



PARTNERSHIP FOR PUBLIC SERVICE

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Prepared for

**The House Committee on Oversight and Government Reform  
Subcommittee on the Federal Workforce, Postal Service and  
the District of Columbia**

and

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

**Hearing Entitled  
“GAO Personnel Reform: Does It Meet Expectations?”**

May 22, 2007

Chairman Akaka, Chairman Davis, Members of the Subcommittee, thank you very much for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service by inspiring a new generation to serve and transforming the way the federal government works. We appreciate your invitation to discuss the implementation of the Government Accountability Office's (GAO) human capital reforms.

The Partnership has two principal areas of focus. First, we work to inspire new talent to join federal service. Second, we work with government leaders to help transform government so that the best and brightest will enter, stay and succeed in meeting the challenges of our nation. That includes all aspects of how the federal government manages people, from attracting them to government, leading them, supporting their development and managing performance; in short, all the essential ingredients for forming and keeping a world-class workforce.

### **GAO: Meeting Expectations?**

The title of this hearing asks whether GAO's efforts to modernize its personnel system are meeting expectations. Based on the Partnership's work to understand what it takes to recruit and retain a winning team, our answer to your question is that GAO is on the right path.

We think it makes sense to step back and review the goals and expectations GAO, and Congress, had in mind when pursuing the GAO Human Capital Reform Act of 2004.

- We know that GAO determined, and Congress agreed, that the General Schedule pay and classification system established in 1949 was no longer sufficient to attract and retain the best and brightest at GAO. The federal workforce today is radically different than it was 60 years ago, when the General Schedule system was established. A workforce that was once 70% clerical in nature is now 70% professional, and federal employees today perform critical functions in a highly complex and networked world. The Government Accountability Office is called upon by Congress to audit, investigate, oversee and advise regarding an enormous array of very complicated federal activities affecting billions of dollars and literally every function of our government. GAO needs, and Congress deserves, the best talent available to carry out this mission.
- We know that federal employees seek environments that recognize and reward excellence. In the Office of Personnel Management's (OPM) 2006 Federal Human Capital Survey of 221,000 civil servants, only 30 percent agreed that "In my work unit, differences in performance are recognized in a meaningful way." Talented people at all levels – from new college graduates to seasoned professionals – look to work in environments that reward and recognize effort and results. Our *Best Places to Work in the Federal Government* project, which I will discuss later in my testimony, confirms that, compared to workers in the private

sector, federal employees are more likely to say that they like the work that they do, that their coworkers cooperate to accomplish a job and that they are given opportunities to improve their skills. Yet, this same comparison reveals that the federal government lags behind the private sector in recognizing employees for a job well done.

- Again referring to our *Best Places to Work* rankings, pay and compensation rank well below leadership, teamwork, how well an employee's skills are matched to agency mission and work-life balance as the key drivers of job satisfaction for federal workers. And satisfied employees are more engaged and better able to contribute to agency missions. In fact, the preponderance of research on effective organizations in both the private and public sectors indicates that employee engagement is a key driver of mission success. Through its human capital reforms, GAO has sought to build the kind of performance management system that creates an environment in which excellence is both recognized and rewarded.
- We also know that it is reasonable, and expected, for some employees to have a negative view of alternative personnel systems, particularly in their early stages and especially when the changes involve pay and performance management. Concerns regarding the fairness and transparency of a new system, how employees will be evaluated, and whether there will be opportunity for meaningful employee input and feedback are valid and important. GAO has been engaged in its reform effort for several years now, starting with the appraisal system, then performance-sensitive pay and most recently market-based compensation. Organizational change on the scale attempted by GAO is hard, it takes time, and it most certainly affects morale – typically for the worse at first, but for the better over time if done right.

### ***Personnel Reforms at GAO***

Knowing that change is hard, we can still say that we believe it has been the right thing to do for the long-term health of the Government Accountability Office. The Partnership for Public Service has not worked directly with GAO in the design or implementation of the agency's personnel reforms, nor can we offer an opinion as to whether the market survey conducted on behalf of GAO by Watson Wyatt Worldwide reached the right conclusions. We can say, however, that instituting a performance management system and seeking information about the marketplace to build a competitive compensation system are the right approaches.

One of the biggest deficiencies of the current General Schedule system is that it is not market-sensitive. For example, a GS-12 human resources professional is paid the same as a GS-12 engineer or accountant even though competing private sector employers may pay significantly different salaries to these different occupations. To compete for the talent it needs, particularly in critical occupations, government at all levels must pay attention to the market. Market-sensitivity in government pay-setting is not a new concept. Congress recognized this need in passing the Federal Employees Pay

Comparability Act of 1990 (FEPCA) which provided for general pay increases linked to the Employment Cost Index and a locality adjustment that applies only to specific geographic areas. While not tailored to market differences among occupations, it was a good move toward a more competitive approach to pay-setting.

According to a 2007 survey by the International Public Management Association for Human Resources, 17 percent, on average, of state and local governments now use market-based compensation for their employees. For example, since 1984 the Central States Compensation Association (CSCA) has annually collected market data on compensation and benefits for its members (which now include 25 states). CSCA conducts a general salary survey, a benefits survey and an executive compensation survey. In 2004, the Association gathered information on 221 benchmark (easily recognizable) jobs across state government. Participating states use the survey data as a key source of information for setting compensation and, where relevant, negotiating pay and benefits with labor unions. This shows that GAO's effort to introduce market forces in setting pay is not new for government.

Evaluating the effect of personnel reforms at GAO over time requires a system of indicators that, collectively, will provide you with the information you need to conduct effective oversight. We believe it is vital for your Subcommittees to have data that will allow you to evaluate the satisfaction of federal employees, including those employed by the Government Accountability Office. We also believe that the Subcommittees would benefit from multiple data sources, including the input of employees themselves, and we make some recommendations in this regard at the end of our testimony.

### ***Best Places to Work in the Federal Government***

The value of indicator systems as an effective tool for driving reform has been widely documented. The Partnership has taken a step toward creating national indicators through our *Best Places to Work in the Federal Government* rankings, prepared in collaboration with American University's Institute for the Study of Public Policy Implementation. The *Best Places* rankings build upon data from OPM's Federal Human Capital Survey to provide a comprehensive assessment of employee satisfaction across the federal government's agencies and their subcomponents.

Employee engagement is a necessary ingredient in developing high-performing organizations and attracting key talent to meet our nation's challenges. The *Best Places to Work* rankings are a key step in recognizing the importance of employee engagement and ensuring that it is a top priority of government managers and leaders.

Since the first rankings were released in 2003, they have helped create much-needed institutional incentives to focus on key workforce issues and provided managers and leaders with a roadmap for boosting employee engagement. *Best Places* permits benchmarking over time for the same organization and against public sector peers and private sector competitors.

The rankings also provide Members of Congress and the general public with unprecedented insight into federal agencies and what the people who work in those agencies say about leadership, mission and effectiveness. Ideally, the *Best Places* rankings can aid Congress in fulfilling its oversight responsibilities by highlighting the federal government's high-performing agencies and raising a red flag when agencies suffer from conditions that lead to low employee engagement and poor performance.

### **GAO: A Best Place to Work?**

Last month, the Partnership released the 2007 Rankings of the *Best Places to Work in the Federal Government*. This year's rankings include 61 federal agencies and 222 agency subcomponents. We rank each agency on an overall satisfaction index score based on employee responses to OPM's 2006 Federal Human Capital Survey or, in GAO's case, based on responses to identical questions in a GAO-administered survey.<sup>1</sup>

The *Best Places to Work* index score is calculated based on three specific survey questions related to job satisfaction, which are weighted according to a statistical analysis developed by the Hay Group. The questions are:

- 1) I recommend my organization as a good place to work. (Strongly Agree to Strongly Disagree)
- 2) Considering everything, how satisfied are you with your job? (Very Satisfied to Very Dissatisfied)
- 3) Considering everything, how satisfied are you with your organization? (Very Satisfied to Very Dissatisfied)

In 2005 and again this year, GAO ranks among the top large agencies. Compared to twenty-nine other large agencies included in the 2007 rankings, GAO is the overall second-best place to work, outscoring all other large agencies except the Nuclear Regulatory Commission.

One of the benefits of the *Best Places* project is that it breaks down data by demographic groups, providing Congress with a valuable oversight tool and shining a light on how different demographic groups view federal employers. GAO was ranked second among large agencies by a majority of demographic groups: females, African-Americans, Hispanics, Whites, multi-racial employees, those under 40 and those 40 and over. It was ranked third by males, and sixth by Asians.

Based on the *Best Places* findings, it is clear that GAO continues to benefit from a highly satisfied and engaged workforce. There is still room for improvement, however. We note for the Subcommittees that GAO's overall satisfaction index score, while still very

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<sup>1</sup> The only agency in the 2007 rankings that did not participate in the Federal Human Capital Survey was GAO. GAO consulted with the Partnership when developing its 2006 employee survey to ensure that the language was consistent with the OPM survey questions. Prior to administration, the GAO survey was sent to the Partnership for review, and we verified that the relevant questions matched the Federal Human Capital Survey language.

high compared to the rest of large federal agencies, declined by 3.4% from 2005 to 2007. The data behind *Best Places* does not give the reason for this decline or whether it is the beginning of a negative trend, but we do believe it suggests the need for continued attention from the Comptroller General and ongoing oversight from Congress.

### **The Way Forward**

Making major changes in federal human resources systems, especially in pay and performance management, involves culture change as well as system change. Such change is inevitably slow and iterative. The changes that have been implemented at the Government Accountability Office will take time to gain employee acceptance. We note that a number of other federal agencies that have been allowed to operate with special pay flexibilities, such as the Securities and Exchange Commission and the National Aeronautics and Space Administration, have consistently been rated by their employees as among the top ranked “*Best Places to Work*.”

None of the alternative personnel systems have been “magic bullets,” but over time most have been improvements over what existed previously and the affected organizations would not welcome a return to the previous state.

### **Recommendations**

The Partnership offers the following recommendations regarding the Government Accountability Office’s personnel reforms:

1. The basic operational framework for GAO’s approach to compensation and performance management is a system that incorporates pay bands, competency-based performance reviews, and is market-based and performance-oriented. This framework is sound, consistent with congressional intent, and one which holds the promise of effectively supporting GAO in its efforts to attract and retain a well-managed, highly talented, and productive workforce. We do not recommend any change in GAO’s underlying legislation at this time.
2. We commend the Congress for its interest in determining whether the criticism by some of GAO’s own employees of parts of their current compensation and performance management system is indicative of a basic design flaw, an implementation problem, or something else. As GAO itself noted in its January 2004 report on alternative pay systems at selected personnel demonstration projects (in which GAO supported the need to expand pay for performance in the federal government), “How it is done, when it is done, and the basis on which it is done can make all the difference in whether such efforts are successful.”

To fully evaluate GAO’s implementation of its pay reforms, we recommend that Congress independently review and evaluate the data and metrics that GAO gathers

on its own internal operations. If there are voids in the necessary data, attempts should be made to gather the missing information. Among the items to consider:

- a. We note that GAO's annual Performance and Accountability reports contain information on their new hire rate, acceptance rate, and retention rate. That data may be reviewed over time to determine if there are changes that may be associated with their personnel reforms.
  - b. The data underlying the calculation of GAO's return on investment (ROI) associated with its mission activities may similarly be examined for variations associated with their personnel reforms.
  - c. GAO has voluntarily conducted an organizational climate survey among its employees for a number of years and trends in the responses to key questions on the survey can be informative. As noted in this testimony, GAO has also elected to include questions on its survey that allow it to be included in the Partnership's *Best Places to Work* rankings and the latter may serve as a useful benchmark.
  - d. Special "pulse surveys" of employees can also be considered to seek representative employee feedback on a small number of specific questions of interest to Congress.
  - e. The basic purpose of any personnel system, of course, is to enable an organization to effectively carry out its mission and serve its customers. Customer feedback, therefore, is another important indicator of the effectiveness of that system. In the case of GAO, Congress itself is a customer and feedback from Congressional users of GAO products should also be considered in evaluating the effectiveness of GAO reforms.
3. GAO has demonstrated willingness over the years to adjust its personnel systems, including its performance management system, to make improvements in response to unanticipated and unwanted outcomes, some of which are identified by its employees. Congress should encourage GAO to continue to be open to modifications in its current systems based on a thorough analysis of relevant qualitative and quantitative data, such as that suggested above.

## **Conclusion**

Thank you again for the opportunity to share our views on the personnel reform in the Government Accountability Office. We look forward to being of assistance to your Subcommittees and to the Congress as you consider the ability of GAO and its employees to meet the needs of Congress and the American people.