



# **NATIONAL ACADEMY OF PUBLIC ADMINISTRATION**

1100 New York Ave NW, Ste 1090 East  
Washington, D.C. 20005

TEL (202) 347-3190 FAX (202) 393-0993  
INTERNET: [www.napawash.org](http://www.napawash.org)

**Statement of**

**Hannah Sistare**

**Vice President of Academy Affairs  
National Academy of Public Administration**

**Before the  
U.S. House Committee on Oversight and Government  
Reform**

**Subcommittee on Federal Workforce, Postal Service,  
and the District of Columbia**

**March 8, 2007**

**Chairman Davis, Ranking Member Marchant, and Members of the Subcommittee:**

Thank you for inviting me to testify today on the operation of pay for performance systems in the federal government and recommendations for moving forward.

I am Vice President of Academy Affairs and a Fellow of the National Academy of Public Administration (the Academy). The Academy is an independent, nonpartisan organization chartered by Congress to assist federal, state and local governments improve their effectiveness. My comments today represent my own views and those of a number of Academy Fellows with extensive experience in the field.

I appeared before this Subcommittee in 2003 to discuss the performance and pay recommendations of the National Commission on the Public Service, chaired by former Federal Reserve Board Chairman Paul A. Volcker. The Volcker Commission noted that federal personnel systems were immune to performance and that quality of performance, which the Commission believed ought to be the central factor in determining compensation, was too often ignored.

Today, performance based management and pay systems are being implemented at agencies across the government. The experts predicted from the beginning that the design and implementation of these systems would take time, focused effort and committed resources, and this has proved true. Complicating factors have included the size and complexity of the two agencies chosen as showcases for these new systems – the Department of Homeland Security (DHS) and the Department of Defense (DOD). DHS has had to overcome significant organizational challenges. Design and implementation at both DHS and DOD has been slowed by ongoing legal disputes over related aspects of the authorizing legislation and its implementation. Disagreement over what funding is necessary and should be provided may also have impacted readiness and implementation.

Despite these difficulties, there is evidence that much productive work has been done and the federal workforce and its leadership are increasingly more performance attuned. As the Volcker Commission and many others have concluded, this change in the culture and operations of government is necessary for it to serve the public and the nation in the 21<sup>st</sup> Century.

Today, as the Subcommittee focuses on these programs and possible improvements in them, I would like to offer for its consideration recommendations made by Fellows and study panels of the National Academy of Public Administration

The Academy has assisted several federal agencies by conducting readiness reviews for the implementation of performance management and performance based pay systems. These include the Federal Bureau of Investigation, the Department of the Navy and the Federal Judiciary. Notably, the Academy and the agencies it has worked with have found such independent, outside reviews very helpful in identifying problem areas that need to be addressed.

The Academy has reviewed its own studies, as well as those conducted by other analysts, for the purpose of identifying factors that are critical to the successful development and implementation of a pay for performance (PFP) system. From these reviews it has produced a report on recommended actions for federal agencies working to adopt such systems. We have provided the Subcommittee with copies of this report, and I will note some highlights which appear to have particular applicability to the successful implementation of PFP in the federal government today.

Factors contributing importantly to an organization's readiness for PFP are:

- Leadership that is committed to and capable of leading organizational change
- Preparation for the critical role that first line supervisors will play in program implementation
- Clearly defined organizational goals and objectives
- Necessary and appropriate supporting systems and infrastructure
- Sufficient human and financial resources
- An established policy and legal framework including a clear definition of the employees covered and a policy regarding budget and cost parameters for ongoing compensation under the new system.

Factors contributing importantly to effective design and implementation are:

- Top leadership support and expectations for the system, which is reinforced by managers and supervisors.
- A clear and persuasive statement as to why the new system is needed and its anticipated benefits, most particularly how it will contribute to employees' ability to better accomplish their work which contributes directly to agency mission.
- A well established, credible and valid performance management system.
- Open communications and program transparency between and among all levels of the organization.
- An employee involvement plan that provides for early, continuing and meaningful involvement.
- Well-defined career paths, promotion opportunities, training requirements and employee development resources. The absence or presence of these elements will significantly affect employee confidence in being able to succeed in a PFP environment.
- A sound concept of operations and a detailed operating plan.
- A commitment to test the system components and refine them as needed.
- Willingness to utilize independent reviewers to assess program design and implementation.

Some of these factors were identified early on in the federal government's PFP initiatives; some have gained clarity as systems have been implemented; and all have been validated by experience. Hopefully they can serve as useful benchmarks for examining PFP programs in development or implementation and for those that will be initiated in the future.

In looking at these recommendations, the track record of PFP in the federal government and its future role, several underlying principles stand out as necessary preconditions to future success:

- Leadership commitment to the system verbalized and demonstrated.
- Commitment throughout the organization to the system and recognition and understanding of its importance in achieving program goals.
- Time for rehearsal, review, redesign and retrying – all of which will build participant buy-in and trust.
- Consensus among policymakers and the executive as to the overall design, implementation, cost and financing of PFP systems and a commitment to support that consensus over a period of years.

Mr. Chairman that concludes my prepared remarks. I hope that these comments and the report prepared by the Academy will be useful to the Subcommittee as it considers the future course and direction of performance based pay in the federal government. I thank you again for inviting me to testify and would be pleased to answer any questions you and other Members of the Subcommittee may have.