



PARTNERSHIP FOR PUBLIC SERVICE

Testimony of

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Before the

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

and the

**Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
House of Representatives**

on

**The Human Capital Challenge: Offering Solutions and
Delivering Results**

April 8, 2003

Chairman Voinovich, Chairwoman Davis, Senator Durbin and Congressman Davis, thank you very much for giving me the opportunity to appear before your two Subcommittees today on the human capital challenges facing the federal government. I am Max Stier, President and CEO of a relatively new nonprofit organization dedicated to revitalizing the federal civil service: the Partnership for Public Service.

The Partnership was founded in response to a sense of urgent alarm about the workforce management difficulties the government is facing and will continue to face. The fact that has received the most prominent attention is that 50 percent of the federal workforce and 70 percent of our Senior Executive Service may soon reach retirement age. As daunting as those succession challenges are, the true crisis is taking place more slowly and less visibly. Simply put, many government organizations are failing to deliver the results of which they should be capable.

The root cause of this unrealized potential is that insufficient attention is being paid by agency leaders to the hard work of planning for future staffing needs, recruiting and selecting the right people, administering effective performance management systems and otherwise fostering a high-performing workplace culture that nurtures and supports the incredible dedication and commitment that our public service already exemplifies. The silver lining here is that continued and focused commitment to successful workforce management practices yields enormous returns in organizational effectiveness that pay back the initial resource investment many times over. Your ongoing oversight of federal human capital practices is needed, and will contribute mightily to improving government performance for the American people.

I would like to devote my time before you to outlining how the Partnership views the key human capital challenges facing the government and to tell you about the strategies that we have used to try to fashion programs to address those issues. I sincerely hope that the lessons learned by the Partnership on the ground in implementing these programs will inform similar programmatic initiatives on the part of the federal government to improve perceptions of public service, the effectiveness of government recruiting and the quality and effectiveness of the next generation of government managers. In addition, we would like to offer some specific recommendations with regard to the legislative proposals being discussed by your Subcommittees this morning.

The first major difficulty the government faces when it seeks to acquire the talent and expertise that it needs to accomplish its mission is a widespread lack of interest in federal employment. Interestingly, our polling revealed that this disinclination to federal employment is not rooted in a lack of interest in public service. To the contrary, young people today more than ever express a desire to assist their community and to make a difference through their work. For the most part, these potential employees are not rejecting federal jobs; they never even get to hear about them. The private and the non-profit sector do a much better job at communicating with their targeted talent pools about the opportunities and rewards that exist within their respective sectors. In many ways, the federal government just never gets in the ring in the war for talent.

To begin to effect change in this area, the Partnership appealed to college and university presidents across the country to join our Call to Serve initiative by committing to undertake a series of educational efforts, in partnership with the Office of Personnel Management and other federal agencies, to improve their students' understanding of the

opportunities and rewards of federal service. Over 400 schools, including members of the Ivy League, prominent state systems, Hispanic-serving institutions and historically black colleges, joined the Call to Serve initiative. We have been partnering with these schools to sponsor forums and speakers where students can hear first-hand from people they can identify with about what it is like to work to make a difference in the federal government. In support of this initiative, we have produced a series of publications, including *Red, White and Blue Jobs*, that provide helpful tips about where to look for federal jobs, what federal jobs might match a particular educational background, and how to apply. The response has been extremely positive from career service centers across the country who have been starving for this kind of information to share with students.

One of the key lessons we have learned from the Call to Serve experience is that the important work of relationship-building between the federal government and college campuses had effectively ceased for many federal agencies over the past decade. Rebuilding these relationships is critical to the government's future recruiting success. Even if college graduates do not go directly into a federal job upon graduation, the exposure to information about federal employment opportunities colors their future perceptions and decision-making at subsequent decision points in their careers. The government, in other words, will at least have gotten its foot in the door. At the same time, the government's succession problems are so acute that they cannot possibly be satisfied solely by hiring entry-level employees. The pipeline has some serious talent gaps among its mid-level employees. Government will increasingly need to bring into the federal service persons who had not previously worked for the government and who have already acquired substantial professional or managerial

experience. Deciding how best to reach out to these key pockets of talent is a job that each agency must undertake as part of its strategic workforce planning – a task that we hope will be greatly facilitated by the pending appointments of Chief Human Capital Officers, which were created by legislation introduced by Senator Voinovich and passed by Congress last year.

At the same time, however, there are some systemic obstacles to bringing mid-career talent into the government that Congress should consider addressing. In a report on this topic issued last year by the Partnership, we noted that federal managers all too often decline to seek candidates from outside the government. For instance, in FY2001, there were 48,000 vacancy announcements at the mid-career (GS12-15) level, but only 53 percent of them were open to external applicants. In some cases, the reluctance to hire outside the government was driven by a desire to avoid the restrictive procedural requirements that accompanied posting jobs open to the public at large, such as the Rule of Three. That restriction, however, has been supplanted by the category ranking system authorized by Congress last year. I would encourage this Committee to continue to monitor the percentage of jobs open to competition from outside government and to press Chief Human Capital Officers on the question of whether they are using their newly-granted flexibilities in a way that maximizes the talent pool available to them.

Another recommendation made by the Partnership was the establishment of a Fellows program, modeled on the successful Presidential Management Intern (PMI) program, to serve as a vehicle for mid-level intake. The purpose of the program – which would also be open to current federal employees – would be to attract experienced workers to the federal civil service and to identify and retain high-performing federal

workers. By opening the process to both federal and non-federal applicants, the government preserves the value of truly fair and open competition, and avoids the appearance of denying its employees advancement opportunities. Fellows would enjoy a series of unique training and development opportunities over a two-year period. We continue to believe that such a government-wide developmental program could be a key complement to individual agency efforts to recruit needed mid-career talent and to give incumbent high-performing employees a clearer sense of their career progression potential.

These targeted recruitment efforts, however, can only expect to be successful in a broader public climate where public service generally, and federal employment specifically, is seen as a valued and worthwhile occupational endeavor. Although effecting long-term changes in public opinion is a formidable task, there should be little debate that the goal of a quality federal workforce is important enough to justify a sustained federal commitment to better outreach and communications to our citizens about the valuable service that our federal employees perform for this country each day. The Partnership has discovered that by leveraging its own limited resources to create outlets for inspiring stories about public service, it can lay the groundwork for meaningful changes in attitudes toward federal employment. Two examples of these kinds of programs are our on-line partnerships and our Service to America medals program.

The Partnership has collaborated with the largest on-line recruiting company, Monster.com, and more recently with HotJobs, to create spaces on these very well-traveled pieces of Internet real estate where job seekers can go to learn about federal

employment opportunities and, most importantly, to read profiles of current federal employees who have found personal reward and satisfaction through their accomplishments in service to our nation. There are two key insights that we have gained through these partnerships that are relevant to your Subcommittees' deliberations. First, the Subcommittees should have every confidence that a dedicated communications campaign about federal employment will find a ready and receptive audience. As part of our partnership with Monster we produce a weekly e-newsletter devoted to stories about federal jobs. Within just a few months, nearly 70,000 visitors have signed up to receive this newsletter, which gives it the second-largest subscriber base of any of Monster's industry-specific newsletters. Even more remarkably, the percentage of people who actually read the newsletter that arrives in their inbox is 68 percent, which is twice the "read rate" of its nearest competitor. The point here is simply that there is a real appetite for information about federal jobs.

The second insight that we have learned from these partnerships is that the most effective strategy is to target messages about federal employment opportunities into those spaces where people are already looking for information about employment opportunities in general. The federal government has too often been passive in its recruitment efforts and assumed that job seekers would come to the government. That is no longer a safe assumption in an increasingly competitive labor market. Each federal agency has to decide how best to reach its target audiences, but we believe that the increasing use of online recruiting capabilities will be key to success in this area.

The Partnership's Service to America Medals program, established jointly with *Government Executive*, *Atlantic Monthly* and *National Journal*, is another good example

of how the simple act of recognizing extraordinary accomplishments in the federal sector can become a powerful tool for communicating the worth of public service to the public at large and shattering negative stereotypes that impede effective recruitment. The awardees at last year's inaugural awards ceremony included the two FBI agents who finally closed the 40-year old Birmingham church bombing case, a Customs agent who created new ways to prevent illegal drugs from crossing US borders, a physicist who founded a government institute that eventually produced several Nobel laureates, and a Coast Guard employee who evacuated thousands in the September 11th attacks. The government does offer its own recognition for exemplary service, but does not do enough to ensure that the rest of America hears and understands the contributions these people are making. There are few more powerful recruitment tools.

Another Partnership initiative that attempts to maximize the government's effectiveness as a recruiter is S. 512 and H.R. 1056, the GOFEDS legislation introduced by Senator Voinovich along with such co-sponsors as Senator Durbin and Senator Akaka, and in the House by Representative Tom Davis, and Representatives Waxman, Tierney and Davis of Illinois. This legislation would exclude loan repayment incentives from an employee's income for income tax purposes. Currently, if an agency offers to repay part of a student loan for a highly talented applicant that it is seeking to recruit, that applicant will have to pay taxes on the amount repaid on his behalf, even though he or she has received no money directly from the government. GOFEDS would increase the effectiveness of loan repayments as a recruitment incentive and encourage greater use of these incentives government-wide. For some occupational groups, educational debt is one of the biggest disincentives to public service. As the Partnership concluded in a

recent report on this subject, two-thirds of law students would not consider a job in public-interest or government service because the salaries are too low to pay their law-school debts. Clearly, legislative efforts need to be targeted at this increasingly significant barrier.

Many things can be done, and are being done, to improve government recruitment, but all too frequently the job-seeker who is persuaded to pursue a federal employment opportunity stumbles on the second major barrier to public service: the federal application and hiring process. It is difficult to overstate how negatively this process impacts on the government's ability to competitively hire the talent it needs. Jobs are posted through "vacancy announcements" that contain impenetrable jumbles of government jargon that do a poor job of describing or "selling" the positive aspects of the job being advertised. Once the vacancy announcement is deciphered, the process of applying is slow, difficult and confusing. Recent polls show that many job seekers are unwilling to wait more than a few weeks for a prospective employer to make a hiring decision, while the government process can easily take six to nine months or even longer. During the time that the application is wending its way through the agency, there is little or no communication with applicants about their status, leaving them essentially in the dark about their prospects or the timing of a decision.

Much of this time is spent complying with merit processes that have become so difficult to navigate that they are undermining the key merit principle of allowing the government to select the best-qualified person for the job. The Partnership has partnered with the Office of Personnel Management to articulate a "Pledge to Applicants" that identifies the key indices of customer satisfaction that the application process should

strive to improve. OPM Director Kay Coles James is taking important steps toward fulfilling that pledge through her ongoing work on improving the government's USAJOBS website and that effort deserves this committee's full support. More generally, we believe that the number of hiring authorities needs to be drastically simplified to create a more understandable system for job-seekers and government managers alike.

One of the best existing ways to avoid these procedural knots in hiring new talent is to exercise the authority to "convert" internship positions to permanent positions, thus turning the incumbent intern who has proven their capabilities "on the job" into a federal employee without the necessity of a lengthy hiring process. Unfortunately, the federal government does not do enough to utilize the ability of internship programs to supplement recruitment initiatives. Even among those students who are eligible for non-competitive conversion to permanent employment upon successful completion of their internships, only about 13 to 17 percent a year receive and accept federal job offers—versus more than 35 percent of interns in the private sector who accept jobs with the companies for which they interned. In a report issued last year, the Partnership outlined several ways that internship programs that provide conversion opportunities could be expanded in ways that would improve both recruitment and diversity hiring.

Once the sale is closed and the employee is brought on board, the real challenges begin. People seek public service as a way to contribute to their country and look forward to working with a "high performing team." But, many of our agencies struggle to perform. We believe that effective human capital management is the critical success factor in agency performance. Much of the dialogue about human capital management

over the last year has focused on changing the compensation system and pay for performance. While we believe that all federal agencies should move toward more performance-driven pay and promotion systems, none of that can happen without effective leadership and organizational readiness.

We need leaders who have the competencies to build and sustain high-performing work environments. They need to understand how to manage highly complex and ever changing organizations; how to enable employees to achieve their very best; how to remove the organizational barriers to success and do all this in an environment that is transparent and responsive to the American public.

The recent government-wide survey results released by OPM confirmed that the federal workforce is deeply concerned about the quality of their management and leadership. Only 36 percent of federal employees agree that their leaders generate “high levels of motivation and commitment.” Further, only 43 percent hold their leaders in high regard. These deep-rooted skepticisms can only be overcome by a top-down commitment from agency leaders to the importance of selecting and developing managerial and executive talent.

The issue of organizational readiness has not been fully addressed in the debate about compensation and other civil service reforms. In order for federal agencies to succeed in human capital management and, more specifically, performance management, they must have created an effective management infrastructure. Very few federal agencies are there. During the course of the next year, we would like to see much more discussion about providing the right incentives for federal agencies to address their “systems” as a pre-requisite for moving to new pay systems and HR programs. Those

incentives must include funding for creating that infrastructure, measurement of an agency's current position and progress and then the ability to adopt new and flexible HR programs.

To evaluate organizational readiness and progress, the Partnership recommends that Congress consider requiring each agency to undertake regular employee surveys to help them gauge their success in producing high-performing workplaces. The government-wide survey conducted by OPM this year is a valuable effort that has produced a wealth of information that agency leaders can use to fashion appropriate workplace strategies. While each agency should have the flexibility to design surveys that fit their unique organizational missions, the Partnership believes that there is a core set of questions centering around employee satisfaction and quality of management that could usefully be posed government-wide to provide points of comparison.

As Congress and the Administration seek to take those actions needed to provide a high performing work environment within the federal government, we strongly recommend that a focus on senior management and leadership reforms be a priority. Providing the deeply felt culture shift that is needed in the work environment in many of our federal agencies may also require a period of "culture shock" for many organizations with regard to development of a stronger link between performance management systems and compensation practices. If we are going to attempt to do a better job of holding employees accountable for results that matter and recognizing those who do an especially good job of achieving those results, it sends the right message to start at the top with our senior executives.

It is clear that the federal government's ability to recruit and retain highly qualified senior executives in any number of critical jobs has suffered as a result of pay compression and the inability within the existing system to adequately reward the truly stellar performers. The proposed bill, S. 768, the "Senior Executive Service Reform Act of 2003," is a useful starting point with regard to the problem of pay compression since it would significantly raise the pay cap for a number of senior level positions within the executive branch. Equally important, however, the proposed bill also recognizes that the issue is not simply paying senior executives more, but also clearly tying any pay adjustments to valid assessments of their actual performance and results achieved. Making higher pay conditional on the ability to establish a clear link to senior executive performance is critical.

One issue that is not currently on the table but which we believe should be with regard to the Senior Executive Service is the fact that not only are all executives not equal with regard to performance and results achieved, but not all of the approximately 7,000 senior executive positions are equal in terms of the need for the exercise of managerial or executive competencies. There are positions currently in the SES which are appropriately compensated at the senior executive pay level but based on the fact that the individuals in those positions are truly experts in their field and critical to maintenance of needed intellectual capital within their organizations. Unfortunately, many of these technical experts are also asked to assume managerial responsibilities solely to justify their compensation level when, in fact, they may have little or no aptitude for management. Managers should be chosen for managerial ability, not technical expertise.

While there are provisions in the proposed “Senior Executive Service Reform Act of 2003” that would also raise the pay cap for individuals at senior pay levels in scientific and professional positions (ST) and for those in senior level (SL) positions, that will still not address the problem of having some members of the SES who are not well equipped to function as generalist managers, but who still provide valuable technical or program area expertise of a very high order. It is time to seriously consider creating a separate track for this type of talent. Two years ago, for example, the Internal Revenue Service used their unique legislative authority to divide their SES staff into a Senior Professional Corps for top-level but non-managerial positions while maintaining a Senior Executive Corps for career officials who are truly needed to exercise high level leadership and management. We think it is time to expand this concept more widely. Care must be taken, however, to ensure that individuals who provide valuable service to their organizations in non-managerial roles do not become “second class” citizens, but rather are recognized and rewarded for the critical role they play.

In closing, I would like to address one of the most enduring systemic weaknesses that has plagued successful government workforce management over the last twenty years: the failure to commit adequate resources to the development and management of a world-class civil service. Too often, for example, budgets for employee training and executive development have given way to other programmatic priorities. Programs are only as good or effective as the people who run them. Without a sufficient commitment to employee development and training opportunities, it is difficult to build and sustain employee loyalty and commitment, not to mention high organizational performance.

The same observation is equally valid for many of the human capital flexibilities now on the books – a paucity of resources precludes them from being meaningful tools. Whether it is the authority to repay student loans or the enhanced recruitment, retention, relocation authorities proposed in S. 129, a vital ingredient to success will be the commitment of adequate resources. We urge Congress in making the difficult budgetary choices before it to be mindful of the fact that the workforce challenges we face cannot be successfully managed without committing the necessary resources. Follow the lead of private sector companies who have increasingly come to realize that success in workforce management feeds success in every other area of organizational activity. In the long run, the returns to the American public will be significant and long-lasting. Thank you.