

TESTIMONY**STATEMENT OF KAY COLES JAMES**
DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

before the
SUBCOMMITTEE ON INTERNATIONAL SECURITY, PROLIFERATION AND
FEDERAL SERVICES
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on
FEDERAL EMPLOYEE MANAGEMENT FLEXIBILITIES

MARCH 18, 2002

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

THANK YOU FOR INVITING ME TO THIS HEARING TO DISCUSS WITH YOU THREE BILLS THAT WOULD GREATLY HELP FEDERAL AGENCIES APPLY INNOVATIVE SOLUTIONS TO THEIR HUMAN RESOURCES (HR) MANAGEMENT CHALLENGES. I APPRECIATE THE WORK OF SENATORS LIEBERMAN, AKAKA, THOMPSON, AND VOINOVICH, WHO HAVE BEEN KEY LEADERS OF THIS EFFORT. TWO OF THESE BILLS, S. 1612 AND S. 1639, CONTAIN PROPOSALS ORIGINALLY DEVELOPED BY THE ADMINISTRATION.

I APPEAR TO TESTIFY HERE TODAY FOR THE FIRST TIME SINCE MY CONFIRMATION HEARING LAST JUNE. IMMEDIATELY AFTER BEING SWORN IN, I RE-ORIENTED THE FOCUS OF THE AGENCY. OPM BEGAN TO PROVIDE TAILORED ASSISTANCE TO AGENCIES GOVERNMENT-WIDE THROUGH "STRIKE FORCES" STAFFED BY CAREER PROFESSIONALS EQUIPPED WITH RELEVANT EXPERTISE.

SINCE SEPTEMBER 11TH, THE WORLD HAS CHANGED – AND OPM HAS ACCELERATED THE PACE OF OUR ACTIVITIES TO SUPPORT THE GROWING HUMAN CAPITAL DEMANDS ACROSS GOVERNMENT. CONSISTENT WITH THE PLEDGE I MADE BEFORE YOU IN JUNE, WE ARE WORKING TO PLACE TOOLS IN THE HANDS OF MANAGERS RESPONSIBLE FOR RESHAPING THEIR WORKFORCES TO MEET CURRENT AND EMERGING NEEDS.

I AM VERY ENCOURAGED BY THE ATTENTION BEING PAID TO THIS PENDING LEGISLATION. THIS COMMITTEE HAS A LONG HISTORY OF WORKING IN A BIPARTISAN MANNER TO ENACT LEGISLATION IMPROVING THE OPERATION OF GOVERNMENT. INDEED, IT WAS THIS COMMITTEE WHICH OVERSAW THE ENACTMENT OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT AND THE CLINGER-COHEN PROCUREMENT REFORMS, TO NAME A FEW OF ITS SIGNIFICANT LEGISLATIVE ACHIEVEMENTS. NOW, THE COMMITTEE HAS THE OPPORTUNITY TO MOVE FORWARD ON REFORMS INTENDED TO IMPROVE THE WAY WE MANAGE THE FEDERAL WORKFORCE.

AS YOU KNOW, THE PRESIDENT HAS A BOLD, FOCUSED MANAGEMENT AGENDA DESIGNED TO DELIVER CITIZEN-CENTERED, RESULTS-ORIENTED, MARKET-DRIVEN GOVERNMENT TO THE AMERICAN

PEOPLE. THE EXECUTIVE BRANCH MANAGEMENT SCORECARDS HOLD AGENCIES ACCOUNTABLE FOR PROGRESS ON THAT AGENDA.

THE FIRST GOVERNMENT-WIDE INITIATIVE IN THE *PRESIDENT'S MANAGEMENT AGENDA* IS THE STRATEGIC MANAGEMENT OF HUMAN CAPITAL. WORKING CLOSELY WITH OMB, OPM IS LEADING AGENCIES IN IMPLEMENTING THIS INITIATIVE. WE HAVE DEVELOPED A NUMBER OF TOOLS TO HELP AGENCIES. OPM'S HUMAN CAPITAL SCORECARD COMPLEMENTS THE LARGER EXECUTIVE BRANCH MANAGEMENT SCORECARD. IT PROVIDES A SET OF GOALS AND MEASURES FOR EFFECTIVE HUMAN RESOURCES MANAGEMENT. OUR HUMAN RESOURCES MANAGEMENT ACCOUNTABILITY STANDARDS ARE GUIDELINES FOR AGENCIES TO USE IN DEVELOPING THEIR INTERNAL HR ACCOUNTABILITY SYSTEMS. SHORTLY, WE WILL BE ADDING VALUABLE METRICS IN THE FORM OF A GOVERNMENT-WIDE SURVEY ON HUMAN CAPITAL. THIS SURVEY WILL PROVIDE A UNIFORM MEASURE OF AGENCIES' PERFORMANCE IN SUPPORT OF THE HUMAN CAPITAL INITIATIVE. THE SURVEY ALSO WILL PROVIDE AGENCIES WITH SPECIFIC INFORMATION ABOUT THEIR HUMAN CAPITAL ACTION PLANNING.

WE ARE WORKING DIRECTLY WITH AGENCIES TO ENSURE THAT THEY STRATEGICALLY USE THE BROAD RANGE OF EXISTING HUMAN RESOURCES MANAGEMENT TOOLS TO RECRUIT, RETAIN, AND MANAGE A HIGH-PERFORMING WORKFORCE. OPM HAS PROACTIVELY ASSEMBLED AND SENT OUT SPECIAL "STRIKE FORCE" TEAMS OF HR PROFESSIONALS FROM WITHIN OPM TO PROVIDE EXPERT ADVICE AS NEEDED.

AN EXAMPLE IS THE NEW TRANSPORTATION SECURITY AGENCY. OPM IS PROVIDING EXPEDITED SECURITY CLEARANCES AND WORKING INTERNALLY WITH TRANSPORTATION "GO TEAMS". WE ALSO PROVIDED EXPERTISE TO DEPARTMENT OF TREASURY REGARDING ORGANIZATIONAL STRUCTURE TECHNICAL ADVICE AND ASSISTANCE REGARDING THE COMPETENCY SCREENING MECHANISMS FOR FEDERAL SECURITY SCREENING PERSONNEL.

OVER THE PAST TWO MONTHS, OPM AND OMB HAVE WORKED IN PARTNERSHIP TO TRAIN OVER 500 SENIOR MANAGERS ON THE MANY FLEXIBILITIES THAT ALREADY EXIST. THE PRESIDENT HAS A PROPOSAL TO REFINE THESE FLEXIBILITIES TO MAKE THEM EVEN MORE USEFUL AND PROVIDE EVEN MORE TOOLS TO HELP MANAGERS RECRUIT, HIRE, TRAIN AND RETAIN THE HIGH-QUALITY WORKFORCE THEY NEED TO CARRY OUT THEIR MISSIONS AND PRODUCE RESULTS FOR THE AMERICAN PEOPLE.

THE PROPOSALS OUTLINED IN THE PRESIDENT'S MANAGEMENT AGENDA REPRESENT IMPROVEMENTS, AND CONGRESS CAN EXPECT FURTHER PROPOSALS FROM THE ADMINISTRATION AS WE PROCEED IN IDENTIFYING WAYS TO IMPROVE THE OPERATION OF GOVERNMENT AND THE MANAGEMENT OF OUR WORKFORCE. BUT THE EVENTS OF SEPTEMBER 11 DEMONSTRATED THAT THE FEDERAL GOVERNMENT MUST HAVE EFFECTIVE MANAGEMENT TOOLS IN PLACE TO EFFECTIVELY RESPOND TO THREATS TO OUR NATIONAL SECURITY. THESE PROPOSALS WOULD ENHANCE GOVERNMENT OPERATIONS AND STRENGTHEN OUR ABILITY TO SUCCESSFULLY WAGE THE WAR AGAINST TERRORISM.

RATHER THAN PROVIDING A DETAILED COMPARISON OF THE BILLS, I

THINK IT WOULD BE MORE USEFUL FOR ME TO OUTLINE THE SPECIFIC FEDERAL EMPLOYEE MANAGEMENT REFORMS THAT THE ADMINISTRATION BELIEVES ARE ESSENTIAL TO MOVE THE GOVERNMENT FORWARD. THESE ARE (1) RESTRUCTURING ASSISTANCE FOR AGENCIES THROUGH A PERMANENT GOVERNMENT-WIDE "BUYOUT" AUTHORITY AND CHANGES IN THE VOLUNTARY EARLY RETIREMENT AUTHORITY FOR FEDERAL EMPLOYEES; (2) RECRUITMENT AND RETENTION INCENTIVES; (3) NEW HIRING FLEXIBILITIES; (4) MEASURES TO PROMOTE RESULTS-ORIENTED PERFORMANCE EVALUATION AND COMPENSATION FOR SENIOR EXECUTIVES; AND (5) A SIMPLIFIED PROCESS FOR LAUNCHING PERSONNEL MANAGEMENT DEMONSTRATION PROJECTS AND AN AUTHORITY FOR AGENCIES TO IMPLEMENT PERMANENT ALTERNATIVE PERSONNEL SYSTEMS. ALL OF THESE ELEMENTS ARE INCLUDED IN S. 1639 AND S. 1612, AND SOME OF THEM ALSO APPEAR IN S. 1603. I WOULD LIKE TO DESCRIBE BRIEFLY WHAT EACH OF THESE COMPONENTS INCLUDES AND WHY THE ADMINISTRATION BELIEVES THEY ARE SO IMPORTANT.

"BUYOUTS" AND VOLUNTARY EARLY RETIREMENT AUTHORITIES

VOLUNTARY SEPARATION INCENTIVES, OTHERWISE KNOWN AS "BUYOUTS," HAVE BEEN AVAILABLE FOR LIMITED PERIODS SINCE 1992. MOST EARLIER AUTHORITIES HAVE BEEN LIMITED TO PARTICULAR AGENCIES AND FOR DOWNSIZING AND RESTRUCTURING PURPOSES. "BUYOUTS" ARE MUCH MORE COST-EFFECTIVE THAN REDUCTIONS IN FORCE, AND THEY REDUCE DISRUPTION CAUSED BY RESTRUCTURING.

OUR PROPOSAL WOULD CREATE A PERMANENT GOVERNMENT-WIDE AUTHORITY FOR "BUYOUTS" THAT WOULD INCLUDE ALL OF THE FEATURES THAT HAVE MADE "BUYOUTS" USEFUL FOR AGENCIES, ATTRACTIVE TO EMPLOYEES, AND A GOOD DEAL FOR TAXPAYERS. THESE FEATURES INCLUDE (1) A REQUIREMENT THAT AN AGENCY SUBMIT A DETAILED PLAN TO THE OFFICE OF MANAGEMENT AND BUDGET DESCRIBING HOW "BUYOUTS" WILL BE USED TO STREAMLINE THE AGENCY; (2) A REDUCTION IN AN AGENCY'S FULL-TIME EQUIVALENT EMPLOYMENT LEVEL BY ONE POSITION FOR EACH EMPLOYEE WHO RECEIVES A "BUYOUT" AND A WAIVER OF THIS REQUIREMENT IF BUYOUTS WILL BE USED FOR RESTRUCTURING OR RESHAPING; AND (3) A REQUIREMENT THAT EACH "BUYOUT" RECIPIENT WHO RETURNS TO FEDERAL EMPLOYMENT WITHIN FIVE YEARS MUST REPAY THE ENTIRE AMOUNT OF THE "BUYOUT" BEFORE COMING BACK TO WORK. IN ADDITION, OUR PROPOSAL WOULD ALLOW AGENCIES TO OFFER "BUYOUTS" TO EMPLOYEES ON THE BASIS OF SKILLS, KNOWLEDGE, OR OTHER SIMILAR JOB-RELATED FACTORS. WE BELIEVE THIS WOULD MAKE THE AUTHORITY MORE USEFUL TO AGENCIES THAT ARE RESHAPING THEIR WORKFORCE TO ADDRESS CHANGING MISSION REQUIREMENTS AND BE MORE EFFICIENT OR EFFECTIVE.

SIMILARLY, WE ARE PROPOSING TO ENABLE AN AGENCY TO USE THE VOLUNTARY EARLY RETIREMENT AUTHORITY TO RESHAPE THE AGENCY'S WORKFORCE WHEN THE AGENCY FINDS THAT THE MIX OF SKILLS AMONG ITS EMPLOYEES IS NO LONGER THE MOST EFFECTIVE ONE FOR CARRYING OUT THE AGENCY'S MISSION. WE WOULD ALLOW A VOLUNTARY EARLY RETIREMENT AUTHORITY TO BE TRIGGERED EVEN IF THE AGENCY HAD NOT YET DETERMINED THAT IT WOULD HAVE TO REDUCE ITS WORKFORCE. OUR OBJECTIVE SHOULD BE TO GIVE AGENCIES MORE FLEXIBILITY TO ADDRESS SKILLS IMBALANCES

AT AN EARLIER STAGE INSTEAD OF WAITING UNTIL INVOLUNTARY SEPARATIONS BECOME INEVITABLE.

RECRUITMENT AND RETENTION INCENTIVES

WE ARE PROPOSING TO ENHANCE THE CURRENT AUTHORITIES FOR RECRUITMENT, RELOCATION, AND RETENTION BONUSES. OUR PROPOSAL WOULD ALLOW AGENCIES TO PAY LARGER RECRUITMENT AND RELOCATION BONUSES AND TO PAY THEM IN INSTALLMENTS. IN ADDITION, WE WOULD AUTHORIZE MORE FLEXIBLE INSTALLMENT OPTIONS FOR PAYING RETENTION BONUSES IN ORDER TO STRENGTHEN THEIR EFFECT ON RETENTION. OUR PROPOSAL ALSO INCLUDES OTHER OPTIONS THAT ARE DESIGNED TO EXPAND THE CIRCUMSTANCES IN WHICH RECRUITMENT, RELOCATION, AND RETENTION BONUSES MAY BE PAID AND TO ENABLE AGENCIES TO MAKE THESE PAYMENTS MORE STRATEGICALLY TO AMPLIFY THEIR DESIRED EFFECT. WE BELIEVE THESE INNOVATIONS WILL HELP FEDERAL AGENCIES BE MORE COMPETITIVE IN RECRUITING AND RETAINING THE KIND OF WORKFORCE THEY WILL NEED IN THE 21ST CENTURY.

OUR PROPOSAL ALSO INCLUDES SEVERAL OTHER RECRUITMENT AND RETENTION INCENTIVES. ONE WOULD ALLOW AGENCIES TO PAY FOR ACADEMIC DEGREE TRAINING IN CERTAIN CIRCUMSTANCES, WHILE ANOTHER WOULD CORRECT CERTAIN UNFORESEEN PAY ADMINISTRATION ANOMALIES RELATING TO SPECIAL SALARY RATES. THESE ANOMALIES HAVE RESULTED LARGELY FROM THE INTRODUCTION OF LOCALITY PAY UNDER THE GENERAL SCHEDULE. THE CORRECTIONS WE HAVE DEVELOPED ARE INTENDED TO IMPROVE THE EFFECTIVENESS OF THE SPECIAL SALARY RATES PROGRAM AS A RECRUITMENT AND RETENTION TOOL, WHILE RESTORING CONFIDENCE IN THE FAIRNESS OF INDIVIDUAL PAY ADMINISTRATION DETERMINATIONS FOR EMPLOYEES WHO RECEIVE SPECIAL SALARY RATES.

OUR PROPOSAL ALSO WOULD SIMPLIFY AND RATIONALIZE THE COMPUTATION OF RETIREMENT BENEFITS INVOLVING PART-TIME SERVICE TO REMOVE AN UNINTENDED ADVERSE EFFECT ON EMPLOYEES WHO PERFORM PART-TIME SERVICE AT THE END OF THEIR CAREERS. THIS CORRECTION WOULD ELIMINATE A DISINCENTIVE FOR EMPLOYEES NEARING THE END OF THEIR CAREERS WHO WOULD LIKE TO PHASE INTO RETIREMENT BY SHIFTING TO PART-TIME SCHEDULES.

NEW HIRING FLEXIBILITIES

OUR PROPOSAL WOULD CREATE NEW HIRING FLEXIBILITIES TO ENABLE AGENCIES TO MEET SPECIAL HIRING NEEDS MORE EFFICIENTLY. S. 1603 CONTAINS SIMILAR PROVISIONS, AND MY STAFF HAS BEEN WORKING VERY CLOSELY WITH CONGRESSIONAL STAFF TO SORT OUT THE DIFFERENCES BETWEEN S. 1603 AND THE OTHER BILLS ON THESE ISSUES.

I WANT TO MAKE IT PERFECTLY CLEAR THAT THE ADMINISTRATION'S SUPPORT FOR VETERANS' PREFERENCE HAS NOT ABATED IN ANY WAY. THIS ADMINISTRATION PLACES GREAT IMPORTANCE ON VETERANS' EMPLOYMENT ISSUES — IN PARTICULAR, ENSURING THAT VETERANS RECEIVE THE EMPLOYMENT PREFERENCES THEY HAVE EARNED. THE VETERANS' PREFERENCE LAWS HAVE LONG BEEN A CORNERSTONE OF THE CIVIL SERVICE, AND OPM HAS BEEN IN THE FOREFRONT OF

EFFORTS TO PRESERVE AND PROTECT VETERANS' PREFERENCE IN FEDERAL EMPLOYMENT. WE SHARE THE VIEW HELD BY VETERANS' SERVICE ORGANIZATIONS THAT THE NATION OWES A DEBT OF GRATITUDE TO ITS VETERANS. VETERANS' PREFERENCE PROVIDES A MEASURE OF COMPENSATION FOR THOSE BRAVE YOUNG MEN AND WOMEN WHO LEFT THEIR FAMILIES, HOME, AND HEARTH TO ANSWER THE NATION'S CALL TO ARMS.

THE SENTIMENT OF THIS PRESIDENT AND THIS DIRECTOR TOWARDS VETERANS' PREFERENCE WAS ALREADY ARTICULATED BY **PRESIDENT FRANKLIN ROOSEVELT** IN A LETTER ENDORSING VETERANS' PREFERENCE WHEN THE BILL ESTABLISHING THE PREFERENCE WAS TRANSMITTED TO THE HOUSE OF REPRESENTATIVES:

I BELIEVE THAT THE FEDERAL GOVERNMENT, FUNCTIONING IN ITS CAPACITY AS AN EMPLOYER, SHOULD TAKE THE LEAD IN ASSURING THOSE WHO ARE IN THE ARMED FORCES THIS DAY WHEN THEY RETURN SPECIAL CONSIDERATION WILL BE GIVEN TO THEM IN THEIR EFFORTS TO OBTAIN EMPLOYMENT. IT IS ABSOLUTELY IMPOSSIBLE TO TAKE MILLIONS OF OUR YOUNG MEN OUT OF THEIR NORMAL PURSUITS FOR THE PURPOSE OF BRINGING TO PRESERVE THE NATION FOR CERTAIN POSITIONS TO QUICKLY RESUME THEIR NORMAL ACTIVITIES WITHOUT HAVING ANY SPECIAL CONSIDERATION SHOWN TO THEM. THERE IS A SHORTAGE OF CANDIDATES OR A CRITICAL HIRING NEED, AS DETERMINED UNDER OPM REGULATIONS.

THE SECOND HIRING FLEXIBILITY WE ARE PROPOSING INVOLVES ALTERNATIVE RANKING AND SELECTION PROCEDURES. THESE ALTERNATIVE PROCEDURES HAVE BEEN TESTED EXTENSIVELY IN THE U.S. DEPARTMENT OF AGRICULTURE, WHERE CONGRESS AUTHORIZED THEM PERMANENTLY IN 1998. AN AGENCY USING THESE PROCEDURES CAN DIVIDE QUALIFIED CANDIDATES INTO TWO OR MORE QUALITY CATEGORIES, INSTEAD OF ASSIGNING NUMERICAL RATINGS TO INDIVIDUAL APPLICANTS, AS IS CURRENTLY REQUIRED. THE APPOINTING OFFICIAL MAY SELECT ANY APPLICANT IN THE HIGHEST QUALITY GROUPING. WITHIN EACH QUALITY GROUPING, THOSE ELIGIBLE FOR VETERANS PREFERENCE MUST BE LISTED AHEAD OF OTHER CANDIDATES. IN A "CATEGORICAL RANKING" PROCESS, THE APPOINTING OFFICIAL HAS NO MORE AUTHORITY TO PASS OVER A PREFERENCE ELIGIBLE VETERAN THAN HE OR SHE DOES UNDER CURRENT LAW. IN THIS WAY, THESE ALTERNATIVE RANKING PROCEDURES ALLOW A HIRING AGENCY MORE FLEXIBILITY THAN DOES THE CURRENT SYSTEM, WHILE STILL PROTECTING VETERANS PREFERENCE.

RESULTS-ORIENTED PERFORMANCE MANAGEMENT AND COMPENSATION FOR SENIOR EXECUTIVES

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WE BELIEVE THE CHANGES WE ARE PROPOSING WITH RESPECT TO SENIOR EXECUTIVES WILL STRENGTHEN THE LINKS BETWEEN THEIR PERFORMANCE AND THEIR PAY AND AWARDS. THIS PORTION OF OUR PROPOSAL WOULD AMEND AN AGGREGATE PAY LIMITATION THAT PREVENTS SENIOR EXECUTIVES FROM RECEIVING SOME AWARD PAYMENTS IN A TIMELY WAY. THE CHANGE WE ARE PROPOSING IS NOT A PAY INCREASE FOR SENIOR EXECUTIVES; IT MERELY WOULD ENABLE SENIOR EXECUTIVES TO RECEIVE PERFORMANCE AWARDS AT THE TIME THEY ARE AWARDED INSTEAD OF HAVING THEM DEFERRED.

THE ADMINISTRATION'S PROPOSAL ALSO WOULD REPEAL PROVISIONS