The program experimented, in ten agencies, with different methods for applying for SES vacancies (the “Resume Only” method, and the “Accomplishment Record” method.) SEA is concerned that this streamlining effort not diminish the need for careful ascertainment that the applicant to the SES does actually possess executive capabilities.

Perhaps of even more concern to SEA is OPM’s new, experimental use of “Virtual QRBs.” Formerly, the three members of individual QRBs assembled in person at OPM and spent considerable time studying each candidate’s case files in order to assure that candidates are well-qualified, and are not chosen primarily for political reasons. Careful QRB consideration of SES selections is a very important part of the Civil Service Reform Act, designed to ensure that merit principles are followed. In the legislative history, numerous members of Congress voiced their concerns regarding possible politicization of the SES, and there were frequent references to “independent” QRBs administered by OPM as providing a counter check to such politicization.

While SEA applauds the effort to reform the system, we have concerns with the process and believe that balance needs to be achieved between more efficient hiring procedures and acquiring necessary information and review processes are followed to ensure the most qualified applicants are selected.

SEA also encourages OPM to pursue hiring flexibilities in its effort to streamline the hiring process. Such flexibilities are valuable tools for managing human resources and provide incentives for the recruitment and retention of federal employees. These flexibilities include initiatives such as rehiring federal annuitants. Such a tool would address the pending flood of retirements and would provide agencies greater flexibility in meeting their staffing needs.

Given the increased responsibility facing agencies to provide the requisite guidance and oversight of economic stimulus programs and funding, it is increasingly necessary to have experienced managers in place. Rehired annuitants would be able to provide the required experience to effectively manage critical programs and could also serve as temporary mentors to newer employees taking the place of retirees.

Conclusion

There are many issues and challenges affecting the ability of the federal workforce to provide effective and efficient service. By implementing necessary reforms now, to both the SES system and at all levels of the federal workforce, many problems can be addressed before they become intractable. SEA looks forward to working with Congress, OPM and the Administration to find creative solutions to ensure that the federal government’s human resource management practices appropriately serve the workforce, federal agencies, and the American public.