

Statement of

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Before the

Subcommittee on Oversight of Government Management, the Federal Workforce, and the
District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

On

Employing Federal Workforce Flexibilities: A Progress Report

April 21, 2005

Good Morning, Mr. Chairman and members of the subcommittee. On behalf of the Office of Personnel Management (OPM), I am pleased to appear before you today to discuss Federal agency use of key human capital flexibilities. I am Marta Brito Pérez, Associate Director for Human Capital Leadership and Merit System Accountability. This subcommittee, through your dedicated leadership and commitment, has been instrumental in providing tools to address human capital challenges facing the Federal Government today. These efforts have led to enactment of significant legislation, including the *Federal Workforce Improvement Act* of the *Homeland Security Act of 2002*; the *Senior Executive Service Reform Act* of the *Defense Authorization Act of 2004*; the *Federal Employee Student Loan Assistance Act of 2003*; the *NASA Flexibility Act of 2004*; and the *Federal Workforce Flexibility Act of 2004*. These are important

tools that must ultimately become part of a flexible framework of Federal human resources management systems that support agencies' efforts in mission accomplishment.

The *Federal Workforce Improvement Act* of the *Homeland Security Act of 2002* contained, among other things, provisions which established the position of agency Chief Human Capital Officer (CHCO), created the CHCO Council, set forth provisions for the Governmentwide use of category rating, expanded the use for Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments. The *Senior Executive Service Reform Act* of the *Defense Authorization Act of 2004*, set forth provisions that created a system for ensuring senior executive excellence and accountability through a new performance-based pay system. The *Federal Flexibility Act of 2004* contained, among other things, provisions which expanded the use of Recruitment, Relocation, and Retention bonuses, agency training, leave enhancements, and compensatory time for travel.

Your letter of invitation asked us to focus on three areas: (1) the development and implementation of the pay for performance regulations for the Senior Executive Service (SES), (2) the training and education OPM has done to encourage agencies to make use of workforce flexibilities, and (3) our comments on the use of workforce flexibilities at the National Aeronautics and Space Administration (NASA) and what OPM has done to ensure they are implemented consistent with Congressional intent and OPM-approved workforce plans.

Senior Executive Service Compensation

We believe the act that supports the Senior Executive Service pay-for-performance and their related performance management systems, the rigorous criteria for certification, the training and approval process prescribed by OPM, and the response of agencies to date represent an emerging success story for reaching the goal of high performance becoming a way of life in Federal service set by President George W. Bush in his Management Agenda.

This law gives us the opportunity to ensure that accountability for performance management resides at the highest levels of Government. How we are getting there is as important as the result we are achieving. The law provides broad flexibility, a clear objective, and strict accountability. OPM matched this statutory framework with a regulatory framework that features clear and rigorous criteria, close consultation with agencies in implementing those criteria, and provisional and full certification of agency plans. The result of this effort is a system of Federal executive compensation featuring an open pay range, while ensuring a system for making meaningful distinctions in performance, and basing all compensation adjustments on performance. In Fiscal Year 2004, 32 agencies received full or provisional certification for the SES or equivalent performance management plans which held executives and managers accountable for results and based compensation on the outcomes. To date, thirteen agencies have received full or provisional certification for Fiscal Year 2005, with another twelve requests undergoing review.

Agencies' Progress on Human Capital Flexibilities

As you have so accurately pointed out in the past, strategic human capital management must become institutionalized in the Executive agencies. OPM strategically restructured and created the position of Human Capital Officers to work with the agencies, one Human Capital Officer per agency, to assist them with their efforts to transform their human resources programs. OPM provides technical assistance to the agencies and monitors the implementation of requirements laid out in human capital initiative of the President's Management Agenda, including their use of flexibilities.

Agencies are using these flexibilities as part of their overall strategic planning process and to ensure they have the right people in the right jobs, close skills gaps and transform their workforce to meet the changing needs of the 21st century. Nearly one-third (9) of the Executive Branch agencies have achieved a green status on their human capital management efforts, and almost all are making strategic use of many of the flexibilities available to them.

Our review of agencies' efforts suggests they have improved in their management of human capital, that the fundamental concepts of workforce planning, succession planning, performance management for results, and leadership development are integral parts of the agencies' human capital management planning process.

Agencies are also using the flexibilities available to them to delayer, restructure, and reshape their workforces. For example, prior to passage of the *Federal Workforce Improvement Act*, agencies could only offer Voluntary Early Retirement Authority (VERA) based on a need to downsize their workforce, and agencies had to seek individual statutory authority to offer employees Voluntary Separation Incentive Payments (VSIP). With the signing of the Act, agencies can now request VERA based on a need to delayer, restructure or reshape their workforce, and OPM has the authority to approve agency requests to provide VSIP payments to their employees.

In Fiscal Year 2004, 40 agencies requested and received from OPM Voluntary Early Retirement Authority and/or Voluntary Separation Incentive Payment authority; 22 agencies requested and received Dual Compensation (Salary Offset) Waivers in order to recruit or retain talent critical to the success of their missions; and, 10 requested and received Direct Hire Authority in order to more effectively compete in the war for talent.

As you know, the Federal Government is highly decentralized, and over 80 percent of our employees are outside of Washington, DC. So, to make sure that flexibilities are used across the country, in May of 2004, OPM began conducting symposiums designed to train agencies on the use of flexibilities such as direct hire authority, student loan repayment incentives, Veterans Readjustment Act, Veterans' Reemployment Opportunities Act, excepted service appointments, and category rating. To date, we have conducted symposiums in 27 cities across the country. These symposia delivered training and information to Human Resource Specialists and Selecting Officials representing over 30 agencies. We recently launched our web-based training tool, the

On-Line Hiring Flexibilities Guide. Agencies may access this tool as needed to obtain useful information about the flexibilities available to assist them in building the workforces. Today, you will hear from four agencies on their use of flexibilities.

In addition, through our Human Capital Officers, OPM provides direct, hands-on, one-on-one technical assistance to assist agencies in designing and implementing human capital strategies that are aligned with their missions, goals, and organizational objectives and integrated into their strategic plans, performance plans, and budgets. All President's Management Council agencies have, or are finalizing a strategic human capital plan built upon an agency-wide vision that guides human capital planning and investment, incorporates metrics to assess its impact on mission accomplishment, and holds management accountable for the effective implementation and results of the plan. We use the President's Management Agenda scoring process to drive a results focus throughout the agencies. Part of our review includes the effectiveness of agency appraisal systems, including looking at employee engagement and feedback, oversight and accountability for the system, and the development of performance management competencies of managers. We recently began a series of briefings that will deliver information and training to executives and managers to ensure they are prepared to manage in a pay-for-performance environment.

We work closely with the Chief Human Capital Officers across the agencies. Mr. Chairman, your leadership in authoring the legislation establishing these important positions – and the CHCO Council – is already having a substantial positive impact on Federal human capital management. The CHCO Council also is playing a major role in the Administration's efforts to

modernize the Civil Service – from implementing Senior Executive Service pay-for-performance systems to partnering with OPM to carry out the Executive order overhauling the Presidential Management Fellows Program, the Federal Government’s premier leadership development program.

But, we at OPM believe in flexibility with accountability. Our compliance program fully integrates the strategic human capital management perspective. OPM conducts human resources operations audits of Federal agencies on a cyclical basis through its integrated Human Capital Leadership & Merit System Accountability program. These audits include on-site visits to Federal installations throughout the United States. They assess the use of workforce flexibilities at the level where most hiring decisions are made. Our findings inform our efforts to train Federal managers at the hiring level and shape the guidance and training we provide the agencies.

NASA’s Use of Flexibilities

Finally, you asked OPM to comment on NASA’s use of workforce flexibilities and advise what we have done to ensure NASA’s implementation is consistent with Congressional intent and the agency’s workforce plan. After examining NASA’s human capital activities from a variety of perspectives, we believe NASA’s use of the various human resource flexibilities is consistent with the intent of Congress. We completed our audit of NASA’s operations during the second quarter of FY 2004. I am pleased to report that we found NASA’s human resources programs to be effective and consistent with the criteria laid out in the Strategic Management of Human Capital initiative of the President’s Management Agenda (PMA).

With regard to specific flexibilities, I am pleased to advise you that NASA requested and OPM approved authority for variety of flexibilities, including Voluntary Separation Incentive Payment authority and Voluntary Early Retirement Authority, as well as agency-approved flexibilities such as Recruitment, Relocation, and Redesignation Bonuses and Student Loan Repayments for a number of NASA facilities.

NASA was the first agency to achieve a “green” score on the PMA’s Executive Branch Management Scorecard in the Strategic Management of Human Capital. The agency has a human capital strategy that is aligned with its mission, goals, and organizational objectives, that is integrated with its strategic and performance plans, and budget plans. Most importantly, NASA is continuously assessing and improving the way they manage their workforce. NASA’s leadership is accountable for the effective management of people, including building a diverse, results-oriented, high-performing workforce.

Conclusion

Four years ago, the President challenged Federal agencies to become more citizen-centered, results-oriented, and market-based in their operations. Through your work and the work of your Subcommittee, agencies now have and are using the flexibilities available to recruit and retain employees. In terms of human capital management, Federal agencies have made good progress. Agencies are identifying critical occupations and competency gaps and developing strategies to address those gaps.

The staffing flexibilities help agencies to aggressively recruit the best and brightest into public service. However, more is needed. We want to better link career advancement and rewards to employee performance. The problem is these flexibilities are used as part of a system of compensation, grounded in a past era, that does not fully value performance. In short, the General Schedule imposes limits on the use and value of these flexibilities. That is because those tools and flexibilities are being incorporated into a personnel system that is obsolete and was designed to manage a workforce that is significantly different from the one the agencies need now to meet their missions. In addition, as a result of the new personnel systems being implemented at the Department of Defense and the Department of Homeland Security, over fifty percent of the Federal workforce will be covered by a framework of flexibilities that creates a competitive disadvantage for other Federal agencies.

Progress has been made. Now is the time to embark on the efforts that will implement the necessary improvements on a Governmentwide basis. We believe the future of flexibility should focus on system-wide change, rather than individual interventions, in order for agencies to be managed strategically and for strategic human capital management to be taken off the GAO “high-risk” list. We cannot fully institutionalize strategic human capital planning without a system of human resources management that provides the flexibility to allow such planning to be fully effective. The Congressional enactment of the new Senior Executive Service performance management system points the way for development of system-wide change with its clear criteria, flexible framework, and process of central certification.

I would like to thank you, Chairman Voinovich, for focusing on management issues within the Federal Government. Because of the work of this Subcommittee, agencies now have additional flexibilities which are being used to recruit and retain employees. These flexibilities, however, cannot mask the deficiencies of a personnel system that is not well-suited to meet the mission critical goals of today's Federal workforce. I will be glad to answer any questions you may have.