



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

**STATEMENT OF
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before the

**SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE**

on

**“STRENGTHENING THE SENIOR EXECUTIVE SERVICE: A REVIEW OF
CHALLENGES FACING THE GOVERNMENT’S LEADERSHIP CORPS”**

March 29, 2011

Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee:

Thank you for inviting me to speak with you today about the current state of the Senior Executive Service (SES). I very much appreciate your interest in ensuring we are doing all that we can to nurture and support an effective senior leadership corps.

We are in an unusually challenging period for the SES – and for the civil service generally. We face rising public skepticism about the Government’s capacity to meet the many challenges confronting the Nation and to do so in a way that gives taxpayers the best value for their money. Most agencies are being forced to do more with frozen or shrinking budgets. Consequently, Federal agencies need to be especially vigilant in seeking continuous improvement in the way we manage our resources – including our human resources – to carry out increasingly complex missions effectively and in the most economical way possible.

Members of the Senior Executive Service are on the front lines of this challenge. At a time when we truly need the best and the brightest in our executive corps – and when senior managers are expected to achieve even greater results with limited resources – the funds available for executive pay, awards, training, and professional development are severely limited. Not only is this true of funds for senior executives’ own compensation and development, but funds are also limited for training, developing, and rewarding the employees they manage and for training and

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developing their successors. At the same time that career SES members are being asked to achieve more with fewer resources, they must also lead workforces that are facing new challenges to their own compensation, professional development opportunities, and morale.

However, the Government's senior leaders have been chosen carefully and will rise to the occasion. The stakes are too high. The services for which the public depends upon us and the problems they need us to solve are too important. We will not turn away from them, and we will not settle for merely getting by.

President's Management Council Initiative on Improving the SES

This is why, last year, the President's Management Council (PMC) launched an Initiative on Improving the SES, led by the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). OPM and OMB began by consulting with a range of experts, including past and present SES members, the Senior Executives Association (SEA), and the Partnership for Public Service ("the Partnership"). OPM and OMB then led a number of working groups, made up of more than 50 individuals from 19 Federal agencies, to analyze key issues and identify a set of recommendations in the areas of senior leadership engagement, recruitment, career development, and performance management. OPM and OMB are currently leading the pilot implementation by several agencies of the recommendations of the working groups, in collaboration with other groups such as SEA, the Partnership, and the President's Management Advisory Board. I would like to highlight some of the recommendations from this project that are being implemented, keeping in mind that this is not an exhaustive list and that the implementation groups are continuing to generate new ideas and recommendations.

Senior Leadership Engagement

First, the success of all of the PMC Project recommendations on SES improvements depends heavily on the involvement and support of agency heads and other senior leaders, including Secretaries, Deputy Secretaries, Under Secretaries, Assistant Secretaries, and the equivalent. Senior agency leaders optimize the effectiveness of the senior executives by visibly engaging on key issues, including: ensuring effective leadership development, recruitment, and on-boarding of senior executives; communicating clear performance expectations, regularly and promptly providing feedback on performance, and accurately and fairly evaluating performance; actively partnering with SES members; and communicating the value of executives' contributions. The PMC Project working groups will work to further develop recommendations on senior agency leader engagement in SES issues, including the following:

- The White House and OMB will work with agencies to identify opportunities for direct engagement with SES members, such as in activities related to implementation of the Government Performance and Results Modernization Act of 2010.

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- OMB and OPM will work closely with leadership councils that have overlapping interests in SES issues, particularly the PMC, Chief Human Capital Officers (CHCO) Council, and Performance Improvement Council.
- Senior agency leadership will be asked to conduct agency-specific SES forums to address the range of issues pertinent to executives.

Recruitment

SES recruitment demands special attention at a time when more than half of current SES members are eligible to retire. In order to reach the deepest and most talented pools of executive candidates, agencies must consider diverse avenues to recruit high-quality talent, including sources outside the Federal Government. The PMC SES Initiative implementation groups are currently working on a shared capacity among agencies to jointly recruit SES candidates with marketing and outreach strategies focused both inside and outside the Government, with the objective of appropriately supporting diversity and veterans' employment. These efforts will also include the use of a resume-based SES hiring model that will enable the Government to draw from broad and diverse talent pools while streamlining procedures to increase efficiency and the quality of the applicant experience. OPM is also leading a working group to examine improvements in the staffing, timeliness, and effectiveness of the Qualifications Review Boards that assess the core qualifications of SES candidates.

Career Development

Agencies cannot expect to have an effective senior executive corps if they do not provide robust career development opportunities. Offering these opportunities is an especially acute challenge in the current fiscal climate. One way to address this is through pooling resources to provide shared educational offerings, partnering to share rotational opportunities, and compiling a current directory of SES members available for rotations to facilitate communication. OPM is currently working on all of these initiatives.

We recognize that the experience a new executive has in the first year is critical to his or her future success; and OPM has responded by creating a one-year "on-boarding" program to facilitate the transition into an executive position and foster a culture of continuous learning and development. OPM has initially provided this program model to six agencies that will pilot this program through the PMC SES Initiative. The on-boarding program includes a special emphasis on providing information and support to executives who are new to the Government, as well as those who are new to their specific agency, particularly during their first 30 days on the job, in order to expedite their transition and integration into their new roles.

In partnership with the Federal Executive Institute, OPM is also designing a Governmentwide leadership development initiative that includes a candidate development curriculum, more frequent SES orientation programs, and cohort networking opportunities. OPM is also working with Federal agencies to broaden networking and professional development opportunities for

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current SES members. This effort will include identifying best practices in and outside Government that agencies will be able to customize for their own use. We are producing a compendium of Fortune 500 companies' best practices on executive development.

OPM also continues to work with agencies on creating or maintaining Candidate Development Programs (CDP) which enable agencies to identify and prepare future senior executives within the agency. The CDPs provide SES candidates at the GS-14 and 15 levels with the training and development opportunities they need to strengthen their executive competencies, and to understand the wide range of Government programs and issues beyond their own agencies and professions. Success in placing graduates of these programs varies widely among agencies, and OPM is working with agencies to improve the placement of graduates of their SES CDPs. OPM recently developed a centralized website for CDP developmental assignments.

OPM encourages agencies to collaborate when developing and implementing CDPs and the curriculum for CDP participants. Current regulations allow for multi-agency programs. We have coordinated joint CDPs in the past, as a resource for small agencies that typically do not have the resources to establish and administer CDPs; however, these programs lacked participation, either because agencies were not persuaded of the value of these programs or because agencies lacked the funds to participate. Through the PMC Initiative, OPM is working with numerous agencies to produce more shared CDP events and activities. These events will help establish networks and broaden participants' organizational experiences, in addition to reducing costs to agencies.

OPM is also working with OMB and to lead a PMC Initiative pilot project to generate inter-agency rotational opportunities, shared between several agencies, for employees at the GS-13-15 levels who have demonstrated leadership potential. This project, which involves 9 agencies, aims to provide aspiring senior executives with high-level, meaningful assignments that will hone their managerial skills and give them broader organizational experience. Participating agencies have agreed to host the cohort once during the rotational program, providing a monthly learning event to facilitate networking of participants across agencies. We expect that the wider use of rotational assignments will help cultivate a senior executive corps with more diverse views, perspectives, and experiences.

Personnel Performance Management

Another major element of the SES Initiative is improving personnel performance management. OPM, OMB, and an agency working group are focusing on streamlining the appraisal system certification process and strengthening the linkage between appraisal systems and agency missions and performance goals. The CHCO Council has created a working group to provide an initial set of recommendations for improving the Federal Government's method for evaluating employee performance. Understanding and measuring performance is a crucial component of rewarding performance. The current performance-based pay system for the SES was established in 2004. Under the law, agencies may not pay their senior executives higher than the rate for level III of the Executive Schedule unless those employees are covered by an appraisal system

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that is certified by OPM, with OMB concurrence, as making meaningful distinctions based on relative performance. Those who are covered by a certified appraisal system may be paid up to the rate for level II of the Executive Schedule. Today, nearly all SES members are covered by a certified performance appraisal system. They are being held accountable for achieving measurable results that are directly linked to organizational goals, and we are seeing better distinctions in performance under the current pay system.

Career and Political Employees and the Hiring Process

The Civil Service Reform Act of 1978 that created the SES allows up to 10 percent of SES positions Governmentwide to be filled by political appointees, and 90 percent are to be filled by career employees. As of December 2010, there were 7,077 career employees and 668 political appointees Government-wide, which means 89 percent were career, 8 percent were political appointees, 2 percent were limited term, and another 1 percent were unspecified.

Regarding the SES hiring process, OPM has developed a set of core qualifications, commonly known as the Executive Core Qualifications (ECQs), to assess potential career appointees to the SES. OPM administers peer review boards which evaluate whether candidates possess essential leadership qualifications required under the ECQs. The ECQs include: (a) Leading Change; (b) Leading People; (c) Results Driven; (d) Business Acumen; and (e) Building Coalitions. The ECQs reflect an underlying 28 executive competencies.

In 2008, OPM piloted two new methods for selecting members of the SES, the Accomplishment Record and Resume-based methods. The Accomplishment Record method does not require SES applicants to address the five broad ECQs but rather a select few of the 28 executive competencies underlying the ECQs. The Resume-based option is even simpler, with the applicant showing possession of the ECQs in a standard resume format. Finally, initial career appointments to the SES must be founded on merit-based competition. OPM is currently working on creating a pilot project to expand resume-based hiring for new SES members. Currently, the time from the SES vacancy announcement closing date to review by the Qualifications Review Board, which reviews and approves appointments of new SES members, is 117 days on average based on Executive and Schedule C System (ESCS) data. We are continuously working to improve the timeliness of hiring.

Diversity within the SES

We have made some progress on diversity, but we cannot be complacent about the importance of stepping up our efforts. Of course, when we talk about diversity, we have in mind a very broad view of diversity that includes recruiting and hiring from a very wide variety of groups. Our understanding of diversity also goes beyond simply achieving greater numbers of SES recruits from each of these groups; it has to do with nurturing a culture of inclusiveness. This entails

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making sure we are benefiting from the best thinking and talents of everyone and that we are doing all we can to develop their skills.

Many of the measures I have previously described as part of the President's Management Council Initiative are designed to enhance diversity within the SES. These include the SES diversity roundtable discussions we conducted last year and the effort to connect agencies with special emphasis and affinity groups to help them cast a broader net in SES recruiting. In addition, the resume-based hiring model I described will use marketing and outreach strategies to reach a diverse set of professional organizations, including those with membership composed of minorities, women, and individuals with disabilities. The "on-boarding" initiative I described includes delivery of training on managing diversity and fostering inclusiveness for all new executives. All of these actions demonstrate that OPM is paying attention to diversity, and it has been incorporated in many elements of the Initiative on Improving the SES.

I would also like to tell you about steps we have taken within OPM to give diversity a sharper focus. Director John Berry and Deputy Director Christine Griffin established a new Office of Diversity and Inclusion (ODI) to develop and coordinate Governmentwide policy and initiatives to promote diversity. ODI is currently developing a comprehensive strategy to nurture and consolidate more inclusive practices throughout the Federal Government and to help build a diverse workforce, respecting varied individual and organizational cultures, while complying with merit principles and applicable Federal laws. ODI is further supporting Deputy Director Griffin's effort to establish strategies and tools for agencies to use as they create an environment that values workforce diversity as an essential element of high-performing organizations.

OPM also established an Executive Resources and Employee Development (ERED) office, consolidating numerous responsibilities relating to Government leadership, including policies and services for all Federal Government SES and other senior professionals (such as SL/ST employees). Our ERED office also is responsible for personnel performance management and employee development for all Federal employees. ODI and ERED collaborate closely on policies and strategies designed to ensure a cadre of strong senior executives.

OPM currently supports diversity management within the SES in multiple ways. In its SES policy development, OPM reinforces merit system principles and emphasizes the importance of diversity. OPM also provides direct operational services to ensure equal employment opportunity, including administering the Qualifications Review Board (which reviews and approves appointments of new SES members) and the Presidential Rank Award to ensure adherence to merit system principles and the participation of reviewing officials who are selected from diverse and broad pools. When reviewing and approving agency SES Candidate Development Programs, OPM requires the CDPs to use inclusive marketing and outreach procedures and to comply with merit system principles. These are some of the ways in which fostering diversity is integrated into our day-to-day work.

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Pay Compression

Finally, we cannot forget that agencies' ability to recruit and retain outstanding individuals into their senior executive corps is also affected by pay. As you know, Mr. Chairman, there is a serious pay compression problem that affects SES members, as well as other senior officials. Senior executives' pay has not kept pace with that of the workforce they manage. Current pay rates for senior officials do not reflect either internal alignment based on the relative importance and difficulty of the work or external alignment based on salaries for comparable jobs paid by other employers.

In the Washington, D.C., area, for example, the starting rate for the SES range is more than \$4,000 lower, at \$119,554, than the starting rate for a GS-15. The reason for this is that the GS pay rates are adjusted by locality pay, and the SES pay range is not.

While the impact of pay compression on recruitment and retention is difficult to measure, responders to a 2009 survey by the Senior Executives Association commented that the lack of a difference in pay between the GS-14/15 levels and the SES was a concern. Nevertheless, since most Federal employees' pay is frozen at this time, we did not believe it was appropriate to exclude the workforce's senior leaders from the freeze applied to the employees they manage.

Conclusion

Today our senior executives are working extremely hard in unusually challenging circumstances to carry out increasingly complex and important missions for the public. They do so amid heightened skepticism about the value and effectiveness of the Government's services. They do so even while their pay is increasing negligibly or not at all. In this environment, we must bring all our best thinking and creativity to bear on how to make our SES recruitment, career development, and performance management programs as effective as they possibly can be. We cannot afford to overlook any source of future leaders, and, although diversity in the SES ranks has improved somewhat over the last two years, we need to keep working at it. I am confident the work we and our partners have done on the President's Management Council Initiative has set us on the road to ongoing improvement in the key areas that are essential to the future success of the SES. The working groups have charted a clear course, and we at OPM look forward to the work ahead.

Thank you again for the opportunity to discuss this important issue with you. I would be happy to respond to any questions you may have.