



**PARTNERSHIP FOR PUBLIC SERVICE**

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Prepared for

**Senate Committee on  
Homeland Security and Governmental Affairs  
Subcommittee on Regulatory Affairs and Federal Management**

Roundtable Entitled,

**“Case Studies in Personnel Reform in Federal Agencies”**

April 6, 2017

Chairman Lankford, Ranking Member Heitkamp, Members of the Subcommittee, thank you for the opportunity to participate in this roundtable on personnel reform in federal agencies. I am Kristine Simmons, vice president for government affairs at the Partnership for Public Service, a nonpartisan, nonprofit organization committed to inspiring a new generation to join public service and to transforming the way government works.

This Subcommittee deserves credit for its thoughtful approach to modernizing the decades-old federal civil service system. The personnel system is a relic of an era when a majority of federal jobs were clerical in nature and did not require the specialized knowledge and skills that they do today. Times have changed. A modern workforce capable of achieving the best possible mission outcomes for the American people requires that agencies recruit and hire the best and brightest civilian talent, compensate that talent fairly, engage and develop employees' skills, and, when necessary, deal with poor performers to achieve the best possible mission outcomes. In a constrained fiscal environment, usable tools, expert guidance and well-informed decisions around hiring and accountability are all the more important. We appreciate your ongoing oversight of how the federal government manages its people.

Before addressing the case studies before the Subcommittee today, I would like to share some context regarding the current challenges facing our federal workforce more generally.

### **The Time Has Come to Modernize the Federal Workforce**

Much of the current civilian personnel system dates back to the 1940s and is largely disconnected from the larger talent market for knowledge-based professional jobs. To help agencies meet their talent needs and accomplish their missions, Congress and OPM have, over the years, authorized numerous agency-specific systems and flexibilities. The result has been balkanization and fracturing of the civil service. Agencies compete not only with the private sector for talent but with other federal agencies as well.

Americans who want to serve our country and enter public service confront a disjointed, unresponsive hiring process that is difficult to understand, frustrating to navigate, and fails to meet the needs of agencies or applicants alike. Individuals hired confront a 1949 job classification and pay system which treats most occupations the same and sets pay and grade level based on an arcane and arbitrary formula, bearing little relationship to private sector compensation. Former Secretary of Defense Robert Gates noted in his memoir, *A Passion for Leadership*, that this broken system, when combined with attacks on public service more broadly, “discourage young citizens with desirable and needed talents from entering public service.”<sup>1</sup>

A report issued in 2003 by the National Commission on the Public Service,<sup>2</sup> chaired by Paul Volcker, specifically recognized that “the difficulties federal workers encounter in just getting their jobs done has led to discouragement and low morale” and contributed to the challenges that federal agencies face in recruiting and retaining the best and brightest. This is a recurring theme – current systems are outdated, make it hard for employees and agencies alike to perform at their best, and erode the public’s trust in our government.

True reform will require a thoughtful framework, strong leadership, and employee buy-in. The

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<sup>1</sup> ABC News. "Book excerpt: Robert Gates' 'A Passion for Leadership'" *ABC News*. ABC News Network, 29 Jan. 2017. Web. 20 Mar. 2017.

<sup>2</sup> *Urgent Business for America: Revitalizing the Federal Government for the 21<sup>st</sup> Century*. Report of the National Commission on the Public Service. January 2003.

Partnership offered just such a blueprint in our 2014 report, *Building the Enterprise: A New Civil Service Framework*.<sup>3</sup> In that report, we proposed a comprehensive, fundamental overhaul which offered ideas on how to speed hiring, modernize compensation, simplify job classification, strengthen employee accountability, and develop effective leaders. Our overarching goal was to create a unified federal enterprise that balances merit principles and common policies across government with agency flexibility to tailor personnel systems to their unique missions. Agencies ultimately know best how to hire, support and engage the people they need, and the civil service system should help them do so rather than stand in their way.

### **Government Reorganization and Workforce Reshaping Present Opportunities and Challenges**

President Trump has issued an executive order<sup>4</sup> requiring agencies and the Office of Management and Budget to propose a plan to reorganize governmental functions and to eliminate or consolidate agencies and programs to improve efficiency and effectiveness. He has also issued a presidential memorandum<sup>5</sup> to freeze federal hiring of civilian employees in the executive branch pending a long-term plan to reduce the size of the federal workforce through attrition.

Reviewing the way government conducts business, manages taxpayer money and serves the needs of the American people is a worthwhile exercise. Many presidents have engaged in such an effort early in their administrations, with partial success. The use of performance scorecards and cross-agency coordination are some of the positive developments that have evolved from centrally-driven reform efforts.

These initiatives, however, can result in unintended consequences. The Clinton administration launched the National Performance Review (NPR) in 1993, a “reinventing government” effort focused on reducing mission support costs through staff reductions, improved customer service, less red tape and better use of technology. Most of the savings claimed by the NPR were the result of a workforce reduction of over 450,000 federal positions. However, the job cuts were often conducted with little or no strategic planning, damaging the ability of federal agencies to conduct their missions and hollowing out the management capacity of many federal agencies. The use of contractors also increased significantly during this time to augment depleted staffs.

At a May 2000 hearing of this Subcommittee<sup>6</sup> on the legacy of the National Performance Review, Professor Don Kettl testified, “The problem is that we have increasingly created a gulf between the people who are in the government and the skills needed to run that government effectively.” Paul Light put it more bluntly, testifying that downsizing under NPR “has been haphazard, random, and there is no question that in some agencies we have hollowed out institutional memory....” Strategic human capital management was added to GAO’s High Risk List the following year (2001) and remains a GAO high risk area today. And of the 34 other high-risk areas listed in 2017, personnel challenges play a contributing role in 15 of them.<sup>7</sup>

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<sup>3</sup> *Building the Enterprise: A New Civil Service Framework*. Rep. Washington, D.C.: Partnership for Public Service,

<sup>4</sup> Exec. Order No. 13781, 3 C.F.R. 13959 (2017).

<sup>5</sup> Presidential Memorandum Regarding the Hiring Freeze, 82 Fed. Reg. 8493 (Jan. 23, 2017).

<sup>6</sup> “Has Government Been Reinvented?”, hearing of the Oversight of Government Management, Restructuring and the District of Columbia Subcommittee, Senate Committee on Governmental Affairs, May 4, 2000 (S. Hrg. 106-722).

<sup>7</sup> Government Accountability Office, *High Risk Series*. GAO-17-317. February 2017.

The cautionary tale for the new administration and Congress is that efforts to downsize, reorganize or reshape our government must include a strategic plan for managing the federal government's talent.<sup>8</sup> The Office of Management and Budget and the Office of Personnel Management will need to provide strategy and guidance, and agency leaders will need to work in partnership with career executives and the human resources workforce to manage a significant change effort. This will require a human resources workforce that is up to the challenge, with adequate training to support the decisions of leadership. The federal government has not undertaken a large-scale reshaping or downsizing effort in over 20 years, and much institutional memory has been lost during that time. We encourage policymakers to pay close attention to how these broad change efforts will be managed, and to take a long-term view to ensure that they promote, rather than erode, government effectiveness and public confidence.

### **Lessons Learned from Personnel Reform at the Centers for Disease Control and Prevention and the Federal Aviation Administration**

It is hard to name two civilian agencies for which public trust is more important than the FAA and CDC. Both affect the safety and well-being of the American people and millions more around the world on a daily basis, at times in high-stress situations. Accomplishing their missions requires the best possible talent.

There is much Congress can do to give agencies better tools to improve recruitment and hiring, and we offer suggestions later in this testimony. However, we know from the experience of FAA and the CDC that usually it is not a question of legislation alone. Sustained leadership effort and attention is equally important. For example, leaders and managers often do not see recruitment and hiring as their responsibilities, when their engagement is actually essential. It is the managers' job to hire, and the job of human resources to provide the tools, information and process to ensure that managers can hire well.

The experiences of the CDC, the FAA and agencies across government demonstrate that the human resources workforce cannot succeed in filling their agencies' talent needs if acting alone. Recruiting and hiring is a shared responsibility, requiring a partnership between the human resources workforce and agency leaders, managers, subject matter experts and selecting officials. The National Academy of Public Administration's excellent case studies reinforce the fact that positive change demands a shared commitment across the organization.

Improvement also takes time, because it requires culture change and changes in ingrained behaviors. Trust, or lack thereof, between the human resources staff and its customers was noted as an area of concern in both of the NAPA case studies. Face-to-face consultations to define roles, establish goals and performance metrics and evaluate data are promising developments. Behavior change will be most successful if it is driven by personal relationships and strong channels of communication among the human resources staff and the true decision-makers in hiring, the managers and selecting officials – in other words, the human resources staff and program leaders must truly partner around the shared goal of identifying and hiring individuals with needed skills. A further positive development in both the CDC and the FAA and highlighted in the NAPA case studies is the emphasis on "customer satisfaction" and the agencies' efforts to collect qualitative and quantitative data on how well they are serving their internal customers.

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<sup>8</sup> For more information on lessons learned from the budget reduction strategies that agencies employed most often in the 1990s, see the Partnership's report, *Making Smart Cuts: Lessons from the 1990s Budget Front*, September 2011.

Good customer service requires competence and training, yet only half of federal employees report that they are satisfied with the training they receive.<sup>9</sup> Managers need training and strategic vision to succeed in managing talent, and the human resources staff needs both technical knowledge and operational know-how to guide managers and advise agency leaders. Training is a “must have” investment, and this is particularly true given the potential for significant agency and workforce reshaping on the horizon.

Good data is essential to achieving desired hiring outcomes, setting expectations and driving improvements. Agencies have too little data at their fingertips about what hiring authorities and recruiting tools are most effective, and for which occupations. In 2010, the Senate passed by unanimous consent the Federal Hiring Process Improvement Act,<sup>10</sup> bipartisan legislation which, among other things, would have required agencies to engage in strategic workforce planning and measure the effectiveness of various recruiting tools and whether managers were actually satisfied with the quality of applicants and new hires. This legislation was not considered in the House, though much of it is as important today as it was seven years ago; with most non-defense civilian agencies under pressure to reduce the cost and size of the workforce, agencies need to make every hire a good hire.

### ***Best Places to Work in the Federal Government Rankings***

Data from the *Best Places to Work in the Federal Government*<sup>TM</sup> rankings suggest that efforts to improve the relationship between the human resources office and customers at both the CDC and the FAA are having a positive impact on employee engagement.

In the 2016 *Best Places* rankings, the CDC ranked 51 out of 305 federal agency components, placing it in the top quartile and continuing a trend of improvement since 2013. Out of the 14 public health agencies scored in the rankings, CDC ranked first. When we look at data by occupation, the overall satisfaction score for Human Resources Specialists at CDC improved from 56.4 in 2015 to 64.3 in 2016, a dramatic improvement of 7.9 points.

In addition to the overall score, the Partnership ranks agencies in 14 workplace categories, including Effective Leadership, Strategic Management and Teamwork. The CDC improved in every category from 2015 to 2016, and placed in the top quartile in most categories.

The FAA’s score in 2016 was 62.2, unchanged from 2015 and placing the agency at number 162 of 305 agency components in the *Best Places* rankings. Despite the static index score, employee satisfaction across FAA improved at least slightly in all workplace categories except Pay. When we look at data by occupation, the overall satisfaction score for Human Resources Specialists at FAA improved from 58.3 in 2015 to 63.4 in 2016, a meaningful improvement of 5.1 points.

While there are many factors that drive employee engagement and satisfaction, we know that Leadership has the biggest impact, and that employees at all levels of the organization want to be heard. It appears from the data that efforts to engage the human resources teams and improve customer service in both organizations are beginning to make a difference.

### **Recommendations**

The Partnership is pleased to offer the following recommendations for the Subcommittee’s consideration.

#### ***Benchmark the Federal Hiring Process and Other Aspects of Talent Management***

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<sup>9</sup> “2016 Federal Employee Viewpoint Survey.” U.S. Office of Personnel Management, 2016, <https://www.fedview.opm.gov/>.

<sup>10</sup> Federal Hiring Process Improvement Act of 2010, S. 736, 111<sup>th</sup> Cong. (2009).

For any federal agency to become an employer of choice for the best and brightest, it must first be able to make meaningful comparisons to the organizations with which it competes in critical hiring and other talent management metrics. A human capital benchmarking initiative would allow agencies to understand talent challenges better and lay out a path towards resolving them. Key metrics might include time-to-hire; quality of hire; manager, applicant, and new hire satisfaction with the hiring process; ability to reach and recruit talent from diverse talent pools; and the use and impact of special hiring authorities and flexibilities. This last metric is particularly important in light of recent GAO findings that government as a whole does a poor job of understanding and utilizing the dozens of hiring authorities and flexibilities currently in law.<sup>11</sup> Congress could require agencies to collect this information and use it to improve its talent management practices continuously.

#### *Improve Training for Supervisors and Managers*

In order to truly improve employee performance, managers themselves need better training on how to assess competencies and performance, reward high-performers, and hold accountable those who cannot or will not do the job. Studies by the Office of Personnel Management, the Merit Systems Protection Board and others show that many supervisors, while bringing strong technical abilities to the job, often lack the interpersonal and leadership skills needed to successfully manage people. In many cases, this is because the only way for capable technical experts to advance is to take on management roles, though they may not have the skill or desire to be managers. While agencies are required to provide training to new supervisors and managers, most meet only the minimum training requirements established in 5 CFR Part 412, and many supervisors do not feel like they receive sufficient training on management skills until well after they have begun leading people. Agencies should be required to provide more robust leadership training to new supervisors and managers sooner in their tenures. Training should focus on hiring great talent, managing performance, dealing with whistleblowers, motivating and engaging employees, improving communication, recognizing high performers, and holding poor performers accountable.

#### *Strengthen the Career Senior Executive Service*

Career executives are the most senior non-political leaders in federal agencies and an important interface between appointees and the career workforce. A strong executive corps is critical to the effective and efficient operation of federal programs and agencies. Strengthening this cadre will require streamlining the hiring process to make it more attractive to external candidates, improving professional development for internal candidates and current executives, and strengthening performance plans. The administration, working with Congress, should also reward outstanding performance by providing additional performance pay to truly top performers through the Presidential Rank Awards and other means, and considering non-monetary prizes to recognize individuals who are leading innovative change in government.

#### *Change the Standard for Using Direct Hire Authority from a Shortage of “Minimally-Qualified” Candidates to a Shortage of “Highly-Qualified” Candidates and Grant Agencies the Authority to Make Direct Hire Determinations*

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<sup>11</sup> United States of America. Government Accountability Office. Federal Hiring: OPM Needs to Improve Management and Oversight of Hiring Authorities. Washington, D.C.: GAO, 2016.

In filling the ranks of the civilian workforce, government as a whole should only hire people who are highly qualified for their jobs – settling for candidates who are minimally qualified is simply the wrong bar. Currently, however, agencies must demonstrate to OPM that they face a shortage of candidates who are minimally qualified before requesting direct hire authority for that position or group of positions. Further, to show a lack of minimally qualified candidates, an agency must go through the full hiring process *before* applying to OPM for such authority, adding a minimum of six months to the process. Therefore, we propose that Congress change the standard that an agency must meet to use direct hire authority for any position to a demonstration of a shortage of *highly-qualified* talent. We were encouraged to see that this provision was included in the Flexible Hire Act, legislation introduced by Senator Heitkamp last year.<sup>12</sup> Also, agency heads should have the authority to grant direct hire authority to components or for positions where it is needed, with proper OPM oversight. Agencies know best what their talent needs are and where the roadblocks to reaching that talent lie, and should be empowered to address those situations.

#### *Allow Agencies to Offer Market-Based Pay for Mission-Critical Positions*

The General Schedule is more than six decades old and no longer serves to effectively and rationally compensate the talent that many agencies need. While there are certainly some employees who may be overcompensated by the current system, relative to the labor market, there are other vital positions for which federal pay is simply not competitive. The Partnership’s report, *Building the Enterprise: A New Civil Service Framework*, laid out a new pay-setting process for the federal workforce. The modernized pay system would establish broad pay bands for employees rather than rigid grades, better align salaries and benefits on an occupation-by-occupation basis, set salaries based on those comparisons and give agencies the flexibility to bring talent in at the appropriate salary level. While this is a long-term effort, allowing market-based pay for specific mission-critical occupations in the near term is a place to start and would help attract and retain needed talent.

#### *Conduct Oversight of Agency Restructuring and Downsizing Actions*

Congress took a step in the right direction in the FY17 National Defense Authorization Act by weighting performance more heavily in executing reductions-in-force (RIF) for the Department of Defense, and it is worth considering expanding that provision government-wide. However, given that there has not been a large-scale RIF in over 20 years, there is reason to believe that any RIF process may have unanticipated and unintended negative consequences on the government’s overall talent posture – e.g., upending succession planning by pushing out or discouraging younger talent and making it harder to bring in new talent because of the re-employment rights of employees released as part of a RIF.

The Office of Personnel Management issued updated guidance last month on workforce reshaping, including RIF procedures. It will be essential for Congress to understand how agencies would execute a RIF and how a RIF would affect the ability of agencies to recruit, deploy, develop and discipline its civilian talent.

#### *Encourage the Administration to Fill the Top Political Appointments by the August Recess*

Political appointees play a crucial role by providing leadership and setting priorities for cross-government initiatives and individual agencies and programs. Vacancies in key presidential appointments, including Senate-confirmed positions, often leave agencies in a holding pattern where officials serving in an “acting” capacity are not empowered to make key decisions and new agency heads are left without a politically appointed leadership team to work with career executives and employees. The current administration is close to having its full Cabinet in place, though important positions across government,

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<sup>12</sup> Flexible HIRE Act, S. 3180, 114<sup>th</sup> Cong. (2016).

including the Office of Management and Budget's deputy director and deputy director for management, the director of the Office of Personnel Management, and many deputy secretaries, undersecretaries and assistant secretaries have yet to be filled. The administration and Congress should work together to ensure that the 400 most important political appointments are filled with qualified individuals by the August congressional recess, and consider eliminating positions that add layers without adding value.

#### *Require Performance Plans for Political Appointees*

Once in place, new appointees should have performance plans and be held accountable for their performance and contributions like every other employee. Performance plans should address each appointee's responsibility for recruiting, hiring and retaining highly-qualified talent; training and developing future leaders; engaging employees; and, holding subordinate managers accountable for addressing employee performance issues. Each of these criteria plays a role in building a high-performing workforce and will drive leadership attention to the pressing workforce and management issues within agencies and across government. Cascading accountability from the top of the organization in this way would be an important step towards improving performance management and employee engagement.

#### *Assess the Management Qualifications of Nominees During the Senate Confirmation Process*

The federal government is comprised of hundreds of agencies and 1.8 million public servants serving across the country around the world. Many of these agencies are comparable in size, budget, and complexity to a Fortune 100 company. Congress plays a crucial role in ensuring that nominees for key positions bring management skills to their new jobs along with policy expertise. As this Subcommittee, as well as the full Committee, continues to consider the President's nominees for important management posts, the Partnership urges you to review, and question, each nominee regarding their management qualifications to ensure that these incoming leaders understand the challenges they are taking on, take these responsibilities seriously and are capable of successfully leading their organizations.

#### **Conclusion**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to present the Partnership's views on personnel reform in the federal government. Your sustained interest and attention to these important issues is making an important and positive difference.