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EMPLOYING FEDERAL WORKFORCE FLEXIBILITIES: A PROGRESS REPORT

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

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THURSDAY, APRIL 21, 2005

U.S. SENATE,
OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE,
OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:35 a.m., in room SD–562, Dirksen Senate Office Building, Hon. George V. Voinovich, Chairman of the Subcommittee, presiding.

Present: Senators Voinovich, Akaka, Carper, and Pryor.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. This hearing will please come to order.

Good morning. Today's hearing, "Employing Federal Workforce Flexibilities: A Progress Report," is one that I have been looking forward to.

The purpose of today's hearing is to examine the implementation of a series of human capital reform bills that have been enacted over the last 2 years. All of these bills originated in our Subcommittee, and I am proud to say that working closely with Senator Akaka and other Members of this Committee, they have become law.

Again I want to thank Senator Akaka, and his staff, for all the time and effort they have put into working on legislation that is so very important to our country's future. While passing these reforms was difficult, it is only the first of Congress's responsibilities.

On July 20, 2004, we convened a hearing of the Subcommittee with a similar oversight agenda, and we will hold additional oversight hearings in the future. I want to let everybody know that I will be serving in the Senate for another at least 5½ years. I intend to stay on top of this issue.

I cannot emphasize enough the need for continued congressional oversight of these reforms. On November 25, 2002, the Homeland Security Act of 2002 became law. Included in that legislation were provisions that equaled the most significant reforms to the civil service in a quarter of a century. They included the establishment of agency Chief Human Capital Officers and a Chief Human Capital Officer's Council. The permanent authorization of the workforce reshaping authorities, voluntary early retirement authority, voluntary separation incentive payments, and a long overdue modi-

fication to the hiring process that allows Federal agencies to use category rating instead of the over 100 year-old "rule of three."

On November 11, 2003, the Federal Employee Student Loan Assistance Act became law. The law raises to $10,000 from $6,000 and to $60,000 from $40,000 respectively, the annual and aggregate limits of student loan repayment Federal agencies may offer employees as recruitment and retention incentives. I am pleased to see that the Office of Personnel Management (OPM) has reported that for fiscal year 2003 agencies spent three times as much on student loan repayment than they did in fiscal year 2002. In total, 24 agencies provided more than $9.1 million in student loan repayments to 2,077 Federal employees.

On November 24, 2003, the purpose of the Senior Executive Service Reform Act was accomplished by a provision of the fiscal year 2004 Defense Authorization Bill. This provision relieves pay compression within the Senior Executive Service by allowing agencies to establish a pay-for-performance system for their senior executives. We are all familiar with the problem that 75 percent of our senior executives all received the same pay.

Proper and effective implementation of a performance management system is imperative to the long-term ability of Federal departments and agencies to meet their mission. I look forward to the testimony regarding the certification process for the performance management systems for senior executives, and how implementation is proceeding.

On February 24, 2004, the NASA Flexibility Act of 2004 became law. The law provides several new flexibilities to the National Aeronautics and Space Administration to help that agency recruit and retain the best and brightest scientists and engineers for the agency's high technology mission. I know that the President has challenged NASA with a new mission and that NASA has been working to realign its workforce to meet the new mission. Unfortunately, there have been numerous reports of proposed actions by NASA that have raised concern as to whether or not the agency is using the flexibilities as Congress intended. I look forward to discussing this matter in greater detail.

Last, but not least, the President signed into law on October 30, 2004, the Federal Workforce Flexibility Act. That legislation enacted such reforms as compensatory time for travel, enhanced leave for individuals who join public service mid career, and an increased focus on training within agencies. It has only been 6 months since enactment, but OPM has been working to implement these reforms, including the publication of interim regulations for the compensatory time off for travel provision on January 28 of this year. I look forward to learning how OPM has been working with agencies to assist the agencies understand these reforms and how agencies have begun to implement them.

As I said earlier, I am proud of what we have accomplished and the changes we made in the civil service code. This Subcommittee has set aside partisan differences and worked together to modernize the Federal civil service. All of these changes have been carefully considered and have been sought to provide greater flexibility to the existing civil service framework.

Through these hearings, I hope to establish a sense of what is working, what is not, and how lessons learned from implementation can assist other Federal departments and agencies as they work to implement their reforms.

I would like to now yield to my Ranking Member of this Subcommittee, my good friend, Senator Akaka.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Thank you very much, Chairman Voinovich. I want to thank you for holding this hearing today which builds on the one that we held in July of last year.

When I chaired the Postal Subcommittee, I continued the longstanding tradition of holding an annual hearing on the state of the U.S. Postal Service, and I am glad that we will continue to hold at least a yearly hearing on workforce flexibilities as we are doing now to review the implementation, use, and training for these new flexibilities.

Mr. Chairman, I appreciate what you are doing as Chairman of this Subcommittee, and as a leader in the U.S. Senate. I want to thank your staff, as well as my staff, for all the work that they have been doing in this area.

You and I have worked hard to ensure that agencies have the tools and resources needed to recruit, retain, and manage their workforce. As you noted, we joined together to add government-wide flexibilities to the Homeland Security Act to give agencies increased authority to manage their workforce. Among these flexibilities were permanent use of Volunteering Separation Incentive Payments (VSIP) and Voluntary Early Retirement Authority (VERA); the use of categorical ratings instead of the rule of three for hiring; and the creation of Chief Human Capital Officers and the Chief Human Capital Officers Council.

I was also pleased to join you, Mr. Chairman, as a cosponsor to the substitute amendment to the Federal Workforce Flexibility Act last year, which included my provision allowing employees to receive compensatory time off for time spent in travel outside of the normal work hours. Compensatory time for travel is a good work-life program, and it is one that I believe will help attract and retain quality employees.

I would like to note that in 2002, the Government Accountability Office (GAO) reported on the government's flexibilities and said that those most effective in managing the workforce are work-life programs such as alternative work schedules, child care assistance, transit subsidies, cash, and time-off awards.

Last year we heard that agencies were not using the flexibilities Congress granted them and that OPM had given little guidance in terms of training and general information about the flexibilities that were available.

Despite OPM implementing a 45-day hiring process, applicants for Federal jobs still complain that it takes too long to get hired. We need to figure out why the tools currently available to agencies are not making a difference.

However, judging from the President's Human Capital Scorecard, and the testimony submitted for today's hearing, it appears that some progress is being made in the use of VSIP and VERA for

agency restructuring, the use of annual leave enhancements to recruit mid-level hires and provisional certification for participation in the Senior Executive Service (SES) pay-for-performance system.

I am still concerned, however, that agencies continue to lack funds to implement these flexibilities. Similar to the questions over funding for the pay-for-performance system and employee training on flexibilities at the Department of Defense (DOD) and Department of Homeland Security (DHS), we need to know how agencies are paying for the government-wide flexibilities. Agencies need adequate funding to implement pay-for-performance systems, award bonuses, utilize critical pay authority, provide academic degree training, and provide student loan repayment.

With agencies still not making the most effective use of the workforce flexibilities granted by Congress, in addition to a lack of adequate funding, I find it premature to discuss at this time expanding the broad flexibilities granted to DHS and DOD to the rest of the Federal Government, especially in the areas of collective bargaining and appeals—which have never been tested.

Mr. Chairman, we have with us a distinguished group of witnesses today, and I look forward to hearing from them on how their agencies are using these flexibilities, as well as any barriers they may have encountered relating to their use. Thank you so much, Mr. Chairman.

Senator VOINOVICH. Thank you, Senator Akaka. I agree with you. I am really glad that you are here; you are part of what I refer to as the A team. Your commitment is what gets the job done.

Senator AKAKA. I should add that the Chairman did mention to me that I am going to be surprised at what we are going to hear today, so I am looking to be surprised. [Laughter.]

Senator VOINOVICH. How is that for putting the jacket on you? [Laughter.]

I ask all the witnesses to stand and raise their right hand. It is the custom of this Subcommittee to swear in all witnesses.

Do you swear that the testimony that you are about to give to this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Witnesses. I do.

Senator VOINOVICH. Let the record show that all the witnesses answered in the affirmative.

I would like to welcome Marta Pérez, the Associate Director for Human Capital Leadership and Merit System Accountability at the Office of Personnel Management; and Eileen Larence, Director of Strategic Issues at the Government Accountability Office.

Ms. Pérez and Ms. Larence, I thank you for appearing before the Subcommittee, and we look forward to your testimony today. While oral statements traditionally are limited to 5 minutes, but if you go a bit longer, it is fine. Your written testimony will be included in the record. Also, if we do not ask all of our questions, we will submit them and ask you to respond in writing. Thank you. Ms. Pérez, will you please proceed.

TESTIMONY OF MARTA BRITO PÉREZ,[1] ASSOCIATE DIRECTOR FOR HUMAN CAPITAL LEADERSHIP AND MERIT SYSTEM ACCOUNTABILITY, U.S. OFFICE OF PERSONNEL MANAGEMENT

Ms. PÉREZ. Very good. Thank you, Mr. Chairman. Good morning to everyone. Thank you for having me here today. I am pleased to appear on behalf of the Office of Personnel Management and share this panel with Eileen Larence. I have a written statement and I ask that it be included for the record, and I am happy to summarize for the Subcommittee as well.

I am equally pleased to be here with my colleagues from the Department of Commerce, the Environmental Protection Agency, the Department of Health and Human Services, and the National Aeronautics and Space Administration. OPM is honored that the President has given us a responsibility to lead the transformation of human capital management in the Federal Government. Through our technical assistance and compliance programs, we work very closely with the agencies to ensure their progress. When they succeed, the American people benefit. I am grateful for the support and the partnership agencies have had with OPM over the last 3 years.

Today, my testimony will focus on three areas: First, the development and implementation of the pay-for-performance regulations for the Senior Executive Service; next, the training and education OPM has done to encourage the agencies to make use of workforce flexibilities; and third, I will comment on the use of workforce flexibilities at NASA and what OPM has done to ensure they are implemented consistent with congressional intent and OPM-approved workforce plans.

The Senior Executive Service Reform Act pay-for-performance legislation gives opportunities to ensure that accountability for performance management resides at the highest level of government. How we are getting there is as important as the results we are achieving.

The law provides broad flexibility, clear objective, and a strict accountability. OPM matched the statutory framework with a regulatory framework that features clear and rigorous criteria, close consultation with agencies in implementing those criteria, and provisional and full certification of agencies' plans.

The result of this effort is a system of Federal executive compensation featuring an open pay range while ensuring agencies have a system in place for making meaningful distinctions in performance, and basing all compensation adjustments on performance. In fiscal year 2004, 32 agencies received full or provisional certification for the SES or equivalent performance management plans which held executives and managers accountable for results, and based compensation on the outcomes. To date, 15 agencies have received certification for fiscal year 2005, with another 12 requests undergoing review.

In general, for the agencies that are requesting second year certification, we are seeing fiscal year 2004 data that shows agencies are making distinctions in levels of performance, pay adjustments, and awards, and where we see weaknesses in their programs, we

[1] The prepared statement of Ms. Pérez appears in the Appendix on page 43.

require them to take corrective action. Rating distributions are more closely aligned to the performance of the organization, and organizational performance has become a key factor in pay distinctions.

As you have so accurately pointed out in the past, Mr. Chairman, strategic human capital management must become institutionalized in the executive agencies. OPM strategically restructured and created the position of Human Capital Officers in our agency to work with the agencies across the Federal Government, one Human Capital Officer per agency. OPM provides technical assistance to the agencies and monitors the implementation of requirements that were laid out in the human capital initiative of the President's Management Agenda, Mr. Chairman, including the implementation of your flexibilities.

Additionally, OPM is proactive in providing agencies with guidance and training after it publishes regulations. This includes memoranda for implementing and administering new provisions, briefings for the Chief Human Capital Officers Council, forums and symposiums for human resources directors and human resources practitioners, and follow-up technical assistance and individual attention by our Chief Human Capital Officers.

A review of agencies' efforts suggests they have improved in their management of human capital, that the fundamental concepts of workforce planning, succession planning, performance management for results and leadership development are integral parts of agencies' human capital management planning process. Nearly one-third of the executive agencies, nine in all, have achieved the green status on their human capital management efforts, and almost all are making some use of many of the flexibilities available to them.

But we, at OPM, believe in flexibility with accountability. The additional human resources flexibilities being given to agencies reinforce the need for stronger agency internal accountability systems that hold executives and managers responsible for the effective management of their workforce. This evolution places a greater responsibility for accountability at the level within each agency where authorities are delegated and where decisions are being made. Strengthening accountability government-wide ensures adherence to merit system principles and results in efficient, effective, and responsible administration of government services. OPM takes its responsibility for accountability very seriously, and expects the same from the agencies.

We work closely with the Chief Human Capital Officers Council and their representatives across the agencies. Mr. Chairman, your leadership and authoring the legislation establishing these important positions is already having a substantial impact on Federal human capital management. In addition, the CHCO Council is playing a major role in the administration's efforts to modernize the civil service.

Mr. Chairman, you asked OPM to comment on NASA's use of workforce flexibilities, and you asked what have we done to ensure NASA's implementation is consistent with congressional intent and the agency's workforce plan.

Senator VOINOVICH. Ms. Pérez, your time has expired. I will ask you to respond to that question during the question-and-answer period.

Ms. PÉREZ. Very good.

I would only say that we feel they are meeting the expectations of the Congress in their use of their flexibility.

Because of the work of the Subcommittee, agencies now have the additional flexibilities which are being used to recruit and retain employees. These flexibilities, however, we feel strongly, cannot mask the deficiency of a personnel system that is still not well suited to meet the mission critical goals of today's Federal workforce. I will be glad to answer any questions that you have.

Thank you.

Senator VOINOVICH. Thank you very much. Ms. Larence, please proceed.

TESTIMONY OF EILEEN LARENCE,[1] DIRECTOR, STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. LARENCE. Thank you. Mr. Chairman, and Senator Akaka, I am pleased to be here today to discuss GAO's work on how agencies are using recent human capital flexibilities Congress has provided.

We agree that the Subcommittee's investment in this oversight is important and timely. We continue to propose that if agencies want to take full advantage of new flexibilities to help them hire, develop, retain, and reward their talent, they must first have in place committed leadership and the necessary supporting infrastructure, including a strategic planning process that links human capital policies and programs to achieving organizational results; the capabilities to develop and implement these new flexibilities; and a modern, effective and credible performance management system with key safeguards built in.

Our work at various agencies shows that we do not yet have all these pieces in place, but we are making progress. I would now like to focus on several of these elements.

First, for reforms to work, senior executives must lead the way and cascade successful practices down through their agencies. OPM and GAO have recognized this and called on agencies to develop rigorous performance management systems for their executives, ones that link their day-to-day activities with organizational results and make clear distinctions in their performance. Such systems provide individuals the feedback they need to drive their performance toward agency goals, and provide management with objective information to reward those who have made the greatest contributions.

Agencies must demonstrate they have such a performance management system in place to take advantage of the new higher pay caps for SES that became effective January 2004. Our prior work for your Subcommittee, Mr. Chairman, indicates that while select agencies have begun to incorporate some of the needed elements into their systems, such as a link between individual and organiza-

[1] The prepared statement of Ms. Larence appears in the Appendix on page 53.

tional results, their appraisal systems were not distinguishing their highest performers.

As you already acknowledged, recently released government-wide data on SES ratings for Fiscal Year 2003, the most current available, show similar results government-wide. OPM will have to carefully monitor agencies' SES performance management systems to ensure they are functioning as intended and driving organizational change. This is especially important if these systems are to be cascaded down through their agencies.

One other point on leadership, our ongoing work continues to show that agencies want to coordinate on how they are implementing the flexibilities, including problems, innovative solutions, and ideas for more efficiency. OPM and the Chief Human Capital Officers Council could serve as the catalyst for this coordination.

Second, turning to the critical infrastructure needed, we have found that agencies can make the best use of flexibilities if they are implemented in the context of a strategic human capital planning process. Recent work shows some agencies still face challenges in designing their process. For example, this past March, we reported on NASA's struggles to devise a long-term strategy for its space shuttle workforce, given that the shuttle may retire at the end of the decade. To help agencies, we offer a planning model that includes basic fundamental steps—identify the workforce competencies you need, your critical gaps, and those flexibilities that will best help you close the gaps. Agencies must also evaluate whether the flexibilities are achieving the intended results, or in other words, are they worth the investment?

Third, agencies must have the capability to effectively use new tools and consequently should practice some fundamentals—they have an implementation plan, they educate their managers and staff on these flexibilities, and they streamline their processes to make it as easy as possible to use those flexibilities. These practices could help in the government's efforts to improve the Federal hiring process. As you have already acknowledged, Mr. Chairman, there is considerable frustration that it takes too long and it is too hard to bring top talent on board. OPM, its external partners, and agencies have been hard at work redesigning parts of the process.

Congress also provided agencies direct hiring and category rating authorities to help agencies more quickly hire the talent they need for critical positions. Senator Akaka, as you pointed out, our work last showed that few agencies were using the flexibilities, mainly because the agencies were not ready. They did not have guidance or policies in place or understand how to use the tools. Since then, OPM has been taking steps to better educate agencies on these flexibilities, but it must continue to monitor and encourage their use.

I just wanted to point out that we currently have work under way on two other flexibilities that the Congress has provided, the use of the early-out and buy-out authorities, as well as the use of the student loan repayment program, and we hope to report the results of that work later this year.

In closing, Mr. Chairman, it will be important to continue assessing, supporting and making adjustments to the flexibilities provided. In addition, as Congress considers future reforms, it will be

equally important to make sure agencies have built a business case for the tools and have the leadership and infrastructure to implement them before the agencies are given these additional flexibilities.

Finally, GAO, working with a number of external partners, has developed a framework, a set of principles, criteria, and processes, that could help guide decisions about future reforms.

Mr. Chairman, that concludes my prepared remarks, and I would be happy to answer any questions.

Thank you.

Senator VOINOVICH. Thank you very much.

When Harvard University's John F. Kennedy School of Government hosted an executive session on the issue of Federal human capital management, one idea that everyone seemed to agree on was a need for agency Chief Human Capital Officers.

I would like to ask both of you how effective do you think they and the Chief Human Capital Officers' Council has been? The concept was that they would be sharing ideas, and increase coordination, and elevate the issue of human capital management in the Federal Government. Is it working?

Ms. PÉREZ. Thank you, Mr. Chairman. I will say yes to all of the above. We meet regularly, on a monthly basis. They bring issues to the table and to OPM they think require attention.

In addition to that, we use the Council as an opportunity to share policies as they are being developed, and regulations as they are being considered, and to provide an opportunity for sharing lessons learned, and best practices, so that we do not have to reinvent the wheel throughout the agencies.

So I would say yes, the Council is absolutely working, and it has elevated the interest of human capital to the highest level of the agencies, so they exercise important leadership in the organizations.

Senator VOINOVICH. Have all the agencies, in your opinion, designated Chief Human Capital Officers as required by legislation? Contributing to the problem was the downsizing during the previous decade. Human resources was viewed as important, I believe we need to elevate it and recognize its importance. I do not know if you read Jack Welch's book, but he spent more than half of his time on recruiting people. He understood that human capital is the backbone of any successful organization.

Are you seeing this recognition in the Federal Government?

Ms. PÉREZ. Absolutely. I have the opportunity to work very specifically with agencies, each one of them. I visit with them regularly. I interact with the Chief Human Capital Officers. I interact with their HR directors. I am pleased to say there is absolutely no push-back or no sense in any one of the agencies that we deal with that human capital is not important or that they should not be taking proactive steps to deal with human capital issues.

So, absolutely, there is a clear understanding on the part of the agencies of the importance of managing people in the organizations.

Senator VOINOVICH. Have you officially or unofficially evaluated the people in these agencies?

Ms. PÉREZ. We officially rate the Agency's programs. I do not officially or unofficially rate the individuals, but I would say, by and large, they are all very committed to the programs across the board. Everybody is working on implementing programs, and nine of the agencies already have programs in place, and by being "green" that suggests that they can demonstrate results as well.

Senator VOINOVICH. Perhaps OPM should consider a peer review process for these individuals. Well, my suggestion would be that you ought to do it. Each agency hires it own human resources professionals, but the fact of the matter is, with such a group of individuals, professionals could offer important professional development opportunities to each other.

Ms. PÉREZ. Thank you. Well, actually, we do provide that kind of feedback to the agencies, and to the individual CHCO Council members. I thought you meant a formal rating, that it was somehow akin to what agencies use in terms of evaluating their individuals' performance. That job is left to the leadership of the Agency, but we do provide feedback.

Most importantly, we do raise issues or concerns when we see that CHCO is not leading the human capital initiative as they should. Just as importantly, we provide a lot of training and developmental opportunities. We hold an academy for the CHCO's that is limited to principals only, where they have an opportunity to bring concerns, and where we have an opportunity to raise concerns with them as well. They are scheduled on a monthly basis, and they provide good opportunities for saying, "Hey, this is going really well" or "not so well."

Senator VOINOVICH. Good. Another opportunity in the CHCO Council is for members to offer their personal experiences as lessons for the others.

Do you want to comment on the CHCO Council, Ms. Larence?

Ms. LARENCE. I just wanted to make three observations. First, GAO continues to encourage the Council to think about developing a strategic plan. There are so many human capital flexibilities and issues out there we believe the Council should try to set some priorities for where they should focus.

Second, on our ongoing work we continue to——

Senator VOINOVICH. Pardon me. Would you clasify if you are referring to individual agencies or the Chief Human Capital Officers Council.

Ms. LARENCE. We encourage the Council to set some priorities.

Or where they are going to focus their attentions and what they want to achieve over certain time frames.

We continue to see that agencies really want to, quite frankly, talk to each other about how they are using these flexibilities, but it is difficult for them to figure out how to make the necessary logistics happen, and we think that the CHCO Council and OPM can serve as a facilitator for that conversation. The sharing of best practices has been very helpful, and agencies are doing some of that but there is probably a lot more opportunity to do that.

And finally, when we last reviewed the CHCO Council, we did encourage them to also think about some of the strategic issues facing them, including the next set of reforms, more comprehensive

reforms and what is the state of human capital strategic planning and performance management systems across the government.

Senator VOINOVICH. Thank you. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

I want to thank both of you for your testimony.

I also want to thank you, Ms. Pérez, for visiting Hawaii in August 2003 in an official capacity. You are welcome to Hawaii whether it is in an official capacity or not.

Ms. PÉREZ. Thank you.

Senator AKAKA. And I just hope you enjoyed your visit to Hawaii.

This is to both of you. Congress has authorized a number of workforce flexibilities, all of which are designed to retain and recruit the people the Federal Government will need for the future. Agencies now can offer a range of incentives such as bonuses, child care subsidies, student loan repayment, just to name a few, and yet agencies do not have the resources to fund these flexibilities.

What impact has the lack of resources had on the ability of Federal agencies to take advantage of these flexibilities? Ms. Pérez.

Ms. PÉREZ. Thank you, Senator. What we ask of agencies is that they look at the flexibilities strategically, so that while resources are limited in terms of what they can afford, we think that if they are used wisely and that if they look at the resources across the entire organization and prioritize, that they can identify resources.

It is clear that as we continue to face challenging budgetary times, agencies will have some challenges, but that is where strategic planning becomes a real asset. But, if you plan well in advance, if you identify what your needs are going to be, short term and long term, it is easier to then allocate resources based on those needs.

So, I think that while it is difficult at times, I think that strategic planning or planning well in advance helps the agencies to make not only good people decisions but also to allocate resources, financial and otherwise, appropriately.

Ms. LARENCE. We agree that it is critical that the agencies really think about this strategically and what tools are going to work most effectively for them, and we think that the fiscal constraints help them to do that. What we are beginning to see is they are making tradeoff decisions. They are determining whether they have a retention problem or a recruitment problem, and if so, what is the best tool to use? Is it student loan repayments or maybe it is using the retention and relocation bonuses.

So instead of trying to use all the flexibilities because they are there, we are encouraging agencies to really think hard about what it is that they have to address and what flexibilities work best, and to make those fiscal tradeoffs.

Senator AKAKA. Ms. Pérez, last year, OPM implemented a 45-day hiring model for the Federal Government. OPM also announced that it would begin scoring agencies in its use of the 45-day model for the strategic human capital management portion of the President's Management Agenda, beginning in the fourth quarter of fiscal year 2004.

Has OPM started scoring agencies on meeting this goal? And if so, how are the agencies doing and what barriers are there, if any, to meeting the 45-day model?

Ms. PÉREZ. Yes, sir, we did begin, as promised. We began the evaluation or the review of agencies' hiring processes in terms of meeting a 45-day standard that we had laid out. And about 73 percent of the agencies are now meeting the 45-day time-frames.

Have we fixed the hiring problems in the Federal Government? No. Have we made progress in terms of making sure that agencies are paying attention to their hiring processes, eliminating unnecessary burdens and administrative layers? I think we made a great deal of progress, but much work remains to be done still, sir, so that applicants feel like our processes are inviting processes.

Senator AKAKA. Ms. Pérez, over the past several years Congress has made several significant changes in the Federal hiring process in order to speed up hiring for Federal positions. Category rating gave agencies the ability to consider a broader group of candidates for open positions, and a direct hire authority allows agencies to make on-the-spot offers for hard-to-fill jobs.

However, GAO testified that while agencies are improving, they are not using all available flexibilities to speed up the hiring process. On a scale of 1 to 10, with 10 being the most effective use of the hiring flexibilities, how are agencies doing?

Ms. PÉREZ. I think, sir, it varies. Not to be evasive, but it really varies with the flexibility. And as we alluded to in your earlier question about fiscal constraints in the Federal Government, agencies are using the flexibilities as they see appropriate or as it meets their organizational needs.

For the most part, for instance, we are seeing a great deal of use of the VSIPs and the VERAs, of the early buyouts and early retirement provisions. We are seeing increased use of student loan repayments.

But we track agencies' efforts, and we are seeing their use of flexibilities throughout the organizations varies depending on their needs. There are some areas where we think they still need to use them more widely, and for that, OPM is working closely with the agencies and providing a great deal of training. We held 27 sessions last year throughout the country, where we provided training on the use of flexibilities. We provide a lot of technical assistance to individual agencies. We have done hiring makeovers where we go in and review their hiring efforts and then make recommendations as to what flexibilities might be appropriate.

So, I think we have made a great deal of progress. I think OPM continues to develop better tools to help the agencies as well. On a scale of 1 to 10, I think it varies with the flexibility. Overall, I would say that we are probably a 6 or a 7.

Senator AKAKA. Would you have any comment on that, Ms. Larence?

Ms. LARENCE. I think for some of the flexibilities, we are seeing the agencies roll them out a little more slowly than we would have expected. For example, in looking at student loan repayment programs, most of the loans have been let by five agencies at this point.

So, we have seen OPM and the CHCO Council really doing a lot of outreach and education, and we think that is key to helping agencies use flexibilities.

The one thing we also have learned, though, is that you really can not tell the story by the numbers, just by looking at how many agencies and how frequently they are using these flexibilities, because sometimes it is a strategic decision not to use them. So, you really have to go into the agencies and ask them to talk about how they have taken a comprehensive approach to using these tools. For example, direct hire. Agencies may not have critical occupations that they need to fill at that point. So, we have learned to be careful with using just the numbers.

Senator VOINOVICH. Thank you.

Senator AKAKA. Mr. Chairman, before I yield, I just want to say that you and I understand that agencies' budgets are stretched. While asking agencies to do their best to develop good strategies to stretch these budgets, and Ms. Pérez did mention that strategic planning does help to do this, you and I can work together to educate our colleagues on this problem. Thank you, Mr. Chairman.

Senator VOINOVICH. We are very fortunate to have Senator Carper with us this morning.

And Senator Carper, you did not have an opportunity to make an opening statement, and I would welcome you to do that, and ask questions.

Senator CARPER. Thank you, Mr. Chairman. I will not make an opening statement. I would like to ask a direct question to Ms. Pérez though, if I could.

I understand that you have been to Hawaii?

Ms. PÉREZ. Yes, sir. [Laughter.]

Senator CARPER. Did you enjoy the hospitality that was extended to you there?

Ms. PÉREZ. I did.

Senator CARPER. Have you been to Ohio?

Ms. PÉREZ. Yes, sir.

Senator CARPER. Delaware?

Ms. PÉREZ. Yes, sir.

Senator CARPER. You have?

Ms. PÉREZ. To Delaware?

Senator CARPER. Yes.

Ms. PÉREZ. Yes, sir.

Senator CARPER. Have you been to Delaware, Ohio?

Ms. PÉREZ. No. There I have not been. [Laughter.]

Senator CARPER. When I was a student at Ohio State University, used to think that Delaware was a little town about 30 miles north of Columbus, where I went to school. And later on, when I was getting out of the Navy, I found out there was a whole State. [Laughter.]

And that Ohio probably was not a big enough State for both George Voinovich and me to be governor in, so I had to move to Delaware to find my fortune. Well, find my fame, but not my fortune. [Laughter.]

My wife is hoping I will find my fortune, but not yet.

We thank you for being here today, and we welcome your testimony, and your help. As you know, the President has proposed giving, I think, basically all Federal agencies the same kind of significant new personnel flexibility that has been afforded to the Department of Defense and our new Homeland Security Department.

Do you think we ought to slow down a little bit and wait to see how those two big agencies are using this flexibility before we expand them?

Second part of that question, do you believe that other agencies, other than the two that I have mentioned, are fully utilizing the flexibilities that are already afforded to them under current law?

Ms. PÉREZ. If I may, sir, with regard to whether we should move forward with additional flexibilities of government-wide reforms, I am of the opinion, after having worked for 3 years now with our agencies, that we absolutely should. What specifically we move forward with in terms of what are the features of the government-wide effort, I do not know. But I do think that there is absolutely no need to wait to see what happens in the Department of Homeland Security and what happens at the Department of Defense. I think with regard to the provisions on compensation and some other provisions that are at present in those two personnel reforms, these are flexibilities that have been in place in government for a very long time. The Department of Defense has had a number of demonstration projects that have been very successful, and we have good data, evaluation data, to look at.

I think with regard to your other question, "should agencies be ready to assume the additional responsibilities?" I agree with you completely, that that should be the case. I think that through the work over the last 3 years, and the work of OPM and the agencies specifically, they are continuing to build their infrastructures to assume the additional responsibilities. We need to be cautious as we move forward, but we think we can provide the flexibilities in an environment where there is a great deal of accountability, where we review the Agency's efforts. We laid out criteria as to what constitutes the right infrastructure to support the additional flexibilities, and then we support them and monitor their progress. If they do not use it correctly, then we can take corrective actions to address that.

But I do not think, sir, that it is necessary to wait until DHS and DOD are implemented. Indeed, the fact that they are implemented well in one organization will not determine that they will be implemented well in other parts of the government.

So, I think we are ready. I think we need to move cautiously and make sure they have the right infrastructure, and the right accountability systems in place. I do believe that there has to be flexibility with accountability.

Senator CARPER. Why do you believe that some agencies take better flexibilities that are extended to them than do others?

Ms. PÉREZ. I think that the use of flexibilities—and Senator Akaka asked the question of constraints, fiscal constraints and so forth—I think that their use needs to be really in the context of the operational needs of that organization, and while all the flexibilities make good sense, they may not necessarily make good sense for a particular organization.

I also think that the training that is required to make sure that they are implemented well takes time. Our organizations are complex, they are large. Three years in the scheme of things, and in the life of an organization, is not a whole lot of time.

So, I think that training is a good thing to do, and I think agencies are training their employees to make sure they are used correctly.

So, I think that they are making progress, but I think they are using them as they see appropriate. So it is not necessarily, as Eileen suggested, it is not how many they are using, it is how are they using them that I think ultimately matters most, sir.

Senator CARPER. Eileen, is she putting words in your mouth?

Ms. LARENCE. Well, as you all know, the Comptroller General is very passionate about transforming the Federal Government's human capital system and making it a more modern and credible and effective system. He is also equally cautious about not moving forward before agencies are ready and about phasing it in. So, maybe we have learned a lesson with the SES regulations in that in some cases agencies that received provisional authority still are not showing that their systems are where they need to be to use those authorities, and they are not making clear distinctions among the performance.

So, the Comptroller General firmly believes that agencies should be able to——

Senator CARPER. What do you call him? Do you call him Mr. Comptroller General, do you call him Mr. General, or do you call him General Walker?

Ms. LARENCE. We call him Comptroller General Walker.

Senator CARPER. I call him "His Excellency." [Laughter.]

He seems to like that.

Ms. LARENCE. Yes, I would agree. [Laughter.]

He would say that we need to make sure that the agencies demonstrate they can use the flexibilities and not promise that they can use them. I think that if the Congress decides it wants to wait and see how DOD and DHS play out, we could use the time to make sure that the agencies have their performance management systems and their plans in place to be able to use the flexibilities, especially if we are going to implement more performance and market-based compensation systems.

Senator CARPER. Are there any questions you have in mind that we ought to be asking you that we are not?

Ms. PÉREZ. No, personally, I think you are hitting on the right questions.

Senator CARPER. The question about Delaware kind of threw you though, didn't it?

Ms. PÉREZ. Yes, that definitely threw me off there for a while. I did not have it in my notes.

Senator CARPER. I thought you responded well.

Anything we ought to be asking that we have not?

Ms. LARENCE. I think the fact that you are asking the questions is what is important, quite frankly.

Senator CARPER. Thanks. Thanks to you for being here.

Senator VOINOVICH. Thank you, Senator Carper.

I would like another 3-minute round of questions. We do have three other witnesses, but there are a couple of things I and my colleagues would like to ask.

Does the GAO develop metrics to evaluate whether or not agencies are using the flexibilities the way they should?

Ms. LARENCE. What do you mean by metrics?

Senator VOINOVICH. Congress has aksed GAO to evaluate agency use of these flexibilities, and we will be asking you to do more. So, before GAO constructs these evaluations, they must develop a system to evaluate whether or not agencies are utilizing the flexibilities.

Ms. LARENCE. Yes.

Senator VOINOVICH. Does GAO work with OMB in developing the metrics?

Ms. LARENCE. Yes.

Senator VOINOVICH. So as GAO works, you know OMB's perspective so that you would both be on the same page.

Ms. PÉREZ. If I may, actually, I think that is an excellent point. In fact, 3 years ago, when we were developing the standards of what constitutes good human capital practices in the Federal Government, OPM, OMB, and GAO met and came out with the current expectations that, in fact, they reflect the thinking of the three organizations.

With regard to looking at the agencies and evaluating the agencies' use of flexibilities, the agencies come to OPM in advance of implementing or executing their flexibilities, and we look at their request in the context of their human capital practices. So we do have metrics or ways to review their requests with regards to a more strategic long term-view of human resources management.

Certainly, we have not worked specifically with the GAO on the use of flexibilities, but we can consider that.

Senator VOINOVICH. I just suggested that it might be beneficial to have the two working from the same evaluation criteria.

Do you look at agency budgets for training? Does GAO have a training budget? In other words, right now we have every reason to believe that Homeland Security has budgeted to conduct appropriate training for the new performance management system. We have real reservations about whether or not the Department of Defense is doing the same thing.

Have either of your agencies looked at these Department's budgets for training or discussed this with OMB.

Ms. PÉREZ. In fact, with the Office of Management and Budget, we look very closely at the agencies' overall human capital efforts because they are a partner in the evaluation of the agencies' efforts with regard to the President's Management Agenda. And specifically with training, about a year or so ago we began to do data calls and require the agencies to report how much they are actually investing in training, and found that agencies are not collecting a lot of the information. So, we are paying a lot of attention to training.

We are evaluating, and incorporating into the score card, Mr. Chairman, which is the tool that we use to stay very close to the agencies on a quarterly basis, very specific requirements with regard to, not so much the dollar amount, but investing in training, and requiring agencies to train their managers in the competencies they need to identify gaps that may exist, and then to take corrective actions to close those gaps. So, those requirements are in place.

Senator VOINOVICH. The issue is money?

Ms. PÉREZ. Yes.

Senator VOINOVICH. I would be interested in again surveying agencies on training budgets. I did this when I first came to the Senate—I want to know what agencies are spending on training and how it is reflected in the budget. The last time I did this, of the 12 agenceis that responded to my request, 11 said they did not know and one said they knew but would not share.

Ms. LARENCE. Mr. Chairman, we do have an ongoing job right now looking at the Department of Homeland Security's strategic plan for training, and we are looking at their max HR human capital project as one of our case studies, and we are looking at to what extent they are funding that up front.

Senator VOINOVICH. Thank you. Senator Akaka

Senator AKAKA. Thank you, Mr. Chairman.

Ms. Pérez, as you know, 84 percent of SES members have received their Agency's highest performance rating over the past few years. As agencies strive to make meaningful distinctions in performance when measuring the performance of the SES, I am concerned that some agencies will apply quotas rather than actually making meaningful distinctions.

What efforts will OPM take to ensure that agencies do not apply quotas, which limit the number of high performance ratings and salary increases above the executive schedule level three?

Ms. PÉREZ. Sir, the regulations that OPM promulgated with regard to the SES new pay-for-performance system are very specific in not allowing agencies to set any kind of forced distribution or quotas, for the appropriate number of executives rated at the highest level. It is prohibited.

When we see or have indications that an agency may have, or that a manager may have, inappropriately sent any guidance or anything else may be taking place, we take corrective action and immediately work with the agencies. So, it is not allowed. We monitor it closely, and we work closely with the agencies, so in the event that there is any sense out there that this is happening, that it is addressed immediately. It is not allowed, period, end of conversation.

Senator AKAKA. Ms. Larence, GAO reported last year that agencies were not using their management flexibilities because of a lack of policy and guidance from OPM. Since that time OPM has held several training sessions for agencies. How would you rate the training that OPM has provided, and is more needed?

Ms. LARENCE. We have not participated in that training or really done an evaluation of that, but we have seen several things that the agency has done. First of all, they did issue fairly clear regulations on direct hiring and category rating authorities. They gave some good examples in those regulations of how human capital personnel could use those flexibilities. They gave scenarios.

Second, they have done a lot to their Website to make it much more user-friendly and much more helpful for Human Capital Officers to be able to use these flexibilities.

So, we did see a number of signs where they are outreaching to the agencies. What we have not done, though, is we have not gone back in to see to what extent these agencies have used these flexi-

bilities, since our last review. So we do not know what effect OPM's action have had yet.

Senator AKAKA. Thank you for your responses.

Mr. Chairman, as your Ranking Member, I would like to join you in that letter asking about the agencies' training program budgets.

Senator VOINOVICH. Thank you.

Senator AKAKA. Thank you.

Senator VOINOVICH. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

I know most of the questions I had have been asked, but I just thought, Ms. Pérez, I may ask you one about the category rating system flexibility. It is intended to maintain veterans preference by listing veterans ahead of nonpreference eligible individuals.

Ms. PÉREZ. Yes, sir.

Senator PRYOR. What effect has category rating had on veterans preference?

Ms. PÉREZ. We have done careful analyses of the impact of category rating in the hiring of veterans when we did a government-wide review of veterans' issues, an audit probably about 2 years ago, sir, and we found absolutely no adverse impact. And, in fact, we have a report that we would be happy to share with you that suggests that is the case. When we go out and do our training, we are very specific in terms of how veterans' preference applies in all of the flexibilities, and have made a commitment in the last 3 years, a very strong commitment not only to making sure that veterans preference provisions are adhered to, but also that we make outreach, that we reach out to the veterans to make sure that we make every opportunity available to them to come into government, and to educate them about the opportunities that are available in government. So we take that very seriously.

Senator PRYOR. So, it has had no adverse impact?

Ms. PÉREZ. No, sir.

Senator PRYOR. Thank you, Mr. Chairman. That is all I have.

Senator VOINOVICH. Thank you.

I want to say that I really appreciate you being here today. A thought came to me, if we had not spent all this time on these legislative reforms, most of the things that you talked about would not be happening? So, I know we still have lots of challenges, but I must say to you that I have been impressed with what you have shared with us today. Ms. Pérez, if this is your first hearing, it was a home run.

Ms. PÉREZ. Thank you. Thank you very much, sir.

Senator VOINOVICH. I am reassured that we have people like you, Ms. Larence, in our working agencies, because you really do make a difference. I can tell from your testimony that you are fired up about this, and you are motivated. Thank you.

Ms. PÉREZ. Thank you.

Senator VOINOVICH. Testifying on our second panel today is Evelyn White from the Department of Health and Human Services; Jeffery Nulf from the Department of Commerce; and Rafael DeLeon from the Environmental Protection Agency; and Vicki Novak from the National Aeronautics and Space Administration.

It is interesting. As my colleague, Senator Pryor, said all four of these agencies have new leadership. Thank God we have experi-

enced folks working so that they can help the transition from one new director or administrator to another.

Ms. White, we are going to give you an opportunity to testify first, and we again thank you for being here.

TESTIMONY OF EVELYN M. WHITE,[1] PRINCIPAL DEPUTY AND ACTING ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Ms. WHITE. Thank you. Good morning, Chairman Voinovich and Members.

My name is Evelyn White, and I am the Acting Assistant Secretary for Administration and Management for the Department of Health and Human Services. On behalf of Secretary Michael Leavitt, I appreciate the opportunity to appear before you to discuss HHS's accomplishments in the area of human capital management, and how the legislative flexibilities provided by the Congress have been incorporated into our human capital strategy.

I want to thank Chairman Voinovich and the entire Subcommittee for your leadership and foresight in shepherding the various legislative initiatives that have led to increased efficiencies and strategic management of the Department's Human Resources.

Much has happened since we were here last to discuss human capital. As we reported out last year, the Department was aggressively pursuing a strategy to achieve green status in the President's Management Agenda for Strategic Management of Human capital, and I am pleased to announce that HHS is one of the first Federal agencies to achieve green status and has remained green through the last reporting period.

Senator VOINOVICH. Congratulations.

Ms. WHITE. Thank you.

In 2004 HHS submitted for certification to the Office of Personnel Management and the Office of Management and Budget, a new senior executive service performance based management system. HHS was one of the first Federal agencies to submit its SES performance system and receive approval. A centerpiece of our new SES performance system is the linkage between organizational achievement and the individual accomplishments of our SES members. Recently, OPM cited our approach as a best practice, and our SES performance management system has been recertified for calendar year 2005.

Senator VOINOVICH. I want to interrupt you. It just came to me that your former director was a former governor.

Ms. WHITE. That is absolutely right.

Senator VOINOVICH. Tommy Thompson. I worked with Tommy when I was Governor of Ohio. He was my mentor. I followed him through the Midwestern Governors Association, Republican Governors Association, and the National Governors Association. This is an editorial comment, but I believe the fact that he was a former governor gave him a lot more insight into how important human capital management is for the success of an agency.

[1] The prepared statement of Ms. White appears in the Appendix on page 73.

Ms. WHITE. It is wonderful to note that you know the kind of energy that Secretary Thompson had at the Department of Health and Human Services.

Senator VOINOVICH. You are lucky to have Mike Leavitt.

Ms. WHITE. Absolutely.

Senator VOINOVICH. Mike Leavitt followed me through the various governors associations. Tommy was my mentor. Then I was Mike's mentor. This is great. [Laughter.]

Ms. WHITE. It is wonderful. I hope you are adding those seconds to my time here. [Laughter.]

Thank you very much.

Also, in 2005, we will be implementing a new departmental performance management system for non-SES and nonbargaining employees, moving away from the pass/fail system. This new system will add greater granularity in evaluating performance, better align performance with organizational achievement, establish cleaner linkages with the SES performance management system, and position the Department for future linkages between performance and individual pay decisions.

In 2005, each operating and staff division throughout the Department developed and submitted leadership succession and overall workforce plans. Each identified human capital needs as well as any gaps between current employment and future needs and mission critical positions. These plans provide a map for the Department's future human capital needs tied to a strategic mission and direction for the Department.

To meet our human capital needs, we continue to use and expand the use of flexible employment authorities. Our highly successfully emerging leaders program which brings the best and brightest recent graduates to work for HHS has entered its fourth year. Our SES candidate develop program has placed nearly 40 percent of the first graduating class in SES positions.

HHS is reshaping our workforce, using authority approved in the Federal Workforce Improvement Act of 2002, authorizing with OPM and OMB approval voluntary separation incentive payments and early-outs.

Using the Federal Employee Student Assistance Act and separate authority granted to the National Institutes of Health, the Department has made extensive use of student loan repayment programs with over 1,500 employees having been approved. The Department has crafted additional implementing guidance to expand employee coverage and use by the various HHS organizations, and implementation of this policy is expected in this fiscal year.

In addition, the Department has piloted the use of category rating. This method for selecting new employees has provided for—in the Chief Human Capital Officers Act of 2002. I can report our pilot has been successful in demonstrating its use in expanding the pool of candidates for selection, and the Department will issue implementing guidance for use in this approach throughout the Department by the end of this fiscal year.

The future for HHS's human capital program is bright, and HHS will continue to be a leader in the Federal workforce.

In 2004, the Department was selected by OMB as one of five candidates to be a Human Resources line of business service provider.

The Department will offer to other agencies across the government end-to-end solutions that take advantage of state-of-the-art information technology applications. HHS will also be the first Federal department to implement a fully electronic official personnel folder, integrated with our enterprise Human Resources system which will allow employees access to their personnel folder anywhere, any place, and any time.

Also, the Department is implementing a learning management system that provides a set of electronic tools to manage and support employee training and development activities.

As for recently enacted human resources flexibilities, HHS continues to adopt these flexibilities as guidance as issued by OPM. The Department is thoughtfully and strategically implementing these flexibilities and has developed the appropriate internal implementing guidance. We look forward to receiving OPM's guidance on recruitment, relocation and retention bonuses, as well as the guidance on the annual leave enhancement provisions of the act.

In conclusion, we appreciate the flexibilities that Congress has provided as they have enabled the Department to improve our effectiveness in managing our human capital initiatives across a broad spectrum of these occupations. Nothing is more important than to ensure that we have the right people in the right place at the right time to meet the human capital service needs of all Americans.

Thank you, and I will be happy to answer any questions.

Senator VOINOVICH. Thank you very much. I think you know that Dr. McClellan was before this Subcommittee and did a very good job. I found it reassuring, as I am sure Senator Akaka and the other Members of the Subcommittee did, that they have used the hiring flexibilities. To date, they have hired about 400 new employees, and they plan to hire another 100 more. If it was not for the flexibilities, CMS would not be able to get the agency ready to implement the new prescription drug. So, that is great.

Ms. WHITE. That is absolutely great.

Senator VOINOVICH. Thank you. Mr. Nulf.

TESTIMONY OF JEFFERY K. NULF,[1] DEPUTY ASSISTANT SECRETARY FOR ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Mr. NULF. Good morning, Mr. Chairman and Members of the Subcommittee. My name is Jeffery Nulf, and I have the pleasure to serve President Bush as the Deputy Assistant Secretary for Administration at the Department of Commerce.

Otto Wolfe, our Chief Financial Officer and Assistant Secretary of Administration, has asked me to convey his regrets at being unable to attend today due to a scheduling conflict. But on behalf of Secretary Gutierrez and——

Senator VOINOVICH. I am glad you are here.

Mr. NULF. Thank you, sir. I am glad to be here. And Assistant Secretary Wolfe would like to thank you and thank this Subcommittee's leadership for providing seeking solutions to human capital issues affecting the entire Federal workforce.

[1] The prepared statement of Mr. Nulf appears in the Appendix on page 77.

I appreciate the opportunity to discuss one of the most significant challenges facing Executive Branch agencies today—how to compete successfully to recruit and retain a skilled and motivated workforce through human capital flexibilities. The potential benefits that these flexibilities offer have significant promise, and we welcome the chance to share our experience and learn from our colleagues here today.

The Department of Commerce consists of 13 operating units with diverse and often highly technical portfolios, that together foster economic opportunity both domestically and abroad for all Americans. Congress faces dynamic challenges in recruiting and retaining individuals with the combination of skills and abilities needed to carry out its various missions. This is particularly true of individuals in highly technical fields such as physicists, chemists, statisticians and economists, as well as Senior Executive Service (SES) managers. We, like many other Federal agencies, must operate in a highly competitive labor market to fill increasingly specialized positions. This situation is exacerbated by the knowledge that over the next 5 years roughly one-half of the Commerce workforce will be eligible for retirement.

The potential impact that such a loss of experience and institutional memory would have on program operations is staggering.

Also during the next 5 years the Department faces the daunting challenge of recruiting and training upwards of 500,000 employees needed to conduct the 2010 census.

Senator VOINOVICH. How many did you say?

Mr. NULF. Half a million, 500,000, sir, Similar numbers to the last census, sir.

Senator VOINOVICH. OK.

Mr. NULF. Within the context of recently enacted human resources flexibilities and the President's Management Agenda (PMA), Commerce employs a cohesive strategy in meeting these many challenges. In 2001, in collaboration with our operating units, we conducted a first-ever workforce assessment across the Department. Through this effort, we identified the three most significant human capital challenges facing the Department of Commerce: One, high turnover rates in mission critical occupations; two, a projected surge in retirement among Senior Executive Service managers; and three, the need to strengthen competencies to address mission changes, technological innovations resulting from E-government, and workforce changes caused by various factors, such as business re-engineering and competitive sourcing.

To help us respond to these needs, a 5-year workforce restructuring plan was prepared with input from all Commerce operating units, and adopted. Regular meetings with our Principal Human Resources Managers Council, Chief Financial Officers Council, Chief Information Officers Council, as well as working groups at the staff level provided opportunities to track progress in implementing the initiatives, sharing experiences, and obtaining feedback on our common interest.

Within this framework, Commerce employs a wide range of human resources flexibilities to meet the challenges that we face. For example, we continue to reshape the Department's workforce and correct skill imbalances using the new voluntary early retire-

ment and separation incentives, authority provisions. To date approximately 250 employees in 7 operating units have taken advantage of these incentives. We are also in the process of identifying critical occupations where we will need to request direct hire authority under the Federal Workforce Improvement of Homeland Security Act of 2002.

Additionally, our bureaus are using the expanded authority to pay for academic degrees as an effective tool to retain quality employees and close skill-gaps. We have implemented the Federal Employee Student Loan Repayment Program. Commerce managers can use this authority, as appropriate, to compete more effectively to recruit and retain high quality employees.

The Department of Commerce has implemented several provisions of the Federal Workforce Flexibility Act of 2004, which also assists managers in recruiting and retaining the best and brightest candidates. By allowing the Department to grant 8 hours of annual leave, in lieu of 4 hours of annual leave, we believe our efforts to attract an elite executive corps will be greatly enhanced.

In addition to these tools, the Commerce Demonstration Project plays a critical role in our efforts to effectively address current human resource challenges. Commerce has been managing pay-for-performance systems for 17 years, first under a demonstration project at the National Institute of Standards and Technology (NIST) beginning in 1988. Following the success of the China Lake experiment, this alternative personnel system was made permanent at NIST in 1996 and served as a model for the current Commerce Demonstration (Demo) Project.

Currently, 4,200 employees from five of our operating units are managed through this Demo Project. The Demo Project provides pay-for-performance in a broadbanding framework, performance-based salary increases and bonuses, and supervisory pay differentials.

Additionally, managers have authority to establish pay levels, classify positions, and utilize recruitment and retention allowances. The success of this initiative depends on accountability, training and communication, and ensuring that the fundamental precept of this initiative—linking pay to performance—is a reality. Accountability hinges on continual monitoring and evaluation. An oversight committee, the Departmental Demonstration Project Board, provides overall program and policy oversight to bureau-specific boards and ensures that annual evaluations—conducted by an independent contractor—meet OPM requirements.

Continual training and communication between supervisors and employees on all aspects of these initiatives is crucial, particularly with respect to performance feedback and the mechanics of the pay-for-performance system. Our experience indicates that any changes to employee management structures, be they for pay or performance, are often met with a degree of apprehension by the effected workforce, including minorities. Concerns were expressed by some minority employees during the pay-for-performance system roll-out, that this would result in disparate treatment. To address these concerns, management fully engaged in discussions with the employees voicing this concern, as well as the affinity groups that represent their interests.

To that end, we have enhanced monitoring mechanisms in place to track the actual results of the Demo Project across all affected demographics. The conversation with these employees and the affinity groups that represent them will continue as we collectively receive more detailed operational results.

As a result of our most recent annual program evaluations, we have found that salary levels and bonuses are directly tied to performance, and that the Demo Project has had an extremely strong effect on retaining good performers.

We are also involved in the government-wide effort to implement pay-for-performance for our SES managers. November 17, 2004, the Department received provisional certification for its Senior Executive Service Performance Management System from OPM, with OMB concurrence for the last calendar year. In March 2005, we received provisional certification for this calendar year.

As part of our SES pay-for-performance initiative, we have instituted a rigorous performance monitoring process. At the end of fiscal year 2004 the Department adopted a new approach to assessing the performance of its SES managers in relation to the performance measures established under our annual performance plan. In meetings with the Deputy Secretary, each bureau was called on to provide self-assessment of their performance during the year in relation to program objective and performance measures. Bureau input was couples with input from the departmental staff offices. The results were used to ensure that meaningful distinctions in performance were made, and that performance awards and salary increases reflected those distinctions.

In fiscal year 2004, the Department rated 49 percent of its SES managers at the outstanding level. This was down from 81 percent in 2003; 44 percent at the commendable level, and this was up from 15 percent in 2003; and 7 percent at the fully successful level, up from 3 percent in 2003.

During fiscal year 2005 we are broadening the Department's corporate focus on performance by holding quarterly reviews with senior managers from each of the bureaus. During these sessions—they are conducted by our Deputy Secretary—each bureau briefs on their progress relative to implementing management reforms under the PMA, as well as achieving their annual performance targets and priorities. The resulting dialogue is helping us to track performance and results on a routine basis, allowing adjustments as may be needed throughout the year, assuring that there are no surprises about organizational performance at year's end.

Senator VOINOVICH. Mr. Nulf, would you wrap up your testimony?

Mr. NULF. Yes, sir. I would be happy to. I have some other information, I hope will come out in Q and A. I would be happy to share it, sir.

Senator VOINOVICH. Make sure it does.

Mr. NULF. Yes, sir.

In closing, these represent just a few of the management tools we are employing to meet human capital challenges. Through these and other efforts I am pleased to report that Commerce recently achieved a green score card for Strategic Human Capital Management initiative under the PMA. That accomplishment, which is the

result of a lot of hard work by the human resources management team, as well as the leadership of Commerce, is very rewarding. We recognize, however, that this rating is clearly not an end in and of itself, and that continued improvement is not only possible but essential to ensuring that we are able to carry out our evolving missions through a skilled, knowledgeable and dedicated workforce.

Again, I would like to thank the Chairman and this Subcommittee for their leadership in developing flexible and workable solutions for addressing current human capital concerns, and I would be happy to answer your questions, sir.

Senator VOINOVICH. Thank you very much.

Mr. NULF. Thank you, sir.

Senator VOINOVICH. Mr. DeLeon.

TESTIMONY OF RAFAEL DELEON,[1] DIRECTOR, OFFICE OF HUMAN RESOURCES, ENVIRONMENTAL PROTECTION AGENCY

Mr. DELEON. Chairman Voinovich and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss EPA's efforts in utilizing the recently enacted flexibilities to address our human capital challenges. I will be summarizing my comments, and thank you for including them in the record.

Let me preface my specific comments by saying that we at EPA are extremely proud of all of our human capital efforts, many of which were under way even before the current President's Management Agenda. At EPA, we consider our employees our greatest resource, and we value their dedication and commitment to the Agency's work. It is only through our people and the skills and knowledge they possess that EPA is able to achieve its critical mission of protecting human health and the environment.

EPA's senior leadership has a longstanding commitment to human resources and human capital initiatives. We also have a strong record of identifying, anticipating, and addressing workforce needs and challenges. To that end, EPA employees, managers and supervisors have been asked to thoughtfully focus not only on what environmental results must be achieved, but on how those results will be achieved through the talent that we recruit, retain and develop every day.

At EPA we devote a lot of time and money to our most critical resource: The people who are responsible for the success of the Agency's efforts. For example, in 1999, EPA conducted a workforce assessment project which projected anticipated workforce needs out to the year 2020. EPA developed our first comprehensive human capital strategy in the year 2000, and then we revised it in 2003. The Agency's 2003 through 2008 strategic plan and our "Strategy for Human Capital II," provides the basis for much of our human capital planning and decisionmaking.

The pieces of legislation that you have championed and authored have helped EPA address workforce needs and challenges in several years. The Homeland Security Act of 2002, which provided for our current early-out and buyout authority, allowed EPA the ability to reshape and restructure our workforce. At EPA in 2003, and again in 2004, we made early-out and buyout offers to a number

[1] The prepared statement of Mr. DeLeon appears in the Appendix on page 86.

of GS–14s, GS–15s, SESers, and members of the administrative and clerical staff. The resultant early-out and buyout vacancies have been utilized to restructure positions at lower grades in different series, or to bring new talent in.

In 2005, we will base our decisions on whether to offer additional early-outs and buyouts on local-level workforce plans, plans developed and tailored to meet specific program and regional needs. The early-out/buyout program has been a key tool of the flexibility provided by the 2002 Act, and represents just one of several strategies and solutions we are employing to address talent gaps.

Other strategies have included our environmental intern program and our leadership development programs. Similarly, the Senior Executive Reform Act strengthened the relationship between performance and pay of senior employees. In July 2004, OPM issued regulations that established the criteria that an agency's performance appraisal system must meet in order to be certified to use higher pay limits.

In August 2004, the Agency requested provisional certification of our SES appraisal system. I am pleased to report that EPA was among the first to submit such a request to OPM, and was one of only a handful of Federal agencies to receive approval in October 2004.

We have submitted a request to OPM to renew EPA's provisional certification for the SES system in 2005. Meanwhile, with an eye towards full certification, we are making revisions to strengthen the SES performance system, and we are evaluating the results of the fiscal year 2004 appraisal and recognition process in an effort to improve it.

We are also benchmarking the pay plans implemented by other Federal agencies to find best practices to incorporate into our pay plan as appropriate.

We view strengthening the linkage between performance and pay as an important tool for recognizing and retaining high performing senior employees.

The student loan repayment program allows agencies like EPA to repay certain federally insured student loans to recruit or retain highly qualified personnel. I am happy to report that EPA has used this act to attract and retain top employees. Of course, payments for this program come from EPA's PC and B accounts, so Agency supervisors and managers must carefully balance their responsibility to manage basic salary and benefit requirements with the opportunities provided by this program.

In fiscal year 2004, the Agency repaid $51,000 in student loans for seven employees. In 2005, the Agency has 18 student loan repayment agreements in place.

These flexibilities have also established numerous changes in pay and leave administration as well as benefits policies. Members of the Senior Executive Service and employees in senior level and scientific or professional positions became eligible to immediately accrue annual leave at the rate of 8 hours for each biweekly pay period. I am also happy to report that EPA has used this authority to attract and retain senior level employees.

Finally, a new section 4121 has also been added to Title 5, requiring agencies like EPA to regularly evaluate their training pro-

grams. EPA has focused attention in this area. Each of our developmental programs is reviewed for effectiveness on an annual basis to assure the information shared is current and accurate. Full evaluations have been performed on EPA's SES candidate development program, selection and placement process, the mid-level development program, and the EPA intern program. All programs are evaluated at level one for immediate impact on the participants and for level two, level three, and four.

In conclusion, we at EPA are pleased with our record of success in the human capital area, and we are continually striving to improve on that record.

Thank you for allowing me the time to address you today. I am happy to take your questions.

Senator VOINOVICH. Thank you very much. Ms. Novak.

TESTIMONY OF VICKI A. NOVAK,[1] ASSISTANT ADMINISTRATOR FOR HUMAN CAPITAL MANAGEMENT AND CHIEF HUMAN CAPITAL OFFICER, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Ms. NOVAK. Good morning, Mr. Chairman and Members of the Subcommittee. I am Vicki Novak, the Assistant Administrator for Human Capital Management at NASA and NASA's Chief Human Capital Officer. I am delighted to represent NASA here this morning to discuss our use of new workforce flexibilities, senior executive pay-for-performance implementation, and the use of voluntary early retirement and voluntary separation incentive payment authorities. I have submitted a written statement for the record, which I will take a few minutes to summarize, if I may. Let me begin, however, by expressing our appreciation, as others have done here this morning, for your leadership and support in the area of Federal human capital management, both government-wide and on behalf of NASA. We appreciate all that you have done and look forward to continuing to work with you.

As I and others have testified in the past, NASA has recognized for some time the internal demographics and external drivers that present a challenge to our human capital management. Some of these, such as an aging workforce, a wave of pending retirements, and skills imbalances, we share with many other agencies. NASA's situation is exacerbated, however, because scientists and engineers (S&Es), make up approximately 60 percent of our workforce, and we are competing for S&E talent in a labor market that studies reflect face declining numbers of S&E graduates while the demand for such talent in the public and private sector continues to increase. We have been actively engaged in a number of programs and initiatives at NASA to help us manage our human capital more strategically.

We continue to enhance the Agency's competency management system as part of our overall workforce planning and analysis capability. The competency management system provides NASA our first ever Agency inventory of workforce competencies needed to accomplish our mission using a consistent set of competency definitions.

[1] The prepared statement of Ms. Novak appears in the Appendix on page 91.

To ensure that the Agency's workforce competencies are aligned with our mission requirements, we complete an annual assessment in connection with our strategic planning and budget process. Using the competency management system, we identify the competencies and full-time-equivalent levels needed for current and future program requirements. We identify the competencies available in the workforce, project the competencies that will be available in the future, and determine the difference or the gap. Using these analyses, we develop recruitment, retention, development, and realignment strategies to address actual or projected competency gaps and surpluses in specific areas. For example, we may find that in some areas we need to strengthen our student programs and build the pipeline of talent. In other areas, targeted training and development may be needed, and in yet other skill areas we may need to redeploy employees to programs in which their skills are better utilized.

As an example, mindful of our need to maintain a pipeline of fresh talent, last year NASA's centers collaborated in 19 recruitment events on college campuses as part of our corporate recruitment efforts. This resulted in 96 diverse hires using the Federal career intern program flexibility.

The new SES pay-for-performance system has enabled us to recognize the contribution to the Agency's performance of our top-performing SES members while it provided needed relief from pay compression. Our SES system has been provisionally certified for 2005. In implementing the new pay regulations, we established strict ground rules to ensure that pay increases were based on contributions to Agency success and to ensure that increases were only given to the best performers.

In addition, we have strengthened our SES performance appraisal system to be more results-oriented, to assure greater accountability, and to create an even better linkage to the NASA strategic plan.

The workforce flexibilities recently enacted provide us with valuable and versatile tools to address NASA's workforce management needs. This versatility is vitally important since different solutions are needed to address the variety of human capital challenges facing our Agency, challenges that are shaped by each center's demographics, local labor market, and program project needs. As mentioned in my written testimony, under the NASA Flexibility Act of 2004, the use of enhanced recruitment and relocation bonuses, more substantial travel benefits, and enhanced annual leave flexibilities have been very useful incentives in attracting new talent. The distinguished scholar hiring authority, more flexible term appointments, and more flexible SES term authority provide for more streamlined and flexible hiring. Enhanced relocation and retention bonuses, qualifications pay, and the ability to convert term to permanent appointments have been valuable tools in retaining and leveraging existing talent.

The Federal Workforce Flexibility Act offers many of the same or very similar tools as those provided in the NASA Flexibility Act. Many of these flexibilities are and will continue to be important to NASA in reshaping and realigning the workforce to support the new Vision for Space Exploration. For example, we are currently

using the buyout and early-out authorities provided in the workforce improvement of the Homeland Security Act of 2002 to encourage voluntary attrition in areas in which the need for certain competencies has diminished. We are using these tools to address workforce rebalancing both within individual centers as well as across the Agency in a managed, strategic way, and we have developed our buyout/early-out plans very carefully and deliberately to ensure that we do not buy out competencies that we still need or will need. We will continue to use hiring authorities and other incentives strategically to attract high-quality employees, as I alluded in my written testimony, and relocation and retention bonuses will be increasingly important in addressing workforce reshaping objectives, including space shuttle transition and retirement in 2010.

In conclusion, with the new Vision for Space Exploration comes an increased challenge to continue to be strategic and innovative in human capital management. NASA must implement a number of fundamental changes in how the Agency approaches space exploration and better align the workforce to achieve the new vision. The workforce flexibility tools being addressed today are essential to ensuring that we reshape and maintain a high-caliber workforce with the skills and competencies we need.

Let me close by saying again we greatly appreciate the excellent support you have provided in Federal human capital management in the past, Senator Voinovich, and we welcome your leadership in the future. I am happy to answer any questions.

Senator VOINOVICH. Thank you very much. It has been very educational to see what all of have you tried to do with the new flexibilities.

All four of you have achieved a level of certification for your performance management system, the Senior Executive Service. What steps has your agency taken to include employees in development of the system? What has been done to educate employees on the new system? This is a real issue for the Members of this Subcommittee. We support pay for performance, but we want to make sure that it is done right. I think there are a lot of people who like to talk about this, but anyone who has had to complete performance evaluation, as I have over my career, know this is tough. It was one of the toughest things I had to do, and I would be interested in knowing how you went about implementing these new systems in your respective agencies and receptivity so far.

Mr. NULF. Mr. Chairman, I would be happy to speak to that. I think it gets back to what you were speaking with the first panel on and your commitment to training and your commitment to throwing the resources behind it that are necessary to make it effective. I think pay-for-performance—if I may say, I am a private sector guy that is down here learning in many different ways, but I come from a world of pay-for-performance, and what it has done is put us on a level playing field with the private sector and the recruitment and retention of valuable human capital. And what we have done is to make sure that the employees are involved in all aspects of pay for performance. If it is transparent, sir, and all parties are involved—that being the employee, management, and lead-

ership—everyone is well served, including the taxpayer. Our commitment to that on the training side is, I believe, second to none.

Senator VOINOVICH. Ms. White.

Ms. WHITE. I will be happy to answer as well. When we started in about 2001 looking at performance-based approaches to how we would have some accountability for our senior leadership at the Department, starting from the top all the way through SES, we brought a contractor in to help us to develop performance-based contracts for our SES members, and from that the employees were able to participate to talk about and describe what their work responsibilities were as related to their mission, so we wanted to make sure that mission criticality was of the utmost importance in the way that their performance plans were being developed.

In addition to that, we have a structure at HHS that is called the Management Forum. It consists of the executive officers across all the agencies at HHS, and at that monthly meeting, the group has an opportunity to help weigh in, to help shape the policies in the direction with respect to as well as the education of rolling out our SES performance-based system. We meet annually also to develop the elements of what will go into the outcome-based measures that we will hold our SESers accountable for.

In this year, we will be cascading this performance-based system to the non-SES employees and non-bargaining unit employees. We intend to use a similar approach for employee involvement, and management, and pushing the information out in a training environment to get people hands-on opportunity to learn what the new requirements will be.

Senator VOINOVICH. Mr. DeLeon.

Mr. DELEON. Yes. I think the one thing I would like to add, along with my colleagues, is at EPA, when we talk about performance, we have always had a strong SES performance management system, and along with OPM's help this past year in reaching certification, we discussed the standards very closely with our senior managers, with boards like the Executive Resource Board or our Human Resource Council——

Senator VOINOVICH. Let me understand this. Have you had a pay-for-performance system in the EPA for a long time?

Mr. DELEON. No. I believe we have had a strong system already.

Senator VOINOVICH. You have a robust performance management system for a long time?

Mr. DELEON. Yes, and along with the——

Senator VOINOVICH. But not linking pay with performance?

Mr. DELEON. No. And in this past year, along with OPM and receiving provisional certification, we ensured that our standards met the performance that we wanted our senior executives to meet, so we have had some strong internal discussions what those standards should look like, what are SESers' performance standards and the expected level of performance that they should meet. We have used boards internally, like the Executive Resource Board and others, to help develop those standards. I think if you look at results of our most recent performance cycle, you will notice that we have had some differentiation not only in the bonuses, but also in the performance and the pay raises that we were able to institute this past year.

Senator VOINOVICH. Ms. Novak.

Ms. NOVAK. Yes. I can say that we have done many of the same things at NASA, but we took kind of a top-down approach, making sure that the senior leadership of the Agency understood the new SES pay-for-performance system and what the expectations were and the accountability requirements. Then we basically rolled that out at our field centers, using senior management as well as a lot of involvement of the human capital officers at our field centers.

Senator VOINOVICH. Have you conducted demonstration projects at NASA?

Ms. NOVAK. No, not really. We pilot things and test things but not actually demonstration projects in the official sense of the word.

Senator VOINOVICH. Did you have a performance management system for your engineers?

Ms. NOVAK. Well, we have always had performance evaluation of our engineers, both at the senior executive levels, as well as at the non-senior executive levels. We have changed our performance appraisal approach from time to time, engaging the unions and engaging the employees. In fact, last year we changed from a pass-fail type of a system to a three-level performance appraisal system. But we engage the unions and get their help and support, and that helps us with all of these different new initiatives that we roll out.

Senator VOINOVICH. This is my last comment. It came to me, Senator Akaka, and Senator Pryor, that right now DOD is developing the regulations for a new personal system. It might be interesting to have a summary of what these agencies have done to prepare effective performance management systems, to see how their experience might assist to the discussion between the unions and DOD. In other words, these agencies have actually done it. It seems to me that it would be in DOD's best interest to fully understand how these systems operate, so their regulations are responsive to the real world. I think it would help them right now. I know the unions are concerned and maybe sharing the experiences at these agencies would be beneficial.

As a matter of fact, if you would identify in your testimony, the steps you have taken to allay the fears of individuals. Thank you.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman. The brief discussion here leads me to ask this question first. Ms. Novak, I am glad to hear that you have been engaging the unions in this. I have heard from employees at NASA that individuals hired under NASA's flexibilities have not been allowed to join a union even though they are clearly part of a bargaining unit where they work.

Let me be clear. It was not the intent of Congress in granting NASA personnel flexibilities to bar NASA employees from joining unions or to erode employees' collective bargaining rights. Are employees hired under the NASA Flexibility Act barred from joining unions? And if so, why?

Ms. NOVAK. Sir, I am shocked to hear that, to be very honest, and I am clearly going to look into that.

No, absolutely not. Of course, we have bargaining unit positions and some that aren't, and depending on the nature of the position, and, of course, we have several different unions that we have union

members representing. We are using some of the flexibilities to bring people on board, to hire people, and there should be no bar whatsoever to those individuals. If they are otherwise available to join a union, that should be no impact. So I will clearly check into that, and maybe we could talk or I could talk with your staff and get some more details.

Senator AKAKA. Thank you for your response.

Ms. White, you testified that HHS has a pilot program using the category rating method for selecting new employees. I want to follow up on Senator Pryor's question to Ms. Pérez as to how veterans have fared under the category rating at HHS. As ranking member of the Veterans' Committee, ensuring the rights of our veterans is very important to me. Category rating was used in demonstration projects for several years at USDA, and the impact on veterans was positive.

How have veterans fared under category rating at HHS?

Ms. WHITE. I can tell you that the pilot that we ran was with National Institutes of Health and with the Centers for Medicare & Medicaid Services, and we thought if we could have a successful pilot in those two organizations, it will work anywhere. And I am proud to convey that the pilot was very successful. NIH ran its pilot from June 2004 to March 2005. They included eight different kinds of vacancies, and they are the one of the high scientific organizations at HHS. And CMS started its pilot in January 2005 to present. And while they have only offered up one vacancy up to this point, they yielded 10 different hires from that process. The veterans float to the top of each qualifying category and, as such, would be selected in the category that they fall into. And we make sure that it is not only important to protect the rights of veterans but to make sure that the processes we have provide that same assurance.

And so we are looking forward now to implementing the category rating process across the department.

Senator AKAKA. Thank you.

Ms. Novak, among the flexibilities granted to NASA through the NASA Flexibility Act was the authority to implement a scholarship-for-service program. This program is similar to one I championed for national security positions that was included in the Intelligence Reform Act which became law in December. What is the status of NASA's scholarship-for-service program?

Ms. NOVAK. Senator Akaka, thank you for asking that. We have an assistant administrator for education. Her folks are doing the staff work associated with that, but I can tell you what the status is. They are in the process of very shortly briefing our new administrator, Dr. Michael Griffin, on that and publishing some regulations. Hopefully the plan is to have an estimated 20 students on board in the program in the fall time frame. We are going to increase the numbers with each year, that is my understanding, but hopefully in the fall that will actually be kicked off.

Senator AKAKA. Thank you. Mr. Chairman, my time is almost up. I have a question for the rest of the witnesses, but I will be glad to ask it in a second round.

Senator VOINOVICH. Why don't you go ahead and ask now.

Senator AKAKA. All right. Ms. White, Mr. Nulf, and Mr. DeLeon, I just discussed the scholarship-for-service program with Ms. Novak. Do you believe that a similar program would be helpful to recruit employees for your respective agencies provided there is adequate funding? Mr. Nulf.

Mr. NULF. Not knowing all the details of the program itself, sir, but I will speak at a level that I am comfortable with to say that first hearing of it and getting a better understanding of it, I might speak more to the details, but I would say this. We are such a diverse organization, Commerce, and our needs cross more spectrums and vocations than one can shake a stick at. And that being said, the more tools and the more flexibilities and the more capabilities we have to bring in via scholarship or grants or what have you the youth of America into the walls of Commerce, the better off certainly we will be served in the long run.

So my short answer would be, yes, sir, it is something that we would be very open to and would be interested in discussing further.

Senator AKAKA. Thank you. Ms. White.

Ms. WHITE. I would be interested in knowing more about NASA's program, but we think at Health and Human Services we have a number of programs that fit that kind of model. Whether they are called service fellows or scholarship for service or things of the like, our health organizations and our National Institutes of Health use those kind of authorities very extensively.

As you might well know, the importance of getting in people who have the top-level research that we need for National Institutes of Health and doctors that will help us carry out our mission requires us to be innovative in how we outreach to individuals who have the skill sets where we would have to offer some monetary incentive for them to not only come but to stay in our organizations. And sometimes being a part of premier scientific organization by itself isn't enough, and, therefore, I think one of the reasons that NIH is able to yield so many of their employees that were approved for the student loan repayment which represents the bulk of that 1,500 that I mentioned earlier. Their payment is roughly $49,000 per employee. I think this is similar to the model that NASA may have, but I would be happy to look into that to see if we could add another to the group of programs that we have currently.

Senator AKAKA. Thank you. Mr. DeLeon.

Mr. DELEON. Yes, similar to my colleague's comments, I am not familiar with the specific program for NASA, but we have talked about a similar program, an environmental fellows program, where people would come in for service, that type of program.

And I would say that if we had the authority and certainly the resources to implement such a program, we would be very interested in pursuing something that was applicable to EPA. So, yes, thank you.

Senator AKAKA. Well, thank you for your responses. I know the Chairman and I look forward to the time—and maybe it is happening now—where different agencies will be able to talk to each other about some of these programs and share best practices instead of starting from zero so that we can all benefit from each agency's experiences.

Thank you very much, Mr. Chairman.

Senator VOINOVICH. Thank you, Senator Akaka. Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

Senator VOINOVICH. Senator Pryor, I want to say thank you very much for coming. Senator Akaka and I usually hold down the fort. You are very nice to us to show up.

So that people know, there are many Members of this Subcommittee concerned about this issue. The problem in the Senate today—and the public should know it—is we could all be at three different places at the same time and all of them justified. We are constantly prioritizing what we have to do. In my particular case, I am the Chairman of the Subcommittee. I have to be here.

Senator Akaka, God bless you. He is here, and some of our other Members try to come in and help us out. And I don't want you to get the impression that people are not concerned about this, but that is the way it works here in the Senate.

Senator Pryor.

OPEN STATEMENT OF SENATOR PRYOR

Senator PRYOR. Thank you, Mr. Chairman, and once again I thank both of you for your leadership on these very important issues, and these are not issues that always make the headlines, but this is the nuts and bolts of government. And you are both very committed to try to improve government, make it run more efficiently and more effectively, and I join you in that, and thank you for having me today.

Let me just jump right in, if I may, Ms. Novak, and ask you about NASA. Has NASA found the OPM 45-day hiring model to be realistic for all administrative positions?

Ms. NOVAK. We have found the 45-day model to be realistic for a good number of our positions. We are fortunate we have an automated staffing and resume recruitment system, which allows us to run vacancy announcements and get through that whole process pretty quickly, most often meeting the 45-day requirement.

Senator PRYOR. When you say a good number, what type of positions does the 45-day model not work for?

Ms. NOVAK. In some cases for those that are very technical and that require a wide search, looking for very specific technical qualifications, of which we have a good number.

Senator PRYOR. That is why I ask you the question. And I see a couple of heads nodding here on the panel. That is also your experience as well?

Mr. DELEON. Yes.

Ms. WHITE. Yes.

Mr. NULF. Yes.

Senator PRYOR. Sometimes, in some cases, the more technical or the more precise the requirements are, the 45-day requirement may not always work.

Ms. NOVAK. One size doesn't always fit all.

Senator PRYOR. But, nonetheless, do you like the 45-day model?

Ms. NOVAK. I think it works fairly well. I will go beyond that. I think it is a good model, and I think that is one of the complaints we get from individuals interested in the government, as well as from people within the government, that it takes too long to hire.

I think we need to have some guidelines to strive for. If we can go through that process in 45 days, for most cases we are doing very well.

Senator PRYOR. Good. And let me ask you this: I know NASA and others have had funding cuts. Have the funding cuts adversely impacted your ability to hire and train?

Ms. NOVAK. Actually, at NASA, we have not had funding cuts per se in terms of our overall budget. We are doing some rebalancing and restructuring internally, which has created some challenges for us in the workforce where we have got some positions in certain areas where they are not attached to programs that are funded right now. We are working some rebalancing issues. We are working buyouts and early-outs, looking at the possibility of employees moving across field center geographic lines, if it is appropriate, if they want to go, to try to take care of our situation.

Senator PRYOR. Is that true with the rest of the panel?

Mr. DELEON. If I may, I would say in certain of our regions funding has been—or budget cuts have provided some challenges for the regional folks to meet their headquarters folks, but for the most part our training dollars have been OK. It has been more in the hiring with some budget cuts.

Senator PRYOR. OK.

Mr. Nulf, over at Commerce, you talked about the Department's use of academic degree training. To what extent are these educational opportunities contributing to your strategic plan?

Mr. NULF. It is a bureau-by-bureau impact, sir, but for those that do require it and need the specific targeted recruitment and it is specialized towards particular academic background, the flexibilities that this Subcommittee has seen to and provided to Commerce has enhanced our capabilities.

Senator PRYOR. Let me ask the panel generally about the fear of lawsuits, the fear of litigation, especially when it comes to the direct hire piece of this, and I guess to some extent category rating flexibilities.

What have your respective agencies done to overcome the fear of being sued in the direct hire context, and is that a legitimate concern? Have you seen lawsuits or the threat of litigation in your agencies? Why don't we start with you, Mr. Nulf.

Mr. NULF. Well, I think any good organization, which I believe Commerce to be, has an effective risk management program, and leadership, it should be one of the first things they think about from the standpoint of protecting the organization and making sure we are able to accomplish our mission.

Having said that, I don't think that there is a hesitancy necessarily to do or to approach or evaluate any programs, whatever they are, category rating or direct hire authority. I think as Marta spoke to earlier, it is choosing those flexibilities, those tools that are in the toolbox that best position you to do your job. So I wouldn't say it is necessarily due to risk management perspective of avoiding lawsuits. It certainly is reality in today's environment that you have those considerations, yes, sir.

Senator PRYOR. Does the rest of the panel have anything to say on that?

Ms. WHITE. I would just like to say that I don't have any information that would point to any litigation or lawsuits with respect to direct hire category rating, but I think one of the fundamental things we have to bear in mind is that even though these flexibilities allow us to hire quickly, it does not relieve us of our responsibility of making sure that people are qualified who are coming through that review process, whether it is expedited or not, and that is the way we provide the assurances in both direct hire and any category rating.

Senator PRYOR. Thank you.

Mr. DELEON. And we haven't seen any increase in the litigation risk in either of those two areas, direct hire or category rating.

Ms. NOVAK. Just to end that conversation, in terms of the use of the legislative provisions that we received in the NASA Flexibility Act, we have put in place safeguards to make sure that, in spite of the flexibilities, merit principles are being addressed and we are not violating prohibited personnel practices essentially. So I don't think we have a problem in that area at all.

Senator PRYOR. Thank you, Mr. Chairman.

Senator VOINOVICH. Thank you. I would be remiss, Ms. Novak, not to ask you about NASA. I have written to the acting administrator, and I have talked to the new administrator. I am concerned with NASA attempting to reshape their workforce while moving away from aeronautics to fulfill the President's mission to Mars and the moon. I am concerned that at NASA's Glenn Research Center and Ames Research Center, notices have been sent to employees indicating they can take early retirement or a separation payment.

It looks like NASA is projecting this will happen. I know many of us are going to work very hard to make sure that aeronatutics research is minimized at NASA. What bothers me is that NASA is anticipating Congress will agree with the new mission proposed by the President. However, if Congress funds aeronautics research these people will be needed.

Ms. NOVAK. Right. Yes, sir, I expected that you might ask me this question, and it is a very important one. I saw just as I was coming up here today a newspaper article that came out this morning. Our Deputy Administrator, Fred Gregory, testified yesterday, and in the testimony I see that there has been a discussion about relooking at some of the aeronautics issues. I know our new Administrator has talked about we need a national aeronautics policy, much as we have a space exploration policy.

So there may be some additional conversations about this, but I think what you are referring to, Senator, is we have used buyout and early-outs at the Ames Research Center and at Glenn Research Center and, in fact, throughout the Agency recently. It may appear as though that has been capricious and arbitrary and maybe we are stepping up prematurely, but there actually has been—and maybe it hasn't been communicated to the employees as effectively as it needs to be, but there has been a lot of analysis behind that and discussion between the centers and the mission director organizations in Washington, and there have been some programmatic changes. As a result of those programmatic changes, there have been identified some competencies, some areas or com-

petencies where we believe we either need to diminish those or we won't need them in the future, and in some areas there are some we need to beef up.

So what we are trying to do using the early-outs and buyouts is to do some rebalancing and restructuring in a smart, deliberate way as opposed to arbitrary and capriciously, and it is not supposed to be a signal at all that this means we are going out of business.

Senator VOINOVICH. The only comfort I have is that I have seen projections on the number of people you expect to take advantage of the buyouts. And as a matter fact, less people have taken advantage than you anticipated.

Ms. NOVAK. Yes, that is true.

Senator VOINOVICH. So that part of it gives me some comfort, and we are going to be staying on top of this.

Ms. NOVAK. Yes, sir, and I know NASA is going to be looking hard at that.

Senator VOINOVICH. The other thing I would like to mention is that there are some Members of Congress who feel agencies need more workforce flexibilities. Do you believe at the present time you have the flexibilities that you need in order to retain and to attract the best and brightest people to the Federal Government?

By the way, one of the enacted reforms that really interests me, Senator Akaka, is changes to annual leave. I looked at the statistics about why mid-career professionals from the private sector wouldn't work for the Federal Government. One of them is they have got to work 13 years before you get a month's vacation.

Mr. NULF. Yes, sir, that is correct.

Senator VOINOVICH. Reforming this has made a difference, hasn't it? It is just amazing. It is just a simple thing, but it deals with the human aspects of a job. I think maybe it was you, Senator Akaka, who talked about the human things are the most important. Things like annual leave, family leave, and flexible time.

Mr. NULF. I guess I could start us off. We have the tools to do our job, sir. You have positioned us well. I think that there are certain flexibilities that are currently there that are not being fully utilized, that as the agencies—I will speak for mine—as the Agency and as the managers become better trained and more effective when to pull the trigger on certain things, the more you will see the numbers. I would agree with—one of my colleagues earlier talked about the fact that the numbers are not necessarily the whole story. But the fact you have a number of things that you can go to to try to bring in that right person for that right job to fill it is absolutely invaluable, and I would go one step further. When you talk about the family things—and, again, I am one of these folks that came in and was wrestling with those things, of being away from family and things of that sort. And what you have done, again, there is you have put us on a level playing field, gentlemen. You have put us on a level playing field to compete with the private sector so that it is more than just being able to, which is extremely important, to serve the government and serve the taxpayer, but actually you are not having to have just one or the other. You can still have a family life and you can still carry on with things that are priorities in your life.

Senator VOINOVICH. Thank you. Ms. White.

Ms. WHITE. We appreciate the flexibilities that you have championed under your leadership, and we are aggressively pursuing those. We also are going to pay a whole lot more attention to some of the processes that come with the flexibilities to ensure that they do not stand in the way of yielding the desired result that the flexibilities were intended to give. We are going to see if we can't match up the GS–5 and GS–7 hiring processes so they can be matched with those that we use for the career intern program for emerging leaders at GS–9 and GS–12.

Mr. DELEON. I think the short answer is yes from EPA's perspective. We appreciate all of the authorities that have been instituted lately. As my testimony shows, we have used quite a number of them to affect our workforce and to bring in new talent. So we appreciate all your effort and leadership and look forward to your continued——

Senator VOINOVICH. Yes, but the issue is, is there something else that would make a big difference?

Mr. DELEON. Well, I think the one program that I would like to explore with my colleague from NASA is the program that she mentioned as an added flexibility that we can utilize at EPA.

Senator VOINOVICH. By the way, I like the competencies assessment that you do. I would encourage all agencies not only to do this but incorporate it as part of their GPRA report.

Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman. Just to comment on what I said in terms of keeping workers happy, I was mentioning travel and how we provided compensatory time for employees traveling outside their normal work hours. So I think we need to continue to review all these policies and see where we can be more flexible on some of these that have been around for years. I look forward to doing that.

Ms. White, you testified that HHS has over 1,500 employees approved for the student loan repayment program and will expand employee coverage for fiscal year 2005. In this regard, this is what we have been talking about. We are concerned about what is going to happen in a few years when the baby boomers retire. There will be a demand for workers. And, of course, we hope the demand is satisfied by the right people for the right jobs, but some of these people will require additional training or education.

The student loan repayment program, I feel, will play a major role. I strongly support student loan repayment programs and believe them to be one of the most attractive recruitment incentive tools for the Federal Government.

Also, as an aside, I believe that a student loan repayment program can help employees learn a foreign language for their work.

So I am asking you, Ms. White, would you discuss the student loan repayment program at HHS, including the average award, the criteria for selection, and how HHS jumped from 38 participants in fiscal year 2003 to 1,500 in fiscal year 2005?

Ms. WHITE. Well, we have the National Institutes of Health to thank for that. They have a separate authority, separate from the one that your numbers were derived, and I did not mean to imply

that the 1,500 was across the entire department. It was my reason for indicating that NIH had a separate authority.

Approximately 1,450 of the 1,500 do come from the NIH's special authority for student loan repayment, and they pay anywhere up to about $49,000 per employee under their special authority. They hire more doctors and research fellows and those in job categories with the higher student loan repayment balances than most other individuals who may come through, so they have separate authority.

With respect to other organizations at HHS, they do have the authority to use their own repayment program, but we want to provide them additional guidance about how they might look at it from a strategic perspective, so they can expand their use beyond the small number that currently exists, but make it relevant to their organization.

We have not had tremendous difficulty recruiting our talent. It is evident in our success with the emerging leaders program. The first year we ran that program we had 8,000 applications. And every year beyond that we have had at least 2,000 or 3,000 applications for the emerging leaders program. However, the incentive with respect to the student loan program would not have necessorily provided the incentive to generate applications at a similar magnitude.

Once hired, what we look at is a way of trying to retain the individuals that have come through the emerging leader program, and paying a student loan is one of the most attractive ways that we can leverage to provide an incentive for them to stay and for us to have that high talent in our organization for time to come.

Our employees sign a service agreement to stay employed with our Agency for every year of student loan repayment that we authorize.

Senator AKAKA. Thank you. Mr. Nulf, would you care to comment on that?

Mr. NULF. I will be very candid, sir. We do not have the numbers, as my colleagues do here at this table, in regard to student loan repayment. I would say this: That is something that we have turned our attention to and are focus and committed to having numbers that this Subcommittee would be proud of. We have a number of folks we are talking to in the recruitment, in the pipeline that I think will bear fruit shortly, but we have not effectively used it as the retention tool that it needs to be. We are going to do so and believe it is one of the stronger weapons you have given us to do our job. We need to focus more intently on it, sir.

Senator AKAKA. Ms. Novak, given the fact that NASA has and needs a highly trained workforce, I am curious why NASA only awarded student loan repayments to about 40 employees. Is that number correct?

Ms. NOVAK. Yes, sir, that is the number I have also. Actually that is a good question. I guess I looked at it a little bit differently. We use our flexibilities, judiciously, when we really need them. We don't necessarily offer them across the board, but with the 40 we have identified a number of those—more than half of those are for contract acquisition and contract management type individuals, which have been identified as one of our critical competency areas.

That is an area that we want to make sure that we recruit and develop and retain individuals in that particular area. So a good portion of those 40 have been in that particular competency area.

I believe that we have used them, again, judiciously, when we have needed to use them.

Senator VOINOVICH. Let me ask a question to follow up on this. Maybe there is process or something here we don't know. When using direct hire, you get permission to hire on college campuses?

Ms. NOVAK. Well, I know that you can direct hire individuals in certain specified occupations. That is, if you have made a case that it is very difficult——

Senator VOINOVICH. You have to ask OPM formally.

Ms. NOVAK. Right. We don't have any of those per se at this point in time, but what we do is, in discussing people, we will go through another process as opposed to direct hire, but we will be talking with them early on about what are some of the things that we can offer you through the Flexibility Act or otherwise that would make coming to NASA a positive experience so that we can nab them and bring them in. The student loan repayment program clearly is one of those.

Senator AKAKA. Mr. DeLeon, you testified that in fiscal year 2005 EPA had 18 student loan repayment agreements in place. What is the criteria for selecting these individuals, and how much money will the 18 individuals receive?

Mr. DELEON. Let me start with the 18. We have a modest program in place, and as my colleagues have indicated, we will look at critical needs, look at is there a particular talent gap that we are trying to fill and offer it as an incentive. But as you alluded to, I think, in your opening statement and I have alluded to in my testimony, our managers have to balance some critical programmatic needs and some dollars challenges since it comes from the PC&B accounts. So we have used it judiciously. It is modest. Perhaps with some further assistance and guidance and resources we could expand that program, because I agree with you, Senator, that this is a great incentive to bring some young talent into the workforce, compete with our private sector competitors, and try to at least alleviate some of the disparity in pay that some of the college graduates face when faced with a salary from the Federal Government.

But we are looking for every opportunity to expand our use of the student loan repayment program and have provided our managers guidance on using it judiciously, as we have so far.

Senator AKAKA. Well, thank you very much, Mr. Chairman, for giving me this additional time.

Senator VOINOVICH. Certainly. One bill that Senator Akaka and I have introduced in previous sessions of Congress would not tax as income student loan repayment. It has not been able to pass through the Finance Committee. How much would that help this program?

Ms. WHITE. I believe it would be a tremendous help to the student who has to pay back the loan because then more of the money goes toward the loan rather than the portion that remains after taxes. It would do a lot to significantly begin to reduce a lot quicker

the outstanding loan balance that the employee would have when they were a student.

Senator VOINOVICH. It would give us the same benefit as universities.

Ms. WHITE. The same benefit, the same money comes out of the——

Senator VOINOVICH. If a student goes to work for a nonprofit, universities can repay the loan and the students don't have to pay taxes on it. Do you think that would help?

Mr. NULF. Absolutely, sir. I think anytime you can stamp something tax free as a benefit, it packs a bigger punch, yes, sir. I would share with you that my wife and I recently were looking at one of the business publications, looking at the—our children are only 2 years old at this point, and in 16 years we will be wrestling with those college costs. And I think these types of flexibilities and these types of benefits speak to not just here and today. What we can do to have John Smith or Sally Smith fill a particular chair providing a certain function or value to an organization, but they speak to the generations to come that we are so worried about with the retirement and the institutional knowledge that is walking out of the door of the agencies.

Senator VOINOVICH. Well, thank you very much. This has been great. We have good people on the front lines, and we are real impressed with what you are all doing in your respective agencies. Your work makes us feel good, and we will be seeing you again. Thank you.

The hearing is adjourned.

[Whereupon, at 12:53 p.m., the Subcommittee adjourned.]

APPENDIX

Statement of

Marta Brito Pérez
Associate Director for Human Capital Leadership and Merit System Accountability
U.S. Office of Personnel Management

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

On

Employing Federal Workforce Flexibilities: A Progress Report

April 21, 2005

Good Morning, Mr. Chairman and members of the subcommittee. On behalf of the Office of Personnel Management (OPM), I am pleased to appear before you to today to discuss Federal agency use of key human capital flexibilities. I am Marta Brito Pérez, Associate Director for Human Capital Leadership and Merit System Accountability. This subcommittee, through your dedicated leadership and commitment, has been instrumental in providing tools to address human capital challenges facing the Federal Government today. These efforts have led to enactment of significant legislation, including the *Federal Workforce Improvement Act* of the *Homeland Security Act of 2002*; the *Senior Executive Service Reform Act* of the *Defense Authorization Act of 2004*; the *Federal Employee Student Loan Assistance Act of 2003*; the *NASA Flexibility Act of 2004*; and the *Federal Workforce Flexibility Act of 2004*. These are important

tools that must ultimately become part of a flexible framework of Federal human resources management systems that support agencies' efforts in mission accomplishment.

The *Federal Workforce Improvement Act* of the *Homeland Security Act of 2002* contained, among other things, provisions which established the position of agency Chief Human Capital Officer (CHCO), created the CHCO Council, set forth provisions for the Governmentwide use of category rating, expanded the use for Voluntary Early Retirement Authority and Voluntary Separation Incentive Payments. The *Senior Executive Service Reform Act* of the *Defense Authorization Act of 2004*, set forth provisions that created a system for ensuring senior executive excellence and accountability through a new performance-based pay system. The *Federal Flexibility Act of 2004* contained, among other things, provisions which expanded the use of Recruitment, Relocation, and Retention bonuses, agency training, leave enhancements, and compensatory time for travel.

Your letter of invitation asked us to focus on three areas: (1) the development and implementation of the pay for performance regulations for the Senior Executive Service (SES), (2) the training and education OPM has done to encourage agencies to make use of workforce flexibilities, and (3) our comments on the use of workforce flexibilities at the National Aeronautics and Space Administration (NASA) and what OPM has done to ensure they are implemented consistent with Congressional intent and OPM-approved workforce plans.

Senior Executive Service Compensation

We believe the act that supports the Senior Executive Service pay-for-performance and their related performance management systems, the rigorous criteria for certification, the training and approval process prescribed by OPM, and the response of agencies to date represent an emerging success story for reaching the goal of high performance becoming a way of life in Federal service set by President George W. Bush in his Management Agenda.

This law gives us the opportunity to ensure that accountability for performance management resides at the highest levels of Government. How we are getting there is as important as the result we are achieving. The law provides broad flexibility, a clear objective, and strict accountability. OPM matched this statutory framework with a regulatory framework that features clear and rigorous criteria, close consultation with agencies in implementing those criteria, and provisional and full certification of agency plans. The result of this effort is a system of Federal executive compensation featuring an open pay range, while ensuring a system for making meaningful distinctions in performance, and basing all compensation adjustments on performance. In Fiscal Year 2004, 32 agencies received full or provisional certification for the SES or equivalent performance management plans which held executives and managers accountable for results and based compensation on the outcomes. To date, thirteen agencies have received full or provisional certification for Fiscal Year 2005, with another twelve requests undergoing review.

Agencies' Progress on Human Capital Flexibilities

As you have so accurately pointed out in the past, strategic human capital management must become institutionalized in the Executive agencies. OPM strategically restructured and created the position of Human Capital Officers to work with the agencies, one Human Capital Officer per agency, to assist them with their efforts to transform their human resources programs. OPM provides technical assistance to the agencies and monitors the implementation of requirements laid out in human capital initiative of the President's Management Agenda, including their use of flexibilities.

Agencies are using these flexibilities as part of their overall strategic planning process and to ensure they have the right people in the right jobs, close skills gaps and transform their workforce to meet the changing needs of the 21st century. Nearly one-third (9) of the Executive Branch agencies have achieved a green status on their human capital management efforts, and almost all are making strategic use of many of the flexibilities available to them.

Our review of agencies' efforts suggests they have improved in their management of human capital, that the fundamental concepts of workforce planning, succession planning, performance management for results, and leadership development are integral parts of the agencies' human capital management planning process.

Agencies are also using the flexibilities available to them to delayer, restructure, and reshape their workforces. For example, prior to passage of the *Federal Workforce Improvement Act*, agencies could only offer Voluntary Early Retirement Authority (VERA) based on a need to downsize their workforce, and agencies had to seek individual statutory authority to offer employees Voluntary Separation Incentive Payments (VSIP). With the signing of the Act, agencies can now request VERA based on a need to delayer, restructure or reshape their workforce, and OPM has the authority to approve agency requests to provide VSIP payments to their employees.

In Fiscal Year 2004, 40 agencies requested and received from OPM Voluntary Early Retirement Authority and/or Voluntary Separation Incentive Payment authority; 22 agencies requested and received Dual Compensation (Salary Offset) Waivers in order to recruit or retain talent critical to the success of their missions; and, 10 requested and received Direct Hire Authority in order to more effectively compete in the war for talent.

As you know, the Federal Government is highly decentralized, and over 80 percent of our employees are outside of Washington, DC. So, to make sure that flexibilities are used across the country, in May of 2004, OPM began conducting symposiums designed to train agencies on the use of flexibilities such as direct hire authority, student loan repayment incentives, Veterans Readjustment Act, Veterans' Reemployment Opportunities Act, excepted service appointments, and category rating. To date, we have conducted symposiums in 27 cities across the country. These symposia delivered training and information to Human Resource Specialists and Selecting Officials representing over 30 agencies. We recently launched our web-based training tool, the

On-Line Hiring Flexibilities Guide. Agencies may access this tool as needed to obtain useful information about the flexibilities available to assist them in building the workforces. Today, you will hear from four agencies on their use of flexibilities.

In addition, through our Human Capital Officers, OPM provides direct, hands-on, one-on-one technical assistance to assist agencies in designing and implementing human capital strategies that are aligned with their missions, goals, and organizational objectives and integrated into their strategic plans, performance plans, and budgets. All President's Management Council agencies have, or are finalizing a strategic human capital plan built upon an agency-wide vision that guides human capital planning and investment, incorporates metrics to assess its impact on mission accomplishment, and holds management accountable for the effective implementation and results of the plan. We use the President's Management Agenda scoring process to drive a results focus throughout the agencies. Part of our review includes the effectiveness of agency appraisal systems, including looking at employee engagement and feedback, oversight and accountability for the system, and the development of performance management competencies of managers. We recently began a series of briefings that will deliver information and training to executives and managers to ensure they are prepared to manage in a pay-for-performance environment.

We work closely with the Chief Human Capital Officers across the agencies. Mr. Chairman, your leadership in authoring the legislation establishing these important positions – and the CHCO Council – is already having a substantial positive impact on Federal human capital management. The CHCO Council also is playing a major role in the Administration's efforts to

modernize the Civil Service – from implementing Senior Executive Service pay-for-performance systems to partnering with OPM to carry out the Executive order overhauling the Presidential Management Fellows Program, the Federal Government's premier leadership development program.

But, we at OPM believe in flexibility with accountability. Our compliance program fully integrates the strategic human capital management perspective. OPM conducts human resources operations audits of Federal agencies on a cyclical basis through its integrated Human Capital Leadership & Merit System Accountability program. These audits include on-site visits to Federal installations throughout the United States. They assess the use of workforce flexibilities at the level where most hiring decisions are made. Our findings inform our efforts to train Federal managers at the hiring level and shape the guidance and training we provide the agencies.

NASA's Use of Flexibilities

Finally, you asked OPM to comment on NASA's use of workforce flexibilities and advise what we have done to ensure NASA's implementation is consistent with Congressional intent and the agency's workforce plan. After examining NASA's human capital activities from a variety of perspectives, we believe NASA's use of the various human resource flexibilities is consistent with the intent of Congress. We completed our audit of NASA's operations during the second quarter of FY 2004. I am pleased to report that we found NASA's human resources programs to be effective and consistent with the criteria laid out in the Strategic Management of Human Capital initiative of the President's Management Agenda (PMA).

With regard to specific flexibilities, I am pleased to advise you that NASA requested and OPM approved authority for variety of flexibilities, including Voluntary Separation Incentive Payment authority and Voluntary Early Retirement Authority, as well as agency-approved flexibilities such as Recruitment, Relocation, and Redesignation Bonuses and Student Loan Repayments for a number of NASA facilities.

NASA was the first agency to achieve a "green" score on the PMA's Executive Branch Management Scorecard in the Strategic Management of Human Capital. The agency has a human capital strategy that is aligned with its mission, goals, and organizational objectives, that is integrated with its strategic and performance plans, and budget plans. Most importantly, NASA is continuously assessing and improving the way they manage their workforce. NASA's leadership is accountable for the effective management of people, including building a diverse, results-oriented, high-performing workforce.

Conclusion

Four years ago, the President challenged Federal agencies to become more citizen-centered, results-oriented, and market-based in their operations. Through your work and the work of your Subcommittee, agencies now have and are using the flexibilities available to recruit and retain employees. In terms of human capital management, Federal agencies have made good progress. Agencies are identifying critical occupations and competency gaps and developing strategies to address those gaps.

The staffing flexibilities help agencies to aggressively recruit the best and brightest into public service. However, more is needed. We want to better link career advancement and rewards to employee performance. The problem is these flexibilities are used as part of a system of compensation, grounded in a past era, that does not fully value performance. In short, the General Schedule imposes limits on the use and value of these flexibilities. That is because those tools and flexibilities are being incorporated into a personnel system that is obsolete and was designed to manage a workforce that is significantly different from the one the agencies need now to meet their missions. In addition, as a result of the new personnel systems being implemented at the Department of Defense and the Department of Homeland Security, over fifty percent of the Federal workforce will be covered by a framework of flexibilities that creates a competitive disadvantage for other Federal agencies.

Progress has been made. Now is the time to embark on the efforts that will implement the necessary improvements on a Governmentwide basis. We believe the future of flexibility should focus on system-wide change, rather than individual interventions, in order for agencies to be managed strategically and for strategic human capital management to be taken off the GAO "high-risk" list. We cannot fully institutionalize strategic human capital planning without a system of human resources management that provides the flexibility to allow such planning to be fully effective. The Congressional enactment of the new Senior Executive Service performance management system points the way for development of system-wide change with its clear criteria, flexible framework, and process of central certification.

I would like to thank you, Chairman Voinovich, for focusing on management issues within the Federal Government. Because of the work of this Subcommittee, agencies now have additional flexibilities which are being used to recruit and retain employees. These flexibilities, however, cannot mask the deficiencies of a personnel system that is not well-suited to meet the mission critical goals of today's Federal workforce. I will be glad to answer any questions you may have.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
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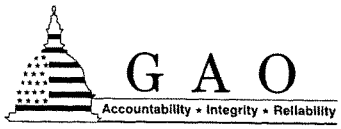
HUMAN CAPITAL

Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities

Statement of Eileen Larence, Director
Strategic Issues



GAO-05-616T

GAO
Accountability·Integrity·Reliability
Highlights

Highlights of GAO-05-616T a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Strategic human capital is the centerpiece of agencies' efforts to transform into high-performing organizations poised to meet the challenges of the 21st Century. Congress, recognizing that the federal human capital management systems designed in the past are outmoded, has provided agencies with exemptions from the old rules and new flexibilities to more strategically manage their workforce. Congress has already granted statutory exemptions and new authorities affecting more than 1.2 million civilian federal employees. The momentum is building to continue to reform the policies, processes, and systems that govern federal human capital management. Congress is interested in taking stock of how agencies have implemented the new flexibilities they have been granted, especially as it considers the future steps to be taken to achieve human capital reform.

At the request of the subcommittee, this statement provides an update of GAO's work on the progress agencies have made in implementing these flexibilities to better accomplish their missions and achieve their goals. In addition, it provides information on GAO's experiences with human capital reform and also highlights a set of consistent principles, criteria, and processes that can help to guide future reforms, whether they are new flexibilities granted to individual agencies or applied governmentwide.

www.gao.gov/cgi-bin/getrpt?GAO-05-616T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Eileen Larence at (202) 512-6806 or larencee@gao.gov.

April 21, 2005

HUMAN CAPITAL

Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities

What GAO Found

To take full advantage of the flexibilities provided, agencies need leaders committed to taking a more strategic approach to managing their people in order to improve mission results, and must have the necessary infrastructure in place to make effective use of the flexibilities. This infrastructure includes a human capital planning process that integrates human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards to help ensure consistency. GAO's work shows that, to date, agencies are using the flexibilities to varying degrees but continue to face barriers. In the future, agencies should have to demonstrate they have the required infrastructure and safeguards in place before using any new human capital authorities.

- **Accountable Leadership**: Effective performance management systems first align leadership's performance expectations, appraisal systems, and compensation programs with organizational goals and results, then cascade this approach through all levels in the organization. Accordingly, agencies now have authority to increase senior executive pay levels, but only if they have an effective performance management system—one that links individual and organizational results and makes meaningful distinctions in performance. Recent data show, however, that agencies face a challenge in meeting the criteria for qualifying for the new executive pay flexibilities. GAO also continues to see opportunities for Chief Human Capital Officers and their Council to help agencies better implement various flexibilities and share best practices, while providing strategic leadership for reform.

- **Strategic human capital planning**: Identifying current and future workforce gaps and ways to use flexibilities to fill them would help agencies remain competitive and achieve their missions. Some agencies do not have all the components of a strategic human capital planning process in place to help them resolve workforce challenges. GAO identified five key principles that could help guide and inform agencies' efforts to build this process.

- **Capabilities to use new tools**: Agencies have not used some of the flexibilities designed to help them recruit and hire top talent as much as possible because of a lack of policy and guidance, among other things. OPM has since reported taking a number of initiatives to better educate agencies on the tools and encourage their use.

Agencies need to continue implementing new tools, evaluating their impact, and making adjustments. Congress' interest in monitoring agency progress is a critical ingredient to the success of these reforms.

Chairman Voinovich and Members of the Subcommittee:

I am pleased to be here today to discuss our work on agencies' use of recently enacted human capital flexibilities to help address workforce challenges. In broad terms, human capital flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce to accomplish its mission and achieve its goals. The tailored use of such flexibilities for acquiring, developing, and retaining talent is an important cornerstone of GAO's model of strategic human capital management. The subcommittee's interest in taking stock of where agencies are in using the flexibilities provided to them is critical and timely.

As we have consistently testified, and as the subcommittee has consistently recognized, an agency's human capital is its most important catalyst for transforming to meet the new challenges of the 21st century. We have also recognized that the federal human capital systems designed in the past are outmoded and, in some cases, barriers to an agency's transformation. Consequently, over the past few years, Congress has granted certain agencies exemptions from these old rules, as well as new flexibilities to recruit, hire, develop, manage, retain, and compensate the people with the knowledge, skills, and abilities that agencies need to accomplish their critical missions and compete with the private sector for top talent. This is especially important as the nation faces long-term fiscal challenges, and therefore, agencies are likely to have resource constraints in the future.

We have also learned, however, that to benefit from these reforms, agencies should have the appropriate institutional infrastructure and safeguards in place to make effective use of these new authorities. Agencies need leaders who are committed to taking a more strategic approach to managing their human capital assets. These leaders provide the organizational vision important in times of change, use the flexibilities available to them in a targeted and responsible manner, and ensure that human capital strategies are well-planned, thoroughly implemented, and sustained over time. Agencies also need a supporting infrastructure that includes a human capital planning process that integrates human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and, importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards to help ensure consistency.

There continues to be widespread interest in reforming the policies, processes, and systems that govern federal human capital management. In ongoing work for Senator Susan Collins, we are cataloguing the wide array of statutory exemptions and new authorities that Congress has already granted to a select group of agencies, affecting more than 1.2 million civilian employees. Moving forward, Congress may continue to grant flexibilities to individual agencies or on a governmentwide basis. It will be important to ensure that agencies first have a business case for using the flexibilities, as well as the necessary infrastructure and safeguards in place to use them effectively and in a non abusive manner. In addition, there is general recognition that the government needs a framework to guide further reforms. GAO, working with its external partners, has proposed a common framework built around a fundamental set of principles, criteria, and processes. This could help to enhance the government's performance, ensure agency accountability, and provide for a relatively level playing field across agencies as they implement new authorities.

Today, I would like to highlight some of our recent work on the progress that agencies have made in implementing the flexibilities granted them, and that reinforces the actions Congress and agencies are taking or need to take to (1) provide the strategic leadership, (2) establish the necessary infrastructure for reforms, (3) better use the new flexibilities provided, and (4) position the government for future reform.

Accountable Leadership Can Serve As a Model for Effective Human Capital Management throughout the Agencies

High-performing organizations understand that they must have senior leaders who are held accountable for results, drive continuous improvement, and take a strategic approach to targeting available human capital tools and flexibilities that will help them achieve their organizational goals. Leaders who model effective performance management can help to institutionalize it throughout their agencies. As you know, we have advocated, and you have reinforced, that the federal government needs to fundamentally rethink its approach to performance management, better linking individual, unit, and organizational performance and rewarding individuals according to their relative performance and contributions. Effective performance management systems first align leadership's performance expectations, appraisals, and pay with organizational goals and results achieved, then cascade this approach through all levels in the organization. In October 2000, the Office of Personnel Management (OPM) revised its Senior Executive Service (SES) regulations to require agencies to implement performance management systems that meet these criteria.

More recently, Congress provided that agencies that have successfully implemented effective performance management systems for their senior executives can increase the compensation of their higher-performing senior executives beginning in January 2004. To qualify for this flexibility, OPM must certify, and the Office of Management and Budget (OMB) must concur, that the agency's performance management system meets specified certification criteria, including demonstrating that its performance management system aligns individual performance expectations with the mission and goals of the organization and its appraisal system as designed and applied makes meaningful distinctions in performance. To receive full 2-year certification, an agency must provide documentation that its senior executive performance management system meets all nine of the criteria. Otherwise, agencies can meet four of nine criteria and demonstrate that their system in design meets the remaining certification criteria to receive one-year provisional certification and use the higher pay rates. Agencies with one-year provisional certification must reapply annually, but agencies with full certification must reapply every two years. In addition, SES members are no longer to receive annual across-the-board or locality pay adjustments but to receive pay and bonus increases based on contribution, skills, competencies, and other factors. The system also replaces the six SES pay levels with a single, open-range pay band.

Currently, two agencies have received full certification—the General Services Administration and the Pension Benefit Guaranty Corporation (for its senior-level /scientific or professional positions). The Departments of Agriculture, Commerce (for its senior-level/scientific or professional positions), Education, Health and Human Services (HHS), Homeland Security (DHS), and Labor, as well as the National Aeronautics and Space Administration (NASA), and the Office of Government Ethics have received provisional certification for calendar year 2005.

Some Agencies May Face a Challenge in Meeting Criteria for Qualifying for the New Executive Pay Flexibilities

The criteria that OPM has developed to assess agencies' performance management systems are consistent with our research wherein we identified a set of key practices for effective performance management:[1]

- aligning individual performance expectations with organizational goals,

[1]GAO, *Results-Oriented Cultures: Creating a Clear Linkage between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

- connecting performance expectations to crosscutting goals,
- providing and routinely using performance information to track organizational priorities,
- requiring follow-up actions to address organizational priorities,
- using competencies to provide a fuller assessment of performance,
- linking pay to individual and organizational performance,
- making meaningful distinctions in performance,
- involving employees and stakeholders to gain ownership of performance management systems, and
- maintaining continuity during transitions.

In anticipation that senior executive performance management and pay systems were to be modernized, Chairman Voinovich, at your and former House Government Reform Civil Service Subcommittee Chairwoman Jo Ann Davis' request, we used these practices as a guide to review how well selected agencies were creating linkages between senior executive performance and their organizations' success.[2] You recognized that information on these agencies' experiences and knowledge could provide valuable insights to other agencies as they seek to use senior executive performance management as a tool to drive internal change and achieve external results. Last year, we reported that the agencies were implementing some of these practices, such as aligning individual and organizational goals. However, we also noted that their systems were inconsistent with other practices, such as making meaningful distinctions in performance. This is also the case governmentwide. For example, OPM data show that about 75 percent of executives received the highest performance ratings possible for fiscal year 2003 (the most current data available).

OPM will need to carefully monitor the implementation of the agencies' performance management systems, especially those that have provisional

[2]GAO, *Human Capital: Senior Executive Performance Management Can Be Significantly Strengthened to Achieve Results*, GAO-04-614 (Washington, D.C.: May 26, 2004).

certification, to ensure that agencies are driving organizational performance by making meaningful distinctions in executive performance ratings and appropriately paying their senior executives at the higher level. A number of executive agencies will be challenged in the short term to provide the necessary performance data on their senior executives in order to receive full certification or maintain their certification. Agencies must provide 2 years of performance rating and bonus data showing that meaningful distinctions in SES performance were made to qualify. The recent data on SES ratings suggest that some agencies' data will not comply. In addition, several agencies' provisional certifications for calendar year 2004 expired and have not yet been renewed. The Acting Director of OPM noted in a March 2005 memorandum to agency heads that the SES performance results for fiscal year 2003 do not reflect the requirements of the new SES performance-based pay system and that OPM is analyzing the results of the 2004 rating cycle to determine the degree to which agencies have met the requirements. Depending on the outcome, some agencies may lose their certification, and others may not qualify for this new flexibility. The key, of course, is not just determining whether distinctions are made in ratings, but whether those distinctions are meaningful. That is, the distinctions should reflect real differences in individual executives' contributions to results.

The Chief Human Capital Officers Have the Potential to More Strategically Implement Flexibilities and Leverage Best Practices among Agencies

The success agencies that have in implementing new human capital flexibilities will depend in large measure on their agency leadership, the existence of high quality Chief Human Capital Officers (CHCOs), and a strategic and effective CHCO Council. The Homeland Security Act of 2002 established the roles and responsibilities for the CHCO position and the Council.[3] We have reported that similar interagency councils, such as those of the Chief Financial Officers' (CFO) and Chief Information Officers', have emerged as important leadership strategies in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow-through within the executive branch.[4] The CHCO Council can fulfill an equally important role.

[3]Pub. L. No. 107-297, § § 1301-3 (Nov. 25, 2002).

[4]GAO, *Government Management: Observations on OMB's Management Leadership Efforts*, GAO/T-GGD/AIMD-99-65 (Washington, D.C.: Feb. 4, 1999).

As stated in its charter, the Council's purposes include (1) advising OPM, OMB, and agency leaders on human capital strategies and policies, as well as on the assessment of human capital management in federal agencies; (2) informing and coordinating the activities of its member agencies on such matters as the modernization of human resources systems; and (3) providing leadership in identifying and addressing the needs of the government's human capital community.

To help fulfill this role, the Council has created subcommittees to address and recommend changes for key areas identified by the Council's leadership as critical to the success of strategic human capital management, including the hiring process and performance management, as well as leadership development and succession planning. To date, the Council has continued to define its agenda and priorities and to establish itself. For example, the former OPM Director reported that the Council's CHCO Academy was already proving to be a productive forum for discussing human resources issues among small groups of CHCOs. The Council established the Academy as a forum for Council members to discuss federal human resource issues, learn from one another in an informal setting, and share best practices in the strategic management of human capital. The Academy has considered topics such as (1) current workforce flexibilities and associated regulations, (2) human resources competitive sourcing, and (3) compensation reform. The subcommittees are also making some progress. For example, the leadership and succession planning subcommittee has made recommendations in a briefing to the full Council to set up a rotation program for senior executives among different agencies, among other things.

It is critical for the CHCO Council to leverage its progress to achieve significant accomplishments and facilitate lasting change. As just one illustration of the importance of their leadership and coordination roles, OPM agreed with our May 2003 recommendation to work with and through the Council to (1) more thoroughly research, compile, and analyze information on the effective and innovative use of human capital flexibilities and (2) more fully serve as a clearinghouse in sharing and distributing information about when, where, and how the broad range of flexibilities are being used, and should be used, to help agencies meet their human capital management needs.[5] Our ongoing work assessing select

[5]GAO, *Human Capital: OPM Can Better Assist Agencies in Using Personnel Flexibilities*, GAO-03-428 (Washington, D.C.: May 9, 2003)

agencies' succession planning, as well as their use of recruitment and retention tools, suggests that agencies continue to need an avenue for sharing ideas and best practices and the Council could provide that venue.

We also observed that more strategically, the Council could focus on several other key crosscutting areas, such as

- developing the capabilities required for the successful implementation of human capital reform,
- promoting strategic human capital planning, and
- transforming the human capital office and its processes to more fully contribute to key agency decisions.

For example, selected agencies are seeking to shift the focus of their human capital offices from primarily compliance activities to consulting activities. They are including human capital leaders in key agency strategic planning and decision making. In addition, their human capital leaders took actions to transform the agencies' human capital organizations by establishing clear strategic visions, restructuring their organizations, and improving the use of technology to free organizational resources. As a result, the agencies engaged the human capital organization as a strategic partner in achieving desired outcomes relating to the agencies' mission.

To continue this shift to a more strategic role, human capital offices are also understanding that they need to think broadly about how specific services are delivered. Human capital offices have traditionally used alternative service delivery (ASD)—the use of other than internal staff to provide a service or to deliver a product—as a way to reduce costs for transaction-based services, such as payroll administration. Going forward, human capital offices are seeking to use this approach for more strategic functions, such as workforce planning. We continue to see a role for OPM to provide comprehensive information about how agencies can use ASD for their human capital activities and that the CHCO Council could be an excellent vehicle to assist in this area.

Strategic Human Capital Planning Can Help Agencies Take Advantage of Human Capital Flexibilities but Remains a Continuing Challenge

An essential element in the institutional infrastructure that agencies need for their human capital management is a human capital planning process that ensures that an agency will capitalize on its workforce's strengths and target the use of its flexibilities. Strategic human capital planning addresses two critical needs: (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals and (2) developing long-term strategies for using available flexibilities to acquire, develop, and retain staff to achieve those goals.

While there has been increased attention to such planning, strategic human capital management has remained on GAO's high-risk list because federal human capital strategies are still not appropriately constituted to meet current and emerging challenges or drive the transformations necessary for agencies to meet these challenges. We have continued to report opportunities for various agencies to improve the state of their human capital planning. For example, we reported in March that the Space Shuttle Program within NASA has made limited progress toward developing a detailed long-term strategy for transitioning its space shuttle workforce once the shuttle is retired.[6] Last year, we similarly reported that a major challenge the Department of Defense (DOD) and most of its components face in their efforts to develop and implement strategic workforce plans is their need for information on current competencies and those that will likely be needed in the future.[7]

While agencies' approaches to workforce planning will vary, GAO identified five key principles that this planning should consistently address:

- Involve top management, employees, and other stakeholders in developing, communicating, and implementing the strategic workforce plan.
- Determine the critical skills and competencies that will be needed to achieve current and future programmatic results.

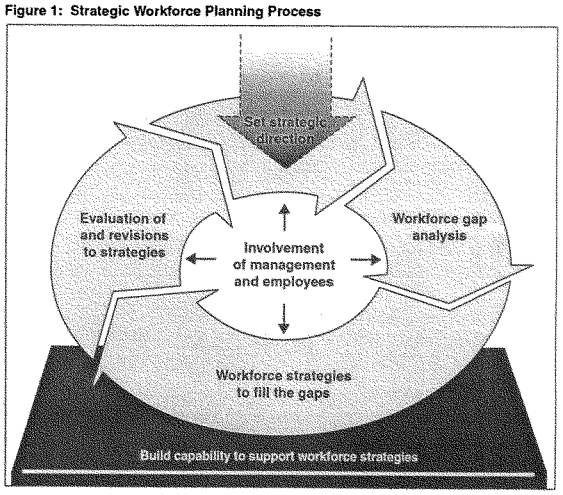
[6]GAO, *Space Shuttle: Actions Needed to Better Position NASA to Sustain Its Workforce through Retirement*, GAO-05-230 (Washington, D.C.: March 9, 2005).

[7]GAO, *DOD Civilian Personnel: Comprehensive Strategic Workforce Plans Needed*, GAO-04-753 (Washington, D.C.: June 30, 2004).

- Develop strategies that are tailored to address gaps in the number, deployment, and alignment of human capital approaches for enabling and sustaining the contributions of all critical skills and competencies.
- Build the capability needed to address administrative, educational, and other requirements important to support workforce planning strategies.
- Monitor and evaluate the agency's progress toward its human capital goals and the contribution that human capital results have made toward achieving programmatic results.

Figure 1 illustrates a model strategic human capital planning process that can help to inform agencies' efforts to define their workforces of the future.

Figure 1: Strategic Workforce Planning Process



Source: GAO.

Strategic Approach to Succession Planning and Training Is Also Critical

A key piece of an agency's strategic human capital plan should also acknowledge the demographic trends that the agency faces with its workforce, especially pending retirements, and include succession strategies and training and development programs to ensure that it will have the knowledge, skills, and abilities it needs to meet its mission. Leading agencies go beyond a succession planning approach that focuses on simply replacing individuals and engage in broad, integrated succession planning and management efforts that focus on strengthening both current and future organizational capacity. Senator Voinovich, at your and former Chairwoman Davis' request, we reviewed how agencies in four countries are adopting a more strategic approach to managing the succession of their senior executives and other public sector employees with critical skills.[8] Subsequently, you asked us to follow up with a review of how selected federal agencies are implementing succession planning and management efforts, as well as the practices we observed in other countries. We plan to report to you on the results of our research in the coming weeks.

Once agencies have used their succession planning to identify workforce gaps; one strategy they can use to fill these gaps is to implement well-designed training and development programs. Training and developing new and current staff to fill new roles and work in different ways will transform how agencies do business and engage employees in further innovation and improvements. In addition, we have reported that educating managers and employees goes a long way in ensuring the effective use of flexibilities, and completion of a training plan can acknowledge the costs of implementation and provide that they be budgeted up front. In this context, we published a guide in March 2004 for assessing training and development efforts in the federal government.[9] As part of the guide, we identified the four broad, interrelated components of the training and development process: (1) planning/front-end analysis, (2) design/development, (3) implementation, and (4) evaluation. Agencies can use this guide to assess and revise their own programs.

It will be critical for DHS and DOD, as they continue to design and implement a totally new human capital system in their agencies, to take

[8]GAO, *Human Capital: Insights for U.S. Agencies from Other Countries' Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sept. 15, 2003).

[9]GAO, *Human Capital: A Guide for Assessing Strategic Training and Development Efforts in the Federal Government*, GAO-04-546G (Washington, D.C.: March 2004).

such a strategic approach to their training and development programs. This will help to ensure that (1) managers and employers are prepared to succeed in implementing the changes, (2) the agencies efficiently use their limited training and development funds, and (3) the agencies achieve their intended results.

Evaluation Provides Agencies with Feedback on How Well Their Strategies Are Working

We previously noted that a critical component of an agency's strategic human capital approach is establishing goals prior to the application of new flexibilities so that agencies can then collect baseline data and establish performance measures to support the evaluation of these initiatives.[10] Developing meaningful outcome-oriented performance goals and collecting performance data to measure the achievement of these goals presents a major challenge for many federal agencies. It will be especially important for DHS and DOD to carefully plan up front for the evaluation of their new human capital systems, especially since they could have significant implications for the rest of the federal government. We have identified the following elements as facilitating this process:

- establishing clear goals and objectives for the initiative or flexibility being implemented,
- designing concrete management improvement steps,
- setting key milestones to track the implementation status, and
- collecting cost and performance data to gauge overall progress.[11]

In addition to facilitating success, effective evaluations would facilitate congressional oversight; allow for any midcourse corrections; assist agencies in benchmarking progress with other efforts; and provide for documenting best practices and sharing lessons learned with employees, stakeholders, other federal agencies, and the public.

[10]GAO, *Human Capital Management: FAA's Reform Effort Needs a More Strategic Approach*, GAO-03-156 (Washington, D.C.: Feb. 3, 2003).

[11]GAO, *Management Reform: Elements of Successful Improvement Initiatives*, GAO/T-GGD-00-26 (Washington, D.C.: Oct. 15, 1999).

Agencies Are Taking Advantage of New Flexibilities to Varying Degrees but Face Some Barriers

As we introduced in testimony to you last year, from our previous interviews with human resources directors from across the federal government and our previous human capital work, we have reported on six key practices that agencies should implement to use human capital flexibilities effectively. Figure 2 identifies these key practices.

Figure 2: Key Practices for Effective Use of Human Capital Flexibilities

Plan strategically and make targeted investments	• Obtain agency leadership commitment • Determine agency workforce needs using fact-based analysis • Develop strategies that employ appropriate flexibilities to meet workforce needs • Make appropriate funding available
Ensure stakeholder input in developing policies and procedures	• Engage the human capital office • Engage agency managers and supervisors • Involve employees and unions • Use input to establish clear, documented, and transparent policies and procedures
Educate managers and employees on the availability and use of flexibilities	• Train human capital staff • Educate agency managers and supervisors on existence and use of flexibilities • Inform employees of procedures and rights
Streamline and improve administrative processes	• Ascertain the source of existing requirements • Reevaluate administrative approval processes for greater efficiency • Replicate proven successes of others
Build transparency and accountability into the system	• Delegate authority to use flexibilities to appropriate levels within the agency • Hold managers and supervisors directly accountable • Apply policies and procedures consistently
Change the organizational culture	• Ensure involvement of senior human capital managers in key decision-making processes • Encourage greater acceptance of prudent risk taking and organizational change • Recognize differences in individual job performance and competencies

Source: GAO.

The overall effort to improve the federal hiring process is a notable example highlighting the importance of effectively using flexibilities. Agencies complained that they were losing good talent because the hiring process was too long and cumbersome. Congress, OPM, and agencies have all undertaken efforts to help improve the process. However, in a survey

we conducted last year, CHCO Council members reported that their agencies were making limited use of new hiring flexibilities that Congress had provided agencies: category rating and direct-hire authority. Category rating is an alternative rating and selection procedure that can provide agency managers with a larger pool of qualified job candidates from which to select rather than have to use numerical ranking and the rule of three,[12] while also protecting veterans' preference. Direct-hire authority allows agencies to appoint candidates directly to positions where OPM determines there is a severe shortage of candidates or a critical hiring need, rather than numerically rating and ranking applicants. Agencies cited a number of barriers to using these flexibilities, including a lack of policy and guidance on these tools.

Consistent with our findings and recommended actions, OPM has since reported a wide range of efforts it has undertaken, including some in partnership with key external stakeholders, to assist agencies in using the new hiring authorities, including a number of important initiatives that took place after we surveyed CHCO Council members. For example, OPM has hosted training symposia on both tools. OPM has taken these actions with the goal of helping to ensure that agencies are aware of the hiring flexibilities available to them as well as assisting agencies in taking full advantage of these available flexibilities.

I also wanted to highlight ongoing work that addresses several other human capital flexibilities that Congress has provided. First, Congress has authorized agencies to repay, at their discretion, their employees' student loans as a means to recruit and retain a talented workforce. We have work under way to review agencies' use of the program. In addition, the Homeland Security Act of 2002 provides governmentwide authority for offering voluntary separation incentive payments, commonly referred to as buyouts, and voluntary early retirement, or early outs, for the purpose of workforce reshaping. We also have work under way to identify the extent to which agencies are implementing these tools. We plan to report on the results of our research later this year.

GAO's Experiences with Human Capital Reform

GAO exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the

[12] 5 U.S.C. § 3318(a)

accountability of the federal government for the benefit of the American people. We deeply appreciate the support and assistance we have received from this subcommittee and others in Congress in providing us with the tools and authorities we need to support Congress. We believe that it is vitally important to GAO's future that the agency continue modernizing and updating our human capital policies and system in light of the changing environment and anticipated challenges ahead. We believe that the GAO Human Capital Reform Act is well reasoned with adequate safeguards for GAO employees. As you know, GAO has had certain human capital tools and flexibilities for over two decades. GAO's more recent Human Capital Reform Act of 2004 (Human Capital II) combines diverse initiatives that, collectively, should further GAO's ability to enhance the agency's our performance and attract, retain, motivate, and reward a high-performing workforce now and in the future.[13]

Specifically, Human Capital II allows for a number of additional human capital tools and flexibilities, including

- making permanent GAO's three-year authority to offer voluntary early retirement and voluntary separation incentive payments;
- allowing the Comptroller General to adjust the rates of basic pay of GAO employees on a separate basis from the annual adjustments authorized for employees of the executive branch;
- providing authority to reimburse employees for certain relocation expenses and to award certain employees with additional annual leave benefits; and
- authorizing an executive exchange program with private sector organizations to further the institutional interest of GAO or Congress, including for the purpose of providing training.

Consistent with GAO's long-standing practice, the new human capital flexibilities are being implemented in continuing consultation with GAO's employees and executives. GAO's regulations for offering voluntary early retirement were issued on November 15, 2004. The Comptroller General may authorize early retirements for applicants on the basis of the

[13]For more information, see Pub. L. No. (108-271), July 7, 2004, and GAO, *GAO: Additional Human Capital Flexibilities Are Needed*, GAO-03-1024T (Washington, D.C.: July 16, 2003).

institutional needs of GAO, subject to certain statutory limits. GAO believes that its careful use of these flexibilities will continue to be an important tool in incrementally improving the agency's overall human capital profile, freeing resources for other uses, and enabling GAO to reduce a skill gap or address other succession concerns.

GAO has also begun to implement the flexibility on adjusting the rates of basic pay for GAO employees. GAO is implementing a compensation system that places greater emphasis on job performance while, at a minimum, protecting the purchasing power of employees who are performing acceptably and ensuring that they are paid within competitive compensation ranges. With the help of an international human capital consulting firm, GAO developed new market-based compensation pay ranges for analysts, attorneys, and specialists that is already in the first phase of implementation. With the new market-based pay system, employee compensation will now consider current salary and allocate individual performance-based compensation amounts between a merit increase (i.e., salary increase) and a performance bonus (i.e., cash). GAO is in the early stages of conducting a similar study of market-based pay for the remainder of GAO's workforce who began the transition to performance-based compensation in 2004 with the introduction of pay banding and a new competency-based performance appraisal system.

Draft regulations implementing the Executive Exchange Program were provided to employees for comment on January 31, 2005. The comment period closed on March 4, 2005 and review and analysis of the comments is in process. We anticipate issuing final regulations on or before June 1, 2005, and are concurrently working on the operational implementation of the program.

A Consistent Set of Principles, Criteria, and Processes Can Help Guide Future Reforms

In the future, agencies most likely will continue to request some of the flexibilities and reforms granted to agencies such as GAO, DOD, and DHS, as they strive to become higher-performing and results-based organizations. In response, Congress may continue to grant individual reforms or design a set of more comprehensive governmentwide reforms or a combination of these approaches. To qualify for these reforms, agencies should be able to demonstrate that they have the necessary infrastructure in place before they are authorized to implement significant human capital flexibilities and authorities. In anticipation of future reforms, and to help advance the discussion concerning how human capital reform should proceed, GAO and the National Commission on the Public

Service Implementation Initiative hosted a forum on whether there should be a governmentwide framework for human capital reform and, if so, what this framework should include.[14] While there were divergent views among the forum participants, there was general agreement on a set of principles, criteria, and processes that would serve as a starting point for further discussion in developing a governmentwide framework, as shown in Figure 3.

[14] GAO and the National Commission on the Public Service Implementation Initiative, *Highlights of a Forum: Human Capital: Principles, Criteria, and Processes for Governmentwide Federal Human Capital Reform*, GAO-05-69SP (Washington, D.C.: Dec. 1, 2004).

Figure 3: Principles, Criteria, and Processes

Principles that the government should retain in a framework for reform because of their inherent, enduring qualities:

- Merit principles that balance organizational mission, goals, and performance objectives with individual rights and responsibilities
- Ability to organize, bargain collectively, and participate through labor organizations
- Certain prohibited personnel practices
- Guaranteed due process that is fair, fast, and final

Criteria that agencies should have in place as they plan for and manage their new human capital authorities:

- Demonstrated business case or readiness for use of targeted authorities
- An integrated approach to results-oriented strategic planning and human capital planning and management
- Adequate resources for planning, implementation, training, and evaluation
- A modern, effective, credible, and integrated performance management system that includes adequate safeguards to help ensure equity and prevent discrimination

Processes that agencies should follow as they implement new human capital authorities:

- Prescribing regulations in consultation or jointly with the Office of Personnel Management (OPM)
- Establishing appeals processes in consultation with the Merit Systems Protection Board (MSPB)
- Involving employees and stakeholders in the design and implementation of new human capital systems
- Phasing in implementation of new human capital systems
- Committing to transparency, reporting, and evaluation
- Establishing a communications strategy
- Assuring adequate training

Source: GAO.

Conclusions

Strategic human capital management is the centerpiece of the federal government's overall management transformation effort. A number of stakeholders have a key role in this process. Congress has provided agencies, including DOD and DHS, with broad human capital authorities to help them with their transformations. Agencies are taking advantage of these provided flexibilities but continue to face some barriers. OPM and the CHCO Council can continue to assist agencies in navigating these flexibilities, as well as take a more coordinated and strategic view of federal human capital management policies, processes, and systems. Agencies will need to continue implementing these tools, evaluating the

results achieved, and adjusting implementation, especially if they are to use their resources most wisely in a fiscally constrained environment. The Subcommittee's and Congress' interest in monitoring agencies' progress with these new human capital tools and willingness to adjust and support them are a critical ingredient to success. Furthermore, agencies requesting additional flexibilities should be able to first demonstrate a need and then that they have the infrastructure and capabilities to use these flexibilities effectively. Finally, in granting these, or more comprehensive governmentwide reforms, we have offered Congress a framework, a set of consistent principles, criteria, and processes to consider as it designs the federal human capital system for the 21st century.

Chairman Voinovich and Members of the subcommittee, this concludes my prepared statement. I would be pleased to answer any questions you may have.

Statement of

Evelyn White
Acting Assistant Secretary for Administration
and Management

Before the

Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the Federal
Workforce and the District of Columbia
April 21, 2005

Good Morning Chairman Voinovich and members of the Subcommittee. On behalf of Secretary Michael Leavitt, I appreciate the opportunity to appear before you to discuss the Department of Health and Human Services' (HHS) accomplishments in the area of Human Capital Management and how the legislative flexibilities provided by the Congress have been incorporated into our Human Capital strategy.

I want to thank Chairman Voinovich and this entire committee for your leadership and foresight in sheparding the various legislative initiatives that have led to increased efficiencies and strategic management of the Department's human resources. As you know, HHS's mission is to protect the health of all Americans and provide essential human services, especially for those who are least able to help themselves. It is critical to achieve this mission that HHS make sound investments in human capital and recruit, develop and retain a highly skilled, high performing diverse workforce.

Much has happened at HHS since we were here last to discuss human capital issues. As we reported out last year, the Department was aggressively pursuing a strategy to achieve "Green" status in the President's Management Agenda for Strategic Management of Human Capital. I am please to announce that HHS was one of the first Federal agencies to achieve "Green" status and has remained "Green" through the latest reporting period. The Department's ability to achieve and remain "Green" is due to dedicated leadership committed to a strong and vibrant workforce throughout the Department.

In 2004, HHS submitted for certification to the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) a new Senior Executive Service performance-based management system. HHS was one of the first Federal agencies to submit its SES performance system and receive approval. A centerpiece of our new SES performance system is the linkage between organizational achievement (through a formal annual assessment) and the individual accomplishments of our SES members. Recently, the OPM cited our approach as a "best-practice"; and, our SES performance management system has been recertified for calendar year 2005. From our first year's experience, we anticipate the decision process that links organizational and individual performance with pay and bonus decisions will be more succinct in 2005 and serve as an effective strategic management tool in helping the Secretary meet and exceed organizational performance expectations.

Through the process of establishing a new SES performance management system, HHS recognized the value of closely linking individual performance to that of the organization toward meeting the goals and mission of the Department. In 2005, the Department will be implementing a new Departmental performance management system for all non-SES and non-bargaining employees moving from its "pass/fail" system. The new Departmental performance management system will add greater granularity in evaluating performance; better align performance with organizational achievements; and, establish cleaner linkages with the SES performance management system. This new system will position the Department for future linkages between performance and individual pay decisions.

Further, the Department continues to work on improving the identification and acquisition of new talent. In 2005, each Operating Division and Staff Division throughout the Department developed and submitted leadership succession and overall workforce plans. Each identified human capital needs as well as any gaps between current employment and future needs in mission critical positions. These plans provide a map for the Department's future human capital needs tied to the strategic mission and direction of the Department. To meet our human capital needs, we continue to use and expand the use of flexible employment authorities. Our highly successful Emerging Leaders Program, which brings the best and brightest recent graduates to work for HHS, has entered its fourth year. Over the past four years, 276 individuals have been hired into the Emerging Leaders Program; the program has graduated its first class of 58 leaders in 2004; and, has retained 55 of these employees in positions throughout HHS. Our SES Candidate Development Program has selected 51 employees for participation in the program; graduated its first class (23); has placed nearly 40% of the first graduating class in SES positions; and, has begun recruiting for our third class of candidates.

Beyond the identification and acquisition of new talent, our workforce and succession plans have demonstrated the need to reshape our workforce. Toward this end, to achieve the reshaping of our workforce with highly specialized skills and competencies, HHS is using authority approved in the Federal Workforce Improvement Act of 2002 authorizing (with OPM and OMB approval) Voluntary Separation Incentive Payments and the Voluntary Early Retirement Authority. These have resulted in 716 Voluntary Separation Incentive Payments and 198 voluntary early retirements in FY2004.

Using the Federal Employee Student Loan Assistance Act and separate authority granted to the National Institutes of Health, the Department has made extensive use of the student loan repayment program with over 1500 employees having been approved. The Department has crafted additional implementing guidance to expand employee coverage and use by the various HHS organizations. Implementation of this policy across HHS is expected in FY2005.

In addition, the Department has piloted the use of the "category rating" method for selecting new employees as provided for in the Chief Human Capital Officers Act of 2002. I can report that our pilot has been successful in demonstrating its use in expanding the pool of candidates for selection and the Department will issue implementing guidance for use of this approach throughout the Department by the end of this fiscal year. To improve human capital acquisition, we have to work better and smarter to meet the immediate needs of the American people. As an example with the passing of the Medicare Modernization Act, the Center for Medicare and Medicaid Services (CMS) was faced with the task of standing up a new initiative that required hiring 500 new employees. Working with the Partnership for Public Service, the hiring process underwent an "extreme makeover" that helped streamline the hiring process and attract high caliber candidates with over 400 of the 500 employees hired to date. This achievement was attained after a modern state-of-the-art announcement and evaluation process was developed coupled with the direct hire flexibility attained from OPM to staff this new initiative. Working with strategic partners, other Federal agencies and the Congress, we continue to meet HHS's critical employment needs in an efficient and effective manner.

The future for HHS's human capital program is bright, and HHS will continue to be a leader in the Federal workplace. In 2004, the Department was selected by OMB as one of five candidates to be a Human Resources Line-of-Business service provider. The Department will offer to other agencies across the government an end-to-end solution that takes advantage of state-of-the-art information technology applications. Our Line-of-Business certification is currently moving through the OPM functional certification process. Additionally, as of April 17, 2005, HHS will be one of the first Departments to migrate to a consolidated payroll provider (Defense Finance and Accounting Service) with a fully integrate electronic time and attendance and self-service benefits platform. HHS will also be the first Federal Department to implement a fully electronic

Official Personnel Folder (eOPF) integrated with our enterprise human resources system which will allow employees access to their personnel folders anywhere, anyplace and anytime. Also, the Department is implementing a learning management system that provides a set of electronic tools to manage and support employee training and development activities. We continue to develop further eGovernment initiatives focused on accountability and the delivery of real-time services in an efficient and effective means.

As for recently enacted Human Resources flexibilities in the Federal Workforce Flexibility Act of 2004, HHS continues to adopt these flexibilities as guidance is issued by OPM. The Department has thoughtfully and strategically implemented these flexibilities; has developed the appropriate internal implementing guidance. We look forward to receiving OPM's guidance on Recruitment, Relocation and Retention Bonuses as well as the guidance on the Annual Leave Enhancement provisions of the Act. These additional flexibilities will allow the Department to attract and retain individuals in key and/or critical occupations with specialized skills.

Like most Departments, the myriad of appointment authorities, their restrictions and implementing procedures creates confusion with the managers, supervisors and the public. It would assist Federal agencies if the various appointing authorities were simplified. A system comprised of only permanent and temporary appointment authorities regardless of whether in the Excepted or Competitive Service or provided under different Titles should be considered. In addition, "entry-level" hiring is another area that warrants attention. Agencies are experiencing difficulties in effectively attracting students from our colleges and universities at the GS-5 and GS-7 levels due to cumbersome and outdated employment requirements and processes.

In closing, the Department of Health and Human Services workforce of over 65,000 employees is spread around the United States and abroad. We employ a diverse workforce made up of physicians, nurses and other health professionals as researchers, clinicians and administrators; statisticians and actuaries; specialists in financial and grants management and information systems; legal and regulatory experts; experts in public health, social sciences and many other fields. We appreciate the flexibilities that Congress has provided as they have enabled the Department to improve our effectiveness in managing our human capital initiatives across the broad spectrum of these occupations. Nothing is more important than to assure that we have the right people in the right place at the right time to meet the health and human service needs of all Americans.

Statement of Jeffery K. Nulf
Deputy Assistant Secretary for Administration
U.S. Department of Commerce
Before the
Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate
April 21, 2005 - 10:00 a.m.

Introduction

Good morning, Mr. Chairman and members of the subcommittee. My name is Jeffery Nulf and I have the pleasure to serve President Bush as the Deputy Assistant Secretary for Administration at the Department of Commerce. Otto Wolff, our Chief Financial Officer and Assistant Secretary for Administration, has asked me to convey his regrets at being unable to appear today due to a scheduling conflict. On behalf of Secretary Gutierrez and Assistant Secretary Wolff, I would like to thank you and this committee for the leadership provided in seeking solutions to human capital issues affecting the entire federal workforce. I appreciate this opportunity to discuss one of the most significant challenges facing Executive Branch agencies today – how to compete successfully to recruit and retain a skilled and motivated workforce through human capital flexibilities. The potential benefits that these flexibilities offer have significant promise, and we welcome the chance to share our experiences and learn from those of our colleagues here today.

Challenges Facing Commerce

The Department of Commerce consists of thirteen operating units with diverse and often highly technical portfolios that – together – foster economic opportunity both domestically and abroad for all Americans. Commerce faces dynamic challenges in recruiting and retaining individuals with the combination of skills and abilities needed to carry out its various missions. This is particularly true of individuals in highly technical fields such as physicists, chemists, statisticians and economists, as well as Senior Executive Service managers. We, like many other federal agencies, must operate in a highly competitive labor market to fill increasingly specialized positions. This situation is exacerbated by the knowledge that -- over the next five years – roughly one-half of the Commerce workforce will become eligible for retirement. The potential impact that such a loss of experience and institutional memory would have on program operations is staggering. Also during the next five years, the Department faces the daunting challenge of recruiting and training upwards of 500,000 employees needed to conduct the 2010 Census.

Within the context of recently enacted human resources flexibilities and the President's Management Agenda (PMA), Commerce employs a cohesive strategy in meeting these many challenges. In 2001, in collaboration with our operating units, we conducted a first-ever workforce assessment across the Department. Through this effort, we identified the three most significant human capital challenges facing us:

(1) high turnover rates in mission-critical occupations,

(2) a projected surge in retirement among Senior Executive Service (SES) managers, and

(3) the need to strengthen competencies to address mission changes, technological innovations resulting from E-government, and workforce changes caused by various factors such as business reengineering and competitive sourcing.

To help us respond to these needs, a five-year workforce restructuring plan was prepared -- with input from all Commerce operating units -- and adopted. Regular meetings with our Principal Human Resources Managers Council, Chief Financial Officers Council, Chief Information Officers Council, as well as working groups at the staff level provide opportunities to track progress in implementing initiatives, share experiences, and obtain feedback on our common interests.

Human Resources Flexibilities

Within this framework, Commerce employs a wide range of human resources flexibilities to meet the challenges it faces.

- For example, we continue to reshape the Department's workforce and correct skill imbalances using the new voluntary early retirement and separation incentives authority provisions. To date, approximately 250 employees in seven operating units have taken advantage of these incentives. We are also in the process of

identifying critical occupations where we will need to request direct hire authority under the Federal Workforce Improvement of Homeland Security Act of 2002. Additionally, our bureaus are using the expanded authority to pay for academic degrees as an effective tool to retain quality employees and close skill-gaps.

- We have implemented the Federal Employee Student Loan Repayment Program. Commerce managers use this authority, as appropriate, to compete more effectively to recruit and retain high quality employees.

- The Department of Commerce has implemented several provisions of the Federal Workforce Flexibility Act of 2004, which also assist managers in recruiting and retaining the best and brightest candidates. By allowing the Department to grant 8 hours of annual leave, in lieu of 4 hours of annual leave, we believe our efforts to attract an elite executive corps will be greatly enhanced.

In addition to these tools, the Commerce Demonstration Project plays a critical role in our efforts to effectively address current human resources challenges.

Alternative Personnel Management Systems

Commerce has been managing pay-for-performance systems for 17 years – first under a demonstration project at the National Institute of Standards and Technology (NIST) beginning in 1988. Following the success of the China Lake experiment, this alternative

personnel system was made permanent at NIST in 1996 and served as a model for the Commerce Demonstration (Demo) Project. Currently, 4,200 employees in five of our operating units are managed through the Demo Project.

The Demo Project provides pay-for-performance in a broadbanding framework, performance-based salary increases and bonuses, and supervisory pay differentials. Additionally, managers have authority to establish pay levels, classify positions, and utilize recruitment and retention allowances. The success of this initiative depends on accountability, training and communication, and ensuring that the fundamental precept of this initiative – linking pay to performance – is a reality.

Accountability hinges on continual monitoring and evaluation. An oversight committee – the Departmental Demonstration Project Board – provides overall program and policy oversight to bureau-specific boards and ensures that annual evaluations -- conducted by an independent contractor -- meet OPM requirements.

Continual training and communication between supervisors and employees on all aspects of this initiative is crucial, particularly with respect to performance feedback and the mechanics of the pay-for-performance system.

Our experience indicates that any changes to employee management structures, be they for pay or performance, are often met with a degree of apprehension by the effected workforce, including minorities. Concerns were expressed by some minority employees

that the pay-for-performance system would result in disparate treatment. To address these concerns, management fully engaged in discussions with the employees voicing this concern as well as with the affinity groups which represented their interests. To that end, we have enhanced monitoring mechanisms in place to track the actual results of the Demo Project across all effected demographics. The conversation with employees and affinity groups continues, and will do so as we collectively receive more detailed operational results.

As a result of our most recent annual program evaluations, we have found that salary levels and bonuses are directly tied to performance, and that the Demo Project has had a positive effect on retaining good performers. Our data shows that:

- 63 percent of Demo Project supervisors believe that the demo pay system provides the ability to raise pay for good performers compared to 35 percent of supervisors under the General Schedule.
- 71 percent of Demo Project supervisors find that they can offer competitive salaries to use in attracting high performing applicants compared to 43 percent of supervisors under the General Schedule.
- 64 percent of Demo Project supervisors believe that they can identify good performers compared to 46 percent under the General Schedule.
- 53 percent of Demo Project employees believe that pay raises depend on how well they perform compared to 37 percent of employees under the General Schedule.

Senior Executive Service Pay-for-Performance

We are also involved in the government-wide effort to implement pay-for-performance for our SES managers. On November 17, 2004, the Department received provisional certification of its Senior Executive Service Performance Management System from OPM, with OMB concurrence, for the last calendar year. In March 2005, we received provisional certification for this calendar year.

As part of our SES pay-for-performance initiative, we have instituted a rigorous performance monitoring system. At the end of fiscal year 2004, the Department adopted a new approach to assessing the performance of its SES managers in relation to the performance measures established under our annual performance plan. In meetings with the Deputy Secretary, each bureau was called on to provide a self-assessment of their performance during the year in relation to program objectives and performance measures. Bureau input was coupled with input from Departmental staff offices. The results were used to ensure that meaningful distinctions in performance were made and that performance awards and salary increases reflected those distinctions.

For FY 2004, the Department rated 49 percent of its SES managers at the outstanding level, down from 81 percent in 2003, 44 percent at the commendable level, up from 15 percent in 2003, and 7 percent at the fully successful level, also up from 3 percent in 2003, and one executive was rated marginal.

During FY 2005, we are broadening the Department's corporate focus on performance by holding quarterly reviews with senior managers from each of the bureaus. During these sessions, which are conducted by our Deputy Secretary, each bureau briefs on their progress relative to implementing management reforms under the PMA as well as achieving their annual performance targets and priorities. The resulting dialog is helping us to track performance and results on a routine basis, allowing adjustments as may be needed throughout the year, and assuring that there are no surprises about organizational performance at year's end.

Succession Planning

Commerce has an aggressive, innovative, and comprehensive strategy to meet the needs identified in our workforce succession plan. We implemented three formal developmental programs to cultivate potential leaders, including:

- the Aspiring Leaders Development Program for employees in grades 9 through 12, or the equivalent;
- the Executive Leadership Development Program for employees in grades 13 and 14, or the equivalent; and
- the SES Candidate Development Program for employees in grades 14 and 15, or the equivalent.

Additionally, we are offering an Administrative Professional Certification Program for employees in grades 2 through 8, or the equivalent.

These developmental programs include formal training courses as well as mentoring relationships, and focus on meeting requirements for succession planning in our mission-critical occupations. We are rounding out our comprehensive succession management program by launching continuous learning programs for our senior executives.

Closing

These represent some of the management tools we are employing to meet human capital challenges that the Department is currently facing. Through these and other efforts, I am pleased to report that Commerce recently achieved a green score for the Strategic Human Capital Management initiative under the PMA. This accomplishment – which is the result of a lot of hard work by the human resources management team and top level managers throughout the Department – is very rewarding. We recognize, however, that this rating is clearly not an end in and of itself, and that continued improvement is not only possible but essential to ensuring that we are able to carry out our evolving missions through a skilled, knowledgeable and dedicated workforce.

Again, I would like to thank the Chairman and this subcommittee for their leadership in developing flexible and workable solutions for addressing current human capital concerns. I would be glad to answer any questions which you may have.

STATEMENT OF RAFAEL DELEON
DIRECTOR, OFFICE OF HUMAN RESOURCES
UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
BEFORE THE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA, COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS

APRIL 21, 2005

Chairman Voinovich and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the Environmental Protection Agency's (EPA) efforts in utilizing the recently enacted flexibilities to address our human capital challenges. Let me preface my specific comments by saying that we at EPA are extremely proud of all of our human capital efforts, many of which were under way even before the current President's Management Agenda brought human capital to the fore. At EPA, we consider our employees our greatest resource and we value their dedication and commitment to the Agency's work. It is only through our people – and the skills and knowledge they possess – that EPA is able to achieve its critical mission of protecting human health and the environment.

EPA's senior leadership has a longstanding commitment to human resources and human capital initiatives. We also have a strong record of identifying , anticipating, and addressing workforce needs and challenges. To that end, EPA employees, managers, and supervisors have been asked to thoughtfully focus not only on what environmental results must be achieved, but also on how those results will be achieved through the talent we recruit, retain, and develop every day. At EPA, we spend a lot of time and money on our most critical resource – the people who are directly or indirectly responsible for the success of the Agency's efforts. For example,

in 1999, EPA conducted a Workforce Assessment Project which projected anticipated workforce needs to 2020. EPA developed our first comprehensive human capital strategy in 2000, entitled *Investing in Our People, EPA's Strategy for Human Capital, 2001-2003*. The 2003-2008 Agency Strategic Plan and EPA's Strategy for Human Capital II provide the basis for much of our human capital planning and decision-making.

The pieces of legislation that you authored have helped EPA address workforce needs and challenges in several ways. The Federal Workforce Improvement of Homeland Security Act of 2002, which provided for our current Voluntary Separation Incentive Program (Buy-Out) and Voluntary Early Retirement Authority (Early-Out) programs provided various EPA program offices and Regions the ability to reshape and restructure their workforce. In EPA, we have used these flexibilities in the following manner – in 2003 and 2004 we made Early-Out and Buy-Out (EO/BO) offers to senior managers and senior technical experts. The resultant EO/BO vacancies from the 2003 and 2004 programs have been utilized to restructure positions at lower grade levels. In 2005, we will base our decisions on whether to make additional EO/BO offers to employees on local-level workforce plans – plans developed and tailored to program and regional offices – as we consider this phased skill reshaping process. The Early-Out/Buy-Out program at EPA represents just one of several strategies and solutions we are employing to address talent gaps. Others include our Environmental Intern Program and our leadership development programs. The Early-Out/Buy-Out program has been a key tool of the flexibility provided under the 2002 Act.

The Senior Executive Service (SES) Reform Act of the Defense Authorization Act of

2004 strengthened the relationship between the performance and pay of senior employees of the Federal government. In July 2004, the Office of Personnel Management (OPM) issued regulations that established the conditions, criteria, and procedural requirements an agency's SES performance appraisal system must meet in order to be certified to use higher pay limits. In August 2004, the Agency requested provisional certification of our current SES appraisal system. I am pleased to report that EPA was among the first to submit such a request to OPM and was one of only a handful of Federal agencies to receive approval in October 2004.

We have submitted a request to OPM to renew provisional certification for the SES system for 2005 and are considering such a request for our senior level (SL) and scientific or professional (ST) employees who are transitioning from a two-level performance system to a five-level performance system. In order to establish an Agency-wide standard of performance, starting with the senior executive level and cascading throughout the leadership chain, our SL/ST performance plans will contain fixed critical elements and requirements similar to those for our senior executives. Meanwhile, with an eye toward full certification, we are making some revisions to strengthen the SES performance system and are evaluating the results of the FY 2004 appraisal and recognition process in an effort to refine or improve it. We are bench marking the pay plans implemented by other Federal agencies to find best practices to incorporate into our pay plan as appropriate. We view strengthening the linkage between performance and pay as an important retention tool for high performing senior employees.

The Federal Employee Student Loan Assistance Act allows agencies to repay certain Federally insured student loans to recruit or retain highly qualified personnel. EPA's Pay

Administration Manual, Chapter 16, "Student Loan Repayment Plan" contains guidance available for use by managers and employees. EPA has used this Act to attract and retain top employees. Of course, payments for this program come from EPA's Personnel Compensation and Benefits accounts, so Agency supervisors and managers must carefully balance their responsibility to manage basic salary and benefit requirements with the opportunities provided by this program. In fiscal year 2004, the Agency repaid $51,000 in student loans for seven employees. The seven employees recruited included five program analysts, one information technology specialist, and one environmental protection specialist. In 2005, the Agency had eighteen student loan repayment agreements in place.

The Federal Workforce Flexibility Act of 2004 established numerous changes in pay and leave administration, as well as benefits policies. Members of the Senior Executive Service and employees in senior level and scientific or professional positions became eligible to immediately accrue annual leave at the rate of 8 hours for each full biweekly pay period effective October 30, 2004. This leave change is expected to enhance EPA's ability to attract and retain our senior level employees.

A new section (4121) has also been added to Title 5 requiring agencies to regularly evaluate their training programs in conjunction with their strategic approach to mission accomplishment. EPA has focused attention on results in this area. Each of our developmental programs is reviewed for effectiveness on an annual basis to assure the information shared is current and accurate. Full evaluations have been performed on the SES Candidate Development Program's selection and placement process, the Mid-level Development and the EPA Intern

programs. All programs are evaluated at "Level One" for immediate impact on the participants, "Level Two" on programs such as contracts and grants management, and other technical programs that allow for tests to be performed at the end for certification. We are currently setting up a process to track and automatically send out surveys for "Level Three and Four" evaluations to both participants and their supervisors to evaluate change in behavior and increased skill and effectiveness three to six months after engaging in the learning activity.

In conclusion, we at EPA are pleased with our record of success in the human capital area, and we are continually striving to improve on that record. The Flexibilities Act has proven quite useful to us in the implementation of our comprehensive Human Capital Strategy, "Investing in Our People II." Thank you for allowing me the time to address you today. I am happy to take your questions.

Statement of

Vicki A. Novak
Assistant Administrator for Human Capital Management and Chief Human Capital Officer

Before the

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate
April 21, 2005

I am pleased to appear before the Subcommittee today to discuss the National Aeronautics and Space Administration's (NASA) use of recently enacted workforce flexibilities providing the agency with critical tools to facilitate our transformation and the implementation of the Vision for Space Exploration. NASA is grateful to the Congress, and in particular this Subcommittee for their continuing support and dedication to ensuring that the Federal Government is able to maintain a high performing civil service workforce.

NASA Recognizes the Human Capital Management Challenge

On January 14, 2004, the President set forth a new Vision for Space Exploration committing the United States to a long-term human and robotic program for exploring our solar system and beyond. Guiding NASA in the implementation of the Vision are the recommendations from the President's Commission on Implementation of United States Space Exploration Policy ("Aldridge Commission"). The Commission concluded that "fundamental changes must take place in how the nation approaches space exploration and manages the vision for success. This national effort calls for a transformation of NASA..." The Commission report presented specific findings and recommendations for a sustainable, affordable and credible program. In order to comply with the Commission's recommendations, NASA must implement a number of fundamental changes in how the agency approaches space exploration. NASA is undergoing a transformation to better align the workforce with the new Vision for Space Exploration and its mission requirements. Workforce reshaping is necessary to assure that we have the skills and competencies necessary to achieve the Vision.

The challenges we face as we transform the agency are not new. NASA has recognized for some time the internal demographics and external drivers that present a challenge to the Agency's human capital management. Some of these challenges – such as an aging workforce and a potential wave of retirements – we share with many other agencies. NASA's situation is exacerbated by the fact that scientists and engineers (S&E's) make up more than half our workforce and we compete for talent in a labor market that,

according to some studies, faces declining numbers of S&E graduates while demand for such talent in the public and private sector continues to increase.

Prior to the President's directive for the new Vision, the Agency actively engaged in a number of initiatives and activities to help us more strategically manage our workforce needs. We continue to enhance the Agency's Competency Management System and improve our leadership development and succession planning efforts. During the fall of 2003 and spring of 2004, NASA Centers collaborated in 19 corporate recruitment events on college campuses as part of our corporate recruitment efforts. These resulted in 96 diverse hires, using the Federal Career Intern Program authority, to address Agency-wide competency needs. In Fiscal Year 2004, NASA also made use of the Student Loan Repayment Program, providing student loan repayment benefits to 40 employees. Many of these individuals were in the contracting field, a competency NASA has identified as critical given that sound contract management is so crucial to the success of the Agency's mission. Managers will continue to use this authority, as appropriate, to attract high quality graduates who otherwise might be inclined to accept more lucrative offers due to student loan debts.

To ensure that the agency's workforce competencies are aligned with our mission requirements, NASA completes an annual analysis in connection with our strategic planning and budget process. Using our Competency Management System (CMS) as the architecture and methodology for the analysis, we identify the competencies and full-time equivalent (FTE) levels needed for current and future program and project requirements; identify the competencies available in the workforce today; project the competencies that will be available in the future; and determine the difference—the gap (current or projected). The CMS is a tool that enables the agency to assess the existing level and depth of proficiency of individual, existing competencies within the workforce. By projecting future workforce needs, the CMS allows us to target competency shortfalls or surpluses to accomplish any workforce rebalancing needed to align the workforce with our mission requirements.

Using these analyses, we develop our recruitment, retention, development, and realignment strategies to address actual or projected competency gaps and surpluses in specific areas. For example, we may find that in some areas we need to strengthen our student programs and build the pipeline of talent. In other areas, targeted training and development may be indicated. And in other skill areas we may need to redeploy employees to programs in which their skills are better utilized. We will use the workforce flexibilities as appropriate to meet our recruitment, retention, and realignment objectives.

Using the New Flexibilities

The workforce flexibilities enacted in the NASA Flexibility Act, the Homeland Security Act, and the Federal Workforce Flexibility Act provide the agency with valuable tools to enhance the agency's recruitment, retention, and realignment activities. They provide versatile tools to address the Agency's workforce management needs. This versatility is

vitally important, since different solutions are needed to address the variety of human capital challenges facing NASA – challenges that are shaped by each Center's demographics, local labor market, and program/project needs. These authorities are helping us to address the workforce needs across the Agency.

Centers anticipating higher-than-normal attrition and/or the need to recruit hard-to-fill competencies are using the recruitment flexibilities and incentives to attract high quality candidates to NASA. The use of the individual flexibilities varies, since factors such as the category of position being filled (freshout, mid-level, or senior-level) and the circumstances pertaining to each specific recruitment action are important variables. Managers have recognized the value of tailoring their hiring strategies to the candidate, and develop their job offer incentive packages accordingly.

The recruitment flexibilities NASA has employed to help address its human capital needs include:

- Utilizing the recruitment, redesignation, and relocation bonuses as monetary hiring incentives when appropriate to attract exceptional talent to the Agency.

- Offering the enhanced annual leave provision and enhanced travel and relocation benefits to be extremely effective in attracting mid- and senior-level experienced professionals to the Agency.

- Utilizing the pay authority for critical positions, allows NASA to compete more successfully to attract the exceptional talent that the Agency needs.

- Utilizing the "Distinguished Scholar Appointment" and term appointment authorities to effectively target recent college graduates offer streamlined recruitment methods when it is necessary to fill permanent, professional and scientific positions at the entry and intermediate levels.

Retention strategies are critical in a knowledge-based agency like NASA, particularly at a time in which the older technical workforce outnumbers the younger technical workforce so dramatically. As a result of the downsizing during the 1990's, some Centers have found that they have a generation gap that has created a discontinuity between the younger members of the workforce and those who normally would have preceded them and been their primary mentors. Until this "gap" is corrected, retention bonuses provide more effective incentives to employees with critical, unique expertise to continue to work and transfer their knowledge to others in the workforce. NASA's critical pay authority may be an effective means of retaining world-class talent as well.

NASA has used the qualifications pay authority judiciously to enhance our ability to leverage the expertise of the workforce by permitting adjustments in an employee's pay when assigning the employee to a different position, based on his or her unusually high or unique qualifications or a special need of the Agency. We use this tool as an incentive for an employee to accept a position or new responsibilities for which he or she otherwise

would not be interested and available, but for which the employee has exceptional or unique qualifications.

The provision to permit longer-duration term appointments and to authorize conversion of term employees to permanent appointments provides us with greater flexibility in tailoring the workforce as program/project needs change. In addition, we have found that these two features (length of appointment and conversion eligibility) appear to make the concept of term appointments more attractive to potential applicants and thereby provide a more robust labor pool for the Agency. In short, the term appointment authority provides us with overall workforce flexibility, while offering the stability needed to support essential, longer-duration program activities.

In yet other areas, NASA needs the ability to leverage expertise that exists outside of the agency. Enhancing the Intergovernmental Personnel Act authority to permit assignments up to six years, rather than four, is important to knowledge transfer – an important goal of an agency that must sustain its intellectual capital. This flexibility is allowing us to take advantage of the expertise of individuals from academia or nonprofit institutions when our need for continuity is critical to support long-term projects.

Here are a few examples of how these authorities have assisted us over the past year:

- One NASA Center faced difficulty in filling a term engineering position that supported a critical need. The vacancy had been advertised twice – including in industry journals – to attract candidates with the right aerospace expertise. By offering an attractive recruitment package that included the enhanced annual leave benefit and a recruitment bonus, NASA was able to fill the position with an individual who had a PhD in Aerospace Engineering with unique skills directly related to the critical need.

- A NASA Center had a need to fill a mid-level engineering position that was essential to the Agency's Return to Flight efforts. Expertise in aerospace engineering and safety engineering were required – making recruitment more difficult. A candidate from another state was found who had specialized knowledge of NASA programs with a strong background in safety, but he was unwilling to relocate at his own expense to accept the position with NASA. The Center offered the enhanced travel and transportation benefits to the candidate and he accepted the offer.

- The enhanced travel and transportation benefits authority was offered by another NASA Center to four candidates to entice them to accept positions at the Center. Two positions were in Reliability and Quality Assurance; the other two were in Nuclear Propulsion and Advanced Propulsion Technologies. Since the positions were term rather than permanent, it is unlikely these individuals would have accepted the jobs without the travel benefit. This Center also offered the enhanced annual leave benefit to an individual from the private sector with unique experience in new business development. The Center believed the individual would not have accepted the position without that enticement.

- Another Center used the qualifications pay authority in two instances for workforce reshaping needs. This benefit was used when assigning individuals to different positions for which they had unique, technical qualifications and where their skills were better suited to meet program needs.

- A Center that had great difficulty in attracting individuals to its high-cost area made effective use of the authorities. By offering the enhanced travel benefits to a freshout from the East Coast, the Center was able to attract an individual with a Master's degree in Industrial and Systems Engineering with a concentration in Human-Machine Systems. The candidate would not have accepted the position without the relocation package.

- In another instance, the Center was able to hire an individual from the private sector for a position associated with Nanotechnology Systems. This candidate had directly-related experience in nanotechnology development, nanoelectronic device integration, sensing materials, and sensor array development. The individual's current employer was offering a higher salary and a generous leave package than the Center's initial offer. By offering the enhanced annual leave in combination with an advanced in-hire rate, the Center was able to come close to matching the vacation package she already had. The same Center also had success in filling a term Research Psychologist position that had been vacant a long time by using the new term appointment authority, and offering the selected candidate the enhanced annual leave benefit.

- One Center was able to attract an engineer with a doctorate in systems engineering and over 20 years of experience in the aerospace industry to a position supporting the Shuttle program by using the enhanced leave benefit as an incentive. This person had been reluctant to accept a new appointment with limited leave benefits for family-related reasons. By offering this benefit, we were able to compete successfully with the private sector in bringing him to NASA.

- Consistent with NASA's need for a more flexible workforce, one Center alone has been able to hire over 70 term employees over the past 10 months, using the enhanced term appointment authority.

The performance pay flexibilities for the Senior Executive Service provided by the Senior Executive Service Reform Act of the Defense Authorization Act of 2004, have also enabled NASA to recognize the contribution to the Agency's performance of our top performing SES members while providing needed relief from pay compression. Although we are just beginning to operate under the SES pay for performance system, we expect this to be an extremely valuable flexibility that will facilitate more effective management of our senior executive workforce.

And Transforming the Agency

On January 14, 2004, President George W. Bush announced the *Vision for Space Exploration*. The President's directive gave NASA a new and historic focus and clear objectives. The fundamental goal of this directive for the Nation's space exploration program is "...to advance U.S. scientific, security, and economic interests through a robust space exploration program." In issuing this directive, the President committed the Nation to a journey of exploring the solar system and beyond, returning humans to the Moon, and sending robots and ultimately humans to Mars and other destinations. He challenged us to establish new and innovative programs to enhance our understanding of the planets, to ask new questions, and to answer questions as old as humankind.

NASA enthusiastically embraced this directive and we are now engaged in a major transformation to achieve the *Vision*. We are taking the extraordinary capabilities we have throughout the Agency and restructuring them to achieve the goals of the 21st century. This is an enormous challenge, but in less than a year, we have begun to transform our entire organization to foster permanent change and making a positive, mission-driven culture.

Several of the new workforce flexibilities have been, and will continue to be, important to acquiring and retaining people with needed competencies to support this transformation; however, reshaping and realigning the workforce require different strategies. For this reason, we have not used some of the new hiring flexibilities to the extent we initially anticipated, and other workforce reshaping tools are being emphasized to ensure the relevant skills are available to accomplish the mission.

The enhanced relocation bonus authority and the qualifications pay authority will continue to be useful incentives to encourage NASA employees with critically-required skills to accept new assignments where those skills are needed most. To further accomplish our skills rebalancing goals, we are using the buyout and early out authorities under the Homeland Security Act to encourage voluntary attrition in areas in which the need for certain competencies has diminished. This facilitates managed, strategic attrition that allows managers to rebalance where needed and plan for future staffing needs in different competency areas.

In a unique application of the incentive, NASA also is offering buyouts and early outs to employees in locations and positions not affected by the change in competency needs if the position vacated by that employee is filled by an employee whose skills are no longer needed in his or her current locations, but who can contribute in another continuing NASA position. As employees volunteer for a buyout, we are seeking job matches for employees in surplus competencies who are willing to be reassigned to the vacancy created by the potential buyout-taker. Once a match is found, the buyout is approved. This effort involves collaboration between Centers and is part of an Agency-wide workforce rebalancing effort that also includes job fairs.

With the new *Vision for Space Exploration* comes the challenge to be more innovative in human capital management as well. The Agency has always been fortunate to have a highly-skilled, motivated workforce whose talents have been instrumental in achieving

the great accomplishments of the past. The new workforce flexibility tools being addressed today are essential to ensuring we maintain a high caliber workforce as we pursue the opportunities the new *Vision* offers. NASA must implement a number of fundamental changes in how the agency approaches space exploration, and therefore transform to better align the workforce with the new Vision for Space Exploration and its mission requirements. Workforce reshaping is necessary to assure that we have the skills and competencies necessary to achieve the Vision. This is an enormous challenge, but in less than a year, we have begun to transform our entire organization to foster permanent change and making a positive, mission-driven culture. The workforce flexibility tools available to the agency will help us make this happen.

representing career federal executives since 1980
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April 25, 2005

Honorable George V. Voinovich
Chairman
Subcommittee on Oversight of Government
Management, the Federal Workforce and the District of Columbia
442 Hart Senate Office Building
Washington, DC 20510

Honorable Daniel Akaka
Ranking Member
Subcommittee on Oversight of Government
Management, the Federal Workforce and the District of Columbia
446 Hart Senate Office Building
Washington, DC 20510

Re: Federal Workforce Flexibility Oversight Hearing

Dear Senators Voinovich and Akaka:

The Senior Executives Association (SEA) represents the interests of career federal executives in the Senior Executive Service (SES), and those in Senior Level (SL), Scientific and Professional (ST), and equivalent positions. We write to provide our comments about the subject matter of the April 21, 2005, hearing of the Subcommittee on the subject of federal work force flexibility, particularly as this flexibility applies to the implementation of the new Senior Executive Service pay system.

While implementation of the new SES pay system is still in its early stages, with the Office of Personnel Management's final regulations just having been issued this past December 6, we have already seen several emerging trends that we believe are troubling. First, of course, is the well-publicized action of the Department of Defense, which, in January, awarded a higher salary increase to all political, non-career Senior Executives than the amount of increase received by many career Senior Executives with the same rating. SEA argued that this policy was an illegal practice which discriminated against career federal executives for partisan political reasons. While DoD and OPM have responded to SEA and to congressional concerns about the lower increases received by many career executives solely because of their career status, no action has been taken by DoD to correct the decision, and OPM has said only that "DoD's new SES appraisal system… once completed, will fully and effectively support the new SES pay-for-performance rules,.. including... a requirement that all pay decisions be based strictly on individual and organizational performance." At a minimum, we seek assurances that such practices will not be repeated in DoD or in any other Federal agency.

We also have learned of the existence of de facto quotas in some agencies which limit the number of high performance ratings and salary increases above Executive Schedule Level III. Such quotas are illegal and violate OPM regulations, but our members tell us of an attitude in some agencies of trying to determine what level of salary increases and what percentage of outstanding ratings among executives will satisfy OPM so that certification can be maintained. Rather than justifying ratings based on actual performance and attempting to make meaningful distinctions about relative performance, some agencies seem to be trying merely to work to the rule. SEA is concerned about this attitude and trend. We are working with OPM and monitoring the implementation of the new system with our members. We intend to identify problems and bring them to the attention of the Administration and Congress to seek corrective action. We should have more information once the system is more fully implemented and at that time we may request a Congressional oversight hearing to explore fully issues that have arisen.

Another concern which has emerged is the difficulty obtaining copies of agency plans, despite a requirement in OPM regulations that agency systems be transparent. Our members tell us that they do not fully understand how an agency system has been applied, and many have not received copies of their agencies' plans. In one case, a member was told by her agency to file a Freedom of Information Act request. When SEA has requested copies of plans, we are often stonewalled because, in many cases, agencies believe that only OPM is permitted to share the plans. SEA has not yet fully exhausted its efforts to obtain copies of agency performance plans for Senior Executive performance management. Our requests to OPM for assistance have been received with a spirit of cooperation, but we are still waiting for many plans.

We also believe that the problem of pay compression, an old problem that was to be solved with the new pay system, may still be with us. We see this now in two forms. First, many agencies have imposed a system of pay bands within the broad SES pay band, placing Senior Executives in a band based primarily on position responsibility. Senior Executives are quickly up against a new salary cap imposed by the agency and are unable to receive a meaningful and deserved salary increase even when their performance is truly deserving.

The second type of pay compression is occurring vis a vis the General Schedule, which each year receives a larger salary increase than is applied to the Executive Schedule. As you know, the Executive Schedule governs the SES pay cap. Currently a GS 15 step 10 in the Washington, D.C., area earns $135,136 and is eligible for overtime and compensatory time for weekend travel. A Senior Executive in an agency that lacks certification now is eligible for a maximum salary of $149,200. OPM has stated that, even in an agency that is certified, it expects the number of Senior Executives earning above $149,200 to be limited to those with exceptional performances. Also, Senior Executives are not eligible for overtime, credit hours or travel compensatory time. We increasingly hear of qualified GS-15's who are choosing to pass on opportunities to apply for Senior Executive positions because the amount of the salary increase is not great, particularly in relation to the increased responsibilities, and because there is uncertainty and mystery that seems to surround the actual implementation of the new SES pay system.

SEA has supported the new pay system, and we sincerely want it to succeed. Our communications with our members about the new pay system show, we believe, a positive and constructive approach.

These matters which we raise now threaten the new system because they decrease the likelihood that Senior Executives will find the system fair and meaningful. The presence of political favoritism in the application of the new system, the existence of quotas, the absence of transparency, and artificial barriers imposed by pay bands with arbitrary lids unrelated to actual performance all detract from the credibility and acceptability of the new system, which is already being greeted by many of our members with a sense of resignation, if not discouragement.

We urge your inquiry into these matters and stand ready to assist you in a future oversight of this new SES system once full data are available about its initial implementation.

Sincerely,

CAROL A. BONOSARO
President

WILLIAM BRANSFORD
General Counsel

Senator Daniel K. Akaka
Questions for the Record
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
"Employing Federal Workforce Flexibilities: A Progress Report"
April 21, 2005

Questions for Marta Perez, Office of Personnel Management

Question 1: You testified that the Office of Personnel Management (OPM) has found some "areas" where flexibilities need to be used more widely and that OPM is working with agencies and providing additional training.

A. In addition to the 27 training sessions held last year, what specific aid and training is OPM providing to agencies where OPM believes flexibilities are not being used?

Response: OPM, through the Human Capital Officers (HCOs), the Chief Human Capital Officers (CHCOs) Council, our own research, and daily agency interactions, provides guidance, training, and/or technical assistance to agencies that is tailored to meet their specific human capital needs. Whenever OPM releases new or updated policies, regulations, and guidance, it is highlighted in a variety of ways including briefing and training sessions. Recent examples include *Human Capital Flexibilities for Competitive Sourcing* and *Recruitment, Relocation, and Retention Regulations* training events. OPM continues to offer specially designed Hiring Flexibilities briefings to agencies across the country. In addition, OPM is currently working with DHS to develop additional training that would help them make effective use of Category Rating. OPM plans to offer this training on a governmentwide basis. As a complement, OPM plans to expand the information currently contained on OPM's Website, *Hiring Flexibilities Resource Center (by the end of the first quartet of FY 2006)*, and on the Government's e-Training site, *GoLearn.gov*.

B. How much are individual agencies charged for OPM's assistance and for 'hiring makeovers?'

Response: To date, OPM has not charged agencies for the Hiring Makeovers or for the Hiring Flexibility training. OPM has also joined with the Partnership for Public Service to develop a hiring makeover template that will also be available to the agencies at no cost.

C. If agencies are not using available flexibilities, why do you believe it is appropriate to extend the workforce flexibilities granted to the Departments of Homeland Security (DHS) and Defense (DOD) government-wide?

Response: Agencies must be given all the necessary tools to manage their workforce. While many staffing flexibilities have been made available Governmentwide, existing flexibilities outside of DHS and DOD are limited and narrow. For example, the shortcomings of the current General Schedule are well documented and the need for a modern pay system is apparent. Specifically, the General Schedule tends to take on a one-size-fits-all, treat-everyone-the-same approach to compensation. Our current pay system rewards longevity and does not support performance management. We need a more flexible, strategic compensation system that is more market- and performance-sensitive. The broad range of flexibilities granted DHS and DOD covers much more than staffing. However, as agencies have done in the past, they will use these hiring flexibilities strategically to meet a particular organizational challenge or address talent management issues. We feel that as agencies continue to institutionalize the strategic management of human capital, their targeted use of these flexibilities will increase. To facilitate their usage, OPM continues to advance the Human Capital Assessment and Accountability Framework (HCAAF) standards so agencies are able to couple flexibility with accountability. Extending the workforce flexibilities granted to DHS and DOD will enable other Government agencies to better manage and better acquire the talent needed to meet their missions.

Question 2: I believe that work-life programs and benefits are among the most effective flexibilities in the Federal Government. What is OPM doing to encourage agencies to use work-life flexibilities, specifically in the areas of telework, child care subsidies, and health and wellness programs?

Response: Ongoing outreach in the areas of telework, child care subsidies, and health and wellness programs is provided through OPM's Work/Life and HealthierFeds websites (www.opm/gov/wrkfam and http://www.opm.gov/healthierfeds/). Through these resources, OPM provides guidance to agencies on governmentwide policy, regulations and processes, assistance on internal policy development, and problem-solving on specific barriers to implementing Federal work-life flexibilities. Extended outreach is provided through meetings with agency representatives, where OPM addresses concerns and challenges that are unique to individual agencies. OPM provides policy guidance, and explores specific and tailored solutions to address the agency issues.

In our partnership with the General Services Administration (GSA), OPM promotes and supports telework on a governmentwide basis through a shared website (www.telework.gov), and through quarterly meetings held at OPM. Through these resources, agency coordinators receive updated information on telework issues, best practices, legislative concerns, and on-going agency responsibilities.

Telework e-training courses are available on-line (at no cost) for employees and supervisors through the Federal government's GOLEARN initiative:

- *Telework 101 for Employees: Making Telework Work for You* (http://www.golearn.gov/coursecatalog/index.cfm?fuseaction=oltoverview&intCo

urseID=4937&AddPopularity=1)

- *Telework 101 for Managers: Making Telework Work for You* (http://www.golearn.gov/coursecatalog/index.cfm?fuseaction=oltoverview&intCourseID=4938&AddPopularity=1).

Telework "webinars" are an additional no-cost and innovative method used by OPM to reach supervisors in any location. Conducted by a telework expert, webinars target supervisors who may have resisted telework in the past by exploring the barriers to and potential benefits of telework. Over 250 supervisors have participated in the last year, and future sessions are being planned.

In partnership with GSA, OPM participates in the Interagency Federal Child Care Council (IFCCC). IFCCC provides a forum for agencies to collaborate in discussing and recommending governmentwide child care policy and guidance. *The Employee Health Services Handbook* is an on-line OPM tool that agency work-life coordinators use to obtain information on health, wellness, fitness, and Employee Assistance Programs (EAP) for their employees (www.opm.gov/healthierfeds/healthierfedsmanual.asp). The handbook includes:

- Comprehensive guidance on authorities and responsibilities related to Federal worksite health and wellness programs, and employee physical fitness programs;
- Planning guides for various health related programs and events; and
- Answers to frequently asked questions related to health, wellness, and fitness programs.

OPM partners with other entities supporting Federal employees with health, wellness, and nutrition information and services, including Department of Health and Human Services, Department of Agriculture, and Federal Employee Health Benefits Carriers. OPM also holds meetings with agency health, wellness and fitness points of contact (POCs) to provide updated information in the field of worksite health promotion, share best practices, and network with health promotion experts and other agency POCs.

Finally, OPM provides Emergency Planning and Preparedness symposiums which include training on the use of these flexibilities to ensure continuity of operations in the event of a national emergency as a result of security or weather or natural disaster threats.

Question 3: Even though most agencies have reached green for progress in the area of human capital management on the President's Management Scorecard, most agencies find that their status is at yellow. What are the main human capital deficiencies OPM is finding in those agencies that keeps them rated at yellow on the scorecard?

Response: We are very pleased with the progress the agencies are making in the human capital management initiatives. However, it should be recognized that the standards developed by OPM, OMB, and GAO, set a high bar for achievement in their talent, workforce planning, leadership and knowledge management, performance culture, accountability, and strategic alignment activities. Agencies are at various stages of implementing their plans for improvement, but all are achieving results. Lasting change

requires the implementation, assessment, and refinement of plans, and we are confident the agencies will continue to improve and the number of green agencies will increase.

Question 4: The new pay-for-performance system for the Senior Executive Service (SES) has caused some unease among employees. What information are you sharing with employees about the implementation of the new SES system? Is OPM releasing information about ratings, bonuses, and salary ratings? Will OPM require all agencies to share their performance plans at least with their own Senior Executives?

Response: At the agency level, OPM has been proactive in providing human resources personnel with both formal and informal assistance and information about the implementation of the new SES systems. As early as February 2004 OPM was providing informal support to help agencies prepare for the new systems. Draft regulations were circulated to the agencies for informal comments, and agency input was incorporated into the drafting of the interim regulations. Agencies received the interim regulations with request for comments, as well as submission requirements for both full and provisional certification. Agencies have received instructions and templates for submitting data to OPM. For FY 2004, for the first time, OPM will be collecting and including data on SES salaries that is reflective of the transition to the new SES pay-for-performance system, which took effect in 2004. We will include information on SES performance rating, awards, and salaries in our annual report, which will be issued in October 2005.

OPM has also held four forums on pay-for-performance systems open to agency personnel and has held numerous agency specific meetings at agency request throughout 2004 and 2005. From the perspective of individual Senior Executive, SES pay for performance regulations require that all SES performance expectations are based on employee involvement and input that are communicated at the beginning of the appraisal period.

Question 5: On February 4, 2005, I joined Representatives Henry Waxman and Danny Davis in a letter to DOD and OPM requesting information as to why political appointees were receiving larger pay increases than career SES members who receive the same performance rating. DOD's response was that this pay decision was not and could not be certified under OPM regulations, but that DOD had to make pay decisions for 2005. I believe this policy to be completely unfair and partisan. What authority and oversight does OPM have with regards to DOD's pay adjustments for its SES employees for non-certified performance appraisal systems, and will OPM use this authority to require DOD to change the pay adjustments received this past January by some career Senior Executives as compared to the non-career SES?

Response: The system used to make interim pay adjustments for career and political appointees had not been, nor would it have been certified by OPM since it does not meet the statutory and regulatory requirement for implementation of SES pay for performance systems. The SES pay for performance system was authorized in the National Defense Authorization Act for Fiscal Year 2004, which requires that all pay adjustments be "based on individual performance and contribution to the agencies performance or

both…" and further requires that OPM in coordination with the OMB certify that an agency's appraisal system makes individual performance distinctions. The current DOD system has been approved, but not yet certified. OPM and DOD are working closely together to ensure that the DOD system meets the certification criteria.

Question 6: Based on DOD awarding non-career SES higher pay increases than career-SES, I am concerned about the negative impact this new pay system will have on individuals choosing to join the SES. Is OPM studying the impact of the new pay system on SES recruiting, particularly from among those in GS-15 or equivalent positions?

Response: Interest in serving America remains high among Federal employees, and there is no sign of a lack of candidates for the Senior Executive Service. In 2005 the Federal Candidate Development Program, the primary development program for the Senior Executive Service, had over 7,000 applicants for 20 positions. OPM continues to monitor agency succession plans and is actively engaged in providing guidance and assistance to agencies in development of leadership programs and usage of those programs, we have not detected a negative impact on the interest of individuals. In fact, the move to pay for performance can be seen as a positive step for many in the Federal service.

Question 7: At the hearing, we discussed the funding constraints facing agencies in using workforce flexibilities. In the fiscal year 2004 OPM report on the use of student loan repayment authority, 21 agencies reported that fiscal constraints are an impediment to using the student loan repayment flexibility. The report also states that OPM will work with agencies to establish a budget plan to target the use of student loan repayments, as well as other recruitment and retention flexibilities, to meet their human capital management needs. What steps is OPM taking in this regard?

Response: As I stated in my testimony, the use of this program is an agency-by-agency decision based on their strategic planning and mission critical needs. OPM will continue to work with agencies on how to make the most of workforce planning and analysis to strategically identify and target the recruitment, development, and retention strategies that will help them best accomplish their mission. OPM and agencies are working together to determine the recruitment and retention flexibilities that achieve the greatest return on investment and meet identified needs for a particular agency. OPM will identify strategic funding practices, along with complementary policies and practices about using student loan repayment and other human capital management flexibilities.

Question 8: You testified that you support expanding the flexibilities granted to DHS and DOD governmentwide. However, not everyone agrees with that proposal. According to testimony this Subcommittee has received from federal managers, many of the problems with the current system are not inherent, but stem from inadequate management training. What is your response to the simple need for more management training?

Response: We agree that management training is essential to the successful

implementation of any personnel system. The PMA emphasizes this point in its strategic human capital management initiative. Fully balanced training programs will include areas such as performance management, employee development, and managing within a flexible environment. In addition, the Workforce Flexibility Act of 2004 amended section 4103 of title 5 to require agencies to regularly evaluate and modify training programs to promote a more strategic approach to the integration of training programs in overall mission accomplishment. The Act also amended section 4121 to require agencies, in consultation with OPM, to establish a comprehensive management succession program to develop and train future managers, and a program to provide specific training to current managers. We are currently drafting proposed regulations to implement section 201 of the Workforce Flexibility Act which addresses this need.

However, as I previously indicated, we do believe the existing Governmentwide flexibilities are not sufficient to provide the agencies with the tools they need to best manage their resources. No amount of training will modernize the current civil service system. The purpose of the proposed "Working for America Act" is to ensure agencies are equipped to better manage, develop, and reward employees to better serve the American people. Inherent to this purpose is the recognition that managers need to be trained and developed so they can be held accountable for how well they manage their employees.

Question 9: Regarding government-wide flexibilities, you testified that some of the other flexibilities granted to DOD and DHS, such as compensation changes, and have been available in the Federal government for a long time. However, the changes to collective bargaining and appeals for DHS and DOD are relatively new. Do you believe authority similar to that granted to DHS and DOD in the areas of collective bargaining, adverse actions, and appeals should be extended governmentwide?

Response: We believe adjustments should be made to the current labor-management relations system to provide efficient procedures for resolving collective bargaining disputes, provide authority for agency heads to implement some agency wide programs in a timely and consistent manner, and provide managers the clear authority to take immediate action to prepare for or prevent a potential emergency. Certainly changes can be made to simplify and streamline the current appeals system, without compromising the fundamental due process to which employees are entitled. This would include authorizing the Merit System Protection Board to issue summary judgment decisions or narrow the scope of the hearing when there is no real dispute over the facts. Similarly, as in DHS and DOD, the current criteria under which agency disciplinary actions are reviewed should be modified to properly weigh the impact an employee's misconduct or poor performance has on the agency's mission.

Question 10: You testified that Congress should move forward with government-wide flexibilities and that the fact that these flexibilities are implemented well in one organization will not determine that they are implemented well in other parts of the government. However, even with the differences in the flexibilities granted to DHS and DOD, both agencies have developed similar proposals and employees at both agencies

are equally concerned about the impact these changes will have on their pay, rights, and protections. Given the virtually identical concerns about these flexibilities, what assurances can you give employees that government-wide flexibilities will not produce the same results and concerns as they did at DOD and DHS?

Response: We have found this concern is generally overcome with time and familiarity with new systems. In other words, the concern is more generally centered around change itself and its potential impact, rather the new systems or programs being implemented. The Government's experience with pay and performance flexibilities within the context of personnel demonstration projects and alternative personnel systems over the past 25 years amply demonstrates that employee acceptance of these kinds of changes increases substantially within the first few years after they are implemented. For example, the Navy demonstration project at China Lake/San Diego was supported by more than two-thirds of employees by the time the project was made permanent. Similarly, the National Institutes of Standards and Technology demonstration project was supported by more than two-thirds of employees by 1995. Employee support of DOD lab demonstration projects is as high as 80 percent. Moreover, the introduction of pay and performance flexibilities does not appear to have damaged morale. In the DOD labs, overall job satisfaction actually increased and was higher for labs where pay for performance had been implemented than for labs still under the General Schedule pay system.

Question 11: You testified that the use of category rating has not had an adverse impact on the hiring of veterans.

A. How many agencies use category rating to hire employees?

Response: A number of agencies have used Category Rating to hire employees, including Agriculture, HHS, DHS, Justice, OPM, SSA, State, National Endowment of the Arts, and the U.S. International Trade Commission. We do not have a comprehensive list at this time, but will develop one in the near future.

B. For those agencies that do not use category rating, has OPM ascertained why?

Response: Category Rating is a relatively new flexibility available to agencies with Delegated Examining Units and many agencies are in the process of establishing the policies and infrastructure to enable appropriate usage of Category Rating. As with any hiring flexibility, agency usage is based on identified need to meet a particular organizational challenge or talent management issue. Category Rating is not an exception to this.

Category Rating is one of the flexibilities featured on the OPM Web site's Federal Hiring Flexibilities Resource Center. OPM has developed Category Rating training that has been offered to the Department of Homeland Security and made available Governmentwide.

C. How many veterans have been hired under category rating since the authority to use it was granted government-wide?

Response: When the authority was granted for Governmentwide use it contained a requirement for agencies to report annually on their use of category rating. No agency used this authority in FY 2003 and, therefore, no reports were required or submitted in FY 2004. Agency reports for FY 2004 usage are currently due to Congress and OPM will monitor those reports for information. In addition, OPM's Human Resources Oversight Audit program reviews agencies' hiring practices to ensure merit system principles, including veterans' preference are observed.

12. Several Federal agencies using the QuickHire automated staffing system for candidate assessment and hiring have experienced problems with the product which has substantially slowed or halted their ability to hire new staff.

A. What is the cost of the overall contract with Monster Government Solutions for the use of QuickHire?

Response: The Office of Personnel Management does not have a contract with Monster Government Solutions for the use of QuickHire. Agencies contract directly with Monster Government Solutions for this service. OPM does not track the number of agencies using QuickHire or the dollar amounts of their contracts.

B. How are agencies being compensated for the extra costs associated with using alternative methods for hiring and assessing candidates while QuickHire is not performing as expected?

Response: As noted above, OPM does not have a contract for the use of Quick Hire. As a result, we are not aware of any of the specific means by which agencies may (are) being compensated for the costs of using alternative hiring and candidate assessment methods.

C. Are there any penalty or non-performance clauses in the contract with Monster Government Solutions for QuickHire?

Response: As indicated in our response to item 12.A, OPM does not have a contract with Monster Government Solutions for QuickHire. Therefore, OPM is not aware of any penalty or non-performance clauses in individual agency contracts

Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
QUESTIONS FOR THE OFFICIAL RECORD REGARDING:
Employing Federal Workforce Flexibilities: A Progress Report
Thursday, April 21, 2005
Questions from Senator George Voinovich

QUESTIONS FOR MARTA PEREZ, OPM,

1. Many workforce challenges confronting the federal government originated with the workforce downsizing during the 1990s which was not based on sound strategic planning. Included in this downsizing were human resources professionals. Certainly, these individuals are key to an agency's successful use of any workforce flexibilities and overall operations. How would you describe the overall health of the federal human resources workforce?

   Response: OPM and the Chief Human Capital Officers (CHCO) Council have identified agencies' HR capacity as a priority, and are taking the lead to ensure that HR professionals and HC practitioners have the training and the tools they need to do their jobs effectively. The workforce downsizing during the 1990s created gaps in a number of arenas, including human resources professionals. As a critical part of our assistance to agencies to more strategically manage human capital, OPM is focusing on the needs of human resources (HR) professionals and human capital (HC) practitioners. (OPM draws the distinction between the service-provider [HR] and the overall program-management [HC] roles) While the overall health of the Federal human resources workforce is basically sound, it will require continuous attention and education over the coming years to achieve the growth and competency level that the human capital evolution requires

   OPM will continue to develop tools such as the Human Capital Assessment and Accountability Framework (HCAAF) to assist with the evolution of the HR profession. We have developed a practitioner's guide that will provide a comprehensive examination on how to improve human capital systems. We also partnered with the CHCO Council to identify essential competencies for HR and HC practitioners – a competency model for human resources management. In addition to this model, we will build a learning roadmap for training and other developmental opportunities needed to achieve proficiency.

2. As you may be aware, some Members of Congress remain concerned that the federal hiring process is broken and needs additional legislative reforms. However, at an April 5 Subcommittee hearing, the Centers for Medicare and Medicaid Service and the Partnership for Public Service testified how they successfully teamed to revamp CMS' hiring process. Do you believe new hiring authorities are necessary or is there sufficient flexibilities in statute available to

agencies that internal reforms, such as at CMS, could successfully reform the process?

Response: While there may be opportunities for tweaking of the hiring authorities, we believe the problem of hiring in the Federal Government is not attributable to the lack of flexibilities but to the administrative burdens that have been in place within the agencies for years.

The hiring models developed by OPM have created positive impetus for agencies to examine their own systems and processes and to make changes to improve them. OPM has provided technical assistance by conducting three major hiring makeovers with agencies and currently has another underway. These hiring makeovers, in concert with those conducted by the Partnership for Public Service, have indicated that there is much that agencies can do to improve the process by making internal changes, such as streamlining the process, automating their systems, and taking advantage of Governmentwide best practices. In order to assist agencies, OPM created a *Federal Hiring Flexibilities Resource Center* on the OPM Website, is developing Category Rating training, and, in concert with the Partnership for Public Service, is developing a Hiring Makeover Toolkit to guide agencies in assessing, improving, and monitoring their own hiring processes.

3. Has OPM worked to develop any metrics for agencies to use that will assist in evaluating whether the flexibilities are achieving their intended purpose? What recommendations or guidance can GAO provide to agencies and OPM as they continue with implementation of these workforce flexibilities?

   Response: As called for by the Chief Human Capital Officers Act of 2002, OPM has developed guidance, including metrics, which is being finalized. This guidance incorporates earlier guidance provided to agencies under the Human Capital Assessment and Accountability Framework through the President's Management Agenda scoring process, as well as the above-mentioned practitioner's guide. Contained within the Human Capital Scorecard are measures for hiring flexibilities, such as the 45-day hiring model. The Hiring Makeovers are also revealing benchmarks that can be applied Governmentwide.

   The continued collaboration of OPM, OMB, and GAO will provide agencies with policy, guidance, technical assistance, and training that will help them continue to implement and monitor workforce flexibilities.

4. What steps has OPM taken to ensure that within the Senior Executive Service, agencies do not force a distribution within their rating system among the various performance ratings?

   Response: Forced distribution of ratings is prohibited under OPM regulations. OPM reviews SES performance information when agencies submit requests for

certification or recertification of SES pay for performance systems. As part of this review, we analyze performance rating distribution, award data, and agency policy and guidance related to ratings and awards. In addition, SES performance systems and practices are reviewed during the human resources operations audits conducted cyclically by OPM.

5. Some agencies now are completing their first year with the performance management system for the Senior Executive Service. As OPM considers applications for the next year, what changes have you seen within the Senior Executive Service resulting from implementation of the new systems?

   Response: The implementation of the new SES pay for performance system has already begun to reflect changes in how executives are evaluated and compensated. We see greater alignment of SES performance plans to agency objectives, a clearer relationship between individual and organizational performance, and increased accountability for the operation and effectives of their performance management systems. Agencies are applying more rigor and discipline to the appraisal process and they are making meaningful distinctions in performance ratings and compensation.

6. How has OPM worked with OMB and agencies to ensure agency budgets adequately provide for training of the human resources workforce to understand and implement the new workforce flexibilities? How has OPM worked with OMB and agencies to ensure their budgets provide adequate resources to fund the use of new workforce flexibilities, for example, the enhanced bonus authorities or the student loan repayment program?

   Response: We have worked closely with OMB and agencies to ensure that agencies link their human capital strategies and training initiatives to their strategic priorities so their training funds flow to high impact areas. It is clear that we will continue to face challenging budgetary times, but agencies understand that an HC workforce skilled in strategic planning, workforce planning, talent management (which includes applying specific workforce flexibilities), and human capital accountability is needed for successful mission accomplishment. Furthermore, strategic planning helps agencies make good people decisions and helps them allocate resources according to strategy.

7. Training and educating managers and agency human resources professionals on the new flexibilities is a key to their successful implementation. How does OPM work with agencies to ensure the agency has appropriate policy and guidance available to staff on using new workforce flexibilities? For example, does OPM provide training sessions for human resources professionals?

   Response: Part of OPM's responsibilities includes staying in touch with agency needs through its own Human Capital Officers (HCOs) and through the interagency Chief Human Capital Officers (CHCO) Council. CHCOs and agency

leadership are not shy about asking for assistance from OPM. OPM builds in multiple avenues for agency feedback and comments into all of our initiatives and guidance. OPM's compliance program also assesses the use of workforce flexibilities and informs our efforts and direction for guidance and training.

OPM provides training for human capital (HC) practitioners through multiple avenues. When issuing new or updated regulations or guidance, OPM most often holds briefing and education symposia for agencies, such as was recently done for *Human Capital Flexibilities for Competitive Sourcing* and for *Recruitment, Relocation, and Retention Incentives*. To build capacity, OPM has offered more than 27 educational briefings across the country about *Hiring Flexibilities* and a series of professional development workshops. Online resources for HR professionals are offered through OPM's Website and *GoLearn.gov*. Additionally, the OPM Management Development Centers offer a variety of HR and HC training seminars.

RESPONSES TO QUESTIONS FOR EILEEN LARENCE, DIRECTOR,
STRATEGIC ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

United States Government Accountability Office
Washington, DC 20548

June 15, 2005

The Honorable George V. Voinovich
Chairman
The Honorable Daniel K. Akaka
Ranking Member
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Posthearing Questions Related to Agencies' Use of Federal Workforce Flexibilities*

On April 21, 2005, I testified before your Subcommittee on "Employing Federal Workforce Flexibilities: A Progress Report."[1] This letter responds to your request that I provide answers to follow-up questions from you and Senator Akaka. The questions and responses follow.

Questions from Senator Voinovich

1. What steps has GAO taken to prevent any forced distribution within the performance rating system from happening?

A first step in preventing any forced distribution within the performance rating system is to develop and implement a modern, effective, credible, and validated performance management system. GAO has put into place adequate safeguards, including reasonable transparency and appropriate accountability mechanisms, to ensure fairness and prevent politicization and abuse. The following safeguards help to effectively support a performance-based rating system.

- Assure that the agency's performance management systems link to the agency's strategic plan, related goals, and desired outcomes and result in meaningful distinctions in individual employee performance.

- Involve employees, their representatives, and other stakeholders in the design of the system, including having employees directly involved in validating any related competencies, as appropriate.

[1] GAO, *Human Capital: Agencies Need Leadership and the Supporting Infrastructure to Take Advantage of New Flexibilities*, GAO-05-616T (Washington, D.C.: April 21, 2005).

- Assure that certain predecisional internal safeguards exist to help achieve the consistency, equity, nondiscrimination, and nonpoliticization of the performance management process, such as: independent reasonableness reviews by the Human Capital Office and Office of Opportunity and Inclusiveness, or its equivalent, in connection with the establishment and implementation of a performance appraisal system, as well as reviews of performance rating decisions, pay determinations, and promotion actions before they are finalized to ensure that they are merit based; and internal grievance processes to address employee complaints.

- Assure reasonable transparency and appropriate accountability mechanisms for the results of the performance management process. For example, publish overall results of performance management and pay decisions while protecting individual confidentiality, report periodically on internal assessments and employee survey results, conduct annual evaluation of the performance and compensation processes and implement identified improvements, and provide appropriate training on understanding and applying the performance standards consistently.

2. Many workforce challenges confronting the federal government originated with the workforce downsizing during the 1990s which was not based on sound strategic planning. Included in this downsizing were human resources professionals. Certainly, these individuals are key to an agency's successful use of any workforce flexibilities and overall operations. How would you describe the overall health of the federal human resources workforce?

While GAO has not conducted a comprehensive assessment of the federal human resources workforce, our assessments of various human capital issues at select federal agencies show that human capital offices are undergoing transformations. They are transitioning from an office that focused on personnel transactions and administration to one that is focused on more strategically managing their agencies' human capital assets to achieve their agency's overall mission and strategic goals. This new role requires that the staff in these human capital offices have new capabilities. For example, the Congress has provided agencies a number of new human capital flexibilities over the past several years, including new ways to hire and retain staff. To use these flexibilities most effectively, we have reported that human capital offices have to determine strategically what tools will work best for their agency's mission needs, and then they have to clearly understand how to apply these tools.[2] The Chief Human Capital Officers (CHCO) Council can play a key role in helping agencies develop strategies to train their human resources workforce. The council is to provide leadership, information, and advice to agencies as they develop and implement their human capital strategies and policies, as well as serve as a coordinating mechanism across the agencies.

This new role for human capital professionals presents a significant learning and development challenge for them. The human capital leaders in agencies must ensure that their staff develop the competencies and gain the experience they need to

[2] GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-02 (Washington, D.C.: Dec. 6, 2002).

effectively take on the expected roles. Several of the agencies we reviewed have developed human capital competency models designed to develop staff members who can contribute at this more strategic level as well as design and manage new human resource service delivery systems that are value-added but also more efficient.

3. As you may be aware, some Members of Congress remain concerned that the federal hiring process is broken and needs additional legislative reforms. However, at an April 5 Subcommittee hearing, the Centers for Medicare and Medicaid Service and the Partnership for Public Service testified how they successfully teamed to revamp CMS' hiring process. Do you believe new hiring authorities are necessary or is there sufficient flexibilities in statute available to agencies that internal reforms, such as at CMS, could successfully reform the process?

Agencies do have significant administrative flexibilities available to them, as well as additional legislative flexibilities the Congress has provided over the past several years, to help them address their human capital challenges. For example, in the Homeland Security Act of 2002, Congress granted agencies the authority to use two new hiring flexibilities that could help agencies in expediting and controlling their hiring processes; however, we reported in June 2004 that agencies appeared to be making limited use of these two hiring flexibilities.[3]

More generally, we have consistently maintained that agencies need to develop a strategic human capital plan to determine what human capital assets they need to meet their mission, what flexibilities will work best to help them to meet these needs, and how to implement these flexibilities. In determining the flexibilities to use, we have also maintained that agencies need to first take advantage of the authorities already available to them, and then be able to demonstrate that they have a sound business case for requesting any additional legislative authorities. In addition, we have stated that before agencies are provided additional flexibilities, they should demonstrate they have the necessary infrastructure in place to make effective use of the new authority. This infrastructure includes a human capital planning process that integrates human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; the capabilities to effectively develop and implement a new human capital system; and, importantly, the existence of a modern, effective, and credible performance management system that includes adequate safeguards to help ensure consistency.

4. Has OPM worked to develop any metrics for agencies to use that will assist in evaluating whether the flexibilities are achieving their intended purpose? What recommendations or guidance can GAO provide to agencies and OPM as they continue with implementation of these workforce flexibilities?

To guide agencies toward achieving results as they progress with their human capital efforts, OPM developed the Human Capital Accountability and Assessment Framework. This framework serves as guidance to agencies in transforming their human capital systems and includes suggested performance indicators that OPM

[3] GAO, *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring*, GAO-04-797 (Washington, D.C.: June 7, 2005).

considers in assessing an agency's progress in taking a more strategic approach to human capital management, as called for in the President's Management Agenda. Some of the performance indicators in the framework deal specifically with an agency's use of workforce flexibilities, such as the agency

- tracks and analyzes work/life flexibilities and their impact on recruitment and retention, and
- has written policies and procedures that describe guidelines for use of these flexibilities,
- tracks and analyzes employee entrance and exit interview data to assess the impact of these flexibilities.

OPM views the framework as a single reference source that offers agencies a basis for self assessment and support for achieving progress in human capital, including monitoring the use of various workforce flexibilities within the agency.

We have consistently maintained that to deal with their human capital challenges, it is important for agencies to assess and determine which human capital flexibilities are the most appropriate and effective for managing their workforces. In continuing their implementation of workforce flexibilities, agencies would benefit by focusing on a number of key practices, most particularly, those we identified in our previous work.[4] These key practices include educating managers and employees on the availability and use of the flexibilities, delegating authority to use flexibilities to appropriate levels within the agency, and holding managers and supervisors directly accountable for the fair and effective use of these flexibilities. By more effectively using flexibilities, agencies will be in a better position to manage their workforces, assure accountability, and transform their cultures to address current and emerging demands.

5. What steps has OPM taken to ensure that within the Senior Executive Service, agencies do not force a distribution within their rating system among the various performance ratings?

We have not reviewed OPM's oversight of agencies' efforts in this area. OPM, in developing implementing regulations for the new Senior Executive Service performance management system, prohibited agencies from forcing a distribution of ratings. According to these regulations, agencies' guidance for appraising senior executive performance may not take the form of quantitative limitations on the number of ratings at any given rating level. Agencies are to make meaningful distinctions in their senior executives' performance ratings and pay decisions and ensure they are consistent with organizational results and an executive's particular area of responsibility. OPM will need to actively and carefully monitor agencies' implementation of their performance management systems to maintain that they do achieve these results.

[4] GAO-03-2.

Questions from Senator Akaka

1. The Government Accountability Office (GAO) reported in November 2002 that some of the most effective flexibilities are those affecting work-life programs. What work-life flexibilities are being used in the private sector that the federal government should consider? Are agencies utilizing current work-life program flexibilities?

We have not conducted work with the private sector to determine whether companies are using any new work-life programs that federal agencies could adopt. However, we recently have reported on telework opportunities as being a key flexibility from the perspective of employees and a critical management tool for coping with potential disruptions in the workplace, including terrorism.[5] As part of this work, we identified a set of key practices for the implementation of successful telework programs. We found that the governmentwide telework initiative was not well coordinated and that individual agencies may need additional guidance, guidelines, and technical support to fully implement these key practices. We recommended that the Administrator of the General Services Administration and the Director of the Office of Personnel Management use their lead roles in the telework initiative to assist agencies in implementing these practices.

Overall, the federal government has made some strides toward increasing agencies' use of existing personnel flexibilities, including work-life programs. Still, we have reported that agencies could make more frequent and effective use of the human capital flexibilities already available to them.[6] Our previous work identified several barriers to more effective use of flexibilities that agencies need to address.[7] These barriers include agencies' weak strategic human capital planning and inadequate funding due to competing priorities; managers' and supervisors' lack of awareness and knowledge of the flexibilities; and managers' and supervisors' belief that approval processes to use specific flexibilities are often burdensome and time-consuming. Agencies need to take concerted actions to overcome these barriers in assessing how the flexibilities fit into their overall strategic human capital planning processes.

2. GAO is a leader in the use of student loan repayment authority. What are some of the "lessons learned" or best practices that GAO can share to help agencies utilize the authority more effectively?

GAO is one of the top five agencies accounting for most of the student loan repayments made in fiscal year 2004. Based on that experience, we have learned that it is important to first conduct a strategic human capital planning process to determine workforce needs, assess to what extent the student loan repayment program would help meet those needs, and determine the funding the agency can budget for this program relative to competing needs and alternatives. For example, we determined that we needed to focus on retaining highly-qualified employees with

[5] GAO, *Human Capital: Key Practices to Increasing Federal Telework*, GAO-04-950T (Washington, D.C.: July 8, 2004).
[6] GAO-03-2.
[7] GAO-03-2.

knowledge or skills critical to GAO. Our goal is to retain such employees longer than 3 years, after which they are more likely to consider a longer-term career at GAO. The agency focuses on retaining recently hired staff because of the considerable time and effort expended on selecting these employees and the substantial amount of money required to train new hires who will replace retiring employees.

We implemented our student loan repayment program in fiscal year 2002 for employees who indicated interest and were willing to make a 3-year commitment to stay with the agency. The program's operating plan specifies groups or categories of employees who will be considered for student loan repayment for retention purposes based on job series. Employees within GAO's basic group—analysts and financial auditors, for example—generally receive the same amount of loan repayment, $5,000 in fiscal year 2004. Employees in often hard-to-fill job series—such as economists and attorneys—are considered for GAO's maximum loan repayment, $6,000 in fiscal year 2004, on a case-by-case basis. GAO has not increased its maximum amount to the $10,000 ceiling provided in recent legislation in part because it does not have a market need or the resources to pay this amount. To help measure the effectiveness of its program, in 2004, GAO distributed a survey to program recipients and the results showed that more than 50 percent of respondents confirmed that the program had some influence over their decision to stay with GAO.

At the request of Senators Durbin, Voinovich, and Akaka, we are conducting a study of selected executive branch agency student loan repayment programs. Our objectives are to identify (1) why agencies use or do not use the program; (2) how they are implementing it; (3) what results they have observed and their suggestion for improving the program; and (4) how they view OPM's role in facilitating its use. The report is expected to be issued by late summer, and we will be offering recommendations for easing the administrative burdens of the program and measuring its results.

For additional information on our work on governmentwide human capital issues please contact me on 512-6510 or at larencee@gao.gov.

Eileen Larence, Director
Strategic Issues

(450427)

**RESPONSES TO QUESTIONS FOR EVELYN M. WHITE,
PRINCIPAL DEPUTY AND ACTING ASSISTANT SECRETARY FOR
ADMINISTRATION AND MANAGEMENT,
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Responses to Questions Posed by Senator Daniel K. Akaka

1. Last year Mr. Ed Sontag, Assistant Secretary for Administration and Management, testified before this Subcommittee that the Department of Health and Human Services (HHS) had trouble recruiting college and university graduates at the GS-5 and GS-7 levels. You testified that this problem continues. What is HHS doing to address this recruiting problem and what assistance has the Chief Human Capital Officers Council provided to address this issue?

HHS has made efforts to address this problem by holding job fairs on college campuses to target recruitment of individuals. These efforts are ongoing and are partially successful. We have developed an internship program that develops individuals at the entry levels. We have created a new HHS video that explains the role of HHS in government and the benefits of working at HHS. This video is shown during college job fairs and we are expanding the network of colleges from which we recruit. The Chief Human Capital Council has established a recruitment subcommittee to address this and other recruitment issues.

2. You testified that HHS has a pilot program using the category rating method for selecting new employees. As Ranking Member of the Veterans Committee, ensuring the rights of our veterans is very important to me. Congress granted agencies the authority to use category rating since demonstration projects at the Department of Agriculture demonstrated that the impact on veterans was positive. How many veterans have been hired under the pilot category-rating program at HHS?

During the HHS pilot of category rating, veterans were found tobe ranked in the highest qualified category. The pilot was small, with only 9 positions filled. Of these nine positions, 3 were filled with veterans. As a result, they were referred to hiring officials for employment consideration and have been hired where the hiring decision has been made.

3. You testified that HHS will be the first Federal department to implement a fully electronic Official Personnel Folder (eOPF) which will allow employees access to their personnel folders anywhere and at anytime. As you know, when information is converted from a paper system to an electronic system, the risks of inappropriate sharing and errors increase. What privacy protections are built into the eOPF to protect Federal workers? Who will have access to that information, and how will errors be addressed?

HHS is committed to ensuring the privacy and security of employee personnel records. In accordance with the Federal Information Security Management Act (FISMA), HHS has complied with requirements to review the security of the eOPF application and infrastructure being hosted by OPM. This review represents efforts by HHS to ensure that technical security controls, such as strong password

management and encryption mechanisms, have been properly implemented to protect data that is deemed privacy act data. In addition, HHS has worked directly with the unions, privacy act advocates and Freedom of Information Act (FOIA) agents within the Department to ensure that the corrective measures and compliance issues have been implemented. Only HHS employees, HR Specialists and managers will have access to the e-OPF system and measures will be taken to ensure that the proper roles and responsibilities and access to those records have been integrated into the application security controls. Should errors be discovered, they will be reported to the eOPF Help Desk. The account for that folder will be locked and remain so until Human Resources staff can successfully resolve the problem(s).

4. As the Federal government begins to feel the effects of the retirement wave, succession planning by agencies is becoming more essential. However, it takes time and investment to recruit and develop future leaders so that responsibilities can be passed along smoothly and easily when the time comes. What is HHS doing to facilitate the sharing of institutional knowledge, particularly in the area of mentoring?

HHS supports and incorporates mentoring opportunities as a regular part of workforce development. Not only do our structured programs such as the Emerging Leaders and Senior Executive Service Candidate Development Programs have mentoring components, we have also established a Department-wide Mentoring Program. The HHS Career Mentoring Program was launched in FY 2003 to address the rapidly changing work environment and develop new employees so that HHS could continue to fulfill its mission to the American people. All employees have the opportunity to participate as a mentor or mentee. We provide training for both groups to accelerate the learning experience, we track participant progress through feedback sessions and we share lessons learned. The program is in its second year and testimonials from first year participants suggest that the program is beneficial and personally and professionally rewarding.

5. According to the Office of Personnel Management (OPM), HHS uses Monster's QuickHire product to aid in candidate assessment and hiring. It has been reported that some agencies have experienced significant problems with the QuickHire technology which has slowed their hiring process. Has HHS experienced any problems with QuickHire, and if so, what impact are these problems having on the Agency's hiring efforts? When do you expect the problem to be fixed? Are you looking for other products to replace QuickHire?

HHS uses Monster Government Solution's (MGS) software, QuickHire, to power the HHS Careers on-line application process. In mid-February, the system began to exhibit severe performance problems and on March 9, 2005 HHS made the decision to shut the system down. MGS believes that the application needs major re-engineering and that it will take 6 to 9 months to complete. In the interim, HHS is redeploying QuickHire as four separate databases divided by HR Center.

QuickHire was redeployed at the Rockville HR Center on June 1, 2005. We anticipate full Departmental redeployment by the end of June.

Taking HHS Careers – QuickHire offline meant returning to the manual processing of vacancies, with 20% fewer staff than our pre-HR Consolidation. In many instances, service level agreements have been adjusted by adding time for the processing of cases. The staff is working overtime and contractor support has been necessary in some cases to assist in the rating and ranking of applicants.

HHS continues to investigate other options, including taking into account the costs and stand up time of various choices, but we have not yet made a decision to pursue any other option.

6. Upon reviewing the planned personnel systems at the Departments of Homeland Security and Defense, I am concerned about the training employees will receive on the new personnel systems. How much does your agency spend on training employees and managers on the use of new personnel flexibilities and on general management training?

HHS is committed to training and developing employees in all program areas and takes advantage of available training opportunities. When new personnel flexibilities are issued, the Office of Personnel Management often presents free seminars or information sessions. HHS always attends these sessions and we bring that information back and share with others across the Department. While we do not currently have a system that tracks training costs across the Department, we have purchased and are implementing a learning management system that will provide the capability of tracking such costs in the near future.

7. It appears that the flexibilities used most often by agencies are voluntary separation incentive pay (VSIP) and voluntary early retirement authority (VERA). How are employees and their union representatives involved in the use of these flexibilities at HHS?

The Department of Health and Human Services (HHS) has made extensive use of Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payments (VSIP) to successfully improve our ability to improve service delivery and reengineer business practices. VERA and VSIP have been a critical element of a successful strategy for implementing these initiatives.

HHS has proactively sought personnel flexibilities, specifically VERA and VSIP. HHS obtained Department-wide Voluntary Early Retirement Authority for mission support positions for FY 05, and has used this authority in a targeted fashion to support restructuring activity.

HHS has found that it is advantageous to involve employees early in discussions about restructuring and new directions within our organizations. Covered

employees are informed of plans to request these authorities as part of the transition process to accomplish restructuring. When early out authorization is received, all covered employees are informed that these authorities are being offered and an overview of each authority is provided to them.

HHS generally notifies unions with national recognition of the Department's plans to request VERA and VSIP. However, we do negotiate the impact and implementation of these decisions when appropriate. HHS will continue to be cognizant of the need to ensure that appropriate union representatives are informed of and invited to participate in restructuring discussions.

8. Whenever Congress grants agencies personnel flexibility, whether in regards to hiring, compensation, or other matters, it has been careful to retain protections for employees affected by those flexibilities. In the recent case Fishbein v. Department of Health and Human Services, (No. DC-1221-04-0762-W-1 (2004) the Merit Systems Protection Board ruled that special consultants hired under the flexibilities granted in 42 U.S.C.& 209(f) are appointed without regard to the civil service laws and as such are not covered by the Whistleblower Protection Act. The Department of Health and Human Services later filed a legal petition in support of protection for title 42 employees from any official retaliation under federal whistle-blower laws.

A. Since the MSPB decision in Fishbein, what protections are provided to employees hired under title 42 who blow the whistle and what education or advice is HHS providing to employees regarding these rights?

   We have extended to Title 42 employees the same protection accorded Title 5 employees under the Whistleblower Protection Act. The HHS offers its managers and supervisors training designed to meet the requirements of the No FEAR Act of 2002. In this training, participants are notified of the requirement to inform employees of their rights and remedies available under the Anti-discrimination Laws and Whistleblower Protection Laws applicable to Federal employees.

B. Since the Fishbein Decision, how has HHS handled whistleblower retaliation cases? What procedures and review processes are in place to address such claims?

   HHS is strongly committed to protecting the rights of all whistleblowers regardless of whether they are appointed to their positions under Title 5 or Title 42 of the U.S. Code. As required by the HHS General Administration Manual, chapter 5-10-50, any employee that has been threatened with a personnel action or any other action as a reprisal, may request the OIG to review his/her complaint about such reprisal.

C. Would HHS support legislative efforts to ensure that title 42 employees are covered by the Whistleblower Protection Act in title 5?

We feel our current policies protect all of our employees. In our brief to the Special Counsel, we have gone on record as acknowledging this protection to employees appointed under Title 42. Therefore, we believe legislation to extend such protection is not needed.

D. Other than those hired under title 42, what other groups or categories of employees at HHS do not have full whistleblower protections under 5 U.S.C. & 2302(b)(8)?

The Department has policies protecting all employees, regardless of their type of appointment, from reprisal for whistleblowing.

9. You testified that of the 1,500 student loan repayment awards given to employees in fiscal year 2005, approximately 1,450 awards are based on the separate student loan repayment authority granted to the National Institutes of Health (NIH). How has NIH been able to award 1,450 awards? Is there separate funding for the program? If HHS received separate funding for the student loan repayment program, would it use the authority more aggressively?

NIH's loan repayments are centrally funded by NIH's Office of the Director. NIH loan repayment program is authorized under the Public Health Service Act, and in exchange for a two or three-year commitment to a research career, NIH may repay up to $35,000 per year in educational debt and 39% towards Federal taxes.

Senator Daniel K. Akaka
Follow-up Questions for
the Record From
Jeffery K. Nulf

1. You testified that 53 percent of demonstration project employees believe their pay raises depend on how well they perform. You also testified that 63 percent of demonstration project supervisors believe the demonstration pay system provides the ability to raise pay for good performers.

QA: What percentage of employees prefers the pay-for-performance system over the current General Schedule System?

RESPONSE: The Commerce Demonstration Project summative evaluation, conducted by Booz Allen Hamilton, includes a survey question that asked if employees were in favor of the Demonstration Project (not if they preferred it to the current General Schedule System). Over time, an increasing percentage of Demonstration Project participants felt favorably about the Demonstration Project. Baseline statistics indicate that 37 percent of Demonstration Project employees favored the Demonstration Project, 48 percent in Year 3 favored the system and in Year 5, over half (57 percent) favored the Demonstration Project. This 57 percent favorability level is on track for achieving a Demonstration Project favorability benchmark set by previous pay for performance Demonstration Projects such as China Lake and NIST.

Not surprisingly, the Comparison Group (General Schedule) participants' favorability ratings have not reached the same levels, though an increasing percentage of participants gained a favorable perception over time. Please see the following tables for more detail.

Year 5		Demo Group	Comparison Group (General Schedule)
Survey Question #121: I am in favor of the Demonstration Project	Disagree	20%	25%
	Neither Disagree nor Agree	23%	40%
	Agree	57%	35%

Year 3		Demo Group	Comparison Group (General Schedule)
I am in favor of the Demonstration Project	Disagree	29%	24%
	Neither Disagree nor Agree	24%	53%
	Agree	48%	23%

Baseline		Demo Group	Comparison Group (General Schedule)
I am in favor of the Demonstration Project	Disagree	26%	13%
	Neither Disagree nor Agree	37%	63%
	Agree	37%	25%

Source: Booz Allen Evaluation Demonstration Project Summative Report

QB: For the pay-for-performance system, what monitoring mechanisms ensure that employees are not subject to discriminatory performance ratings and what appeals systems are in place? Can employees appeal a performance pay decision to the Merit Systems Protection Board?

RESPONSE: The Departmental Personnel Management Board provides overall policy, oversight and direction on the Demonstration Project. The Board is composed of senior level managers from each participating operating unit. Within each operating unit, there are operating boards that oversee the operations of the Demonstration Project at the local level. The Department works with these Boards to monitor the Demonstration Project

and ensure it is operating according to the project plan as published in the Federal Register within a merit system framework. In addition, the independent evaluations conducted by Booz Allen Hamilton, analyze- quantitative and qualitative demographic and pay data. These evaluations analyze all human resources aspects of the Demonstration Project and receive OPM approval in meeting OPM evaluation guidelines.

The Demonstration Project employees have the same rights afforded to General Schedule employees. As in the General Schedule, performance pay decisions in the Demonstration Project are not appealable to the Merit Systems Protection Board. However, an employee may grieve the rating, performance score and/or payout under negotiated grievance procedures or under the Department's Administrative Grievance Procedures. Bonus decisions are not grievable under either system.

QC: Of the supervisors who were asked about the pay system and the ability to raise the pay for good performers, what is the opinion of the remaining 36 percent of supervisors and why?

RESPONSE:

Question #153		Supervisors in Demonstration Project	General Schedule Supervisors
The current pay system gives the ability to raise the pay of good performers, thus improving retention and performance	Strongly disagree	5%	13%
	Disagree	14%	31%
	Neither	18%	22%
	Agree	54%	32%
	Strongly Agree	9%	3%

Source: Booz Allen Demonstration Project Summative Report

As the chart indicates, 18 percent of Demonstration Project supervisors surveyed were neutral on the subject, and 19 percent disagreed with the statement as opposed to 44 percent of the General Schedule supervisors surveyed in the comparison group. This shows that supervisors perceive that the Demonstration Project allows for additional flexibilities in setting pay to attract qualified candidates and rewarding high performers that are not part of the General Schedule system currently.

QD: How much money did the Department spend on training supervisors on the demonstration project pay-for-performance system?

RESPONSE: Approximately $180,000 was spent for training of Demonstration Project supervisors since its inception. This figure does not include staff time. All of the training in the first five years has been conducted by in-house staff from human resources operating units. In 2003, the Department procured Demonstration Project Training for Supervisors in preparation for its expansion and sponsored Supervisor

Performance Feedback Training in 2004 and 2005. The operating units continue to provide ongoing training to new and existing supervisors.

Q2. You also testified that 71 percent of demonstration project supervisors find they can offer competitive salaries to attract high performers and that 64 percent believe they can identify good performers. Has there been follow up with the remaining 29 percent who believe they cannot offer competitive salaries to attract high performers to determine why they believe this?

RESPONSE:

Survey Question #152		Supervisors in Demonstration Project	Supervisors in General Schedule Comparison Group
The current pay system provides a competitive range of entry salaries for managers to use in negotiating with applicants	Strongly disagree	2%	11%
	Disagree	7%	26%
	Neither	20%	26%
	Agree	63%	33%
	Strongly Agree	8%	4%

Source: Booz Allen Demonstration Project Evaluation Summative Report

The chart compares the responses provided by supervisors in the Demonstration Project with supervisors in the General Schedule and lays out the entire responses to the questions. As indicated by the chart above, the 29 percent you refer to is made up of 20 percent who were neutral on the subject and 9 percent who believed the Demonstration Project system did not provide a competitive range of entry salaries, as compared with 37 percent of General Schedule supervisors who thought the General Schedule did not provide a competitive range.

Has there been follow up to determine why the remaining 36 percent believe they cannot identify good performers?

Survey Question #124		Supervisors in Demonstration Project	General Schedule Supervisors
The performance appraisal system allows me to identify good and poor performers.	Disagree	11%	31%
	Neither disagree nor agree	24%	22%
	Agree	64%	47%

Source: Booz Allen (Percentages may not add to 100 due to rounding)

As the chart indicates, the 36 percent is made up of 11 percent of Demonstration Project supervisors who believe the system does not give supervisors the ability to distinguish

performers, while 24 percent were neutral on this question. Our survey results indicate that the Demonstration Project pay-for-performance system is perceived by managers as giving them a greater ability to identify good and poor performers as compared with the General Schedule system. Through additional ongoing training, we are addressing these and other similar issues for continuous improvement of the Demonstration Project.

Q3. As the Federal government begins to feel the effects of the retirement wave, succession planning by agencies is becoming more essential. However, it takes time and investment to recruit and develop future leaders so that responsibilities can be passed along smoothly and easily when the time comes. What is the Department doing to facilitate the sharing of institutional knowledge particularly in the area of mentoring?

RESPONSE: The Department of Commerce has a multi-faceted approach to facilitate the sharing of institutional knowledge, particularly in the area of mentoring. Some examples include: special sessions with senior managers (current and retired) as presenters; data warehouse repositories available on the bureau intranets; extensive documentation of historical information on challenges and results for major operations and systems; extensive mentoring component as a part of all leadership development programs; mentoring training for potential mentors and mentees; and mentoring and coaching of entry-level and mid-level employees. As a part of our comprehensive succession plan, participants in the leadership programs meet with mentors on a monthly basis. Other employees throughout the Department meet with mentors and coaches in both formal and informal settings.

Q4: According to the Office of Personnel Management (OPM), the Department uses Monster's QuickHire product to aid in candidate assessment and hiring. It has been reported that some agencies have experienced significant problems with the QuickHire technology which has slowed their hiring process. Has the Department experienced any problems with QuickHire, and if so, what impact are these problems having on the Agency's hiring efforts. When do you expect the problem to be fixed? Are you looking for other products to replace QuickHire?

Response: The Department of Commerce has used the QuickHire technology since August 2004. During the rollout period within the Department, we did experience many of the publicly reported performance issues. However, we worked aggressively with the vendor, Monster Government Solutions, and resolved those issues. At no time was the Department unable to post job announcements or hire applicants, except for short duration intermittent outages due to technical difficulties. For the past several months the use of QuickHire has become smoother and more reliable. We continue to perform market research and meet with our counterparts to ensure that we are using the most effective technology to facilitate hiring at the Department of Commerce.

Q5. Upon reviewing the planned personnel systems at the Departments of Homeland Security and Defense, I am concerned about the amount of training employees will receive on the new personnel systems. How much does the Commerce Department spend on training employees and managers on the use of new personnel flexibilities and on general management training?

RESPONSE: The table below provides actual and projected expenditures for all general management training and technical skills training. Expenditures on "new personnel flexibilities" training has not been specifically tracked. This type of training will generally be included as part of a broader topic, such as new supervisory training or training for corporate recruiters. Continuous training improves performance and builds a bridge of communication with employees.

Expressed in Thousands of Dollars (000)

Type of Training Program	FY 2004	FY 2005 Projected	FY 2006 Projected	Grand Total
Executive Development	2,204	2,668	3,595	8,467
Management Training	3,950	4,748	6,129	14,827
Supervisory Training	1,243	1,471	1,897	4,611
Skills Training	27,842	32,503	41,030	101,375
Other Training	11,348	13,043	15,964	40,355
Grand Total	46,587	54,433	68,615	----------

Q6: It appears that the flexibilities used most often by agencies are voluntary separation incentive pay (VSIP) and voluntary early retirement authority (VERA). How are employees and their union representatives involved in the use of these flexibilities at the Department of Commerce?

RESPONSE: To our knowledge, neither employees nor union representatives are involved in any pre-decisional determinations regarding the use of VERA and VSIP. However, once the decision is made, employees and union representatives are informed. Union officials are informed either in writing or telephonically. Appropriate staff members from the servicing human resources offices are available to answer questions from employees and union officials regarding VERA and VSIP.

Senator Carper
Follow-up Questions for
the Record From
Jeffery K. Nulf

Q1. In your testimony, you mention that the Commerce Department is currently dealing with the challenge of recruiting 500,000 employees on a temporary basis to conduct the 2010 Census. GAO, as I'm certain you're aware, said in its 2005 update to its High-Risk Series that the Census Bureau's preparations for 2010 are an emerging area that deserves continued monitoring. What steps are the Commerce Department and the Census Bureau taking to prepare for the human capital challenges associated with conducting the upcoming Census? Do you have the resources and personnel flexibility necessary to confront the challenge?

RESPONSE: The Census Bureau will continue to build on the successful strategies used during Census 2000 to hire approximately 500,000 employees on a temporary basis to conduct the 2010 Census. The key goal of Census 2000 recruitment was to promote census employment opportunities along with locally competitive pay in every community in America. We strive to ensure that an audience rich in diversity has an opportunity to hear and respond to the recruitment message.

We have found in our past experience, that some of the key components to successful recruitment - competitive pay and spreading the word at the grass roots level about census job opportunities in all communities. Recruiters used a variety of techniques appropriate to the individual communities. Census recruiting is a "local" activity and "word of mouth" is our greatest source of applicants.

Our goal for the 2010 Census is to have national and regional plans developed by January 2008 and to establish recruiting goals for each Local Census Office early in the process. Our comprehensive recruiting plan will likely include strategies for locally competitive pay; paid advertising; local initiatives; a Nationwide toll-free jobs line; indigenous hiring; jobs information via a website; and partnering with established government programs such as job service one-stops.

To support decennial operations and help field offices meet their staffing needs for the 2010 Census, the Census Bureau works with a number of other federal agencies to pursue a variety of hiring and workforce flexibilities essential to recruiting and retaining the field staff necessary to conduct a decennial census. The Census Bureau will pursue workforce flexibilities with agencies including: the Office of Personnel Management (OPM), Department of Housing and Urban Development (HUD), Veterans Administration (VA), Department of Health and Human Services (HHS), Social Security Administration (SSA), Bureau of Indian Affairs (BIA), U. S. Department of Agriculture (USDA), and the Department of Labor (DOL). Primarily, we will be working to eliminate barriers to decennial employment such as income offsets for public assistance programs.

The Census Bureau Human Resources Division is preparing a business case to request an extension beyond the 4 year limit set by the term regulation, 5 CFR 316.301 so that the Field Directorate, Decennial Directorate, Equal Employment Opportunity Office and the HRD may have the flexibility of using term appointments to support the 2010 Census operations in their entirety. Extending the term appointments in these operational areas will remove issues arising from four-year term appointments such as:

- Losing experienced employees in the middle of special projects and critical programs.
- Recruiting, hiring, and training new employees to perform the work.
- Requiring case-by-case term extension requests during peak census operations.

These human capital plans are contingent upon the successful reengineering efforts for the 2010 Census.

Subcommittee on Oversight of Government Management,
The Federal Workforce and the District of Columbia
FOLLOW-UP QUESTIONS FOR THE OFFICIAL RECORD REGARDING
Employing Federal Workforce Flexibilities:
A Progress Report Thursday, April 21, 2005

EPA Witness: **Rafael DeLeon, Director**
Office of Human Resources

Senator George Voinovich

Question 1.

The EPA has been in front with the development of comprehensive human capital strategy. How has this document been incorporated into its GPRA plan? To what extent were the employees themselves involved in the development of these plans?

Response:

EPA's Strategic Plan charts our course for protecting human health and the environment. Submitted to Congress as required under the Government Performance and Results Act (GPRA), it lays out the Agency's 5 strategic goals and guides us in establishing our annual goals. Aligning EPA's workforce with our goals is a critical element of our human capital strategy. The Agency accomplishes this alignment in two ways: (1) by addressing human capital management issues under each of the Agency's five strategic goals and the cross-goal strategy for human capital and (2) by explicitly linking human capital activities with annual Agency-wide processes for strategic planning and budgeting. As a companion document to the Strategic Plan, EPA developed "Investing in Our People II - EPA's Strategy for Human Capital for 2004 and Beyond." The Human Resources Council reviewed "Investing in Our People II - EPA's Strategy for Human Capital for 2004 and Beyond." The Human Resources Council's (HRC) permanent membership is composed of one senior-executive level representative nominated by each Assistant Administrator and Regional Administrator. Because of the importance of the labor-management partnership at EPA, the AFGE National President and the Co-Chair (labor representative) of the National Partnership Council are also invited to sit as permanent members of the HRC. In addition, a subcommittee of the HRC worked on developing "Investing in Our People II - EPA's Strategy for Human Capital for 2004 and Beyond" and a member of the National Partnership Council was a participant on that subcommittee.

Every EPA employee has a role to play in our human capital efforts. EPA's Human Resources Council communicates the Agency's vision for human capital to EPA employees at every level and provides staff with information on human capital planning activities.

Employees are beginning to understand the link between human capital and the Agency's mission and to participate in human capital initiatives and raise human capital issues and needs. Similarly, employees are further involved in individual human capital action plans developed at the local-level. These local-level plans support the national strategy as articulated in "Investing in Our People II - EPA's Strategy for Human Capital for 2004 and Beyond."

Question 2.

EPA has used the VERA/VSIP authority to reshape its workforce. Do these authorities provide with enough flexibility to target its use to the appropriate individuals? What steps did EPA take to ensure that by initiating a workforce reshaping plan, there was not an adverse impact, especially on employee morale, on the remainder of the workforce?

Response:

Yes, the VERA/VSIP authorities provide sufficient flexibility to target specific employees and groups of employees. EPA's experience using these authorities shows that they are sufficiently flexible to target both large and small groups of employees. In 2003 and 2004, EPA applied the VERA/VSIP authorities Agency-wide to a large group of employees (over 3300) and at the same time, applied the authorities to a much smaller group of employees (75) in the Office of the Inspector General. In both cases, the Agency had sufficient flexibility to define the target group, determine the time "window" for offers and separations, and efficiently administer the process from start to finish. EPA found that focused, targeted early-out/buy-out efforts work better for the Agency, and plans to apply that lesson to future efforts.

EPA took steps to minimize any adverse impact on employee morale through an extensive communications program to explain why EPA was using the VERA/VSIP authorities. After Office of Personnel Management's (OPM) approval of EPA's VERA/VSIP request, a series of e-mail messages addressed to all employees were sent out, explaining the categories of employees targeted for early-out/buy-out offers and the overall purpose of the early-out/buy-out program.

EPA established an internal website accessible to all employees where they could read extensive information on the early-out/buy-out program, including the terms of eligibility and the criteria for buy-out payments. Agency-wide, EPA's Human Resources Offices offered retirement counseling and early-out/buy-out training to eligible employees. EPA briefed union representatives during the planning process for the early-out/buy-outs and later engaged in formal bargaining on implementation of the VERA/VSIP authority. The communications, interactions and program planning cited above provided extensive information to the entire workforce and minimized any adverse impact on morale.

Senator Daniel K Akaka

Question 1. As the Federal government begins to feel the effects of the retirement wave, succession planning by agencies is becoming more essential. However, it takes time and investment to recruit and develop future leaders so that responsibilities can be passed along smoothly and easily when the time comes. What is the Environmental Protection Agency (EPA) doing to facilitate the sharing of institutional knowledge, particularly in the area of mentoring?

Response:

It is imperative that EPA ensures the talent and expertise are ready and in place to meet the Agency's goals, especially at the senior levels, while also preparing future leaders with the skills and competencies needed to meet the Agency's emerging mission requirements. Succession planning supports EPA's ongoing Human Capital efforts by addressing the technical and leadership development needs that meet a variety of workforce planning challenges. In January 2004, EPA published "EPA's Strategy for Succession Management 2004-2008", which provides assistance in planning and developing the Agency's future workforce.

To facilitate the sharing of institutional knowledge, EPA makes extensive use of both mentoring and coaching programs throughout the Agency. Many EPA offices currently have successful mentoring programs in place. This development process is one of many ways the Agency asks experienced employees to share their wealth of knowledge and experience with junior employees. The mentoring effort assists all Regions, Laboratories and Program Offices in bolstering existing programs, setting up new programs, and monitoring/tracking successful mentoring relationships. Our marketing efforts will be focused on technical and general cross-functional competency sharing and development. EPA also has begun using knowledge management to capture leadership lessons from Senior Executive Service members and other senior employees. The "Leadership Legacies" interviews will be shared with the Agency via EPA's intranet.

Question 2. According to the Office of Personnel Management (OPM), EPA uses Monster's QuickHire product to aid in candidate assessment and hiring. It has been reported that some agencies have experienced significant problems with the QuickHire technology which has slowed their hiring process. Has EPA experienced any problems with QuickHire, and if so, what impact are these problems having on the Agency's hiring efforts. When do you expect the problem to be fixed? Are you looking for other products to replace QuickHire?

Response:

Yes, EPA uses Monster's QuickHire product to aid in candidate assessment and hiring. The EPA has not experienced any significant problems with QuickHire technology. When Quickhire was first implemented, there were concerns regarding the use of the Question Library. Initially, the Question Library was very cumbersome for managers to

use and it presented a challenge for them in selecting questions for job vacancies. The library has ben revamped and it is now easily accessed and used by managers or designated individuals i.e., subject matter experts. However, this particular concern did not have a negative impact on the hiring efforts at EPA, nor has it prolonged the recruitment process. There is no immediate plan to replace QuickHire with any other recruitment product.

Question 3. Upon reviewing the planned personnel systems at the Departments of Homeland Security and Defense, I am concerned about the amount of training employees will receive on the new personnel systems. How much does EPA spend on training employees and managers on the use of new personnel flexibilities and on general management training?

Response:

EPA invests in general management/leadership training in many ways. Internally we have programs that address competency areas such as Coaching and Feedback, Conflict Management, Diversity Awareness, Emotional Intelligence, Personal Awareness (360 and DiSC Profiles), Human Resources, Situational Leadership and others. Externally, we partner with various organizations such as the Federal Executive Institute, USDA Graduate School, Capital Hill Fellowship, OPM's Management Development Center Programs, Atlantic Fellowship in Public Policy, and others to fill in the identified gaps of needed development areas.

EPA is able to provide the total dollars spent on training which is pulled from the budget office's finance system. In Fiscal Year 2004, EPA spent approximately $6.5 million on training Agency-wide. EPA plans to take steps to better address the tracking of training funds for specific activities.

Question 4. It appears that the flexibilities used most often by agencies are voluntary separation incentive pay (VSIP) and voluntary early retirement authority (VERA). How are employees and their union representatives involved in the use of these flexibilities at EPA?

Response:

EPA involved employees and their union representatives through an extensive communications program directed at the entire workforce to explain the scope, objectives and implementation process of VERA/VSIP authorities. Employee questions and inquiries resulting from EPA's various communications were answered by officials at Regional Human Resources Offices and at the Headquarters Office of Human Resources. A series of "all hands" e-mails were sent to all employees to keep them informed on initial planning, formal application to the Office of Personnel Management (OPM), and finally, implementation of VERA/VSIP authority. An internal website accessible to all employees provided extensive information on VERA/VSIP including the categories of employees targeted for offers, questions and answers on the VERA/VSIP

process, the criteria for eligibility for a cash buy-out, and a website calculator which employees could use to estimate their monthly retirement check.

EPA briefed union representatives early during the planning process regarding the Agency's actions in requesting VSIP/VERA approval from OPM. The unions were encouraged to provide written comments to the Director of the Office of Human Resources, regarding the Agency's proposed targeted employees and timeframes. Once OPM's approval was received, the Agency provided the unions with a management proposal for implementing the VSIP/VERA program and a targeted implementation date. Negotiations with the Agency's unions were successfully completed before the window for employee applications closed.

Question 5. You testified on to the lack of resources to award additional student loan repayments at EPA. In its FY 04 report, OPM states that it will continue to work with agencies to help agencies use this program. Has OPM provided EPA with any assistance on how to fund and use the student loan repayment program more effectively? If so, please detail what assistance was provided?

Response:

OPM has not provided specific assistance to EPA on how to fund the repayment program. However, since the inception of the authority, OPM has provided a series of publications and website documents addressed to both human resources officials and employees generally concerning the authority which include samples of repayment application forms, general information on statutory and regulatory requirements, questions and answers on repayment authority, and copies of the annual report to Congress. All of this information has been posted on the OPM website and taken as a whole, it provides a useful source of general information on the best use of the authority for human resources specialists, employees and managers. EPA expects to use the student loan repayment program more extensively during recruitment for mission critical positions in 2006, as the budget permits.

Local workforce plans were designed by the Agency's Offices and Regions in 2004. With these workforce plans in place, Offices and Regions can forecast pending vacancies (due to upcoming retirements, attrition, etc.) in mission critical positions. To recruit applicants for these mission critical positions and to compete for their skills against private sector companies, EPA may need to use the student loan repayment program as an incentive. In such cases, EPA may weigh the benefits of using additional resources to make a mission critical hire using loan repayment authority over filling non-mission critical vacancies or undertaking other, lower priority activities.

**RESPONSES TO QUESTIONS FOR VICKI A. NOVAK,
ASSISTANT ADMINISTRATOR FOR HUMAN CAPITAL MANAGEMENT
AND CHIEF HUMAN CAPITAL OFFICER,
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

Question: It is my understanding that the individual NASA Centers operate independent from each other as well as from headquarters. As NASA implements significant workforce reshaping for its aeronautics workforce, what guidance has the Chief Human Capital Officer given to coordinate the Centers' reshaping activities?

Answer: Though the Centers operate with some autonomy, there is a great deal of collaboration between Centers—especially those engaged in similar lines of business. In addition, each Center has a budgetary and reporting relationship with a Headquarters mission directorate. With these inter-relationships present, the Office of Human Capital Management initiated a Transformation Action Team (TAT) to provide structure to the realignment activities. The composition of this team included wide representation from the Agency stakeholders, including substantial Center presence. This group worked on a variety of human capital issues, including the VERA/VSIP activity, communication to employees, and placement of employees who may be impacted by the reshaping effort.

Question: NASA is in the process of using the VERA/VSIP authority to reshape its workforce. Do these authorities provide enough flexibility to target its use to the appropriate individuals? What steps has NASA taken to ensure that by initiating a workforce reshaping plan, there was not an adverse impact, especially on employee morale, on the remainder of the workforce?

Answer: The current VERA/VSIP authorities for workforce reshaping contain a lot of flexibility to target the incentives based on organization, location, grade level, job series, skills, or other objective criteria. At NASA, we have focused on position competencies as the guideline for identifying which employees are eligible for the incentives. In addition, we are utilizing the authorities in a unique way—that is by allowing employees who are in non-surplus competencies to take a buyout if we can find a job match with another employee who may be in a position with surplus competencies. This process is not yet complete. The limiting factor to the success of the incentives may be the maximum dollar amount. NASA achieved only 22% of its targeted buyouts in the last offering, and only 65% of the number of acceptances projected by the Centers. It is possible that the buyout amount--$16,000.00 after taxes—is not sufficiently attractive to appeal to a wider pool of employees.

Any time that an organization goes through change there will be stress to the employees. We have tried to mitigate the impact by providing structured career transition services at the Centers most impacted by the realignment. This service, under the auspices of a national contract, provides full-time career transition support at the impacted Centers. Reports from the Centers have shown that the employees are fully utilizing the service. In addition, we have provided a Transformation Website as a "one-stop" area for Agency-wide communication on transformation. The website went "live" in February and has had over 36,000 hits by employees.

Responses to written questions submitted by Senator Daniel Akaka resulting from the April 21, 2005, hearing on "Employing Federal Workforce Flexibilities: A Progress Report".

Question: As the Federal government begins to feel the effects of the retirement wave, succession planning by agencies is becoming more essential. However, it takes time and investment to recruit and develop future leaders so that responsibilities can be passed along smoothly and easily when the time comes. What is NASA doing to facilitate the sharing of institutional knowledge, particularly in the area of mentoring?

Answer: Over the past year, NASA has worked to develop a more integrated strategy for leadership development and succession planning. The strategy presents an overall competency-based framework and approach, ensuring that employees in various roles are afforded the proper core experiences, broadening opportunities, and training relevant to achieving mastery in their roles and preparing for the future. Mentoring – both having and being one – is a key element in this framework.

Specific programs supporting the strategy include short term residential opportunities such as Managing the Influence Process and various Business Education programs as well as longer term development programs for senior leaders such as the Leadership Development Program and the SES Candidate Development Program (SES CDP). NASA senior leaders are actively involved in these programs, in identifying participants, serving as "teachers" thus facilitating the sharing of institutional knowledge, and serving as mentors for SES CDP participants.

In addition, coaching is identified as a supervisory competency and coaching and mentoring guides have been developed to enhance performance and to strengthen internal coaching capability of managers and supervisors.

Question: According to the Office of Personnel Management (OPM), several agencies use Monster's QuickHire product to aid in candidate assessment and hiring. It has been reported that some agencies have experienced significant problems with the QuickHire technology, which has slowed their hiring process. Does NASA use QuickHire? If so, have you experienced any problems with QuickHire, and what impact are these problems having on NASA's hiring efforts. When do you expect the problem to be fixed? Are you looking for other products to replace QuickHire?

Answer: NASA does not use QuickHire. Since 2001, NASA has used Resumix, a commercial-off-the-shelf product, to support automated candidate assessment. We have found it to be a highly satisfactory tool.

Question: Upon reviewing the planned personnel systems at the Departments of Homeland Security and Defense, I am concerned about the amount of training employees will receive on the new personnel systems. How much does NASA spend on training employees and managers on the use of new personnel flexibilities and on general management training?

Answer: The Agency's estimate for FY 2005 is $10 million for general management training which is consistent with previous years' budgets. Training

expenses are not broken down in a way that enables us to identify costs associated exclusively with training the workforce on new personnel flexibilities.

NASA recognizes that training employees and supervisors on the use of new personnel flexibilities is critical to successfully implementing such flexibilities. Recently, NASA devoted substantial resources, in terms of staff time and informational materials, in training the workforce on the human capital provisions in the NASA Flexibility Act of 2004. The lessons learned from those experiences will be helpful in identifying the resources and approaches necessary for similar efforts in the future.

Question: It appears that the flexibilities used most often by agencies are voluntary separation incentive pay (VSIP) and voluntary early retirement authority (VERA). How are employees and their union representatives involved in the use of these flexibilities at NASA?

Answer: At the Agency level, we have provided the National unions with periodic updates of VSIP and VERA planning (for example, what Centers are planning incentives and general timing of application and separation windows) and offered to brief them. The decision to include positions in the VSIP/VERA "pool" is made by Center management (with Agency approval) based on the need for certain competencies. Centers involve their local unions in issues such as identifying mechanisms to communicate with employees about the availability of incentives, developing tie-breaking procedures to be used if the number of applicants exceeds the number of buyouts available in a competency, and providing advance briefings to representatives before announcing the offer to the employees at large. Center Directors typically notify their overall workforce about the general parameters of the local incentive program as soon as it is practical to do so.

Question: Here are additional details related to my question at the hearing regarding the ability of NASA employees hired under personnel flexibilities granted to join a union. I have been told that NASA is using its Excepted Authority (NEX) to hire technical employees who would normally be considered term General Schedule (GS) employees but has listed them as AD employees (administratively determined). These term appointments have an equivalent GS grade level associated with the appointment, but are listed as AD employees. The NEX authority is intended to expedite the hiring of newly-graduated scientists and engineers. According to Section K of the NASA Desk Guide, NEX authority hires should not be excluded from the bargaining unit merely because of their NEX appointment. I have also been told that a NEX employee tried to join a union, but was not allowed to do so because NEX employees are AD employees, and therefore not members of the bargaining unit because they are not GS employees. Please state for the record whether NASA employees hired under NEX are allowed to join a union. Are there any hiring flexibilities granted to NASA that, in the Agency's view, limit union participation?

Answer: NASA does not prohibit the inclusion of any employee from a bargaining unit. Inclusion in a bargaining unit depends on the parameters of the local collective bargaining agreement.

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