



PARTNERSHIP FOR PUBLIC SERVICE



THE VOLCKER ALLIANCE

Working for Effective Government

August 10, 2018

The Honorable Dr. Joseph Heck
Commission Chairman
National Commission on Military, National
and Public Service
2530 Crystal Dr., Suite 1000
Arlington, VA 22202

The Honorable Mark Gearan
Vice Chair for National and Public Service
National Commission on Military, National
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2530 Crystal Dr., Suite 1000
Arlington, VA 22202

The Honorable Debra Wada
Vice Chair for Military Service
National Commission on Military, National
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2530 Crystal Dr., Suite 1000
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Dear Dr. Heck, Mr. Gearan and Ms. Wada:

The Partnership for Public Service and the Volcker Alliance are two non-partisan, non-profit organizations dedicated to inspiring public service and finding ways to make government more efficient and effective. We thank you and all of the members and staff of the Commission on Military, National and Public Service for your work in identifying ways to increase participation in public service. We welcome this opportunity to explain why we believe modernization of the federal civil service framework should be central to your discussion of public service in the federal government.

The Civil Service Reform Act of 1978 marked the last time that Congress comprehensively addressed federal personnel management. The federal pay and classification system dates back even further, to 1949. That system was designed for a workforce that was largely clerical and makes little sense for today's workforce, which increasingly is comprised of individuals with professional and technical skills.

Over the years, the layers of laws, regulations and processes have made the personnel management system slow and cumbersome. This is unfair to current federal employees and a

major impediment to recruiting and hiring the next generation of federal employees. Moreover, it has led to a balkanized system because over the years some agencies have been successful in convincing Congress to give them special authorities in how they hire, pay and manage employees. As a result, federal agencies not only have to compete with the private sector for talent but also with each other.

Together, the Partnership for Public Service and the Volcker Alliance have joined in an initiative called *Renewing America's Civil Service* to identify specific policy, regulatory and statutory opportunities to improve how the federal government recruits, develops and manages its workforce. While the initiative is focused on the federal civil service, we recognize that many of the challenges facing the federal government are prevalent at the state level as well. We hope that the Commission will, where feasible, consider how the proposals outlined below may be applied by states to support their own efforts to strengthen their civil service systems.

In support of our efforts, we have formed a bipartisan advisory panel of distinguished leaders who each have extensive senior executive experience in both the public and private sectors. The panel members are:

- Paul A. Volcker, chair of the advisory panel; chairman, The Volcker Alliance; former chairman, Federal Reserve Board of Governors
- Mitch Daniels, president of Purdue University; former governor of Indiana and former director of the Office of Management and Budget
- Tom Davis, director, federal government affairs, Deloitte; former U.S. congressman from Virginia and former chairman of the U.S. House Committee on Oversight and Government Reform
- Ted Kaufman, former U.S. senator from Delaware
- Lester Lyles, chairman of the board, USAA; former Air Force vice chief of staff and former commander of Air Force Materiel Command
- Hank Paulson, chairman, Paulson Institute; former secretary of the Treasury and former chairman and CEO of Goldman Sachs
- Penny Pritzker, co-founder and chairman, PSP Capital Partners and Pritzker Realty Group; former secretary of Commerce

This panel helped us develop a set of guiding goals and principles for modernizing the civil service, which we have attached to this letter, along with a summary of *Renewing America's Civil Service*. We believe that these goals and principles are a solid foundation on which to develop and implement changes that will transform the civil service system.

Before we lay out specific proposals, we offer a few observations to put these proposals into context.

First, the more that Americans know about the amazing accomplishments of public servants, the more likely they will be inspired to enter public service. Every day federal employees perform heroic deeds in protecting our health and safety, strengthening our economy, and promoting democratic values around the globe. The Partnership and the Volcker Alliance both work to share the many successes of public servants, including through the Partnership's Service to America Medals.

Second, federal civilian agencies should take a cue from the military and high-performing organizations outside of government and treat their employees as an asset, not a cost. The

federal government should invest in regular training and leadership development, while also making sure that federal employees have the technology, data and business process tools that they need to deliver excellent results. The federal government will have an easier time recruiting if it is seen as a place where employees can grow and innovate.

Third, the federal government needs to improve its branding and emphasize customer service. Public service in the federal government offers experiences that are seldom available anywhere else. And all federal employees can feel proud of the citizen services that are at the heart of much of what government does, from veterans receiving care at VA medical facilities to students able to afford college through Department of Education loans. Agencies are overlooking their most powerful recruiting device if they do not emphasize the important missions that federal employees carry out and the importance of customer service.

Fourth, leaders--both political and career--must take ownership of the agencies they are responsible for managing. This sense of ownership requires selecting and holding accountable leaders who are focused not just on policies but on management and organizational health.

And finally, any modernization of the civil service framework should be grounded in the well-established merit system principles.¹ These principles are the bedrock of the civil service and reflect the core values of merit-based personnel decisions, non-discrimination, fair and equitable treatment, and due process. They foster the political neutrality, diversity and stability of the federal workforce--all of which are essential to building the trust of the American people in their government.

Below are our ideas for meaningful and lasting modernization of the federal civil service framework. They center on:

- Fixing the broken hiring process so that agencies efficiently can find the best-qualified candidates for open positions
- Shifting from the antiquated pay and classification system to a market-sensitive, occupation-specific system
- Holding senior career and political leaders, as well as managers and supervisors, accountable for the management of agencies, including personnel management
- Evolving federal personnel management to accommodate a workforce that increasingly seeks mobility in the career experience
- Ensuring that the Senior Executive Service is an elite corps of managers capable of taking on the government's toughest problems
- Providing agencies with tools to reshape their workforces

Hiring Reform

The federal government's complicated and slow hiring process--now averaging 106 days--is a major impediment to attracting top talent into the government. Moreover, federal agencies are failing abysmally in attracting the millennial generation into service: only 6 percent of federal employees are under age 30, while that demographic makes up 24 percent of the total U.S. workforce. There are several ways that the Office of Personnel Management (OPM) and Congress can fix the hiring process:

¹ 5 U.S.C. § 2301.

- **New hiring authorities:** Based on a review of existing hiring authorities (which number over 100), OPM and Congress should work together to craft a limited set of new, rationalized government-wide hiring authorities that embody the best features of existing authorities. These authorities should be grounded in the merit system principles and include preference for veterans but should also ensure that agencies are able to hire the best candidate for any given position.
- **The right standard for direct hire authority:** Direct hiring authority is a streamlined hiring procedure for hard-to-fill positions. Currently, the standard for justifying the use of direct hire authority (found in 5 U.S.C. § 3304(a)(3)(B)) is that there must be a shortage of “minimally qualified” candidates. The standard, rather, should be that there is a shortage of “highly qualified” candidates. Additionally, the agencies themselves—who best know their workforce needs—should have the latitude to use direct hire authority without prior OPM permission.
- **Interns as a talent pipeline:** Outside the government, many high-performing organizations use internships as a way to recruit and evaluate talent. The federal government, though, lags in its use of internships to build a pipeline of talent. A key personnel provision of this year’s National Defense Authorization Act authorizes government-wide expedited hiring authority for students and recent graduates,² which should serve as an incentive for agencies to make greater use of the Pathways programs. Congress should also authorize agencies to convert interns who come to the agency through third-party internship programs and count work hours of unpaid interns performing qualified work before conversion. This proposal does not have a cost and does not increase government hiring; it simply helps agencies access a wider pool of talent to fill positions.
- **An improved USAJOBS:** While OPM has made strides in improving the government-wide portal for job applications, the site could be better designed to match individuals with open jobs, narrow pools of applicants for agencies, explain the federal employment process to applicants, and keep applicants apprised of the status of their applications. Agencies should also be able to target their recruiting efforts to pools of qualified candidates without having to advertise to the entire population, which can overwhelm agencies with applications from unqualified candidates.
- **Leveraging educational institutions:** The federal government should make sure that colleges, universities and other educational institutions have full awareness of the skills needed in government so they can help develop curriculum around those needs and help drive recruitment.
- **A clarified veterans preference:** Agencies and veterans alike bemoan the complexity of the veterans preference in federal hiring. OPM should work to educate human resource professionals and hiring managers on the proper application of the preference and should also work with the military services to find ways to match the talents of individuals exiting military service with skills needed in civilian agencies.
- **Myth-busting:** While the hiring process is due for an overhaul, some agencies have found ways to innovate within existing rules. OPM should highlight successful hiring

² Section 1108 of H.R. 5515, the John S. McCain National Defense Authorization Act for Fiscal Year 2019.

practices, such as the Department of Homeland Security's department-wide hiring fairs and cyber-specific hiring fairs, and help drive best practices government-wide.

- **Strategic hiring:** The government's continued struggle to address critical skills gaps is the fundamental reason that strategic human capital is on the Government Accountability Office's High Risk list. The Office of Personnel Management and agencies should focus on filling these gaps while avoiding blunt, counter-productive across-the-board approaches such as hiring freezes.
- **Market-based incentives:** Federal law already allows agencies to pay recruitment, retention and relocation bonuses based on individual circumstances.³ Agencies could more effectively use this bonus authority if it were amended to allow for occupation-based payments based on conditions for similar positions in the private sector.
- **Implementation of the Competitive Services Act (CSA):** The CSA⁴ authorizes agencies to collectively build and utilize talent pools to fill critical skills gaps. Specifically, the CSA allows multiple agencies to hire individuals off the same "certificate of eligibles" (*i.e.*, lists of the most qualified candidates) to fill a position in the same occupational series and the same grade level. While implementing regulations were issued in 2017, agencies have made little progress in using this authority. The Office of Personnel Management should lead an aggressive push to help agencies use the CSA.

Occupation-Specific, Market-Sensitive Pay

The federal pay and classification system dates back to 1949 and an era when most workers were clerical. It sets pay and grade level on an arcane and arbitrary formula, bearing little resemblance to private sector compensation. Today's most critical needs are in knowledge-based skills. The sophisticated cyber, IT, data science and STEM skills that are so badly needed in government today were not envisioned when the current system was established.

With a goal of moving to a new, government-wide pay banding system that offers agencies more flexibility in setting pay, Congress and OPM can set a path for bringing this system into the 21st century:

- **Piloting new authorities:** OPM should use its demonstration authority aggressively to pilot new pay and classification systems to improve recruitment and retention of top talent. This effort particularly should be targeted to the hardest-to-fill, mission-critical occupations in government. The statute granting OPM authority to conduct pilot programs is broad⁵ but has been bogged down over the years by OPM's own rules on how these projects are carried out. OPM needs to delayer these rules, make full use of the demonstration authority to test new personnel systems, and when pilots prove successful allow other agencies to use those authorities.
- **Learning from past efforts:** Congress and OPM should encourage dialogue on lessons learned from its past and ongoing demonstration projects, such as the Navy Demonstration Project at China Lake and the Department of Defense Acquisition Workforce Personnel Demonstration Project, as well as special authorities authorized by

³ 5 U.S.C. §§ 5753 and 5754.

⁴ Pub. L. 114-137 (March 16, 2016).

⁵ 5 U.S.C. § 4701.

Congress, such as the flexibilities under the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The dialogue should also include discussion of the events that led Congress to repeal the National Security Personnel System in 2009.

- **Transparency and data:** The credibility of any new pay and classification system will depend on a decision-making process that is transparent and is informed by both public and private sector data. Government data used to inform the creation of the new system should include satisfaction of current “customers” of the process (such as applicants and current employees) with the pay administration process, as well as general customer service data, which can help identify skills gaps. In charting a path to establish the details and governance of a new pay and classification system, Congress and OPM should ensure that stakeholders, including federal employee representative organizations, have an opportunity to provide input.

Accountability

Senior agency leaders are responsible not only for executing missions and developing policies but also for stewarding the management of the agencies, including the performance of personnel. Accountability for these management responsibilities could be strengthened in numerous ways:

- **Better training for managers and supervisors:** Individuals elevated into managerial or supervisory positions should be required to undergo rigorous training before assuming their new responsibilities, and should also be afforded continual training. Training should instill accountability for personnel management by addressing topics such as conducting effective appraisal reviews, dealing with poor performers or misconduct, respecting whistleblower rights, and delivering exceptional customer service.
- **Meaningful performance reviews:** The annual Federal Employee Viewpoint Survey confirms that federal employees do not think that appraisal processes distinguish outstanding achievers from poor performers. OPM can reverse these perceptions by leading a government-wide effort to prevent “grade inflation” in employee reviews and promote the linking of performance to the agency’s missions and goals.
- **Effective use of the probationary period:** The probationary period provides a period for expedited removal of a new federal employee who is not meeting expectations. No matter the length of the probationary period, its value is limited unless supervisors make and document the reasons for keeping or not keeping an employee at the end of the probationary period. Congress should mandate that supervisors make such a determination before the end of the probationary period.
- **Consolidated appeals processes:** OPM and Congress should explore ways to streamline appeals processes while preserving strong enforcement of the merit system principles. The current processes, spread over multiple forums, are confusing, lengthy and expensive for employees and agencies alike.
- **Performance plans for political appointees:** All career federal employees have performance plans. Congress should also mandate that political appointees have clear, transparent performance plans that include accountability for the management functions under their responsibility, including personnel management and customer experience.

Mobility

The federal government must adopt its talent management to recognize that today's workers, particularly those in the millennial generation, seek mobility in their careers. As an employer with diverse missions across the country and around the globe, the federal government should have no problem marketing itself as the employer of choice for professionals who want a variety of experience in their careers. Several changes to the law also would help the government attract those who want mobility within their federal careers, as well as those who are willing to enter public service for a less-than-lifetime tenure:

- **Public-private talent exchanges:** Providing opportunities for individuals from the private sector to temporarily work in the public sector, and vice versa, is an effective way to cross-fertilize knowledge across the sectors and increase each sector's understanding of the other. Congress should extend government-wide the talent exchange authority already authorized for the Department of Defense.⁶
- **Temporary and term appointments:** Congress should pass legislation that has been reported by the Senate Committee on Homeland Security and Governmental Affairs that would enhance the ability of agencies to use temporary and term appointments to address short-term needs.⁷
- **Re-hiring former federal employees:** Congress should amend Chapter 33 of Title 5, United States Code to allow agencies to non-competitively rehire former federal employees at the level for which they qualify. Currently, former employees can be reinstated non-competitively only to a job at or below the grade level they last held, even if valuable experience outside the government has enhanced their credentials or qualifications.

The Senior Executive Service

The senior career leaders in the Senior Executives Service (SES) play a critical role in effective government. They are the link between a president's appointees and the two million person federal workforce, and they are a bridge of continuity between administrations. The SES should be the elite corps of enterprise-wide leaders who are capable of taking on the government's most pressing challenges, which almost always involve multiple agencies. Strengthening the SES should be a key goal of any civil service modernization effort.

- **Set new executives up for success:** the Office of Personnel Management should press agencies to create robust SES onboarding programs, re-evaluate the Executive Core Qualifications (ECQs) on a regular basis to ensure they emphasize the skills modern executives need and strengthen performance planning for senior executives.
- **Improve senior-level talent management:** Congress should create a separate promotional track for individuals deemed to be technical experts to ensure these

⁶ Section 1104 of the National Defense Authorization Act for Fiscal Year 2017, Pub. L. 114-328 (Dec. 23, 2016).

⁷ S. 1886, the *Temporary and Term Appointment Act of 2017*, sponsored by Sen. James Lankford, ordered to be reported favorably by the Senate Committee on Homeland Security and Governmental Affairs on Oct. 4, 2017. Similar language was included in section 1109 of the House-passed version of H.R. 5515, the National Defense Authorization Act for Fiscal Year 2019 but was not included in the conference report.

individuals have access to advancement opportunities that do not force them to take on significant management responsibilities for which they may not be suited. Congress could also expand opportunities for aspiring executives to participate in rotations and joint duty programs. The administration, through the Office of Personnel Management, should also take steps to strengthen the pipeline of future senior executives.

- **Strengthening the political-career interface:** Congress should designate C-suite positions with responsibilities for management rather than policy as career rather than political appointments, lower the cap on the number of politically-appointed executives in any one agency and mandate performance plans for all political appointees that are linked to agency objectives. The administration should require agencies to provide consistent onboarding to new political appointees that ensures these individuals can hit the ground running upon entering public service.

Workforce Reshaping

In order to plan for their workforces of the future, agencies need the right tools to reshape their workforces:

- **Increase in Voluntary Separation Incentive Pay (VSIP) amount:** The Chief Human Capital Officers Act of 2002⁸ provided government-wide authority to use the VSIP but the amount of the payment has not been adjusted on a government-wide basis since that authorization. In the National Defense Authorization Act for Fiscal Year 2017, Congress increased the VSIP cap for the Department of Defense from \$25,000 to \$40,000.⁹ Congress should follow suit for the rest of the government and also provide that the amount will periodically be adjusted for inflation.
- **Delegation of VSIP and Voluntary Early Retirement Authority (VERA):** Current law requires agencies to seek approval from OPM for specific VSIP and VERA decisions, slowing down the use of these workforce reshaping tools.¹⁰ The authority to use these provisions more properly should rest with the agencies themselves, who are in the best position to know their restructuring needs and can be audited by OPM and their inspectors general to ensure they are being used appropriately. Congress should amend these authorities accordingly.
- **Performance as the top determinant in Reduction in Force (RIF):** Agencies are required to use RIF procedures when they must separate employees for reasons such as a shortage of funds, insufficient personnel ceilings or reorganizations. The goal of a RIF should be to retain the highest performing employees. Congress has already required the Department of Defense to ensure that in implementing a RIF, decisions on which employees will be separated will be made primarily on the basis of performance.¹¹ This directive should be extended to the rest of the government.

Conclusion

⁸ Section 1313, Pub. L. 107-296 (Nov. 25, 2002).

⁹ Section 1107, Pub. L. 114-328 (Dec. 23, 2016).

¹⁰ Sections 3522, 8336 and 8414 of Title 5, U.S. Code.

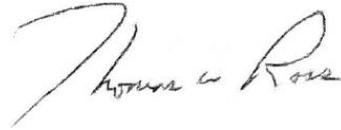
¹¹ Section 1101 of the National Defense Authorization Act for Fiscal Year 2016, Pub. L. 114-92 (Nov. 25, 2015).

Thank you again for your consideration of these ideas to modernize federal personnel management. We look forward to being a resource for you as the Commission moves forward.

Sincerely,

Handwritten signature of Max Stier in black ink.

Max Stier
President and CEO
Partnership for Public Service

Handwritten signature of Thomas W. Ross in black ink.

Thomas W. Ross
President
Volcker Alliance