



**PARTNERSHIP FOR PUBLIC SERVICE**

**Written Testimony of Max Stier  
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Prepared for  
**The Senate Committee on Homeland Security and Governmental Affairs  
Subcommittee on the Efficiency and Effectiveness of Federal Programs and the  
Federal Workforce**

**Hearing Entitled  
“A More Efficient and Effective Government: Cultivating the Federal Workforce”**

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Chairman Tester, Ranking Member Portman, and Members of the Subcommittee, thank you for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works. I appreciate your invitation to testify on the state of our current workforce and hope to provide some concrete ideas for how Congress can strengthen our civil service.

I am very pleased you are taking the time to hold this hearing today during *Public Service Recognition Week*. Public employees at all levels of government, including the federal government, do important work often without thanks or recognition and they deserve our praise. Earlier today we held a breakfast where we recognized 33 individuals and teams as finalists for the *Service to America Medals*. The accomplishments of these finalists are truly remarkable. Senator Portman, two of your constituents saved U.S. soldiers' lives in Afghanistan by creating and deploying a new aerial sensor system to help Army units detect and destroy deadly improvised explosive devices. Other finalists have generated nearly \$1 billion in aid for 60 projects in 42 developing countries during the past two years through an innovative public-private loan guarantee program, revolutionized drug prevention and addiction treatment programs in 70 countries around the world, and investigated Medicare fraud which led to more than 600 convictions in South Florida and the recovery of hundreds of millions of dollars. These finalists serve as role models and show us that it is possible to overcome the many obstacles federal employees face every day and achieve tremendous success.

You asked us here today to testify on the state of the current federal workforce, including morale, productivity and efficiency. As you well know, this has been a challenging time for federal employees. We routinely hear from federal leaders that the impact of the federal government shutdown, sequestration and hiring and pay freezes has been significant. Budget cuts and budget uncertainty has limited hiring, widened skills gaps, reduced training needed to keep workforce skills current and made succession planning very difficult. Sequestration and the shutdown also put a huge strain on the men and women who serve in the workforce. Leaders told us that in many instances they could not afford their personnel, which led to furloughs and in some cases RIFs, and yet they felt increasing pressure to meet mission-needs. All of this negatively impacted the ability of leaders to effectively manage their organizations and ultimately deliver on their missions. It is therefore not surprising that morale across the federal government is the lowest it has been since 2003.

## **Employee Satisfaction and Commitment**

### *Cause for Concern*

The Partnership for Public Service, with support from Deloitte and Hay Group, produces the annual *Best Places to Work in the Federal Government*® rankings. The rankings are based on the results of the Federal Employee Viewpoint Survey (FEVS) administered by the Office of Personnel Management and provide a detailed view of employee satisfaction and commitment across federal agencies and subcomponents. Employee satisfaction and commitment are two necessary ingredients in developing high-performing organizations and attracting top talent. The rankings are also an important tool for congressional oversight and for ensuring that employee satisfaction is a top priority for government managers and leaders. They provide a mechanism for holding agency leaders accountable for the health of their organizations, serve as an early warning sign for agencies in trouble, offer a roadmap for improvement and give job seekers insights into how federal employees view their agencies. Since the rankings provide such critical information, we believe it is important that the survey be done on an annual basis and the data released as soon as possible so agencies can more quickly make improvements.

The 2013 *Best Places to Work* data present a disturbing picture of federal employees throughout the government who are increasingly dissatisfied with their jobs and workplaces. Government-wide, federal

employee job satisfaction and commitment dropped for the third year in a row, tumbling three points to a score of 57.8 on a scale of 100. This represents the lowest overall *Best Places to Work* score since the rankings were first launched in 2003. In contrast, private-sector employee satisfaction improved by 0.7 points in 2013 to a score of 70.7, according to Hay Group.

The Partnership and Deloitte also measure 10 key workplace categories that influence employee satisfaction and commitment. For the second year in a row, the 2013 rankings show a decline in every one of these 10 categories. Effective leadership was the key driver as it has been every year since the rankings were launched in 2003, followed by a match between agency mission and employee skills. The third most important factor, satisfaction with pay, emerged for the first time in 2010, replacing work–life balance as a key element of overall satisfaction and commitment.

Our analysis of the Federal Employee Viewpoint Survey (FEVS) found that employee answers to questions related to effective leadership – the number one driver of employee satisfaction and commitment across government as mentioned above – were particularly alarming. Only 38.5 percent of employees believe leaders in their organization generate high levels of motivation and commitment in the workforce and 44.8 percent are satisfied with the information they receive from management on what's going on in their organization. Forty-nine percent said they have a high level of respect for their organization's senior leaders and just half of respondents said their organization's leaders maintain high standards of honesty and integrity. While there are bright spots related to immediate supervisors – 65.8 percent of respondents say they believe their immediate supervisor/team leader is doing a good job – the overall problem is that senior leaders are not doing enough to earn trust and motivate the workforce.

According to our analysis, the FEVS questions also show that federal employees do not believe their agency has, or is able to recruit, the talent it needs to deliver on its mission. A third of respondents believe the workforce does not have the job-relevant knowledge and skills necessary to accomplish organizational goals. Just 38.8 percent of employees say their work unit is able to recruit people with the right skills. If agencies are unable to recruit and hire needed talent, agency performance will be negatively impacted.

In addition, only half of federal employees report that they are satisfied with their pay, which is down nearly 13 points from 2010. Given recent pay freezes, furloughs and the government shutdown it is not surprising that people are less satisfied with pay. However, research shows that it is increasingly difficult for the federal government to remain competitive, as the private sector is able to pay market rates to recruit highly-skilled individuals in mission-critical fields.

The average starting salary for recent college graduates in the federal government in the Washington, D.C. metropolitan area in 2013 was \$34,075 for a GS-5 or \$42,209 for a GS-7. According to a January 2014 salary survey by the National Association of Colleges and Employers (NACE), the average salary for 2013 graduates in all sectors was \$45,633. For those individuals in mission-critical fields, the average salaries across sectors is significantly higher – \$62,564 for engineers, \$59,084 for computer scientists and \$55,144 for individuals with a background in business. In addition, a 2012 Congressional Research Service study entitled *Comparing the Compensation of Federal and Private-Sector Employees* found the total compensation (pay and benefits) for federal employees who have doctorates or professional degrees is 18 percent lower, on average, than for similar employees working in the private sector. These salaries make it difficult for the federal government to compete for mission-critical talent and can impact employee retention.

Our analysis of the FEVS questions also shows that employees do not believe the current performance management system makes meaningful distinctions in performance or appropriately rewards those who are doing innovative work. Only 43.4 percent of employees believe they are rewarded for doing good work and 33.4 percent of employees believe that creativity and innovation are rewarded. In addition, there

is a lack of trust in the performance appraisal system, and many believe supervisors are not doing enough to address performance-related issues. Just 29.4 percent of employees believe promotions in their work unit are based on merit. Only 25.8 percent of employees believe that steps are taken to deal appropriately with poor performers. If federal employees do not believe there are credible systems and competent leaders in place to reward high-performers or improve or remove poor performers, this will likely have a negative impact on individual and organizational performance.

These survey responses are certainly a cause for concern. Perhaps even more troubling is the fact that just a third of federal employees believe the survey results will be used to make their agency a better place to work, and this number is trending in the wrong direction. On the other hand, there are a few bright spots that are worth illustrating. Amidst these difficult times federal employees in a handful of agencies are actually reporting increased satisfaction and commitment to the workplace. We encourage this committee to take some time to consider what these agencies are doing right, as we believe they serve as a model for other agencies in government.

### *Bright Spots*

As previously mentioned, the 2013 *Best Places to Work* government-wide score is the lowest it has been since the rankings were first launched in 2003. We suspect that pay freezes, furloughs and anti-government sentiment were contributing factors. However, we also know that it is possible to improve employee engagement, even in difficult environments. In 2013, for example, nearly one quarter of federal organizations improved their scores, despite the challenging year. NASA, the number one agency in 2012, was not only awarded the top spot again in 2013, but it was also the most improved agency. In fact, NASA's *Best Places* score has risen every year since 2007 in spite of budget cuts and the end of the space shuttle program. In addition, NASA has been the top-rated large agency in innovation every year since 2010. Leadership attributes much of its success to the agency's extensive focus on three key priority areas: connecting people to each other and the mission, building model supervisors and recognizing and rewarding innovative performance.

Over the years, we have seen some remarkable change happen at the subcomponent level in government, as well. The United States Mint at the Department of Treasury made significant progress in improving employee satisfaction after years at the bottom of the *Best Places* rankings. Between 2010 and 2011, the Mint increased its score by 21.2 percent, moving from the 201<sup>st</sup> subcomponent in 2010 to the 57<sup>th</sup> in 2011. In particular, the Mint saw large gains in effective leadership, strategic management, employee skills-mission match, training and development and teamwork. This was in large part due to leadership attention to the rankings. They held focus groups and town hall meetings and took a number of steps to increase communication with employees and encourage feedback. They also worked cooperatively with the union, added new training and development opportunities and held executives accountable for carrying out the workplace changes by having workforce satisfaction goals embedded in their performance plans.

Several other agencies have successfully improved their rankings by holding senior leaders accountable for doing so. For example, the U.S. Patent and Trademark Office, Department of Transportation and Nuclear Regulatory Commission, have created incentives for senior leaders by holding them accountable in their executive performance plans for taking demonstrable actions to improve employee engagement. Efforts to improve engagement and satisfaction might include reducing communication barriers, building employee trust and confidence through open communication, holding employee listening sessions, improving internal communication and implementing "quick-wins".

The Partnership and Deloitte recently published a set of case studies highlighting six federal agencies – Patent and Trademark Office, National Aeronautics and Space Administration, Department of State, Department of Transportation, the United States Mint and the Nuclear Regulatory Commission – that

have successfully improved employee satisfaction and commitment.<sup>1</sup> Some of the success stories have been mentioned above. We found that successful agencies employ several key strategies: 1) Own the change – hold executives accountable for using employee survey data and use the data as a measure of their success; 2) Partner with unions – establish an effective working relationship with employee unions; 3) Go for quick wins – design and execute short-term activities to act on employee feedback that can contribute to a longer-term culture change; 4) Develop shared values – commit to shared organizational values and align agency activities and employee interactions to those values; 5) Build connections through communication – use multiple communication methods to connect employees to the mission, the agency and their coworkers; and 6) Invest in employees – develop employee thought leadership, technical training and mentoring.

### **Civil Service Reforms Needed**

While there are some bright spots, which we have highlighted above, the overall results from the *Best Places to Work* rankings and employee responses to key questions in the Federal Employee Viewpoint Survey send a clear message that employees are not satisfied with their workplace and do not believe the current civil service system serves them well. The system – the main elements of which were last updated over 60 years ago—is not enabling agencies to hire the talent they need, develop high-potential employees and reward and retain the very best performers.

The Partnership and Booz Allen Hamilton recently embarked on a two-year research effort to understand the challenges facing the workforce and to chart a path forward. On April 2, 2014, we released a report entitled *Building the Enterprise: A New Civil Service Framework*, which creates an overarching strategy for reforming our civil service system. The report is intended to start a conversation about how to modernize a system that in its current form was largely designed in the 1940's and received its last comprehensive update in 1978. The personnel system governing more than 2 million workers reflects a time when most federal jobs were clerical and required few specialized skills, and when the government's role in society was smaller and far less complicated. The world has changed dramatically, but the civil service system has remained stuck in the past, serving as a barrier rather than an aid to attracting, hiring and retaining highly skilled and educated employees needed to respond to today's domestic and global challenges. Civil servants are the government's greatest assets, but they are ill-served by the system in which they work.

We know civil service reform is ambitious and it will take significant time and sustained attention -- the Senate Governmental Affairs Committee held 12 days of public hearings and seven markup sessions when it considered the Civil Service Reform Act of 1978 – but we believe it is critical and deserves such deliberation. The recommendations we make below are all interconnected and there would be value in addressing them as a package, but we also think there could be opportunities to advance some of these pieces on their own, particularly those recommendations around hiring and leadership.

Below are a set of recommendations we urge Congress to consider. For more details about our proposal we encourage you to refer to our report, *Building the Enterprise: A New Civil Service Framework*.

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<sup>1</sup> Partnership for Public Service and Deloitte, *Ten Years of the Best Places to Work in the Federal Government Rankings: How Six Federal Agencies Improved Employee Satisfaction and Commitment*, September 2013, <http://ourpublicservice.org/OPS/publications/viewcontentdetails.php?id=231>.

## **1. Unify the Civil Service**

The federal civil service system has become increasingly obsolete, with most of its major components last retooled more than six decades ago. As that system has aged, agencies both large and small have broken from its ranks, cutting deals with Congress for agency-specific personnel flexibilities, including separate compensation systems, to further their own unique missions and circumstances. The net result is a balkanized, disjointed system with some agencies exempt from all or part of the general civil service rules to create their own more modern agency-specific systems, and other agencies still mired in an antiquated 1949 law. Agencies end up competing not only with the private sector, but also with each other for talent, and those organizations without personnel flexibilities are at a great disadvantage.

*Congress should pass legislation to:*

- Create a common, yet flexible, civil service system for all of government to level the playing field in the competition for talent, while preserving core civil service principles such as merit, nonpartisanship, veteran's preference, non-discrimination and due process.
- Codify the President's Management Council (PMC) – comprised of the deputy secretaries from each cabinet agency and chaired by the deputy director for management for OMB – and charge it with working closely with OMB and OPM to oversee and monitor the implementation of the new civil service framework.
- Codify the National Council on Federal Labor Management Relations as the principle platform for consultation between the executive branch and the unions that represent most of its employees.

## **2. Modernize Pay and Classification**

The federal pay-setting process undermines the ability of the government to attract and retain high-quality, white-collar talent because it treats the workforce as a unified mass, and it bears little relationship to the compensation rates paid for similar work in the broader labor market. The job classifications reflect a time when more than 70 percent of federal employees performed clerical or low-level administrative work and have little relevance to the knowledge work performed by a majority of today's civil servants. In addition, statutory distinctions between those classifications – represented by the 15 General Schedule pay grades – are arbitrary and arcane. It is difficult to know how federal jobs – and federal salary rates – compare with the competition, and as a consequence the current system for making adjustments to those rates is fatally flawed.

*Congress should pass legislation to:*

- Replace the General Schedule with a federal compensation system that is more market- and performance-sensitive to enable the federal government to recruit the talent it needs without overpaying, or underpaying, for critical skills and expertise. Set pay for specific occupations in accordance with the general labor market and take total compensation – pay and benefits – into account.
- For the professional and administrative positions, collapse the 15 levels of the General Schedule into five work levels and create a dual-track system that better enables both technical experts and managers to progress.

### **3. Strengthen Performance Management**

We believe the performance management system is sound in theory but has never realized its full potential in practice. Agencies do a poor job of describing organizational performance requirements and translating them into meaningful individual and team performance expectations. There are few consequences – positive or negative – when those expectations are not met or when they are exceeded. Agencies often do not effectively select, train and hold managers accountable for working with their employees on performance issues. Employees and managers often view performance management as a paperwork exercise with little bearing on promotion prospects and almost none on pay, even though logic suggests that promotions should be based on how well employees do their jobs. In addition, supervisors often are reluctant to make difficult performance decisions for fear of litigation when they hold poor performers accountable or lack the tools to reward their top performers. The net result is a ratings distribution where a large number of employees are rated above average because it is the most expedient way to check the box. This does little to motivate or help employees and can negatively impact organizational performance.

*Congress should pass legislation to:*

- Establish performance review boards modeled after those established by law to oversee administration of the Senior Executive Service performance management system. The boards would analyze rating patterns by occupation, grade level and demographics in order to assure that they are consistent with organizational performance and merit principles.
- Require classroom training, mentoring and coaching for new supervisors and periodic recertification to ensure supervisors and managers are equipped to lead their employees. Require new supervisors to have demonstrated key competencies in order to continue serving in a supervisory capacity after the one-year probationary period.
- Hold managers accountable in their performance plans for taking steps to address employee satisfaction and commitment. Also hold them accountable for managing their employees, including rewarding high performers and developing and/or removing poor performers.
- Minimize tenure-based pay increases for managers and employees, and instead base pay progression within a particular salary band on performance – up to an occupation’s market rate for performance that meets expectations, and above that rate only for performance that exceeds expectations.
- Create a unified dispute resolution process for all individual employee complaints and appeals that will preserve due process rights, speed decision-making and best serve the interests of employees and managers.

### **4. Reform Federal Hiring**

Over the years, various laws and process requirements have greatly complicated the federal hiring process. As a result, the federal hiring process has become so slow, complex, opaque and imprecise in its ability to identify the best candidates that it is more likely to impede than facilitate the government’s ability to hire well. In addition, successful private sector best practices cannot be used in the federal government because of the overly complicated rules and regulations. Finally, the

federal government's assessment tools are not consistently identifying the best candidates, so agencies are not getting the talent they need.

*Congress should pass legislation to:*

- Allow all agencies to use the same recruiting flexibilities that some agencies now have to create a level playing field among federal employers. Allow agencies to use direct-hire authority when there is a shortage of highly qualified candidates, while still preserving long-held principles such as merit-based hiring, veteran's preference, diversity, nondiscrimination and political independence.
- Authorize agencies to share their lists of best qualified candidates with each other, a common-sense, cost-effective reform to help agencies find top talent, particularly for hard-to-fill positions.
- Codify current regulation allowing agencies to convert high-performing interns paid by the federal government to a permanent position. Allow unpaid interns in a comparable position to be converted as well as those who work in a federal agency but are paid by a third party under contract to government. The federal government converts just 8.7 percent<sup>2</sup> of federal interns compared to 58.6 percent<sup>3</sup> in the private sector. The government is missing out on a huge opportunity to build a critical talent pipeline for the future. Attracting this talent is also important in building generational diversity since only 7.1 percent of the federal workforce today is under the age of 30 compared to 23 percent in the total civilian workforce.
- Expand the use of scholarships and ROTC-like programs to attract mission-critical talent to the federal government.
- Allow agencies to rehire former federal employees to any position for which they qualify. Currently, former federal employees who have held a career or career-conditional position may be non-competitively reinstated to a position within the federal government, but only to a job that is at or below the grade level they last held in the federal government, despite the fact they may be qualified for a more senior position due to several years of valuable higher-level experience outside the government.
- Require that supervisors, managers and agency leaders are held accountable in their performance plans for hiring and developing the next generation of talent.
- Provide resources and encourage OPM to develop a robust inventory of applicant assessment tools that can be used by agencies to select talent that is best matched to the jobs being filled.

## **5. Focus on Leadership**

The challenges facing our federal government today are great. They require executives who have had a diversity of experience and perspective and who can work across agencies and sectors to solve complex problems. However, the reality is that the vast majority of new executives – 92 percent – come from within government, 76 percent from the same agency subcomponent. In addition, the

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<sup>2</sup> Partnership analysis of the fiscal 2011 Enterprise Human Resources Integration-Statistical Data Mart (EHRI-SDM), provided by the Office of Personnel Management.

<sup>3</sup> National Association of Colleges and Employers, *2012 Internship & Co-op Survey*, April 2012, 4, <http://www.nacweb.org/intern-co-op-survey/>.



original vision of the SES as a mobile corps of leaders that could be deployed across government to work on cross-agency goals and missions, has never been realized. Executives are largely seen as agency-specific rather than government-wide assets. In addition, the top political leadership in government is transitory, with appointees serving for relatively short periods of time and not held accountable for the management and the long-term health of the organizations they lead.

*Congress should pass legislation to:*

- Create a single, four-tier SES with increased responsibility and pay. Ensure that each of the four tiers would include separate tracks for technical experts. This would allow agencies to promote skilled professionals for their technical value and not force them to become supervisors and managers in order to grow professionally.
- Designate Tier 4 SES as enterprise executives who are deployed across government to fulfill specific cross-agency missions and functions. Require enterprise executives to serve five-year term appointments and hold performance contracts with the PMC. Authorize enterprise executives to be compensated up to the vice president's salary or at a minimum Level I of the federal Executive Schedule.
- Establish an Enterprise Executive Resources Board, chaired by the OMB deputy director of management and comprised of members of the PMC, the OPM director and some of government's most respected former career executives, to select, deploy, monitor and evaluate Tier 4 enterprise executives.
- Authorize agencies, rather than OPM, to certify that their selected SES candidates in Tiers 1 through 3 possess the Executive Core Qualifications rather than relying on the current OPM-run Qualifications Review Board that now must approve those chosen for executive positions. Require OPM to annually review hiring decisions to ensure agencies are acting appropriately.
- Require candidates for the SES to have demonstrated experience in another sector, level of government or agency before being selected for the SES. This will ensure executives are being selected for their breadth of experience, and ability to work effectively across organizational and functional boundaries.
- Cap the number of non-career SES at each agency at 10 percent to ensure that no agency becomes a repository for political favors and to promote better selection of individuals whose skills match agency missions. Currently, the percentage of political non-career members of the SES is limited by law to 10 percent government-wide, but individual agencies can and do exceed this percentage.
- Require C-Suite positions, such as chief financial officers, chief human capital officers, chief information officers and the chief acquisition officers, be filled by a career appointee for a renewable term of six years and require performance contracts for these positions. We believe that reducing the number of management jobs filled through political appointments will reduce critical vacancies across government and ensure continuity between administrations. We also believe that Congress should require each new administration to recommend specific political positions that should be converted to career status or eliminated altogether.

We know the civil service reforms we have discussed here will be a significant undertaking. It will require considerable deliberation to ensure all voices and perspective are heard and it will require

sustained attention by this subcommittee. We encourage you to hold hearings on the issue and we stand ready to assist you in any way possible.

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear before you today.