

CONGRESSIONAL TESTIMONY

Improving Recruitment and Retention by Making the Federal Government a More Competitive and Constructive Workplace

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My name is Rachel Greszler. I am Research Fellow in Economics, Budget, and Entitlements at The Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

In my testimony today, I would like to examine current differences between private-sector and federal-sector employment and compensation to better understand the sources of recruitment and retention issues. Then, I would like to suggest some options to help improve federal recruitment and retention through three key areas of improvement: First is a more competitive compensation package; second is improved accountability and merit; and third is innovative ways to meet federal workforce needs while creating new opportunities for federal workers.

THE PROBLEMS

An effective government requires being able to attract and retain the best and brightest individuals to carry out its mission, including providing a constructive and flourishing workplace where individuals can grow and thrive. Yet, significant barriers exist to an effective and accountable government today, taxpayer resources are often inefficiently allocated, and engrained policies and procedures inhibit flexibility and responsiveness.

Significant and Lop-Sided Federal Compensation Premium. As a whole, federal employees receive significantly higher compensation than private-sector workers. A 2017 report from the Congressional Budget Office (CBO) found a 17 percent compensation premium for federal employees compared to

similar private-sector workers, including a 3 percent wage premium and a 47 percent benefit premium.¹ Many other studies have also found significant federal compensation premiums. Back in 1980, Alan Krueger (who served as Chairman of President Obama’s Council of Economic Advisers) documented a federal pay premium.² More recently, a 2011 Heritage Foundation study found a slightly higher overall compensation premium between 30 percent and 40 percent³ and a similar 2011 study by the American Enterprise Institute found a 61 percent premium.⁴

Moreover, most compensation comparisons do not include some less-common and more-difficult-to-measure benefits that are more prevalent among federal employees. Some of those benefits include: student loan repayment and loan forgiveness, job security, on-site childcare, and more desirable work schedules. Including these additional benefits would further widen the difference between public and private compensation.

Although a significant premium exists, it is not uniform across the federal workforce. According to the CBO study, the federal government overcompensates workers with no more than a high school education by 53 percent, and those with a bachelor’s degree by

21 percent; but the federal government *undercompensates* individuals with masters’ or professional degrees by 18 percent.⁵ (These figures do not take into account the omitted benefits discussed above.)

This lopsided compensation premium exacerbates the federal government’s recruiting and retention problems. Compared to the private sector, the federal government has 2.5 times as many workers with master’s degrees or higher, and only about one-third as many workers with less than a high school degree.⁶ Yet, the government provides the biggest compensation premium where it faces the least competition for lower-educated workers and the smallest premium—even a penalty in some instances—where it faces the most competition for highly educated workers.

Consequently, instead of making the government more competitive in recruiting and retaining the best and brightest workers, its current compensation structure both wastes taxpayer resources and fails to help the government meet its need for a highly educated workforce.

Over-Weighted Benefits, Under-Weighted Pay. The biggest difference between public-sector and private-sector compensation is the

¹Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015,” April 2017, <https://www.cbo.gov/system/files/115th-congress-2017-2018/reports/52637-federalprivatepay.pdf> (accessed May 10, 2017).

²Alan B. Krueger, “Are Public Sector Workers Paid More than Their Alternative Wage? Evidence from Longitudinal Data and Job Queues,” in Richard B. Freeman and Casey Ichniowski, eds., *When Public Sector Workers Unionize* (Cambridge, MA: National Bureau of Economic Research, 1988), <http://www.nber.org/chapters/c7910.pdf> (accessed June 9, 2016).

³James Sherk, “Inflated Federal Pay: How Americans Are Overtaxed to Overpay the Civil Service,” Heritage Foundation *Center for Data Analysis Report* No. 10-05, July 7, 2010,

<http://www.heritage.org/research/reports/2010/07/inflat-ed-federal-pay-how-americans-are-overtaxed-to-overpay-the-civil-service>.

⁴Andrew G. Biggs and Jason Richwine, “Comparing Federal and Private Sector Compensation,” American Enterprise Institute *Working Paper* No. 2011-02, June 1, 2011, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1991405 (accessed June 9, 2016).

⁵Congressional Budget Office, “Comparing the Compensation of Federal and Private-Sector Employees, 2011 to 2015.”

⁶According to the April 2017 CBO report, 29 percent of the federal workforce had masters’, doctoral, or professional degrees, compared to 11 percent of private-sector workers; and 13 percent of federal workers had a high school diploma or less, compared to 36 percent of private-sector workers.

large portion of federal employees' compensation that goes toward benefits—primarily retirement benefits—instead of pay. Federal employees receive between 16.1 percent and 18.2 percent of their pay in retirement benefits, compared to about 3 percent to 5 percent for private workers.⁷

Yet, workers place less value on delayed compensation. A study by Maria Fitzpatrick of Cornell University examined the value of defined benefit pensions to workers and concluded that defined benefit pensions are substantially inefficient forms of compensation with little value in attracting employees.⁸ According to her analysis, Illinois' public teachers valued additional pension benefits at only 19 cents on the dollar.⁹ It makes no sense for the federal government to provide a benefit that workers perceive as being worth only a fraction of its actual cost.

While saving for retirement is a good thing, there is no one-size-fits-all prescription for the level and timing of retirement savings. Workers benefit from the freedom to choose when and how much to save. Some workers can afford to sack away significant retirement savings right from the get-go, and that is great for them. Others, however, who begin with lower earnings, or who start a family and want to purchase a home, or who need to pay for child care, are better off with larger paychecks than with larger retirement benefits.

Today's job-seekers are more likely than ever to prefer higher wages to richer retirement benefits. With rising student loan debt, many recent college graduates are hard-pressed to meet their living expenses and student loan payments. Moreover, younger families who

want to buy homes or who face high child care expenses may be hard-pressed to afford having so much of their compensation tied up in retirement benefits. The government's benefit-heavy and pay-light compensation almost certainly prevents many talented younger workers from taking jobs with the government.

Moreover, the federal government's primary retirement benefit, the Federal Employees Retirement System (FERS) pension plan, requires individuals to work for five years before becoming vested, and its structure can discourage mid-career workers from entering the federal government, as they will not be able to work long enough to maximize FERS benefits.

Automatic Pay Increases. In theory, the federal government's pay scale approximates private-sector, market-driven wages. In practice, however, many government wages bear little resemblance to similar private-sector wages.

The 2011 Heritage study found that much of the unexplained wage premium in the federal government comes from more rapid raises and promotions particularly in the lower-level steps when increases are more frequent.¹⁰ This helps explain why the federal pay premium is generally highest for lower-earning workers and lowest for higher-earning workers.

Instead of performance-based pay increases, federal workers receive two effectively automatic pay increases. First, is an annual cost-of-living increase—something that rarely exists in the private sector—and second, is an allegedly performance-based pay increase every one, two, or three years for employees in

⁷Employees hired before 2013 receive a 13.2 percent contribution to FERS, those hired in 2013 or later receive an 11.1 percent FERS contribution. Additionally, all employees receive an automatic 1.0 percent contribution to their Thrift Savings Plan (TSP) and up to an additional 4 percent (5 percent total) in matching contributions.

⁸Maria D. Fitzpatrick, "How Much Do Public School Teachers Value Their Retirement Benefits?" Cornell University, <https://www.human.cornell.edu/pam/people/upload/Fitzpatrick-Pensions-120117.pdf> (accessed May 9, 2017).

⁹Ibid.

¹⁰Sherk, "Inflated Federal Pay."

the lower steps (and less frequent increases for employees in higher steps).

The bar is very low, however, for receiving “performance-based” increases—all that is necessary is a rating of at least three out of five—and employees who receive lower ratings have access to and actively utilize multiple procedural tools to contest their low ratings. Consequently, virtually all federal employees—more than 99.9 percent—receive “performance-based” pay increases.

Failure to Reward High Performers. In the private sector (aside from union-negotiated compensation packages), performance drives pay. That is not so in the federal government. The 2011 Heritage analysis found that fewer than one-quarter of federal pay increases are meaningfully tied to performance.¹¹ Although managers can award performance-based bonuses (on top of the two aforementioned raises), these bonuses are limited both in availability and use. Moreover, federal managers infrequently grant true performance-based raises, as only about 3 percent of federal employees received “quality step increases” in 2017.

Failure to Penalize Poor Performers. Similarly, the federal government does almost nothing to penalize poor performers. In some ways, it actually *incentivizes* poor performers by shifting part of their work to higher-performing workers.

Federal managers are supposed to be able to establish performance improvement plans (PIPs) for low-performing workers, but it is so difficult and time consuming to do so that most federal managers consider it a waste of their

time. According to a study by the Office of Personnel Management (OPM), almost 80 percent of all federal managers have managed a poorly performing employee, but fewer than 15 percent issued less than fully successful ratings for problematic employees, and fewer than 8 percent attempted to reassign, demote, or remove problematic employees.¹² Among those who attempted action against problematic employees, fully 78 percent said their efforts had no effect.¹³ That translates into a mere 2 percent likelihood that poorly performing federal employees will experience any significant consequences. It is no wonder that the federal government’s annual 0.4 percent firing rate is only one-third that of the private sector.¹⁴

The federal government’s failure to encourage and reward high performance along with its failure to discipline poor performers is a recipe for driving out the most productive employees and retaining the least productive ones. That is the exact opposite of what business schools teach and what successful private businesses practice.

POTENTIAL SOLUTIONS

A more competitive, responsive, and modernized federal compensation system will help attract and retain the best and brightest workers, provide federal workers with greater opportunities, and better respect taxpayers dollars. Three key areas for improvement are: More competitive compensation, improved accountability and merit standard, and innovative solutions to changing workforce needs.

¹¹Ibid.

¹²U.S. Office of Personnel Management, Office of Merit Systems Oversight and Effectiveness, “Poor Performers in Government: A Quest for the True Story,” January 1999, <https://archive.opm.gov/studies/perform.pdf> (accessed May 9, 2017).

¹³Ibid.

¹⁴News release, “Job Openings and Labor Turnover—July 2019,” Bureau of Labor Statistics, September 10, 2019, Table 5. Layoffs and Discharges Levels and Rates by Industry and Region, Seasonally Adjusted, <https://www.bls.gov/news.release/jolts.t05.htm> (accessed May 9, 2017).

1. MORE COMPETITIVE COMPENSATION

Reduce Pay Differentials. Congress should reduce pay differences between public and private employees by condensing the within-grade pay variance from 30 percent to 20 percent. Some of the savings from reduced step increases should go toward larger budgets for truly performance-based raises and bonuses that would encourage and reward high performance.

Shift Restrictive Pension Compensation Toward More Portable 401(k)s and Higher Pay. With the federal government providing as much as three to four times the level of retirement benefits as the private sector, Congress should reduce the overall amount of retirement compensation for federal employees. Additionally, it should transition a higher portion of compensation to 401(k)-type benefits (through the government's Thrift Savings Plan (TSP)) that offer greater portability and control, and which also prevent future federal employees and taxpayers from having to pay for unfunded pension benefits.¹⁵

Any changes made to retirement benefits should not apply retroactively, however, as federal employees should receive the retirement benefits they have already earned.

A better retirement benefit system for taxpayers and employees would include: shifting all new and non-vested federal employees (those with fewer than five years of service) into an exclusively defined contribution retirement plan; maintaining already accrued benefits for workers with five years to 24 years of service and allowing them to choose from three options for future benefit accruals; and maintaining the existing system

for current retirees and for workers with 25 or more years of federal service.

For new and recent hires, the federal government's current 1 percent automatic contribution to workers' TSPs would increase to 4 percent and the full match would rise from 5 percent to 8 percent. Workers with five years to 24 years of experience could choose one of three options:

(1) Continue to accrue both FERS and TSP benefits with a higher employee contribution to FERS and other changes to future accruals;

(2) Maintain a frozen FERS benefit alongside higher government contributions to the TSP (4 percent automatic and up to an 8 percent match); or

(3) Shift entirely to the TSP by rolling over accrued FERS benefits into the TSP and receive higher TSP contributions.

Nothing would change for current retirees or for workers with 25 years or more of federal service.

In addition to forcing the federal government to incur compensation costs immediately instead of shifting them to future workers and taxpayers, defined contribution retirement plans provide workers with actual dollar contributions that they own, control, and can take with them even if they leave federal employment. This allows workers to know their value at every point in time, and can help individuals to make more informed decisions about their careers and retirement savings. Also, unlike defined benefit plans that are tenure-based and can be lost or minimized if workers change jobs, workers can carry

¹⁵Although agencies make contributions on behalf of their employees to FERS, those contributions are similar to Social Security payroll taxes in that they amount to credits in the FERS fund, but the

contributions are actually used to fund other government spending. These intra-government transfers allow the government to increase its gross debt without having to issue any new publicly held debt.

defined contribution plans from one employer to another without sacrificing any value.

More Flexible Compensation Options, Including Higher Base Pay. Instead of a one-size-fits-all benefits package for roughly two million federal civilian workers, policymakers should consider giving federal employees an option to exchange certain components of their compensation—such as retirement benefits—for higher base pay. This would be particularly helpful for workers who are at stages in their lives—such as buying a first home, paying for child care, or financing children’s education—in which they value higher pay more than any other benefit.

Better Tie Pay to Performance: Prioritize Quality Step Increases Over Tenure-Based Step Increases. Because virtually all employees receive within-grade increases (WGs), these so-called performance-based raises are, in practice, tenure-based raises. These raises occur more rapidly at the beginning of a worker’s career—with a raise every year for steps one through four, every two years for steps five through seven, and every three years for steps eight through 10.

In addition to the tenure-based step increases, some agencies and managers make use of discretionary “quality step increases” (QSIs) to move high-performers up the pay scale more quickly, but with only 3 percent of employees receiving these QSIs, policymakers should look for ways to make them more readily available. It could be that the process to promote an employee more quickly is too burdensome for managers, or that sufficient discretionary funding is not available.

If policymakers were to reduce the frequency of WGs—for example, by making them every

three years at each step—this would free up resources for managers to more frequently employ QSIs.

Better Tie Pay to Performance: Limit Performance Improvement Plans. To avoid an otherwise automatic pay increase, federal managers must rate an employee less than fully successful and develop a performance improvement plan for that employee. These plans are burdensome and time-consuming and can also be appealed by workers. This is a big reason why managers rate 99.9 percent of all employees as fully successful, when, in reality, a not-insignificant portion of federal employees could and should improve their performance. To better tie pay raises to performance, managers should not be required to develop performance improvement plans for employees unless they intend to pursue disciplinary action or removal. Removing this requirement should not, however, preclude managers from providing constructive feedback and recommendations to employees who receive less than fully successful ratings.

Better Tie Pay to Performance: Limit the Appeals Process for Pay-Raise Decisions. Just as the performance improvement plan requirement precludes managers from rating employees as less than fully successful, so, too, does the ability of federal employees to appeal the decision of a manager to delay or deny them a pay raise. Complying with the appeals process is extremely time-consuming for managers and takes away from their ability to carry out their jobs. Policymakers should limit the outside appeals process to disciplinary and removal decisions, and should restrict pay decision appeals to within the agency.¹⁶

Better Tie Pay to Performance: Ease the Use of Special Payments. As a Government

agency not granting a step increase or performance bonus.

¹⁶This would mean that the Merit Systems Protection Board would have no jurisdiction over the decision not to grant a step increase or performance bonus, and unions could not file grievances on account of an

Accountability Office report highlights, agencies, such as the Environmental Protection Agency and the Departments of Commerce and Energy, have successfully utilized special payments to reward high performers.¹⁷ But while seven different payment authorities exist, only 6 percent of federal workers receive any benefit from them,¹⁸ as agencies cite a lack of funding from preventing more widespread use of these merit-based awards.¹⁹ Transferring some savings from non-merit based reforms, such as slowing the progression up the General Schedule (GS) scale, toward merit-based payments would help the government to attract and retain the workforce it needs.

Modernize Paid Leave. The federal government provides significantly more total paid leave than the private sector does. Federal workers with five years of service receive 20 paid vacation days, 13 paid sick days, and 10 paid holidays, for a total of 43 days per year.²⁰ Workers in the private sector who have paid leave typically receive 13 paid vacation days, eight paid sick days and eight paid holidays, for a total of 29 days per year.²¹ The federal government should reduce its paid leave package by about eight days from the current 20/13/10 schedule to 15/10/10. Alternatively, or as an option for workers who want it, federal employees could receive a Paid Time Off (PTO) allowance of between 16 and 27 days per year, depending on tenure.

¹⁷U.S. Government Accountability Office, “Opportunities Exist to Enhance Strategic Use of Special Payments,” *Report to the Committee on Oversight and Government Reform, House of Representatives*, December 2017, <https://www.gao.gov/assets/690/688867.pdf>, (accessed June, 18 2019).

¹⁸*Ibid.*, p. 10. These special payment authorities include: special rates, recruitment incentives, relocation incentives, retention incentives, superior qualification and special needs pay settings, and critical position pay.

¹⁹*Ibid.*

²⁰The specified paid leave allowances are provided for employees with between three years and 15 years of

Trade Piecemeal Paid Family and Medical Leave for a Formal Policy. Currently, federal workers do not have formal access to paid family and medical leave, but the provision of 13 annual sick days that roll over from year to year as well as the ability to use up to 30 days of advance (not-yet-earned) sick leave for FMLA and other reasons functions as a de facto short-term disability and paid family and medical leave program. Workers can also access a sick leave pool of unused and donated sick leave from other workers.

Paid family leave that comes directly from one’s employer is more responsive and flexible to both workers’ and employers’ needs and thus, even for federal employees, it is better for them to go directly through their office or agency to receive paid family and medical leave as opposed to having to apply through a disconnected new national paid family leave agency.

If federal workers prefer a formal paid family and medical leave policy over their defacto policy through various sick leave provisions, then congress should provide federal employees with a policy to make family and medical leave (in accordance with the Family Medical Leave Act) paid.²² But because adding a new paid family and medical leave benefit on top of the existing defacto one would allow workers to take at least 18 weeks and up to 52 weeks of paid FMLA in a single year, Congress should only consider a new paid family and

tenure. I use the example of an employee with five years of service because it allows a comparison to data on private-sector employees.

²¹Bureau of Labor Statistics, National Compensation Survey. Figures are mean vacation and sick leave days provided to private-sector workers in 2015 in companies with 100 or more employees, for employees who do not have consolidated vacation and sick leave plans.

²²The tradeoff to workers of exchanging rollover and advance sick leave for paid family and medical leave would be a gain in the total number of paid FMLA available but a potential reduction in retirement pension credits that come from unused accumulated sick leave.

medical leave benefit in conjunction with ending the ability to rollover sick leave and to take advance sick leave.

Offer Workers Lower Employee Premium Health Insurance Options. The current, predominantly percentage-based subsidy for federal employees' health benefits discourages employees from choosing lower-cost health care plans because employees do not realize most of the savings from choosing lower-cost plans. Congress should eliminate the requirement that employees pay at least 25 percent of their premium costs and instead provide a flat subsidy amount to workers regardless of the plan they choose.

Eliminate Selective Retiree Health Insurance Benefits, But Only for New Workers. In addition to generous health insurance subsidies during employment, the federal government extends those subsidies to certain retirees—namely, only those who retire directly from the federal government after five or more consecutive years of service leading up to retirement.²³ Estimated by the CBO to be worth 6.4 percent of workers' pay, this is a valuable benefit, but based on its uneven and arguably unfair distribution, it is underappreciated by federal workers. The federal workforce as a whole would be better served by ending this benefit for new hires and shifting the savings to more valuable compensation.

2. IMPROVED ACCOUNTABILITY AND MERIT

While pay and benefits are an important component to filling the federal government's workforce needs, upholding a positive and merit-based workplace culture is equally

important.²⁴ No one wants to work in an environment that fails to recognize or reward success, that harbors nepotism, or that engenders mediocracy and apathy.

Make it Easier to Address Poor Performance: Limit Appeals. The current federal employment system shelters bad employees by forcing managers to navigate an excessively burdensome process that takes a year and a half, on average, to dismiss a federal employee.²⁵ Part of this long process comes from the ability of federal employees to file complaints with up to three out of four different forums including: the Equal Employment Opportunity Commission alleging discrimination; the Office of Special Council (OSC) alleging retaliation for whistle-blowing; and either with the Merit Systems Protection Board (MSPB) or through its union grievance procedures. Employees can drag out the dismissal process by filing subsequent complaints across agencies. While dismissal decisions are typically upheld, the process is so time-consuming and burdensome that most federal managers avoid attempting to dismiss even the most egregious cases of poor performance and misconduct. This results in higher-than-necessary employment as agencies must hire additional employees to get the job done. Congress should require employees to pick one and only one forum to appeal their dismissal. Alternately, Congress could create a single forum to address all appeals, as the Civil Service Commission did prior to its dissolution in 1979.

Make it Easier to Address Poor Performance: Lower the Burden of Proof to Dismiss Workers. Federal managers attempting to fire an employee under Chapter 75 procedures must prove "a preponderance of

²³Office of Personnel Management, "Continuing FEHB Coverage into Retirement."

²⁴John W. York. *Strengthening the Federal Workforce Through Increased Accountability*. Background Paper No.3325. The Heritage Foundation. July 26, 2018

²⁵James Sherk, "IRS Abuses: Ensuring that Targeting Never Happens Again," testimony before the Oversight and Government Reform Committee, U.S. House of Representatives, August 6, 2014.

evidence” (meaning that that a reasonable person would believe the evidence justifies a firing) *and* prove that dismissing the employee will improve the performance of the agency.²⁶ This can be an unrealistically high hurdle to clear, especially for subjective performance issues. This high burden of proof discourages federal managers from attempting to remove poor performers. Congress should lower the Chapter 75 burden of proof to showing that “substantial evidence” supports the firing, meaning that a reasonable person could come to that conclusion, although another reasonable person could look at the evidence and disagree.²⁷ Congress should also reduce the Chapter 75 burden on agencies from proving that dismissing an employee will improve the federal service to showing it is not unreasonable to believe the dismissal will have that effect.

Make it Easier to Address Poor Performance: Extend the Probationary Period from One to Three Years. In their first year of service (or two years in some agencies), federal employees work on “probation” and are effectively at-will employees. After the probationary period ends, federal employees gain Civil Service protections and can only be removed with great difficulty. Congress should extend the probationary period to three years for all federal employees to give agencies more time to evaluate performance and decide whether to make the commitment to hiring someone permanently.

Make it Easier to Address Poor Performance: Expedite the Dismissal Process for Certain Employees. In cases where federal employees are hindering the efficiency of the service; pose a threat to the

safety or security of the workforce; endanger national security; abuse their position for personal motives; or are seriously negligent or derelict in their duties, agencies should be able to expedite the dismissal process. If any of those circumstances apply: The mandatory waiting period before dismissing an employee should be reduced from 30 days to 14 days; agencies should be able to suspend an employee’s pay during this waiting period (providing back pay only if the employee wins on appeal); and employees should have only one appeal opportunity to the regional MSPB offices (not also the MSPB headquarters).

Adequate Training for Managers on Tools Available to Them. Often times, federal managers blame cumbersome processes for inhibiting their ability to hire and promote good people or to discipline or dismiss poor performers. There is definitely truth in these claims, but some managers also lack sufficient training and understanding of the tools they have to help maximize workplace efficiency. For example, creating unofficial job titles (still tied to official job titles) can help to attract the right candidates, and utilizing special authority to provide significantly higher base pay along with recruitment and retention bonuses can help to fill positions in which the federal government has trouble competing with the private sector.²⁸ Ensuring that all employees that reach management positions have received the appropriate training to understand the tools and resources available to them, as well as their responsibility to ensure a merit-based system, could help to increase productivity within federal workplaces.

²⁶U.S. Merit Systems Protection Board, “Addressing Poor Performers and the Law,” *Report to the President and the Congress of the United States*, September 2009, p. 33, <http://www.mspb.gov/netsearch/viewdocs.aspx?docnumber=445841&version=446988&> (accessed September 23, 2019).

²⁷Ibid.

²⁸Office of Personnel Management, “Pay & Leave: Pay and Leave Flexibilities for Recruitment and Retention,” <https://www.opm.gov/policy-data-oversight/pay-leave/pay-and-leave-flexibilities-for-recruitment-and-retention/> (accessed September 23, 2019).

3. INNOVATIVE WAYS TO MEET FEDERAL WORKFORCE DEMANDS AND IMPROVE OPPORTUNITIES FOR FEDERAL WORKERS.

Work, technology, and the way we live are constantly changing. This requires adaptation, which can be hard to accomplish through one-size-fits all policies that span as many as 430 federal agencies and sub-agencies,²⁹ roughly 350 different occupations,³⁰ and a federal workforce of 2.1 million people.³¹ Yet, by allowing flexibilities and utilizing new technologies and innovations, the federal government can meet its own workforce needs while also improving the opportunities it provides to federal workers.

Consider Aptitude Testing Similar to the Military’s Armed Services Vocational Aptitude Battery (ASVAB). In its recruitment process, the military employs an aptitude test called the ASVAB that covers nine different areas of knowledge and capability. This can benefit help the military determine which recruits are qualified for job openings and help to inform recruits about which jobs they are best-suited to perform, including introducing many options they may not have even considered.

²⁹Clyde Wayne Crews, “Nobody Knows How Many Federal Agencies Exist,” The Competitive Enterprise Institute, August 26, 2015, <https://cei.org/blog/nobody-knows-how-many-federal-agencies-exist> (accessed September 23, 2019).

³⁰Dennis Vilorio, “Working for the Federal Government: Part I,” Bureau of Labor Statistics, September 2014, <https://www.bls.gov/careeroutlook/2014/article/mobile/federal-work-part-1.htm> (accessed September 23, 2019).

³¹Congressional Research Service, “Federal Workforce Statistics Sources: OPM and OMB,” updated March 25, 2019, <https://fas.org/sgp/crs/misc/R43590.pdf> (accessed September 23, 2019).

³²News release. “Presidential Memorandum—Improving the Federal Recruiting and Hiring Process,”

Unlike the military, however, federal agencies typically rely on employees’ own self-assessments of their knowledge, skills, and abilities, leading to subjective information about job applicants’ suitability. In 2010, President Obama signed an executive order calling on agencies to “assess applicants using valid, reliable tools” and soon thereafter, the OPM began developing job-specific standardized tests.³² Although some agencies began to utilize these exams starting in 2012, agencies seem hesitant to begin significantly employing aptitude tests.³³ In addition to agency-specific and job-specific tests, the Administration and OPM should consider the potential benefits of establishing a Civil Service-wide assessment as a tool for federal agencies to use in recruitment.

Targeted Training, Such as the Federal Cyber Reskilling Academy. In certain areas, such as IT and cybersecurity, the federal government faces significant shortages that threaten the ability of government agencies to perform their missions. One potential option to help fill chronic shortages is to establish temporary training programs similar to the Federal Cyber Reskilling Academy that began in April and just finished training for its second cohort of trainees.³⁴ This program takes current federal employees and provides them with the skills and education necessary to meet specific

The White House, May 11, 2010, <https://obamawhitehouse.archives.gov/the-press-office/presidential-memorandum-improving-federal-recruitment-and-hiring-process> (accessed September 23, 2019).

³³Lisa Rein, “For Federal-Worker Hopefuls, the Civil Service Exam Is Making a Comeback,” *The Washington Post*, April 2, 2015, <https://www.washingtonpost.com/news/federal-eye/wp/2015/04/02/for-federal-worker-hopefuls-the-civil-service-exam-is-making-a-comeback/> (accessed September 23, 2019).

³⁴Federal Cyber Reskilling Academy, <https://www.cio.gov/reskilling/> (accessed September 22, 2019).

federal workforce needs, such as Cyber Defense Analysis. An important component to determining whether or not to continue this program, or to extend it to other sectors facing shortages, is to assess the effectiveness of the program in meeting federal workforce needs more effectively than alternative measures, such as increasing the pay in fields with shortages.

Greater Use of Special Hiring Facilities.

While it typically takes a long time to hire federal employees—106 days or 15 weeks, on average—there are tools available to federal agencies to speed up the process. For example, agencies can fill mission-critical positions and those with severe shortages on the spot using “Direct Hire” authority. Moreover, agencies can use incentives, such as signing bonuses, relocation expenses, student loan repayments, and superior quality appointments to attract the talent they need. Additional recommendations can be found in former OPM Director and current Heritage Foundation President Kay Coles James’s 2004 OPM memorandum to chief human capital officers titled, “Ten Things You Can Do to Improve Federal Hiring.”³⁵

More Mobile and Flexible Benefit Options.

The federal workforce is aging, and retiring baby boom workers will be replaced with younger workers who have changing expectations for employment and career paths. In particular, as a recent poll by the Gallup Foundation, “Millennials: The Job-Hopping Generation,” points out, most younger workers do not see themselves spending their entire career—or even the next five years—in a single job.³⁶ Moreover, workers have different preferences in terms of the types of benefits

they desire and how much pay they are willing to give up for those benefits.

Providing workers with benefits that they can carry out of—and potentially back into—federal employment could help to recruit workers. For example, if workers could choose to have all their retirement benefits go into their own portable Thrift Savings Plan, instead of the FERS pension system, the current five-year vesting period would not be a deterrent to federal employment. Moreover, if workers could choose—at least for some period of time—to trade their retirement benefits for higher pay, this could help to make federal employment possible for more workers, including those who need higher base salaries to buy their first home, pay for child care, or pay for their children’s education.

Easier Movement Into and Out of Federal Employment.

To make it easier for workers who have previous federal experience to re-enter the Civil Service, or for current federal employees to move between agencies, Congress could grant special authority to fast-track these workers back into, or across, the federal service.

SUMMARY

The federal government employs about 2.1 million civilian workers spanning as many as 430 departments, agencies, and sub-agencies,³⁷ and performing 350 different occupations.³⁸ Establishing human resources policies to meet the federal government’s vast missions and workforce needs is extremely challenging. To help improve the federal government’s ability to recruit and retain the workers it needs to

³⁵Office of Personnel Management, “Ten Things You Can Do to Improve Federal Hiring,” *Memorandum*, February 10, 2004, <https://chcoc.gov/content/ten-things-you-can-do-improve-federal-hiring> (accessed September 23, 2019).

³⁶Amy Adkins, “Millennials: The Job-Hopping Generation,” Gallup, <https://www.gallup.com/workplace/231587/millennials->

[job-hopping-generation.aspx](https://www.gallup.com/workplace/231587/millennials-job-hopping-generation.aspx) (accessed September 23, 2019).

³⁷Crews, “Nobody Knows How Many Federal Agencies Exist.”

³⁸Vilorio, “Working for the Federal Government: Part I.”

carry out its mission in an efficient and accountable way that protects taxpayer resources, Congress and the Administration should: Bring federal compensation in line with private sector compensation, including new options for workers who prefer pay over benefits; improve accountability and prioritize merit to provide more constructive and productive workplace environments; and use innovative tools and flexibility to meet both the

federal government's needs and workers' desires.

This is one area in which policymakers can come together in enacting win-win solutions. A more competitive, efficient, and accountable Civil Service would benefit federal agencies, current and potential federal employees, taxpayers, and younger and future generations.

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