FMA

Federal Managers Association

Testimony

Before the Senate Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

Before the House Government Reform Subcommittee on Civil Service and Agency Organization

For Release on Delivery
Expected at
9:30 A.M. EST
Tuesday
April 9, 2003

The Human Capital Challenge: Offering Solutions and Delivering Results

Statement of
Ms. Karen Heiser
Federal Managers Association

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Chairman Voinovich and Chairwoman Davis, Ranking Member Durbin and Ranking Member Davis, and Members of the Subcommittees:

My name is Karen Heiser. On behalf of the 200,000 managers and supervisors in the Federal government whose interests are represented by the Federal Managers Association (FMA), I would like to thank you for inviting us to present our views for this joint hearing before the Senate Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, and the House Government Reform Subcommittee on Civil Service and Agency Organization regarding the human capital challenges facing the Federal government.

I am currently the Organizational Development Manager at Watervliet Arsenal in New York, U.S. Department of the Army. My statements are my own in my capacity as a member of FMA and do not represent the official views of the Department of Defense or the Army.

Established in 1913, FMA is the largest and oldest Association of managers and supervisors in the Federal government. Our Association has representation in more than 25 Federal departments and agencies. We are a non-profit advocacy organization dedicated to promoting excellence in public service through effective management. As those who are responsible for the daily management and supervision of government programs and personnel, our members possess a wide breadth of experience and expertise that we hope will be helpful as we collectively seek to overcome the human capital crisis that our civil service has been burdened with.

This hearing comes on the heels of recently released survey results from the Office of Personnel Management (OPM)[1]. OPM sent a 100-question survey to over 208,000 Federal workers between May and August 2002, to which more than 106,000 employees responded, representing 189 units in

[1] U.S. Office of Personnel Management: 2002 Federal Human Capital Survey, March 2003.

24 of the largest Federal agencies. The data confirms that in addition to the impending mass exodus of Federal workers due to retirement, we are facing difficulties in the area of retention, as more than one-third of those surveyed said they were considering leaving their jobs. A little less than half of the 34.6 percent who are considering leaving said they were planning to retire within three years. In addition, 43.8 percent felt their pay was fair, poor, or very poor. The study also shows that fewer than half of all employees are satisfied with the recognition they get for doing a good job, with only 30 percent believing awards programs provide real incentives for workers to do their best. Only 27 percent said steps have been taken to deal with poor performers.

Watervliet Arsenal has struggled for over a decade with decreasing workload and downsizing of personnel. To help offset attrition and skill loss, anticipated hiring of new engineers and manufacturing apprentices will rejuvenate the nucleus of the workforce. The infusion of skills is a critical part of a successful transformation. The apprentice program at Watervliet Arsenal has always been the vehicle to recruit and develop these core skills. On behalf of FMA Chapter 19 at Pearl Harbor, I would be remiss if I did not personally thank Senator Akaka for his support over the years of Pearl Harbor Naval Shipyard, where your efforts have been instrumental in the area of workforce revitalization, enabling the shipyard to hire more than 640 new apprentices and 120 engineers over five years. Although dormant for several years as a result of declining workload, the apprentice program at Watervliet Arsenal is ready and waiting. Now is the time to revive the development of essential skills for the future through initiatives such as a reactivated apprentice program at Watervliet Arsenal, where program graduates since the 1800s have provided our critical manufacturing skills and ascended into many of our supervisory positions, from first line to the directorate level. At Watervliet Arsenal and beyond, this type of in-house training and mentoring is what our government must do more of as we continue to lose valuable expertise by way of retirements and mid-career departures.

We at FMA are greatly concerned by the Army's plan to review for privatization more than 214,000 military and civilian positions in the Department of the Army, otherwise known as the "Third

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Wave." Such transfers have the potential of seriously eroding the readiness of the total force at a time when the nation is at war.

This most ambitious outsourcing initiative is especially inappropriate in that it appears to be based on a "numerical privatization quota" without serious consideration of the potential unintended adverse consequences such transfers could induce. Agencies must have the flexibility to make the best decisions regarding the use of taxpayer dollars without being forced to comply with target percentages. In this time of increased scrutiny on the use of taxpayer dollars by the Federal government, Congress should pass legislation to provide Federal agencies and departments with the ability to use competition to support the mission of the agency and to truly benefit the American people, while not requiring competition for the sake of fulfilling quotas.

Additionally, the "Third Wave" proposal calls for a vast majority of the transfers to be accomplished without any public-private competition. The General Accounting Office's (GAO) Commercial Activities Panel – a panel of experts convened by Congress to study sourcing policy – concluded that activities currently performed by Federal employees, except in de minimis situations, should be subject to some type of competition. We at FMA hope that Congress will look into the "Third Wave" initiative to ensure that Federal functions are not converted to the private sector without the benefit of fair and accountable public-private competition.

INTRODUCTION

The inability to make public-sector employment more attractive has made it increasingly hard for the Federal government to recruit and retain the high-caliber workers it needs to sustain a strong Civil Service. Eighteen months ago, President Bush released the President's Management Agenda, which was designed to create a more citizen-centered and efficient Federal government. One area of concern in the Management Agenda is the proposed reduction of Federal managers. Each Federal agency is required to "identify how it will reduce the number of managers ... and increase the number of employees who provide services to citizens."[2] Once again, the Administration appears to be targeting the very civil servants that it relies on to accomplish its goals – in spite of a human capital predicament

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

that will see many of these managers and supervisors retire in the next three years. This is a very clear deterrent to not only joining management ranks, but working in the public sector at all.

At the same time that we are witnessing the exodus of skilled and experienced Federal workers, the Federal government continues to have difficulty tracking the cost and performance of government work being done by contractors. In the Department of Energy, over 85 percent of the workforce is contract labor, yet we still have no system in place to track the costs of work that has been handed to the private sector. According to the *New York Times*[3], "An internal Energy Department report this year concluded that the agency's largest program, which pays contractors to clean up the waste left by the nation's nuclear weapons programs, has been fundamentally mismanaged since its founding 13 years ago, and much of the $60 billion it has spent over that time was wasted." The *NYTimes* goes on to state, "No one at the department actively supervises multibillion-dollar cleanup projects that are let out to contractors."

While previous administrations have taken credit for creating the smallest Federal government, the illusive nature of the government's less visible and less accountable "shadow workforce" of contractors makes it nearly impossible for policy makers to know if the current course of downsizing and contracting-out is in the nation's best interest. In several documented cases, contract performance of work is actually more costly than in-house performance of these government functions. FMA supports correcting several longstanding inequities in the contracting-out process:

1. TRACK COSTS: Agencies should be required to track costs and savings from contracting-out. Currently, agencies are assuming that promised savings from contractors are actually realized. According to reports done by the General Accounting Office (GAO), however, costs have been shown to increase over the course of contracts, and agencies do not have the systems in place to track costs. This information could be used to encourage contractors to perform better work or bring work back in-house when it could be performed more efficiently by Federal employees.

[2] The President's Management Agenda Fiscal Year 2002, released in August 2001, p. 13.
[3] *The New York Times*, "Energy Dept. Contractors Due for More Scrutiny," Joel Brinkley, Nov. 24, 2002.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

2. PROMOTE PUBLIC-PRIVATE COMPETITION OVER DIRECT CONVERSION: Agencies need to be prevented from contracting out work without public-private competition. The Department of Defense has admitted that less than 1 percent of its contracts are first subjected to public-private competition, despite GAO's findings that Federal employees win 60 percent of the competitions actually conducted. Almost all of the $115 billion worth of work performed annually by contractors is acquired with no public-private competition.
3. ABOLISH ARBITRARY PERSONNEL CEILINGS: In order to compete on a level playing field with government contractors, Federal agencies need the flexibilities to hire additional Federal employees if they could perform the work more efficiently. Currently, agencies manage their Federal employees by arbitrary personnel ceilings. Even when agencies have work, as well as funds to pay for that work, they still contract it out – often at higher costs – because they can't hire the necessary Federal workers.
4. CONTRACT IN: Agencies should be required to subject work done by contractors to the same level of public-private competition as work performed by Federal employees.

Last November, the Office of Management and Budget (OMB) proposed revisions to OMB Circular A-76, which governs the public-private competition process. One key fundamental change is to now assume that all Federal activities are "commercial in nature" unless specifically justified as "inherently governmental." Not only have these terms caused confusion over the years, but yet again, Federal functions are being further scrutinized, while contractor performance remains largely ignored.

FMA believes there must be a proper mix of managers, rank-and-file employees, and contractors that will serve to best achieve each agency's mission. Arbitrary outsourcing without proper mission analysis continues to hurt the front-line supervisors' ability to manage at all, much less manage effectively.

The second National Commission on the Public Service, a.k.a, the Volcker Commission so named for Commission Chair Paul Volcker, recently issued its recommendations regarding civil service reform as part of its final report released this past January. "Clarification and consolidation of

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

responsibility for policymaking executives, combined with greater delegation of operational functions to agency managers, should be the hallmark of progress," wrote Mr. Volcker in the report. The Commission goes on to recommend that,"The operating agencies in these new executive departments should be run by managers chosen for their operational skills and given the authority to develop management and personnel systems appropriate to their missions."[4]

It has been more than two years since GAO for the first time added strategic human capital management across government to its list of the Federal government's "high-risk" areas. "Importantly, although strategic human capital management remains high-risk governmentwide, federal employees are not the problem,"[5] GAO recently noted in an update on the status of Federal human capital management. "Rather, the problem is a set of policies and practices that are not strategic, and viewed by many as outdated and over-regulated. In the final analysis, modern, effective, and credible human capital strategies will be essential in order to maximize the performance and assure the accountability of the government for the benefit of the American people."

In the past two years, Congress and the Administration have made a concerted effort to explore ways in which the Federal government can correct for the arbitrary and excessive downsizing of the past and the void of workforce planning that accompanied it – which only served to exacerbate the human capital crisis upon us. Mr. Paul Light, Vice President and Director of the Governmental Studies Program at The Brookings Institution, has stated that, "the downsizing process was done through an entirely random process. We have reduced the total size of government through attrition and voluntary buyouts ... it has been haphazard, random, and there is no question that in some agencies we have hollowed out institutional memory, and we are on the cusp of a significant human capital crisis."[6]

Despite all of this downsizing, the Federal government has merely created a "shadow government" of contractors. As Mr. Light said, "It is only by the most narrow definition of workforce [full-time equivalents] that a president could say the era of big government is over."[7]

[4] Report of the National Commission on the Public Service: "Urgent Business for America: Revitalizing the Federal Government for the 21st Century," January 2003, p. x.

[5] U.S. General Accounting Office: "High-Risk Series: Strategic Human Capital Management," GAO-03-120, Jan. 1, 2003.

[6] Oral testimony of Paul Light, Senate hearing 106-722, May 4, 2000, page 19.

[7] Oral testimony of Paul Light, Senate hearing 106-722, May 4, 2000, page 18.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

RECENT PROGRESS

As part of the legislation which created the Department of Homeland Security (DHS), several positive reforms were enacted government-wide that will help agency recruitment and retention efforts, while highlighting the critical nature of human capital planning:

- Managers are now able to use categorical ranking (consistent with merit principles) as opposed to the "Rule of Three" to pick top candidates for vacancies. Under the restrictive "Rule of Three," managers could only choose one of the top three candidates recommended by their human resources staff.
- OPM can grant direct hiring authority to agencies when they face a severe shortage of candidates or a critical hiring need.
- The 24 largest departments and agencies must create Chief Human Capital Officers, who are responsible for selecting, developing, training and managing a high-quality workforce. In addition, they will make up the Interagency Chief Human Capital Officers Council, chaired by the OPM Director, to advise and coordinate the personnel functions of each agency.
- OPM must design a set of systems, including metrics for assessing agencies' human capital management.
- Agencies will be required to incorporate workforce planning into their annual agency performance and management reports mandated by the Government Performance and Results Act (GPRA) of 1993.
- Agencies can offer voluntary separation incentive payments and voluntary early retirement, buyouts, and early-outs, for the purposes of workforce reshaping, not downsizing.
- Restrictions on providing academic degree training to Federal employees have been reduced, thereby emphasizing the importance of individual professional development.

On behalf of FMA, I would like to thank Chairman Voinovich and Senator Akaka for their hard work in ensuring inclusion of these important provisions in the legislation creating the DHS. However, it

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

is worth noting that the provision to provide Federal employees compensatory time off for official travel was left out of the final bill. Over the years, FMA has fought to allow Federal workers to receive compensatory time for official travel, as often times managers and supervisors are required to report to scheduled meetings which force travel on personal time. Current OPM regulations state that Federal employees cannot be compensated for credit hours unless the travel occurs during hours of work. This, however, neglects to take into consideration the increasing frequency of Federal managers being forced to travel on personal time. As the Federal government continues to face difficulties in the areas of recruitment and retention, we should allow credit hours for time traveled on personal time as a result of meetings scheduled by the agency.

Moreover, along with the direct hiring authority that was granted to agencies, we further believe Full-Time Equivalent (FTE) ceilings must be made more flexible for agencies to fill high-need positions without the burden of arbitrary FTE caps.

RECRUITMENT AND RETENTION TOOLS

"Recruitment to federal jobs is heavily burdened by ancient and illogical procedures that vastly complicate the application process and limit the hiring flexibility of individual managers,"[8] notes the Volcker Commission in its report.

Compensation is an integral piece of the human capital crisis we are presently facing. Mr. Chairman and Madam Chair, you have introduced legislation, S. 129 and H.R. 1601, that would allow managers to use a variety of compensation tools such as recruitment, relocation, and retention bonuses, and give agencies streamlined critical pay authority to fill key positions. These are sensible reforms that would begin to address the workforce problems that will only worsen with the forthcoming retirement wave.

Retention bonuses do not always have to take the form of financial incentives. In exit interviews of Federal workers, other issues have been raised such as a lack of recognition and the absence of a

[8] Report of the National Commission on the Public Service: "Urgent Business for America: Revitalizing the Federal Government for the 21st Century," January 2003, pp. 27-29.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

long-term sense of purpose. It is also a widespread belief of those leaving government that insufficient opportunities exist for growth in the public sector, which brings us to the problem of proper succession planning. In a recent poll conducted by the Partnership for Public Service, when Federal employees were asked to rank the effectiveness of 20 proposals for attracting talented people to government, the most popular choice was providing more opportunities for career advancement.

Student loan repayment has long been identified as a recruitment and retention bonus that would help attract and retain high-performing employees. Federal agencies have had the authority to repay student loans since 1990, but authorizing language for implementation purposes was not published until 2001. Currently, agencies can pay up to $6,000 a year in student loan payments for each employee, but the total amount per employee cannot exceed $40,000. Also, employees who participate in the program must remain with the agency for at least three years and must pay the money back if they leave before the three years are up.

Under 5 U.S.C. 5379, agencies are authorized to establish a program under which they may agree to repay certain types of Federally-insured student loans as a recruitment or retention incentive for highly qualified personnel. Currently, however, fewer than half of the 53 agencies that report to OPM on the student loan repayment program had a plan in place, or expected to have a plan in place in the near future[9]. Three in four respondents to a recent Hart/Teeter survey considered a loan forgiveness program for college graduates who take Federal jobs an effective recruitment tool[10].

The Generating Opportunity by Forgiving Educational Debt for Service (GOFEDS) legislation, H.R. 1056 and S. 512, would increase the amount of the student loan forgiveness benefit by relieving Federal employees of the obligation to pay income tax on the money Federal agencies provide them. Thank you, Mr. Chairman, for your leadership in introducing this bill. Some agencies have begun offering repayment of student loans, though not nearly enough.

FMA would like to see this benefit extended to those seeking graduate degrees as an additional recruitment and retention tool. According to a recent survey of third-year law school students by the

[9] *Government Executive*, "The Loneliest Number," Brian Friel

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Partnership for Public Service, Equal Justice Works, and the National Association for Law Placement (NALP), law school debt prevented 66 percent of student respondents from considering a public interest or government job[11].

On top of existing recruitment and retention difficulties on a government-wide scale, OPM has reported that the number of Federal human resources (HR) professionals continues to decline. "As more seasoned professionals retired and moved on, they often were not replaced. There was limited opportunity to hire new professionals into the occupation. The net effect is a lack of expertise at a time when HR professionals are being called upon to serve in new and unfamiliar roles as consultant and business partners."[12] Thus, there are fewer and fewer HR experts in the Federal government capable of charting future human resources needs. In fact, more than one-third of the government's human resources professionals will be eligible to retire in three years.[13]

Therefore, it is imperative that we look more closely at Federal HR professionals and examine ways to increase recruitment efforts in that field. Once brought on, "human resources professionals should be integrated with agency strategic and day-to-day business management efforts; in other words, they should be more fully integrated into the hierarchy and leadership of Federal agencies." This quote from your 2000 report to the President[14], Mr. Chairman, could not be more accurate.

Often times, however, agencies do not have adequate funding for these incentives, even existing ones. Annual appropriations should include additional line items for recruitment and training. The public sector should mirror the private sector in appreciating that the most valuable organizational asset is the workforce itself and in recognizing that "you get what you pay for."

TRAINING AND DEVELOPMENT

Agencies must also be prepared to invest in their employees by offering skill training throughout their career. This prudent commitment, however, will necessitate significant technological upgrades.

---

[10] *Hart/Teeter*: "The Unanswered Call To Public Service: Americans' Attitudes Before And After September 11," September 2002.
[11] *Partnership For Public Service* Web site: www.ourpublicservice.org
[12] U.S. Office of Personnel Management: "The HR Workforce: Meeting the Challenge of Change," January 2000, p. 8.
[13] Ibid
[14] Sen. George Voinovich: "Report to the President: The Human Capital Crisis," December 2000, p. 48.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

OPM has already developed pilot Individual Learning Account (ILA) programs. An ILA is a specified amount of resources such as dollars, hours, learning technology tools, or a combination of the three, that is established for an individual employee to use for his/her learning and development. The ILA is an excellent tool that agencies can utilize to enhance the skills and career development of their employees.

We'd also like to inform Congress of our own efforts to promote managerial development. FMA recently teamed up with Management Concepts to offer *The Federal Managers Practicum* — a targeted certificate program for Federal managers. As the official development program for FMA, *The Federal Managers Practicum* helps FMA members develop critical skills to meet new workplace demands and enhance their managerial capabilities.

American University here in Washington, DC provides value to both the individual and the Federal government by establishing a path from skills-based learning to an advanced degree. Students who complete *The Federal Managers Practicum* will be eligible to transfer 10 graduate credit hours to the American University, Schools of Public Affairs, Department of Public Administration graduate program.

FMA has long recognized the need to prepare career-minded Federal employees to manage the demands of the 21st century workplace through its establishment of The Federal Management Institute, FMA's educational arm, which sponsors valuable professional development seminars and workshops. *The Federal Managers Practicum* is a unique, integrated development program that links professional training and higher education – specifically created for the Federal career professional. Developed and taught by management experts, this comprehensive practicum integrates core program management skills including planning, analysis, budgeting, communication, evaluation, and leadership with functional skills and knowledge – providing a balance between theory and practice.

The Federal Managers Practicum consists of nine courses – organized into three steps or modules – that acclimate participants to the core topics of effective program management. The curriculum is anchored to the Executive Core Qualifications (ECQs) developed by OPM and Financial Management Core Competencies developed by the Joint Financial Management Improvement Program

(JFMIP). We at FMA believe that the practicum will pave the way for the creation of much-needed additional development programs for Federal employees.

Clearly agency budgets should allow for the appropriate funding of the ILA as an example. However, history has shown that training dollars have been a low priority for many agency budgets. In fact, in the rare event that training funds are available, they are quickly usurped to pay for other agency "priorities." Toward this end, we at FMA support including a separate line item on training in agency budgets to allow Congress to better identify the allocation of training funds each year.

Neither the Office of Management and Budget (OMB) nor OPM collects information on agency training budgets and activities. This has only served to further diminish the minimal and almost cursory attention on training matters. Many agencies do not even have dedicated employee "training" budgets. Training funds are often dispersed through other accounts. It is no surprise that budget cuts inevitably target training funds, which is why FMA continues to advocate the establishment of a training officer position within each Federal agency. This would allow for better management and recognition of training needs and resources, in addition to placing increased emphasis on critical training concerns.

The Federal government must, once and for all, take the issue of continuous learning seriously. There needs to be a developmental component for each position that would facilitate effective succession planning.

PAY COMPARABILITY BETWEEN PUBLIC AND PRIVATE SECTORS

Compounding the myriad of problems associated with the recruitment and retention of Federal employees is the significant pay gap between the public and private sectors. According to a survey of college graduates, Federal and non-Federal employees conducted by the Partnership for Public Service[15], the Federal government is not considered an employer of choice for the majority of graduating college seniors. In the survey, nearly 90 percent said that offering salaries more competitive with those paid by the private sector would be an "effective" way to improve Federal recruitment. Eighty-one percent of college graduates said higher pay would be "very effective" in getting people to

[15] Survey conducted by Hart-Teeter for the Partnership for Public Service and the Council for Excellence in Government, Oct. 23, 2001, p. 1-3.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

seek Federal employment. When Federal employees were asked to rank the effectiveness of 20 proposals for attracting talented people to government, the second-most popular choice was offering more competitive salaries (92 percent). The public sector simply has not been able to compete with private companies to secure the talents of top-notch workers because of cash-strapped agency budgets and an unwillingness to address pay comparability issues.

The Federal Employee Pay Comparability Act (FEPCA) of 1990 was intended to close the gap between Federal employee salaries and those of their private-sector counterparts. However, FEPCA has never been implemented as it was originally intended. Since this bill was enacted, administrations led by both political parties have used a capping feature designed to reduce pay increases in times of economic distress. This executive authority has been utilized despite record budget surpluses. More than a decade since the enactment of FEPCA, the Bureau of Labor Statistics shows that the pay gap between Federal civilian employees and their private-sector counterparts has grown to 33 percent. If FEPCA is never to be adhered to, we must, at a minimum, re-examine FEPCA to determine how best to bring public-sector salaries more in line with those of their private-sector counterparts. "The pay gap in hard-to-recruit positions, from engineering to acquisitions, remains a significant barrier to recruitment and retention,"[16] notes the Volcker Commission in its report. Closing the pay gap between public and private-sector salaries is critical if we are to successfully recruit and retain the "best and brightest."

PAY PARITY BETWEEN CIVILIAN AND MILITARY PERSONNEL

For the time being, however, we must uphold the longstanding principle of linking annual pay increases between Federal civilian employees and military personnel. Since 1987 – and in 19 of the last 22 years – civilian and military personnel have received the same annual raises.

Per the direction of Congress, President Bush recently signed into law a 4.1 percent average pay raise for civilian workers this year that matches the increase for the military – despite originally proposing only a 2.6 percent pay raise for Federal civilians. Nevertheless, the Administration has just

[16] Report of the National Commission on the Public Service: "Urgent Business for America: Revitalizing the Federal Government for the 21st Century," January 2003, p. 30.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

proposed a 2 percent across-the-board average pay raise for Federal employees in 2004, while military personnel are slated to receive a 4.1 percent average pay raise next year – marking the third straight year that the White House has attempted to de-link civilian and military pay increases. The 2 percent recommended pay raise also rebuffs the 2.7 percent increase mandated by the formula in FEPCA used to determine annual civil service pay raises.

In light of the well-documented human capital concerns facing our Federal government, we must maintain the tradition of providing equitable pay increases to Federal civilian employees and members of the uniformed services – all of whom are on the frontlines ensuring our nation's security each day and make significant contributions to the general welfare of the United States.

OVERTIME PAY FOR MANAGERS

There is a distinct retention problem in the Federal government. The notion of the career civil servant is becoming more and more obsolete because there are few incentives for advancement in the Federal government. When combined with better salary and benefits packages in the private sector, it is no wonder that many Federal employees are leaving the public sector after only a few years of service. In fact, there are often times disincentives for moving up the career ladder. A perfect illustration is the current statute which caps overtime pay for Federal managers and supervisors.

Between 1994 and 2001, the non-postal executive branch civilian workforce was reduced by more than 452,000 positions.[17] One of the side-effects of this downsizing is that overtime is becoming increasingly common. According to OPM, "the percentage of public-sector supervisors and other FLSA-exempt employees who receive overtime pay is increasing."[18]

Federal managers, supervisors, and other Fair Labor Standards Act-exempt employees, however, face an outdated restriction placed on the payment of overtime that is encouraging some to leave the ranks of management and return to the bargaining unit or move to the private sector so they can earn a higher paycheck.

[17] U.S. Office of Personnel Management, "The Fact Book 2002 Edition: Federal Civilian Workforce Statistics," p. 8.
[18] April 28, 1999 letter from Office of Personnel Management Director Janice R. LaChance to House Speaker J. Dennis Hastert.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Under current law, 5 U.S.C. 5542(a)(2), overtime pay for Federal managers, supervisors and FLSA exempt employees (one and a half times the normal rate for work in excess of 40 hours per week) is limited to that of a General Schedule level 10, step 1 employee. The first grade-based overtime cap, enacted in 1954, set the base at GS 9, step 1 (P.L. 83-763). Twelve years later in 1966, it was increased to GS 10, step 1 (P.L. 89-504). In the thirty-three years since that time, however, nothing has been done to keep pace with changing workforce realities. In 1966 the average GS grade was 7.3; in 2001 the average GS grade was 9.7,[19] nearly three full grade levels higher since the implementation of the current overtime cap.

Overtime pay is premium pay and therefore does not count toward increasing an employee's future retirement benefit. This means that increasing overtime pay does not affect mandatory spending. The overtime cap causes two problems for Federal managers and supervisors:

1. First, managers and supervisors above GS-12, step 6 actually earn less on overtime than they do for work performed during the regular work week.

    Example: Sally Supervisor is a GS-13, step 9.

    Her regular rate of pay is $36.14 per hour.

    For overtime, however, she is paid at a rate of $26.64 per hour.

    If Sally worked on a Saturday she would be paid $9.50 less per hour than for the work she performed on Friday.

2. Second, managers and supervisors may earn substantially less for overtime work than the employees they supervise.

    Example: Sally Supervisor is a GS-13, step 9.

    Her regular rate of pay is $36.14 per hour.

    For overtime, however, she is paid at a rate of $26.64 per hour.

    Ed Employee is a GS-12, step 7 and FLSA non-exempt with an overtime rate of $42.09.

[19] U.S. Office of Personnel Management, "The Fact Book 2002 Edition: Federal Civilian Workforce Statistics," p. 26.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Raising the overtime cap would represent an important step toward addressing overtime problems that increasingly serve as disincentives to hard-working civil servants contemplating accepting promotions into the ranks of management.

MANAGERIAL PAY

The key to improving government efficiency and effectiveness is empowering frontline managers and employees. The success of this effort depends upon the government's ability to develop and maintain a cadre of intelligent, highly motivated managers and supervisors. During the 1990s supervisors were proportionally downsized twice as frequently as non-supervisors.[20] At the same time, spans of control have increased and supervisory duties have grown to compensate for the elimination of administrative support staff.

Because some managers and supervisors receive the same or lesser pay than their employees, it has become increasingly difficult to recruit the "best and brightest" into the supervisory and managerial ranks. Under current law, agencies may pay a supervisory pay differential to ensure that GS supervisors are paid more than the highest paid non-GS employee they supervise.[21] This is an existing authority that should be further utilized to encourage the growth of the managerial and supervisory workforce of the future.

WAGE-GRADE DISPARITIES

The Federal Wage System (FWS) has been one of the most maligned and adversely affected sectors of the Federal government. FMA is concerned about securing adequate pay raises for the 225,000 hardworking men and women covered by the FWS.[22] This number represents only 47 percent of the FWS workforce size in 1984[23], due to downsizing and significant pay disparities with similar positions offered in private industry. Multiple regions across the nation are presently in place to determine the wage of the particular trades and skills that are set in the wage grade pay-setting.

[20] U.S. Office of Personnel Management, "The Fact Book 2001 Edition: Federal Civilian Workforce Statistics," pp. 8,14
[21] 5 U.S.C. 5755
[22] U.S. Office of Personnel Management, "The Fact Book 2002 Edition: Federal Civilian Workforce Statistics," p. 30.
[23] Ibid

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

There are several concerns regarding wage-grade pay that demand serious attention in order to make these Federal jobs more competitive and desirable for the younger job seekers leaving our colleges and high schools today. The first concern is the disparity in how pay raises are determined in the present system of wage-grade surveying. The vast difference in locality pay not only occurs from region to region, but also can exist in small pockets within the same locality. A contributing factor to this disparity lies in the methodology used to select wage-grade survey industries and services. While it is true that the cost of living is different from region to region, there is no correlation when you examine how pay scales are set for various trades in our Federal workforce.

A prime example occurs in the wage-grade trades for the nation's ship repair trades. There is a $4 per hour difference in pay for ship repairers who perform the same skill at the Norfolk Naval Shipyard and those working at the Puget Sound Naval Shipyard. This difference was in large part established by the businesses used in those two areas as part of their wage-grade surveys. In the Puget Sound area a huge aerospace and computer industry base was utilized while at Norfolk more service-oriented businesses were examined. Despite the cost of living for the two areas being very comparable, the wage-grade surveys set vastly different pay rates. This occurrence can be found in many areas across the nation, which creates an unfair system for the skilled artisans and workers in our workforce.

In examining the pay-setting features used for wage-grade pay a significant improvement would be the utilization of like industries in establishing pay scales. A more consistent method must be used to establish logical and realistic pay skills for skilled workers. A uniform system to establish the pay scales would be an important step in attracting younger workers into our aging Federal workforce. Fair distribution of pay raises is a primary concern of management and workers in the Federal civil service today. As different methods are examined to use in the setting of pay there must be an element of fairness instilled. A specific trade must be paid on a similar scale nationwide with only the consideration of an area's cost of living as an adjustment. Providing a standard wage-grade survey and pay-scale setting with appropriate locality adjustments would be a step in the right direction to resolve this longstanding inequity.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

General schedule pay has a huge impact on the present setting of wage-grade pay. The trend has been to cap wage grade raises to the percentage set for GS pay. This has also been a primary contributing factor to keeping the pay gap in the double digit levels.

PERFORMANCE MANAGEMENT

For agencies to perform at optimum levels, employees must have clearly defined performance standards. These standards should be directly linked to the agency's mission, customer service goals, and their annual performance plan and/or strategic plan.

According to a Merit Systems Protection Board survey[24] conducted during fiscal years 1997 through 1999, on average one of every 8.8 Federal workers received a promotion each year during the three-year period that was studied. In other words, 7.8 of 8.8 employees – or 88.6 percent of the Federal workforce – were not promoted in any given year. At GS-12, the rate of promotion fell to about one in 13 a year; at GS-13, the rate was about one in 20, and at GS-14, the rate was about one in 25. Generally speaking, the rate of promotion slows as the General Schedule grade level increases. With such a low rate of promotion, the problem of putting the right people in the right jobs is aggravated.

We at FMA support implementing a more comprehensive, government-wide appraisal system with a pay-for-performance component. Any system that should be adopted, however, must be rooted in long held merit system principles.

The current "pass/fail" appraisal system, for example, can serve as a disincentive for excellence. An appraisal system that clearly delineates unacceptable, acceptable and excellent performance is recommended. The appraisal rating should be a key consideration in the promotion and award processes.

The current mechanism in place for addressing unacceptable performance should be revised, for it is far too cumbersome and takes too long to document. As a remedial measure, the employee should be provided tutoring and given a reasonable timeframe in which to attain acceptable performance. We as Federal managers want the process to be fair for both the employee and the agency.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

We envision a "contract" between the manager and the employee, i.e., if an employee performs at the acceptable level of performance, he/she will retain the position and receive the scheduled within-grade increases; if an employee performs at the excellent level, he/she will receive proper recognition; if an employee performs at the unacceptable level, he/she will receive a reasonable timeframe in which to improve performance.

We at FMA recommend an awards system for managers that adequately reflects the manager's level of responsibility, span of control, and level of achievement. Of course, any such system requires sufficient appropriations funds. We have too often seen new pay authorities without the necessary dollars to utilize these tools. The Bush Administration has proposed a $500 million Human Capital Performance Fund for fiscal 2004 to "allow managers to increase pay beyond annual raises for high-performing employees and address other critical personnel needs."[25] OPM will administer the Fund for the purpose of allowing agencies to deliver additional pay to certain civilian employees based on individual performance or other human capital needs, in accordance with OPM-approved agency plans. Although this is a step in the right direction, questions must still be answered in terms of the disbursement of the funds:

- Who will decide which employees receive increases, and who will determine the amount of such increases?
- Is $500 million sufficient for a workforce of some 1.8 million Federal employees?
- Will this Fund be renewed every year and appropriated accordingly?

Furthermore, FMA does not believe any new Performance Fund should be used to undercut fair and appropriate annual pay adjustments for Federal employees.

PAY BANDING

To help the Internal Revenue Service (IRS) improve tax administration and service to taxpayers, Congress included new requirements affording greater flexibility in handling personnel issues as part of

[24] U.S. Merit Systems Protection Board: "The Federal Merit Promotion Program: Process vs. Outcome," Dec. 2001, p. xi.
[25] Fiscal Year 2004 Budget Proposal of the U.S. Government, p. 38.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

the IRS Restructuring and Reform Act of 1998 (RRA).[26] One of the act's personnel flexibility provisions gave IRS discretionary authority in hiring, paying, and recruiting staff. Section 9509 authorized IRS to implement a broadbanded pay system, also called pay banding, to assist in its reorganization. Pay-banding combines two or more pay grades. Using this provision, IRS combined between 2 and 3 grades per band.

The IRS began its "pay-for-performance," pay-banding effort with conversion of Senior Managers (SM) in March 2001. The following December, Department Managers (DM) were converted to the pay-banding system. There are separate pay bands for each level of IRS management. The SM Band is for all mid-level positions. The DM Band combines grade 11-13 Service Center positions. The Service recently decided that the remaining GS/GM managerial positions in the Service will be converted to the pay-banding system effective in July 2003.

IRS plans to establish two Frontline Manager (FM) pay bands to include remaining managers not currently covered by the SM or DM pay bands. The FM I pay band will cover GS managerial positions at grades 7 through 11, and the FM II pay band will cover GS/GM managerial positions at grades 12 through 14. Frontline grade 15 managerial positions will be converted to the SM pay band.

Managers in the FM pay bands will continue to receive the annual comparability and locality increases. However, once in the pay band, step increases will no longer be automatic; rather, they will be based strictly on performance. Managers covered by an FM pay band will be eligible for their first performance-based step increase in January 2004, based on their FY 2003 performance ratings. Thereafter, salary reviews and any appropriate step increases will occur every 2 years. Annual performance bonuses will be mandatory for those managers earning an "Outstanding" summary rating. Managers in the FM pay band with summary ratings of "Exceeded" will be eligible for performance bonuses every year. The Service has established a bonus pool of 2% of FM salaries to fund FM bonuses.

Some of the IRS pay-band principles include:

[26] P.L. 105-206 was enacted on July 22, 1998. Title I, Subtitle C, Personnel Flexibilities, sections 1201-05, list the provisions.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

- Appraisals will be done every year, but salary determinations are made every 2 years. The determination of whether an employee progresses further in the band is determined by matching 2 consecutive annual ratings and then matching them to pre-determined minimum rating requirements.

- Rating requirements to progress through the band increase the further the employee moves. (Example: In the beginning of the band two "Met" ratings are needed to move forward in the SM Band. One rating of "Outstanding" and the other of at least "Exceeded" are needed to move into the last increment of the band.)

- Pay-banded employees can receive annual bonuses based on the yearly appraisal. The bonus is a one time payment that does not become part of base pay (salary).

- All employees in IRS pay bands receive the General Schedule comparability increase.

- Employees converted into IRS pay bands are given credit for time spent in current step when converted. (Example: Current Grade 13, step 9 with 2 years under current step; the salary of Grade 13, step 9 increased by 2/3 of the value of the step increase between steps 9 & 10; the new amount is then slotted into the new pay band salary chart. If the employee falls between steps s/he is slotted at the higher step.)

- To ensure ratings consistency, performance review boards were built into the system. The review examines ratings given to ensure consistency of criteria application.

Within FMA, we have conferences divided along agency lines, one of which is the FMA-IRS Conference. Feedback from our IRS Conference shows that pay bands offer the opportunity to provide real recognition to top performers. The General Schedule places its emphasis on longevity. As long as an employee maintains a satisfactory level of performance, s/he will move through the step, and if s/he stays employed long enough, s/he will reach the top of the step.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Pay bands also provide the opportunity to have accelerated salary progression for top performers. Under the IRS pay-band system, managers are eligible for a performance bonus each year. Those managers with "Outstanding" summary ratings will receive a mandatory performance bonus. Managers with "Exceeded" summary ratings are eligible for performance bonuses.

In the area of job classification, determinations are made which place positions in different pay categories where the distinctions that led to the classification are small. Pay-banding provides the opportunity to place greater weight on performance and personal contributions.

Pay bands can also be designed to provide a longer look at performance beyond a one-year snapshot. Many occupations have tasks that take considerable lengths of time. Pay bands can be designed to recognize performance beyond one year. (The IRS system combines two consecutive yearly ratings to determine whether an employee moves forward in the band).

Arbitrary grade classifications in the GS system inhibit non-competitive reassignments. Broader bands allow non-competitive reassignments. This enhances management flexibility and developmental opportunities.

Of course, there remain challenges with the IRS pay-band system, and any proposed pay-band system for that matter. First, pay-for-performance systems are only as good as the appraisal systems they use. Since performance is the determining factor in pay-band movement, if there is no confidence in the appraisal system, there will be no confidence in the pay system.

Moreover, pay-for-performance systems can be problematic where there is an aging workforce. Experienced employees tend to convert towards the top of the pay band. This provides them little room to progress through the band, and only if they achieve higher levels of performance ratings. This is particularly true for those employees whose GS grade is the highest grade in the new band. (Example: Grade 13 employee placed in an 11-13 band. S/he will be towards the top and now will need the higher grades to continue to move ahead. Previously s/he only needed time in grade to progress).

Finally, pay-band performance requirements can discourage non-banded employees from applying for banded positions. If the employee is converted in the upper range of a band s/he may not have confidence s/he can achieve the higher ratings requirements.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

For additional guidance, Congress should look to the pay-banding system being implemented at the Federal Aviation Administration (FAA). As a result of legislation in 1995 that granted the agency broad exemptions from laws governing Federal civilian personnel management found in Title 5 of the United States Code, the FAA is managing its personnel in one of the most flexible human capital management settings ever witnessed in the Federal government. In 1996, FAA announced a sweeping reform of its personnel management system. Once exempted from these provisions of title 5, FAA replaced the traditional grade and step pay system with a broadbanded pay structure that provides for a wider range of pay and greater managerial flexibility to attract, retain, and reward employees.

ESCALATING HEALTH CARE COSTS

Over the past few years, Federal employees have experienced dramatically increasing health insurance premiums through the Federal Employees Health Benefits Program (FEHBP). Premiums rose an average of 9.5 percent in 1999; 9.3 percent in 2000; 10.5 percent in 2001; 13.3 in 2002; and, 11.1 percent this year. Currently, the Federal government pays 72 percent of a Federal employee's contribution for his health insurance premium.

Most experts anticipate premiums will keep increasing due to the Federal government's aging workforce (the average Federal worker is now 46.5 years of age), higher costs for prescription drugs, as well as a longer-living retiree population. FMA supports increasing the government's contribution toward FEHBP premiums. This change would remove some of the burden related to rising health insurance costs from the shoulders of Federal employees. By increasing the government's share of premiums, the FEHBP will be brought more in line with what most private and state employers pay, which is 83.1 percent for single health coverage and 76.2 percent for family coverage, according to the Kaiser Family Foundation. In fact, more and more private-sector employers are offering to pay up to 100 percent of their employees' health insurance premiums.

Congress should pass legislation, H.R. 577, introduced by Rep. Steny Hoyer (D-MD), and S. 319, sponsored by Sen. Barbara Mikulski (D-MD), to increase the Federal government's share of FEHBP premiums from 72 percent to 80 percent to help curb rising health insurance costs for Federal

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

workers as well as recruit and retain needed Federal employees. This legislation would save an employee an average of $20 per biweekly pay period, for an annual average savings of more than $500.

Similarly, Congress should pass legislation, H.R. 1231, introduced by Rep. Tom Davis (R-VA), and S. 623, sponsored by Sen. John Warner (R-VA), to allow Federal retirees to pay for their FEHBP insurance premiums on a pre-tax basis. As implemented by OPM, Executive Branch employees have been eligible to pay for their FEHBP insurance premiums with pre-tax earnings for nearly three years. FMA supports extending this important benefit to Federal and military retirees. This would provide fairness to the implementation of this tax relief measure and assist government retirees in offsetting the rising costs of health care.

CONCLUSION

The reduction of the Federal workforce during the last decade by more than 450,000 positions occurred while needs of the American public continued to expand. Simply put, there are fundamental services that should be deemed core to the government. The loss of many experienced and well-trained employees through the use of reductions in force contributed to the "brain drain" that is pervading the workforce. The "do more with less" mantra of government will continue to erode the remaining employees' morale and dedication as public servants. This shift in philosophy must be exuded by more leaders in government who represent the cross-section of our Nation. It is not outlandish to say today that, in hindsight, an entire generation of Federal workers was forced to leave government in the name of efficiency – while leaving behind a human capital crisis.

The initial efforts to solve this problem are to simplify the recruitment and hiring process. There must be a concerted effort to shorten the hiring time from one hundred and forty-four days down to a more reasonable number so as to not lose potentially high-caliber civil servants who will serve our country for years to come.

An independent panel should be convened to scrutinize the extent and realm of the "shadow government" that is comprised by private contractors. All agencies have their pool of contractors that

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

perform certain functions to sustain the government. While the calls are heard daily to further examine the performance of the Federal worker, there continues to be silence in response to suggestions that the same level of oversight be done for the contractors employed by government. Again, FMA believes there are some functions performed in the name of government service that can and should be contracted. Likewise, however, there are government functions that have been contracted that belong only in the hands of civil servants.

Now it is time for government leaders to take the side of the Federal employee. It is time for all of us to encourage the youth of this nation to join the Civil Service. The positive support and reinforcement from current and future administrations and Congresses will serve to accelerate the replacement of outgoing civil servants.

As we collectively grapple with the complex issue of compensation reform in the Federal government, we must find where models such as the ones being used at the IRS and the FAA have succeeded – and failed. There have also been numerous instances of demonstration projects in the area of expanding personnel authority bringing success to some Federal agencies, but rarely are these successful initiatives allowed to cross agency lines. The approach the government takes to correct pay systems for civilian workers will decide how this Nation survives the human capital crisis before us. More importantly, Congress and the Administration must shift the habitual focus from cutting the size of the Federal workforce to that of recruiting and retaining top talent.

Some of the challenges facing the Federal workforce will be difficult to overcome should a continued priority be placed on conversion of critical Federal sector jobs to private sector activity. The loss of valuable and experienced employees – and the institutional wisdom they provide – is already taking place. No real succession planning, including managerial development and training, has been funded or implemented to ease the strain the system is facing as retirement-eligible employees leave the public sector.

We at FMA would like to propose several recommendations. One important priority is to work with both the Administration and Congress to alter the image and perception of the civil service.

Far too often, civil servants have unfairly taken the brunt of the blame for ill-advised policies that they had no control over. The public must recognize the important duties our Federal employees perform each and every day on their behalf. Everyday, Federal employees are working tirelessly behind the scenes to ensure that our Nation remains as secure as possible. Everyday, a disaster of some sort is averted through the dedicated efforts of our extremely talented Federal workforce. Yet we often hear stories of blame being assigned to these public servants, rarely about the successes that occur on a daily basis. And while our attention is focused on security, the business of our Nation continues to move forward in an increasingly efficient manner.

All the while, Federal workers at the Departments of Transportation and Justice are providing heightened security of our skies, our shores, and our borders; employees throughout the Department of Defense are supporting our warfighters as they continue fighting the war with Iraq as well as the war on terrorism; and the ongoing endeavors of the talented individuals at the Centers for Disease Control are addressing immediate terrorist threats while preparing us for future contingencies. Time and time again, our civil service selflessly responds in a professional manner – all for the greater well-being of the country they serve.

We at FMA would also like to see a review of FEPCA to examine what adjustments need to be made to enable the legislation to work as intended. Any constructive dialogue on FEPCA at this point is better than the hollow act of preempting designated pay increases each and every year, which serves only to exacerbate the low morale that is pervading our civil service.

We also support ways to improve the hiring process for Federal employment, and bring about policies that attract the best and brightest of our society to serve in Public Service. Correspondingly, managers should be afforded the means to continuously enhance their skills. Individual development plans should be devised to maximize each manager's potential. Agencies and departments should increase opportunities for managers to receive training in their respective fields while on-duty by specifically allocating funds for this training. Thus, FMA supports establishing management succession programs to ensure that we have the strongest possible pool of managers to lead tomorrow's civil service.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

Finally, we encourage a real and sincere look at Federal pay systems, while encouraging structures that attract, retain, and maintain the Federal workforce we need and desire. The system must be fair and realistic in offering career ladder incentives and progression. Congress must also look at legislation that has been introduced to ensure that Federal retirees and their spouses do not lose benefits they are entitled to receive as being citizens of this great democracy. The time has come to eliminate the penalties and caps placed on a Federal retiree's Social Security benefits. Both Government Pension Offset and the Windfall Elimination Provision must be done away with to allow former civil servants to receive their just rewards for serving their nation and being a citizen of the United States of America.

FMA has long served as a sounding board for the Legislative and Executive branches in an effort to ensure that policy decisions are made rationally and provide the best value for the American taxpayer, while recognizing the importance and value of a top-notch civil service for the future. We must keep in mind that even if passed into law, without the necessary funding, no real benefits will be realized – and thus no real progress will be made.

I would like to close by quoting from the introduction of your report[27] to the President, Mr. Chairman, on the human capital crisis: "In regard to empowering federal employees, Senator Voinovich is interested in and enthusiastic about improving the management and work culture of the federal career civil service employees and middle-managers who do much of the heavy lifting yet receive little acclaim for their hard work. For years citizens have complained about slow and unresponsive bureaucracies, blaming federal employees for the problems. Perhaps the problems lie not with the employees, but with the management and culture of the workplace. Do employees receive the training they need? Are they receiving the proper incentives to do a good job? In short, is the government investing in its people?"

These are all salient questions that we in government must continually ask ourselves as part of our long-term vision for the public service. Only by doing so will we stave off a future human capital crisis and, more importantly, ensure a world-class and resilient Civil Service for future generations of Americans.

[27] Sen. George Voinovich: "Report to the President: The Human Capital Crisis," December 2000, p. 1.

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org

I would like to thank you again, Chairman Voinovich and Chairwoman Davis, for providing FMA an opportunity to present our views. We at FMA look forward to working with you and other Members of Congress to deal with our government's workforce challenges in our mutual pursuit of excellence in public service. This concludes my prepared remarks. I would be glad to answer any questions you and members of the subcommittee might have.

****

1641 Prince Street · Alexandria, VA 22314 · (703) 683-8700 · FAX: (703) 683-8707 · info@fedmanagers.org · www.fedmanagers.org