

TESTIMONY

Chairman Akaka, Ranking Member Cochran, and distinguished Members of the Committee:

On behalf of the nearly 200,000 managers and supervisors in the Federal government whose interests are represented by the Federal Managers Association, I would like to thank you for inviting FMA to present our views today before this committee.

I am a 36-year employee of Pearl Harbor Naval Shipyard and Industrial Maintenance Facility, with 31 years in the Nuclear Engineering and Planning Department. I currently hold the position of Curriculum Development Manager in the Production Training Department. Within FMA, I am a member of the General Executive Board by virtue of being the president of FMA Zone 7, which covers Hawaii, northern California, northern Nevada, Colorado, and Utah. My statements are my own in my capacity as a member of FMA and do not represent the official views of the Department of Defense or the Navy.

Mr. Chairman, I would be remiss if I did not personally thank you for your support over the years of FMA Chapter 19 at Pearl Harbor. Your efforts have been instrumental, particularly in the area of workforce revitalization at the Shipyard, whereby we have been able to hire over 520 new apprentices and 100 engineers over four years.

Established in 1913, FMA is the largest and oldest Association of managers and supervisors in the Federal government. Our Association has representation in more than 25 Federal departments and agencies. We are a non-profit advocacy organization dedicated to promoting excellence in public service through effective management. As those who are responsible for the daily management and supervision of government programs and personnel, our members possess a wide breadth of experience and expertise that we hope will be helpful as we collectively seek to address the human capital crisis that our government has been saddled with.

Mr. Chairman, before I present FMA's perspective, I'd like to take this opportunity to thank you along with Senators Cochran, Durbin, Voinovich, Thompson, and Collins for your leadership on S. 1799 and S. 1800 to provide additional educational benefits for employees at those Federal agencies responsible for homeland security. Although these bills are not the focus of today's hearing, they are nonetheless critical elements in the human capital discussion.

As has been well documented, during the course of the 1990s the Federal government underwent a dramatic downsizing due to the Clinton Administration's *Partnership for Reinventing Government* initiative. As a result of "reinvention" and its arbitrarily set goal of a 15-to-1 employee-to-supervisor ratio throughout the Federal government, nearly 430,000 positions were lost from 1993 to 2000, a 20-percent reduction of the Federal workforce. Agencies are increasingly being asked to do more with less, compete Federal functions with the private sector, streamline procurement processes, and at the same time deliver higher-quality service to the American public.

While civil servants have proven time and time again that they are more than capable of fulfilling their duty, civil service reform is still needed to increase the

efficiency of the Federal government. With the Federal government facing a human capital crisis, Federal managers must have the flexibility to use existing resources to recruit new talent while preventing the eminent “brain drain” that will occur with the retirement of so many career civil servants.

Civil service reform will only work in practice when it is applied to the Federal government as a whole. There have been numerous instances of demonstration projects in the area of increasing personnel authority bringing success to some Federal agencies, but rarely are these successful initiatives allowed to cross agency lines. Any reform must retain the notion of the government as a single employer and these various projects have formed divisions in the policies of Federal agencies.

Federal managers and supervisors want our government to work the best it can for the American people. However, as the number of civilian employees continues to shrink, this task is becoming increasingly difficult. Today's Federal workforce is facing a human capital crisis that threatens its ability to properly carry out government services in the future. Very few graduating college seniors view the public sector as a desirable employment option. At the same time, Federal hiring procedures lengthen the process to the point of deterrence. Furthermore, current practices make Federal employment an impractical option for mid-career professionals. To make matters worse, Federal-sector salaries continue to lag far behind those of the private sector.

HIRING PRACTICES

Hiring policies are still patterned after World War II-era processes. The three-legged process of posting a vacancy, interviewing for an opening, and offering a position takes upwards of a year at times. Hiring procedures need to be updated and streamlined for a quicker response. S. 1639, which mirrors the Administration's “Managerial Flexibility Act of 2001” as part of the President's *Freedom to Manage Initiative*, looks to address current hiring inefficiencies by allowing the U.S. Office of Personnel Management (OPM) or any agency with delegated examining authority, to institute alternative systems for evaluating job applicants. It would also permit agencies to directly hire candidates in situations where there is a shortage of staff or a critical hiring need. We at FMA believe that these are steps in the right direction. If necessary, Federal managers need to have the authority to fill positions of critical need within their respective agencies in an expedited fashion. In addition, we believe Full-Time Equivalent (FTE) ceilings must be made more flexible.

RECRUITMENT AND RETENTION

Recruitment and retention incentives, such as signing bonuses, increased training budgets, and education reimbursement, should be implemented more effectively throughout the Federal government. S. 1639 offers some improvements in this area, such as limited opportunities for recruitment and retention bonuses, alternative methods of receiving bonuses, potentially higher rates for bonuses if it is a critical agency need, as well as payment of academic degree training for current Federal employees. Some agencies have begun offering repayment of student loans; FMA would like to see this benefit extended to those seeking graduate degrees as an additional recruitment and retention tool. Often times, however, agencies do not have adequate funding for these incentives, even existing ones. Annual appropriations should include additional line items for recruitment and training. The public sector should mirror the private sector in appreciating that the most valuable organizational asset is the workforce itself and in recognizing that “you get what you pay for.”

Retention bonuses do not always have to take the form of financial incentives. In exit interviews of Federal workers, other issues such as a lack of recognition and a long-term sense of purpose are missing from government employment. It is also a widespread belief of those leaving government that there exist

insufficient opportunities for growth in the public sector, which brings us to the problem of proper succession planning. In a recent poll conducted by the Partnership for Public Service,^[1] when Federal employees were asked to rank the effectiveness of 20 proposals for attracting talented people to government, the most popular choice was providing more opportunities for career advancement.

TRAINING

Agencies must also be prepared to invest in their employees by offering skill training throughout their career. This prudent commitment, however, will necessitate significant technological upgrades. OPM has already developed pilot Individual Learning Account (ILA) programs. An ILA is a specified amount of resources such as dollars, hours or learning technology tools, or a combination of the three that are established for an individual employee to use for his/her learning and development. The ILA is an excellent tool that agencies can use to enhance the skills and career development of their employees. Clearly agency budgets should allow for the appropriate funding of the ILA as an example. However, history has shown that training dollars have been a low priority for many agency budgets. Toward this end, we at FMA support including a separate line item on training in agency budgets to allow Congress to better identify the allocation of training funds each year.

FMA is also supportive of S. 1603's provision to create a training officer position within each Federal agency. This would allow for better management and recognition of training needs and resources, in addition to placing increased emphasis on critical training concerns.

MANAGEMENT CADRE

Civil service rules must be tailored to meet the challenges of today and tomorrow. This tailoring should continue adherence to merit system principles, retain the notion of the government as a single employer, and give agencies needed flexibility to accommodate increasing workloads with diminishing resources. To simplify and reduce the cost of Federal human resource management, OPM has delegated substantial personnel authority to agencies over the past five years. Agencies in many instances, however, have not delegated this authority to line managers. In some cases, supervisors enjoy fewer delegations of authority than they did in the early 1990s.

We continue to experience difficulty attracting individuals to management positions. The notion of the career civil servant is becoming more and more obsolete because there are few incentives for advancement in the Federal government. This – combined with higher salaries and benefits packages in the private sector – are causing many Federal employees to leave the public sector after only a few years. In fact, there are often times disincentives for moving up the career ladder. A vivid illustration of such is the current statute which caps overtime pay for Federal managers and supervisors, resulting in their making less on overtime than the employees they supervise. More specifically, managers have been confined to the GS 10 step 1 level when working overtime since 1966. FMA supports the idea of creating a separate pay scale for managers. At a minimum, the Title V regulation capping overtime pay for managers and supervisors must be aligned with the times. It is therefore no surprise that we are seeing more instances of managers either returning to the bargaining unit or moving to the private sector than ever before.

A mentoring program for new managers should be developed to ensure that the government has the strongest possible management cadre. Similarly, all agencies should have structured Senior Executive Service (SES) development programs that

identify and train potential SES candidates.

Managers should be afforded the means to continuously enhance their skills. Individual development plans should be devised to maximize each manager's potential. Agencies and departments should increase opportunities for managers to receive training in their respective fields while on-duty by specifically allocating funds for this training. Thus, FMA supports establishing management succession programs to ensure that we have the strongest possible pool of managers to lead tomorrow's civil service.

PERFORMANCE MANAGEMENT

For agencies to perform at optimum levels, employees must have clearly defined performance standards. These standards should be directly linked to the agency's mission, customer service goals, and annual performance plan and/or strategic plan.

We at FMA support implementing a more comprehensive, government-wide appraisal system. The "pass/fail" appraisal system serves as a disincentive for excellence. An appraisal system that clearly delineates unacceptable, acceptable, and excellent performance is recommended. The appraisal rating should be a key consideration in the promotion and award processes.

The current mechanism in place for addressing unacceptable performance should be revised, for it is far too cumbersome and takes too long to document. As a remedial measure, the employee should be provided tutoring and given a reasonable timeframe in which to attain acceptable performance. We as Federal managers want the process to be fair for both the employee and the agency.

We envision a "contract" between the manager and the employee, i.e., if an employee performs at the acceptable level of performance, he/she will retain the position and receive the scheduled within-grade increases; if an employee perform at the excellent level, he/she will receive a financial reward and eventually a promotion; if an employee performs at the unacceptable level, he/she will receive a reasonable timeframe in which to improve performance or face dismissal.

We at FMA recommend an awards system for managers that is distinct from that of the rank-and-file system. For example, the percentage of funds for manager awards should not have to mirror the percentage for employees. Awards should adequately reflect the manager's level of responsibility, span of control, and level of achievement.

COMPENSATION

Compounding the myriad of problems associated with the recruitment and retention of Federal employees is the significant pay gap between the public and private sectors.

According to the same survey by the Partnership for Public Service^[2], the Federal government is not considered an employer of choice for the majority of graduating college seniors. In the survey, nearly 90 percent said that offering salaries more competitive with those paid by the private sector would be an "effective" way to improve Federal recruitment. Eighty-one percent of college graduates said higher pay would be "very effective" in getting people to seek Federal employment. When Federal employees were asked to rank the effectiveness of 20 proposals for attracting talented people to government, the second-most popular choice was offering more competitive salaries (92 percent). The public sector simply has not been able to

compete with private companies to secure the talents of top-notch workers because of cash-strapped agency budgets and an unwillingness to address pay comparability issues.

The Federal Employee Pay Comparability Act (FEPCA) of 1990 was intended to close the gap between Federal employee salaries and those of their private-sector counterparts. However, FEPCA has never been implemented as it was originally designed. More than a decade later, the Bureau of Labor Statistics shows the pay gap between Federal civilian employees and their private-sector counterparts has grown to 32 percent. With more than half of the Federal workforce eligible for either regular or early retirement by 2005, we must, at a minimum, re-examine FEPCA to determine how best to bring public-sector salaries more in line with those of their private-sector counterparts.

GOVERNMENT RIGHTSIZING

The number of managerial positions in the Federal sector has already been reduced significantly over the past decade. In fact, many government leaders would attest that the present state of the management structure and its ability to accomplish individual agency missions has been progressively eroded by continuing cutbacks in managerial and leadership positions.

As we have witnessed, arbitrary reductions without mission analysis serve to undermine the efficiency and cost-effectiveness of government. It is imperative that an analysis of the core missions of agencies be conducted to determine the most efficient organization and ensure that essential skills are retained in the Federal workforce.

Contracting-out can threaten the ability of Federal agencies to fulfill their core missions. Our concern is the perception that the private sector always outperforms the public sector – which is patently false.

We desire true competition for services that are not intrinsically governmental. But for true competition, we must have a level playing field. We must be mindful that when balancing government needs, employee rights, and contractor concerns, there are fundamental value differences in cost, accountability, and control between performing work in the public and private sectors. The government is ultimately responsible for the work and must abide by legal and ethical rules that do not apply in the private sector, such as the Freedom of Information Act. Civil servants also face challenges in managing third-party contractors who are outside their hierarchical authority. The private sector, whether performing more efficiently or not, differs in that it is guided by profit motive.

A prime example is the requirement for the government to work within the confines of the Federal personnel system in hiring employees during an in-house Office of Management and Budget Circular A-76 win scenario. The government is mandated to work within the cumbersome recruitment process, while a contractor can put its vacancy announcement in the local newspaper one day and hire individuals the following day. This does not represent a level playing field.

The Administration needs to review the restraints placed on government bodies that the contractor does not experience, in particular accountability after a contract has been awarded. As taxpayers first and civil servants second, we want whoever is awarded the work to be held accountable. Auditory mechanisms should be in place to evaluate performance at the end of each performance year to ensure that the base bid is not exceeded. If the promised performance is not actualized, penalties should be imposed and no subsequent contract awarded. For instance, service contractors should have a performance bond similar to construction contracts.

Federal functions performed by civil servants are being subjected to unprecedented competition with the private sector. In March 2001, OMB directed agencies to compete at least five percent of those jobs – or 42,500 Federal positions – considered commercial in nature by October of this year. Subsequently OMB released guidance requiring agencies to compete at least ten percent of all government positions considered “commercial in nature” in fiscal 2003. Agencies will be able to use direct conversions – in which jobs are converted to the private sector without competition – and public-private competitions to meet the cumulative 15-percent target. As in fiscal 2002, agencies will not be allowed to use reason codes to exempt any FAIR Act positions from the competition requirement. These initiatives fall in line with the President’s commitment to open to competition with the private sector at least one-half of the Federal positions listed on the FAIR Act inventory of commercial functions.

The FAIR Act reporting process is flawed in that it assumes a job title is always a commercial activity across government even though this assessment is best made by the agency based on the responsibilities of the person in that particular position. Lack of clear, definitive guidance and revisions of guidance, as well as misinterpretation of intended requirements all result in confusion as to what is and what is not “inherently governmental.” Additionally, inadequate and unrealistic processing times for report submissions dictated to field activities by the Chain of Command contribute to inventory being submitted inaccurately or incompletely. Furthermore, once submitted, no vehicle exists to rectify the errors.

We at FMA can understand the Administration’s position that competition is the best way to find efficiency. However, we have concerns about the use of arbitrary targets such as five and ten percent when attempting to achieve the Most Efficient Organization (MEO) across government. It is imperative that an analysis of the core missions of agencies be conducted to determine the MEO and ensure that essential skills are retained in the Federal workforce. The term “inherently governmental” as defined under the FAIR Act (“a function so intimately related to the public interest as to mandate performance by government employees”) has never been clear and continues to be skewed for the benefit of one side or the other. What should be asked is whether or not the function is in-line with the agency’s mission.

Caution should be exercised if commercial activity (CA) studies are thought to be the panacea for efficiency savings. The cost of conducting the actual cost comparison is borne by the activity, and these costs are considered unfunded burdens to the activity with respect to congressionally approved appropriations to conduct the studies. To conduct the studies, Federal employees are being pulled away from their primary duties of carrying out the agency’s mission to write performance work statements. A clear definition of what is “performance based” must be achieved first. Too many liberal interpretations exist, not only in the A-76 community, but also in the Procurement Contracting field, and constant altering of the definitions and “rules” significantly hampers the development of a truly performance-based document. The return on investment is largely lost whether the work stays organic or goes commercial.

There must be a better way. If the Federal government is serious about integrating a performance-based process that focuses on the strategic management of human capital, we must measure the entire cost of programs, including the current shadow workforce of contractors. A major concern to FMA is the Federal government’s inability to track costs and inventory of the contractor workforce and the functions it assumes once work is outsourced. FMA has consistently urged that the FAIR Act be amended to require an inventory of the Federal contractor workforce. Only with an accurate count of contractor jobs and costs can we even begin to assess cost-effectiveness and have the information at hand to consider whether or not it is in the best interest of an agency’s mission to outsource a function.

Under current government contracting rules, when the public sector wins a contracting competition it is periodically audited to determine if it remains the most cost-effective providers of service. Ironically, no similar rule is applied to contractors that win competitions. As a result, the biggest criticism of government contracting is that once the work moves to the private sector there is no way to know if Americans are still getting the best deal for their hard-earned tax dollars. It is also interesting to note that a March 2001 GAO report (GAO-01-388) found that the in-house organization usually experiences a reduction-in-force regardless of whether the public or the private sector wins the competition.

Nonetheless, Mr. Chairman, FMA applauds the thoughtful examination of new and innovative ways to make our government more efficient and cost-effective. As a start, FMA urges support for legislation introduced by Senator Durbin, S. 1152, the "Truthfulness, Responsibility, and Accountability in Contracting (TRAC) Act," to correct several longstanding inequities in the contracting-out process. This legislation, for instance, would require agencies to accurately track costs for work that is contracted out. This information could then be used to potentially bring work back in-house when it can be performed more effectively and efficiently by the Federal workforce. In addition, the General Accounting Office's Commercial Activities Panel is expected to release its recommendations regarding outsourcing and the OMB Circular A-76 process by May 1st, and we are anxious to examine their findings.

CONCLUSION

FMA supports S. 1603's proposal to require each agency or department head to designate a Chief Human Capital Officer (CHCO), who would be responsible for: (1) setting the workforce development strategy of the agency; (2) assessing current workforce characteristics and future needs based on the agency's strategic plan and mission; (3) aligning human resources policies with the organization's mission, strategic goals, and performance outcomes; (4) developing and advocating a culture of continuous learning to attract and retain employees with superior abilities; (5) identifying best practices and benchmarking studies; and (6) creating systems for measuring intellectual capital and identifying links to organizational performance and growth. Likewise, FMA supports the creation of a Chief Human Capital Officers Council – led by OPM and OMB and comprised of agency CHCOs – to coordinate and organize all human capital efforts across government.

Despite some headway, there is still much work to be done in the way of reversing the damage caused by a decade of arbitrary civil service reductions. We at FMA are pleased with the direction the Administration has taken in seeking to address the inefficiencies that currently exist within the framework of the Federal government. The pieces of legislation that we are discussing today are all positive steps in addressing the current climate as the public sector braces for a major transition in a few short years. However, we must keep in mind that even if passed into law, without the necessary funding, no real benefits will be realized – and thus no real progress will be made.

FMA would like to serve as a sounding board for Congress and the Administration in an effort to ensure that policy decisions are made rationally and provide the best value for the American taxpayer, while recognizing the importance and value of a top-notch civil service for the future. I want to thank you again, Mr. Chairman, for providing FMA an opportunity to present our views. We at FMA look forward to working with President Bush and his Administration as well as Congress to deal with our government's workforce challenges in our mutual pursuit of excellence in public service. This concludes my prepared remarks. I would be happy to answer any questions you may have.

[\[1\]](#) Survey conducted by Hart-Teeter for the Partnership for Public Service and the Council for Excellence in Government, October 23, 2001, p. 1-3.

[\[2\]](#) Survey conducted by Hart-Teeter for the Partnership for Public Service and the Council for Excellence in Government, October 23, 2001, p. 1-3.

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