

NEXT STEPS IN HUMAN CAPITAL REFORM

TESTIMONY BEFORE THE UNITED STATES SENATE GOVERNMENTAL  
AFFAIRS COMMITTEE

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Thank you for inviting me to testify before this Committee at this critical moment in civil service time. I believe the Committee's proposed legislation to establish a Department of Defense national security personnel system marks an important step forward in crafting long-overdue changes to our outmoded human capital system in government.

First, the proposal provides needed clarification and specificity regarding the authorities to be granted to the Department of Defense. I have never believed in unfettered authority for the president, even in times of war. As I testified last year on the administration's proposed legislation creating a Department of Homeland Security, Congress has an important role to play in providing details on the front-end of reform and oversight during implementation. The proposal now before this Committee does both. Indeed, it will almost certainly act as a template for other agencies that are even now lining up to request their own authorities to remodel their personnel systems.

I need not tell this Committee that there is a significant difference between allowing agencies to "tunnel" out of the current system every which way, and giving them specific guidance on the basic minimums that must guide the effort. One will produce a patchwork of chaos, while the other will provide a meaningful test that every agency must meet on its way to tailoring systems for its particular mission. As I note later in this testimony, the federal government already has a formidable reputation for having one of the most confusing personnel systems of any public service employer. This proposed legislation would move a great distance toward reducing that confusion without compromising agility.

Second, this proposal reflects a time-honored commitment by this Committee to bipartisanship. Once again, I need not tell this Committee that federal employees are nervous these days. As I recently wrote, they have ample cause to worry about the underlying goals of any legislation dealing with employment issues. Although I have no reason to doubt the motivations of the Defense Department in pursuing this legislation, and have the utmost confidence in the public service motivations of the Defense Under Secretary for Personnel and Readiness, Dr. David Chu, I also believe bipartisanship is the coin of the realm for reassuring federal employees that a given reform is designed in the best interests of the workforce.

I have no doubt that the House Government Reform Committee would have reached a bipartisan consensus had it had enough time to fully consider the Defense Department's proposal—indeed, the Committee made significant progress in refining the bill under intense time pressure. But thanks to the three co-sponsors of this new proposal, and their staff, this Committee has found a way to fashion a bipartisan

agreement that should reassure all federal employees that reform will be given the fullest consideration regardless of the time pressure.

I should note in this regard that the Senate Governmental Affairs Committee has always had a reputation for just this kind of bipartisanship. Having served on the staff under Senator John Glenn in the 100<sup>th</sup> Congress, I know that achieving such consensus is not always easy. However, it comes as close to an informal requirement for success as any I know, especially on government reform questions. It is already hard enough to win implementation of the kind of reforms government needs with so many obstacles buried in the rules and procedures of our bureaucratic systems.

Third, this proposal fits well with previous Governmental Affairs Committee legislation designed to improve federal human capital management. It is the logical extension of the 1978 Civil Service Reform Act, which began in this committee, and fits well with the more recent reforms to create Chief Human Capital Officers in government. The Defense Department's CHCO will play a significant role in interpreting this statute, as will the Director of the Office of Personnel Management. Indeed, one of the most important changes in the proposed reforms involves a much more robust role for the OPM, which is itself undergoing significant change toward workforce planning. I have no doubt that OPM is already up to the task envisioned here—it has earned a well-deserved reputation for adding value to the Homeland Security personnel system, and has moved with alacrity toward rebuilding its reputation as the place to go for help as agencies struggle with their shared and unique personnel challenges.

Let me be quite clear regarding my general view of the need for further human capital reform: There is no choice but to advance quickly on the kind of bold reforms envisioned here. Having studied the federal civil service system for twenty years, I have watched as one dire prediction after another has come true. The current system simply cannot compete for the kind of talent we need in the future. Although some will rightly argue that we need more time to find the perfect proposal, we have now been experimenting with reform for at least fifteen years. We are at a point where the perfect cannot be allowed to become the enemy of the good.

## THE NEED FOR REFORM

The Center for Public Service has spent the last five years examining the data on the federal public service. Along the way, we have conducted random-sample surveys of federal employees, nonprofit employees, private sector employees, the American public, human services workers, college seniors, nonprofit executives, civic leaders, presidential appointees, and college professors. We have also developed databases for tracking the presidential appointments process, the true size of the federal contract and grant workforce, the thickening of the federal hierarchy, the success, or lack thereof, of federal management reform, and an inventory of the federal government's greatest achievements of the past fifty years. All totaled, we have invested more than \$10 million on basic research dealing with how the federal government works, with funding from the Dillon

Fund, Ford Foundation, Irvine Foundation, Kauffman Foundation, Kellogg Foundation, Packard Foundation, The Pew Charitable Trusts, Smith Richardson Foundation, and our Brookings board chairman, James Johnson.

Although this research deals with a variety of questions, it sums to a single conclusion regarding the future of federal public service: The federal government has become an employer of last resort for the nation's most talented citizens, be they presidential appointees, Presidential Management Interns, air traffic controllers or acquisitions managers. As we argue time after time, the problem facing the federal government is not a lack of interest in serving. Rather, it is in the encrusted systems that make it so difficult to enter the workforce and advance on the basis of performance. In many ways, the federal government has a far better workforce than it deserves.

### *Reputation*

Yesterday, the Center for Public Service released its latest survey of college seniors, which examines attitudes toward public service among 1,002 randomly-selected liberal arts and social work students. The survey has both good news and bad for those who are concerned about the future of the federal workforce.

The good news is that, despite the cold hiring market, these college seniors have not changed their standards about what constitutes a good job. They still put the emphasis on finding jobs that provide the opportunity to help people, learn new skills, and do challenging work. The nature of the job, not the size of the paycheck, is still the most important consideration in making a decision about where to work.

College debt does make a difference in what the class of '03 wants in a job. Two-thirds of students with more than \$20,000 in debt said the opportunity to repay college loans was a very important consideration as they look for work, compared to just 17 percent of students with \$10,000 or less. But even for students with high levels of debt, the opportunity to help people was still the number one consideration in any job.

More broadly, the survey provides strong support for those who believe that government must take bold action to address its reputation as an employer. Just as the bipartisan National Commission on the Public Service chaired by former Federal Reserve Board Chairman, Paul A. Volcker warned earlier this year, too many seniors see government as the most difficult sector to enter, and its hiring process as by far the slowest and most confusing. Even seniors who would prefer a government job do not know how to get one.

More troubling, seniors do not see government as the best place to go for helping people. When they hear the words "public service," they think of the kind of work they see in the nonprofit sector. Nonprofits, not government or its contractors, are also seen as the best at spending money wisely, being fair in their decisions, and delivering services on the public's behalf. Contrary to those who say that government must become more businesslike to compete, these seniors almost surely would recommend that government

become more nonprofit-like, especially in reassuring potential recruits that they will be given a chance to help people and be rewarded for doing so.

This emphatic interest in helping people suggests an extraordinary opportunity for public service organizations to make their case to a particularly motivated workforce: 26 percent of the seniors said they had given very serious consideration to any kind of public service job, be it working for government, a nonprofit, or a contractor, while another 36 percent had given it somewhat serious consideration.

Although the Center does not have the data to establish a trend line to the past—meaning that this year’s number could be up or down from past years—it seems reasonable to suggest that this group of young Americans is as interested as they could ever be. The question is whether public service organizations have the agility, let alone the funding, to take advantage of the opportunity. After all, the job market is cold in large part because organizations in all three sectors do not have the money for hiring.

For those who are particularly concerned about increasing government’s success in the war for talent, this report supports the need for quick action to streamline the hiring process and bolster its reputation as a place where young Americans can make a difference in serving the country. The faster it moves to send a dramatic signal that it is ready to provide the kind of work young Americans clearly want, the faster it can begin strengthening its workforce for the future.

Consider the following findings on this case:

#### *Preferences for Public Service*

- Twenty percent of all seniors said they had given very serious consideration to a job in a nonprofit organization, 18 percent said the same about working for the federal government, 19 percent about state and local government, and 13 percent about a business that works for government under a contract or grant.
- Among the 615 seniors who said they had given very or somewhat serious consideration to any kind of public service job, 42 percent said they would prefer to work for the nonprofit sector, 37 percent for government (federal, state, or local), and 19 percent for a contractor.

#### *Views of the Sectors*

- The nonprofit sector was seen as the best place to go for someone who wanted a chance to help people, make a difference, and gain the respect of family and friends; government was seen as most attractive for someone who wanted good benefits and the chance to serve the country; and contractors for someone who wanted the best salaries.
- The nonprofit sector was seen by far as the best of the three sectors at spending money wisely, helping people, and being fair in its decisions: 60 percent said the nonprofit sector was the best at spending money wisely,

compared to only 6 percent who said government; 61 percent said the nonprofit sector was the best at being fair in its decisions, compared to just 22 percent who said government; and 76 percent said the nonprofit sector was the best at helping people, compared to just 16 who said government. Contractors were viewed as the worst at being fair in their decisions (10 percent) and helping people (4 percent), but ranked above government on spending money wisely (29 percent).

### *Finding a Job in Public Service*

- These seniors were generally confused about how to find work for government, nonprofits, or contractors. Just 44 percent said they knew a great deal or fair amount about finding a job in either government or a nonprofit, and even fewer, 30 percent, said they knew a great deal or fair amount about finding work for a contractor.
- Nevertheless, 62 percent said finding a job in a nonprofit organization would not be difficult or difficult at all, compared to 34 percent who said the same about finding a job with a contractor, and just 28 percent who said the same about a job in government.
- Seniors described the government hiring process as confusing (63 percent), slow (78 percent), and fair (77 percent); the nonprofit hiring process as both simple (69 percent), fast (56 percent), and fair (89 percent); and the contractor hiring process in between on simplicity, speed and fairness.

### *Definitions of Service*

- Seniors defined public service almost entirely in terms of helping people. Asked what the words “public service” meant to them, 36 percent said helping people, 30 percent said helping the community, nation, or society, and 15 percent said doing something selfless. Only 5 percent defined public service as working for government or the military, and just 2 percent said working for a nonprofit.
- Asked about jobs as a form of public service, 58 percent said working for a nonprofit organization was completely public service, 28 percent said the same about working for government, and 23 percent about working for a contractor.

### *The Impact of Volunteering, Interning, and Working on Job Preferences*

- Only 8 percent of these seniors said they had volunteered, interned, or worked for the federal government in the past, compared to 10 percent for contractors, 11 percent for state or local government, and 54 percent for nonprofits.
- Seniors who had volunteered, interned, or worked in any of the three sectors in the past were much more interested in taking a public service job than those who had not.

- 85 percent of seniors who had volunteered, interned, or worked in government said they had very or somewhat seriously considered a public service job, compared to 68 percent of seniors who had past contact with the nonprofit sector, and 66 percent who had past contact with contractors. The more contact students had with any of the sectors, the better they felt about following through on public service careers.

### *Turnover*

Contrary to many, I do not believe the problem facing government is either a lack of applicants or the impending retirement wave. As my colleagues at *Government Executive* rightly point out in a story released last Friday, the retirement crisis may turn out to be far less of a crisis than most reformers believed—indeed, the turnover rate in government may actually be too low, especially at the middle- and upper-levels.

There can be little question, however, that the turnover rates on the front-lines are both high and, in all likelihood, accelerating. Although we do not know what has happened in the last three quarters, the most recently available data suggest that new employees are leaving faster than ever.

We know that quit rates vary greatly by level in the organization. Turnover is extremely low among middle- and upper-level managers, for example, but extraordinarily high among front-line workers. The federal government has between 150,000 and 250,000 separations a year, mostly at the front-line, which averages out to a quit rate of well over 10 percent. Indeed, one of the reasons hiring freezes have such a damaging effect on government is that they hit agencies where service matters most—among toll-free telephone operators, Veterans benefit officers, Social Security claims representatives, IRS auditors, and other critically important front-line staffs.

As the following table suggests, federal employees who quit government are pulling the trigger faster with each passing year, even during the 2001 recession. The quit rates are particularly troublesome at the General Schedule (GS) 7, 9, and 11 levels, where the federal government recruits many of its future leaders. In 1997, for example, 35 percent of the GS professional and technical (P&A) employees who quit had less than five years of service. By the first quarter of the 2002 fiscal year, the number had jumped to almost half.

TABLE 1

PERCENT OF FEDERAL EMPLOYEES WHO QUIT  
WITH UNDER FIVE YEARS OF SERVICE

Fiscal Year	Technical 5	Technical 7	GS P&A 7	GS P&A 9	GS P&A 11	GS P&A 13	GS P&A 15
1997	37%	15%	57%	35%	27%	7%	34%
1998	39	15	59	38	28	15	32
1999	46	18	62	39	29	15	34
2000	54	22	67	46	36	20	31
2001	65	28	71	47	33	24	34
2002 <sup>a</sup>	63	30	70	47	42	27	41

<sup>a</sup> First quarter only

Source: Author’s analysis of data from FEDSCOPE Dynamics Cube, Office of Personnel Management

Because the federal government relies on inside talent to fill so many of its entry- and middle-level jobs, it must have a steady stream of new talent entering the pipeline at the start of career. Unfortunately, even if the federal government becomes more effective at the entry-level pitch, it must recognize that today’s labor force simply does not expect to stay in any one sector or job for very long.

Consider the following findings from our college seniors survey on this point:

- Asked how much time a person should work in government during such a career, 25 percent of the seniors either said “no time at all” or simply did not know. Another 26 percent said less than five years, 31 percent said five to ten years, and only 17 percent said more than ten years. Even among the seniors who said they would prefer a public service job in government, more than half (53 percent) said a person should spend ten years or less in government as part of their careers.
- Asked how long a person should stay with any given employer before moving on, 39 percent of the seniors said less than five years, 32 percent said five to ten years, just 9 percent said more than ten years, and the rest did not know. Students who preferred public service jobs with contractors were the most impatient—46 percent said a person should stay less than five years—while those who preferred government were the least impatient—34 percent of these seniors said less than five years.

These findings suggest that all three sectors are dealing with a highly mobile workforce, and need to prepare themselves for turnover. This may have less to do with the sectors and much more to do with the job market itself. All three sectors have proven themselves very effective at downsizing and cutbacks, creating a basic expectation among potential employees that it is best not to stay on very long with any one employer.

Thus, it appears reasonable to encourage all public service employers to offer more opportunity for lateral movement in and out of the workforce at various points in



careers. The thirty-year career is largely an illusion to these seniors—although some may well go to government and stay through retirement, almost none believe they will do so. To the extent that employers such as government advertise themselves as the best place to go for long-term service, they may well create more resistance than enthusiasm.

### *The Promise of Performance*

College seniors consider many things as they make their decisions about taking a job, not the least of which is the amount of debt they carry out of college. These perceptions of government suggest serious problems in making the case for future service. It is one thing to emphasize the chance to serve the country in moments of intense international concern and patriotic sentiment, and quite another to maintain that call during periods of calm. It is also one thing to recruit employees through such a call, and quite another to honor that desire to serve in government organizations that are perceived by their own employees as over-layered, under-resourced, and beset by administrative red-tape.

These concerns became particularly clear when the seniors were asked what they most value in a job. As the list below shows, benefits ranked high on the list. Salary, public respect, and the opportunity to repay college loans ranked far below. The following list shows the percentages of students who said a particular job characteristic was a very important consideration:

1. Opportunity to help people: 67 percent
2. Benefits: 63 percent
3. Opportunity to do challenging work: 63 percent
4. Opportunity to learn new skills: 63 percent
5. Job security: 60 percent
6. Opportunity for advancement: 56 percent
7. Opportunity to repay college loans: 43 percent
8. Salary: 30 percent

Interestingly, students with high levels of debt were no more interested in salary than students without any debt at all. Rather, they were interested in jobs that provided the opportunity to repay college loans: 67 percent of students with more than \$20,000 in debt said repaying college loans was a very important consideration in their decision about where to work after graduation, compared to just 11 percent who had no debt at all. (One can only wonder why a senior with no debt would worry at all—they may have simply associated loan repayment as part of a generally good compensation package, for example.)

These expectations vary by preferred job in only three cases. Seniors who preferred a public service job in the nonprofit sector were significantly less likely than their peers who preferred jobs in government or contractors to emphasize the opportunity for advancement and job security, while students who preferred jobs with contractors were significantly more likely to emphasize salary. In these three areas, seniors appear to

recognize the realities of just what life is like in the nonprofit sector—lower salaries and less security—and understand that going to work for a contractor provides significant material reward.

## THE FOREIGN AFFAIRS WORKFORCE

Although I believe that there is no level of the current human resources system that does not need immediate reform, I am particularly concerned about problems on the front lines of government where non-supervisory personnel bear so much of the burden for the inefficiency. They are the ones who have to wait months for replacements to work their way through the process, and the ones who must deal with layer-upon-layer of needless managerial oversight.

The problems are particularly apparent in the foreign affairs workforce, where dozens of task forces, commissions, and study groups over the last two decades have expressed the need for fundamental public service reform, be it in the Departments of Defense or State, the intelligence agencies, or government as a whole. None have been more blunt in describing the problems than the U.S. Commission on National Security/21<sup>st</sup> Century, co-chaired by former Senators Gary Hart and Warren Rudman.

As it enters the 21<sup>st</sup> century, the United States finds itself on the brink of an unprecedented crisis of competence in government...This problem stems from multiple sources--ample private sector opportunities with good pay and fewer bureaucratic frustrations, rigid governmental personnel procedures, the absence of a single overarching threat like the Cold War to entice service, cynicism about the worthiness of government service and perceptions of government as a plodding bureaucracy falling behind in a technological age of speed and accuracy.<sup>1</sup>

The events of September 11<sup>th</sup> certainly changed the Commission's assessment regarding the lack of an overarching threat and cynicism about government service, but many of the problems identified in its in-depth analysis of government service remain. Many young Americans have been called to service by the war on terrorism, but they still confront a government hiring process that is frustrating at best. And once in government, they often complain of antiquated systems, needless hierarchy, and broken promises.

### *Presidential Management Interns as a Case in Point*

The Presidential Management Internship program provides ample evidence of the point. As part of arguably the most prestigious recruiting system in the federal government, graduates of the nation's leading public policy and international affairs

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<sup>1</sup> U.S. Commission on National Security/21<sup>st</sup> Century, *Roadmap for National Security: Imperative for Change*, Phase III Report (U.S. Commission on National Security/21<sup>st</sup> Century, February 15, 2001), p. xiv.

programs receive just the kind of high-level policy learning they seem to want. Unfortunately, many PMIs soon conclude that government cannot or will not provide the work they want.

The disappointment is unmistakable in a 2001 Brookings Institution survey of 1,051 federal government employees. The random sample survey included 107 then-current Presidential Management Interns (PMIs), or more than enough to test the excitement of early careers in government. There was less excitement, however, than disappointment.<sup>2</sup>

The PMIs entered government for the right reasons. The vast majority of PMIs said they took their post to help the public, do something worthwhile and make a difference because of pride in their organization, not the paycheck, benefits, or job security. They also strongly rejected the notion that they were in dead-end jobs with no future.

If only the rest of the federal workforce were as committed. Unlike the PMIs, most federal employees joined government for the paycheck, benefits, and security, nearly a third said they came to work every day for the compensation, and almost a third saw themselves in dead-end jobs.

The PMIs saw problems with more than just poor performance among their security-conscious co-workers, however. Compared to the senior executives, middle-level employees, and lower-level employees who were also interviewed, the PMIs were the least likely to agree that they have the chance to do things they do best, the least satisfied with the public respect they received, and among the least satisfied with the chance to accomplish something worthwhile. They were also the most critical of all levels of employees, from top to bottom, and the harshest toward the hiring and disciplinary process.

The PMIs saw all the familiar problems in the personnel system. They were the most likely of federal employees to say the hiring process was confusing, slow, and unfair, and the most likely to say their organization did not do well at disciplining poor performers. And asked how well their organizations do at retaining talented employees, only 7 percent said very good, while 51 percent said not too good or not good at all. Finally, they were the most likely to highlight organizational shortages in access to information, technology, training, and enough employees to get the work done. More than half said their organization only sometimes or rarely provides enough access to training.

September 11<sup>th</sup> did little to change these PMI attitudes. When many of the same respondents were re-interviewed in the spring of 2002, they were even more unhappy with their situation. Not only were they less satisfied with their jobs overall, they were less satisfied with the chance to accomplish something worthwhile, less able to describe

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<sup>2</sup> See Paul C. Light, "To Restore and Renew," *Government Executive*, November, 2001, for more information on the survey and the results.

how their job contributes to the mission of their organization, and less trusting regarding their organization's ability to run programs and deliver services, spend money wisely, be fair in its decisions, and help people. As for the impact of September 11<sup>th</sup> on their agencies, 35 percent reported more of a sense of mission since the attacks, while 63 percent reported no change at all.<sup>3</sup>

*Views from the Foreign-Affairs Workforce as a Whole*

Not all the post-September 11<sup>th</sup> news is negative, however. There are federal employees who felt a greater sense of mission in their organizations, who earned a greater chance to do the things they did best, and who saw less poor performance in their midst. They can be found in the Departments of Defense and State, where the war on terrorism is being fought.

TABLE 2  
SENSE OF MISSION, PRE-POST SEPTEMBER 11<sup>th</sup>

	Government	Defense and State	All Other Agencies
Sense of Mission since September 11 <sup>th</sup>			
More of a sense of mission	42%	63%	35%
Less	1%	0%	1%
Same	57%	37%	63%
How has job changed since September 11?			
More Difficult	27%	31%	25%
More Stressful	37%	46%	34%
More Rewarding	19%	30%	15%
More Challenging	31%	45%	26%

N=673 for government-wide; Defense and State=175, all other agencies=498

Alongside the heightened sense of mission, Defense and State employees also perceived an increase in performance. Asked how many co-workers were not doing their jobs well, 30 percent of Defense and State employees said five percent or less, compared to 20 percent of their peers. These employees also reported significant gains in their sense of engagement in the actual job. In 2001, for example, 45 percent of Defense and State employees said they were given the chance to do the things that they do best; in 2002, the number had increased to 59 percent. Among all other agencies, the percentages went in the opposite direction. In 2001, 44 percent of employees said they were given the chance to do the things they do best; in 2002, the number was down to 38 percent.

<sup>3</sup> These results can be found in Paul C. Light, "The Troubled State of the Federal Public Service," Brookings Institution report, June 27, 2002.

The war on terrorism may have created a renewed sense of purpose at Defense and State, but it did not change the underlying structure and operation of these critical agencies. To the contrary, even as they sensed greater pressure to act, employees at Defense and State reported significant frustration getting the resources to do their jobs well. Pre- and post-September 11<sup>th</sup>, Defense and State employees reported declines in organizational morale, the opportunity to accomplish something worthwhile and contribute to the mission of the agencies, and access to enough training to do the job. At the same time, they reported an increase in the perceived number of layers between employees and management. Before September 11<sup>th</sup>, 34 percent had said there were too many layers of supervisors; by the following spring, the number had risen 10 percentage points.

These changes illustrate the problems relying on patriotism alone for a renewal of the antiquated systems and structures of government. Young Americans may be more likely to take a first job in government today, and they may be willing to accept heavier workloads and bureaucratic impediments for a time. But they will not do so for a career, nor will they long accept the barriers to accomplishing something worthwhile.

These findings confirm both the supply and demand problems in recruiting the next generation of foreign policy leaders. How could employees say they have a greater chance to do the things they do best, for example, yet also conclude they have less of a chance to accomplish something worthwhile? It's entirely possible that the things today's employees do best are not necessarily the things that produce results in a post-September 11<sup>th</sup> world. It is also possible that bureaucratic encrustation has created organizations in which the best efforts of individual employees sum to a whole less than the parts.

Certainly, these employees recognize the problems associated with bureaucratic layering and politicization at the top of their agencies, as well as the need for greater access to training. All they need do is read the stories about information flows at the Central Intelligence Agency and Federal Bureau of Investigation to confirm their worst fears about contributing to the whole. Hence, there was no pre-post September 11<sup>th</sup> change in the ability to describe how one's own job contributes to the mission of the Defense and State Departments. The decline came in the sense of being able to personally contribute to that mission—55 percent said they contributed a great deal to the mission in 2001, compared to 46 percent in 2002.