



PARTNERSHIP FOR PUBLIC SERVICE



THE VOLCKER ALLIANCE

Working for Effective Government

Renewing America's Civil Service

The passage of the Civil Service Reform Act of 1978 marked the last time that Congress comprehensively addressed federal personnel management. The creation of the federal pay and classification structure dates back even further, to 1949. In today's fast-paced, knowledge-based world, the U.S. government still operates in a decades-old civil service framework designed for a workforce that was largely clerical. The government's way of managing talent makes little sense for today's workforce, which increasingly is comprised of individuals with professional and technical skills.

Moreover, layers of issue- or agency-specific laws, regulations and processes have accumulated over the decades and have made federal personnel management slow and complicated. This is unfair to current federal employees and a major impediment to recruiting and hiring the next generation of employees. Adding to the convoluted, some agencies have been successful in convincing Congress to give them special authorities in how they hire, pay and manage employees, resulting in a balkanized civil service system. As a result, federal agencies not only have to compete with the private sector for talent but also with each other.

Together, the Partnership for Public Service and the Volcker Alliance have joined in an initiative called *Renewing America's Civil Service* to identify specific policy, regulatory and statutory opportunities to improve how the federal government recruits, develops and manages its workforce. In support of our efforts, we have formed a bipartisan advisory panel of distinguished leaders who each have extensive senior executive experience in both the public and private sectors:

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

The joint efforts of the Partnership and the Volcker Alliance have resulted in a set of proposals that are consistent with the long-established merit system principles,¹ which reflect the core values of merit-based personnel decisions, non-discrimination, fair and equitable treatment and due process. The merit principles foster the political neutrality, diversity and stability of the federal workforce -- all of which are essential to building the trust of the American people in their government.

¹ 5 U.S.C. § 2301.

To truly transform the federal workforce, Congress must make some changes to law, particularly in the areas of hiring and compensation. However, much can be done even without legislation to make personnel processes more nimble. The Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) have ample room in their authorities to allow agencies flexibility to innovate, including existing authority for demonstration projects. We also recommend that OPM conduct an expansive review of existing regulations and policies to eliminate rules that are no longer needed and to ensure that all reforms keep the quality of government's service to citizens at the forefront. And Congress, through its oversight function, can provide momentum for modernization by shining a spotlight on both shortcomings and promising solutions.

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

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

Hiring Reform

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

- **New hiring authorities:** OPM and Congress should review existing hiring authorities (which number over 100) and work together to craft a limited set of new, rationalized government-wide hiring authorities that embody the best features of existing authorities. These authorities should be grounded in the merit system principles and include preference for veterans but also should ensure that agencies are able to hire the best candidate for any given position.
- **The right standard for direct hire authority:** Direct hiring authority is a streamlined hiring procedure for hard-to-fill positions. Currently, the standard for justifying use of direct hire authority (found in 5 U.S.C. § 3304(a)(3)(B)) is that there must be a shortage of “minimally qualified” candidates. The standard, rather, should be that there is a shortage of “highly qualified” candidates. Additionally, the agencies themselves -- who best know their workforce needs – should have latitude to use direct hire authority without prior OPM permission.
- **Interns as a talent pipeline:** Outside the government, many high-performing organizations use internships as a way to recruit and evaluate talent. The federal government, though, lags in its use of internships to build a pipeline of talent. A key

personnel provision of this year's National Defense Authorization Act authorizes government-wide expedited hiring authority for students and recent graduates,² which should serve as an incentive for agencies to make greater use of the Pathways programs. Congress should also authorize agencies to convert interns who come to the agency through third-party internship programs and count work hours of unpaid interns performing qualified work before conversion. This proposal does not have a cost and does not increase government hiring; it simply helps agencies access a wider pool of talent to fill positions.

- **An improved USAJOBS:** While OPM has made strides in improving the government-wide portal for job applications, the site could be better designed to match individuals with open jobs, narrow pools of applicants for agencies, explain the federal employment process to applicants, and keep applicants apprised of the status of their applications. Agencies should also be able to target their recruiting efforts to pools of qualified candidates without having to advertise to the entire population, which can overwhelm agencies with applications from unqualified candidates.
- **Leveraging educational institutions:** The federal government should ensure that colleges, universities and other educational institutions have full awareness of the skills needed in government so they can develop curriculum around those needs and help drive recruitment.
- **A clarified veterans preference:** Agencies and veterans alike bemoan the complexity of the veterans preference in federal hiring. OPM should work to educate human resource professionals and hiring managers on the proper application of the preference and should also work with the military services to find ways to match the talents of individuals exiting military service with skills needed in civilian agencies.
- **Myth-busting:** While the hiring process is due for an overhaul, some agencies have found ways to innovate within existing rules. OPM should highlight successful hiring practices, such as the Department of Homeland Security's department-wide hiring fairs and cyber-specific hiring fairs, and help drive best practices government-wide.
- **Strategic hiring:** The government's continued struggle to address critical skills gaps is the fundamental reason that strategic human capital is on the Government Accountability Office's High-Risk list.³ OPM and agencies should focus on filling these gaps while avoiding blunt, counter-productive across-the-board approaches such as hiring freezes.
- **Market-based incentives:** Federal law already allows agencies to pay recruitment, retention and relocation bonuses based on individual circumstances.⁴ Agencies could more effectively use this bonus authority if it were amended to allow for occupation-based payments based on conditions for similar positions in the private sector.

² Section 1108 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019 (Pub.L. 115-232)(August 13, 2018).

³ Government Accountability Office, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others* (GAO-17-317), February 2017, available at <https://www.gao.gov/highrisk/overview>.

⁴ 5 U.S.C. §§ 5753 and 5754.

- **Implementation of the Competitive Service Act (CSA):** The CSA⁵ authorizes agencies to collectively build and utilize talent pools to fill critical skills gaps. Specifically, the CSA allows multiple agencies to hire individuals off the same “certificate of eligibles” (*i.e.*, lists of the most qualified candidates) to fill a position in the same occupational series and the same grade level. While implementing regulations were issued in 2017, agencies have made little progress in using this authority. OPM should lead an aggressive push to help agencies use the CSA.

Occupation-Specific, Market-Sensitive Pay

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

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

- **Piloting new authorities:** OPM should use its demonstration authority aggressively to pilot new pay and classification systems to improve recruitment and retention of top talent. This effort particularly should be targeted to the hardest-to-fill, mission-critical occupations in government. The statute granting OPM authority to conduct pilot programs is broad⁶ but has been bogged down over the years by OPM’s own rules on how these projects are carried out. OPM needs to delay these rules, make full use of the demonstration authority to test new personnel systems, and when pilots prove successful allow other agencies to use those authorities.
- **Learning from past efforts:** Congress and OPM should encourage dialogue on lessons learned from past and ongoing demonstration projects, such as the Navy Demonstration Project at China Lake and the Department of Defense Acquisition Workforce Personnel Demonstration Project, as well as special authorities authorized by Congress, such as the flexibilities under the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The dialogue should also include discussion of the events that led Congress to repeal the National Security Personnel System in 2009.
- **Transparency and data:** The credibility of any new pay and classification system will depend on a decision-making process that is transparent and is informed by both public and private sector data. Government data used to inform the creation of the new system should include satisfaction of internal customers of the human resource processes (such as applicants, current employees and managers), as well as data on external customer service to citizens, which can help identify skills gaps. In charting a path to establish the details and governance of a new pay and classification system, Congress and OPM should ensure that stakeholders, including federal employee representative organizations, have an opportunity to provide input.

⁵ Pub. L. 114-137 (March 16, 2016).

⁶ 5 U.S.C. § 4701.

Accountability

Senior agency leaders are responsible not only for executing missions and developing policies but also for stewarding the management of the agencies, including the performance of personnel. The administration and Congress both have essential roles in holding leaders responsible for organizational health:

- **Better training for managers and supervisors:** Individuals elevated into managerial or supervisory positions should be required to undergo rigorous training before assuming their new responsibilities, and should also be afforded continual training. Training should instill accountability for personnel management by addressing topics such as conducting effective appraisal reviews, dealing with poor performers or misconduct, respecting whistleblower rights, and delivering exceptional customer service.
- **Alignment of political and career positions:** The administration and Congress should work together to identify political positions that should be converted to career positions. In particular, these conversions are appropriate for C-Suite positions whose responsibilities require technical managerial skills (e.g., chief financial officers and chief human resource officers). Career leadership in these positions would provide continuity between administrations and sustained attention to management issues.
- **Meaningful performance reviews:** The annual Federal Employee Viewpoint Survey confirms that federal employees do not think that appraisal processes distinguish outstanding achievers from poor performers. OPM can reverse these perceptions by leading a government-wide effort to prevent “grade inflation” in employee reviews and promote the linking of performance to the agency’s missions and goals.
- **Effective use of the probationary period:** The probationary period provides a period for expedited removal of a new federal employee who is not meeting expectations. No matter the length of the probationary period, its value is limited unless supervisors make and document the reasons for keeping or not keeping an employee at the end of the probationary period. Congress should mandate that supervisors make such a determination before the end of the probationary period.
- **Consolidated appeals processes:** OPM and Congress should explore ways to streamline appeals processes while preserving strong enforcement of the merit system principles. The current processes, spread over multiple forums, are confusing, lengthy and expensive for employees and agencies alike.
- **Performance plans for political appointees:** All career federal employees have performance plans. Congress should also mandate that political appointees have clear, transparent performance plans that include accountability for the management functions under their responsibility, including personnel management and customer experience.
- **Robust oversight from Congress:** Through its oversight role and stewardship of agency budgets, functions and policies, Congress plays an essential role in holding agency leaders -- both political and career -- accountable for the management of government. Authorizing and appropriating committees alike should hold regular hearings on managerial operations of the agencies. In doing so, Congress should make use of the annual Federal Employee Viewpoint Survey, including key data points

such as the responses to question 17 (“I can disclose a suspected violation of any law, rule or regulation without fear of reprisal”) and question 41 (“I believe the results of this survey will be used to make my agency a better place to work”).

Mobility

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

- **Public-private talent exchanges:** Providing opportunities for individuals from the private sector to work temporarily in the public sector, and vice versa, is an effective way to cross-fertilize knowledge across the sectors and increase each sector’s understanding of the other. Congress should extend government-wide the talent exchange authority already authorized for the Department of Defense.⁷
- **Temporary and term appointments:** Congress should pass legislation that has been reported by the Senate Committee on Homeland Security and Governmental Affairs that would enhance the ability of agencies to use temporary and term appointments to address short-term needs.⁸
- **Re-hiring former federal employees:** Congress should amend Chapter 33 of Title 5, United States Code to allow agencies to non-competitively rehire former federal employees at the level for which they qualify. Currently, former employees can be reinstated non-competitively only to a job at or below the grade level they last held, even if valuable experience outside the government has enhanced their credentials or qualifications.

The Senior Executive Service

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

- **Separate career track for technical experts:** Congress should create a separate promotional track for individuals deemed to be technical experts to ensure these individuals have advancement opportunities that do not force them to take on significant management responsibilities for which they may not be suited. (Congress

⁷ Section 1104 of the National Defense Authorization Act for Fiscal Year 2017, Pub. L. 114-328 (Dec. 23, 2016).

⁸ S. 1886, the *Temporary and Term Appointment Act of 2017*, sponsored by Sen. James Lankford, ordered to be reported favorably by the Senate Committee on Homeland Security and Governmental Affairs on Oct. 4, 2017. Similar language was included in section 1109 of the House-passed version of H.R. 5515, the National Defense Authorization Act for Fiscal Year 2019 but was not included in the conference report.

has already given the Veterans Administration this kind of authority in the VA Choice and Quality Employment Act of 2017).⁹

- **Updated SES qualifications:** OPM should also make sure that agencies periodically review positions to determine whether they should be Senior Level or Senior Technical positions instead of SES positions. OPM should also update the Executive Core Qualifications – the set of demonstrated competencies required for entry into the SES – on a regular basis to ensure they emphasize the skills modern executives and require a diversity of experience for an individual before entering the SES.
- **Resume-based hiring:** Agencies sometimes require applicants to the Senior Executive Service to write lengthy essays. While writing skills are essential to some jobs, essay-based applications do little to help identify the best candidates for certain positions. OPM should ensure that its regulations and policies do not prohibit or discourage resume-based hiring.
- **Diversity of experience of SES:** A diversity of experience in different sectors or at different agencies should be a prerequisite for qualification for entry into the SES. Moreover, rotational opportunities for SES benefit the government as a whole and individual senior executives by promoting enterprise-wide skills. OPM and Congress should expand opportunities for aspiring executives and SES to participate in rotations. Both the administration and Congress have responsibility for ensuring that rotation and reassignment of SES are to enhance the management of government, not to punish, discipline or marginalize career senior executives.
- **Effective training for SES:** OPM and agencies should create robust SES onboarding programs, as well as continued opportunities for SES throughout their careers to provide professional growth and keep their skills sharp.

Workforce Reshaping

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

- **Increase in Voluntary Separation Incentive Pay (VSIP) amount:** The Chief Human Capital Officers Act of 2002¹⁰ provided government-wide authority to use the VSIP but the amount of the payment has not been adjusted on a government-wide basis since that authorization. In the National Defense Authorization Act for Fiscal Year 2017, Congress increased the VSIP cap for the Department of Defense from \$25,000 to \$40,000.¹¹ Congress should follow suit for the rest of the government and also provide that the amount will periodically be adjusted for inflation.
- **Delegation of VSIP and Voluntary Early Retirement Authority (VERA):** Current law requires agencies to seek approval from OPM for specific VSIP and VERA decisions, slowing down the use of these workforce reshaping tools.¹² The authority to use these provisions more properly should rest with the agencies themselves, who are in the best position to know their restructuring needs and can be audited by OPM and their

⁹ Section 205, Pub. L. 115-46 (Aug. 12, 2017).

¹⁰ Section 1313, Pub. L. 107-296 (Nov. 25, 2002).

¹¹ Section 1107, Pub. L. 114-328 (Dec. 23, 2016).

¹² Sections 3522, 8336 and 8414 of Title 5, U.S. Code.

inspectors general to ensure they are being used appropriately. Congress should amend these authorities accordingly.

- **Performance as top determinant in Reduction in Force (RIF):** Agencies are required to use RIF procedures when they must separate employees for reasons such as a shortage of funds, insufficient personnel ceilings or reorganizations. The goal of a RIF should be to retain the highest performing employees. Congress has already required the Department of Defense to ensure that in implementing a RIF, decisions on which employees will be separated will be made primarily on the basis of performance.¹³ This directive should be extended to the rest of the government.

¹³ Section 1101 of the National Defense Authorization Act for Fiscal Year 2016, Pub. L. 114-92 (Nov. 25, 2015).