

THE NEED FOR FIRST-STEP REFORM
TESTIMONY BEFORE THE UNITED STATES SENATE
GOVERNMENTAL AFFAIRS COMMITTEE
SUBCOMMITTEE ON INTERNATIONAL SECURITY,
PROLIFERATION, AND FEDERAL SERVICES

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Mr. Chairman, Members of the Subcommittee, thank you for inviting me to testify today on behalf of the second National Commission on the Public Service and its Chairman, Paul Volcker.

The second National Commission on the Public Service was convened by the Brookings Institution's Center for Public Service nearly 12 years to the day after the first Volcker Commission declared a **"quiet crisis" in the federal public service. Former Federal Reserve Board Chairman, Paul Volcker, once again answered the call to public service to chair this renewed Commission.**

The Commission, which has adopted a self-imposed term of 12 months, is focusing on the need for comprehensive reform in the federal public service. A distinguished bipartisan group of men and women, all of whom have served the public in a variety of capacities, has agreed to serve as Commission members. The Commissioners are: Charles Bowsher, former Comptroller General of the U.S.; former U.S. Senator Bill Bradley; Frank Carlucci, who served as Secretary of Defense under President Reagan; Kenneth Duberstein, President Reagan's Chief of Staff; former Office of Personnel Management Director Constance Horner; former OMB Director Franklin Raines; Richard Ravitch, Co-Chairman of the Millennial Housing Commission and former Chairman of the New York State Urban Development Corporation; Robert Rubin, former Secretary of the Treasury; Donna Shalala, Secretary of HHS in the Clinton Administration and former Representative Vin Weber. Bruce Laingen, Executive Director of the first Volcker Commission and Michael Armacost, President of the Brookings Institution, will serve as ex-officio members of the Commission. I serve as Senior Adviser to the Commission in my role as Vice President and Director of Governmental Studies at the Brookings Institution and Director of its Center for Public Service, along with G. Calvin Mackenzie of Colby College and Jim Dertouzos of the RAND Corporation. Commission efforts will be guided by Executive Director Hannah Sistare, who has been Senator Thompson's staff director and counsel on the Senate Governmental Affairs Committee for the past seven years.

The Commission has partnered in its work with several well-regarded organizations working in the public interest in order to receive input from a variety of sources before formulating its recommendations. These include The Council for Excellence in Government, the Kennedy School of Government, the National Academy of Public Administration, the Partnership for Public Service, and the RAND Corporation. The Brookings Institution's Presidential Appointee Initiative along with its Center for Public Service will also contribute research. The Commission will not generate any extensive new research, but will draw upon analysis of the large body of existing work in the field.

The Commission held an organizational meeting last week on March 14th. We are finalizing the areas of concern and program of activities it intends to make the focus of its work. This program will be posted on the Commission web page in April for public input and comment: www.brookings.edu/volcker. The Commission will hold public hearings the third week in July, at which time our public interest partners will share the results of their work. Chairman Volcker plans to finalize the Commission report and recommendations in the fall and release them before the end of the year.

THE ANTI-TERRORISM WORKFORCE

The federal government's human capital crisis is particularly apparent in the anti-terrorism workforce at the Departments of Defense, Justice, Transportation, Treasury, and State. Federal employees in these departments were interviewed as part of a larger study of the state of the federal service conducted by Brookings' Center for Public Service last summer.

The 500 members of the anti-terrorism workforce had plenty to say about the frustrations of working for government. Although they were generally satisfied with their job, salary, security, and benefits, two fifths of the anti-terrorism workforce rated morale in their organizations as somewhat or very low, and just a third said they were very satisfied with public respect for the type of work they were doing.

These employees also expressed worries about the overall competence of the workforce. Roughly half rated the quality of their fellow workers as just somewhat competent or less, and a quarter said the quality had declined in the past five years. They estimated that 24 percent of the people they worked with were not performing their jobs well, primarily because their organizations did not ask enough of them or because they were not qualified for their jobs.

The workforce had little good to say about the personnel system. The vast majority described the hiring process as slow and confusing, and a fifth refused to describe it as fair. And asked how well their organizations did at disciplining

poor performers, 35 percent of the anti-terrorism workforce answered either not very well or not well at all. They also had little good to say about Vice President Al Gore's reinventing government campaign. Seventy percent said their organizations had been reinvented in the past years, but 45 percent of those said the reinventing had actually made their jobs either somewhat or more difficult to do. Two-fifths said there were still too many layers between the top and bottom of their agencies, and only a fifth said their organizations were doing a very good job at recruiting and retaining talented employees at their level in the organization.

Despite these frustrations, the vast majority of the anti-terrorism workforce said they contribute to the mission of their agencies and felt proud to tell friends and family that they work for government. Most were satisfied with their opportunity to accomplish something worthwhile for the nation, and the majority said they were given the chance to do the things they do best.

Yet, many also said their agencies do not have the tools to succeed. A quarter said their organizations only sometimes or rarely have access to the information needed to perform their jobs well, nearly a third said the same about both access to technological equipment and training, and more than half said that their organizations did not have enough employees to do their jobs well. Even before September 11, these employees believed their organizations did not have the equipment and training to do their jobs well. One can only surmise that they would feel even more under-resourced today, given that they are now being asked to do much more.

Overall, the survey suggests that the federal government has a better anti-terrorism workforce than it deserves. Too many work against the odds to succeed. But with retirements about to increase, the federal government will not have this anti-terrorism workforce forever. These findings reflect problems in the federal workforce as a whole. The serious implications of these findings for the ability of the federal government to effectively accomplish its mission has become apparent.

THE COMMISSION'S AGENDA

The new Volcker Commission was born of the realization that what the first Volcker Commission termed "the quiet crisis" in the public service had become a roar. Many, certainly including Members of this Subcommittee, had reached that conclusion well before September 11th of last year. September 11th put a large exclamation point on the need to address the problem.

September 11th reminded the American public that the responsibilities they have placed on their government, and the people who carry out those responsibilities, matter. The fact that Americans saw the front line members of the public service performing their jobs so nobly and selflessly created a tremendous increase in the public's trust in government. As Senator Thompson has often said, if the American people do not trust those they have put in office, they will never allow them to make the tough decisions necessary to successfully leading our nation.

Unfortunately, there is growing evidence that the quiet crisis is roaring. As it begins its work, the Volcker Commission is considering the following sampling of issues as the subject of its focus:

I. The Aging of the Federal Workforce

The federal workforce is facing a human capital crisis as a result of the forthcoming retirement of many of its members. By 2005, more than half of the federal workforce, some 900,000 employees will be eligible for regular or early retirement. Although the Office of Personnel Management estimates that of those who are eligible only 293,000 employees will actually retire within the next four years, the threat of a massive human capital loss will remain an issue for the foreseeable future.¹ With the departure of these employees, many of whom will be in the Senior Executive Service or other managerial ranks, the federal government will also lose an undeterminable amount of practical knowledge and institutional memory.

II. Recruitment Barriers

The federal government will have a significant problem recruiting the vast numbers of new personnel that it will need in the coming years. In a survey conducted last summer, only one in six workers had expressed a strong interest in working for the federal government, and a two-thirds majority had a more favorable view of working in the private sector than in the public sector.² When a group of parents and high school teachers were asked which careers offered the greatest potential for their children and students in June 2000, only 11 percent of parents and 24 percent of teachers indicated that government was a promising career.³ Even among the graduates of the nation's top schools of public policy and administration, the prospect of government employment has lost its luster. Whereas three-fourths of the graduates of such schools in 1973 and 1974 started their careers in a government job, slightly less than half of the graduates of 1993 followed the same path.⁴

When potential employees seek to enter government service, they frequently encounter numerous roadblocks.

According to a 1999 study by the Office of Personnel Management, as many as one-third of all federal job openings are not publicly announced.⁵ Once an applicant has applied for a position, the hiring process for federal jobs frequently becomes a tedious and lengthy enterprise. In a survey of federal civil service and private sector employees conducted by the Brookings Institution's Center for Public Service in 2001, the vast majority of federal employees described the hiring process as both confusing and slow, while their counterparts in the private sector most frequently described their hiring systems as fast, simple and fair.⁶

III. Retention Barriers

The federal government has frequently experienced difficulty in retaining employees. Of the 112,000 people who began government careers in 1983 and 1984, only three of every ten were still working toward their federal pensions in 2001.⁷ The retention of quality federal employees is a particular problem within specific occupational fields as well as within the managerial ranks of the civil service. For example, the Securities and Exchange Commission has lost 30 percent of its attorneys, examiners and accountants over the last two years and half of its employees have been with the Commission for less than a decade.⁸ Efforts to make the benefits of federal employment more commensurate with those found within the private sector have not been fully embraced by the federal government. Although the 1990 Federal Employees Pay Comparability Act attempted to establish greater parity between federal salaries and private-sector pay, it has never been fully implemented by the executive branch.⁹ There is also some evidence that the federal government faces a particularly troublesome problem retaining employees after three years of service, when there appears to be extraordinary turnover. It hardly makes sense to put huge amounts of energy into recruiting the best and brightest at the entry level only to lose them at the first available exit point.

IV. Career Rigidity

The inflexible nature of federal civil service hiring and promotion processes frequently complicates career advancement for federal employees and discourages lateral hiring from other governmental departments and the private sector. According to a 2001 survey of federal employees and supervisors by the U.S. Merit Systems Protection Board, only 45 percent of employees reported that their supervisors promote the most qualified available person when there are jobs to be filled in their organization.¹⁰ The same survey demonstrated that federal supervisors often discount the need to look to other governmental agencies or outside the federal government when hiring for a position. Only 41 percent of the responding supervisors agreed to a great or moderate extent that it is important to consider applicants from as many sources as possible in order to give the public greater faith that they all have the best possible civil service working for them.¹¹ According to the Partnership for Public Service, of the 48,000 vacancy announcements at the mid career (GS12-15) level during FY 2001, only 53 percent were open to applicants who were not already federal employees.¹² In FY2000, only 13 percent of the more than 60,000 federal positions filled at the GS-12 to GS-15 levels were filled by individuals hired from outside government.¹³ Similar data collected at the entry level by the National Academy of Public Administration shows that two out of five entry-level positions filled by the federal government during the 1990s involved a candidate who was already a government employee.

V. The Poor Performers Problem

Federal employees have often been stigmatized as under-performers and, unfortunately, recent research provides evidence of this. According to a study of federal employees conducted by the Brookings Institution's Center for Public Service, respondents reported that on average 23.5 percent of their co-workers did not perform up to par.¹⁴ Regrettably, only 5 percent of respondents indicated that all of their co-workers do an effective job.¹⁵ This survey also suggests that poor performers are poorly disciplined: 67 percent of respondents reported that their organizations were "not very good" or "not good at all" at disciplining poor performers.¹⁶

When an agency decides to fire a poor performer, it begins a long process that, if appealed by the employee, can last for years.¹⁷ Disciplinary rules created under the Civil Service Reform Act of 1978 are difficult to understand, let alone endure.¹⁸ These rules provide disciplined employees with at least thirty days advance written notice (unless there is reasonable cause to believe the employee has committed a crime for which a sentence of imprisonment may be imposed,) and at least 7 additional days to answer the decision orally and in writing.¹⁹ Following this process, the employee has 20 days to file an appeal of the decision with the Merit

Systems Protection Board, which assigns an administrative judge to review the action.²⁰ During FY 1999, the average time to process an appeal by an administrative law judge was 100 days.²¹ The employee can then appeal this decision to a three-member Merit Systems Protection Board panel, a process that during FY 1999 took an average of 222 days.²² Appeals of this panel's decision can then be brought before the Court of Appeals for the Federal Circuit and then eventually the U.S. Supreme Court.²³ While these regulations were intended to provide important safeguards that need to be maintained, the process could be streamlined while still protecting federal employees from inappropriate personnel action.

VI. Access to the Top

Many of the nation's most talented civil servants are kept from prime positions as a result of the increasing numbers of political appointees. According to the Congressional Budget Office, there are currently about 2,800 political appointee positions within the federal government.²⁴ Research by the Center for Public Service demonstrates the frustration that federal employees experience as a result of the lack of career growth potential. Of the federal employees surveyed, 32 percent were not very satisfied or not at all satisfied with their opportunities for advancement, 58 percent said the promotional system was not fair, and 77 percent said that there was little room for advancement.²⁵ From FY 1998-2000, the Merit Systems Protection Board reports that one out of every 8.8 employees received a promotion each year. The rate at the higher levels of the general schedule, however, was much lower. During the same period, the rate of promotion from the GS-12 level was 1 promotion for every 13 employees each year. At the GS-13, level the number decreased to 1 promotion for every 20 employees, and at the GS-14 level, on average, there was only 1 promotion for every 25 employees.²⁶

VII. Pay Compression

Just as the opportunities for professional advancement within the federal civil service are limited by hierarchical limitations, opportunities for salary increases are stunted by the compression of federal pay scales. The same salary caps often apply to employees at different grades within the federal civil service. For example, in 2001, 60 percent of Senior Executive Service members received the same salary, \$133,700, despite the fact that the members were from three different grades within the service.²⁷ Research by the Congressional Budget Office has demonstrated that compensation for Senior Executive Service members dramatically lags behind what is received by their counterparts within the private sector. For example in 1999, the average total compensation for a Director of Public Affairs in a medium-sized private firm (defined as a business with revenues of less than \$300 million) was more than the average total compensation of a member of the Senior Executive Service. The average total compensation of a Chief Executive Officer in a medium-sized firm was more than 4 times that of a Senior Executive Service member.²⁸

The effects of pay compression at the upper levels of federal employment reverberate throughout the entire civil service. As of 1997, the average pay differential between comparable federal and private sector jobs was 22 percent with the greatest difference coming in the more highly skilled professional and administrative positions.²⁹ Graduates of schools of public policy and administration, who have traditionally formed a significant part of the applicant pool for these highly skilled federal positions, have increasingly turned to the private and non-profit sectors for employment. Those graduates who do not choose to start their careers within government are highly unlikely to consider government service in the future, as federal salaries and benefits frequently fail to entice mid-level professionals from other fields.³⁰

Pay ceilings are also a prohibitive factor for prospective political appointees when considering public service. In a survey conducted by The Presidential Appointee Initiative of executives from the private and nonprofit sectors, 70 percent of respondents indicated that higher pay would make a political appointment more attractive.³¹

VIII. Trust in Government

Although surveys demonstrated that public trust in government surged in the wake of September 11th, recent research suggests that public trust levels are declining towards pre-September levels. Following up on data obtained in October 2001, a Brookings' Center for Public Service survey conducted in February 2002 found that in four months the public's favorability ratings of presidential appointees and federal employees had dropped by 11 and 9 percentage points, respectively.³² Federal employees have suffered the brunt of years of negative media coverage and public indifference to the federal civil service. Perhaps as a result, 41 percent of

surveyed federal employees report that the morale of the people they work with is either somewhat or very low.³³ Improving the public's perception of government is crucial for ensuring the future health of the public service.

IX. Resources for Performance

Research suggests that the federal civil service needs better access to training, information, technology and additional employees with critical skills. Forty percent of federal employees surveyed reported that the organization in which they work only sometimes or rarely provide access to the training they need to do their jobs well.³⁴ In another recent survey, when given an open-ended chance to describe the reforms that would best serve their organizations, 51 percent of responding federal employees said that the government should improve the resources and tools made available to employees.³⁵ Although some agencies have acquired the necessary information technology to perform their missions, others have struggled with the demands that the advances in technology have presented. The State Department, for example, has such an outdated computer system that Germany and some other foreign governments bypass American embassies and e-mail Washington directly.³⁶ The department runs four separate, incompatible computer systems that cannot access the Internet and it is dependent upon a cable system developed during World War II for much of its diplomatic communications.³⁷

X. Outsourcing

Although the outsourcing of federal work has contributed to the reduction in the size of the civilian workforce, there is a paucity of research that actually examines the ways in which this development has fundamentally altered the federal civil service. In the past 15 years, the federal civilian workforce has declined by more than 400,000 to 1.8 million jobs, but during the same time the number of service contractors has grown by roughly 500,000 jobs to 4 million.³⁸ Whether there has been a job-for-job switch between the federal civil service and private contractors remains unclear, as the executive branch has not been asked to track this movement.³⁹ The advent of outsourcing has had obvious effects on the morale of federal employees and puts the federal civil service at a disadvantage in winning the talent war for new employees. Potential employees, who demonstrate an interest in pursuing federal work, can now often find the same type of work within the private sector. Among recently surveyed graduates of schools of public policy and administration, 30 percent of respondents working in the private sector reported that they spent at least 80 percent of their time on projects funded by government, and 25 percent reported spending between 20 percent and 80 percent of their time on such projects.⁴⁰

THE LEGISLATIVE AGENDA

Past efforts to restore the luster of federal service have been hampered by a lack of interest in incremental action. Unable to attract congressional or executive interest in small-scale adjustments from time to time, reformers have felt obliged to repair the system in giant bills such as the 1946 Classification Act and 1978 Civil Service Reform Act. No private business would survive long if it adjusted its human capital systems once every twenty-five years or so, yet that is exactly how we do it in the federal government.

The Homeland Security Federal Workforce Act (S. 1800) introduced by Chairman Akaka and Senators Durbin and Thompson, and the draft legislation proposed by Senator Voinovich and the Administration, offer a tandem opportunity to acknowledge that labor markets change more than once every quarter century. When combined with the Presidential Appointments Improvement Act introduced by Senators Thompson and Lieberman, we have the elements of the kind of reform that would clearly increase government's ability to compete for talent. **There is no reason why the Senate and the House should not take these first steps, provided they are viewed as first, not final, steps in what will ultimately amount to an historic restructuring of the federal government's human capital system.**

The Volcker Commission discussed these pending measures in our organizational meeting last week. While the Commission is not yet ready to endorse specific legislative proposals, it believes that the pending legislation addresses pressing problems, and that these first steps should be taken with the Commission's broad blessing.

Some research which the Commission will use in its work may be of value to the Subcommittee in this process. In addition, the Commission's partners are each working within their own areas of expertise and will provide additional research and studies to us at our July hearings. We will be glad to share that work with the Subcommittee as well.

An issue which was discussed by the Commission members, which relates broadly to some of the provisions of the legislation before the Subcommittee is that of managerial flexibility. There was a consensus among Commission members and our public interest partners that reform legislation should not be designed to prevent the most recent scandal. We cannot legislate away every abuse and mistake. A current example is the furor over abuse by a very few individuals of their government credit cards. That purchase program was put into place during the last

administration with the assistance of this Committee. It has saved the government millions annually. We should punish those who abuse their public trust, but not the many federal workers who do not, or the taxpaying public at large, for wrongdoing by a very, very few.

Let me conclude by applauding the members of the Committee and its Subcommittees for your willingness to act. We have spent too much time these past ten years inventing ways to deny the problem, even as we eviscerated government through a random downsizing, ill-considered outsourcing, and an unrelenting attack on the human capital infrastructure. Now is the time to restore and renew our federal public service.

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