IS THE FEDERAL GOVERNMENT'S GENERAL SCHEDULE (GS) A VIABLE PERSONNEL SYSTEM FOR THE FUTURE?

HEARING

BEFORE THE

SUBCOMMITTEE ON FEDERAL WORKFORCE, US POSTAL SERVICE AND THE CENSUS

OF THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

JULY 15, 2014

Serial No. 113–131

Printed for the use of the Committee on Oversight and Government Reform

Available via the World Wide Web: http://www.fdsys.gov
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

89–728 PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

DARRELL E. ISSA, California, *Chairman*

JOHN L. MICA, Florida
MICHAEL R. TURNER, Ohio
JOHN J. DUNCAN, JR., Tennessee
PATRICK T. MCHENRY, North Carolina
JIM JORDAN, Ohio
JASON CHAFFETZ, Utah
TIM WALBERG, Michigan
JAMES LANKFORD, Oklahoma
JUSTIN AMASH, Michigan
PAUL A. GOSAR, Arizona
PATRICK MEEHAN, Pennsylvania
SCOTT DESJARLAIS, Tennessee
TREY GOWDY, South Carolina
BLAKE FARENTHOLD, Texas
DOC HASTINGS, Washington
CYNTHIA M. LUMMIS, Wyoming
ROB WOODALL, Georgia
THOMAS MASSIE, Kentucky
DOUG COLLINS, Georgia
MARK MEADOWS, North Carolina
KERRY L. BENTIVOLIO, Michigan
RON DESANTIS, Florida

ELIJAH E. CUMMINGS, Maryland, *Ranking Minority Member*
CAROLYN B. MALONEY, New York
ELEANOR HOLMES NORTON, District of Columbia
JOHN F. TIERNEY, Massachusetts
WM. LACY CLAY, Missouri
STEPHEN F. LYNCH, Massachusetts
JIM COOPER, Tennessee
GERALD E. CONNOLLY, Virginia
JACKIE SPEIER, California
MATTHEW A. CARTWRIGHT, Pennsylvania
TAMMY DUCKWORTH, Illinois
ROBIN L. KELLY, Illinois
DANNY K. DAVIS, Illinois
TONY CARDENAS, California
STEVEN A. HORSFORD, Nevada
MICHELLE LUJAN GRISHAM, New Mexico
Vacancy

LAWRENCE J. BRADY, *Staff Director*
JOHN D. CUADERES, *Deputy Staff Director*
STEPHEN CASTOR, *General Counsel*
LINDA A. GOOD, *Chief Clerk*
DAVID RAPALLO, *Minority Staff Director*

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS

BLAKE FARENTHOLD, Texas, *Chairman*

TIM WALBERG, Michigan
TREY GOWDY, South Carolina
DOUG COLLINS, Georgia
RON DESANTIS, Florida

STEPHEN F. LYNCH, Massachusetts, *Ranking Minority Member*
ELEANOR HOLMES NORTON, District of Columbia
WM. LACY CLAY, Missouri

CONTENTS

	Page
Hearing held on July 15, 2014	1

WITNESSES

The Hon. Katherine Archuleta, Director, U.S. Office of Personnel Management	
Oral Statement	4
Written Statement	7
The Hon. Donald J. Devine, Senior Scholar, The Fund for American Studies	
Oral Statement	14
Written Statement	16
Mr. Robert Goldenkoff, Director, Strategic Issues, U.S. Government Accountability Office	
Oral Statement	21
Written Statement	23
Ms. Patricia J. Niehaus, National President, Federal Managers Association	
Oral Statement	50
Written Statement	52
Mr. J. David Cox, Sr., National President, American Federation of Government Employees	
Oral Statement	64
Written Statement	66

APPENDIX

QFRs from J. David Cox, Sr., submitted by Rep. Farenthold	94
QFRs from Robert Goldenkoff, submitted by Rep. Farenthold	98
Response to QFRs from Ms. Patricia Niehaus, submitted by Rep. Farenthold	100
Answers to questions from Ms. Katherine Archuleta, submitted by Rep. Farenthold	101

IS THE FEDERAL GOVERNMENT'S GENERAL SCHEDULE (GS) A VIABLE PERSONNEL SYSTEM FOR THE FUTURE?

Tuesday, July 15, 2014,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2154, Rayburn House Office Building, Hon. Blake Farenthold [chairman of the subcommittee] presiding.

Present: Representatives Farenthold, DeSantis, Issa, and Lynch.

Staff Present: Melissa Beaumont, Majority Assistant Clerk; Molly Boyl, Majority Deputy General Counsel and Parliamentarian; Linda Good, Majority Chief Clerk; Jennifer Hemingway, Majority Deputy Policy Director; James Robertson, Majority Senior Professional Staff Member; Andrew Shult, Majority Deputy Digital Director; Peter Warren, Majority Legislative Policy Director; Jaron Bourke, Minority Director of Administration; Lena Chang, Minority Counsel; Devon Hill, Minority Research Assistant; Julia Krieger, Minority New Media Press Secretary; and Mark Stephenson, Minority Director of Legislation.

Mr. FARENTHOLD. The committee will come to order.

I would like to begin this hearing as we begin all our hearings, with the mission statement of the Government Oversight and Reform Committee.

We exist to secure two fundamental principles: first, Americans have a right to know that the money Washington takes from them is well spent and, second, Americans deserve an efficient, effective Government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold Government accountable to taxpayers, because taxpayers have a right to know what they get from their Government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy. This is the mission of the Oversight and Government Reform Committee.

At this point I will start with my opening statement, then we will go to Mr. Lynch for his, and then we will start with our witnesses.

Much has changed since 1949, when the General Schedule was established to classify Federal workers according to their job duties

and to assign pay. The minimum wage was $0.70 an hour and the average yearly wage was just under $3,000, and the Federal Government's workforce consisted mainly of clerical staff.

Sixty-five years later the Government continues to classify and pay 80 percent of its work force using the same antiquated system, ignoring the realities of the current labor market. It is no wonder we continue to bear the burden of inefficient and unacceptable and unaccountable Federal Government.

Grade inflation without a corresponding change in a worker's duty has become a commonplace occurrence in Federal Government. Over the last 15 years, the number of Federal workers occupying positions in the top grade, GS–12 through GS–15, has increased by 30 percent, with salaries ranging from $75,000 to $157,000 a year. More than 99 percent of the GS workers are given a 3 percent raise based primarily on the passage of time.

It is hard to see the fairness in the current system and bureaucratic culture that it fosters. It allows workers to simply show up for work and stick around for years and get wages, when those go over and beyond to serve the taxpayers and do a great job are awarded over the poor performers. No private sector company could survive if its HR system was run this way.

Even Federal employees themselves recognize the flaws in the current system. I spoke with the local union leaders at the Corpus Christi Army depot in my district, and they agreed the current GS personnel system is outdated and needs reforming.

In addition, the recent OPM workforce survey stated that half the Federal workforce has reported their pay raises did not depend on performance, while only 22 percent believe that performance and pay are linked. Way to motivate people, Uncle Sam!

In its budget request for fiscal year 2015, President Obama stated the Federal personnel system remains inflexible and outdated and that "the pay and classification system needs to be updated." He further stated, "An alternative cost-effective system needs to be developed that will allow the Government to compete for and reward top talent while rewarding performance."

The President and I could not agree more on this issue. Unfortunately, as with many things this President said, the sound bites are good, but actually implementing the policy never seems to happen as advertised.

The OPM's strategic plan promises the agency will serve as a thought leader in research and data-driven human resources management and policy decision-making. The President's budget for the OPM states that it would permit the OPM programs to prioritize their activities in support of the OPM strategic plan. Alas, neither the strategic plan or the President's budget specifically addresses OPM's work to reform the pay classification system.

Accordingly, I look forward to learning what efforts, if any, are underway within the OPM. The chief of human capital officer's counsel and the Administration have established labor management councils to craft a proposal for submission to this committee that would modernize the GS. Such a program and such a proposal should be completed promptly and include provisions to strengthen the link between pay and performance.

Achieving common sense to how the Federal Government classifies, evaluates, and compensates its workforce will bring needed accountability and, I believe, much improved performance in the Federal Government. As we work to ensure a more efficient cost-effective Government to reduce the burden on American taxpayers, it is reasonable to expect the Federal workforce policy reflect modern HR practices and not one out of the 1940s.

With this, I will now recognize the ranking member, the gentleman from Massachusetts, Mr. Lynch, for his opening statement.

Mr. LYNCH. Thank you, Mr. Chairman. I want to thank you for holding this hearing to examine the General Schedule system, which covers 80 percent, or 1.5 million, of the over 2 million dedicated civil servants in the Federal government.

I also want to thank our witnesses for their willingness to come before this committee and share their thoughts on how to improve the Federal Government's management of its own workforce.

I am not sure that Congress has a lot of credibility with Federal workers these days. Throughout the past several years, Congress has imposed on our vastly middle-income Federal employees, the Federal worker pay freeze of 2011, the Federal employee pay freeze of 2012, the Federal employee pay freeze of 2013, unpaid furloughs, pay in benefit cuts; Congress has required Federal workers to contribute approximately $135 billion towards deficit reduction over 10 years, including $21 billion as a result of the increase in retirement contributions for our newest Federal workers.

As we consider issues that affect our dedicated Federal workforce, including the effectiveness of the General Schedule pay system, we must bear in mind that the critical services that Federal workers provide to American citizens on a daily basis are extremely important to our Country. Our Federal workers are the border patrol agents who work every day securing our borders, the law enforcement personnel who identify and capture terrorists, the nurses and doctors at the VA who care for our wounded warriors, and the personnel in charge of administering and providing oversight of multi-million and multi-billion dollar essential Government contracts.

Today's hearing seeks to determine the ideal and necessary attributes of a modern personnel system for a 21st century government and the increasingly complex functions that our agencies are expected and required to perform in service of the American people.

Some would like to modernize the GS system. Others want to eliminate it and replace it with the so-called pay-for-performance system. We have tried that. We have tried that several times.

In their written testimony, the Government Accountability Office identified eight attributes of a modern personnel system, but noted the difficulty in finding the right mix of attributes. Stakeholders disagree on the mix, and I believe that is the greatest challenge to modernizing our personnel system. For instance, does internal equity mean equal pay for work of equal value, continue to be a primary value or is allowing a greater degree of unequal pay, as some have proposed, the key to effective government?

I think the Congress and stakeholders can all agree that a modern and effective personnel system must allow for an increasing focus on flexibility, accountability, and performance.

I look forward to discussing these and other issues with our witnesses this morning.

Thank you, Mr. Chairman, and I yield the balance of my time.

Mr. FARENTHOLD. Thank you very much, Mr. Lynch.

Additional members may have seven days to submit their opening statements for the record.

We will now recognize our panel of witnesses.

The Honorable Katherine Archuleta is the Director of the United States Office of Personnel Management; the Honorable Donald J. Devine is Senior Scholar at The Fund for American Studies and former Director of the Office of Personnel Management; Dr. Robert Goldenkoff is Director of Strategic Issues for the Government Accountability Office; Ms. Patricia Niehaus is the President of the Federal Managers Association; and Mr. David Cox, Sr. Is the National President of the American Federation of Government Employees.

Pursuant to committee rules, all witnesses will be sworn before they testify.

Would you please rise and raise your right hand?

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

[Witnesses respond in the affirmative.]

Mr. FARENTHOLD. Let the record reflect that all witnesses have answered in the affirmative.

Thank you and please be seated.

Pursuant to our normal procedure in this committee, and most committees here on the House, we ask that each of our witnesses limit their opening statement or testimony to five minutes so we will have time to question you on the issues that we are concerned about and that your testimony raises. So we will get started with Ms. Archuleta.

You are recognized for five minutes, ma'am.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE KATHERINE ARCHULETA

Ms. ARCHULETA. Chairman Farenthold, Ranking Member Lynch, and members of the subcommittee, thank you for the opportunity to testify before you today regarding management of the Federal workforce.

For over 65 years, the GS has been the primary classification and pay system through which the Federal Government has been able to attract and retain a skilled workforce, while also ensuring fairness and accountability. Of course, our Federal civilian workforce is much different than it was 65 years ago and is continuing to change. Today's knowledge-based economy requires different and more advanced skills and experience in order to meet the challenges we face.

There have been concerns regarding whether current personnel systems are up to date and flexible enough to meet changing needs. To ensure we have the workforce with the right skills to meet the challenges we face, an examination of our human capital management system is needed. In addition to this examination, which is

a key part of the President's Management Agenda, OPM also actively works to assist Federal departments and agencies in ensuring that they are able to recruit, retain, and train highly qualified workers. Both OPM and agencies have responsibility for implementing the GS classification system in accordance with principles set forth in law.

While each agency has the responsibility to administer the classification system for its own positions, OPM is responsible for monitoring agency programs to determine whether they are consistent with Government-wide standards. This effort includes active outreach to agencies such as formal guidance, as well as quarterly policy forms.

Agencies can also receive one-on-one assistance to address specific issues with items like series designation and the crafting of effective position descriptions. As part of the Government-wide strategy on gender pay equality, OPM will also continue to work with agencies to ensure compliance with the principle of equal pay for equal work. These outreach and education efforts are critical to ensuring that agencies have and are aware of tools necessary to properly apply classification policies.

Agencies also have maximum flexibility to design and operate performance appraisal systems which are aligned to their organizational goals and are focused on achieving results. OPM issues regulations and provides guidance to support agencies and their managers in using the tools they have to carry out effective performance management, including ensuring that awards are based on merit and performance. This Administration has put limits on award spending in place that have required agencies to more rigorously scrutinize awards programs, and we continue to work to make sure that awards are targeted to those employees who are most deserving of recognition.

Communication between managers and employees is essential to the performance management process. One of the principles of the Federal merit system is that employees who cannot or will not improve their performance should be terminated. Managers must use these tools they have available to hold poor performers accountable, support training and development opportunities as needed, and take necessary action if employees do not improve.

One of my top priorities is for OPM to provide leadership in helping agencies attract and retain a skilled and diverse workforce for the 21st century. This includes ensuring an inclusive work environment where employees are fully engaged and energized to put forth their best efforts, achieve their agency's mission, and remain committed to public service.

The People and Culture pillar of the President's Management Agenda includes goals to help agencies create a culture of excellence and engagement that enables the highest possible performance from employees; assist agencies in building a strong, world-class Federal management team; and help agencies hire the best talent from all segments of society. This includes working with agencies to better use data from the Employee Viewpoint Survey to shape how we manage our employees and increase accountability, identify innovative strategies to capitalize on the executive talent we have today, and build the executive workforce we need

for the future and untie the knots in Federal human capital management.

Thank you, Mr. Chairman. I would be happy to answer any questions you may have.

[Prepared statement of Ms. Archuleta follows:]

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF
KATHERINE ARCHULETA
DIRECTOR
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE, AND THE CENSUS

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

JULY 15, 2014

Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee:

Thank you for the opportunity to testify before you today on the U.S. Office of Personnel Management's (OPM) role in overseeing the federal workforce, including the classification, evaluation, and compensation of employees under the General Schedule (GS).

For over 65 years, the GS has been the primary classification and pay system through which the Federal Government has been able to attract and retain a skilled workforce, while also ensuring fairness and accountability. Today, the GS covers almost 80 percent (approximately 1.45 million) of civilian white-collar Federal employees, and over 70 percent of all Federal civilian employees.[1] Of course, our Federal civilian workforce is much different now than it was 65 years ago and is continuing to change. The current size of the workforce is about a third smaller relative to the population than it was during the first two decades of the GS system (the 1950s and 1960s), while the mission of the Federal Government has continued to become more complex. Forty years ago, approximately one-third of the overall Federal workforce worked in blue-collar occupations; today it is approximately one-tenth.[2] With respect to white-collar occupations, there has also been a dramatic shift over the last several decades to a more educated, highly-specialized and highly-skilled workforce that works in higher-cost metropolitan areas. When the GS was established, most white collar employees were clerks. Today's

[1] From OPM Enterprise Human Resources Integration – Statistical Data Mart.
[2] *Ibid*

knowledge-based economy requires different and more advanced skills and experience in order to meet the challenges we face.

As the work and mission of the Federal Government grew and became more complex, there have been concerns regarding whether current personnel systems are up-to-date and flexible enough to meet changing needs. While some changes have been made over the years to respond to these needs, the GS has been criticized as too inflexible, too focused on internal equity and on rewarding longevity, not enough focused on external equity and on rewarding performance, too burdensome in terms of administration of the classification system, and too protective of employee rights. To ensure we have the workforce with the right skills to meet the challenges we face, an examination of our human capital management system is needed. Agencies must have and use the tools they need to make sure we are not falling behind. OPM continues to stand ready to assist Federal departments and agencies in ensuring that they are able to recruit, retain, and train highly qualified workers.

General Schedule Classification and Pay

Both OPM and Federal agencies have responsibility for implementing the GS classification system in accordance with principles set forth in law. OPM administers the governmentwide GS classification standards, qualifications, and related policies to provide a consistent process to determine occupational series, titles and grades of Federal positions. OPM develops new or revises existing position classification standards, with participation by agencies, in response to changing workforce needs as identified by agencies or by Presidential or Congressional mandates. OPM's position classification standards provide agencies with information to carry out their responsibility to classify positions and grade jobs based on duties and responsibilities assigned and qualifications required to successfully perform the work. While OPM's classification standards provide a structure that promotes consistent classification across Federal agencies and occupations, they are not intended to establish a rigid framework or to replace the appropriate level of judgment among HR specialists and managers. Rather, the standards aim to provide flexibility for managers to develop and use employee talents as fully as possible in order to organize the work needed to accomplish their agency's mission.

One purpose of the GS classification and pay system is to help ensure agencies follow the merit system principle that equal pay should be provided for work of equal value. The GS pay system is designed with a standard structure and uniform pay-setting rules and criteria that promote equitable treatment of employees, while providing some degree of pay-setting flexibility. The value of the GS system is demonstrated by the findings of a recent OPM report to President Obama on differences in pay by gender in the Federal white-collar workforce. In April 2014, OPM released a *Governmentwide Strategy on Advancing Pay Equality in the Federal*

Government,[3] which included an analysis of whether a gender pay gap exists in the Federal workforce and recommendations to address any gender pay gap. OPM analyzed workforce data over twenty years. Adherence to the merit system principle of equal pay for work of equal value was evident based on the data collected. For example, the gender pay gap was virtually nonexistent when average male and female salaries were compared by grade level. Also, the gender pay gaps were generally small when examined by occupational group. As I previously noted, the white-collar Federal workforce has undergone dramatic changes over the last couple of decades, and this includes a significant increase in the percentage of women in professional occupations. This demographic shift has contributed to a significant decline in the gender pay gap from about 30 percent in 1992 to 13 percent in 2012. When analyzing GS employees only, the gender pay gap has shrunk to 11 percent. The distribution of males and females across occupational categories appears to explain much of the pay gap. OPM's strategy to further this progress includes solutions to close the gender pay gap, including encouraging more women to move into higher-graded, higher-paid occupations, such as science, technology, engineering, and mathematics (STEM) jobs.

Administration and Oversight of the General Schedule Classification System

While each agency has the responsibility to administer the GS classification system for its own positions, OPM is responsible for monitoring agency programs to determine whether they are operating in a manner that is consistent with governmentwide standards. This effort includes active outreach to agencies to guide and assist them in implementing the classification system. Besides providing formal guidance through handbooks and policy guides, OPM's Classification and Assessment Policy office holds quarterly classification policy forums to address classification issues, identify needs, and provide guidance to agencies. OPM has also worked to establish interagency communities of practice to review classification policies and identify issues. Agencies can also receive one-on-one assistance from OPM to address specific issues and interpret classification guidance. As part of the governmentwide strategy on gender pay equality, OPM will continue to work with agencies to review classification policies and the proper application of the classification system to ensure compliance with the principle of equal pay for substantially equal work. These outreach and education efforts are critical to ensuring that agencies have and are aware of the tools necessary to properly apply classification policies.

Performance Management in the Federal Government

The GS system includes performance management components which govern the setting of an individual employee's pay when they have earned a promotion or advancement to a higher step within a grade level. Within-grade increases under the GS provide a simple and uniform way to advance employees through their assigned grade based on their experience and progression in

[3] http://www.chcoc.gov/files/Governmentwide_Strategy_on_Advancing_Pay_Equality_in_the_Federal_Government.pdf

skills, as long as their performance is at an acceptable level. Employees may also receive additional step increases for outstanding performance. However, as with any performance management system, managers and employees must both be accountable. Agencies have maximum flexibility to design and operate appraisal systems and programs which are aligned to their organizational goals and are focused on achieving results. OPM issues regulations and provides guidance to support agencies and their managers in using the tools they have to carry out effective performance management, including awards. Awards should be based on merit and performance. This Administration has put in place governmentwide budgetary limits on award spending that have required agencies to more rigorously scrutinize awards programs, and we continue to work to make sure that awards are targeted to those employees who are most deserving of recognition. For example, we plan to work with agencies to ensure that there are appropriate policies and checks in place when determining performance awards, including a review of how awards decisions may be impacted by employee conduct and other factors.

Communication between managers and employees is essential to the performance management process, from establishing the standards and setting clear goals, to measuring performance and providing feedback, and finally to evaluating employees and rewarding good performance or correcting poor performance. One of the principles of the Federal merit system is that employees who cannot or will not improve their performance should be terminated. Managers must use the tools they have available to hold poor performers accountable, support training and development opportunities as needed, and take necessary actions if employees do not improve.

Building the Workforce for Tomorrow

For all of the success that the current system has achieved in upholding the fundamental merit principles, it should be no surprise that it is not perfect. Over 65 years, the missions of Federal agencies and the workforce needed to meet them have changed. Time and again, reforms have been implemented and flexibilities have been utilized in order to enable the Federal Government to continue to compete more effectively for outstanding people, including young men and women. We cannot forget that there will always be more that we can do to make the Federal Government the model employer for the 21st Century.

A Strong HR Workforce

In 2001, the Government Accountability Office (GAO) identified the Federal Government's human capital management as a high-risk area.[4] In response, OPM, the Chief Human Capital Officers (CHCO) Council, and other agencies have made the enhancement of human resources (HR) skills across the government a priority, in order to provide a critical link in the effort to improve practices governmentwide. While GAO has acknowledged improvements made by

[4] GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

OPM and agencies, the ability to close critical skills gaps continues to be identified as high-risk. The CHCO Council has identified six mission-critical occupations or functional areas where skills gaps exist in the Federal workforce: IT-Cybersecurity Specialists, Acquisition Specialists, Economists, HR Specialists, Auditors, and STEM occupations. OPM is working with agencies to develop innovative solutions to close the critical skills gaps and share best practices across government. A strong HR workforce is key to the efforts to close the other skills gaps, and for that reason OPM has continued to make a focus on this workforce one of our priority goals. With enhanced skills, our HR professionals will be better equipped to close the other critical gaps across the government.

One of our strategies to address the HR skills gap is to implement a comprehensive HR certification program through Human Resources University (HRU), which will aid in achieving the long term goal of improving the quality of HR services governmentwide, including classification. HRU was developed in 2011 by the CHCO Council to achieve savings and increase quality of training through shared courses and resources. OPM is working with the CHCO Council to expand and strengthen HRU through initiatives to design a comprehensive curriculum and to create a HR certification program. We have set our goal to have 80 percent of the human resources workforce enrolled on HRU by the end of Fiscal Year 2014, and 95 percent by the end of Fiscal Year 2015.

The President's Management Agenda: People and Culture

One of my top priorities is for OPM to provide leadership in helping agencies attract and retain a skilled and diverse workforce for the 21st century. This includes ensuring an inclusive work environment where employees are fully engaged and energized to put forth its best effort, achieve their agency's mission, and remain committed to public service. To that end, OPM is leading efforts to ensure that agencies are recruiting and hiring the best possible talent and leaders as part of the President's Management Agenda to facilitate a smarter, more innovative, and more accountable government for its citizens

The People and Culture pillar of the President's Management Agenda includes goals to help agencies create a culture of excellence and engagement that enables the highest possible performance from employees; assist agencies in building a strong, world-class Federal management team; and help agencies hire the best talent from all segments of society. This includes working with agencies to better use data from the Employee Viewpoint Survey to shape how we manage our employees and increase accountability, identify innovative strategies to capitalize on the executive talent we have today and build the executive workforce we need for the future, and "untie the knots" in Federal human capital management.

We have launched the GovConnect initiative to build a more agile workforce, where employees are able to work more collaboratively across organizational and agency lines to enhance their

skills while addressing fundamental mission challenges. Using HRU as a model, we are also working on another collaborative training and resource exchange called GovU. Just as HRU enables agencies to share HR training resources, GovU will enable agencies to share resources to meet other common needs. Training and development resources are critical for employee growth, and we want to make quality tools easily accessible government-wide.

We are developing improvements to hiring and retention practices that will help agencies foster a highly effective workforce that reflects the diversity of our society. We are working with agencies to help streamline their hiring processes including the use of data to improve recruitment efforts, and making sure that they are aware of existing flexibilities and how to use them. This includes better using social media across government to target potential job applicants, especially among millennials and younger workers. OPM is also leading efforts to develop an enterprise-wide recruitment strategy for positions in IT. This work will be furthered in coordination with the CIO Council and also consider ways we can better use the Pathways Program and Senior Executive Service to attract top talent in fields such as cybersecurity. In addition to educating senior leaders and hiring managers about tools that they already have available, we are working to make sure that they understand the importance of their active involvement in the hiring process. We have developed a data dashboard, UnlockTalent.gov, which provides agency senior leadership with actionable information, presented in an accessible graphical format, that they can use to identify agency components and subcomponents that may require assistance in improving the engagement and productivity of their workforce.

On June 23, 2014, the President issued a memorandum to the Heads of Executive Departments and Agencies that called for enhanced workplace flexibilities and work-life programs in order to attract and retain a talented and productive workforce. This Memorandum tasked the Federal Government to extend our record of leadership through better education and training, expanded availability of workplace flexibilities and work-life programs, and improved tracking of outcomes and accountability. To accomplish this, OPM will be working with agencies to encourage the use of workplace flexibilities and work-life programs to help ensure that the Federal workforce is engaged and empowered to deliver exceptional and efficient service to the American public while meeting family and other needs at home.

Conclusion

Achieving and maintaining a world-class workforce to serve the American people depends on the ability to recruit and hire the most talented and diverse workforce possible, and to support and train those employees as they move through their careers. It is possible to recognize what the General Schedule does well, such as providing consistency, internal equity, and transparency, while acknowledging that there is a need to constantly evaluate and seek improvements and updates. Recognizing the need to address problems in our Federal personnel systems, the

Statement of The Honorable Katherine Archuleta
U.S. Office of Personnel Management

July 15, 2014

President has called for the establishment of a Commission on Federal Public Service Reform, comprised of Members of Congress, representatives from the President's National Council on Federal Labor-Management Relations, members of the private sector, and academic experts, with the purpose of developing recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints.

As concerns about the General Schedule and possible remedies are considered, it is important to have a clear and accurate understanding of the current system's strengths and weaknesses, and of the challenges in finding the appropriate balance between competing objectives of human capital management. As the Director of OPM, I am committed to working with my colleagues at agencies to meet our human capital challenges. This includes making use of the flexibilities that the current system already provides us, and developing new innovative, cost-effective solutions when needed.

Thank you again for this opportunity and I will be happy to answer any questions you may have.

Mr. FARENTHOLD. Thank you.

Mr. Devine, we will go ahead and let you have your opening statement and testimony.

STATEMENT OF THE HONORABLE DONALD J. DEVINE

Mr. DEVINE. Okay. I guess the first question is what is somebody who was OPM director 30 years ago doing here. I had a very different kind of experience. The President named Ronald Reagan, who came in, he said he was going to cut Federal spending and functions. But he wasn't doing it to save money, he was doing it to reorient priorities. The Federal Government was doing too much and not doing it well, and his changes were to make fundamental reforms of Government. He asked me to take the job and I said, what do you want me to do? He said, I want you to cut 100,000 non-Defense employees, I want you to reduce the bloated benefits, and I want you to make them work harder. I said, thanks a lot, going to make a lot of friends in this job.

I always remember what Harry Truman used to say: You need a friend in Washington doing the tough job, buy a dog. So I bought two to be on the safe side.

But in fact we did reduce 100,000 non-Defense slots, mostly by attrition. We did change the retirement system, the health system, saved $6 billion in those days. It's about $60 billion today. And we did put in a pay-for-performance system, and I think people do work harder and work better.

I could say yes to President Reagan because I knew something he didn't, which was that Jimmy Carter run for President to reform the Civil Service, and I knew my predecessor, the first director of OPM. Scotty Campbell was actually my professor at Syracuse University when I was there, so I knew what he was doing. And they created a wonderful system. Unfortunately for them, they lost the next election, so they didn't have time to implement it. But they had it all ready for me and I just kind of picked it all up and made some changes.

And the incredible thing is all our indicators, and I put in a lot of ways to try to measure this, it worked. I think it worked for four years or so. But it is very hard. I think Ms. Niehaus's testimony is very good about how tough this really is to do. Making a Government bureaucracy, especially one as large as this, work is really tough business, and if people aren't on top of it all the time it won't work. And that means you have to have the President interested in this. Jimmy Carter was very interested, President Reagan was constantly supporting me in making these changes. We had monthly, sometimes biweekly, meetings of the assistant secretaries for administration. You have to keep the pressure on to make this bureaucracy work.

But the basic fact is it is doing too many things. Professor Paul Wright, he is a progressive conservative. He is a top public administration figure in the Country, done several major studies on the bureaucracy. He says the Federal Government is so bureaucratized now that it cannot faithfully execute its laws, which is what the Constitution says is the job.

I just think the only solution is to really take this seriously. The Government is poorly organized; it is doing too many things. The

programs conflict with each other; we have too many levels. Part of the problem is the personnel system that works, but a bigger part of it, and that is really Congress's job and the President's job, is to try to make this thing work. Right now we talk about 2 million Federal employees. There are 19 million. Seventeen million of them are contractors. We don't even think about them in terms of running the system, mostly.

And a lot of the problem is we are asking the Federal employees to do impossible jobs. Take the VA I mentioned in my testimony here. We set up an impossible system. They have waiting lists because the way it is set up requires the managers to do.

Anyway, my only point is I would argue you need to look big at the whole fundamental thing and maybe get together, as my good friend Edgar Winsky did with the democratic chairman at the time, and try to fix this Government up again.

Thanks for having me.

[Prepared statement of Mr. Devine follows:]

"Federal Government Bureaucracy Reform in Historical Context"

Testimony of The Honorable Donald J. Devine

Before the Subcommittee on Federal Workforce, U.S. Postal Service and the Census
Committee on Oversight and Government Reform
U.S. House of Representatives

July 15, 2014
Rayburn House Office Building, Washington, D.C., 20616

Federal Government Bureaucracy Reform in Historical Context

Bureaucracy reform may be the original oxymoron, trying to make an institution efficient that by definition is ordered by rules and regulations aimed at stability, resistance to change, and isolated from political influence, good and bad, with lifetime employment and guaranteed raises to assure that independence.

Directing the bureaucracy to follow their popular mandate has been a major goal of every president and Congress since the beginning; but it has become critical only recently. Worried that the plethora of new programs instituted to create a Great Society by Democrat Lyndon Johnson and grandly expanded by Republican Richard Nixon were not actually reducing poverty or increasing work, outsider Jimmy Carter ran for president as a proponent of the programs but against the way they were administered. Noting that ninety percent of civil servants were rated at the same "satisfactory" level, he promised to build performance into government bureaucracy, risking public sector labor anger but attracting centrist voters who rewarded him as their nominee and then as president.

President Carter fulfilled his promise with the Civil Service Reform Act of 1978. His administration set the basic structure for reform but time ran out before it could be fully implemented. It became his great gift to the country and to the Ronald Reagan Administration. Carter's plan was well-conceived and it was my good fortune to be able to implement it as Reagan's first director of the U.S. Office of Personnel Management. We instituted a new performance appraisal system with five rather than three rating categories and specified individual goals related to agency missions that were to be used for promotion and other rewards. Appraisal was even more related to reward for mid-level managers and senior executives whose involvement was essential and whose whole income was to be based upon performance, including sizeable bonuses and merit pay.

The normal opposition to change in a bureaucracy the size of the Federal Government made these changes controversial, to say the least. Aggressive public sector union job-actions, slowdowns, and finally a strike by the air controller union raised tensions enormously. But Reagan's firing the controllers turned the issue and consolidated public support for reform. Still, after great union pressure, our efforts to expand merit pay to ordinary Fed workers were blocked by Congress. Our best metrics suggested these reforms worked—for a short while, four years or so. Tiring of confronting the unions, by the end of the George H.W. Bush Administration, appraisals returned to universal higher rated categories, manager merit pay was eliminated, and bonuses in many agencies were being divided between all executives rather than being paid to the best performers. The Carter-Reagan reforms were dissipated in a decade.

The 9/11 attacks revived the idea that better government management might have avoided the worst blunders. George W. Bush introduced pay for performance systems for the new Department of Homeland Security and for the Department of Defense, half of total Federal civil service employment. Unions rushed to court and to Congress to delay implementation, which reforms finally died a silent death during the Barack Obama

Administration. The abuses at the Veterans Administration and the Internal Revenue Service stoked public anger once again resulting in your current hearings.

Today, much of General Schedule government employee appraisal is "pass-fail" with 90+ percent passing. The Senior Executive Service retains an "outstanding" rating to justify bonuses but VA data suggest a large number of those involved in encouraging false reporting of veterans waiting times were rated outstanding which the Senior Executive Association justified to Congress as acceptable, to be expected even, since only outstanding people would be promoted to the SES in the first place. Outstanding SES executives at IRS supervised destruction of the emails of the executive who managed the harassment of conservative groups seeking exempt status, the one who even threatened to investigate Republican Senator Charles Grassley. Jimmy Carter was distressed that ninety percent were rated satisfactory. What would he think of 100 percent outstanding?

Federal pay raises and locality pay are automatic, not based on performance at all. Within-grade, quality steps and awards are supposed to be based on performance but since most employees are rated at the same appraisal level the effect there is minimal too. In 2013, the most generous estimate is that only 9,513 of 2,054,175 or 0.46 percent were dismissed from the Federal Government, compared to 3.2 percent in the private sector, six times fewer firings. GAO says the Fed rate is only 0.15 percent. The highest rate of Federal separations are of transportation security personnel but even Department of Homeland Security removals are only one-third of the private sector separation rate. Most government separations are of low-level probationary personnel below grade 6. Separations for performance alone are much lower since statistics include abusive and even criminal separations. Not only do managers who try to remove poor performers have to face the administrative procedures in their own large agencies, even department decisions can be appealed to several different boards and many even reach the Court of Appeals. The Merit System Protection Board alone heard 155 performance appeals in 2012, up 41 percent from the preceding year. Appeals can also be made through agency grievance procedures to the Federal Labor Relations Authority or to the EEOC. Understandably, few managers are willing to fight this Byzantine system.

As progressive public administration expert Paul Light of New York University concedes, the Federal Government is so poorly structured with layers of review and overlapping functions it can no longer faithfully execute its laws. Only major reform can fix this but the unions and agency associations resist it. The VA for example was queuing veterans when I was OPM director thirty years ago. VA offers a free service to millions of veterans, only a fifth of whom use its services. The more attractive the services and the lower cost, the more will apply. The problem is--as admirer *New York Times* columnist Paul Krugman bragged in comparing it to Obamacare--that the VA worked better because it is "socialist." That was before the VA scandal, of course. With a set budget, no matter how large it grows (the VA budget has increased one hundred percent in recent years), demand for free services will always exceed supply—and the only answer for any such program is for managers to create waiting lists.

The only real solution for VA is privatization of its medical facilities with vouchers redeemable either there or at private institutions. Congress has acted to move in that direction but in a very limited sense—and only temporarily. And $30 billion more doing the same thing will not help. Decentralizing management and personnel policy can work in the private sector because there is a financial bottom line against which to measure the success or failure of decentralization. But that is not the case at VA or in any agency managed merely by budgets and appraisals. Moreover, decentralizing administration deep into agencies takes management and leadership away from the top political executives, especially the President, and transfers it to the career bureau managers and unions. That makes it extremely difficult for an administration to assure that agencies carry out policy or operate efficiently. Only a permanent system of vouchers or privatization at VA or elsewhere in the government can solve the underlying problem.

Only two modern administrations have made any real change in how domestic government is organized. Dwight Eisenhower and Ronald Reagan changed by reducing its numbers and tightening its management. These administrations were successful in using broad-scale management tools such as eliminating entire functions and their personnel or more often by setting reduction targets enforced by freezes on employment--not by "engineering" efficiencies at the margin. Only the blunt-instrument methods of Eisenhower and Reagan work. Most reductions can be attained through attrition. Once the major changes are made, then the performance management tools adopted by Presidents Carter and Reagan would need to be revitalized to allow top career and especially political appointees to manage their subordinates by rewarding good performance and punishing bad with few and simple rules for appeals.

The present system does not work even for its presumed beneficiaries, the employees. Most are good people trying to do a day's work. John Kennedy did not introduce collective bargaining until 1963 after many years of Democratic opposition starting with Franklin Roosevelt and extending to most civil service managers. Today, every employee and decision-maker knows the present organizational morass, program irrationalities and slow and costly personnel procedures make no sense. So, as much as possible in both Democratic and Republican administrations, functions are outsourced to private contractors. Today there are about two million employees and 17 million contractors. Direct privatization or de-federalization of functions is more efficient but politically difficult and contracting at least allows some degree of rationality and cost considerations. Perhaps it is time think about a new civil service reform act that attacks the whole basic structure of government. What we have clearly does not work.

Even under the present political impasse, progressives and Democrats should have a greater reason to prove big government works than conservatives. It was a Democrat Carter who initiated the last reform to increase efficiency by basing rewards on performance, which was adopted by an overwhelmingly Democratic Senate and House, but also with support from key Republicans such as Rep. Ed Derwinski then of this committee. As far as concern for employees, pay for performance is not only the efficient way, it is the only fair way to pay them. Those who do the best work and contribute most

to the public good are cheated if they are not rewarded better. Practically, if the best workers are not paid more, they will leave.

The deeper problem is a common one in Washington. The special interests like the employee unions and service organizations grouse loudly but average citizens are silent. My predecessor at OPM told me that President Carter spent hours reading it before signing the CSRA and was pleased, but even he felt it was necessary to add "it's pretty boring stuff isn't it"? If one day the public let their representatives know they really want their government, especially its critical functions, to work effectively perhaps something might change. Otherwise, we might as well learn to live with the present irrationality.

Mr. FARENTHOLD. Thank you very much, Mr. Devine.
Mr. Goldenkoff.

STATEMENT OF ROBERT GOLDENKOFF

Mr. GOLDENKOFF. Chairman Farenthold, Ranking Member Lynch, and members of the subcommittee. I am pleased to be here today to discuss the viability of the General Schedule personnel system, as well as other issues facing the Federal workforce, and what can be done to ensure a top-notch Civil Service going forward.

Today's hearing is very timely, as the General Schedule will mark its 65th anniversary this October. Almost since its inception in 1949, questions have been raised about its ability to keep pace with the evolving complexity and nature of Federal work. This hearing provides an important opportunity to focus on whether or not is aging well.

High performing organizations have found that the full live cycle of human capital management activities, from recruitment to retirement, need to be fully aligned with the cost-effective achievement of an organization's mission. However, as you well know, Federal human capital management has been on our high-risk list since 2001. Over the years, Congress, OPM, and individual agencies have taken steps to improve the Government's human capital efforts; however, more work is needed in a number of key areas.

In my remarks today I will focus on improving the design, management, and oversight of the classification system. I will also discuss other areas where reforms are needed, including creating a results-oriented Federal pay system, strengthening performance management in dealing with poor performers, addressing mission-critical skills gaps, and developing strategies to help agencies meet their missions in an era of highly constrained resources.

With respect to the General Schedule, we have long been concerned that defining a job and determining the appropriate pay was complicated by the classification process and standards which we said were outdated and not applicable to current jobs and work. What is more, in our ongoing research, we found that the implementation of the General Schedule needs to more fully reflect the eight attributes of a modern, effective classification system that we identified based on conversations with subject matter experts, and those strategies include: flexibility, transparency, simplicity, and several others.

One reason for this disconnect is the inherent tension among some of the attributes, where achieving one attribute can come at the expense of another. Going forward, OPM and stakeholders will need to find the optimal balance among these eight attributes. Further, OPM has not conducted oversight of agency classification programs since the 1980s, even though it is required by law to conduct occasional reviews. OPM officials told us that they rely on agencies to conduct their own oversight, and have not reviewed those oversight efforts in part because of a reduction in the number of OPM's classification specialists.

With respect to pay, we believe that implementing a more market-based and more performance-oriented pay system is both doable and desirable, but it certainly won't be easy. For one thing, it will require shifting from an organizational culture where com-

pensation is based on position and longevity to one that is performance-oriented, affordable, and sustainable. Key to a more results-oriented approach to pay is a credible and effective performance management system, but this too has been a challenge for many Federal agencies. OPM and agencies also need to address impediments to dealing with poor performers, such as the duration and complexity of the process.

With respect to closing mission-critical skills gaps, under OPM's leadership, a working group identified six mission-critical occupations, including cybersecurity and acquisition, and designated key Federal officials to lead remedial efforts for each. Going forward, additional progress will depend on the extent to which OPM both sustains its current efforts to address these six initial occupations, as well as develops a predictive capacity to identify and address newly emerging skills gaps in the future.

The management challenges I have highlighted this morning are all exacerbated by the fiscal constraints all agencies are facing. But the good news is that the human capital officials we spoke with from across the Government told us that this difficult environment has triggered a willingness to consider creative and non-traditional strategies for addressing them. The strategies include strengthening coordination of the Federal human capital community, using enterprise solutions to address shared challenges, and creating more agile talent management.

In closing, the Government has improved its human capital efforts, but the job is far from over. Further progress will require continued collaboration between OPM, individual agencies, and stakeholders, as well as continued congressional oversight to hold agencies accountable for results.

Chairman Farenthold, Ranking Member Lynch, members of the subcommittee, this concludes my prepared statement and I would be pleased to respond to any questions that you might have.

[Prepared statement of Mr. Goldenkoff follows:]

United States Government Accountability Office

Testimony

Before the Subcommittee on Federal Workforce, U.S. Postal Service and the Census, Committee on Oversight and Government Reform, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. ET
Tuesday, July 15, 2014

FEDERAL WORKFORCE

Human Capital Management Challenges and the Path to Reform

Statement of Robert Goldenkoff, Director, Strategic Issues

GAO-14-723T

GAO Highlights

Highlights of GAO-14-723T, a testimony before the Subcommittee on the Federal Workforce, U.S. Postal Service and the Census, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

Strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to Congress and to the nation as a whole.

GAO designated strategic human capital management as a government-wide high-risk area in 2001 because of a long-standing lack of leadership. Since then, important progress has been made. However, retirements and the potential loss of leadership and institutional knowledge, coupled with fiscal pressures underscore, the importance of a strategic and efficient approach to acquiring and retaining individuals with needed critical skills. As a result, strategic human capital management remains a high-risk area.

This testimony is based on preliminary findings of GAO's ongoing work on the classification system and a body of GAO work primarily from 2012 to 2014 and focuses on the progress made by OPM and executive branch agencies in key areas of human capital management, including: (1) how the GS classification system compares to the attributes of a modern, effective classification system, (2) the status of performance management and efforts to address poor performance, (3) progress addressing critical skills gaps, and (4) strategies to address human capital challenges in an era of highly constrained resources.

What GAO Recommends

Over the years, GAO has made numerous recommendations to agencies and OPM to improve their strategic human capital management efforts. This testimony discusses some actions taken to implement key recommendations.

View GAO-14-723T. For more information, contact Robert Goldenkoff at (202) 512-6806 or goldenkoffr@gao.gov.

July 15, 2014

FEDERAL WORKFORCE

Human Capital Management Challenges and the Path to Reform

What GAO Found

Serious human capital shortfalls can erode the capacity of federal agencies and threaten their ability to cost-effectively carry out their missions. While progress has been made, continued attention is needed to ensure agencies have the human resources to drive performance and achieve the results the nation demands. Specifically, additional areas needing to be addressed include:

Classification

GAO's preliminary work has found eight key attributes of a modern, effective classification system, such as: internal and external equity, transparency, and simplicity. The attributes require trade-offs and policy choices to implement. In concept, the General Schedule's (GS) design reflects some of the eight attributes, but falls short of achieving them in implementation. For example, the GS system's grade levels provide internal equity by making it easy to compare employees in the same occupation and grade level across different agencies. However, the number of grade levels can reduce transparency because making clear distinctions between the levels may be nuanced, as the basis for them hinges on, for example, how officials determine the complexity of the work.

Performance management

Effective performance management systems enable managers to make meaningful distinctions in performance in order to reward top performers and deal with poor performers. In 2011, five agencies piloted the Goals-Engagement-Accountability-Results (GEAR) framework to help improve performance management. GEAR addressed important performance management practices, such as aligning individual performance with organizational goals. However, while Office of Personnel Management (OPM) officials said they are working with the Chief Human Capital Officer's Council to promote GEAR, it is unclear if any additional agencies have adopted the GEAR framework.

Critical skills gaps

Since GAO included identifying and addressing government-wide critical skills gaps as a high-risk area in 2011, a working group led by OPM identified skills gaps in six government-wide mission critical occupations including cybersecurity and acquisition, and is taking steps to address each one. To date, officials reported meeting their planned level of progress for three of the six occupations. Additional progress will depend on the extent to which OPM and agencies develop the infrastructure needed to sustain their planning, implementation, and monitoring efforts for skills gaps, and develop a predictive capacity to identify newly emerging skills gaps.

Strategies for an era of highly constrained resources

Agency officials have said that declining budgets have created the impetus to act on management challenges and a willingness to consider creative and nontraditional strategies for addressing human capital issues. GAO identified strategies related to (1) strengthening coordination of the federal human capital community, (2) using enterprise solutions to address shared challenges, and (3) creating more agile talent management that can address these challenges.

Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee:

I am pleased to be here today to discuss some of the key human capital management challenges facing the federal workforce and what can be done going forward to ensure a top-notch civil service. As we have long reported, strategic human capital management plays a critical role in maximizing the government's performance and assuring its accountability to Congress and to the nation as a whole. Addressing challenges in areas such as disaster response, homeland security, economic stability, and numerous other complex and evolving issues requires a skilled federal workforce able to work seamlessly with other agencies, levels of government, and across sectors.

High-performing organizations have found that the full life-cycle of human capital management activities—including workforce planning, recruitment, on-boarding, compensation, engagement, succession planning, and retirement programs—need to be fully aligned and focused on the cost-effective achievement of an organization's mission. However, despite some noteworthy improvements in the federal government's management of its personnel in recent years, strategic human capital management continues to be a pervasive challenge that needs to be addressed.

The direct link between personnel management and organizational performance can be seen, for example, in a number of our recent studies that identified operational and other problems at various federal agencies. These problems include wait times at Department of Veterans Affairs medical facilities; management of oil and gas operations by the Department of the Interior; information technology management at the Social Security Administration; rail safety inspections by the Federal Railroad Administration; and acquisition management at the Departments of Defense and Homeland Security. All of these examples share a common problem: a breakdown of one or more human capital activities such as robust workforce planning or performance management.

Strategic human capital management has been a GAO high-risk area since 2001.[1] Since then, Congress, the Office of Personnel Management (OPM), and some individual agencies have made substantial progress

[1]GAO, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

toward addressing the government's human capital challenges. For example, in 2002 Congress created the chief human capital officer (CHCO) position in 24 agencies to advise and assist the heads of the agencies with human capital efforts.[2] The same law created the CHCO Council to advise and coordinate the human capital activities of member agencies.[3] As we reported in February 2013, although progress has been made toward improving the government's human capital efforts, the area remains high risk because more work is needed to address government-wide mission critical skills gaps.[4]

Today's hearing is particularly timely as the General Schedule (GS) classification system—the government's primary method of defining and organizing federal positions and the foundation of the federal personnel system—approaches its 65th anniversary in October.[5] Almost since its inception in 1949, questions have been raised about the GS system's ability to keep pace with the evolving complexity and nature of federal work, and this hearing provides an important opportunity for Congress to review the GS system and consider how well it is aging.

My remarks today will focus on the General Schedule and the extent to which it has the attributes of a modern and effective classification system. I will also discuss some of the other key issues facing federal strategic human capital management including compensation, the status of performance management and efforts to address poor performance, the need to close government-wide mission critical skills gaps, and strategies to help agencies meet their missions in an era of highly constrained resources.

[2]Chief Human Capital Officers Act of 2002, Title XIII of the Homeland Security Act of 2002. Pub. L. No. 107-296, 116 Stat. 2135, 2287 (Nov. 25, 2002).

[3]The CHCO Council now has 27 members who represent executive departments or multiple agencies (such as agencies within the intelligence community) or are designated by the Director of OPM, who chairs the council.

[4]GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

[5]The GS classification system was established by the Classification Act of 1949 (Pub. L. No. 81-429, 63 Stat. 954 (Oct. 28, 1949)). Federal employees who are not white-collar workers are not covered by the GS system, but are instead covered by the Federal Wage System, which is a uniform pay-setting system covering federal blue-collar employees. These employees are paid a prevailing wage comparable to private sector rates in each local wage area.

Significantly, the results of our work on these topics point to one simple fact: Serious human capital shortfalls are eroding agencies' capacity and threatening their ability to cost-effectively carry out their missions. While some progress has been made in addressing these shortfalls, continued action is needed to ensure federal agencies have the human resource tools, flexibilities, and guidance required to drive performance and achieve the programmatic results the nation demands.

My observations on the classification system represent the preliminary findings from our ongoing work that we are doing at the request of this Subcommittee and the House Committee on Oversight and Government Reform. For that study we interviewed more than 25 subject matter specialists from think tanks, academia, government employee unions, and current and former high-level officials at OPM and agencies that have implemented alternative classification systems. The rest of this statement is based on our large body of work on federal human capital management issued primarily between June 2012 and May 2014, and is updated with more recent information as appropriate. Detailed descriptions of scope and methodologies can be found in the original reports. Both our ongoing work and completed work that this statement is based on are either being conducted or were conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

OPM Needs to Improve the Design, Management, and Oversight of the Federal Classification System

The GS System Could Better Balance Attributes of a Modern, Effective Classification System

The GS classification system is a mechanism for organizing federal white-collar work, notably for the purpose of determining pay, based on a position's duties, responsibilities, and difficulty, among other things. The GS system—which is administered by OPM—influences other human capital practices such as training, since training opportunities link position competencies with the employee's performance. In 2013, the GS system covered about 80 percent of the civilian white-collar workforce, or about 1.6 million employees.[6]

Several public policy groups and some OPM reports have questioned the ability of the GS system to meet agencies' needs for flexible talent management tools that enable them to align employees with mission requirements. In our ongoing work, among other things, we are assessing (1) the attributes of a modern, effective classification system and the extent to which the current GS system balances those attributes, and (2) OPM's administration and oversight of the GS system. Our preliminary findings from this work are as follows:

- While there is no one right way to design a classification system, based on our analysis of subject matter specialists' comments, related literature, and interviews with OPM officials, there are eight key attributes that are important for a modern, effective classification system. Collectively these attributes provide a useful framework for

[6]To conduct our analysis of federal workforce trends, we used OPM's Enterprise Human Resources Integration (EHRI) Statistical Data Mart. EHRI (formerly Central Personnel Data File–CPDF) is the primary government-wide source for information on federal employees. The EHRI data we analyzed cover executive branch civilian employees, and do not cover the U.S. Postal Service, legislative or judicial branch employees, or intelligence agencies. OPM transitioned from CPDF to EHRI as of fiscal year 2010.

considering refinements or reforms to the current system. These key attributes are described in table 1.

Table 1: Attributes of a Modern, Effective Classification System

Internal equity: All employees with comparable qualifications and responsibilities for their respective occupations are assigned the same grade level.
External equity: All employees with comparable qualifications and responsibilities are assigned grade levels and corresponding pay ranges comparable to the nonfederal sector.
Transparency: A comprehensible and predictable system that employees, management, and taxpayers can understand.
Flexibility: The ease and ability to modify the system to meet agency-specific needs and mission requirements, including modifying rates of pay for certain occupations to attract a qualified workforce, within the framework of a uniform government-wide system.
Adaptability: The ease and ability to conduct a periodic, fundamental review of the entire classification system that enables the system to evolve as the workforce and workplace change.
Simplicity: A system that enables interagency mobility and comparisons, with a rational number of occupations and clear career ladders with meaningful differences in skills and performance, as well as a system that can be cost-effectively maintained and managed.
Rank-in-position: A classification of positions based on mission needs and then hiring individuals with those qualifications.
Rank-in-person: A classification of employees based on their individual skills and abilities.

Source: GAO analysis of interviews with subject matter specialists and OPM officials, and literature reviews. | GAO-14-723T

- While each attribute is individually important, there are inherent tensions between some attributes, and the challenge is finding the optimal balance among them. The weight that policymakers and stakeholders assign to each attribute could have large implications for pay, the ability to recruit and retain mission critical employees, and other aspects of personnel management. This is one reason why—despite past proposals—changes to the current system have been few, as it is difficult to find the optimal mix of attributes that is acceptable to all stakeholders.

In comparing the GS system to these key attributes, during our ongoing work we found a number of examples of how the current system's design reflects some of these key attributes but falls short of achieving them in implementation. As one example, the GS system includes 15 statutorily-defined grade levels intended to distinguish the degrees of difficulty within an occupation. Standard grade levels can simplify the system and provide internal equity.[7] Agency officials assign a grade level to a position after analyzing the duties and responsibilities according to the factor evaluation

[7] 5 U.S.C. § 5104.

system.[8] This allows for easy comparisons of employees in the same occupation and grade level across different agencies, providing simplicity and internal equity to the system, and may help employees move across agencies.

However, having 15 grades requires officials to make meaningful distinctions between things like the extent of the skills necessary for the work at each level, which may be more difficult to determine in some occupations than others. For example, officials must be able to determine how the work of a GS-12 accountant is different from a GS-13 accountant. Making clear distinctions between these occupations may be nuanced, as the basis for them hinges on, for example, how agency officials determine the degree of complexity of the work. As a result, having 15 grade levels may make the system seem less transparent, as distinguishing between the levels may not be precisely measured by the elements of the factor evaluation criteria.[9] Otherwise agencies risk having two employees performing substantially equal work but receiving unequal pay, which decreases the degree to which the system can ensure internal equity.

We believe that, going forward, these eight attributes of a more modern, effective classification system can help provide criteria for policymakers and other stakeholders to use in determining whether refinements to the current GS system or wholesale reforms are needed.

OPM Has Not Conducted Oversight of Agency Classification Programs

OPM is required by law to review "from time to time" a number of positions in each federal agency to determine whether the agency is correctly placing positions in classes and grades according to OPM-published standards.[10] During our ongoing work, OPM officials told us that the agency stopped conducting oversight reviews in the 1980s

[8]Most occupational series (which include descriptions, benchmarks and illustrations to inform grade level distinctions) use the factor evaluation system. However, some standards are written in a narrative that describes the nature of work and level of responsibility for each grade covered by the standard. This requires users or classifiers to look at work as a whole and select the most appropriate overall grade.

[9]Not all occupations comprise all 15 grade levels. The occupational category determines the grade levels covered by an occupational series.

[10]5 U.S.C. § 5110. Agencies are also responsible for classifying their own positions consistent with OPM guidance. 5 U.S.C. § 5107.

because it determined that the reviews were ineffective at overseeing agency compliance with the occupational standards. Specifically, officials said the reviews were time consuming and agencies did not agree with how OPM selected the position descriptions to review. OPM officials said agencies frequently contested the results of the reviews leading to another time- and resource-intensive review process for both OPM and the agencies. OPM officials said they rely on agencies' internal oversight programs to ensure proper application of the classification policies. However, OPM officials told us they do not review agency oversight efforts, nor do they know which agencies, if any, have robust internal oversight mechanisms.

OPM officials told us that in 2014 they had 6 full-time classification policy specialists tasked with maintaining the classification standards, compared to 16 that they had in 2001, and many more in the 1980s. OPM officials said that lower staffing levels limit the agency's ability to perform oversight. Based on our ongoing work, we believe that OPM, like all agencies, will have to make difficult tradeoffs between competing demands in this era of limited resources.

Creating a Results-Oriented Approach to Federal Pay

Compensation Has Remained Relatively Constant as a Proportion of Total Discretionary Spending

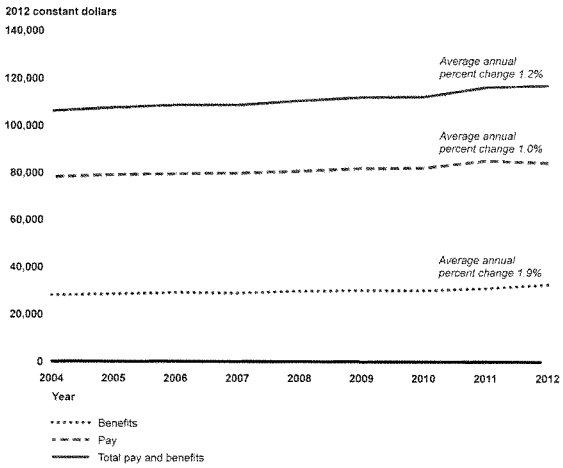
A key federal human capital management challenge is how best to balance the size and composition of the federal workforce so that it is able to deliver the high quality services that taxpayers demand, within the budgetary realities of what the nation can afford. Recognizing that the federal government's pay system does not align well with modern compensation principles (where pay decisions are based on the skills, knowledge, and performance of employees as well as the local labor market), Congress has provided various agencies with exemptions from the current system to give them more flexibility in setting pay. Thus, a long-standing federal human capital management question is how to update the entire federal compensation system to be more market based and performance oriented. This type of system is a critical component of a larger effort to improve organizational performance.

As we reported in January 2014,[11] between 2004 and 2012 spending on total government-wide compensation for each full-time equivalent (FTE)[12] position grew by an average of 1.2 percent per year, from $106,097 in 2004 to $116,828 in 2012 (see figure 1). Much of this growth was driven by increased personnel benefits costs, which rose at a rate of 1.9 percent per year. Other factors included locality pay adjustments, as well as a change in the composition of the federal workforce (with a larger share of employees working in professional or administrative positions, requiring advanced skills and degrees). In terms of employee pay per FTE, spending rose at an average annual rate of 1 percent per year (a 7.9 percent increase overall).

[11]GAO, *Federal Workforce: Recent Trends in Federal Civilian Employment and Compensation*, GAO-14-215 (Washington, D.C.: Jan. 29, 2014).

[12]FTEs reflect the total number of regular straight-time hours (i.e., not including overtime or holiday hours) worked by employees, divided by the number of compensable hours applicable to each fiscal year. As an example, two employees working half time would be the equivalent of one FTE. Annual leave, sick leave, compensatory time off, and other approved leave categories are considered to be hours worked for purposes of defining FTE employment.

Figure 1: Overall Government-wide Spending on Pay and Benefits, 2004-2012



Source: GAO analysis of data from the OMB MAX Information System. | GAO-14-723T.

As we reported earlier this year, while spending on compensation increased from 2004 to 2012, it remained relatively constant as a proportion of the federal discretionary budget at about 14 percent from 2004 to 2010, with slight increases in 2011 and 2012.

The composition of the federal workforce has changed over the past 30 years, with the need for clerical and blue collar roles diminishing and professional, administrative, and technical roles increasing. As a result, today's federal jobs require more advanced skills at higher grade levels than in years past. Additionally, federal jobs, on average, require more advanced skills and degrees than private sector jobs. This is because a higher proportion of federal jobs than nonfederal are in skilled occupations such as science, engineering, and program management, while a lower proportion of federal jobs than nonfederal are in occupations such as manufacturing, construction, and service work. The

result is that the federal workforce is on average more highly educated than the private sector workforce.

Studies Comparing Federal and Nonfederal Pay Came to Different Conclusions Because of Different Methodologies

As we reported in 2012, the policy of Congress is for federal workers' pay under the GS system to be in line with comparable nonfederal workers' pay.[13] Annual pay adjustments for GS employees are either determined through the process specified in the Federal Employees Pay Comparability Act of 1990 (FEPCA)[14] or set based on percent increases authorized directly by Congress. GS employees receive an across-the-board increase (ranging from 0 to 3.8 percent since FEPCA was implemented) that has usually been made in accordance with a FEPCA formula linking increases to national private sector salary growth. This increase is the same for each covered employee. Most GS employees also receive a locality payment that varies based on their location. While FEPCA specifies a process designed to reduce federal-nonfederal pay gaps in each locality, in practice locality increases have usually been far less than the recommended amount, which has been between 15 and 20 percent in recent years. The President's Pay Agent, the entity responsible for recommending federal locality pay adjustments to the President, has recommended that the underlying model and methodology for estimating pay gaps be reexamined to ensure that private sector and federal sector pay comparisons are as accurate as possible.[15] To date, no such reexamination has taken place.

However, other organizations have compared federal and non-federal pay. The findings of the six studies published between 2009 and 2012 that we reviewed came to different conclusions on which sector had the

[13]GAO, *Federal Workers: Results of Studies on Federal Pay Varied Due to Differing Methodologies*, GAO-12-564 (Washington, D.C.: June 22, 2012).

[14]Pub. L. No. 101-509, title V, § 529, 104 Stat. 1389, 1427-1469 (Nov. 5, 1990). GS employees permanently stationed in foreign countries do not receive locality pay. GS employees in Alaska, Hawaii, and U.S. territories and possessions began receiving locality pay in 2010. Locality pay may be extended to certain categories of non-GS employees by the President's Pay Agent.

[15]The President's Pay Agent is made up of the Directors of OPM and OMB and the Secretary of Labor, as established by executive order. The Pay Agent establishes and modifies locality pay areas for the General Schedule, determines salary survey coverage in coordination with the Bureau of Labor Statistics, calculates pay gaps, and recommends locality adjustments in its annual report to the President.

higher pay and the size of the pay disparities because they used different approaches, methods, and data.[16] With that in mind, when looking within and across these or other studies, it is important to understand the studies' methodologies because they affect how the studies can be interpreted.

The across-the-board and locality pay increases discussed above are given to all covered employees nearly every year and are not linked to performance.[17] Pay increases and monetary awards available to GS employees that are linked to performance ratings as determined by agencies' performance appraisal systems include within-grade increases, ratings-based cash awards, and quality step increases. Within-grade increases are the least strongly linked to performance, ratings-based cash awards are more strongly linked to performance depending on the rating system the agency uses, and quality step increases are also more strongly linked to performance.

Based on our past work, we believe that implementing a more market-based and more performance-oriented pay system is both doable and desirable.[18] However, experience has shown it certainly is not easy. For one thing, agencies must have effective performance management systems that link individual expectations to organizational results. Moreover, representatives of public, private, and nonprofit organizations, in discussing the successes and challenges they have experienced in designing and implementing their own results-oriented pay systems, told us they had to shift from a culture where compensation is based on position and longevity to one that is performance oriented, affordable, and sustainable.

As we have reported in the past, these organizations' experiences with their own market-based and performance-oriented pay systems provide

[16]See GAO-12-564. The studies we reviewed included four published by nongovernmental organizations (the American Enterprise Institute for Public Policy Research, the Cato Institute, the Heritage Foundation, and the Project on Government Oversight) and two published by the government (the President's Pay Agent and the Congressional Budget Office).

[17]In fiscal years 2011, 2012, and 2013, there was neither an across-the-board or locality pay increase due to a government-wide pay freeze.

[18]GAO, *Human Capital: Symposium on Designing and Managing Market-Based and More Performance-Oriented Pay Systems*, GAO-05-832SP (Washington, D.C.: July 27, 2005).

useful lessons learned that will be important to consider to the extent the federal government moves toward a more results-oriented pay system. Lessons learned include the following:[19]

1. Focus on a set of values and objectives to guide the pay system.
2. Examine the value of employees' total compensation to remain competitive in the labor market.
3. Build in safeguards to enhance the transparency and ensure the fairness of pay decisions.
4. Devolve decision making on pay to appropriate levels.
5. Provide clear and consistent communication so that employees at all levels can understand how compensation reforms are implemented.
6. Provide training on leadership, management, and interpersonal skills to facilitate effective communications.
7. Build consensus to gain ownership and acceptance of pay reforms.
8. Monitor and refine the implementation of the pay system.

Opportunities Exist to Strengthen Performance Management and Deal with Poor Performers

Efforts to Improve Performance Management

Our past work has shown that a long-standing challenge for federal agencies has been developing credible and effective performance management systems that can serve as a strategic tool to drive internal change and achieve results. In 2011, various federal agencies, labor unions, and other organizations developed the Goals-Engagement-

[19]GAO-05-832SP.

Accountability-Results (GEAR) framework to help improve performance management by

- articulating a high-performance culture;
- aligning employee and organizational performance management;
- implementing accountability at all levels;
- creating a culture of engagement; and
- improving supervisor assessment, selection, development, and training.

Five federal agencies volunteered to pilot GEAR, either agency-wide or in specific components, including the Departments of Energy, Homeland Security/Coast Guard, Housing and Urban Development, Veterans Affairs/National Cemetery Administration, and OPM—with the intention to expand GEAR government-wide.

In our September 2013 report we found that the GEAR framework generally addressed key practices for effective performance management that we had previously identified, such as aligning individual performance expectations with organizational goals.[20] Additionally, we concluded that the GEAR framework presented an opportunity for federal agencies to increase employee engagement and improve performance management. Even though the GEAR pilot had only been in place for a short time, agency officials described benefits such as improved engagement and communication between employees and supervisors.

To improve the dissemination of the GEAR framework, our 2013 report included recommendations for OPM to, among other actions, better define the roles and responsibilities of OPM, the CHCO Council, and participating federal agencies, including how to identify future promising practices and how to update and disseminate information on the government-wide implementation of GEAR. We concluded that clearly defined roles and responsibilities are important for capitalizing on the improvements made at the five pilot agencies, as well as for sustaining and achieving the current administration's goal of implementing GEAR more broadly.

[20]GAO, *Federal Employees: Opportunities Exist to Strengthen Performance Management Pilot*, GAO-13-755 (Washington, D.C : Sept. 12, 2013).

OPM agreed with our recommendations and, working with the CHCO Council, has taken some initial steps to implement them. For example, the CHCO Council recently released a "toolkit" describing the next steps for implementing the GEAR principles, and the Executive Director of the CHCO Council described efforts in 2014 to improve employee engagement. Moreover, in June 2014, OPM officials said that OPM will be responsible for facilitating the collaboration and information-sharing between agencies on their approaches to implement GEAR, and OPM will continue to provide technical support and expertise on GEAR and successful practices for performance management. However, OPM officials said that while they will continue working with the CHCO Council to promote GEAR and to encourage other agencies to adopt the framework, it is unclear if any additional agencies have formally adopted GEAR to date. OPM said it will also work with the CHCO Council and implementing agencies to determine effective and appropriate evaluation tools and metrics to assess the progress of the implementation of GEAR.

Efforts to Address Poor Performers

As our past work has demonstrated, effective performance management systems can help create results-oriented organizational cultures by providing objective information to allow managers to make meaningful distinctions in performance in order to reward top performers and deal with poor performers.[21] Although poor performance is not defined by statute, title 5 of the *United States Code* defines "unacceptable performance" as "performance of an employee which fails to meet established performance standards in one or more critical elements of such employee's position."[22] Even a small number of poor performers can have negative effects on employee morale and agencies' capacity to meet their missions. The 2013 Federal Employee Viewpoint Survey found that only 28 percent of federal employees agreed that their work unit takes steps to deal with a poor performer who cannot or will not improve.[23]

[21]GAO, *Employment: Issues Related to Poor Performers in the Federal Workplace*, GAO-05-812R (Washington, D.C.: June 29, 2005).

[22]5 U.S.C. § 4301(3). See also 5 C.F.R. § 432.103(h).

[23]The Federal Employee Viewpoint Survey is a tool offered by OPM that measures employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies.

Although the exact number of poor performers in the federal government is unknown, it is generally agreed that poor performance should be addressed earlier rather than later, with the objective of improving performance. Various studies, reports, and surveys of federal supervisors and employees we reviewed have identified impediments to dealing with poor performance, including issues related to (1) time and complexity of the processes; (2) lack of training in performance management; and (3) communication, including the dislike of confrontation. It will be important for agencies to hold managers accountable for using probationary periods and other tools for addressing poor performers as well as to ensure that supervisors have adequate support from upper-level management and human capital staff in dealing with poor performance subject to applicable safeguards.

Our prior work on this topic identified various tools and approaches for addressing performance "upstream" in the process within a merit-based system that contains appropriate safeguards.[24] These approaches include the following:

- An effective performance management system that (1) creates a clear "line of sight" between individual performance and organizational success; (2) provides adequate training on the performance management system; (3) uses core competencies to reinforce organizational objectives; (4) addresses performance on an ongoing basis; and (5) contains transparent processes.
- A probationary period that provides managers with a provisional period to rigorously review employee performance.

Sustained Attention Is Needed to Address Current and Emerging Critical Skills Gaps

Since we first narrowed the strategic human capital high-risk area to focus on identifying and addressing government-wide mission critical skills gaps in February 2011, executive agencies and Congress have continued their efforts to ensure the government takes a more strategic and efficient approach to recruiting, hiring, developing, and retaining individuals with the skills needed to cost-effectively carry out the nation's business.[25] At the same time, we have recommended numerous actions individual agencies should take to address their specific human capital

[24]GAO-05-812R.

[25]GAO, *High-Risk Series: An Update*, GAO-11-278 (Washington, D.C.: February 2011).

challenges, and we have also made recommendations to OPM to address government-wide human capital issues.

For example, in September 2011 OPM and the CHCOs—as part of ongoing discussions between OPM, the Office of Management and Budget (OMB), and GAO on the steps needed to address the federal government's human capital challenges—established the Chief Human Capital Officers Council Working Group (Working Group) to identify and mitigate critical skills gaps. Further, the Working Group's efforts were designated an interim Cross-Agency Priority (CAP) goal within the administration's fiscal year 2013 federal budget.

Using a multi-faceted approach including a literature review and an analysis of various staffing gap indicators, the Working Group identified the following government-wide mission critical occupations:

- information technology management/cybersecurity;
- auditor;
- human resources specialist;
- contract specialist;
- economist; and
- science, technology, engineering, and mathematics occupational group.

The Director of OPM—as leader of the cross-agency priority goal to close critical skills gaps—identified key federal officials from each of the six government-wide mission critical occupations to serve as "sub-goal leaders." For example, the sub-goal co-leaders for the cybersecurity workforce are from the White House Office of Science and Technology Policy and the Department of Commerce's National Institute of Standards and Technology. OPM noted that in working with their occupational communities, the sub-goal leaders have selected specific strategies to decrease skills gaps in the occupations they represent. OPM also noted that the OPM Director is to meet quarterly with these officials to monitor their progress, address their challenges, and identify support needed from OPM.

The Working Group also identified seven mission critical competencies, including data analysis, strategic thinking, influencing and negotiating, and problem solving, as well as agency-specific mission critical occupations such as nurses at the Department of Veterans Affairs. For

both the occupations and competencies, high-risk skills gaps were defined as those where staffing shortfalls could jeopardize the ability of government or specific agencies to accomplish their mission.

Under the skills gap CAP goal, OPM reported that "by September 30, 2013, skills gaps will be reduced by 50 percent for three to five critical federal government occupations or competencies, and additional agency-specific high-risk occupations and competency gaps will be closed." However, OPM's progress against this metric cannot be determined because as of June 2014 OPM has not provided any data on it.

Nonetheless, in November 2013, sub-goal leaders reported to OPM on the activity and progress made toward targets for each of the mission-critical occupations in fiscal year 2013. Specifically, leaders for three of the six sub-goals (cybersecurity, acquisition, and economist) reported that they had met their planned level of performance for fiscal year 2013, while the other three sub-goal leaders (human resources, auditor and STEM) reported that they did not make their target or were developing action plans for fiscal year 2014. For example, we found in June 2014 that the acquisitions sub-goal group established a target for increasing the certification rate of GS-1102 contract specialists to 80 percent. The final quarterly status update to the closing skill gaps CAP reported that the target was met and the certification rate increased to 81 percent. Conversely, the auditor sub-goal group reported that it was still gathering information on the extent of the skill gaps in the government-wide auditor workforce.[26]

The interim CAP goal for closing skills gaps was active through the end of fiscal year 2013 and has since been replaced by a new CAP goal focusing on people and culture including (1) creating a culture of excellence and engagement, (2) building a world-class federal management team starting with the Senior Executive Service, and (3) enabling agencies to hire the best talent from all segments of society.[27] The administration maintains that the original skills gap CAP goal is to

[26]GAO, *Managing for Results: OMB Should Strengthen Reviews of Cross-Agency Goals*, GAO-14-526 (Washington, D.C.: June 10, 2014).

[27]*Government Efficiency and Effectiveness: Views on the Progress and Plans for Addressing Government-wide Management Challenges*, GAO-14-436T (Washington, D.C.: Mar. 12, 2014).

remain a priority and efforts related to it will continue to be implemented using various approaches led by the Director of OPM and the team of sub-goal leaders. Metrics that will be tracked include increasing the certification rates for contract specialists to 84 percent in the acquisition area, and for the cybersecurity area, increasing manager satisfaction with the quality of applicants from 65 percent to 67 percent.[28]

As we reported in February 2013,[29] further progress will depend on the extent to which OPM and agencies develop the infrastructure to sustain their planning, implementation, and monitoring efforts. It will be important for OPM and agencies to implement refinements to the approaches the Working Group used to identify and address critical skills gaps in order to enhance their effectiveness. These refinements can include

- identifying ways to document and assemble lessons learned, leading practices, and other useful information for addressing skill gaps into a clearinghouse or database so agencies can draw on one another's experiences and avoid duplicating efforts;
- examining the cost-effectiveness of delivering tools and shared services such as online training for workforce planning to address issues affecting multiple agencies;
- reviewing the extent to which new capabilities are needed to give OPM and other agencies greater visibility over skills gaps government-wide to better identify which agencies may have surpluses of personnel in those positions and which agencies have gaps, as well as the adequacy of current mechanisms for facilitating the transfer of personnel from one agency to another to address those gaps as appropriate; and
- determining whether existing workforce planning and other tools can be used to help streamline the processes developed by the Working Group.

OPM will also need to develop a predictive capacity to identify newly emerging skills gaps beyond those areas already identified. OPM agreed

[28]Office of Personnel Management, *Cross-Agency Priority Goal: Closing Skills Gaps: FY 2013 Q4 Final Update*, accessed July 3, 2014, http://archive-goals.performance.gov/sites/default/files/images/Closing_Skills_Gaps_FY13_Q4_Final_CAP_Goal_Update.pdf.

[29]GAO-13-283.

that these were important areas for consideration and is taking steps to implement them. We will continue to monitor OPM and agencies' efforts in closing mission-critical skills gaps.

Management Challenges and Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources

In addition to mission critical skills gaps, our recent work has identified other management challenges that, collectively, are creating fundamental capacity problems that could undermine the ability of agencies to effectively carry out their missions.[30] Although the way forward will not be easy, agency officials said these same challenges have created the impetus to act and a willingness to consider creative and nontraditional strategies for addressing issues in ways that previously may not have been organizationally or culturally feasible.

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, establishes discretionary spending limits for fiscal years 2012 through 2021, but many agencies had experienced flat or declining budgets for several years prior.[31] In the face of limited budgets, some agencies are reducing hiring, limiting training, offering employee buyouts and providing early retirement packages. As we concluded in our report, without careful attention to strategic and workforce planning and other approaches to managing and engaging personnel, the reduced investments in human capital can have lasting, detrimental effects on the capacity of an agency's workforce to meet its mission.

As we reported in May 2014, many agencies will need to do more with the same or lower number of people.[32] Although the government has taken on additional roles and responsibilities in recent years, the size of the federal workforce has changed little since 1981. There have been some fluctuations, but the number of federal employees has remained relatively steady at around 2 million people over this time, with 2.13 million workers in 2012. More specifically, as shown in figure 2, of the 24 Chief Financial

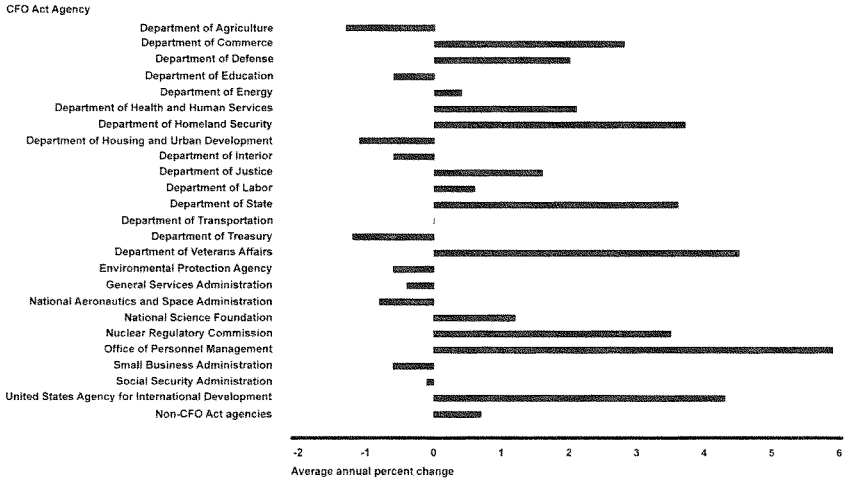
[30]See for example, GAO, *Human Capital: Strategies to Help Agencies Meet Their Missions in an Era of Highly Constrained Resources*, GAO-14-168 (Washington, D.C.: May 7, 2014), and GAO-14-215.

[31]2 U.S.C. § 901(c).

[32]GAO-14-168.

Officer (CFO) Act agencies we reviewed,[33] 10 had a lower number of career permanent employees in 2012 than they did in 2004, 13 had a greater number, and 1, the Department of Transportation, was unchanged.[34,35]

Figure 2: Average Annual Percent Change in the Number of Permanent Career Employees by Agency, 2004-2012



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart. | GAO-14-723T.

[33]The CFO Act agencies are those covered by the Chief Financial Officers Act of 1990, as amended. 31 U.S.C. § 901(b).

[34]Career permanent employees are employees with appointments that do not have an ending date or maximum length of service.

[35]GAO-14-215.

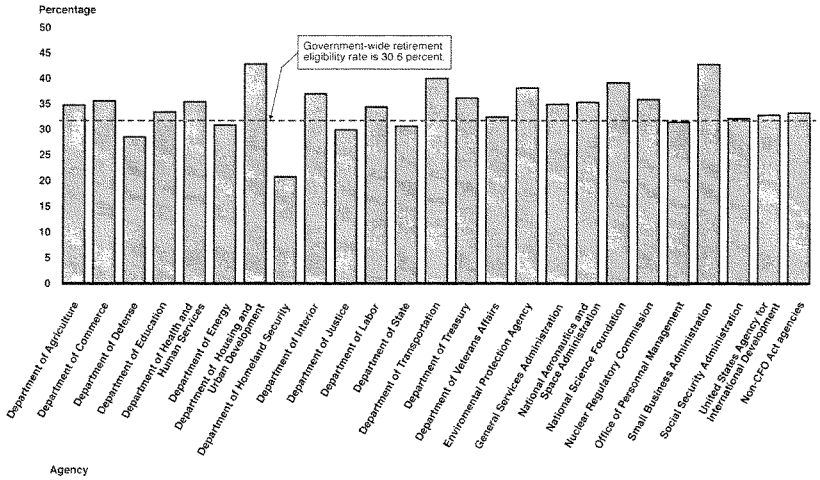
Earlier this year we reported that 31 percent of all career permanent employees who were on board in September 2012 will become eligible to retire in September 2017.[36] As shown in figure 3 below, not all agencies will be equally affected by this trend. By 2017, 20 of the 24 CFO Act agencies will have a higher percentage of staff eligible to retire than the current 31 percent government-wide.[37] For example, about 21 percent of DHS staff on board as of September 2012 will be eligible to retire in 2017, while over 42 percent will be eligible to retire at both the Department of Housing and Urban Development and the Small Business Administration. Certain occupations—such as air traffic controllers and those involved in program management—will also have particularly high retirement eligibility rates by 2017.

Various factors affect when individuals actually retire, and some amount of retirement and other forms of attrition can be beneficial because it creates opportunities to bring fresh skills on board and allows organizations to restructure themselves in order to better meet program goals and fiscal realities. But if turnover is not strategically monitored and managed, gaps can develop in an organization's institutional knowledge and leadership. The high projected retirement eligibility rates across government underscore the importance of effective succession planning.

[36]GAO-14-215.

[37]These projected retirement eligibility rates do not take into account hiring and separations that may occur over the next 5 years.

Figure 3: Percentage of Career Permanent Employees On Board in 2012 Eligible to Retire by 2017 by Agency



Source: GAO analysis of data from the OPM Enterprise Human Resources Integration Statistical Data Mart. | GAO-14-723T.

According to OPM, factors such as a 3-year pay freeze, automatic reductions from sequestration that included furloughs for hundreds of thousands of employees, and reductions in training and other areas have taken their toll on the federal workforce. In the 2013 Employee Viewpoint Survey results, the "global satisfaction index" showed an 8-percentage-point decline since 2010. Each of the four factors that make up the global satisfaction index showed downward trends from last year's results:

- job satisfaction dropped 3 points to 65 percent,
- pay satisfaction was down 5 points to 54 percent,
- organization satisfaction fell 3 points to 65 percent, and

- respondents that said they would recommend their organization declined by 4 points to 63 percent.[38]

As we reported earlier this year, to identify strategies for managing the federal workforce and plan for future needs in an era of constrained resources, we used several approaches including convening a full-day forum that included 25 of the 27 members of the CHCO Council. Our analysis and recommendations based on this effort provide an important framework for prioritizing and modernizing current human capital management practices to meet agencies' current and future missions. The strategies included the following:[39]

Strengthening collaboration to address a fragmented human capital community. Our analysis found that the federal human capital community is highly fragmented with multiple actors inside government informing and executing personnel policies and initiatives in ways that are not always aligned with broader, government-wide human capital efforts. The CHCO Council was established to improve coordination across federal agencies on personnel issues, but according to CHCOs, the council is not carrying out this responsibility as well as it could. This challenge manifests itself in two ways: across organizations, with many actors making human capital decisions in an uncoordinated manner, and within agencies, excluding CHCOs and the human capital staff from key agency decisions.

Using enterprise solutions to address shared challenges. Our analysis found that agencies have many common human capital challenges, but they tend to address these issues independently without looking to enterprise solutions that could resolve them more effectively. Across government, there are examples of agencies and OPM initiating enterprise solutions to address crosscutting issues, including the consolidation of federal payroll systems into shared-services centers. CHCOs highlighted human resource information technology and strategic workforce planning as two areas that are ripe for government-wide collaboration.

[38]Office of Personnel Management, *Federal Employee Viewpoint Survey Results: Employees Influencing Change, 2013 Government-wide Management Report*, (Washington, D.C.: 2013).

[39]GAO-14-168.

Creating more agile talent management to address inflexibilities in the current system. Our analysis found talent management tools lack two key ingredients for developing an agile workforce, namely the ability to (1) identify the skills available in existing workforces, and (2) move people with specific skills to address emerging, temporary, or permanent needs within and across agencies.

As we reported earlier this year, the CHCOs said OPM needs to do more to raise awareness and assess the utility of the tools and guidance it provides to agencies to address key human capital challenges. CHCOs said they were either unfamiliar with OPM's tools and guidance or they fell short of their agency's needs. OPM officials said they had not evaluated the tools and guidance they provide to the agencies. As a result, a key resource for helping agencies improve the capacity of their personnel offices is likely being underutilized.

Among other things, in our May 2014 report we recommended that the Director of OPM, in conjunction with the CHCO Council, strengthen OPM's coordination and leadership of government-wide human capital issues to ensure government-wide initiatives are coordinated, decision makers have all relevant information, and there is greater continuity in the human capital community for key reforms. Specific steps could include, for example, developing a government-wide human capital strategic plan that, among other things, would establish strategic priorities, time frames, responsibilities, and metrics to better align the efforts of members of the federal human capital community with government-wide human capital goals and issues. OPM and the CHCO Council concurred with these recommendations and identified actions they plan to take to address them.

Conclusions

In conclusion, strategic human capital management must be the centerpiece of any serious effort to ensure federal agencies operate as high-performing organizations. A high-quality federal workforce is especially critical now given the complex and cross-cutting issues facing the nation.

Through a variety of initiatives, Congress, OPM, and individual agencies have strengthened the government's human capital efforts since we first identified strategic human capital management as a high-risk area in 2001. Still, while much progress has been made over the last 13 years in modernizing federal human capital management, the job is far from over. Indeed, the focus areas discussed today are not an exhaustive list of challenges facing federal agencies and are long-standing in nature.

Greater progress will require continued collaborative efforts between OPM, the CHCO Council, and individual agencies, as well as the continued attention of top-level leadership. Progress will also require effective planning, responsive implementation, robust measurement and evaluation, and continued congressional oversight to hold agencies accountable for results.

In short, while the core human capital processes and functions—such as workforce planning and talent management—may sound somewhat bureaucratic and transactional, our prior work has consistently shown the direct link between effective strategic human capital management, and successful organizational performance. At the end of the day, strategic human capital management is about mission accomplishment, accountability, and responsive, cost-effective government.

Chairman Farenthold, Ranking Member Lynch, and Members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

Contacts and Acknowledgments

For further information regarding this statement, please contact Robert Goldenkoff, Director, Strategic Issues, at (202) 512-6806, or goldenkoffr@gao.gov.

Individuals making key contributions to this statement include Chelsa Gurkin, Assistant Director; Robyn Trotter, Analyst-in-Charge; Jeffrey Schmerling; Devin Braun; Tom Gilbert; Donald Kiggins; and Steven Lozano. Key contributors for the earlier work that supports this testimony are listed in each product.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

Mr. FARENTHOLD. Thank you very much.
Ms. Niehaus.

STATEMENT OF PATRICIA J. NIEHAUS

Ms. NIEHAUS. Chairman Farenthold, Ranking Member Lynch, and members of the subcommittee, in addition to being the National President of the Federal Managers Association, I am also the Chief of Labor and Employee Management Relations at Travis Air Force Base in California.

Thank you for allowing me to present FMA's views to you today. As stakeholders in the General Schedule, we appreciate the opportunity to testify. Please note that I am here on my own time and of my own volition, representing the views of FMA, and I do not speak on behalf of the Air Force.

Since its inception, the General Schedule has been hailed as the cornerstone of the Federal workforce. However, the Federal Government has evolved and the General Schedule has not kept up. It is FMA's stance that changes do need to take place.

Pay-for-performance is a system that businesses in the private sector have utilized successfully for a long time. FMA believes the General Schedule should be utilized as a stepping stone to create a more evolved system that focuses on pay-for-performance and reflects the needs of the present Federal workforce.

Transparency, fairness, and objectivity need to be core elements that comprise any personnel system. FMA urges a departure from the rigid approach of the current General Schedule to a classification and pay system that reflects the diverse missions of agencies across the Federal Government. The current General Schedule system of classification and pay setting should be revised to more easily accommodate changing missions. The system would function more efficiently by allowing flexibility to significantly change positions as needed to accomplish the mission of the agency.

The current system promotes a workforce based on longevity rather than performance. The highest performing employee should be rewarded with the highest rates of pay. Those employees who fall below the curve in terms of overall performance should not be rewarded at the same level. Where is the incentive in performing better than your colleagues when little is done to recognize additional efforts?

While it certainly had its faults, the National Security Personnel System, which DOD used for five years, had many admirable aspects and improvements on the General Schedule. Under NSPS, an employee's pay raise, promotion, or demotion was much less inhibited than the current General Schedule rules permit.

FMA supports the premise of holding Federal employees accountable for performing their jobs effectively and efficiently, and rewarding them accordingly. Under the General Schedule, an employee may start out as a GS–5, but demonstrate the skills and abilities to work at a higher grade. Because of the current time and grade requirements, that employee must wait at least a year before being promoted to the next higher grade, and then another year before progressing onward in his or her career.

Evaluation and pay banding under NSPS for employees where evaluated and paid based on the job they were capably performing

makes more sense and would encourage retention and recruitment. I know of many instances where highly qualified employees accepted lower graded jobs to get into the system, but then were discouraged from staying in the Federal workforce because of the rigid time and grade requirements imposed by the General Schedule.

A shift in the culture of any organization cannot occur without interactive, ongoing training process that brings together the managers responsible for implementing the personnel system and the employees they supervise. Implementation trumps design is the biggest factor in a system's ultimate success or failure. With the upheaval any major change brings to a new pay or performance system, it is necessary to remain committed to the change long enough to make it work.

FMA calls for the introduction of legislation that requires agencies to provide interactive, instructor-based training on management topics ranging from mentorship and career development to hostile work environments and poor performers. Training is critical to ensuring a successful implementation of any new program.

If the Federal Government is to stand as the employer of choice, we must recognize that the Government's most important resources are the men and women who devote their lives to the public good. Full buy-in from all stakeholders, particularly front-line managers who are tasked with implementing any changes to the General Schedule, is vital. It is also important to listen and act when feedback is given.

The current form of the General Schedule is outdated and does not reflect the demands of the Federal workforce. Its one-size-fits-all format is not conducive to the continuing evolution and multifaceted mission of the Federal Government. A system needs to emerge that responds appropriately to these challenges. In the end, it is imperative that any system stand by the principles of transparency, fairness, and objectivity.

Thank you again for the opportunity to express our views, and I am happy to address any questions you may have.

[Prepared statement of Ms. Niehaus follows:]

Testimony
Before the United States House of Representatives
Committee on Oversight and Government Reform
Subcommittee on Federal Workforce, U.S. Postal Service and the Census
July 15, 2014

Examining the Management of the General Schedule of the Federal Workforce

Management of the Federal Workforce

Statement of
Patricia J. Niehaus
National President
Federal Managers Association

1641 Prince Street ■ Alexandria VA 22314-2818 ■ Tel: (703) 683-8700 ■ Fax: (703) 683-8707
■ E-mail: info@fedmanagers.org ■ Web: www.fedmanagers.org

Chairman Farenthold, Ranking Member Lynch and Members of the House Oversight and Government Reform Subcommittee on Federal Workforce, U.S. Postal Service and the Census:

My name is Patricia Niehaus and I am here today representing the over 200,000 managers, supervisors and executives in the federal government on behalf of the Federal Managers Association (FMA). Please allow me to take a moment to thank you for this opportunity to present our views before the Subcommittee on the management of the federal workforce. As federal managers, we are committed to carrying out the mission of our agencies in the most efficient and cost-effective manner while providing necessary services to millions of Americans.

In March of this year, I was reelected to serve my third term as National President of the Federal Managers Association. In my professional life, I am the Chief of Labor and Employee-Management Relations for Travis Air Force Base in California. I have completed 31 years of federal service in the Department of the Air Force, the last 28 of which were in the human resources field. I began my tenure as a GS-04 Secretary and worked my way up to my present position in the Civilian Personnel Office. During my career, I have spent time in the General Schedule (GS) and the National Security Personnel System (NSPS), and have worked with managers under four separate pay systems – the Federal Wage Grade, GS, the General Manager system, and NSPS. Additionally, I was involved with NSPS as a member of the NSPS Implementation Team for Travis AFB, as a trainer, a pay pool facilitator and as an employee rated under that system. Please note that I am here on my own time and of my own volition representing the views of FMA and do not speak on behalf of the Air Force.

Established in 1913, the Federal Managers Association is the largest and oldest association of managers and supervisors in the federal government. FMA was originally organized to represent the interests of civil service managers and supervisors in the Department of Defense (DOD) and has since branched out to include more than 40 different federal departments and agencies. We are a nonprofit, professional, membership-based organization dedicated to advocating excellence in public service and committed to ensuring an efficient and effective federal government. As stakeholders in the successful implementation of human resource management, we appreciate the opportunity to appear before you today.

The face of America's workforce is changing. A model once attractive for employing the most talented members of our society, the federal civil service no longer reflects the standards today's job seekers expect. The current General Schedule pay and classification system is antiquated. FMA supports changes that establish increased flexibilities, accountability and performance results.

EXAMINING THE GENERAL SCHEDULE

Since its inception, the General Schedule has been hailed as the cornerstone of the federal workforce. It was implemented in 1949, however, since this time, the federal government has grown and the workforce tackles more diverse issues and functions. Reacting to this change, several agencies now employ personnel systems other than GS for some or all of their employees. While we are encouraged that the government has abandoned many pass/fail systems, we are concerned that the differences

between pay-for-performance systems and the General Schedule make it difficult for employees to switch jobs within the government. There is also the added hindrance of a single agency employing multiple systems as in the DOD and Internal Revenue Service.

Overall, the discussion needs to concentrate on whether the federal government wishes to pursue pay-for-performance. If the answer is yes, the General Schedule should be utilized as a stepping stone to create a more evolved system that reflects the needs of the present federal workforce. Transparency, fairness, and objectivity need to be core elements that comprise any system created. FMA urges a departure from the rigid, one-size-fits-all approach of the current General Schedule, to a classification and pay system that reflects the diverse missions of agencies across the federal government. While the common denominator of all departments and agencies is providing exceptional service to the American people, the federal government is made up of the equivalent of many different businesses and industries. Departments and agencies must have maximum flexibility and ability to compete with the private sector to attract the best and the brightest men and women to answer the call of public service.

As the frontline managers who are responsible for the implementation of new personnel programs, it is FMA's stance that changes need to take place. Certain fundamental principles of merit remain crucial to preserving the integrity and accountability of a new employment system. We have seen through demonstration projects and pilot programs in various agencies around the country over the past few decades that implementing human resource management structures can help improve the productivity and missions of agencies. As an example, professional employees at Naval Warfare Center Weapons Division China Lake, California, worked under a demonstration project for nearly thirty years. This involved the development of a performance plan every year with smart goals and established criteria for ratings and rankings that could be monitored. FMA members described the project as less subjective than the General Schedule and cited multiple advantages of this system, including: more latitude in identifying employees not meeting agreed upon objectives; opportunities for supervisors to reward merit; and, the ability to review performance goals and demonstrate how accomplishments were met or exceeded. Our members who worked under this demonstration project called this merit-based pay system a "rewarding experience" that provided documentation for both high-performing and low-performing employees, developed motivated employees, and taught employees how to set goals and monitor progress.

LOOKING FORWARD BY EVAULATING THE NATIONAL SECURITY PERSONNEL SYSTEM

Given my experience with both the General Schedule and NSPS at DOD, I feel it is important to look back at NSPS and to share lessons learned and principles that should be included in any personnel system.

Passage of the Fiscal Year 2004 National Defense Authorization Act (P.L. 108-136) granted DOD the authority to embark on an historic implementation of a new personnel system positioned to change the face of the federal workforce. Included in the legislation was the authorization for major changes to the pay, hiring and staffing, labor relations, collective bargaining, adverse actions, appeals process, reductions-in-force, and performance review systems governed by Title 5 of the U.S. Code.

Justification for reform was based on the critical and urgent need to create a flexible and dynamic human resources system that would allow Pentagon employees to respond quickly to any threats to our national security and prevent any military actions that would harm the United States.

Under NSPS, an employee's pay raise, promotion, demotion or dismissal was much less inhibited than current General Schedule rules permit. FMA supports the premise of holding federal employees accountable for performing their jobs effectively and efficiently and rewarding them accordingly. More specifically, the removal of pass/fail performance rating systems that do not allow for meaningful distinction among levels of performance was a step in the right direction. FMA believes the current General Schedule system of classification should be revised to more easily accommodate changing missions. The system would function more effectively and efficiently by allowing flexibility to significantly change a position without reclassifying, as needed to accomplish the mission of the agency.

NSPS did away with traditional time in grade requirements. Under the General Schedule, an employee may start out as a GS-5 but demonstrate the skills and abilities to work at a higher grade. Because of the current time in grade requirements, that employee must wait at least a year before a being promoted to the next higher grade, then another year before progressing onward in his or her career. The model of evaluation under NSPS, where employees were evaluated and paid based on the job they were performing and capable of, makes more sense and would encourage recruitment and retention to the federal workforce. I know of many instances at DOD where highly- qualified employees accept lower-graded jobs to get into the system but are discouraged from staying in the federal workforce because of the arbitrary time in grade requirements. The federal government stands to lose many talented employees because of this.

Initially, FMA was optimistic NSPS would help bring together the mission and goals of the Department with the on-the-ground functions of the homeland security workforce. However, the promise NSPS held never came to fruition, and following pressure from stakeholders, Congress repealed NSPS in the FY10 National Defense Authorization Act (P.L.111-84).

My Personal Experience with NSPS

As a civil servant at Travis Air Force Base, I was rated under NSPS, and advised supervisors, Higher Level Reviewers and Pay Pool Managers for three complete pay cycles. I was also a member of the NSPS implementation team at Travis AFB and a trainer for labor relations and performance management under the system.

In the role of a rated employee, I experienced the gamut of obstacles that can arise when a pay pool is not strongly guided by the Pay Pool Manager. In the initial rating cycle ending September 2007, my supervisor served as the advisor for our Pay Pool Panel. She was able to clarify NSPS requirements as questions arose, but the Pay Pool Panel was dominated by one military panel member who strongly and vocally believed that all civilian employees were overpaid. Nevertheless, there were few requests for reconsideration, whereby an employee asks for a second review of his or her evaluation. Employees and supervisors alike were quite frustrated by the lack of transparency during this process. I was fortunate that my ratings were not negatively impacted to the extent reported by many of our members based on the bias and inattention displayed by Pay Pool Panel members across the department.

As an NSPS trainer, I understood the system's requirements, and it was disappointing to watch as implementation failed to follow design. I think one of the primary reasons for its demise was the lack of engagement among senior military leadership and the cumbersome computer rating program provided by DOD. In my experience, many military members did not agree that they owed their civilians the same leadership that they provide their military subordinates. Transitioning from Air Force's pass/fail appraisal system where a supervisor's evaluation responsibilities involve checking boxes, providing only nine bullets to justify awards and offering only nine numerical ratings with no justification required, to a full-blown performance management system where a supervisor had to write objectives and rate employees based on those objectives, was seen as too time consuming by most. In every class I taught, there were several vocal military supervisors who claimed they did not have time for this type of program. There was no mechanism to truly hold them accountable for their participation and the manner in which they discharged their duties, severely impeding the program's success.

In my role as an advisor to supervisors and Pay Pool Panels, I also witnessed the lack of commitment on the part of many of these participants. My installation consisted of five pay pools, and during the three rating cycles I sat in on each Panel at least once. The incongruence of the commitment by the individual Pay Pool Managers was astounding. In instances where the Pay Pool Manager demanded participation by the Panel members, the process ran much smoother and employees were provided more thorough consideration during the process. In the panels where the Pay Pool Manager delegated his duties to another or did not demand participation by his Panel members, the reviews were significantly more superficial and the biases demonstrated by the Panel members appeared to more strongly impact the ratings.

Transitioning back to GS from NSPS had many consequences. I am one of the employees whose pay was negatively impacted by the transition back to the General Schedule. I believe, and my supervisors agree, that I was properly rewarded for my work under NSPS. As such, I was paid between steps 6 and 7 of the next higher grade of the General Schedule from the grade at which I transitioned into NSPS. When I transitioned back to the GS in 2010, I was on pay retention until I was promoted in 2012. I was penalized for my achievements and performance under NSPS by only receiving fifty percent of the general pay increase until my promotion which resulted in a pay raise of less than half a step due to the pay retention. Had I not been promoted, this would also have a negative impact on my retirement annuity by reducing the salary I earned during my high-3 years since I became eligible to retire in 2013.

FOUNDATION FOR ALL PERSONNEL SYSTEMS

If any future personnel system is to succeed, it must adhere to certain basic principles. First, the key to moving forward is collectively understanding that no viable change in the federal government's human resource management will take place without the full buy-in and understanding of agency leadership, managers and employees. In undertaking a new endeavor, feedback from and collaboration among managers and employees significantly increases morale. When all the stakeholders are engaged in the formation of new programs or policies, the likelihood of acceptance by the workforce increases substantially.

Secondly, the highest performing employees should be rewarded with the highest rates of pay; those employees who fall below the curve in terms of overall performance should not be rewarded at the same level. A strong link between performance and pay provides employees with the confidence that their efforts will be appropriately recognized and rewarded. Where is the incentive in performing better than your colleague when little is done to differentiate additional efforts?

The current GS pay system promotes a workforce based on longevity rather than performance. Based on feedback from FMA members indicating the lack of distinguishing performance among employees serves as a de-motivator, it is time to change to a tiered system to rank employees which removes the "human factor" to the greatest extent possible. Looking back at NSPS, employees were too concerned with their number rating rather than the verbal feedback from their managers, and more education must be completed so that a "3" (average or acceptable performance) is no longer viewed as a bad thing. It is imperative to take appropriate steps to ensure cronyism and favoritism are removed from the process to the greatest extent possible.

Additionally, a shift in the culture of any organization cannot occur without an interactive, ongoing training process that brings together the managers responsible for implementing the personnel system and the employees they supervise. With the upheaval any major change brings to a new pay or performance system, it is necessary to remain committed to the change long enough to let it work. A commitment of the necessary time and resources to achieve success when making a change in the culture of an agency is crucial.

As Congress and the Administration consider changes to the General Schedule or the potential development of new pay system or performance review method, we recommend the following be included in any effort:

- maintenance of current benefits for active duty and retired employees;
- no loss of pay or position for any current employee solely as a result of the implementation of the new system(s);
- merit principles preventing prohibited personnel practices as well as an adherence to current whistleblower protections and honoring and promoting veterans' preference;
- an independent appeals process for disciplined or terminated employees, such as the Merit Systems Protection Board currently provides;
- adequate funding of "performance funds" for managers to appropriately reward employees based on performance;
- development of a performance rating system that reflects the mission of the agency, the overall goals of the agency, and the individual goals of the employee, while removing as much bias from the review process as possible;
- a transparent process that holds both the employee being reviewed and the manager making the decision accountable for performance as well as pay linked to that performance; and,
- a well-conceived, ongoing and mandatory training program that includes skills training and is funded properly and reviewed by an independent body (we recommend the Government Accountability Office as an auditor) which clearly lays out the expectations and guidelines for both managers and employees regarding the performance appraisal process.

Implementation trumps design as the biggest factor in a system's ultimate success or failure. Prior to making changes to the General Schedule, we must learn from the implementation mistakes made under NSPS and other pay-for-performance systems. FMA's primary concern when NSPS was rolled out was the lack of concrete, department-wide business rules that allow for a transparent and fair deployment of pay-for-performance. Several reports stated that the Pay Pool Panels and Sub-Pay Pool Panels were out of touch with the objectives and job functions of the employees they were rating. If the Panels were designed to be the ultimate authority on the final evaluation attributed to each employee and are able to adjust a supervisor's prescribed rating, they must have full working knowledge of the employees' jobs they are asked to rate.

Additionally, since the Pay Pool Panelists were aware of the amount of money in the pool, and many must pay their direct reports and themselves from this pool, their power to adjust final employee ratings rightly came under suspicion. Reports surfaced revealing great pressure exerted by the Panels to lower ratings, especially in the cases of poorly written self-assessments, again, despite claims from DOD leadership that this should not or did not occur. The Panels were too focused on the impact they had on the share value. The sole purpose of the Pay Pool Panel should be to ensure fairness, transparency and consistency in the system.

One of the biggest problems experienced during the execution of NSPS in this regard was the perceived bell curve distribution of raises. Managers and supervisors reported extreme pressure from higher-ups to maintain a specified distribution of funds or performance ratings within each pay pool. FMA warned of the severe danger of ratings being deflated or inflated to accommodate a small section of the population. We urged DOD to ensure employees received the ratings their performance dictated. For any personnel system to be fair and effective, evaluative ratings and performance awards must be based on merit, not quotas and arbitrary caps. Forced distribution does nothing but contradict the goal of a pay-for-performance system, and a system employing such rules will never succeed.

Additionally, business rules contained in the FY04 NDAA required a supervisor to provide a feedback session before completing the NSPS appraisal, but FMA observed this usually did not take place. This constituted a key part of the NSPS process, but was often not afforded the attention it deserved. Job objectives should be discussed with employees to ensure they match with mission and supervisors' objectives, and to recognize where good work has been conducted and how improvements can be made. These conversations must take place throughout the rating cycle. It is alarming these conversations often did not take place.

Many employees also felt uncomfortable assessing their own work as required under NSPS. Inadequate training in this area contributed to employees' lack of confidence in the delivery of their evaluation, as they were unsure of how best to properly convey the value of the work they perform each day. For many employees, this marked their first experience providing such information, and a self-evaluation that failed to reveal their full worth to the agency had the potential to negatively impact their paychecks significantly. It was our experience that the Pay Pool Panels relied heavily on written assessments, despite the fact that these assessments were not required by law. More attention must be paid to properly train employees how to write self-assessments and to fulfill any other requirements of the system during the development of any future system in order to ensure employees receive the rating their efforts merit.

ISSUES CONFRONTING FEDERAL MANAGERS

The federal workforce is in the midst of a human capital crisis. Exacerbated by attacks on pay and benefits; budgetary restraints caused by sequestration; a partial government shutdown that kept hard working men and women away from their duties; and, an increase in retirement eligible employees, federal managers face the pressure of ensuring a fully functional federal government. Not only do managers need to be fully capable, but there must be a proper mix of managers, rank-and-file employees, and senior executives to fulfill each agency's mission. Achieving department and agency daily goals and congressionally-mandated duties require all members of the federal workforce to be fully engaged. Federal managers are in a unique position to lead from the top down to encourage going above and beyond the call of duty that promotes efficiency and effectiveness throughout the federal government, best utilizing taxpayers' money.

FMA makes the following recommendations based on our belief that providing talented managers with fair benefits and compensation, as well as the authority and flexibility to make tough decisions, is the key to managing a successful and strong civil service.

An Effective Federal Government through Managerial Training

Current law requires agencies to establish training programs for managers on topics including: addressing poor performing employees, mentoring, and conducting accurate performance appraisals. However, there is no accountability to ensure managers participate, and during times of strained budgets, training is often viewed as a secondary expense and is typically the first program to meet the chopping block when cuts are needed.

Many employees promoted to management roles are often done so based on their technical skills, especially under the GS system where pay is based on promotion through the various levels and steps. Therefore, it is not surprising that many employees note their supervisors' managerial skills lag behind their technical skills. An agency's ability to meet its mission directly correlates to the quality of workforce management. There is a clear need for training if a manager is to be fully successful. If an agency promotes an individual to managerial status based on technical prowess but then fails to develop the individual's supervisory skills, that agency severely jeopardizes its capability to deliver the level of service the American public expects and does a disservice to both the manager and to the employees supervised by that inadequately developed manager.

The development of managerial skills is one of the greatest investments an agency can make, both in terms of productivity gains and the retention of valuable employees. A supervisor's ability to effectively monitor his or her workforce while resolving internal conflicts is instrumental in forming an appealing work environment. Whether serving as a mediator between upper-level managers and their staff or clearly defining organizational goals, well-trained federal managers serve a vital role in the continuity of operations on a day-to-day basis and are an essential component in ensuring the federal government retains a workforce that espouses a strong work ethic and commitment to the nation's wellbeing.

Management training can no longer be viewed as an expendable program. For federal agencies to remain competitive, effective and efficient, these programs need to be made mandatory. By establishing a mandatory initial training program and ongoing training series, the entire workforce benefits from enhanced supervision and improved leadership. Funding these programs in the appropriations process is essential to preventing training dollars from being cut when budgets are tight. Properly trained managers will also lead to fewer employee grievances, both formal and informal. When managers are properly trained to do the job for which they have been hired, everyone wins.

FMA calls for the introduction of legislation that requires agencies to provide interactive, instructor-based training on management topics ranging from mentorship and career development to hostile work environments and poor performers. After the initial supervisory training, which would take place within one year of promotion, supervisors would be required to receive ongoing training once every three years thereafter. In addition, the measure should include an accountability provision to establish competency standards to ensure the training and its intent is effective.

Extending the Probationary Period

FMA supports an increase in the probationary period of newly-hired federal employees from one year to two years as we consider changes to the hiring process. Currently, virtually all new federal employees are required to serve a one-year probationary period. During the probationary period, employees are in "career-conditional" status. If they do not perform in their first year, they can be dismissed for cause without having the full appeal rights to which career civil service employees are otherwise entitled. The probationary period is intended to be an extension of the selection process, providing an opportunity to ensure that the selected employee is a "good fit" for the position.

The increasing complexity of certain jobs, however, require a long formal training period and an even longer "trainee" period before employees reach full operating level. In the Social Security Administration (SSA), for example, the Claims Representative position is one of the most common jobs into which new federal employees are hired. One year simply is not enough time to evaluate whether or not an employee will be able to succeed in the job. A specialized claims representative undergoes formal basic training for a period of four months. Frequently, SSA hires generalist claims representatives who require eight months of training in separate four-month segments. Many times, this training is conducted in a location different from the office where the trainee will be permanently assigned, giving the supervisor less time to observe and evaluate the employee. After the formal training period is concluded, the trainee is given a reduced workload and supplemental training for several additional months.

For these reasons, a supervisor may have insufficient time to properly evaluate whether a new hire will be able to properly learn and apply the skills needed to perform the job with only a one-year probationary period. Many times, an employee will do well in formal training, but struggle once they start doing the actual work. With a one year probationary period, there is a very small window of time, if any, in which to: identify performance issues; counsel the employee; allow the employee the opportunity to improve; and, take appropriate action to terminate the employee during the probationary period.

Not only does this affect managers, but this also puts an unfair burden on the employee. These jobs are difficult and complex and it takes some people additional time to learn the job. Managers are

placed in the difficult position of having to decide whether or not to keep employees when they may not have had sufficient time to evaluate them. If managers miss the one-year window to dismiss a failing employee, the burden of proof becomes much greater if they decide to do so later. There is an incentive to dismiss the employee prior to the expiration of the one-year window even though the employee may not have had sufficient time to show that they could master the job.

The power to amend the probationary period regulation, 5CFR 315.801-.806, lies with the Office of Personnel Management as the statutory basis is 5USC 3321, which simply calls for a probationary period. Even if it were extended, Chapter 75 of Title 5 extends full appeal rights to any employee who has completed one year of service. As the Government Accountability Office notes in the introduction to GAO-05-812R, "the critical feature of dealing with poor performance during the probationary period is the limitation on appeal rights." Therefore, in addition to changing the probationary period, it is crucial to extend the statutory limitation on appeal rights to two years.

A legislative remedy increasing the probationary period and the limitation on appeal rights from one to two years for all newly-hired federal employees would lead to more efficient government service. In April 2011, the House Oversight and Government Reform Committee passed legislation (H.R. 1470) to accomplish this goal. FMA encourages Congress to revisit this important issue and pass legislation to implement a two year probationary period.

MANAGEMENT FLEXIBILITIES

FMA recommends the following in order to facilitate greater usage of management flexibilities:

Retention Incentives – Telework

While agencies should devote significant time to the development of recruitment strategies, it is imperative that current federal employees also receive incentives to remain within government and their respective agencies. To this end, it is critical that the federal government adapt to take advantage of many workforce flexibilities created by advancements in technology. Of note is the expansion of telework opportunities.

While managers are often blamed for impeding implementation of telework among their employees, this could be remedied with managerial training on how to supervise teleworkers and providing examples of quantitative metrics, simple reporting forms, sample telework agreements, and other sample documents to be revised for individual jobs. This would go a long way toward easing concerns of managers and create a fair and transparent situation for both the manager and employee. Too often, frontline managers are left to their own devices to discover the best ways to implement telework. This can rightly be interpreted by employees as a disjointed and unfair application of expectations. Education for employees concerning telework is also critical to a successful program.

Given the flexibilities that technology allows us, and the ever increasing traffic on our roads, telework is inevitable. Government must invest in its managers so that they are empowered to confidently and fairly administer a telework program that seamlessly meshes with the ongoing work of all employees with the overriding goal of accomplishing agency missions.

Retention Incentives – Performance Rewards Available Under the GS System

Several provisions are currently in place under the GS system that allow managers and supervisors to reward employees' performance. I would like to discuss some of them, but I must point out that the application of these tools has been sparse throughout federal government and across agencies. To reward employees that go above and beyond the call of duty, managers can reward employees with Sustained Superior Performance (SSP) Awards, which vary in amount, and Quality Step Increases (QSI), which are generally approximately three percent of the employee's salary. Managers can also distribute small cash bonuses, usually between $25 and $250, for marked accomplishments. Some agencies also employ a Special Act or Service Award. This is a cash award given to recognize a meritorious personal effort, act, service, scientific or other achievement accomplished within or outside assigned job responsibilities and can be up to $25,000.

There are also non-monetary awards available that recognize employees' accomplishments while assisting agencies and departments combat financial restraints. Employees can be granted a Time Off Award of up to 40 hours per achievement. Time Off Awards are capped at 80 hours of time off during a leave year without a charge to leave or loss of pay as an award for achievements or performance contributing to an agency's mission. Other non-monetary awards include medals, certificates, plaques, trophies, and other tangible incentives that have an award or honor connotation. These can be especially helpful if the employee receiving the award believes agency leadership is aware of his/her contributions.

As you can see, there are rewards available to high-performing employees that distinguish their performance. However, the resources available to managers and supervisors to reward those employees are limited, particularly in these difficult economic times. The budget process for awards is normally based on a percentage of the aggregate base payroll (last year it was less than one percent for many agencies); therefore the total dollars available are insufficient. Additionally, the process for awarding employees is extremely cumbersome and many managers do not spend the time to accurately identify performance and reward it appropriately. Many managers are also unaware that these incentives even exist.

Federal agencies have broad statutory authority to design and implement a variety of incentive programs to meet their specific needs, and managers throughout the federal government have effectively used different methods of performance awards to motivate and reward the workforce. In order for these awards to be used effectively, managers must have support from top agency leadership. When combined, these tools provide a powerful incentive for federal employees to remain in public service, and further expansion in the future will be necessary to continue to compete with the private sector.

CONCLUSION

If the federal government is to stand as an employer of choice now and in the future, we must remain dedicated to advancing policies and legislation that strengthen the core principles of the civil service. Whether developing recruitment incentives or enhancing existing programs to bolster a positive

and productive work environment, we must understand that the government's most important resources are the men and women who devote their lives to the public good. Consideration of the suggestions discussed in my testimony will facilitate our efforts to confront the challenges that await.

Full buy-in from all stakeholders, particularly managers who are tasked with implementing any changes to the General Schedule, is the first step in gaining the support of employees. The second step is to listen and act when feedback is given. The current form of the General Schedule is outdated and does not reflect the present demands of the federal workforce. Its one-size-fits-all format is not conducive to the growth and multifaceted tasks of the federal government. A system needs to emerge from the General Schedule that responds appropriately to these challenges. In the end, it is imperative that any system stand by the principles of transportability, objectivity and transparency. We must take a cautious and deliberate path as Congress considers any changes to the General Schedule.

Thank you again for the opportunity to express the Federal Managers Association's views before the Subcommittee and I am happy to answer any questions you may have.

Mr. FARENTHOLD. Thank you very much, Ms. Niehaus.
Mr. Cox.

STATEMENT OF J. DAVID COX, SR.

Mr. COX. Mr. Chairman, Ranking Member Lynch, members of the subcommittee, thank you for the opportunity to testify today.

Starting with the three-year pay freeze initiated by President Obama, which first took effect in 2010, these years have been relentless and unjustifiably harsh towards Federal employees and their families. Federal workers hired in 2013 are forced to pay an extra 2.3 percent of salary for their pensions because their salaries were used to pay for the 2012 extension of unemployment insurance. And those starting this year must pay an extra 3.6 percent of their salary because of the Bipartisan Budget Act of 2013. They are paying more not because the system was underfunded, but because their salaries are a convenient ATM for budget agreements.

Let me try to put that sacrifice into concrete terms.

Mr. Chairman, right now, at Corpus Christi Army Depot, they are hiring a chemical engineering employee with a starting salary of $36,000 a year. That new employee will be paying $1300 more a year annually for his or her pension than someone in the exact same job in the same installation hired in 2012 or before.

Congressman Lynch, the Boston VA Medical Center is hiring a respiratory therapist at a starting salary of $52,000 per year. That new employee will pay almost $1900 more per year than someone in the exact same job in the same hospital hired before 2012 or before.

How these employees ever going to be able to participate in the Employees Thrift Savings Plan is beyond my comprehension. The phony argument for forcing increased retirement contributions is that doing so brings us in line with the private sector. But according to the Bureau of Labor Statistics, 96 percent of private sector defined benefit plans don't charge employees one red cent.

If this policy is not modified or repealed, it will impoverish an entire generation of Federal employees. Meanwhile, the salary gap continues to worsen. Each year OPM calculates gaps between Federal and private sector salaries on a city-by-city and job-by-job basis using BLS data. In spite of an ongoing campaign to discredit their findings by various right-wing think tanks, the data tell a consistent story: they show Federal salaries are an average of 35 percent lower.

If the purpose of the pay freeze was to extend the pain of the recession to an engineering technician at the Corpus Christi Coast Guard or to a claims representative at the Brockton Social Security Office, then it was a resounding success, sirs. Between the pay freeze, temporary layoffs from sequestration, and the shutdown, we heard from members who fell behind on their rent, who were about to have their cars repossessed, or were not able to pay for their childcare. Worst were the calls from those in danger of losing their jobs because falling behind on bills threatened their security clearances. Last fall's 16-day Government shutdown was the financial last straw for many workers. While everyone eventually got back pay after it was over, the delay in getting their paychecks had a lasting consequences for many workers.

These are real people who suffer real harm, not pawns on a political chessboard. It is not right, and we all know it.

Fortunately for the American citizens, Federal employees are a devoted and resilient bunch. They are sick and tired of being a political punching bag and ATM, but they love their Country, they love their jobs, and they are profoundly devoted to the agencies that they work for and their missions. Austerity budgets make it all but impossible for Federal workers to keep up productivity and carry out their missions. Whether it is Border Patrol agents without enough staff to keep drug smugglers out of the Country, or USDA's plans to speed up the line at chicken processing plants so Federal inspectors can guaranty food safety, or VA doctors with patient loads of 2,000 instead of the best practice standard of 1200, sequestration's cost-cuttings reduces productivity and services.

Mr. Chairman, my written statement includes many other issues and I would be glad to answer any questions.

[Prepared statement of Mr. Cox follows:]

STATEMENT BY

J. DAVID COX, SR.
NATIONAL PRESIDENT
AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL-CIO

BEFORE

SUBCOMMITTEE ON FEDERAL WORKFORCE, U.S. POSTAL SERVICE AND THE CENSUS

HOUSE COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

ON

MANAGEMENT OF THE FEDERAL WORKFORCE

JULY 15, 2014

American Federation of Government Employees, AFL-CIO
80 F Street, NW, Washington, D.C. 20001 ★ (202) 737-8700 ★ www.afge.org
{00335071.DOCX - }

Mr. Chairman, Ranking Member Lynch, and Members of the Subcommittee: My name is J. David Cox, Sr., and I am the National President of the American Federation of Government Employees, AFL-CIO (AFGE). On behalf of the more than 650,000 federal and District of Columbia workers our union represents, I thank you for the opportunity to testify today on the management of the federal workforce, including the classification, evaluation, and compensation of General Schedule employees.

The Economic Attacks on the Federal Workforce

Starting with the three year pay freeze initiated by the Obama Administration which first took effect in 2010, these years have been relentlessly and unjustifiably harsh toward federal employees and their families.

In February 2010, President Obama issued an Executive Order that established the National Commission on Fiscal Responsibility and Reform, now referred to as the Simpson-Bowles Commission. The report issued by the commission, which did not receive sufficient support from its members to be formally submitted to Congress, contained numerous proposals to reduce the compensation of federal employees. One of the most ruinous, which derived from a deeply flawed recommendation developed by the Third Way think tank, was to impose drastic reductions in federal employees' retirement benefits. The proposal was developed using false assumptions and faulty logic. But that did not impede its progress: it was the basis for taxing federal employees hired in 2013 an extra 2.3 percent of salary to fund an extension of unemployment insurance. (This tax increase/salary reduction is permanent even though the extension of unemployment insurance was temporary.) And it was the basis for the Bipartisan Budget Act of 2013's imposition of an additional tax increase/salary reduction on federal employees hired starting in 2014. These new employees' salaries will be 3.6 percent lower than those hired prior to 2013 and 1.3 percent lower than those hired in 2013.

The pay freezes and the retirement cuts are outrageous because they are unnecessary, they are contrary to the principles which form the basis for the laws governing federal pay and federal retirement benefits, and they are based on false claims by the Third Way authors of the proposal which found its way into the Simpson-Bowles Commission's failed report. Laws governing federal employee pay, federal employee pensions, and federal employee health benefits are also based on the principle of comparability with private sector practice. The federal government has sought to follow the practice of large private sector and state and local government employers. All the recent cuts to pay and retirement, however, mark a departure from the principle of private sector comparability.

The cuts to federal retirement have been an egregious violation of the principle of private sector comparability. Ninety-six percent of private sector defined benefit plans do not charge employees one red cent for their benefit according to the Bureau of Labor Statistics (BLS). In cases where state and local governments charge employees for their defined benefit plans, it is almost always because they do not participate in Social

Security. But the Third Way/Simpson Bowles proposal claimed that charging federal employees for fully half the cost of their defined benefit, including those in the Federal Employees Retirement System (FERS) who pay 6.2 percent of their salaries into Social Security, would bring them in line with private sector practice. A horrible policy based on false assertions has made its way forward, and if it is not modified or repealed, it will impoverish an entire generation of federal employees. It should be noted here that House Budget Committee Chairman Paul Ryan's budgets for both this year and last contain the full Third Way/Simpson Bowles proposal, which would reduce salaries for all federal employees by 5.5 percent across-the-board.

On wages and salaries, the departure from private sector comparability has been even more extreme. The pay freezes have only increased the amount by which federal salaries lag behind those in the private sector and state and local government. Each year the Office of Personnel Management (OPM) calculates pay gaps between the federal government's salaries and the salaries paid in the private sector and state and local government on a city-by-city and job-by-job basis using data from BLS. In spite of an ongoing campaign to discredit the findings of OPM and BLS by various right-wing "think tanks" and news outlets, the data tell a consistent story. Comparing salaries for the actual jobs performed by federal employees with the salaries paid by private employers (and state and local government employers) who employ workers in the same jobs shows federal salaries are an average of 35% lower. The size of this pay gap grew during the period of the pay freeze and will continue to grow this year because private sector salaries will have grown by more than 1% in this year and last.
If declining salaries and retirement benefits were not enough, federal employees have also been victimized by the consequences of the Budget Control Act of 2011. After that Act's sequestration provisions went into effect, hundreds of thousands of federal employees were laid off for as many as six days in the summer of 2013. It was during the sequestration lay-offs that the real impact of the pay freeze and retirement cuts was made apparent. The loss of one week's or even a few days' pay was enough to send many federal workers into full-blown economic crisis.

I often thought during that time that if the purpose of the pay freeze was to extend the pain of the recession, to hurt working class Americans who happened to be employed by the federal government the way other American workers had been hurt, then it was a rousing success. AFGE's telephones rang off the hooks with members calling about falling behind on the rent or the mortgage, being on the verge of having their cars repossessed, and not being able to make their child support payments. Worst were the calls from those in danger of losing their jobs because falling behind on bills threatened their security clearances. So we had children doing without support, workers losing the cars they depended on to get to the job, and breadwinners threatened with unemployment because their employer was locking them out of their jobs.

Then came the government shutdown. The federal employees whose pay had been frozen for three years out of political cynicism, whose retirement benefits had been cut out of a combination of political expediency, cruelty and ignorance; and who had just

withstood up to six days of layoffs were now locked out of work because one group in Congress did not want uninsured Americans to have access to affordable health care.

While Congress and the President did agree to backpay for all federal employees affected by the shutdown/lockout, it would be highly inaccurate to say that all were made whole. For the hundreds of thousands of federal employees who have no savings and live paycheck to paycheck, the delay in receipt of their paychecks had real consequences. Whether they had to buy groceries with a high-interest credit card, had to pawn valuables, or whether they actually fell behind on rent, car payments, daycare, child support, or other obligations; the delayed paycheck coming so soon after the reduced paychecks from sequestration furloughs put them over the edge. I heard from parents who lost their daycare slots, families who were evicted from their apartments, workers whose cars were repossessed. These are real people who suffered real harm, not pawns on a political chess board, and the leaders who were elected to represent them, had let them down.

Efficiency vs. Effectiveness in the Wake of the Budget Control Act

The American people are lucky to have such devotion on the part of the federal workforce after four and a half years of relentless attacks. And I am so proud to serve as the president of the largest federal employee union. But as devoted as federal employees are, the budget policies of this era are making it all but impossible for this workforce to keep up productivity and efficiency. And while productivity and efficiency are important measures for any undertaking, whether it be a non-profit or a business, it is sometimes the case that efficiency and effectiveness are at odds.

Last month I spent several days along the U.S.-- Mexico border with members of AFGE's National Border Patrol Council. Time and again, they described cases where the goal of border security and the goal of economic efficiency were in conflict. In short, the agency was rewarding managers for cutting costs, even where cost-cutting meant reductions in border security. Do Border Patrol Agents do an outstanding job of securing the border? Yes. They perform an extraordinarily challenging, dangerous, and complex set of duties and do so under the most difficult circumstances, as is made evident by the current crisis on the southern border.

But the agency is highly focused on efficiency and cost reduction, and some improvements in efficiency are coming at the cost of mission. Securing the border is not the same as maximizing profit in a widget factory. The same logic should not apply. So while I can assure you that Border Patrol Agents are as angry about the pay freezes, retirement cuts, and budget cuts that threaten their overtime pay eligibility as anyone would be, they keep a laser-focus on border security. And their biggest complaint is that their managers' performance bonuses are based on saving money, not on the number of arrests or amount of illegal drugs confiscated from smugglers or other measures of security. Efficiency, not effectiveness, seems to be the priority, and border security suffers.

The same issue has emerged at the Department of Agriculture with its proposal to replace federal government poultry inspectors with company employees, an obvious conflict of interest, ***and*** increase the speed of the line to 175 birds per minute! Again, efficiency over effectiveness and public health suffers.

I see the same thing in Veterans' Hospitals. The VA's own handbook says that a physician should have no more than 1,200 patients, and the same standard has been extended to other independent providers such as nurse practitioners, physician assistants, and other health care providers. These standards exist to promote quality of care, so that patients are able, in a timely fashion, to obtain appointments for follow-up or preventive care. They also exist so that providers can monitor patients to make sure their conditions are not deteriorating or that medications are having the desired effect. But AFGE members tell me that caseloads for psychiatrists and other primary care physicians now routinely exceed 2,000 patients. And this can have a devastating impact on our veterans. When veterans with conditions ranging from Post-Traumatic Stress Disorder to diabetes are not able to get in to see their doctors, we all know how tragic the consequences can be. Similar situations occur for those in need of physical therapy follow-up appointments. And like Border Patrol and the USDA, the Veterans Health Administration has increasingly placed efficiency over the health and welfare of veterans. Higher caseloads for primary care providers may be efficient, but the sacred mission of the VA is being sacrificed in the process.

One Bright Spot for Federal Pay and a Threat to Extinguish It

Last month, OPM published a report entitled *"Governmentwide Strategy on Advancing Pay Equality in the Federal Government."* It is the most informative, objective, and important examination of the federal pay system published by any entity in several years and deserves close attention, especially in light of the fanfare given over to so many extremely tendentious "studies" of federal pay from conservative think tanks. The OPM report was prepared in response to the President's request for a gender pay-equity analysis of federal pay systems that paid close attention to the General Schedule's classification system and its transparency. The President also asked for recommendations for administrative or legislative action that would promote "best practices" that were found to minimize inequities.

Although the report focused on just one outcome of the federal pay system – its success in advancing gender pay equity – the study provides important insight into the General Schedule system's strengths as a whole. Any pay and job classification system must be judged on attributes such as internal and external equity, as well as transparency and effectiveness. External equity refers to whether a pay system meets market standards. We know that the General Schedule fails the external equity test, but not because of any kind of systemic flaw but rather because successive Congresses and administrations have not funded it even before the pay freezes. We have the annual reports of the Federal Salary Council since 1995 to prove that.

But this OPM report on one aspect of internal equity, gender equity, is extremely telling. It compares data on federal employment over the past two decades and finds great progress on the part of women in ascending to higher-graded positions. But the most important finding was that *there is no significant gender pay difference by grade level among GS workers*. That is, at each pay grade, there was no real difference between the salaries paid to women and men doing the same jobs. This is a great virtue of the federal pay system.

The study showed that, depending on the methodology used, from 76 to 93 percent of the observed pay gap between federally employed men and women is attributable to women being concentrated in lower-graded occupations. Indeed, the only real observed inequities arose where managerial discretion operates, such as in the awarding of quality step increases, promotions, and starting salaries. While women are more frequent recipients of promotions and quality step increases, managers have exercised discretion in providing higher starting salaries to men. But even starting salaries were mostly equivalent; it was in just four occupational categories that male starting salaries exceeded those provided to women by more than ten percent. Among members of the non-General Schedule Senior Executive Service, women's salaries were 99.2 percent of men's, a remarkable achievement.

These findings constitute a ringing endorsement of the current pay system, a system that assigns salaries to the position, not the individual. In the jargon of pay-setting, the General Schedule is oriented more toward a "rank-in-position" rather than a "rank-in-person." And that orientation is the secret to having a pay system that avoids discrimination.

The federal government's disastrous experience with the National Security Personnel System (NSPS) in the Department of Defense during the George W. Bush administration is a cautionary tale on the dangers of abandoning an objective "rank-in-position" system like the General Schedule for federal agencies. From 2006 to 2009, 225,000 civilian workers in DoD were subject to a system that based salaries and annual salary adjustments on supervisors' assessments of employee performance. NSPS also granted managers tremendous "flexibility" on classification of jobs, hiring, assignments, promotion, tenure, and "performance management." The system's only additional funding relative to the General Schedule payroll base was for outside consultants who had a large role in designing, implementing, and training DoD managers in their new system.

It was not surprising that even in its brief three-year reign, NSPS damaged the federal government's excellent record of internal equity on race and gender. Data on salaries, performance ratings, and bonuses showed marked advantages to being white and male, and working in close geographic proximity to the Pentagon. Those in the Office of the Secretary of Defense, the Defense Finance and Accounting Service and Tricare were found to be higher performers, on average, than civilian employees in the Departments of the Army, Navy or Air Force.

NSPS was a system conceived in a highly politicized context. The Department of Homeland Security (DHS) had been established two years earlier, in 2002, and its secretary was granted broad personnel authorities, construed by the agency to include the right to unilaterally abrogate provisions of collective bargaining agreements and replace them with agency directives. The rationale for DHS' grant of authority to create a new pay and personnel system was the war on terror and the administration's belief that union rights and national security were mutually exclusive. So two years later in 2004, Defense Secretary Rumsfeld used the same rationale to seek personnel authorities similar to those granted to the Secretary of Homeland Security.

The Department of Homeland Security's personnel system, named MaxHR, never really got off the ground, thanks to a lawsuit that successfully argued that its undermining of collective bargaining rights violated the law. But NSPS did move forward in part because its focus was not on eliminating the union *per se*, but rather on creating a pay system that allowed managers to reward themselves and their cronies, and punish others. NSPS could only have continued if Congress had been indifferent to its discriminatory outcomes. Fortunately, when faced with data that showed NSPS gave systemic advantages to white employees and other relatively powerful groups at the direct expense of other DoD civilians, and that the venerated Merit System Principles had been undermined, Congress voted to repeal the system in 2009.

But the architects of NSPS have not given up the dream of a subjective pay system for the federal government, one in which managers can decide each employee's salary and whether and by how much that salary will be adjusted each year. The most recent attempt to revive NSPS came this spring, when the contractor Booz Allen Hamilton ($5.76 billion in revenue in 2013, 98 percent of which is from the federal government) endowed the publication of a report under the imprimatur of the Partnership for Public Service.

The report trods the well-worn path of those seeking lucrative contracts to revamp the federal personnel system. It employs the hackneyed tropes that have become all too familiar: the General Schedule is "stuck in the past," "broken," "rigid," and "fragmented." They conveniently neglect to acknowledge the fact that numerous flexibilities and modernizations have been enacted over the past few decades. In the 1990's, the General Schedule went from having one nationwide annual cost-of-living adjustment to a city-by-city, labor market-by-labor market cost-of-labor salary adjustment system. Special rates were authorized as well. In the 2000's, Congress passed legislation that introduced broad new hiring authorities, managerial flexibilities in salary-setting, and a program for substantial bonuses for recruitment, relocation, and retention. Congress enacted legislation to allow student-loan repayment, new personnel system demonstration projects, and phased retirement. The list of new flexibilities is long, and in many cases, these new authorities have improved the General Schedule. In any case, the list stands as a refutation of the myth that the General Schedule is a relic, untouched by modernity or that Congress has failed to address needed changes in the civil service system for decades on end.

Congress has been careful, however, not to go so far as to undermine the Merit System. Unlike a private firm, the federal government is spending the public's money in ways that are meant to promote the public interest. NSPS was an object lesson in what happens when the Booz Allen Hamilton plan is implemented in a federal agency. Despite good intentions, the Merit System Principles are undermined, particularly the principles that promise "equal pay for work of substantially equal value," and that "employees be protected against arbitrary action, personal favoritism, or coercion for partisan political purposes." Veterans Preference in hiring, retention and promotions is also inevitably undermined. These are the lessons of NSPS.

We know that the Booz Allen Hamilton plan assumes dramatic increases in funding for federal pay so that no one would be any worse off than they would be with the protections of the General Schedule. As naïve and unrealistic as this assumption is, it is also based on a profound misunderstanding of the Merit System Principles. It is not enough to ensure that no one would be worse off. It remains wrong to distribute the system's hoped-for additional monies in a way that favors some demographic groups over others on the flimsy grounds of a manager's assessment of performance. In the public sector, there is too much risk of political favoritism, and too much risk that unconscious bias will result in greater rewards for those with good connections or the preferred gender or skin color. And the General Schedule's pay and classification system, as the most recent OPM report amply demonstrates, bests the private sector and any other type of split, "rank-in-person" system on equity time and again.

I do not wish to suggest that the Partnership advocates discrimination. We all know that its intentions are fine. But we also know that the road to hell is paved with good intentions, and AFGE has no desire to revisit the hell of NSPS. And there is no dispute that the blueprint Booz Allen Hamilton has submitted is not just cut from the same cloth as NSPS, it is NSPS *redux*.

While NSPS and its would-be successors fail the internal equity test, there is no question that when it comes to external equity, Congress and the Clinton, Bush, and Obama administrations have all failed to perform their role. It is preposterous to blame the current system for failing to produce external equity. External equity is a funding issue, and the General Schedule cannot fund itself. It relies on budget authority and appropriations. To pretend that Congress would magically provide billions more each year to fund a new civil service system identical to one it repealed in 2009 on the grounds that it was discriminatory is folly.

The cost of living has risen 8 percent from 2010 to the present, a period which includes the three years of frozen federal pay plus this year's one percent adjustment. So even before the salary reductions for new employees of 1.3 percent and 3.6 percent, the purchasing power of federal salaries had declined by 7 percent. The degree to which they lag the market varies by city, but the nationwide average is 35.37 percent according to the most recent estimates from OPM, using data from BLS. And that number includes current locality payments which have been frozen for four, long years.

Inequality, the Decline of the American Middle Class, and the Compensation of Federal Employees

The decline in living standards for America's middle class and the ongoing misery of the poor have been much in the news recently. On one side are those who deny the numbers, attribute changes in the distribution of income and wealth to changes in educational attainment or willingness to exert effort. On another side are those who recognize that the decline of unions, the rise of outsourcing and global free trade agreements, and the deregulation of the 1990's and other factors are better explanations. Median incomes for middle class American families, adjusted for inflation, are lower than they were in the 1970's and the very rich have benefited so disproportionately from economic growth over the decades that America is now more unequal than it was in the 1920's. Recently, the *New York Times* reported that both middle incomes and the incomes of the poor were higher in several European countries and Canada than they are in the US, and that after adjusting for inflation, median per capita income in the US has not improved at all since 2000.

Federal employees are typical middle class Americans. They work hard and have historically received modest, but fair pay from their employer. It has been recognized that the nation benefited from having an apolitical civil service governed by the merit system principles. The pay and benefits that derived from those principles were supposed to be adequate to recruit and retain a high-quality workforce, capable of carrying out important public sector functions, from law enforcement to guaranteeing care for wounded warriors to protecting public health.

The government would not be a bottom-of-the-barrel employer, paying the lowest possible wages and forgoing health care and retirement benefits, like so many of today's most profitable corporations. Likewise, the government would not be a place where anybody went to get rich at taxpayer's expense (that role is assumed by government contractors). The government as an employer would be a model when it came to ideals of internal equity and non-discrimination, promoting both fairness and seeking employees devoted to the public interest. And on pay and benefits, it would aim at "comparability," defined in the pay law as no less than 95 percent of what private and state and local government pays on a locality basis.

While some brave politicians have held fast to these principles over the past several years when there has been immense political pressure to reduce government spending no matter what, many more have succumbed to the notion that America should reconcile itself to declining living standards for all but the very rich. As such, they have supported the pay freeze for federal workers, which has cut the purchasing power of a federal paycheck by 7 percent, the retirement benefit cuts, which have cut purchasing power of some federal paychecks by an additional 2.3 or 3.6 percent; and they have supported the Budget Control Act's discretionary spending caps, which have meant temporary layoffs and could mean permanent job loss for thousands.

In the Department of Veterans' Affairs, the attacks are presented through a downgrading initiative which began in 2008. Between 2008 and 2012, approximately 1,600 employees were downgraded, the majority of whom work in low wage positions. VA instituted a moratorium on downgrades following an AFGE protest in June 2012, but the Department announced their full downgrade intentions in February 2013 when VA notified all employees that 14,000 employees would be "reclassified." The reclassification comprises 17 different positions, including 11,000 employees working as a GS-7 or below (earning $34,319 to $44,615). At least 8,000 veterans work in these targeted positions and many were hired as service connected disabled veterans. The targeted list includes over 3,000 GS-6 Police Officers (88% veterans), 1,700 WG-3 Housekeepers (100% service connected veterans), and 1,800 GS-7 Claims Assistants in VBA (57% veterans). The targeted positions appear arbitrary and VA has done no examination of any impacts on patient care or the claims backlog.

Many employees have already felt the impact of the downgrades. In 2011, nine Housekeepers at the St. Louis VA Medical Center were downgraded from WG-3 to WG-2. After two years of saved pay, these employees began earning their lower salaries as of October 2013. Despite the so-called "moratorium" on downgrades, Claims Assistant vacancies are being posted at the GS-5 level on USAjobs in Houston, Waco, Roanoke, and Seattle, despite 1,800 current employees working as a GS-6 or GS-7. A Claims Assistant in Roanoke, VA, would earn $35,256 as a GS-6, but would now earn $31,628 as a GS-5, a loss of $3,628.

We recognize how pernicious are the politics behind the pressure to constantly reduce federal spending. We understand the vast power of those who would protect the low tax rates of the wealthy at any cost. And that is but one reason why any move toward fundamental civil service change, particularly changes to the federal pay system, are so ill-timed. One should oppose the Booz Allen Hamilton plan because it introduces subjectivity and politicization into federal pay and undermines veterans' preference and the merit system principles. But one should also oppose the plan because it reallocates salary dollars away from the lower grades toward the top, increasing inequality and decreasing opportunity for advancement. Even if the direct attacks on federal employees' pensions were to stop and funding for salaries were enhanced, it would be important to reject the Booz Allen Hamilton approach, because it quite explicitly introduces greater inequality between the top and the bottom of the federal pay scale.

Indeed, the elitism of the Booz Allen Hamilton plan is striking. It ignores the federal government's hourly workforce altogether. Apparently blue collar workers are so bereft of the qualities it wants to reward in its performance pay scheme that they are not worth notice. The plan's segmentation of the General Schedule or salaried workforce is also highly elitist. Employees in the lower grades, like hourly workers, are excluded entirely, again because, presumably, trying to measure their contribution to excellence would be a pointless exercise. But excluding the lowest paid federal workers is only one part of the inequality enhancement exercise that Booz Allen Hamilton proposes for the government. Like its NSPS forbearer, the plan would divide the workforce by occupational category, reserving the highest raises for the highest earners. Those in

the midlevel occupations would stagnate or decline, while their betters would be provided with both higher salary increases and a larger pool of funds from which to draw performance-based adjustments.

The Booz Allen Hamilton plan should also be opposed because it can only undo the tremendous achievement of the current system with respect to eliminating discrimination in pay. I urge you to treat the findings of the OPM study on pay equity as important accomplishments worth protecting. We should be celebrating this success, not considering replacing the system that produced it. And that celebration must include full funding, so that federal employees can restore their status in the middle class.

Sometimes the terms middle class and working class are used interchangeably, but to me, being middle class means earning enough to accumulate savings, to have an economic cushion that allows a family to maintain living standards in hard times or indulge in a vacation or a new car from time to time. These past few years have shown me how few of the 650,000 federal and District of Columbia workers AFGE represents have that kind of economic cushion. And the reason they don't have it is not because they have spent extravagantly. It is because their salaries have not kept up with the cost of living or even with the salaries of their neighbors. They are sliding further down the income scale, and it is because of pay freezes, the Budget Control Act's sequestration, and the absence of political will to stop the slide.

I ask you to restore and protect this slice of America's working and middle class over whom you have such direct control. AFGE strongly supports H.R. 4306, the Federal Adjustment of Income Rates (FAIR) Act of 2014, introduced by Representative Gerry Connolly (D-VA) and others, which would increase the annual adjustment to the rates of basic pay for federal employees under the General Schedule and for prevailing rate employees by 3.3 % in 2015. In addition, I urge you to repeal the needless tax increases on federal employees hired in 2013 and 2014. And please put the Booz Allen Hamilton pay plan on the shelf behind where some old budget and NSPS documents are collecting dust. There is no reason to keep on hurting federal workers and their families. Enough is enough.

That concludes my statement, Mr. Chairman. I am happy to respond to any questions.

Mr. FARENTHOLD. Thank you very much, Mr. Cox.

I will start with my five minutes.

I appreciate the passion that you have for your members in the Federal workforce, and I do think that we need to be looking for ways to work with a budget. Unfortunately, it does look like the Federal workforce are the go-to people to balance the budget on, but that is where the bulk of the Federal dollars are spent, so that is why we are looking.

I do want to point out you mentioned most Federal employees have a defined benefit plan, and you were comparing that to the private sector. Of the Fortune 100 companies now, I think only three of them still have a defined benefit plan; everybody has gone to a defined contribution plan. I just wanted to point on that fact.

I want to go on with some more questions.

Mr. Goldenkoff, in your written testimony, you talk about the wait times at the Department of Veterans Affair, management of only gas operations at the Department of Interior, IT management and Social Security acquisition management at DOD and Homeland Security all share a common problem: the breakdown of personnel policies such as performance management.

How do we fix this? How do we create a system that rewards productivity, but don't, in the process, create something like in the VA, where there are checklists that encourage employees to keep paper lists so they meet their goals? How do we deal with this in a Federal environment where we have fairness in due process claims? In the private sector you just fire somebody who you think is cheating. How do we fix this? How do we do this in the Federal Government?

Mr. GOLDENKOFF. The short answer is it is complicated, but it has to be addressed systemically, and one of the problems is that in the past we have tried to address it piecemeal, looking at the pay system, looking at the classification system, looking at the performance management system. The thing is it is all interrelated. It has to be treated as a matrix, as a system, and we are just not doing that.

For example, starting with the classification system, as we all know, at 65 years old we are trying to accomplish the Federal Government's mission by essentially driving a Studebaker when we need Smart cars. If we start with that, but also the Federal classification system affects so many other things; pay and performance management. There are skills gaps. So all the different stakeholders, OPM, Congress, labor unions, different interest groups, really need to come together and figure out what are the problems, what can be addressed by agencies administratively, what needs to be addressed by statute, set priorities, set time frames. That is the first start, and we are just not doing that.

Mr. FARENTHOLD. Let's ask Ms. Archuleta.

Where are you guys going on this? What are you all doing and what do you all need to get there?

Ms. ARCHULETA. Mr. Chairman, thank you. The President, since 2012, has recommended that there be established a panel or commission to review Civil Service with the specific purpose of reform. I think the GAO's statement is a very important one in that in looking at the Civil Service system you can't look at it piece by

piece; you have to look at classification, you have to look at pay, you have to look at performance.

OPM, right now, stands ready and is willing to help in every one of those major areas, but we recognize that the system that was established 65 years ago does need reform, and that is why the President has suggested that a commission be established to look at this very carefully and to assess all of the impacts of putting this whole system——

Mr. FARENTHOLD. Is that something you all could do yourselves, without having to do a commission, or at least come up with something to start with?

Ms. ARCHULETA. We would hope that we could join with Congress, with academics, with experts, with labor and management to take a look at this together.

Mr. FARENTHOLD. Great.

Ms. Niehaus, I want to get back to the initial question I asked Mr. Goldenkoff. What do you see as the solution to the system of creating a goals-oriented, results-oriented compensation system, and not creating an incentive for fraud like we apparently have seen at the VA?

Ms. NIEHAUS. I agree with Mr. Goldenkoff that it has to be a wholesale system. You have to address every aspect of the system in order to bring it up to date and make it more usable and more responsive, and I think that oversight is the answer.

Mr. FARENTHOLD. Well, I see that I am out of time. I think we have a few enough members here we will get to a second, maybe third round of questioning, so I am going to go ahead and let Mr. Lynch do his questions, and we will move back over to our side of the aisle after that.

You have five minutes, sir.

Mr. LYNCH. Thank you, Mr. Chairman. And again I want to thank you for your thoughtful comments in working with us.

You know, I agree with one of the things that Mr. Devine pointed out, that we are asking so much of our Federal employees. We are asking them to do a lot more than we asked them 30 years ago. And when I look at the FDA, we are asking the scientists, they are Federal employees, but they are scientists and PhDs and MDs, to evaluate these new pharmaceuticals coming online and trying to figure out what is safe to sell to the public. We look at the FCC with the explosion on social media, all these other issues regarding privacy. The burden on those Federal employees to get it right is enormous.

The SEC. I sit on the Financial Services Committee as well, and trying to deal with these complex derivatives and also deal with the international monetary system and the reverberations around the world of some of these practices, it is a tremendous burden on these Federal employees. And here we are, as Mr. Cox points out, trying to hire a chemical engineer at $36,000 a year. Even a brand new chemical engineer coming out of college is going to have a bagful of student loans that $36,000 a year is not going to get it.

And at my own VA in Boston, I have three VA hospitals in my district, we are having a hard time keeping docs. We have a lot of vacancies there because we can't get doctors because the competition from the private sector is just pulling them away; nurses, docs,

therapists. We can't pay them enough to keep them in the system, so we are losing our best and it is just a tug of war to try to keep them.

Even our own offices. I don't know how it is for Mr. Farenthold, but in my office the average is three or four years I will keep an employee. Once they understand the financial services system——

Mr. FARENTHOLD. That is twice what I get.

Mr. LYNCH. Okay.

Once they get a little bit of experience working on the Financial Services Committee, they are off. Some of them, one of them just left for the Treasury over at NSA now because they can pay more money than we can. One of them went to Bloomberg, one of them just went to Fidelity, making exponentially more money than they are for the Federal Government. So that is the challenge here.

And I am blessed to have the great employees I have at the VA that are willing to do that work. A lot of them are veterans themselves. So we have a real challenge here.

And Government, by its nature, is very conservative. We don't change much. We got rid of the powdered wigs. That is about it. Meanwhile, the velocity of change in society with all of these things, with the FDA, FCC, SEC, that is at breakneck speed.

And there has been a lot of talk here about poor performers, and we had the Merit System Protection Board do a study back in 2009 to try to address the issue of poor performers, and there was a quote in the report to the President that I will read now. It says, "The greatest challenge for addressing poor performers in the Government did not come from responsibilities set forth in Title V. Addressing poor performers by merely changing a law that sets forth how to demote or remove a poor performer is not a feasible solution. Rather, the Government must concentrate on managing the performance of its employees."

That is sort of what Mr. Devine was getting at and also I think each of you have raised that issue. So, first of all, do you agree with that conclusion and would you agree that at least part of the solution is we have to manage our employees better to incentivize high performance, rather than just saying, okay, this person is not measuring up to the bar and we are going to cut them loose? That doesn't seem to be a feasible approach, given the fact that we have so many of these employees.

Ms. Archuleta?

Ms. ARCHULETA. Thank you, congressman. I agree with you, we have to take action before a problem begins, and that really requires, as you mentioned, top management being very strongly involved in the management of the employees and the performance management system.

It also means that we have to have strong appraisal programs; that both the employer and the employee fully understand the performance standards that are set for success. And OPM can help because it takes training of these supervisors and the rating officers to make sure that they understand how we need to hold employees accountable. And I believe that employees want exactly that. This is not something that they are resisting. In fact, they want to know exactly what they are expected to do and how they will be assessed on their performance.

And our ability to support departments and agencies is one that we are strengthening at OPM and one that I am very much focused on in terms of my commitment to the President and his management agenda.

Mr. LYNCH. I think I am running out of time.

Mr. FARENTHOLD. We will get around to a second round of questions.

Mr. LYNCH. All right.

Mr. FARENTHOLD. I think we have enough time before votes that we will be able to cover this matter thoroughly.

We will now go to the chairman of the full committee, the gentleman from So Cal, Mr. Issa.

Mr. ISSA. Thank you.

Mr. Devine, I am from the land of Reagan, and I think back to that era when a former union leader was President and he found himself with highly unionized air traffic controllers who simply wouldn't do their job, and he was forced to fire them all. You remember that period, don't you?

Mr. DEVINE. They called him the Teflon President. All the grease went on me.

Mr. ISSA. You know, you don't use oil on Teflon.

But I want to go down that line of questioning primarily for yourself and Mr. Goldenkoff. We now have a situation in which a 1949 law designed to protect or to take politics, if you will, out of public service was strengthened. Basically, that is it. And in 1949 how many labor unions were there in the Federal workforce? The answer is zero. 1963 was when President Kennedy decided that by executive order he would open the door for something that FDR said was wrong and should never happen.

So I guess one of the first questions I have is as we are looking at the double layer of civil service protection and union protection, aren't we inherently—and we deal with the Postal Service on top of that in this committee—aren't we inherently dealing with a system that guarantees—Mr. Devine, I will take your experience—that in fact we fire or demote or eliminate less under-performers and outright bad workers than you would if you had only one, but not both, of those systems in place?

Mr. DEVINE. Actually, Jimmy Carter, when he submitted the Civil Service Reform Act, he only had a Civil Service system, he did not originally propose to have that dual system; that was added by Congress as the Act was being considered. It makes no sense to have two systems like this. Do you want to have a grievance system? That makes some sense. You want to have a Civil Service system? That makes some sense.

But to have two of them makes no sense. But that is what we have, and we should have one or the other. I mean, the fact is we came up with two good Civil Service systems to replace that. Jimmy Carter, and I give him all the credit for this, he came up with it. That Civil Service Reform Act, as it was passed originally, worked. It only worked for a couple of years, but it worked. I think the National Security Appraisal system worked. Both of them were stopped because people weren't willing to put the effort into it.

Again, Ms. Niehaus, I think in her testimony, shows how tough that is to keep that going. So naturally the normal thing is, well,

you know, let it go. I quoted Jimmy Carter when he looked over the Civil Service Reform Act beforehand, he said, this is boring stuff. I mean, it is boring stuff; members of the committee know better than anybody. But it is critical stuff and it is very hard to make it happen in a political environment.

Mr. ISSA. Well, Mr. Goldenkoff, I would like to call on you because you are looking at this in a slightly different way. Roughly two-thirds of people who call themselves Federal workers, not contractors, wear no uniform; and roughly one-third, just a round number, wear the uniform of the Army, the Navy, the Air Force, or Coast Guard, Merchant Marine. In a sense, we provide this double layer of union membership, in most cases, or associations that act like unions, and/or civil service protection to those two-thirds and we provide absolutely nothing to the men and women who put themselves literally in harm's way in the most explicit sense.

If we are going to look at civil service reform/unionization, isn't the model, to a certain extent, the apolitical organizations like the Army, the Navy, the Marines who have merit systems for promotions, have evaluations, have a series throughout their careers, but ultimately can be quickly eliminated for crimes, quickly eliminated for dramatic under-performance, and, in fact, historically are not promoted if they are marginal players?

Would you like to comment on that? Then I will open it up to anyone else. Because it is amazing to me that the people who literally can get shot at, blown up, and killed for a living have the greatest risk of, if you will, if they fail to perform, losing their jobs, while civilians, often in the same theaters making more money, have no such risk.

Mr. GOLDENKOFF. I think we need to be careful about any comparisons between the civilian workforce and the uniformed workforce. But focusing directly on the civilian workforce——

Mr. ISSA. How about when you are a major working at the Pentagon doing the exact job that a civilian at the Pentagon is doing? Why wouldn't there be some comparison? One is union represented and can't lose their job; the other is often doing the job that the civilian simply never gets around to, and that is why DOD pulls them in to do these jobs. We have had hearing after hearing that said that over the years.

Mr. GOLDENKOFF. Well, for the civilian workforce, we are not excusing poor performance as Director Archuleta has said.

Mr. ISSA. I don't know. This committee has repeatedly seen that we give promotions to people who are negligent or outright criminal repeatedly, even after the misconduct is discovered. This is a place where the EPA director didn't have a problem until after a fake CIA agent at EPA had retired and was still using a slot, finally discovering that he had been paid for nine years not to work. Or in fact paying people who are in nursing homes full pay and benefits for years, and not firing the person who wrote the falsified check.

Do you have any question but that in the uniform service, if somebody kept somebody on the payroll for nine years, knowing, in fact, they were in a nursing home, that that lieutenant, captain, major, or colonel wouldn't be outright fired for doing that, and isn't that appropriate?

Mr. GOLDENKOFF. Well, of course, and that should be. And no one is saying that that performance is appropriate for the civilian workforce as well. In both cases there is no excuse for poor performance or under-performance.

Mr. ISSA. There is no excuse. I appreciate that, but there is no excuse, but there is also no repercussions.

Mr. GOLDENKOFF. And there should be. And that is, with the performance management system, why it needs to be much more effective. And what it comes down to, might be painting with a broad brush here, but in many cases there are issues with the process; it can sometimes be cumbersome. There are a lot of protections built into it to protect it from things like politicization and arbitrary and capricious management.

But in a lot of these cases, if managers would only be managers and do their jobs, a lot of these problems would go away; and we are not seeing that, and it is what Ranking Member Lynch said, the problem often is with managers not doing their jobs effectively.

Mr. ISSA. Mr. Devine, I will let you close. You know, that was a wonderful tirade on managers, but aren't managers also part of the Federal workforce that, in fact, find themselves keeping their jobs even while not managing? So isn't it two steps? The managers are being blamed for not firing the rank and file who simply do little or nothing in some cases, but we have the same protection, seemingly, for those managers.

Mr. DEVINE. I have all the sympathy in the world for the managers. They are in an impossible system. As you said, they are in a dual system, and any manager that fights this is a hero in my book; and several of them have gone up to the Court of Appeals and done it. But the basic fact is I recommend, I didn't come across this until after my testimony, Helen Ruben, is a professor at State University New York at Albany. OPM was kind enough, I don't know if you were there or before, to give the data to her and compare it to GAO's comparison.

The fundamental tool of personnel management is a performance appraisal system. Thirteen percent of the agencies only met the GAO standard, and only 80 percent of the GAO standard. That means that 87 percent of the agencies are not evaluating their people on a meaningful basis. Everybody is getting the same ratings. It can't work without the appraisal system, and I know managers hate to evaluate people. I know people hate to get evaluated, but that is what happens in the rest of the world. We have to do it in the civil service too.

Mr. ISSA. Mr. Chairman, I thank you for your indulgence.

Mr. Lynch, I thank you for your indulgence.

And I only meant to use the military because in fact every enlisted man, once he becomes an NCO, and every officer sees performance management reports that are part of their permanent record. It is not an option to ever serve 90 days or more under any command and not have one of those, and I think that is what makes the difference in the military, is they do force their managers and their managers' boss to score the performance of every man and woman in uniform.

Thank you.

Mr. FARENTHOLD. Thank you, Mr. Chairman.

We will now recognize the gentleman from Florida, Mr. DeSantis, for five minutes.

Mr. DESANTIS. Thank you, Mr. Chairman.

Ms. Archuleta, I read about the strides that the Federal Government has made with gender pay gap, down to 11 percent difference in the GS ranks. The most recent numbers I have seen from the White House are roughly 20 percent, almost twice as high. So is it an accurate statement to say that the White House performs worse than the agencies that comprise the Executive Branch in terms of the gender pay gap?

Ms. ARCHULETA. I think the White House is working very hard to close the gap.

Mr. DESANTIS. Well, I appreciate that, but at this point they are laggards, is it fair to say that?

Ms. ARCHULETA. I believe part of that, Mr. Congressman, is that there have been much younger——

Mr. DESANTIS. Can you just answer the question yes or no? You are trying to explain it, but is it true that they are lagging behind where the Federal Government is in terms of the individual agencies?

Ms. ARCHULETA. I believe they are working hard to close the gender gap.

Mr. DESANTIS. Okay. Well, I will take that as a yes.

Mr. Cox, I just wanted to clarify. You talked about the pay freeze instituted by President Obama. Are you testifying here today that since that pay freeze was initiated that no Federal employee has seen an increase in their pay?

Mr. COX. I am saying that they have not seen the cost of living adjustments for three years, sir. You know that they got the——

Mr. DESANTIS. So they have received——

Mr. COX. They got the within rate increase——

Mr. DESANTIS. But they have received step increases as appropriate?

Mr. COX. If they were due them, yes, sir.

Mr. DESANTIS. And merit increases. And then there have been individual bonuses. I mean, we have seen bonuses given out to employees who have admitted to misconduct in the EPA. We have seen bonus payments in the IRS. I take your point on that, but I just don't want to leave the impression that somehow they were denied the ability to move ahead in their career simply because of the President's order.

Mr. Devine, I appreciated your comments to start, talking about reducing the size and scope of Government. There is a political component of that. I think that unleashes positive energy in our Country, more freedom. I think we would be better off. But even if you are somebody who is a liberal and believes in activist Government, we have a problem that this Government is just not accountable and is not susceptible of proper congressional oversight. We don't know how many agencies there are; we don't know what they are doing. So I think there should be some bipartisan agreement that we need to have a more accountable system.

Let me ask you to chime in about this dealing with people who perform poorly, because when I was in the Navy on active duty, if you performed poorly, particularly as a junior enlisted, they could

be summarily processed out with a negative administrative discharge from the service, and the idea was you have to perform, otherwise we are going to find somebody else. So in the civil system that clearly is not the case.

We have had people testify before our Oversight Committee who have admitted to serious misconduct and yet they still end up working for the agencies. This drags on months and months, sometimes years. So how would you say how should we in Congress be looking at that issue of accountability within the system and how would you address the difference between the civilian and the military?

Mr. DEVINE. I would put back into effect the National Security Appraisal system or go back to the Civil Service Reform Act. Go back to the managers. I mean, it was Congress, not under your control, but it was Congress that got rid of the pay-for-performance system for managers. The problem is the system. We can't expect the managers to operate in a system that doesn't work. It needs radical reform.

Jimmy Carter believed in big government as much as anybody in the world, all right? But he knew that it wasn't working, so he put a tremendous amount of energy into trying to set up a system that worked; and, in my opinion, it did. People can differ with that, certainly, but in my opinion it did. I think what Ms. Niehaus says with the problems they had with the Air Force or whatever, they had problems with it, but of course it is going to have problems. You have to work on it.

But that means it has to start with Congress and the President. You have to say this is a serious system; it is hard to do, but we have to do it. And I know the politics of things today is very difficult, but you could start working on this committee now. This is where it came from before, with people as far apart as you are, and I can guarantee you that; they were in charge then. I mean, I think you have to seriously look at reforming this whole system. It is easy to blame them, and blame certainly can go around, but the problem is the system makes no sense and it has to be fixed.

Mr. DESANTIS. Well, I appreciate those comments. A lot of my constituents are frustrated as taxpayers. They want their dollars used well. If someone is not doing the job, they want that to be done in an effective way. So I appreciate those comments and I yield back.

Mr. FARENTHOLD. Thank you very much.

I want to talk a little bit, for my five minutes here, about working with the Government and passion for your job. I have always told my children pick a job doing something that you like, and then it isn't like work. It worked for me. Once I got fed up with being a lawyer, I went and became a computer consultant. Computers do what you tell them and your clients, as lawyers, don't always. Then I got interested in politics, went into talk radio and wanted to make a difference, and realized I was kind of a brick thrower on the radio; maybe I would do better running for office. And here I am.

I don't think anybody, as a child, sits and says, well, I want to be a bureaucrat in the Federal Government, but that is what they end up. What robs the Federal workforce of their passion? You go

to work for the EPA because you care about the environment. You study forestry and go to work for the National Park Service because you love the outdoors. You go to work at the Corpus Christi Army Depot because you are good with your hands; you want to help the military, you want to fix helicopters. You go to work at the VA because you want to help people. But all of a sudden you get caught and mired up in something.

I don't understand how some of the folks at the VA get to sleep at night knowing what a backlog there is. Why aren't they saying I am going to stay an extra hour, I am going to work a little bit harder and get this backlog done? What kind of system have we created where just doing the barest minimum is acceptable?

I am going to start with Ms. Niehaus and Mr. Cox. What have we done to rob the people that are working of the passion to do the best job possible?

Ms. NIEHAUS. I have to say that part of it is feeling, as Mr. Cox said earlier, that the Federal employee is the ATM for the budget system. That is tremendously de-motivating for employees to feel like they are not being recognized. It is also, I think, de-motivating for an employee to be in a pass/fail performance system. If you have an employee who is a stellar employee, who still has that passion, who works that extra hour, who goes that extra mile, and the person sitting next to them comes in and does the job they are paid to do and they do it well, but they just do what they are paid to do, they don't go that extra mile, they get exactly the same performance rate. They get the same paycheck.

Mr. FARENTHOLD. So in the private sector, when it comes time to tighten the belt, and I have had to do that a couple of times in my computer company, the person that gets to stay is the person that works the extra hour.

Mr. Devine, do you want to address that question a little? Do you have any thoughts on that now that you are kind of on the outside looking in?

Mr. DEVINE. I think it goes back to performance. I live in the Washington area. I know many, many Federal employees. They know the system doesn't work. They know that if you perform well you don't get paid better. That can be discouraging.

Mr. FARENTHOLD. The 2013 Federal Employees Viewpoint Survey found that only 28 percent of Federal employees agreed their work unit takes steps to deal with poor performers who cannot or will not improve. That is a decrease from 2012 results.

Ms. Archuleta, is there anything the OPM can do to help?

Ms. ARCHULETA. I think the EVS also showed that the employees, when asked about were they willing to do even more, the fact of the matter is that I believe, and I have literally spent the last eight months talking to employees across the Country, is that they are very engaged. Are they satisfied with pay? Do they have concerns about how they are evaluated? That is true, and OPM is working very hard with top managers to make sure that they understand their responsibilities in appraising performance and certainly the issues of classification. However, when I speak to employees and talk about the work that they do, I do see that passion. I do see that commitment to what they have taken on, and I would be very reluctant to use a broad brush to paint all employees with

one color of enthusiasm. I believe that there is great enthusiasm among Government employees who every day provide service to the American people.

Mr. FARENTHOLD. Some of the comparisons are drawn between what you can make in the private sector and what is made in the Federal Government, and it is hard to compare apples to apples. Federal Government, a lot of the jobs have a defined benefits retirement plan, which, as we know, is very uncommon in the private sector. You do have a lot more due process and protections and job security there. So I guess it is difficult to get an apples to apples comparison.

Is there something that can be structured to where we are paying the employees what they could get? I had a receptionist that worked for me for a very short period of time because she got mad that I paid the computer techs, who went out and fixed computers, more than I paid her. She was mad about that. Well, they had a higher skill set and were doing a different job. So how can we create a systems where we are competitive or similar to the private sector and compare those apples to apples, make sure we are getting the compensation we need, but not overpaying them if we take in all of the perks that are associated with a Government job?

Ms. ARCHULETA. I believe that all of your panelists have mentioned the fact that we really need to take a look at the whole system. And it is not just about pay, but certainly the classification. I think it is time, after 65 years, to begin to look at all parts of the Civil Service reform with input from the Congress, from the President and his Administration, from labor and experts in the field. I think there is time to step back and take a look at that.

In the meantime we need to enforce and to support the system that we have right now, and that is OPM's job to make sure that managers are held responsible, employees understand their responsibilities, and that there are performance management tools available to both so that they can perform to the level the American people expect.

Mr. FARENTHOLD. All right, thank you very much.

I see I have gone a little bit over time.

Mr. Lynch, you have been a little outnumbered on our side of the aisle, so I will give you your five minutes and I will be loose with the gavel if you have some more you want to go along with.

Mr. LYNCH. I appreciate that, Mr. Chairman.

I do want to just talk a little bit about some of the things we talk about, the backlog of the VA. Now, I understand that that is an embarrassment and that we need to fix that, but I do want to drill down on that a little bit. You know, at my VA hospitals, I have three of them, as I said, in my district, and what we try to do in Division 1 was get rid of that backlog by telling any veteran that was waiting for an appointment at the VA that if we couldn't give them an appointment within 14 days, they could go to any private hospital in the area, and we have some good ones in the Boston area, and I represent Boston, Quincy, and Brockton, and we have a lot of good hospitals in there, great teaching hospitals, world-class hospitals.

So we told our veterans that if we can't treat you in 14 days, you go to Mass General or Tufts or Quincy Medical Center or Good Sa-

maritan Hospital down in Brockton. You know what the veterans said? No thanks. No thanks, we'll wait for the VA. Almost 70 percent of our veterans said we want to be treated at the VA; we are veterans. And we appreciate the camaraderie, the esprit de corps, the way we are being treated at the VA.

So even though we gave everybody the opportunity to go to the private sector, go to private hospitals, they valued what they were getting at the VA; and that is a sign of success that 70 percent of them wanted to stay at the VA because they love the way the VA docs and nurses and therapists and staff are treating them. So just saying there is a backlog doesn't explain everything.

The other fact of the matter is that we had 3 million men and women in uniform serve in Iraq and Afghanistan over the last few years, last 10, 11 years; and that has created a problem as well that the demand for services at the VA has created a real crunch and a real struggle for them to meet the need, as well as the fact that many of our World War II and Korea veterans are at that age, for the first time in their lives they have to rely on someone else to care for them. So that explains some of what is going on at the VA as well.

I spend a fair amount of time at the VA in my district and they are doing a hell of a job, and I just hate to see them get beat up all the time.

The other thing I wanted to talk about is it is true that President Kennedy changed the way we do things with the fact that unions now represent Government employees, but I do want to make one important distinction here. When we allow Federal employees to become unionized, we strip away their right to strike. So any worker who is out there who feels that they are unfairly treated, that their job is dangerous, that they are upset about the working conditions, their pay scale, I was an iron worker and I will confess I was a union president for the iron workers, and if I felt that the men and women on my job were in a dangerous situation, I would pull them off in a heart beat, I would shut that job down. Federal workers don't have that opportunity; they have to keep working. They have to keep working. They can complain, they have the right to complain, they didn't take that way, but we take a lot away from those Federal employees when we allow them to become unionized.

The other thing is I appreciate the comparison between the military and the civilians, but I do want to point out where one instance in our recent history where that overlapped, and that was when—I was elected on September 11, 2011 in the Democratic primary, so when I came to Washington it was a new place here, and we had anthrax attacks in some of the Government buildings, as well as the Brentwood postal facility in Brentwood that services the D.C. area.

So even though it is a union environment, they don't have the right to strike, the postal employees; we had two of our great postal workers, Thomas Morris and Joseph Curseen, who died of anthrax inhalation; it was in the mail. So the unions, at that time, were pressed with the dilemma that do we send our workers in there. We are talking about letter carriers, clerks, mail handlers, supervisors, postmasters, all of them represented by unions and associations. Do they send their workers in there to go to work? Because

coming out of that Postal Service, if you have anthrax on your clothes, you are bringing it home to your family.

So a lot of those postal workers had a dilemma of do we go to work. Do we go to work? Do we keep the mail going? A lot of people were concerned that if the mail did not get delivered to every home and business in America six days a week, that the economy would shut down at that time.

Well, the postal workers stepped up. Every mail handler, every clerk, every letter carrier, every supervisor, every postmaster showed up for work. Even though that anthrax was in those facilities, they kept going to work. And, in my mind, that reflects the patriotism that we see in our military. No less. It reflects the passion that they had for their job and the duty that they feel they owe to this Country. Those are postal workers, those aren't necessarily regarded as uniformed employees, as the comparison was made by the committee chairman.

But I do see that in many of our workers at the Federal level and I think it is important for us to—and I agree with Mr. Devine on this point and Ms. Niehaus, that we try to elevate that work that they are doing and encourage that higher level of performance, but in a way that I think balances out across job levels, that we don't end up with the situation we had with NSPS, which is also in Ms. Niehaus's testimony, where it was very subjective, very arbitrary. Under the pay-for-performance standard, it paid very well to be white and male. That would work for me as a worker, but I know there are a whole lot of people out there it wouldn't work for.

So when we had pay-for-performance, if you were white and male, you were very highly likely to get a bonus. It didn't work so well for a lot of other folks. So I am just very leery about going—and, Ms. Niehaus, the reason you haven't been asked so many questions is you are so smart. I honestly believe that. But you do, in your testimony, point out the gaps in that program that we had on pay-for-performance, and I just think there has to be a better way. We can't just go back to that. We can't just institutionalize inequality in our hiring system and in our job performance and job rating system. We can't just take a giant step back in time to that problem. I think we are making progress here, but you need to make a whole lot more.

I am way over on my time. Thank you, Mr. Chairman.

Mr. FARENTHOLD. Thank you very much.

We will now go to the gentleman from Florida for his second round of questionings. Mr. DeSantis, you are recognized for five minutes.

Mr. DESANTIS. Thank you, Mr. Chairman.

I think one of the issues that I have noticed is it seems to me the 19th century basically had a spoil system, and your guy got in, his people would be there, and that is how the Government operated; and there were a whole host of problems with that, of course. But the one thing you did have was honesty. I mean, you knew what you were going to get with that.

Then we moved away from that and said, you know, we actually need the Government to be administered by neutral professionals, and that is kind of the civil service system was born.

The issue, though, that I have seen in this term of mine is a lot of these folks are not necessarily neutral, and we, on this committee, have dealt with misconduct at the IRS. And if you look at the activity of somebody like a Lois Lerner, I mean, she is clearly operating as a partisan operative, not as somebody who is simply neutral applying the law. Whether she wanted to refer Senator Grassley for an audit, whether she was saying that the Tea Party was dangerous, whether she was rooting on Democratic Senate candidates, whether any time somebody would raise issues on the Democratic side, you could see her starting to move, even having meetings with the Department of Justice about whether you could criminally prosecute some of these 501(c)(4) groups.

But then that is not it. You look at how the EPA works with some of the environmental leftists. There is a very close relationship there. The FEC, we have had a woman who had to resign because she violated the Hatch Act by campaigning for the President's re-election. And oh, by the way, today it is reported that we tried to get her emails and her hard drive supposedly has gone the way of the buffalo, so I guess these things just happen any time Congress is interested.

So I wanted to ask you, Mr. Devine, is this a legitimate concern that we have kind of a veneer of objectivity, but in some of the activities, particularly with the IRS, you clearly don't have even-handed treatment given to American citizens?

Mr. DEVINE. I agree. I mean, people who were oriented to serve in Government and come more from one kind of persuasion than another. We have done studies of this. So there is kind of a natural part of this, and that is why you need some kind of appraisal system to what is going on there to try to keep it somewhat neutral.

Mr. DESANTIS. Did you, when you came in with President Reagan, it is one thing to have a persuasion or the other. There are a lot of people who disagree with me who are honorable, do a good job. But did you see anything in those days that would rival, say, the conduct of a Lois Lerner, where the official conduct was done in a way that was partisan in nature?

Mr. DEVINE. Well, Congressman Lynch mentioned that you are not allowed to strike when you become a worker. When I was there, they did go on strike. And I will say that most people of the other party wanted to let them get away with it. You mentioned not taking jobs. We had job actions all over the place. Now, admittedly, we came in there with an agenda that the workforce didn't like, but, no, there is an attitude, a kind of way of thinking of the average person in the Federal workforce. I don't think there is much you can do about it except make sure that they don't act on it; and that means you have to have good management and it means you have to have good structure, and the fact is we don't.

Just preparing for this, over the weekend, in The Washington Post, Center of Disease Control is sending deadly pathogens to the Country, all right? They have been doing it for 10 years. All right? In the same paper, the National Institutes of Health improperly stores vials of incurable small pox without having it under control. The Washington Navy Yard has 160 cameras that try to find the guy who shouldn't have gotten through the security system in the first place. Department of Health and Human Services, the same

weekend, they can't find the numbers for the Obamacare sign-up, so they are just not going to report them anymore.

I mean, the VA, for all the good Mr. Lynch talks that they do, the fact of the matter is that 70 percent won't go to another hospital of the 15 percent of veterans who go to veterans hospital. Most veterans do not go to veterans hospital; overwhelmingly, about 85 percent don't.

Mr. DESANTIS. I appreciate that very much.

Mr. Chairman, thank you for pursuing this. When you look at somebody like a Lerner, like we have documented on the full committee, Dave Camp sends a letter, saying hey, preserve these emails and then we find out that, 10 days later, her hard drive mysteriously crashes, supposedly. These emails are not recoverable. Now there are two Federal judges who don't think that that is a very good explanation; they are demanding answers in court within the month. I think that that is good.

But then, just last week, we find out that that within days of the draft IG report that substantiated the targeting being circulated at the IRS, Lerner writes to the IT technician saying, well, you know, Congress will look at these emails, so we need to be careful of what these say; could we instant message and that not be searchable? This is very problematic, so I think that there are whole host of issues, but certainly that accountability is important.

And I yield back.

Mr. FARENTHOLD. Thank you. You have given me a business idea for when I retire from Congress. Backup solutions for the Federal Government could potentially be pretty lucrative.

I am going to do one more quick round. I am going to bat a little bit of cleanup here and hit a couple of questions I wanted to get answers to, then see if Mr. Lynch has any that he wanted, then we will let you guys go.

Mr. Cox, I wanted to visit with you about how your union is seeing the pay-for-performance working. Are there any facilities where you have employees, you all represent, that are using pay-for-performance, and how is that working?

Mr. COX. The pay-for-performance systems that were in place with NSPS that Congress scrapped because there were so many problems with it, as Mr. Lynch pointed out, there was a lot of discrimination that came out very clear; it was a very subjective type system, so we have not seen good examples of pay-for-performance. I actually believe if you look at the VA and the system that they had for their medical center directors and the pay-for-performance, it certainly created a very convoluted system that gave us the backlog, sir.

Mr. FARENTHOLD. Do you think there is any situation in which a pay-for-performance would work? Do you think something that could be crafted could work within the Federal workforce?

Mr. COX. I think that if Congress would allow the Federal Employee Pay Comparability Act that was passed in the 1990s to actually be implemented and the Federal employees were given the locality, the cost of living adjustments, and that there was full implementation of that, that we would see a lot more improvement throughout the Country with Federal employees and the pay and some of the——

Mr. FARENTHOLD. So that is adjusting it for localities. But wouldn't you agree that the highest performing employees should be rewarded with the highest rates of pay and the lowest performing employees should be a little worried about their jobs?

Mr. COX. There are many, many systems in the Federal Government to reward employees with step increases, to give them bonuses, and many things of that nature. Sir, frequently, when I come to Congress, when I come to many meetings, we talk continuously about the poor performers in the Federal Government. I believe most employees, a high percentage, go to work every day with that passion and do that job. I was a registered nurse in the VA and I loved it every day of my life to go and to care for those veterans. Most people are doing that.

Mr. FARENTHOLD. Well, there is no question the bad apples are the ones that get all the publicity. But we need to get rid of those bad apples, I think, so they don't spoil the whole bunch. It is the people who lose their hard drive or the people who keep secret lists that have shaken the American people's faith in the Government. You guys, more than anybody else, should want to get rid of those people, I would think.

Mr. COX. Sir, there are many, many procedures within the federal regulations, as well as in contracts, to terminate Federal employees and remove Federal employees. I deal with that on a regular basis.

Mr. FARENTHOLD. Let me ask you one more question. Your testimony discusses the effect of the temporary freeze. I would like to know how many AFGE members have left the Federal workforce as a result of their unhappiness with the temporary freeze on the January adjustment. Is it a big number?

Mr. COX. We have seen a larger number of Federal employees leaving the Federal Government through retirements, through other jobs simply because, yes, the pay freeze has been in effect for three years.

Mr. FARENTHOLD. But you don't have numbers or percentages?

Mr. COX. I don't have specific data, no, sir.

Mr. FARENTHOLD. All right. Thank you.

Ms. Archuleta, I wanted to address one more topic, and that is the probationary period. Typically, there is a one year probationary period for employees. I think that is probably reasonable for somebody who comes in as a data entry clerk or an entry level job. But there are some types of jobs that you are not even completed with your training for that job within a year. Do you have any thoughts on that? Do you think it would be appropriate to adjust the probationary period to begin not at the time of hiring, but at the time you complete your training and actually begin your job?

Ms. ARCHULETA. It is true, sir, that, as you stated, there is a probationary period of one year for both GS and SES. I believe that, in looking at civil service reform, that that would be an issue that would be obviously ready for observation and discussion.

Mr. FARENTHOLD. Thank you very much.

Mr. Lynch, did you have some cleanup you needed to do as well?

Mr. LYNCH. Yes, just a little bit. Thank you, Mr. Chairman.

Ms. Archuleta, let's stay with you. On average, how long does it take to remove a person for poor performance, if you go through this whole system?

Ms. ARCHULETA. It could take anywhere from 60 to 120 days, around that, dependent upon whether the evaluations have been complete as that employee has been moving through the system.

Mr. LYNCH. Okay.

Ms. ARCHULETA. If they are not completed, obviously, it could take longer.

Mr. LYNCH. Ms. Niehaus, do you think there are ways we could streamline that whole process?

Ms. NIEHAUS. I think that based on a lot of the MSPB case law, rather than the regulations that OPM is responsible for, it actually takes a lot longer to prepare a case. Once you have actually hit the removal stage, the appeals go fairly quickly, but I know our attorneys are very exacting in wanting to make sure that every loophole is closed when we do remove an employee for performance; and it does take a lot longer than to remove an employee for misconduct, because you are required to give them an opportunity to improve.

Mr. LYNCH. Right. Right. I understand that. Okay, thank you.

Ms. NIEHAUS. But, by and large, I think the majority of Federal employees are good employees. They come to work, they work hard. I know the people at Travis Air Force Base, the people at Corpus Christi, I toured that facility last year and met with a lot of them, they come to work to support the war effort; they come to work to support the military or the VA.

Mr. LYNCH. I appreciate that. Thank you. I am out of time.

Mr. Cox, would you support pay-for-performance for members of Congress? I think our popularity is about 4 percent right now. I think that a lot of Americans would like to see Congress put on a pay-for-performance standard as well. I am not going to force you to answer.

Mr. COX. I will yield that to the American public.

Mr. LYNCH. Okay. Thank you.

Lastly, I just want to ask unanimous consent if we could enter into the record this report addressing poor performers in the law. It is a report to the President and the Congress of the United States by the U.S. Merit Systems Protection Board.

Mr. FARENTHOLD. Without objection, so ordered.

We have a copy.

Mr. LYNCH. All right. Thank you, sir.

I yield back.

Mr. FARENTHOLD. Thank you very much.

I would like to thank our witnesses for participating. Your input has been very helpful. Hopefully we will continue to make some progress on this and Congress will be able to perform on this one.

Again, thank you, and we stand adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

Responses of AFGE National President J. David Cox, Sr.

to

Questions by Chairman Blake Farenthold

Subcommittee on Federal Workforce, U.S. Postal Service and the Census

House Committee on Oversight and Government Reform

Referring to a Hearing, Held on July 15, 2014, entitled "Is the Federal Government's General Schedule (GS) a Viable Personnel System for the Future?"

1. What specific concerns have your members expressed about the General Schedule pay system?

   Answer: The biggest concern my members have is that Congress and successive administrations have not been willing to fund market pay under the FEPCA statute. The pay gaps remain almost as large as when the locality pay law was passed. My members were furious about being used as political pawns in the budget wars between Congress and the President, furious about the three-year pay freeze and the cuts to retirement benefits for new employees. They like and support the General Schedule. They just want it to be funded.

2. How is AFGE working with 1) OPM, and 2) agency labor management forums to raise these concerns and what solutions have been suggested to address them?

   Answer: We have raised these concerns where appropriate. Agency representatives and OPM leadership have thrown up their hands and said that funding market pay adjustments was politically sensitive and was not something that they had any control over.

3. Should the highest performing employees be rewarded with the highest rates of pay?

   Answer: Every time the federal government tries to go down that road, the result is cronyism, corruption, discrimination against women and minorities, and perverse outcomes. The most recent example is the SES performance pay system at VA. Executives manipulated waiting lists to make it look as though more veterans were getting appointments within the 14 day window because that was the determining factor in their performance awards. It was an invitation to cheating and subversion. Performance pay can be a part of a pay system, but it cannot properly

be the primary pay adjustment mechanism in the public sector if you care about integrity and good government.

4. Your testimony discusses the effect the temporary freeze on the automatic, across the board increase under the GS, irrespective of performance. How many AFGE members left the federal workforce as a result of their unhappiness with the temporary freeze on the January adjustment?

   Answer: We do not know how many left for that reason. The three year pay freeze encouraged many to retire sooner than they otherwise would have retired and it encouraged others who were just starting out to leave or never apply for a government job in the first place. The freeze sent a bold and loud message to the federal workforce: Your employer does not value you or your work.

5. In previous testimony before Congress, on federal pay, you stated: "In the jargon of paysetting, the GS is oriented more toward a "rank in position" rather than a "rank in person." And that orientation is the secret to having a pay system that avoids discrimination...External equity refers to whether a pay system meets market standards. We know that the GS fails the external equity test, but not because of any kind of systemic flaw, but rather because successive Congresses and administrations have not funded it even before the pay freeze..."

   Please discuss the thinking that underlies these statements and how these considerations might inform discussions of any changes to the current position classification and pay system.

   Answer: One of the greatest virtues of pay systems like the GS is that salaries are assigned to jobs, not individuals. Thus everybody who holds a particular job or type of job, whether he or she is white or black, young or old, able-bodied or disabled, etc. the salary will be more or less the same (there are regional differences that reflect local labor markets and differences based on experience/length of service). That is rank in position. When you vary salaries by individuals rather than position duties, you introduce discrimination, conscious or unconscious. Data from the private sector confirm this; data from experiments in the government, like the National Security Personnel System (NSPS) confirm this too.
   Thus whatever changes may be considered for the GS, one that should never occur would be to move to a broadband/discretionary pay system like NSPS. It is a recipe for disaster no matter how fine the intentions of the designers might be.

6. Your testimony criticizes a recent report by the PPS and Booz Allen Hamilton for excluding federal wage grade workers.
   a. To assist the committee in its work, what changes would you make to the federal wage grade system and why?

   Answer to (a): We advocate reducing the number of localities in the wage grade system to mirror the localities of the GS. We advocate the addition of ten additional steps to the wage grade scales. We advocate the use of BLS data which would include data from unionized workers in the skilled trades. We advocate equivalent raises and base pay for blue and white

collar federal workers. We advocate full funding to close all pay gaps between federal and non-federal blue collar pay.

Should federal wage grade workers whose salaries are found to be above market continue to receive an increase in pay?

Answer: All federal workers should always receive an annual pay adjustment based on ECI. The federal government should be a model employer. It should not follow the likes of WalMart and McDonald's in driving wages down so low that workers are forced to rely on food stamps and Medicaid even while working full-time.

GAO U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

August 1, 2014

Blake Farenthold
Chairman
Subcommittee on Federal Workforce, U.S. Postal Service and the Census
Committee on Oversight and Government Reform
United States House of Representatives

Dear Chairman Farenthold:

Thank you for the opportunity to testify before the Committee on Oversight and Government Reform on July 15, 2014, at the hearing "Is the Federal Government's General Schedule a Viable Personnel System for the Future?" Enclosed is GAO's response to the committee's question for the record. If you have any additional questions, please feel free to contact me at (202) 512-2757 or goldenkoffr@gao.gov.

Sincerely yours,

Robert Goldenkoff

Robert Goldenkoff
Director
Strategic Issues

Enclosure

Questions for the Record

Chairman Blake Farenthold

Subcommittee on Federal Workforce, U.S. Postal Service and the Census

Committee on Oversight and Government Reform

House of Representatives

Is the Federal Government's General Schedule (GS) a Viable Personnel System for the Future?

July 15, 2014

Question from Chairman Farenthold for Robert Goldenkoff:

1) Your testimony references eight attributes of a modern, effective classification system. What is the appropriate balance among the attributes for the federal workforce?

As a policy judgment that entails trade-offs among competing values, we do not have a basis to determine the appropriate balance among the attributes of a modern, effective classification system. Rather, as we noted in our testimony, balancing or optimizing these attributes is a role for the Office of Personnel Management (OPM), policymakers, and other stakeholders as part of the larger process of improving the design, management, and oversight of the General Schedule (GS) System.[1]

The eight attributes of a more modern, effective classification system we identified based on our interviews with subject matter experts and by reviewing relevant literature on the GS include (1) internal equity, (2) external equity, (3) transparency, (4) flexibility, (5) adaptability, (6) simplicity, (7) rank-in-position, and (8) rank-in-person. Importantly, there was no consensus in priority or in degree of these attributes although the subject matter specialists we spoke to such as former federal executives and representatives of federal labor unions agreed that any changes to the

[1] GAO, *Federal Workforce: Human Capital Management Challenges and the Path to Reform,* GAO-14-723T (Washington, D.C.: July 15, 2014).

classification system should align with the guiding principle of equal pay for work of substantially equal value.

Further, we testified that while each attribute is important individually, the inherent tensions between some of the attributes will challenge OPM, policymakers, and stakeholders to find the optimal balance points so that all of the attributes will contribute to an effective system when assembled collectively.[2] The weight that policymakers and stakeholders assign to each attribute—and the trade-offs made among competing attributes—could have large implications for pay, the ability to recruit and retain mission critical employees, and other aspects of federal personnel management. Going forward, these eight attributes of a more modern, effective classification system can help provide criteria for OPM, policymakers, and other stakeholders to use in determining whether refinements to the current GS system or wholesale reforms are needed.

[2]Key stakeholders may include officials representing Office of Management and Budget (OMB), federal employee unions, the Chief Human Capital Officers council, and public policy groups.

Questions for the Record
Submitted by the House Committee on Oversight and Government Reform Subcommittee on Federal Workforce, U.S. Postal Service, and the Census
Chairman Blake Farenthold
Is the Federal Government's General Schedule (GS) a Viable Personnel System for the Future?
July 15, 2014

Questions for Ms. Niehaus:

1. In 2013, less than 10,000 (one half of one percent) of employees were dismissed from the federal workforce. What could Congress do to make it easier for managers to discipline and remove poor performers and employees engaged in misconduct, and why are the numbers so low for removals?

   Thank you for the opportunity to address your questions, Chairman Farenthold. I will address the second part of the question, concerning the low dismissal rate in 2013, first. Often, when faced with termination and removal, an employee will resign or retire in lieu of involuntary separation. When one is removed for cause, they may not be eligible to receive a pension, so they leave prior to an official removal. Retirements and resignations would not be reflected in the number of removals. Other separations, such as termination during the probationary period, are not subject to the merit system selection process and would also not be reflected in the number of removals. Another method of dealing with misconduct or poor performance is reassignment or demotion to other positions for which the employee maybe be more suited or more capable of performing.

   Misconduct and poor performance must be corrected, but it should not be "easy" to fire an employee. It is necessary to have protections and due process in place to prevent members of the civil service from being terminated on a whim or in response to outside pressures.

   Managers need to have time to manage, instead of being technicians. We need to make management a profession in the federal government, rather than just an additional duty. First level supervisors and managers need access to training programs that are sufficiently funded. Investment in training in areas such as addressing poor performing employees, enhancing mentoring skills and conducting accurate performance appraisals is critical; however, this is usually among the first areas to be cut when budget constraints occur.

   Secondly, Congress could and should extend the probationary period, to give managers a better opportunity to evaluate whether new hires are suitable for the position and for federal service. The probationary period must be looked at as an extension of the selection process and give managers enough time to make informed decisions concerning retention of new employees.

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Questions for Ms. Katherine Archuleta
U.S. Office of Personnel Management

Chairman Blake Farenthold

Hearing on "Is the Federal Government's General Schedule (GS) a Viable Personnel System for the Future?"

---

1. 1. In his budget submission for FY2015, President Obama, noting that the General Schedule has been in effect since 1949, stated that "the Federal personnel system ... remains inflexible and outdated" and that "the pay and classification systems need to be updated." He further stated that "An alternative, cost-effective system needs to be developed that will allow the Government to compete for and reward top talent, while rewarding performance."

What efforts are currently underway within (1) OPM, (2) the Chief Human Capital Officers Council, and (3) the agency labor management councils to craft a proposal that could be submitted to Congress that would amend the current classification and pay system, including strengthening the link between pay and performance?

During the hearing, I noted that the General Schedule (GS) system that was established 65 years ago needs reform and emphasized that a holistic approach is necessary. This is why the President recommended a commission to review and reform the civil service.

Additionally, as part of the "People and Culture" pillar of the President's Management Agenda, OPM is currently leading efforts on "Hiring the Best Talent" to enhance agencies' ability to make effective use of the current GS Classification System to attract and retain top talent. In support of this effort, OPM held an Interagency Classification Policy Forum (CPF) focused on helping agencies "untie the knots" related to the application and challenges of the GS Classification System. OPM is partnering with agencies to develop workgroups and action plans to identify and address challenges related to specific occupational areas (e.g., information technology), position management, training and certification.

OPM continues to work with the Presidential Personnel Office and the Office of Management and Budget, as well as leveraging partnerships with stakeholders, including the Chief Human Capital Officers Council, to inform People and Culture action plans.

2. What is OPM's timeline for submitting a legislative proposal on position classification and pay for Congress's consideration?

During the hearing, I noted that achieving and maintaining a world-class workforce to serve the American people depends on the ability to recruit and hire the most talented and diverse workforce possible, and to support and train those employees as they move through their careers.

It is possible to recognize what the GS does well, such as providing consistency, internal equity, and transparency, while acknowledging that there is a need to constantly evaluate and seek improvements and updates. Recognizing the need to constantly address problems in our Federal personnel systems, the President has called for the establishment of a Commission on Federal Public Service Reform, comprised of Members of Congress, representatives from the President's National Council on Federal Labor-Management Relations, members of the private sector, and academic experts, with the purpose of developing recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints.

As concerns about the GS and possible remedies are considered, it is important to have a clear and accurate understanding of the current system's strengths and weaknesses, and of the challenges in finding the appropriate balance between competing objectives of human capital management. OPM continues to work with our colleagues at agencies to meet human capital challenges. This includes making use of the flexibilities that the current system already provides, and developing new innovative, cost-effective solutions when needed. We continue to call on Congress, though, to establish the Commission to review and recommend changes to fully modernize Federal personnel policies and practices.

3. How are experiences with prior personnel systems at the Departments of Defense and Homeland Security being used to inform the Administration's work?

With any system, it is important to have a clear and accurate understanding of the current system's strengths and weaknesses, and of the challenges in finding the appropriate balance between competing objectives of human capital management.

These prior personnel systems have shown that a well-defined, inclusive, and transparent process that engages all stakeholders is essential for developing any new system. The process by which a new system is designed and developed is critical for the foundation of a viable and sustainable system and must involve all interested parties. The relationships fostered through the President's National Council on Federal Labor-Management Relations may provide a foundation of trust that was lacking in previous efforts to implement personnel reforms. To that end, the President has called for the establishment of a Commission on Federal Public Service Reform, comprised of Members of Congress, representatives from the President's National Council on Federal Labor-Management Relations, members of the private sector, and academic experts, with the purpose of developing recommendations on reforms to modernize Federal personnel policies and practices within fiscal constraints.

4. The 2013 Federal Employee Viewpoint Survey found that only 28 percent of federal employees agreed their work unit takes steps to deal with a poor performer who cannot or will not improve, a decrease from the 2012 results.

a. Does OPM agree with the survey results?

The Employee Viewpoint Survey (EVS) is a valuable tool that enables Federal employees to share their views with their agency leadership. OPM encourages agency leaders, mid-level managers, and supervisors to examine their EVS results, and to use the strengths and weaknesses revealed to help inform management practices. This includes being attentive to points of concern such as the one you highlight. Regarding this particular question, it is also important to note that

while some managers may be reluctant to deal with unacceptable performers, those who do generally do so quietly, without advertising it throughout their organization. Therefore, it is possible in some situations that the unacceptable performance is being dealt with even though the surrounding employees are not aware of it. Regardless, OPM is committed to ensuring that supervisors are better trained in dealing with poor performers through stronger performance evaluations, communication, and accountability measures and has recently developed free, online training on how to address and resolve poor performance, which I describe a bit more thoroughly, below.

b. How are OPM and the Administration dealing with poor performers?

Supervisors are encouraged to make good use of the probationary (or trial) period to thoroughly assess and detect any first instance of poor performance. Terminating the employment at this stage is much easier than removing employees who have completed the probationary or trial period. After this, the best way for supervisors to handle unacceptable job performance issues is to take action to avoid performance problems before they occur. OPM encourages preventative action in the form of communicating clear performance standards and expectations to employees; providing regular and frequent feedback on performance; and documenting this feedback. If an employee's job performance becomes unacceptable despite any preventive actions taken, supervisors should promptly address this matter with the employee.

In order to take the steps they need to address unacceptable performance, supervisors and managers must be aware of the resources at their disposal in dealing with employees. To this end, OPM is working to ensure that managers and supervisors have the tools and training that they need in order to identify and address unacceptable performers. OPM provides on-line and classroom training for supervisors, managers, and human resources practitioners. This includes free, online executive training on the "Manager's Corner" a virtual learning portal maintained by OPM on the Human Resources University website, which offers the following courses:

- **Addressing and Resolving Poor Performance** – course that provides supervisors, managers, and human resources practitioners with a three-step process for preventing, identifying, and addressing unacceptable performance. It contains tips, strategies, and sample documents for immediate application, as well as a downloadable Guide for Supervisors.

- **Linking and Developing Measurable Senior Executive Service (SES) Results-Focused Performance Requirements** – course that assists SES members with developing performance requirement(s) for the Results Driven critical element in their SES Performance Plans.

- **Difficult Conversations** – course that provides rating officials with knowledge scenario-based simulations to train them on performance management.

- **Executive Excellence and Wellness through Strategic Leadership** – course that assists managers in using strategic leadership skills in work and personal life to achieve executive excellence and wellness.

- **Maximizing Employee Engagement Suite of tools** – information set consisting of online course, instructor-led course materials for use by agencies, app.

- **Leading Across Generations** – (to be released this year) – This course will provide Federal leaders strategies, techniques and examples to assist them lead the various generations in the workplace.

Additionally, OPM is developing an SES Situational Mentoring program for new SES members that we anticipate launching later this year. This program is part of OPM's efforts in response to the President's Management Agenda's "People and Culture" initiative focusing on 21st Century Leadership. Situational mentoring is a short term discussion between executives, on a high impact issue, problem, challenge or opportunity. The purpose of the program is to enhance individual and organizational performance, as well as increase SES proficiency in leadership competencies.

OPM is also leading an initiative to develop a cadre of internal Federal coaches across Government, as sponsored by the Chief Learning Officer's Council. The initiative has a goal of building and sharing coaching services across Government at no cost. The first Federal Internal Coach Boot Camp training program was launched the week of April 28th – May 2nd, and was attended by 80 participants across 18 different agencies. Participants ranged from GS-9 to SES level. The program will require attendees to complete 128 hours of training over the next 8 months before they will be registered in an online database to facilitate the sharing of coaching services across agencies. The objective of the initiative is the enhancement of employee development through professional coaching services provided free of cost and available to the entire Federal civilian workforce. Professional coaching has been demonstrated to produce measurable improvements in employee performance, competencies, and engagement.

OPM has also developed framework and guidance that outlines mandatory and recommended training for aspiring leaders, along with current and newly appointed supervisors and managers, and incorporates key training recommendations to ensure Federal leaders are successful in their roles. OPM is working with the Chief Learning Officers' Council to develop a similar framework for managers, along with associated learning objectives so agencies can provide consistent, strategic, and comprehensive development to their managers.

5. Does OPM have the authority to extend the probationary period through regulation?

For probationary periods under the competitive service established under 5 U.S.C. 3321, technically, yes. Doing so, however, would create conflict with chapters 43 and 75 of title 5, which would require legislative action to address.

OPM does not have this flexibility with regard to probationary periods in the Senior Executive Service under 5 U.S.C. 3393(d).

6. Does OPM believe the probationary period should be extended beyond one year?

Should Congress develop a legislative proposal to extend the probationary period beyond one year, OPM would be happy to examine it. From an adverse action and unacceptable performance appeals perspective, if the probationary period is extended corresponding changes would need to be made to 5 U.S.C. chapters 43 and 75 to limit appeal rights accordingly.

7. Should the probationary period end before an employee has completed his or her initial training?

Should Congress develop a legislative proposal to adjust an employee's probationary period in light of the training the employee may be receiving, OPM would be happy to examine it.

8. How is OPM ensuring agency supervisors appropriately address poor performers?

OPM has worked on a number of initiatives to help Federal agencies not only take action to avoid performance problems, but to address performance problems after they occur.

For example, OPM has made available on Human Resources (HR) University training which provide tips, tools and guidance to supervisors and managers for writing effective performance objectives. OPM also developed and made available on HR University training to provide supervisors with the necessary skills to have the difficult conversation that is inherent when dealing with unacceptable performance and to provide a safe environment to practice delivering difficult conversations.

If a performance problem does occur, OPM has made available on its HR University website comprehensive training tips and guidance on addressing and resolving unacceptable performance. In conjunction with this on-line training, we have distributed to agencies a publication entitled "Addressing and Resolving Poor Performance: A Guide for Supervisors."

OPM also provides classroom training for supervisors, managers and human resources practitioners which outlines the steps and requirements for addressing and resolving unacceptable performance, with emphasis on 1) early intervention, 2) counseling employees, and 3) the importance of documenting performance concerns early in the process. The training emphasizes the importance of managers partnering with the agency's HR practitioners early in the process. OPM's training and guidance promotes the message that the sooner the supervisor begins to offer assistance, the sooner the supervisor will be able to establish whether the employee is able and willing to improve, or whether it will be necessary to initiate a demotion or removal action.

Because supervisors carry the responsibility for taking performance-based actions, OPM provides guidance and training for supervisors and managers that include the flexibility to use either Chapter 43 or Chapter 75 of the U.S. Code to address unacceptable performance. Having both options available may increase the willingness of a supervisor to take an appropriate action by choosing the authority that best suits the particular situation. The training and guidance describe the appropriate use of each legal authority and how each may be applied in performance-based actions.

Finally, OPM often directly assists agencies in addressing performance problems by consulting directly with agency human resources specialists who are advising supervisors and managers. OPM not only offers technical advice and guidance, but tips and strategies in addressing the problems.

9. What, if any, action does an employee's supervisor take before an employee is converted from probationary to career status?

As the end of an employee's probationary period draws near, the supervisor should receive notification that the employee will be converted unless positive action is taken to remove the employee before the probationary period ends.

10. What, if any, steps should be taken to reduce the complexity of the process for addressing poor performance?

The procedural steps to take action against an unacceptable performer are straightforward: create performance standards, communicate expectations, measure the employee against those standards, and document when the employee fails to meet the standards and expectations.

Merit Systems Protection Board studies and our experience suggest that managers often fail to take actions for performance due to a lack of confidence in upper management support, a perception that the process is overly complex and time consuming, or a lack of experience and training in taking corrective action for performance. However, if the available tools are used appropriately, managers and supervisors have an opportunity to deter future performance problems.

11. Along with the Director of OMB and Secretary, you serve as the President's Pay Agent, which recommends salary increases for federal employees based on their geographic location. The Pay Agent has recommended that the underlying model and methodology for estimating pay gaps be reexamined (to ensure private and federal pay comparisons are as accurate as possible).

a. What is the Administration's timeline for reviewing the pay setting model?

OPM believes the underlying model and methodology for estimating pay gaps should be reexamined to ensure that comparisons between non-Federal and Federal sector pay are as accurate as possible. As noted in the President's Pay Agent report for a number of years, there are concerns about a process that requires by law a single percentage adjustment in the pay of all white-collar civilian Federal employees in each locality pay area without regard to the differing labor markets for major occupational groups. As part of the President's Pay Agent, OPM will continue to work with the Federal Salary Council to consider recommendations on improving the comparisons. However, the Administration feels that it is important to form a Commission on Federal Public Service Reform, to develop recommendations on civil service modernization and broader civil service reform, including the issue of measuring pay comparability, in the long term.

○