



PARTNERSHIP FOR PUBLIC SERVICE

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Prepared for

**The House Committee on Appropriations  
Subcommittee on Financial Services and General Government**

**Hearing on Issues in the  
Federal Workforce**

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Chairman Serrano, Representative Regula, 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. We appreciate your invitation to discuss issues affecting the federal workforce. A skilled and dedicated workforce is absolutely essential to fulfilling the many missions of the federal government on behalf of our nation, and we are honored to share with you our perspective on the challenges of building and maintaining a world-class federal civil service.

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 we manage 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 winning team. Given those objectives, we are highly encouraged by this Subcommittee's efforts and we look forward to working with you to identify and address the most pressing issues facing the federal workforce today and in the years ahead.

In this testimony, I will lay out what we have identified as the most important challenges affecting our civil service, the most significant signs of progress regarding this issue, and a series of recommendations for the Subcommittee's consideration.

### **An Urgent Need for Action**

Americans need effective government, and the key to good government is good people. The report of the 9/11 Commission said it best: "[T]he quality of the people is more important than the quality of the wiring diagrams." Every day, we rely on our federal government to deliver vital services, from protecting the homeland to promoting a competitive economy to preserving our natural resources.

Today, our nation faces challenges of unprecedented complexity – from combating terrorism and competing in a global marketplace to dealing with an aging population at home.

These new challenges require new skills from our federal workforce. Yet, at this critical time, a record number of experienced federal workers will soon retire, resign or otherwise leave the government, and insufficient interest in and knowledge about federal service leaves us with an inadequate pipeline of talent to replace these losses. Aggressive and immediate action is needed to strengthen the federal civil service, match new skills to

current challenges, and build a government that the public deserves and the times demand.

## **I. Major Challenges Affecting the Civil Service**

The federal government's human capital crisis defies easy solutions and will require a comprehensive strategy. The federal government will live up to its potential in serving the American people only when our best and brightest answer the call to federal service and enjoy a work environment that empowers them to perform at their best. We believe that the human capital challenges facing the federal government can best be described as falling into one of two buckets: government's ability to attract and recruit the talent it needs, and government's ability to manage the federal workforce so that talented employees stay and succeed in achieving desired results. How Congress exercises its legislative, oversight and appropriations responsibilities with respect to the civil service will be a deciding factor in how our government meets these challenges.

### **A. Attracting and Recruiting the Right Talent**

The government faces significant hurdles in finding and hiring individuals with critical skills that government needs today:

- **Demographics**

In our 2005 "Brain Drain" issue brief, the Partnership reported that 58 percent of supervisory and 42 percent of non-supervisory federal workers will be eligible to retire by the end of FY 2010. According to the most recent projection data from the Office of Personnel Management based upon past and current trends, an estimated 18.5% of the civilian workforce will actually retire from the federal government between 2006-2010, as compared to 14.7% from 2000-2004. At a minimum, the federal government is facing a drain of experienced talent. At worst, these losses could cripple our ability to meet core government functions.

On top of potential retirements, based on yearly attrition patterns, an additional 250,000 federal employees are expected to resign or leave for reasons other than retirement over the next five years. The combination of projected actual retirements and other departures will result in a loss of about 550,000 employees over the next five-year period, more than one-third of the full-time federal civilian workforce. For a workforce that is increasingly professional, specialized and technical in nature, replacing 550,000 civil servants is no small task.

The problem is further compounded by an insufficient pipeline of new workers coming into the federal government. There simply are not enough young employees to support the future demands of the workforce. According to Bureau of Labor Statistics 2005 data, the federal civil service has 1.5 times as many workers over the age of 45 (58%) as the overall U.S. workforce (40%), and the problem stretches across all agencies. The

Partnership reports, for example, that 40 percent of Department of Homeland Security (DHS) managers and program analysts will reach retirement eligibility by 2009, 42 percent of the Senior Executive Service is projected to retire by 2010, and 87 percent of Social Security Administration claims assistants and examiners and 94 percent of administrative law judges will reach retirement eligibility by 2010.

The federal government is losing its experienced workers at an alarming rate, and if past trends continue, it will not have the necessary time or resources to recover.

- **Reforms needed to attract and retain talent**

It is widely accepted that while the current General Schedule pay and classification system established in 1949 may have served the government well for many years, it is no longer good enough to attract and retain the best and brightest – and we know this from listening to federal employees themselves. 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 2005 *Best Places to Work in the Federal Government* project, based on the 2004 Federal Human Capital Survey, confirms that, compared to workers in the private sector, federal employees are more likely to say their work relates to the organization’s mission, their supervisors are supportive in balancing work and life issues, and the people they work with cooperate to get things done. Yet, this same comparison reveals the federal government lags 25 points behind the private sector in rewarding workers for delivering high quality products and services.

Generally speaking, federal employees are not motivated primarily by pay. As everyone here can attest, many if not most public servants can make more money in the private sector – but they have chosen government service. Again referring to our Best Places to Work rankings, pay and compensation ranked 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. Yet many federal agencies lack the kind of performance management systems that create an environment in which excellence is both recognized and rewarded.

We also note that the current federal pay system is not market sensitive, despite the statutory merit system principle that calls for federal pay to be set “with appropriate consideration of both national and local rates paid by employers in the private sector.”

- **Lack of information a barrier to recruitment**

Our nation's military spends millions of dollars on highly-targeted marketing campaigns to recruit new uniformed military personnel, but when it comes to attracting young people to the civilian workforce, agencies are largely flying blind. Much more needs to be done to understand how federal agencies can best attract new talent to federal service. The House and Senate Appropriations Committees recognized this fact by providing \$600,000 in fiscal year 2006 to the Partnership and OPM for the *Call to Serve Recruitment Initiative*. The *Call to Serve* program is a joint OPM/Partnership effort to connect federal agencies to the tremendous source of new talent graduating from our nation's colleges and universities. The network includes over 60 federal agencies and 588 colleges and universities who are doing more to educate young people about internship and career opportunities in the federal government.

To improve the efficiency and effectiveness of federal hiring efforts, the Appropriations Committees funded the *Call to Serve Recruitment Initiative*, a study on six college campuses designed to identify successful, cost-effective agency recruitment practices that are sustainable and replicable across different campuses to increase student awareness of, and interest in, federal jobs.

The findings of the first phase of the *Recruitment Initiative*<sup>1</sup> are highlighted in our 2006 report, "Back to School: Rethinking Federal Recruiting on College Campuses," which highlights key results from a survey of college students on their interest in and knowledge of federal public service. We found that on the whole, college students are very interested in federal service but lack knowledge about federal opportunities. Forty-two percent of college juniors and seniors said that they were extremely or very interested in federal government jobs – only eight points lower than the interest in large private sector companies. The greatest challenge for agencies, however, is that only 13 percent of students said they felt extremely or very knowledgeable about federal jobs.

According to our survey, students need more information about the types of opportunities that exist in the federal government. They need to understand how to find and apply for a federal internship or job, and they seek information that is tailored to their particular interests and background. In addition, students search for positions where they can do interesting work and where they will have an opportunity to make a difference. Recruiters will be more successful if they can dispel myths about federal service and put a face on government, which is often perceived as overly bureaucratic. (Indeed, 53 percent of students cite bureaucracy as the reason they would not want to work for the federal government.)

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<sup>1</sup> The first phase of the *Recruitment Initiative* included a survey of college juniors and seniors, followed by a variety of activities and interventions designed to highlight federal employment opportunities for the student population. The second phase, which includes a follow-up survey to determine which strategies are most effective in boosting federal recruitment, is ongoing. A final report will be issued later this year.

The college and university population is just one place where the federal government can find new talent; federal hiring needs are so acute that it makes sense for federal agencies to tap many pipelines of talent, including the millions of highly-skilled older workers who are approaching retirement age in all sectors of the economy.

As the federal government feels the effects of a “brain drain” over the next five years, the number of Americans age 55 and older is projected to increase by more than nine million during that same time. We already know that many older Americans are interested in continuing to work, if they can find jobs that enable them to make a difference for society. According to an AARP survey, 70 percent of baby boomers say they expect to continue working in their “retirement” years. Moreover, 50 percent of Americans age 50 to 70 are interested in jobs that help improve their communities, according to a June 2005 survey by Civic Ventures.

To help the federal government benefit from this untapped resource, the Partnership for Public Service has developed *Fed Experience*, a new program to enable older workers to find satisfying opportunities in government and infuse government with the talent it desperately needs. We are launching this project in three phases, starting with a research component this year.

## **B. *Managing for Results***

Getting the right talent is only half the battle. Perhaps the more daunting challenge for the federal government is fostering the kind of workplace policies and practices that will enable the government to retain a highly-skilled, engaged workforce that consistently achieves desired results.

- **Skills gaps hinder agency performance**

Pick up the newspaper on any given day and you will likely find an article about a government failure that can be traced directly to a shortage of the right people with the right skills. Hundreds of intelligence intercepts that go untranslated, millions wasted in government procurement, an overwhelmed emergency management workforce in the wake of Hurricane Katrina – all of these problems and more are caused or exacerbated by a lack of people with the critical skills government needs in the 21<sup>st</sup> century.

Even federal workforce management itself is hampered by skills gaps. Many federal human resources (HR) professionals are trained in transactions – processing paperwork and managing systems. There is a lack of emphasis on the HR professional as a strategic partner for federal managers seeking to hire the right people for the right jobs. In a 2000 OPM survey of federal HR executives, 94 percent indicated there was a gap between requirements and actual competencies for HR professionals. Only 33 percent said they had formal plans to resolve the problem.

The problems facing the HR workforce are exacerbated by high turnover. Due primarily to retirements, the number of full-time permanent HR professionals leaving the federal workforce increased 129 percent from 2001 to 2006. Retirement rates will continue to rise; the percentage of all HR professionals age 45 or over is approximately 65 percent, five points higher than the government overall, according to OPM.

The Chief Human Capital Officers Council has recognized the importance of this issue in creating a special Subcommittee on the Human Capital Workforce. The goals of the subcommittee including closing competency gaps and preparing a framework for identifying the knowledge, skills, ability and experience necessary for the future HR workforce.

The federal acquisition workforce is also struggling to manage today's expanding challenges with yesterday's resources. Consider the exponential growth in federal contracting activity we have experienced since 2000: That year, roughly 106,000 contracting professionals were responsible for managing contracts worth \$207 billion. In 2006, we asked the same number of contracting professionals to manage almost \$400 billion worth of contracts. In addition, this consistently understaffed workforce is seeing its realm of responsibility expand to include the purchase and management of more and more services, not just goods. The knowledge, skills and abilities required to manage services, like document translation or financial consulting, are fundamentally different than those required to manage the purchase of a keyboard or a radio. To comprehend the impact of these misalignments between resources and expectations, we need only consider the contracting missteps in connection with the reconstruction of Iraq and the response to Hurricane Katrina.

- **Lack of meaningful measures and indicators hinder good management**

The old adage that “what gets measured, gets changed” still holds true. And when it comes to the federal workforce, not enough is getting fully measured. We applaud OPM for its renewed efforts to establish metrics for the health of the civil service and believe that, in this area, we cannot do enough.

Data available on the state of the federal workforce is not systematically organized, evaluated or disseminated in a way that is meaningful to all of the key audiences. An indicator system for our federal workforce is the logical solution to this problem, and the Partnership is spearheading a first-of-its-kind *State of the Public Service* initiative to develop meaningful indicators for the federal government. Our first State of the Public Service report will be released next year.

The value of indicator systems as an effective tool for driving reform has been widely documented. The Partnership has already 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 OPM survey data to provide a



comprehensive assessment of employee satisfaction across the federal government's agencies and their subcomponents.

Employee satisfaction and commitment are two of the necessary ingredients 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 satisfaction 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.

The rankings also provide Members of Congress and the general public 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.

- **Emphasis on good leaders and managers is lacking**

The Partnership's *Best Places to Work* rankings consistently reveal that employees are more engaged and more satisfied in their jobs when they hold their leaders and managers in high regard. And it is well documented that highly engaged employees are an indicator of better organizational performance. While various leadership development programs exist, there is not a consistent effort across government to develop and support emerging leaders in federal service. Similarly, the federal government lacks any consistently-applied programs to ensure that federal managers are trained in performance management and able to meet core management competencies.

- **Existing personnel flexibilities are under-utilized**

Federal agencies enjoy many personnel flexibilities that enable them to recruit, retain and manage their workforces. However, use of these existing tools is uneven at best. The tools and authorities available to federal agencies are many, and include recruitment, retention and relocation bonuses; student loan repayment incentives; direct hiring authority; critical pay authority; non-competitive conversion authority; and category ranking, among others.

Not all personnel authorities just mentioned are right for all agencies. Rather, they comprise a "tool-kit" for agencies seeking to shape their workforces and to fit the right talent in the right jobs. Some agencies, like the State Department and the Government Accountability Office, have found that offering student loan repayment is a powerful



incentive for young talent considering federal service. Yet, on the whole, federal agencies do not appear to be using these tools to their best advantage.

We will also note that not all of the tools just mentioned require a significant expense. For example, in 2002 Congress authorized federal agencies to abandon the old “Rule of Three” federal hiring practice, in which agencies were required to fill a vacancy with only the top three candidates from a list of dubious usefulness, in favor of category ranking, which allows agencies to select from a larger pool of “highly qualified” candidates. The Rule of Three has long been criticized as a poor means of assessing and selecting candidates, yet many agencies, including the recently-maligned FEMA, continue to use it.

## II. Signs of Progress

Mr. Chairman, we are heartened by the growing attention to human capital issues over the past five years, and the legislative changes supported by the Congress to improve human capital management:

- Signs all point to a growing consensus around the importance of a highly-skilled, high-performing federal workforce. Congress, as evidenced by this hearing today, is spending more time on civil service issues than it has in many years. Federal human capital is a leading cross-cutting issue on both the GAO’s High Risk list and the President’s Management Agenda.
- Congress has passed the most sweeping changes in the civil service in a generation, with the creation of Chief Human Capital Officers, the creation of new personnel systems in select departments and agencies, and the adoption of several new workforce management tools like expanded student loan repayment and recruitment and retention bonuses for top talent.
- OPM and federal agencies are investing time and effort like never before in an effort to transform federal workplaces into high-performing organizations that engage employees and allow them to perform at their best.
- Private sector and nonprofit organizations, like the Partnership for Public Service, are partnering with OPM and federal agencies on a host of initiatives to help improve the strategic management of the federal workforce. Just one example of this is our *Extreme Hiring Makeover*, in which we coordinated the work of seven private companies in a pro bono effort to streamline the cumbersome hiring process in three federal agencies.

## III. For the Subcommittee’s Consideration

Mr. Chairman, we believe we can be most helpful to the Subcommittee by suggesting a core set of questions that should be asked of OPM and federal agencies during the budget review process. The answers to these questions will determine where federal resources are most needed and where they would have the greatest impact.

- **Does the Office of Personnel Management have adequate resources, and are those resources being allocated most effectively?**

Mr. Chairman, creating and maintaining a world-class federal workforce remains one of the federal government's most daunting management challenges. To meet these challenges, federal agencies will need help, and some will need lots of it. The Partnership believes it is important to equip OPM with the resources it needs to fulfill a government-wide coordination, support and oversight role. Agencies rely heavily on OPM for guidance, and the Partnership urges the Subcommittee to fund OPM at a level that will enable the agency to lead by example and provide the professional guidance that so many agencies need.

We also urge the Subcommittee to support the work of the agency Chief Human Capital Officers (CHCO's) and the Chief Human Capital Officers' Council. The 25-member CHCO Council, comprised of the Director of OPM, the Deputy Director for Management at OMB and CHCO's from 15 Executive departments and 8 smaller agencies, works to identify and implement innovative strategies and to share best practices for addressing key human resources and management challenges.

- **Are we investing enough in leaders and managers?**

Mr. Chairman, we think it is impossible to overstate the importance of manager capacity and manager accountability in meeting the objectives of a high-performing federal workforce. Changing the civil service system alone will not improve management; rather, we must also improve the capacity of managers to manage. Our consultative work with federal agencies has revealed a dramatic variation among managers and their preparedness to implement a performance management system that will lead to two-way feedback, more engaged employees and better performance. Many managers across government have been distanced from personnel decisions as a whole and have devoted little time to the people issues that are so essential to realizing desired outcomes.

Federal agencies need to better assess, develop and manage their employees, and federal managers must be held accountable for maximizing the performance of their subordinates. This presents federal managers with a significant change in culture and mindset, and it is incumbent upon all of us – the administration, Congress and outside organizations – to do what we can to help them succeed. And, in large part, that means resources. Selecting and training federal managers to manage effectively will require a significant investment of time and money in agencies and in OPM. Given the size of the federal workforce and its management corps, this price tag will not be cheap. But it is an investment that will more than pay for itself over time. During the course of a career, a single federal employee can amount to a million- or even multi-million dollar investment for the federal government. It only makes sense that we spend as much time ensuring the success of that investment as we do for IT networks, financial management systems, or similar tools designed to improve government efficiency, accountability and performance.

- **Is the current federal compensation system right for the federal government and its employees?**

We believe that a more market-sensitive and results-oriented pay system would better arm the federal government in the war for talent. We also believe that recent experience at the Department of Homeland Security has shown how absolutely vital it is to ensure that a fair, transparent and credible performance management system is fully in place before changes in federal compensation should be attempted.

- **Are federal agencies making the most of existing personnel authorities, and do they need additional authorities?**

Federal agencies are using existing personnel flexibilities and incentives, but there is ample evidence to suggest that they could be doing more. Are existing tools under-utilized because they are under-funded, or because agency managers have not received adequate training in how to use them effectively? The Partnership strongly believes that the Subcommittee would benefit from better information on the use of existing personnel authorities: which authorities are most used (or not used at all), which agencies are using them, why are agencies using them and to what effect. We think that this information is critical to determining whether additional flexibilities and authorities are needed.

We also believe it is important for the Subcommittee to probe the effect of the unfunded annual pay raise for the civil service. There can be no doubt that the pay raise – a mandate unaccompanied by additional funding – has a significant impact on agencies and their ability to fund training and incentives that will make the federal government a high-performing organization.

- **Are federal agencies taking the appropriate steps to prepare for a peak in the number of employees leaving federal service?**

As we discussed, a combination of retirements, resignations and other factors will result in roughly 550,000 employees leaving federal service in the next five years. Addressing this wave of departures will require a comprehensive review of agency plans and strategies. Federal agencies, with the help of OPM and outside organizations, must ensure that they are tapping all sources of new talent, that they have the resources necessary to recruit new talent, and that they are making the most of existing hiring authorities to bring in needed talent quickly and efficiently.

- **What investments must be made to address skills gaps in critical occupations?**

The federal government faces skills gaps across its workforce, but those gaps are more crippling in some occupations than others. According to our research, the federal government faces skills gaps in a host of critical areas, including science and engineering,

foreign languages, and information technology. Internal management functions of federal agencies also suffer from a lack of people with necessary skills. The federal acquisition workforce, for example, is overwhelmed and under-equipped to deal with the complexities of today's government contracting environment, increasing the chance of costly mistakes.

One potential means to address this problem, without requiring additional resources from federal appropriations, is to set aside a small percentage of federal contracting dollars to be used for training and development of the acquisition workforce.

- **How can the Subcommittee assess agencies' human capital needs?**

Again, the Partnership firmly believes that a set of indicators on the state of the federal workforce as a whole and within specific agencies will allow the Subcommittee to assess agencies' human capital needs and make budget allocation decisions. We look forward to sharing our work in this area with the Subcommittee.

### **Conclusion**

Mr. Chairman, Mr. Regula, Members of the Subcommittee, thank you for the opportunity to share our views regarding the federal government's workforce challenges. We look forward to working with you, with other committees and with federal agencies to build a high-performing federal workforce.

## Appendix

### The Federal Workforce: An Overview

As of September 2006, the federal government employed 1.85 million civil servants. A good illustration of how big a player the U.S. government is in the labor market is a CollegeGrad.com study of America's top 50 entry-level employers in 2006. Twelve of the top 50 entries were government agencies. These agencies hired a total of 20,310 employees, roughly 20 percent of the total entry-level hiring of the top 50. Companies such as Lockheed Martin, Northrop Grumman, Raytheon and Boeing, which work closely with government, also ranked in the top 50.

Contrary to conventional wisdom, more than four out of five federal employees (85 percent) actually work *outside* the Washington, D.C. area. The biggest concentrations of federal jobs outside of the capital are in Norfolk-Newport News, Virginia; Baltimore; Philadelphia; Atlanta and San Diego. The states with the most federal jobs are California, the District of Columbia, Virginia, Texas, Maryland and Florida.

Federal employees work in 15 cabinet-level agencies; 17 large independent agencies (with more than 1,000 full-time, permanent employees); and 41 small agencies (fewer than 1,000 full-time, permanent employees). The departments of Defense and Veterans Affairs employ the largest number of full-time, permanent civilian federal workers –611,658 and 205,291, respectively.

As in the private sector, the federal workforce is getting older. However, the problem is more acute in the federal government. Fifty-eight percent of federal employees are over age 45, compared to 40 percent in the private sector. The graying federal workforce is also an imbalanced workforce. Whereas three-fifths of civil servants are age 45 or older, only three percent of the federal workforce is younger than 25.

The federal workforce is diverse. While 68 percent of federal workers are non-minority (as of September 30, 2005), 17 percent are African-American, 7 percent are Hispanic, 5 percent are Asian/Pacific Islander, and 2 percent are Native American. Women make up 44 percent of the federal workforce.

The federal workforce is also highly skilled, and the average federal salary as of March 2005 (according to BLS) was \$62,000. Eighty-nine percent are white collar. Eleven percent of the federal workforce is also composed of managers and supervisors. Twenty-two percent of the federal workforce has “veteran's preference.”

The federal government faces major workforce challenges. Although the U.S. population continues to increase, the federal workforce has increased by only 29,000 employees since September 2002. There were 96,000 new full-time permanent hires in the federal government in 2006. These additions were offset by the 113,000 full-time permanent employees who left the federal government in 2006 – of these, 41,000 quit and 59,000

retired. Plus, it is currently projected that 550,000 federal employees will leave government through 2010.