

STATEMENT OF
HENRY ROMERO
ASSOCIATE DIRECTOR FOR WORKFORCE COMPENSATION AND
PERFORMANCE
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON OVERSIGHT OF
GOVERNMENT MANAGEMENT, RESTRUCTURING
AND THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on

THE EFFECTIVENESS OF
FEDERAL EMPLOYEE INCENTIVES
May 2, 2000

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU TO DISCUSS THE NUMEROUS FEDERAL EMPLOYEE INCENTIVES AND THEIR EFFECTIVENESS. WITH YOUR PERMISSION, RATHER THAN DISCUSS EACH OF THE INCENTIVES AVAILABLE INDIVIDUALLY, I WILL TALK ABOUT PAY, OTHER COMPENSATION INCENTIVES, WORK SCHEDULING AND LEAVE FLEXIBILITIES, AND AWARDS IN MORE GENERAL TERMS, HIGHLIGHTING SPECIFIC ITEMS AS APPROPRIATE, AND ATTACH TO MY FORMAL STATEMENT A LIST OF INCENTIVES WITH A BRIEF DESCRIPTION OF EACH.

AS OUR DIRECTOR, JANICE LACHANCE, ARTICULATED BEFORE THIS SUBCOMMITTEE IN EARLY MARCH, WE AT THE OFFICE OF PERSONNEL MANAGEMENT BELIEVE THAT, LIKE THE PRIVATE SECTOR, THE FEDERAL GOVERNMENT MUST ENGAGE IN THE "WAR FOR TALENT." IN OUR VIEW, WINNING THIS "WAR" REQUIRES NOT ONLY AGGRESSIVELY COMPETING FOR HIGHLY-SKILLED NEW EMPLOYEES, BUT ALSO RETAINING AND DEVELOPING OUR CURRENT WORKFORCE. WE INTEND TO MEET THESE CHALLENGES BY ENSURING AGENCIES' EFFECTIVE USE OF EXISTING INCENTIVES AND FLEXIBILITY TOOLS, WHILE REFINING OUR CURRENT POLICIES, SYSTEMS, AND SERVICES AS WELL AS DEVELOPING ADDITIONAL FLEXIBILITIES TO ADDRESS BOTH GOVERNMENTWIDE AND PARTICULAR SITUATIONS.

PAY

TRADITIONALLY, THE MOST IMPORTANT INCENTIVE TO ATTRACT NEW FEDERAL EMPLOYEES OR TO MOTIVATE CURRENT EMPLOYEES HAS BEEN PAY.

ESPECIALLY IN A TIGHT LABOR MARKET, LIKE THE ONE WE HAVE BEEN EXPERIENCING OVER THE LAST FEW YEARS, IT IS IMPORTANT THAT THE BASIC SALARY WE PAY OUR EMPLOYEES BE COMPETITIVE WITH THAT OFFERED BY OTHER EMPLOYERS FOR SIMILAR KINDS AND LEVELS OF WORK. THIS IS A GOAL THAT HAS HISTORICALLY BEEN DIFFICULT TO ACHIEVE. IT IS ALSO FAIR TO SAY THAT THERE HAS BEEN CONSIDERABLE CONTROVERSY OVER THE YEARS ABOUT HOW TO COMPARE THE SALARIES OF FEDERAL AND NON-FEDERAL EMPLOYEES IN A MEANINGFUL WAY.

WHILE WE CONTINUE TO WORK TO RESOLVE THESE CONTROVERSIES, I AM PLEASED TO REPORT THAT DURING THE LAST TWO YEARS, THE PRESIDENT AND THE CONGRESS HAVE AGREED TO FEDERAL EMPLOYEE PAY INCREASES TOTALING MORE THAN 8 PERCENT, WHICH EXCEEDS THE RECENT WAGE GROWTH IN THE PRIVATE SECTOR. THIS YEAR, FEDERAL EMPLOYEES RECEIVED AN AVERAGE PAY INCREASE OF 4.8 PERCENT. THE PRESIDENT'S BUDGET FOR FISCAL YEAR 2001 CONTINUES THAT TREND BY PROPOSING AN OVERALL PAY INCREASE OF 3.7 PERCENT. IF ENACTED, THIS TWO-YEAR INCREASE WOULD BE THE LARGEST TWO-YEAR JUMP SINCE 1981-1982.

IN ADDITION TO THE 3.7 PERCENT INCREASE, THE PRESIDENT'S BUDGET CALLS FOR ELIMINATING THE HIGHER RETIREMENT CONTRIBUTIONS MANDATED BY THE BALANCED BUDGET ACT OF 1997, WHICH ARE SCHEDULED TO REACH 0.5 PERCENT IN 2001.

AND WE ARE ALSO WORKING ON A MAJOR NEW BENEFIT FOR FEDERAL EMPLOYEES, TO TAKE EFFECT BY OCTOBER OF THIS YEAR, THAT WILL PROVIDE THEM THE SAME TAX BENEFITS OF HEALTH INSURANCE PREMIUM CONVERSION THAT ARE PROVIDED BY MOST OTHER EMPLOYERS. FEDERAL EMPLOYEES WILL SAVE AN AVERAGE OF \$434 PER YEAR ON THEIR FEDERAL INCOME TAXES.

TOGETHER, THESE PROPOSALS WOULD BE EQUIVALENT TO A PAY INCREASE OF OVER 5 PERCENT NEXT YEAR-- THE LARGEST PACKAGE OF PROPOSED COMPENSATION INCREASES FOR FEDERAL EMPLOYEES SINCE 1980.

IN ADDITION TO THE COMPENSATION INCREASES, THE PRESIDENT RECENTLY DIRECTED FEDERAL AGENCIES TO USE EXISTING AUTHORITIES TO IMPLEMENT TRANSPORTATION FRINGE BENEFIT PROGRAMS FOR THEIR EMPLOYEES. THESE PROGRAMS WOULD OFFER QUALIFIED FEDERAL EMPLOYEES THE OPPORTUNITY TO EXCLUDE FROM TAXATION COMMUTING COSTS INCURRED WHEN USING MASS TRANSPORTATION AND VANPOOLS.

OTHER COMPENSATION INCENTIVES

A COMPETITIVE BASIC SALARY IS JUST ONE PART OF ANY EMPLOYER'S STRATEGY FOR ATTRACTING AND RETAINING THE WORKFORCE IT NEEDS. OVER THE YEARS, RECOGNIZING THAT SPECIAL RECRUITMENT AND

RETENTION INCENTIVES MAY BE NEEDED TO ATTRACT AND RETAIN FEDERAL EMPLOYEES IN SPECIAL SITUATIONS, OPM AND CONGRESS HAVE PROVIDED A NUMBER OF FLEXIBILITIES FOR AGENCIES TO USE.

FOR EXAMPLE, CURRENT LAW AUTHORIZES OPM TO ESTABLISH HIGHER BASIC SALARIES (WHICH WE CALL "SPECIAL SALARY RATES") FOR SPECIFIC OCCUPATIONS OR GEOGRAPHIC LOCATIONS WHEN FEDERAL AGENCIES ARE EXPERIENCING--OR ARE LIKELY TO EXPERIENCE--SIGNIFICANT RECRUITMENT OR RETENTION PROBLEMS BECAUSE OF HIGHER NON-FEDERAL SALARIES.

SPECIAL RATES HAVE PROVEN TO BE A VERY POWERFUL COMPENSATION TOOL. ALMOST 10 PERCENT OF ALL CURRENT GENERAL SCHEDULE EMPLOYEES--INCLUDING MANY ENGINEERS, HEALTH CARE WORKERS, AND CLERICAL EMPLOYEES IN CERTAIN HIGH-PAYING METROPOLITAN AREAS--NOW RECEIVE HIGHER BASIC PAY UNDER THIS AUTHORITY.

IN ADDITION TO SPECIAL RATES, CONGRESS HAS ALSO AUTHORIZED RECRUITMENT BONUSES AND RETENTION ALLOWANCES. THESE INCENTIVES ARE DESIGNED TO BE USED IN A MORE TARGETED FASHION THAN SPECIAL RATES. THE RECRUITMENT BONUS AUTHORITY GIVES FEDERAL AGENCIES A TOOL TO ATTRACT A SPECIFIC CANDIDATE WITH SPECIAL SKILLS, OR FOR WHICH THE GOVERNMENT HAS A SPECIAL NEED, WHEN THE POSITION INVOLVED OTHERWISE WOULD BE DIFFICULT TO FILL. SIMILARLY, THE RETENTION ALLOWANCE AUTHORITY HELPS FEDERAL AGENCIES RETAIN EMPLOYEES WITH SPECIAL SKILLS, OR FOR WHICH THE GOVERNMENT HAS A SPECIAL NEED, WHEN THEY OTHERWISE WOULD BE LIKELY TO LEAVE. THESE PAYMENTS CAN BE UP TO 25 PERCENT OF BASIC PAY.

THESE RECRUITMENT AND RETENTION INCENTIVES MAY BE USED AT ANY GRADE LEVEL. IN FACT, 26 PERCENT OF ALL RECRUITMENT BONUSES PAID IN FISCAL YEAR 1998 WERE PAID TO EMPLOYEES AT GRADE GS-7, AN ENTRY-LEVEL GRADE.

SINCE 1991, WHEN RECRUITMENT BONUSES AND RETENTION ALLOWANCES FIRST BECAME AVAILABLE, FEDERAL AGENCIES HAVE TAKEN A CAUTIOUS APPROACH TOWARD USING THESE AUTHORITIES. IN THE LAST FEW YEARS, WE HAVE BEGUN TO SEE THEM BEING USED SLIGHTLY MORE WIDELY. RECRUITMENT BONUS USE GREW SLOWLY BUT STEADILY, WITH 435 BEING GIVEN IN FISCAL YEAR 1997. DURING FY 1998, HOWEVER, WE WITNESSED SIGNIFICANT GROWTH. IN THAT YEAR, 1,089 RECRUITMENT BONUSES WERE GIVEN. RETENTION ALLOWANCES ARE MORE POPULAR, HAVING BEEN GIVEN TO 1,072 EMPLOYEES IN FISCAL YEAR 1997, AND TO 2,361 EMPLOYEES IN FY 1998.

STILL, THE OVERALL USE OF THESE AUTHORITIES REMAINS LOW. RECENTLY, OPM DISCUSSED THE NEED FOR SOME CHANGES IN THESE AUTHORITIES

WITH AGENCY HUMAN RESOURCES OFFICIALS, FEDERAL EMPLOYEE UNIONS, AND REPRESENTATIVES OF MANAGEMENT ASSOCIATIONS. AS A RESULT OF THESE DISCUSSIONS, WE ARE LOOKING AT LEGISLATIVE AND ADMINISTRATIVE OPTIONS TO ENHANCE THESE AUTHORITIES AND TO MAKE THEM MORE FLEXIBLE, SO THAT AGENCIES WILL BE ABLE TO USE THEM IN A WIDER VARIETY OF CIRCUMSTANCES AND WITH MORE DELIVERY OPTIONS. OPTIONS WE ARE EXPLORING INCLUDE INCREASING THE SIZE OF RECRUITMENT AND RETENTION INCENTIVES AND ALLOWING A VARIETY OF PAYMENT METHODS.

WORK SCHEDULING AND LEAVE FLEXIBILITIES

ALTHOUGH DIRECT COMPENSATION IS A VERY IMPORTANT PART OF ANY EMPLOYER'S STRATEGY FOR ATTRACTING NEW EMPLOYEES AND MOTIVATING CURRENT EMPLOYEES, WE RECOGNIZE THAT PAY IS NOT THE ONLY COMPONENT OF A SUCCESSFUL STRATEGY. THAT'S WHY WE HAVE ADOPTED A PERSPECTIVE WE CALL THE "STRATEGIC REWARDS" APPROACH. SIMPLY PUT, THIS APPROACH ACKNOWLEDGES THAT AN ORGANIZATION'S REWARD SYSTEM INVOLVES ALL ASPECTS OF A WORK SITUATION.

FOR EXAMPLE, TO SUCCESSFULLY ATTRACT AND RETAIN THE WORKFORCE IT NEEDS IN TODAY'S FAST-MOVING ECONOMY, AN EMPLOYER MUST RECOGNIZE THAT MANY EMPLOYEES FACE THE NEED TO BALANCE WORK AND FAMILY RESPONSIBILITIES ON A DAILY BASIS. ON THIS SCORE, THE FEDERAL GOVERNMENT, AS AN EMPLOYER, CLEARLY HAS BEEN A LEADER FOR MORE THAN TWO DECADES.

FEDERAL EMPLOYEES AGREE. WHEN THE NATIONAL PARTNERSHIP FOR REINVENTING GOVERNMENT (NPR) SURVEYED FEDERAL EMPLOYEES LAST FALL, EMPLOYEES REPORTED THAT THEIR SUPERVISORS SUPPORT THEIR FAMILY AND PERSONAL LIFE RESPONSIBILITIES, AND SEVERAL DESCRIBED HOW THE GOVERNMENT'S FAMILY-FRIENDLY POLICIES HAVE HELPED THEM DEAL WITH FAMILY CRISES.

FLEXIBLE WORK SCHEDULES WERE FIRST INTRODUCED IN THE FEDERAL GOVERNMENT IN THE LATE 1970s AND BECAME A PERMANENT FEATURE OF THE FEDERAL WORK ENVIRONMENT IN 1984. UNDER THE GOVERNMENT'S FLEXIBLE AND COMPRESSED WORK SCHEDULES PROGRAM (WHICH WE COLLECTIVELY REFER TO AS "ALTERNATIVE WORK SCHEDULES"), MANY FEDERAL EMPLOYEES HAVE A WIDE VARIETY OF WORK SCHEDULING OPTIONS AVAILABLE TO THEM, AND FEDERAL AGENCIES HAVE MADE GOOD USE OF THIS PROGRAM. WE RECOGNIZE THAT SOME WORK SITUATIONS DO NOT LEND THEMSELVES WELL TO FLEXIBLE WORK HOURS. EVEN SO, WE ARE PROUD THAT ABOUT HALF OF ALL NON-POSTAL FEDERAL EMPLOYEES TAKE ADVANTAGE OF THIS PROGRAM, WHICH HAS BECOME A MODEL FOR NON-FEDERAL EMPLOYERS, AS WELL.

JUST AS ALTERNATIVE WORK SCHEDULES PERMIT EMPLOYEES AND AGENCIES TO CHOOSE SCHEDULES THAT MEET THE DEMANDS OF BOTH THE INDIVIDUALS AND THEIR ORGANIZATIONS, TELEWORK PROGRAMS HAVE EXTENDED EMPLOYEE WORK ENVIRONMENTS TO INCLUDE LOCATIONS OTHER THAN THE TRADITIONAL OFFICE SETTING. WHETHER AT A TELECOMMUTING CENTER OR A HOME WORKSITE, THIS FLEXIBILITY GENERALLY USES TECHNOLOGY TO ENABLE EMPLOYEES TO BE PRODUCTIVE AND AGENCIES TO ACHIEVE THEIR GOALS. OF COURSE, THE ACCOMPANYING REDUCTIONS IN TRAFFIC AND AUTOMOTIVE POLLUTION SPREAD THE BENEFIT TO THE GENERAL PUBLIC. ONCE AGAIN, THE PROGRAM MAY BE IMPLEMENTED IN A WAY THAT ADDRESSES THE SPECIFIC NEEDS OF BOTH AGENCIES AND EMPLOYEES.

THE FEDERAL GOVERNMENT ALSO HAS BEEN A LEADER IN INTRODUCING FAMILY-FRIENDLY LEAVE PROGRAMS. THE ANNUAL (VACATION) LEAVE AND SICK LEAVE SYSTEM HAS BEEN SUPPLEMENTED IN RECENT YEARS BY A NUMBER OF NEW PROGRAMS AND FLEXIBILITIES, INCLUDING LEAVE SHARING, UNPAID FAMILY AND MEDICAL LEAVE, PAID SICK LEAVE FOR FAMILY CARE AND ADOPTION PURPOSES, AND ADDITIONAL PAID LEAVE FOR ORGAN DONATION PURPOSES.

ALL OF THESE PROGRAMS HAVE BEEN WELL PUBLICIZED THROUGHOUT THE FEDERAL WORKFORCE, AND MANY EMPLOYEES SAY THE FEDERAL GOVERNMENT IS THEIR EMPLOYER OF CHOICE BECAUSE OF THESE FLEXIBILITIES.

IN THE ATTACHMENT TO MY FORMAL STATEMENT, WE ARE PROVIDING THE SUBCOMMITTEE WITH MORE DETAILED INFORMATION ABOUT OUR WORK SCHEDULING AND LEAVE PROGRAMS. HOWEVER, I WOULD LIKE TO CALL YOUR ATTENTION TO A RECENT AND VERY IMPORTANT LEAVE POLICY INITIATIVE. IN RESPONSE TO A PRESIDENTIAL DIRECTIVE LAST YEAR, WE WILL BE IMPLEMENTING A MAJOR ENHANCEMENT TO OUR SICK LEAVE PROGRAM. UNDER FINAL REGULATIONS THAT WILL BE ISSUED VERY SOON, FEDERAL EMPLOYEES WILL BE ABLE TO USE A TOTAL OF UP TO 12 WEEKS OF ACCRUED PAID SICK LEAVE EACH YEAR TO CARE FOR A FAMILY MEMBER WITH A SERIOUS HEALTH CONDITION.

THIS EXPANDED SICK LEAVE BENEFIT WILL ENABLE A FEDERAL EMPLOYEE TO PROVIDE CARE FOR A SERIOUSLY ILL FAMILY MEMBER WITHOUT FEAR OF LOSING HIS OR HER JOB AND WITHOUT THE ADDITIONAL FINANCIAL SACRIFICE THAT TOO OFTEN ACCOMPANIES A FAMILY MEMBER'S MAJOR MEDICAL PROBLEMS. WE BELIEVE THIS ENHANCEMENT TO THE FEDERAL GOVERNMENT'S SICK LEAVE POLICY IS YET ANOTHER INCENTIVE THAT WILL HELP US RECRUIT AND RETAIN WORKERS, AND ONE THAT WE HOPE BECOMES A MODEL FOR OTHER EMPLOYERS TO FOLLOW.

MOREOVER, TO ATTRACT NEW EMPLOYEES AT ALL LEVELS TO THE FEDERAL GOVERNMENT, WE ARE ALSO STUDYING THE GRANT OF LEAVE CREDITS OF UP TO 80 HOURS AS A TOOL FOR AGENCIES TO USE FOR HARD-TO-FILL POSITIONS.

AWARDS

THE FEDERAL GOVERNMENT'S AWARDS STATUTE PROVIDES A BROAD FRAMEWORK THAT AUTHORIZES AGENCIES TO PROVIDE INCENTIVES AND RECOGNITION TO THEIR EMPLOYEES FOR SUPERIOR PERFORMANCE AND SIGNIFICANT ACCOMPLISHMENTS. OPM REGULATIONS AND POLICIES CONTINUE THIS DECENTRALIZED, EXPANSIVE APPROACH THAT ALLOWS AGENCIES TO DESIGN PROGRAMS THAT WILL WORK FOR THEM.

OPM PROVIDES EXTENSIVE GUIDANCE TO AGENCIES ABOUT WAYS TO USE INCENTIVES. FOR EXAMPLE, THE OFFICE OF PERSONNEL MANAGEMENT OFTEN FEATURES ARTICLES IN ITS BI-MONTHLY NEWSLETTER, *WORKFORCE PERFORMANCE*, HIGHLIGHTING EFFECTIVE AGENCY PRACTICES. OTHER ARTICLES ADDRESS POLICIES AND PRACTICES AGENCIES CAN ADOPT TO MAXIMIZE THEIR PROGRAM EFFECTIVENESS. ALL OF THIS INFORMATION IS AVAILABLE ON THE OPM WEBSITE FOR EASY AGENCY ACCESS. THEIR WIDESPREAD USE OF THESE AWARDS INDICATES THAT KNOWLEDGE ABOUT THESE PROGRAMS IS UNIVERSAL THROUGHOUT GOVERNMENT.

OVER THE YEARS, THE FEDERAL GOVERNMENT HAS ESTABLISHED AN EXCELLENT RECORD OF INCLUDING MANY MORE LOWER-LEVEL EMPLOYEES IN SUCH AWARDS PROGRAMS THAN HAS BEEN THE PRACTICE IN THE PRIVATE SECTOR. AWARDS PROGRAMS ALSO GIVE AGENCIES A MEANS OF PROVIDING ADDITIONAL COMPENSATION TO REWARD SHORT-TERM ACCOMPLISHMENTS AS WELL AS DESIGNING LONG-TERM INCENTIVE PROGRAMS THAT FOCUS EMPLOYEE ENERGY ON ATTAINING SPECIFIC AGENCY OUTCOMES AND GOALS. BOTH OF THESE STRATEGIES CAN SUCCESSFULLY HELP ATTRACT AND RETAIN EMPLOYEES WHEN THE PROGRAM'S PURPOSE AND CRITERIA ARE CLEARLY COMMUNICATED AND ESTABLISH A CLEAR LINE OF SIGHT BETWEEN THE AGENCY'S MISSION AND GOALS AND THE AWARDS GIVEN.

TRENDS IN AWARDS USE

DURING THE 1980s AND EARLY 1990s, AGENCIES PRIMARILY DISTRIBUTED CASH AWARDS TO EMPLOYEES USING PERFORMANCE BONUSES TIED TO THE EMPLOYEES' ANNUAL PERFORMANCE RATINGS. IN MORE RECENT YEARS, STATISTICS SHOW THAT AGENCIES ARE MOVING AWAY FROM USING PERFORMANCE AWARDS BASED SOLELY ON PERFORMANCE RATINGS. INSTEAD, THEY ARE MAKING GREATER USE OF AWARDS BASED ON SPECIFIC ACCOMPLISHMENTS. THIS APPROACH BETTER REINFORCES THE LINE OF SIGHT AND RECOGNITION VALUE OF THE AWARD BY SPECIFYING WHAT ACCOMPLISHMENT IS BEING REWARDED.

GENERALLY, AGENCY SPENDING ON AWARDS HAS REMAINED FAIRLY CONSTANT AT ABOUT ONE PERCENT OF TOTAL SALARIES OVER THE LAST 10 YEARS FOR WHICH WE HAVE STATISTICS. THE LATEST STATISTICS AVAILABLE SHOW THAT FOR FISCAL YEAR 1998 AGENCIES GAVE OUT 589,965 RATING-BASED PERFORMANCE AWARDS; THEREFORE, ABOUT 33 IN EVERY 100 EMPLOYEES RECEIVED ONE. AGENCIES ALSO GRANTED 658,530 OTHER AWARDS BASED ON SPECIFIC EMPLOYEE CONTRIBUTIONS, WHICH REPRESENTS A RATE OF 36 AWARDED FOR EVERY 100 EMPLOYEES.

AWARD PROGRAM FLEXIBILITY

UNDER THE LEADERSHIP OPM PROVIDES THROUGH ITS BROAD REGULATORY GUIDELINES AND POLICIES, AGENCIES DESIGN THEIR OWN AWARDS PROGRAMS. THEY HAVE FULL FLEXIBILITY TO CUSTOMIZE THEIR PROGRAMS TO BEST MEET THEIR INDIVIDUAL NEEDS. AWARDS PROGRAMS MUST BE FLEXIBLE TO PERMIT LOCAL ORGANIZATIONS TO TAILOR THEIR PROGRAMS AND TO ALLOW FOR APPROPRIATE RECOGNITION OF DIFFERENT FORMS AND DEGREES OF ACCOMPLISHMENT.

TO BE SUCCESSFUL, AWARDS PROGRAMS MUST BE CREDIBLE TO EMPLOYEES AND THEIR REPRESENTATIVES. AGENCIES MUST DEVELOP MORE TRANSPARENT AND CREDIBLE CRITERIA AND TO INCREASE EMPLOYEE INVOLVEMENT IN THE DEVELOPMENT OF THEIR PROGRAMS. IN THIS WAY, EVERYONE HAS A BETTER UNDERSTANDING OF THE PURPOSE OF THE PROGRAM AND HOW IT WORKS. INCREASED UNDERSTANDING LEADS TO GREATER ACCEPTANCE AND AGREEMENT THAT THE RIGHT PEOPLE AND ACCOMPLISHMENTS ARE BEING REWARDED. AWARDS PROGRAMS HAVE PROVIDED AN ARENA WHERE AGENCY LABOR-MANAGEMENT PARTNERSHIPS PRODUCE POSITIVE RESULTS FOR THE ORGANIZATION AND ITS EMPLOYEES, AS SEEN, FOR EXAMPLE, IN THE AWARDS PROGRAM DEVELOPED AT TOBYHANNA ARMY DEPOT IN PENNSYLVANIA, WHICH THE NATIONAL PARTNERSHIP COUNCIL RECOGNIZED WITH ITS PRESTIGIOUS STURDIVANT AWARD.

IN ADDITION, DESIGN FLEXIBILITY IS IMPORTANT FOR KEEPING PROGRAMS FRESH AND APPEALING TO EMPLOYEES AND MANAGERS ALIKE. ADAPTING AND REFINING AWARDS PROGRAMS AND CRITERIA ARE A NATURAL PART OF AN ORGANIZATION'S ONGOING USE OF REWARDS AND RECOGNITION. SUCH CHANGES NEED NOT MEAN THAT THE PROGRAM WAS POORLY DESIGNED IN THE FIRST PLACE; THEY SIMPLY REFLECT THE NEED TO MONITOR PROGRAM EFFECTIVENESS AND MAKE APPROPRIATE ADJUSTMENTS. NEW STRATEGIC INITIATIVES OFTEN BRING OPPORTUNITIES TO EMPHASIZE NEW THEMES WITH DIFFERENT SYMBOLS AND FRESH IDEAS.

DEMONSTRATION PROJECTS

IN THE FEDERAL ARENA, INITIATIVES OF THE FUTURE OFTEN BEGIN AS DEMONSTRATION PROJECTS. CURRENTLY, WE ARE USING THE DEMONSTRATION PROJECT AUTHORITY TO TEST AND EVALUATE FLEXIBILITIES IN THE AREAS OF RECRUITMENT, HIRING, AND RETENTION.

FOR EXAMPLE, IN TERMS OF ATTRACTING TALENT, WE CERTAINLY RECOGNIZE THAT QUALITY CANDIDATES THESE DAYS MAY BE AVAILABLE FOR ONLY DAYS, NOT MONTHS. MANAGERS WANT AND NEED THE ABILITY TO HIRE FASTER AND OFFER MORE COMPETITIVE SALARIES. IN SOME DEMONSTRATION PROJECTS, THE HIRING PROCESS HAS BEEN STREAMLINED IN GENERAL, OR SPECIAL HIRING AUTHORITIES HAVE BEEN ESTABLISHED TO ATTRACT HIGH-ACHIEVING ENTRY-LEVEL CANDIDATES IN SPECIFIC OCCUPATIONS. IN OTHERS, MANAGERS ARE ABLE TO OFFER HIGHER ENTRY-LEVEL SALARIES FOR QUALITY CANDIDATES.

THROUGH OUR PAY-FOR-PERFORMANCE PROJECTS, WE HAVE LEARNED THAT MORE OUTSTANDING PERFORMERS ARE RETAINED WHEN THEY ARE ABLE TO EARN MORE MONEY THAN MARGINAL PERFORMERS. LIKEWISE MARGINAL PERFORMERS ARE SENT A CLEAR MESSAGE TO IMPROVE THEIR PERFORMANCE. OVERALL, WE HAVE LEARNED THAT THE ABILITY TO LINK PAY TO PERFORMANCE, CONTRIBUTIONS, OR RESULTS IS A POWERFUL STRATEGIC TOOL TO TRANSFORM AN ORGANIZATION INTO A HIGH-PERFORMANCE CULTURE.

WE HAVE BEEN EXPLORING WAYS TO STREAMLINE AND SIMPLIFY THE CURRENT DEMONSTRATION PROJECT AUTHORITY AND PROCESSES, TO CREATE A MECHANISM FOR SUCCESSFUL DEMONSTRATION PROJECTS TO BECOME PERMANENT ALTERNATIVE PERSONNEL SYSTEMS, AND TO ALLOW SUCCESSFULLY TESTED INNOVATIONS TO BE USED BY OTHER AGENCIES.

OTHER STRATEGIC REWARDS

HOWEVER, OUTSIDE THE TRADITIONAL PAY AND BENEFITS REALM, THERE IS GROWING EVIDENCE ABOUT THE FACTORS THAT REALLY MAKE A DIFFERENCE IN RETAINING SCARCE TALENT TO MEET STRATEGIC GOALS. REWARDS SYSTEM DESIGNERS HAVE IDENTIFIED TWO ELEMENTS.

THE FIRST TYPICALLY IS CALLED "LEARNING AND DEVELOPMENT," AND THE SECOND IS OFTEN REFERRED TO AS "WORKPLACE ENVIRONMENT." IN OTHER WORDS, THE REWARDS THAT REALLY MATTER TO PEOPLE AND MAKE A DIFFERENCE IN THEIR DECISIONS TO STAY WITH AN EMPLOYER RELATE TO HOW WELL THE ORGANIZATION SUPPORTS THEIR SKILLS BUILDING AND THE KIND OF WORK SETTING THE ORGANIZATION PROVIDES.

WITH REGARD TO THE FIRST ITEM, IT SHOULD BE NOTED THAT FOR MANY YEARS AGENCIES HAVE HAD THE AUTHORITY TO ESTABLISH TUITION ASSISTANCE AND REIMBURSEMENT PROGRAMS. THESE TUITION ASSISTANCE

PROGRAMS PAY SOME OR ALL OF THE COSTS OF COLLEGE COURSES AND PROVIDE FEDERAL EMPLOYEES WITH OPPORTUNITIES TO ROUND OUT THEIR ACADEMIC BACKGROUNDS AND BROADEN THEIR TECHNICAL OR PROFESSIONAL KNOWLEDGE. WE HAVE ALSO PREPARED A LEGISLATIVE PROPOSAL TO EXPAND THE CONDITIONS WHICH ALLOW AGENCIES TO PAY FOR ACADEMIC DEGREE TRAINING, AND TO PERMIT AGENCIES TO PAY FOR EMPLOYEES' LICENSES, CERTIFICATES, AND OTHER PROFESSIONAL CREDENTIALS.

A MORE RECENT INNOVATION IS THE INDIVIDUAL LEARNING ACCOUNT, WHICH IS NOW BEING PILOTED BY THIRTEEN FEDERAL AGENCIES. THESE ACCOUNTS ALLOW AGENCIES TO SET ASIDE SPECIFIC DOLLAR AMOUNTS AND/OR OFFICIAL TIME FOR EMPLOYEES TO USE FOR THEIR LEARNING AND DEVELOPMENT. ALTHOUGH THESE PILOTS ARE JUST BEGINNING, WE LOOK FORWARD TO AN OPPORTUNITY TO EVALUATE THEIR OVERALL VALUE AND BENEFIT TO THE PUBLIC AND TO THE GOVERNMENT AT LARGE.

WITH RESPECT TO THE WORKPLACE ENVIRONMENT, I DID MENTION EARLIER THE TELEWORK AND ALTERNATIVE WORK SCHEDULES PROGRAMS WHICH HELP EMPLOYEES BALANCE WORK AND FAMILY OBLIGATIONS. IT IS ALSO IMPORTANT TO NOTE THAT FEDERAL EMPLOYEES HAVE ACCESS TO MORE THAN 250 FEDERALLY SPONSORED OR ASSISTED CHILD CARE SITES AROUND THE COUNTRY. IN ADDITION, WE ARE VERY PLEASED THAT RECENTLY PASSED LEGISLATION PERMITS AGENCIES TO USE APPROPRIATED FUNDS TO MAKE CHILD CARE MORE AFFORDABLE FOR THEIR LOWER INCOME EMPLOYEES.

WHEN YOU ADD AGENCY-SPONSORED WELLNESS AND ELDER CARE ASSISTANCE PROGRAMS, IT IS OBVIOUS THAT THE FEDERAL GOVERNMENT HAS MADE GREAT STRIDES IN IMPROVING THE WORKPLACE ENVIRONMENT FOR ITS EMPLOYEES.

IT IS BECOMING INCREASINGLY CLEAR THAT THESE PROGRAMS MAKE A REAL DIFFERENCE IN ATTRACTING AND RETAINING THE TALENT WE NEED TO ACCOMPLISH OUR MISSIONS. THE RECENT NPR SURVEY OF FEDERAL EMPLOYEES CONFIRMED A RELATIONSHIP BETWEEN THE QUALITY OF THESE PROGRAMS AND EMPLOYEE SATISFACTION.

LEADERSHIP

OF COURSE, THE QUALITY OF LEADERSHIP THAT AN ORGANIZATION'S MANAGEMENT TEAM PROVIDES IS ALSO A CRUCIAL FACTOR IN THAT ENVIRONMENT. SOME COMPANIES WITH RETENTION PROBLEMS HAVE FOUND THAT FORMER EMPLOYEES LIKED THE WORK AND EVEN THE PAY, BUT COULD NO LONGER STAND THE WAY THEIR SUPERVISORS FAILED TO INVOLVE THEM OR RECOGNIZE THEIR CONTRIBUTIONS.

HERE, TOO, THE RECENT NPR SURVEY PROVIDED EVIDENCE OF THE CONNECTION BETWEEN EMPLOYEE SATISFACTION AND THE DEGREE TO WHICH THEIR AGENCIES INVOLVED THEM IN DECISIONS ABOUT THEIR WORK, SHARED A CLEAR VISION OF THE AGENCIES' CUSTOMER SERVICE GOALS, AND RECOGNIZED THEIR CONTRIBUTIONS.

MANY HIGH-PERFORMANCE ORGANIZATIONS TAKE PAINS TO MONITOR THE LEVEL OF SATISFACTION EMPLOYEES REPORT IN THESE AREAS. USING SUCH BALANCED MEASUREMENT APPROACHES TO HOLDING LEADERS AND MANAGERS

ACCOUNTABLE FOR FOSTERING LEARNING AND DEVELOPMENT AND A REWARDING WORK ENVIRONMENT IS BECOMING AN ACCEPTED PRACTICE.

THE CRITICAL QUESTION IS HOW DO WE RECRUIT AND RETAIN THE TALENTED LEADERS WE NEED.

RESPONDENTS TO OPM'S RECENT SURVEY OF MEMBERS OF THE SENIOR EXECUTIVE SERVICE (SES) SAID THAT "CHALLENGING WORK" WAS THE MOST IMPORTANT FACTOR IN THEIR DECISION TO JOIN THE SES.

SALARY AND BENEFITS MAY NOT BE THE PRIMARY MOTIVATOR FOR GOVERNMENT EXECUTIVES. HOWEVER, WE MUST CAPITALIZE ON OUR EXECUTIVES' PUBLIC SERVICE COMMITMENT AND MAKE SURE WE REWARD THEIR TREMENDOUS CONTRIBUTIONS. THE CURRENT SES SYSTEM INCLUDES A NUMBER OF VALUABLE INCENTIVES, AND OPM IS WORKING WITH STAKEHOLDERS TO ENHANCE THEM.

FOR EXAMPLE, IN 1998, CONGRESS INCREASED THE CASH AWARDS GIVEN WITH THE PRESIDENTIAL RANKS OF DISTINGUISHED AND MERITORIOUS EXECUTIVE. PREVIOUSLY, THESE AWARDS WERE ACCOMPANIED BY LUMP-SUM PAYMENTS OF \$20,000 AND \$10,000, RESPECTIVELY. SINCE THE VALUE OF THESE AWARDS HAS ERODED OVER TIME, CONGRESS CHANGED THE FIXED AMOUNTS TO 35 AND 20 PERCENT OF BASE PAY. ANOTHER AMENDMENT GAVE AGENCIES MORE FLEXIBILITY TO RECOGNIZE EXCELLENCE THROUGH ANNUAL PERFORMANCE BONUSES. WE PROPOSE TO STRENGTHEN THIS LINK BETWEEN PAY AND PERFORMANCE BY ALLOWING SENIOR EXECUTIVES TO RECEIVE IMMEDIATELY THE FULL AMOUNT OF THEIR PERFORMANCE AWARDS AND OTHER INCENTIVES, INSTEAD OF HAVING TO DEFER SOME TO THE FOLLOWING YEAR.

ALSO, SENIOR EXECUTIVES CAN NOW ACCUMULATE UP TO 90 DAYS OF ANNUAL LEAVE. WE WANT TO FURTHER ENHANCE THE BENEFIT FOR SENIOR EXECUTIVES BY ALLOWING ALL OF THEM TO EARN 26 DAYS OF ANNUAL LEAVE EACH YEAR, REGARDLESS OF YEARS OF SERVICE.

FINALLY, 45 PERCENT OF THE EXECUTIVES RESPONDING TO OUR SES SURVEY SAID THAT MOBILITY IMPROVES JOB PERFORMANCE, AND MANY OF THEM INDICATED AN INTEREST IN EXPLORING VOLUNTARY JOB CHANGES. TO HELP KEEP THESE TALENTED EXECUTIVES IN GOVERNMENT, OPM WILL BUILD AN INTERNET FORUM WHICH LINKS THESE EXECUTIVES WITH OTHER JOB OPPORTUNITIES.

AS YOU CAN SEE, WE BELIEVE EXCEPTIONAL LEADERS ARE CRUCIAL TO THE OVERALL SUCCESS OF OUR EFFORTS TO IMPROVE GOVERNMENT. WE WILL CONTINUE TO WORK TO ENSURE THAT AGENCIES HAVE THE TOOLS THEY NEED TO SELECT AND CULTIVATE EXECUTIVES WHO ARE UP TO THE CHALLENGE.

SUMMARY

WE BELIEVE THAT IN THE FEDERAL GOVERNMENT GENERALLY WE HAVE SPECIAL CHALLENGES AND SPECIAL OPPORTUNITIES TO HELP KEEP EMPLOYEES ENGAGED AND WORKING TOWARD SHARED GOALS. THE FACT IS THAT MANY IF NOT MOST PEOPLE DO NOT ENTER PUBLIC SERVICE FOR THE MONEY. THEY WANT A CHANCE TO CONTRIBUTE AND MAKE THEIR COUNTRY A BETTER PLACE IN WHICH TO LIVE AND RAISE A FAMILY. OFTEN THE OBSTACLES THEY FACE ARE ENORMOUS, AND THE RESULTS OF THE POLICIES AND PROGRAMS THEY DEVELOPED TO CONQUER DISEASE OR CLEAN UP THE ENVIRONMENT MAY NOT BE APPARENT FOR YEARS. IN SUCH SITUATIONS, IT IS INCUMBENT UPON US, THE EMPLOYERS, TO RECOGNIZE OUR EMPLOYEES' CONTRIBUTIONS.

IT DOES NOT TAKE PILES OF MONEY OR STOCK OPTIONS TO LET PUBLIC EMPLOYEES KNOW THEY ARE VALUED AND MAKE A DIFFERENCE. WE DO NOT HAVE THE MONEY OR STOCK OPTIONS TO GIVE IN ANY EVENT, BUT WE DO HAVE A POWERFUL REWARD IN THE RECOGNITION WE CAN CONFER.

WHETHER WE GIVE AN IMPRESSIVE MEDAL TO ACKNOWLEDGE A CAREER OF DISTINGUISHED SERVICE OR A YELLOW POST-IT NOTE TO SAY THANKS FOR HELPING TO PHOTOCOPY A REPORT, IT IS WORTH DOING. WE MUST TAKE GREAT CARE TO INCORPORATE MULTIPLE FORMS OF EFFECTIVE RECOGNITION INTO OUR CULTURES AND OUR OVERALL STRATEGIC REWARDS SYSTEMS.

WE MUST APPROACH THESE ISSUES BROADLY AND FLEXIBLY. WE MUST EXAMINE OUR WORKPLACE ENVIRONMENTS AND CULTIVATE MANAGERIAL SUPPORT OF EMPLOYEE-SUPPORTED AWARDS PROGRAMS ALIGNED WITH AGENCY GOALS AND INITIATIVES.

WHEN WE DO THESE THINGS, I AM CONFIDENT WE CAN IMPLEMENT STRATEGIES THAT WILL FOSTER COMMITMENT AND PROMOTE EXCELLENCE.

THANK YOU FOR THIS OPPORTUNITY. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.