

**Statement of the Hon. James R. Schlesinger and Admiral Harry D. Train (USN, Ret.) for the U.S. Commission on National Security/21<sup>st</sup> Century, before a Joint Session of the Senate Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia and the House Subcommittee on Civil Service and Agency Organization, March 29, 2001**

Mr. Chairmen,

Thank you for inviting us to testify before your sub-committees. As you know, the U.S. Commission on National Security/21<sup>st</sup> Century has taken very seriously the problems that this hearing is concerned with today, specifically, "The National Security Implications of the Human Capital Crisis." Let me be specific: The Commission's final report concludes: "As it enters the 21<sup>st</sup> century, the United States finds itself on the brink of an unprecedented crisis of competence in government. The maintenance of American power in the world depends on the quality of U.S. government personnel, civil and military, at all levels. We must take immediate action in the personnel area to ensure that the United States can meet future challenges."

Although the Commission's mandate involved a review of the entire of U.S. national security apparatus, the 14 Commissioners believe the issue of human capital to be so important that it comprises one of only five major sections in the report. In that section entitled "The Human Requirements for National Security," the Commission details a range of problems this nation faces with the process of Presidential appointments, the Civil Service, the Foreign Service, and military personnel in the decades ahead. It recommends solutions for those problems, and notes that other proposals for the reform of the structures and processes of the national security apparatus cannot fully succeed unless personnel issues are faced and deficiencies remedied.

In other words, it is the Commission's view that fixing personnel problems is a *precondition* for fixing virtually everything else that needs repair in the institutional edifice of U.S. national security policy.

We would be remiss if we did not point out that other parts of the Phase III Report deal with personnel deficiencies, too. For example, the section of the Report entitled "Recapitalizing America's Strengths in Science and Education" is about the national security implications of deficiencies in the management of science policy and education.

As to science policy, the Report notes that the U.S. Government does not follow any coherent or systematic process for determining how many and what kinds of scientific and engineering personnel it needs. We recommend that the Administration and the Congress devise such a process, for having the right numbers and the right mix of competent scientists and engineers in government service will become more, not less, important in the years ahead.

Our report notes, as well, the need to establish a more competitive and productive environment for the spending on research and development for science and technology. To create such an environment we need to do a better job of inventory stewardship for the nation's science and technology assets. The logic here is simple: It is not possible to target effectively dollars and energy to the most rewarding research areas if we do not know which areas those are. The most

important of this country's assets in science and technology are highly-trained people, a significant number of them nowadays being non-U.S. nationals. As we move increasingly into a knowledge-based economic era, we need to monitor more efficiently our pool of scientific and technological talent so that we can invest wisely in future American innovators and protect proprietary U.S. science and technology assets.

As for education, the Report emphasizes the looming teacher shortage the nation faces, and particularly the shortage of qualified teachers of science and mathematics at the K-12 level. Shortages of elementary and secondary school science and math teachers will contribute to future shortages of trained U.S. nationals who will become professionals in scientific, engineering, and a variety of technical fields. As we all recognize, such shortages could have a significant negative impact on both U.S. economic vitality and specifically on national security posture.

In other words, the Commission takes the matter of personnel quality seriously not only with respect to national security components in government, but also with regard to the non-government science and technology sectors. The Phase III Report makes several recommendations on these broader issues, but we focus today on the four governmental areas noted just a moment ago: the Presidential appointments process, the Civil Service, the Foreign Service, and military personnel systems.

While these four areas have their own specific problems, they share certain broad challenges in common. Most important, there is a declining orientation toward government service as a prestigious career, and we find this deeply troubling. One source of this decline is that the sustained growth of the U.S. economy has created private sector opportunities with salaries and advancement potential well beyond those provided by the government. This has a particular impact in shaping career decisions in an era of rising student debt loads.

But the problem is not just about money. In government, positions of responsibility and the ability to advance are hemmed in by multiple layers, even at senior levels, while in the private sector responsibility and advancement often come more quickly. Rigid, lengthy, and arcane government personnel procedures—including those germane to hiring, compensation, and promotion—also discourage some otherwise interested applicants.

For example, the length of the hiring process inhibits many qualified Foreign Service applicants from accepting job offers. Highly-qualified and talented people are not inclined to wait in uncertainty for a year or more while the government makes up its mind when they can be working at equally rewarding private sector jobs in a week or two. We simply have to make the government act smarter in the process of employing people.

Another problem is that there is less of a national threat to entice people into public service than there was in the Cold War. Careers in government no longer seem to hold out the prospect for highly regarded service to the nation. Meanwhile, the private and non-profit sectors now offer opportunities that appeal to idealistic Americans who, in an earlier time, might have been attracted to government service. Government has to compete with the private sector not only in terms of salary and benefits, then, but in terms of the intrinsic interest of the work and the sense of efficacy and fulfillment that work bestows.

At the same time, the trust that Americans have in their government is buffeted by cynicism. Consistent criticism of government employees and agencies by politicians and the press

has magnified public dissatisfaction and lowered regard for the worthiness of government service. Political candidates running “against Washington” have fueled the impression that all government is prone to mismanagement, and invariably provides inferior services to those of similar organizations in the private sector. This is *not* the case, but virtually every Presidential candidate in the past thirty years has employed rhetoric criticizing “the bloated bureaucracy” as a means of securing “outsider” status in the campaign. The cumulative effect of this rhetoric on public attitudes toward the government has been significant and very negative.

The effect of these realities, taken together, on recruiting and retention problems is manifest. Not only do fewer successful applicants actually enter the Foreign Service, the number of people taking the Foreign Service entrance exam is down sharply, too. Meanwhile, the State Department shows signs of a growing retention problem. Fewer applying, fewer successful applicants taking jobs, fewer mid-career officers staying—no wonder we worry about the overall quality of the future U.S. diplomatic corps.

The national security community also faces critical problems recruiting and retaining scientific and information technology professionals in an economy that has made them ever more valuable. The national security elements of the Civil Service face similar problems, and these problems are magnified by the fact that the Civil Service is doing little recruiting at a time when a retirement wave of baby-boomers is imminent.

For the armed services, these trends have widened the cultural gap between the military and the country at large that continues to be affected by the abolition of the draft in the 1970s. While Americans admire the military, they are increasingly less likely to serve in it, to relate to its real dangers and hardships, or to understand its profound commitment requirements. Military life and values are increasingly unknown to the vast majority of Americans.

The military’s capabilities, professionalism, and unique culture are pillars of America’s national strength and leadership in the world. Without a renewed call to military service and systemic internal personnel reforms to recruit and retain quality people, the leadership and professionalism necessary for an effective military will be in jeopardy. We must never forget that, as valuable as weapons systems and high-tech communications are to future warfare, they pale in significance beside the quality of the people responsible for their employment.

**W**e would like to summarize for you now the Commission’s recommendations in the four areas outlined earlier. We cannot do full justice, however, to the Report itself, so we ask, Mr. Chairmen, that the relevant sections of the Commission’s Phase III Report be appended to this statement for the record.

Just as each of these four areas has both particular problems and something in common with the other three, so the Commission’s recommendations begin with an attack on the common problem.

First and foremost, the Commission believes that *a national campaign to reinvigorate and enhance the prestige of service to the nation* is necessary to attract the best Americans to military and civilian government service. The key step in such a campaign must be to revive a positive attitude toward public service. It has to be made clear from the highest levels that frustrations with particular government policies or agencies should not be conveyed through the denigration of federal employees *en masse*. Calls for smaller government, too, should not be read

as indictments of the quality of government servants. Instead, specific issues should be addressed on the merits, while a broader campaign should be waged to stress the importance of public service in a democracy.

Implementing such a campaign requires strong and consistent Presidential commitment, Congressional legislation, and innovative departmental actions throughout the federal government. What the President says, and how he says it, matters. Moreover, only the President can shape the Executive Branch agenda to undertake the changes needed in U.S. personnel systems. Meanwhile, Congress must enact a series of legislative remedies, but it must also change its own rhetoric to support national service. It must work with department heads and other affected institutions to ensure that a common message is conveyed and, most important, that Executive departments and agencies have the flexibility they need to make real improvements.

Rhetoric alone, however, will not bring America's best talent into public service. The Commission believes that unless government service is made more professionally rewarding tomorrow's leaders will seek service elsewhere. Government needs high-quality people (civilian and military) with expertise in the social sciences, foreign languages, and humanities as well as in science, math and engineering. The decreased funding available for these programs from universities and foundations may threaten the ability of the government to produce future leaders with the requisite knowledge—in foreign languages, economics, and history to take several examples—to meet 21<sup>st</sup> century security challenges.

Therefore, the Commission proposes to extend scholarship and debt relief benefits to those social science, foreign language, and humanities students who serve the nation. We urge Congress to expand significantly the National Security Education Act (NSEA) of 1991 to include broad support for these fields in exchange for military and civilian service to the nation. In addition, the Commission urges the creation and passage of a National Security Science and Technology Education Act (NSSTEPA) that would focus on funding math, science, and engineering majors in exchange for K-12 teaching or government service (military or civilian). Details for both of these recommendations may be found in the Commission's Phase III Report, and we urge Members and their staffs to review them.

● With respect to the issue of Presidential appointments, we recommend the most urgent possible streamlining of the process by which we attract senior government officials. The ordeal that Presidential nominees are subjected to is now so great as to make it prohibitive for many individuals of talent and experience to accept public service.

The confirmation process is characterized by vast amounts of paperwork and many delays.

Conflict of interest and financial disclosure requirements have become a major obstacle to the recruitment of honest men and women to public service.

Post-employment restrictions confront potential appointees with the prospect of having to forsake not only income but work itself in the very fields in which they have demonstrated talent and found success. Unless we want to limit the pool of senior officials to those on the verge of retirement from professional life, we simply must do something about this now.

Meanwhile, a pervasive atmosphere of distrust and cynicism about government service is reinforced by the encrustation of complex rules based on the assumption that all officials, and

especially those with experience in or contact with the private sector, are criminals waiting to be unmasked.

We therefore recommend the following:

***That the President act to shorten and make more efficient the Presidential appointee process*** by confirming the national security team first, standardizing paperwork requirements, and reducing the number of nominees subject to full FBI background checks.

***That the President reduce the number of Senate-confirmed and non-career SES positions by 25 percent to reduce the layering of senior positions in departments that has developed over time.***

***That the President and Congressional leaders instruct their top aides to report as soon as possible on specific steps to revise government ethics laws and regulations.*** This should entail a comprehensive review of regulations that might exceed statutory requirements and making blind trusts, discretionary waivers, and recusals more easily available as alternatives to complete divestiture of financial and business holdings of concern.

- An effective and motivated Foreign Service is critical to the success of U.S. foreign and national security policy. Yet, 25 percent fewer people are now taking the entrance exam compared to the mid-1980s, and, as we have already noted, fewer successful candidates are accepting employment and more mid-career officers are leaving. Those who stay complain of poor management and inadequate professional education. We therefore recommend that the Foreign Service system be improved by making leadership a core value of the State Department, revamping the examination process, and dramatically improving the level of on-going professional education.

Specifically, we urge a total end to the blindfolding policy of the Foreign Service's oral examination. We urge that a personnel float of 10-15 percent be built into the Foreign Service personnel system to allow for significant on-going professional education. This is a critical factor in retention, and it has been given short shrift for too long. We also recommend that the name of the Service be changed to the U.S. Diplomatic Service. This would avoid the misconception held by some Americans that the job of the Foreign Service is to work on the behalf of foreign interests.

- The Civil Service faces a range of problems from the aging of the federal workforce to institutional challenges in bringing new workers into government service to critical gaps in recruiting and retaining information technology professionals.

The aging problem is especially acute. The first of the post-World War II baby-boom generation turns 55 this year. A retirement wave that will continue for the next eighteen years will reach crisis proportions in many departments. Nearly 60 percent of the entire civilian workforce is eligible for early or regular retirement today. Within that overall figure, 27 percent of the career Senior Executive Service (SES) is eligible for regular retirement now; 70 percent will be eligible within five years. This wave is exacerbated by the small numbers of employees in their twenties and thirties in most agencies. When agencies such as the Department of Defense and those within the intelligence community chose to downsize through hiring freezes, they contributed inadvertently to this trend.

The Commission believes these problems can be turned into opportunities to adapt the civilian force to meet the new challenges of the 21<sup>st</sup> century if recruitment hurdles are eliminated, if the hiring process is made faster and easier, and if professional education and retention programs worthy of full funding by Congress are designed. Retaining talented information technology workers, too, will require both greater incentives and the outsourcing of some IT support functions.

The national security component of the Civil Service calls for professionals with breadth of experience in the interagency process and with depth of knowledge about policy issues. To develop these, *we recommend the establishment of a National Security Service Corps (NSSC)* to broaden the experience base of senior departmental managers and develop leaders who seek integrative solutions to national security policy problems. Participating departments would include Defense, State, Treasury, Commerce, Justice, Energy, and the new National Homeland Security Agency that this Commission has proposed—the departments essential to interagency policymaking on key national security issues. While participating departments would retain control over their personnel, an interagency advisory group would design and monitor the rotational assignments and professional education that will be key to the Corps' success.

- With respect to military personnel, reform is needed in the recruitment, career management, compensation, and retirement systems. Otherwise, the military will continue to lose its most talented personnel, and the armed services will be left with a cadre unable to handle the technological and leadership tasks necessary for a world-class 21<sup>st</sup> century force. We do not want to go into detail here, but some of the data really are startling and deserve our attention.

The Navy is nine hundred pilots short of necessary levels, while the Air Force reports the largest peacetime pilot shortage in its history: 1,200 pilots short of operational requirements. The Air Force pilot loss rate is projected to double by 2002. Over the past ten years, the Army has experienced a 58 percent increase in the percentage of Captains voluntarily leaving the military before promotion to Major. High-quality junior officers are also leaving military service earlier. In 1987, 38 percent of the Army's West Point graduates left military service before ten years of active duty—the best retention rate among all Army commissioning sources. In 1999, 68 percent of West Point graduates left before the ten-year point, the worst retention rate among all Army commissioning sources. High-quality Lieutenant Colonels/Colonels and their Navy equivalents (O-5s and O-6s who have had Department/Battalion/Squadron/Ship-level commands in their careers) are leaving early, as well. The Navy reports that both post-department officers and post-squadron Commanders are separating at a rate *three times higher* than a decade ago. The effect of these trends on our future military are not just cause for concern, they are terrifying.

Beyond the significant expansion of scholarships, debt relief programs, and significant career management reforms we call for in other domains, we recommend substantial enhancements to the Montgomery GI Bill and strengthening recently passed legislation that supports enhanced service benefits—including transition, medical, and homeownership—for qualified veterans. The GI Bill should be restored as a pure entitlement, be transferable to dependents after a career service member completes 15 years of service, and should equal, at the very least, the median tuition cost of four-year U.S. colleges. Payments should be accelerated to coincide with school term periods and be indexed to keep pace with annual college cost increases.

In addition, Title 38 authority for veterans benefits should be modified to restore and improve medical, dental, and VA home ownership benefits for all who qualify, but especially for

career and retired service members. Taken as a package, such changes will help bring the best people into the armed service and persuade quality personnel to serve longer in order to secure greater rewards for their service.

While these enhancements are critical they will not, by themselves, resolve the quality recruitment and retention problems of the Services. The problems are structural. The personnel system was set up over a half century ago, at a time when large numbers of strong young men were needed temporarily. We now have a military that requires more experienced technical specialists to stay on for longer periods. Fifty years ago there were only so many officer slots for soldiers who had grown well beyond their physical peak. Today, the military needs a much wider array of technical specialists, and it does not matter if their hair is thinning. But the rigidities of the current personnel system work in the opposite direction. They leave the military without the flexibility to choose non-traditional age groups to address future human resource needs.

We therefore recommend significant modifications to military personnel legislation governing officer and enlisted career management, retirement, and compensation—giving Service Secretaries more authority and flexibility to adapt and manage their overall military human resource requirements. This should include flexible compensation and retirement plans, exemption from “up-or-out” mandates, and reform of personnel systems to facilitate fluid movement of personnel. If we do not decentralize and modernize the governing personnel legislation, no military reform or transformation is possible.

We also call for an executive-legislative working group to monitor, evaluate and share information about the testing and implementation of these recommendations. With bipartisan cooperation, our military will remain one of this nation’s most treasured institutions and our safeguard in the changing world ahead.

**M**r. Chaimen, in conclusion, let us only add that we are aware that many of our recommendations will cost money. On the other hand, many of our recommendations in others areas will save money. We have not taken an accountant’s attitude to our task; we have not tried to “balance the books.” Where our recommendations save money, we consider it a second order benefit. Where they cost money, we consider it an investment in a *first* order national priority.

The Commission has undertaken to specify in greater detail than appears in our final Report the fiscal implications and possible implementation schedules for the recommendations we have made. We are ready to share these details with you and your staffs upon request.