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A Call to Arms

Why the Federal Workforce Must Become a National Priority

In the time it takes to read this chapter, federal government agencies will have solved multiple crimes, supervised the safe take-offs and landings of hundreds of airplanes, issued an updated national weather forecast, monitored the skies for any sign of enemy attacks, issued visas to tourists around the world, planted trees, rescued struggling ships at sea, paid food stamps to hungry citizens, operated on wounded soldiers, and processed some \$50 million in banking transactions.

For the most part, Americans take all this public service for granted. After all, the federal government is the largest single employer in the United States. We devote one-quarter of the national budget to federal government salaries, retirement benefits, and other labor costs, so we expect that things will run well. The only time the federal government attracts much attention is when things go wrong.

But after a half-century of neglect, cracks are beginning to show. The system is coming under increasing strain. In almost every sphere there are backlogs, customer service failures, security lapses, cost overruns, and, in some cases, real disasters such as intelligence mistakes (Iraq), regulatory failures (weak oversight of the financial system), breakdowns in emergency response (Hurricane Katrina), or administrative meltdowns (loss of personal data for thousands of veterans).

The primary reason is that the civil service is trying to cope with an increasingly complex world while hobbled with an inflexible, outdated management structure. It is run by a revolving door of political appointees, many with limited management skills and little interest in long-term efficiency. In short, the federal government is an anachronism in a world where technology enables new and versatile ways of working. It is increasingly unsuited to deliver complex services.¹

What threatens to turn this slow decay into a real crisis is the looming wave of retirements that in the next decade will strip away most of the federal government's experienced managers. Many of the approximately 1.9 million federal employees who run the government are nearing retirement, yet the political agenda continues to overlook the dire need for civil service reform. The civil service needs a plan that will enable it to attract, train, and retain its fair share of the "best and the brightest" in a competitive labor market. This will not happen until the nation adopts a fresh approach to managing the government's human capital. The government is becoming dangerously overdependent on private contractors to perform core government services. Without action, the government will struggle to maintain the standards of efficiency, honesty, and accountability that every citizen in the world's richest country has a right to expect.

The federal government's personnel system was built in the image of the large centralized manufacturing companies that dominated the U.S. economy during and after World War II. Management had a top-down, command-and-control structure, and the majority of federal government workers were clerks, performing repetitive tasks and processing paperwork. Young people joined at entry levels and expected to remain in the civil service throughout their working lives, doing well-defined jobs and retiring with handsome pensions. The bureaucracy was designed to be slow and deliberative and to resist change. It was a comfortable system, and it worked fairly well for nearly half a century.

But the system is not appropriate for the twenty-first century. Parts of the world that barely knew of one another's existence fifty years ago are now in daily communication—and competition. The U.S. industrial base has shrunk, replaced by technology and service businesses that evolve at a rapid pace. The revolution in computer technology and telecommunications has brought rapid globalization. Advances in genetics and life sciences, the

changing global climate, and the threat of terrorism and viral pandemics pose economic, regulatory, ethical, and financial challenges that were unheard of by previous generations of civil servants.

Faced with similar challenges, private sector companies have had to rethink the way they do business. The successful ones have embraced new models and changed the ways they recruit, train, measure, reward, and manage their workforces. In

today's knowledge economy, attracting and motivating skilled workers and making them highly productive are crucial to an enterprise's continued success. People

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are a strategic asset, to be leveraged through careful investment. Companies as diverse as GE, Proctor & Gamble, IBM, and Pfizer have evolved and thrived over many decades by following that course.² The GE of today, the world's second-largest global conglomerate, is barely recognizable as the company founded in 1876 by Thomas Edison. The information age has spawned new giants such as Microsoft and Google—growing from nothing to global companies in less than a generation. The irresistible pressure of market forces has pushed industry to change and adapt in order to survive. By contrast, the government systems and structures that served an earlier age are still in place.

The civil service, however, has no mechanism for reforming itself organically—it has to rely on the president and Congress to initiate major change. Not even a cabinet secretary can overhaul the human resources system in a department without congressional approval. But Congress has paid little attention to the widening gap between the demands of increasingly vast and complex government programs and the ability of the government personnel system to deliver them. Put simply, the United States is not managing its enormous investment in human capital *strategically* to deliver the highest possible quality of government for everyone (see box 1-1).

The malfunctioning of the federal government is becoming evident in many spheres. The Iraq War was predicated, in part, on flawed intelligence about weapons of mass destruction. Wounded veterans are waiting years to obtain disability benefits. Hurricane Katrina, the Madoff scandal, rats and vermin at Walter Reed Medical Center, the backlog of half a million

BOX 1 - 1 . What Is Strategic Human Capital?

To understand the term “strategic human capital” used throughout this book, consider the circumstances surrounding “Jim,” a forty-nine-year-old federal government employee who processes disability compensation claims for veterans. He has worked for the U.S. Department of Veterans Affairs (VA) for twenty-one years and is now a GS-13. Jim, whose older brother is a Vietnam veteran, believes deeply in the program’s mission and works long hours reviewing claim documents, detailed medical records, and military service records for approximately twenty veterans each week.

The VA provides disability benefits to 3.5 million veterans. Its fifty-seven regional VA offices process 800,000 claims a year. With the increased complexity of claims related to the wars in Iraq and Afghanistan, the VA’s backlog of unprocessed claims has risen to 400,000 in the past few years. To deal with this backlog, the agency needs to retain experienced employees, hire new ones to increase production, and train everyone to be more efficient.

Jim does the best he can with the tools currently available. However, if Jim were used as a *strategic resource*, he could be spending his days differently. Jim could be seeking new and innovative solutions to expedite claims processing by reaching out to a wide range of fellow government employees, nonprofit veterans service organizations, and vendors in the private sector. Jim could be asking private medical insurance claims companies to donate their time to help him execute claims. He could be asking his superiors to pilot a completely different model for claims approval. However, Jim cannot succeed in this effort unless the VA provides four kinds of support, which are currently missing.

1. Jim needs additional training. He needs to learn about innovations and pilot programs in different parts of the country that successfully increased the throughput of claims and improved the quality of rating decisions. He also needs to know how to assemble, coordinate, and manage the performance of his staff. This requires new soft skills (such as negotiation) and new technical skills for state-of-the-art computer systems.

pending patent applications—the list goes on and on. When these failures come to light, the public service often becomes the political scapegoat. The media and the general public—and sometimes even the president and members of Congress—are quick to blame the government’s bureaucrats. But the main problem is not the people. It is that the system is failing, despite the good people in it.

2. Jim needs to be empowered to assume risk and take the initiative by trying new approaches. Currently, the VA uses an assembly-line method of processing claims. Jim should be rewarded if he suggests and implements a new model that improves the delivery of benefits to veterans. He should not be penalized if the new process does not yield improved efficiency. And the agency should trust that his efforts are honorable—that if Jim works with veterans’ advocates or the private sector, he is doing so in good faith and not just trying to make a dime on the side.

3. Jim needs to be able to freely establish links with other federal agencies as well as with the private and nonprofit sectors. For example, he might choose to spend six months working with the Department of Defense, the Social Security Administration, the Department of Labor, veterans service organizations, or with insurance companies in the private sector learning new skills. Or he might work with new employees with particular skills to implement new approaches, who could be either new hires or staff on loan from other government agencies, businesses, or nonprofit sectors.

4. Jim needs a modest and reasonable amount of dedicated funding to pay for regularly scheduled training, travel, and the skills development necessary to undertake the first three measures, including any training for his staff.

If policymakers provide Jim with the right tools, create an environment in which he can experiment with new techniques, and fund those efforts, he is much more likely to be able to develop innovative strategies for processing disability compensation claims more quickly and accurately, at a lower cost, and at more convenient locations for U.S. veterans and their families.

This is what we mean by investing in “strategic human capital.” Using Jim *strategically* means going far beyond simply paying him more or offering additional benefits. It means leveraging his knowledge, performance, and commitment as a federal government employee and a human being.

In this book, our shorthand for this approach is the “people factor.”

Total Spending on Public Service

By any metric, the federal government is a dominant player in the U.S. economy. It alone accounts for some 20 percent of the gross domestic product.³ In 2007 more than 14 million individuals, including current and retired employees and the military, were paid directly or indirectly by the

TABLE 1-1. Estimated Number of Persons on Federal Payroll

<i>Branch</i>	<i>Number</i>
Executive (excluding U.S. Postal Service and Department of Defense)	1,888,055
Postal Service	747,805
Legislative	29,660
Judicial	33,469
Military (active) ^a	1,379,551
Military reserves (active) ^a	71,781
Contractors (estimated) ^b	7.6 million
Grantees (estimated) ^b	2.9 million
Total (actual plus estimated)	14.6 million

Source: Unless otherwise noted, figures are from Office of Personnel Management, "Employment and Trends," September 2007 (www.opm.gov/feddata/html/2007/september/charts.asp).

a. DefenseLink, "Department of Defense Budget for Fiscal Year 2009" (February 2008).

b. Paul C. Light, *A Government Ill Executed* (Harvard University Press, May 2008), p. 197.

federal government (table 1-1), with a total labor cost of approximately \$800 billion, or about one-quarter of total federal expenditure (table 1-2). On top of the federal budget, pension and health care benefits for retirees are piling up large future liabilities of nearly \$5 trillion (table 1-3).

Although labor costs are clearly one of the largest categories of government spending, this factor receives little serious scrutiny. The media print sensational articles about trivial problems (for example, whole newspaper series have been devoted to overpriced hammers and ice cube trays) but seldom ask if the public is getting the best possible value for the trillions of tax dollars spent on personnel. We argue that the federal workforce is no longer able to deliver the highest value on a consistent basis as a result of five major constraints:

1. Increased volume and complexity of government transactions accompanied by rising expectations for quality of service.
2. The legacy of an old-fashioned personnel system not designed to manage human capital strategically or to meet current demands.
3. A lack of leadership.
4. The retirement crunch: a growing loss of expertise resulting from the retirement of experienced public servants.
5. A deep-rooted negative perception among young people about the federal government as an employer that makes it hard to attract "the best and the brightest" to public service.

TABLE 1-2. Total Cost of Personnel

Billions of dollars

<i>Workforce</i>	<i>Cost</i>
Civilian executive (excluding Postal Service)	157.0
Retired civilian ^a	56.1
Contractors ^b	264.0
Postal Service	50.8
Legislative	2.3
Judicial	3.2
Military (active and retired) ^c	158.0
Federal grant–funded ^d	100.0
Total	791.4

Source: Unless otherwise noted, figures are from OPM, “Employment and Trends,” September 2007, Table 4 (www.opm.gov/feddata/html/2007/september/table4.asp).

a. OPM, *Fact Book 2006* (federal employee payroll estimates); based on data available for 2005.

b. Based on the Acquisition Solutions estimate that two-thirds of the total \$500 billion in government contracts is for service-based contracts, where labor costs account for 80 percent of expenditures.

c. GreenBook (www.defenselink.mil/comptroller/defbudget/fy2009/fy2009_summary_tables_whole.pdf).

d. Light, *A Government Ill Executed*.

1. Increased Volume and Complexity of Government Transactions Accompanied by Rising Expectations for Quality of Service

The complex environment in which the civil service of the twenty-first century operates is characterized by fiscal imbalances, escalating entitlement spending, demographic shifts, technological and scientific changes, threats to homeland security, and constant challenges in education, health care, and the operation of global institutions.⁴ In order to operate successfully, federal workers must be able to capture, manage, and share knowledge quickly and effectively. The task is a monumental one: to fix a host of long-standing social problems, protect against new physical and economic threats, and do it all without increasing costs. Government workers will be unable to succeed in this endeavor unless they become far more productive.

To complicate matters, the tools for delivering programs have become more numerous and complex. In an old-fashioned federal program, the system worked top-down. Today, if a Washington-based agency mandated that schools serve lunches to low-income children during summer vacation, local communities would not simply open up their schools and

TABLE 1-3. Federal Employee Benefits Payable

Billions of dollars

<i>Benefits</i>	<i>Civilian</i>	<i>Military</i>	<i>Total</i>
Pensions and accrued benefits	1,386.3	1,028.8	2,415.1
Post-retirement health	311.6	833.8	1,145.4
Veterans' compensation and burial	N/A	1,127.7	1,127.7
Life insurance and accrued	35.9	13.1	49.0
FECA	15.9	8.7	24.6
Liability for other benefits	0.5	6.8	7.3
Total employee and veteran payable	1,750.2	3,018.9	4,769.1

Source: Government Accountability Office, "FY 2007 Financial Report of the United States Government" (www.gao.gov/financial/fy2007/07frusg.pdf), p. 72.

do it. More likely, there would be a discussion of how best to implement the program, perhaps through a network of nonprofit organizations and private contractors in conjunction with local governments. It is not unusual for the federal government to provide matching funds to state and local governments, which may in turn reimburse nonprofit groups for providing meals in local facilities such as community centers, churches, and recreation centers. Senior agency officials might not ask for input on program design from the local federal employee administering the program. But even if they did, local employees would suddenly need a whole new set of skills to do the job well.

Harvard professor Stephen Goldsmith, a former mayor of Indianapolis, points out that such a "networked" delivery model demands new skills of government workers, including agility, creativity, flexibility, and resourcefulness.⁵ Today's government employees, he notes, need to be comfortable negotiating with partners and vendors, coordinating the activities of multiple organizations, and facilitating collaboration among the components of the network. They must also understand how to assemble these networks and how to set performance standards for all parties that can then be audited independently.

Shifting security priorities are also driving the need for a new kind of civil servant. "We are in a post 9/11 security environment," says Admiral James Loy, former deputy secretary of homeland security and commandant of the Coast Guard. "We need skills and competencies that never before were part of the civil service system. . . . Now there is a need

for agility, adaptability and speed of service. If government is going to gain the capacity to do what needs to be done, we must have these capabilities.”⁶

The huge increase in contracting and outsourcing has also changed the basic nature of a federal worker’s job, adding a “make-or-buy” dimension to decisionmaking. According to Nobel Laureate economist Ronald Coase, a fundamental reason that firms exist and perform functions internally is to reduce the transaction costs that make it more expensive to buy from an outside vendor.⁷ These costs include finding vendors, evaluating them, making contracts, communicating with them, and monitoring their activity and results. In the federal government, the role of private sector contractors has exploded without any robust mechanism for capturing those transaction costs. Consequently, federal employees are responsible for selecting contractors, overseeing them, and bearing all the burden of interacting with them. Yet in many cases this make-or-buy decision is made haphazardly. It is unclear whether the decision to “buy” instead of to make has saved money and produced better outcomes for the taxpayer.

Even the job of procurement has changed. Bob Welch, former procurement executive at the Departments of the Treasury and Commerce and founding partner of Acquisition Solutions, notes that two-thirds of Department of Defense procurement dollars are now spent on services and only one-third on products, creating a major challenge for its employees: “They need to understand how to purchase and manage service contracts, which requires a completely different set of skills than buying products.”⁸

During the past five years, the amount of contracting done by the federal government has more than doubled, from \$240 billion to \$500 billion, in large part because of the Iraq War.⁹ But federal workers have not been trained to manage the performance of these contracts. Another layer of responsibility has simply been added to their jobs. The consequence for the taxpayer has been a serious lack of oversight of war contracts. The inspector general for the Defense Department has already referred 28 cases involving millions of dollars in Iraq contracts to criminal investigators. Separately, the Army Criminal Investigation Command has 90 investigations under way related to alleged contract fraud in Iraq, Afghanistan, and Kuwait.¹⁰

There have been lapses, too, in handling one of the government's key assets, information. The government owns and controls huge quantities of data across the full spectrum of its functions. The task of managing and protecting this information, analyzing it, and using it to improve services is enormous. The federal government has spent hundreds of billions of dollars on new information technologies (ITs). In some respects, this move has transformed government (for example, enabling it to make a wide range of information available to the public online). But in many cases, agencies have simply automated old paper-based processes without fundamentally rethinking them. Moreover, the chronic shortage of skills needed to manage large IT projects among senior civil servants commonly contributes to failed projects, huge cost overruns, and lengthy delays.

More Government Work, Fewer Government Workers

The volume and complexity of federal government transactions have increased dramatically in the past fifty years. In the case of intellectual property—which is vital to U.S. economic competitiveness—patent applications have quintupled from 100,000 a year in 1970 to nearly half a million in 2007.¹¹ Struggling to cope with this influx, the U.S. Patent and Trademark Office now faces a backlog of close to 1 million patent applications just awaiting action by a patent examiner.¹² Many of the new applications stem from research into genetics, nanotechnology, and other highly specialized fields. Lawyers evaluating these proposals need to understand biochemistry, physics, and biology, as well as patent law.

At the Department of Veterans Affairs (VA), pending disability claims have increased from 150,000 in 2001 to upward of 400,000 in 2008, with waiting lists ranging from six months to two years.¹³ And the new claims are more complicated: troops returning from Iraq and Afghanistan file claims for five conditions on average, whereas Vietnam veterans on average cited just three.¹⁴ The picture is similar in almost every area of government activity, in part driven by demographics. The growing size and the aging of the U.S. population have magnified the scale of the administrative burden compared with a generation ago. The increase in the number of airline flights, complexity of the tax system, and growth in environmental, health, and safety regulations, not to mention the number of claims under Medicare and Social Security, have all added further

TABLE 1-4. Increasing Demands on Government, 1970 to Current

<i>Selected indicators</i>	<i>1970</i>	<i>Current</i>
Annual patent applications ^a	109,359	484,955
Federal prison population ^b	20,038	199,118
Pages of the Federal Register published annually ^c	20,036	78,724
College students ^d	8.6 million	18.0 million
Medicare enrollees ^e	20.0 million	43.0 million
U.S. population ^f	205.0 million	301.0 million
U.S. federal debt ^g	\$371 billion	\$10.6 trillion
GDP ^h	\$1.0 trillion	\$14.0 trillion

a. U.S. Patent and Trademark Office, *U.S. Patent Statistics Chart*, calendar years 1963–2007.

b. Ibid.; Pew Charitable Trusts, “One in 100: Behind Bars in America 2008” (as of January 1, 2008). This does not include state and local prisons.

c. National Archives, *Annual Federal Register Index, 2006* (www.archives.gov/federal-register/the-federal-register/2006-pages.txt).

d. U.S. Census Bureau, *2008 Statistical Abstract* (www.census.gov/compendia/statab/tables/08s0207.pdf).

e. U.S. Census Bureau, *2008 Statistical Abstract* and *1980 Statistical Abstract*; for 2006, see www.census.gov/compendia/statab/tables/08s0136.pdf.

f. U.S. Census Bureau, *2008 Statistical Abstract*; the 2007 figure is a projection.

g. U.S. Treasury Direct; see www.treasurydirect.gov.

h. U.S. Department of Commerce, Bureau of Economic Analysis, Table 1.1.5, “Gross Domestic Product” (www.bea.gov/national/nipaweb/TableView.asp?SelectedTable=5&FirstYear=2005&LastYear=2007&Freq=Qtr).

weight to that burden (see table 1-4). Despite technological advances, the traditional ways of providing services are not working. Admiral James Loy attributes this breakdown to “something like a hardening of the arteries in the current system.”

When I was in the Department of Transportation, I was frustrated with how long it took to process EEO [Equal Employment Opportunity] and civil rights complaints for the Coast Guard and for the entire department. The published standards were six months, but we had backlogs of three, four, and even five years. The system has become overwhelmed by volume. It was designed when the volume was much less, so it has run its course. There is a crying need to renovate the system.¹⁵

Although the complexity of government has increased, the number of civil servants in the direct employ of the federal government has declined. Over the past twenty years, their number has decreased from nearly 2.2 million to about 1.9 million. Much of the reduction is a result of the “peace dividend” at the end of the cold war, which enabled the civilian

military establishment to reduce the number of full-time employees. Because of this decline—coupled with the sharp growth in the U.S. population—the ratio of federal workers to the population as a whole has fallen from 1 per 68 Americans to 1 per 112 Americans.¹⁶

This decline is largely illusory, however, because of the rapid growth in outsourcing. The fall in the number of *direct* federal employees has been more than offset by the rapid growth in private contractors and an expansion in state government. Once these trends are taken into account, the total number of government workers has actually grown. The number of private contractors is difficult to quantify with precision, but the most recent estimate by scholar Paul Light pegs it at about 7.6 million.¹⁷ The number of state and local government employees has almost doubled since 1970, from 9.7 million to about 18 million today.¹⁸ Many of them work on implementing federally mandated programs. An additional 2 million to 3 million people are performing functions paid for with federal grants. This huge “shadow” workforce has become indispensable to the functioning of the government.¹⁹ But direct federal employees are still the ultimate managers of all the federal government’s interests, ranging from security in coastal waterways to poultry inspections. This is a far-flung workforce, with only 15 percent of it based in Washington, D.C., and the remainder stationed throughout the fifty states and the world.²⁰

2. The Legacy of an Old-fashioned Personnel System Not Designed to Manage Human Capital Strategically or to Meet Current Demands

To compound its problems, the current civil service system is organized hierarchically and stove-piped by specialty, much like the giant industrial enterprises of the 1950s. It has more in common with the ponderous top-down Soviet bureaucracies of the past century than it has with the companies that dominate today’s marketplace. It was not designed to foster creativity or innovation, and in most cases it discourages them. While global competition has forced leading companies to become flatter, leaner, and more productive over the past two decades, the federal government has made an already unwieldy hierarchical system even worse by adding layer upon layer of political appointees and managerial positions.

Much of the system's rigidity is due to the complex rules and regulations designed to ensure "merit" hiring. These date back to the nineteenth century when government workers commonly obtained their positions through patronage. President James Garfield complained that job-seekers were like "vultures lying in wait for a wounded bison." He was prophetic: on July 2, 1881, a mentally unstable job-seeker named Charles Guiteau shot him. The Garfield assassination ultimately led to the reforms of the Pendleton Act of 1883, which is still in effect today. The act requires open competition and hiring based on merit, rather than favoritism. But in the intervening years the system has grown so elaborate that few people outside government are able to navigate it on their own.²¹

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Arcane Job Categories

Today's federal government is still organized vertically, despite the fact that federal workers need to work horizontally across agencies. In the early 2000s, a study of government performance by the second National Commission on the Public Service (the second Volcker Commission) concluded that this design inhibits the work of agencies and hampers their coordination with one another, with nongovernmental organizations, and with the private sector.²² Among the problems agencies face are duplication, overlap, and competition for resources, much to the frustration of their employees.

Efforts to address these structural issues, especially since the end of World War II, have proceeded incrementally. They include the Classification Act of 1949, the Federal Wage System introduced in 1972, the Civil Service Reform Act of 1978, and the Federal Employees Pay Comparability Act of 1990, as shown in appendix B. Every recent presidency has tried to address the personnel situation to some extent. These efforts include the National Performance Review led by Vice President Al Gore and the personnel initiatives that President George W. Bush introduced at the Departments of Defense and Homeland Security. (For a longer view of the history of personnel reform in government, see appendix E.)

In the wake of these efforts, certain aspects of government have improved markedly: for example, nineteen of twenty-four cabinet-level departments have achieved clean financial statements as a result of the requirements of the Chief Financial Officers Act of 1990. Congress and taxpayers now have much greater assurance that money is spent where it is supposed to be. However, the reforms also added new layers of job requirements for civil servants—without increasing their pay commensurately or giving them additional training.

Although individual agencies have made great strides in specific areas, many of which are described in part II of this book, progress has been largely at the margin. Half of the federal workforce remains bound by a classification system enacted in 1966 under Title V that is now a major obstacle to effective government.²³

Under Title V, each government worker is classified into a specific job category.²⁴ The system of classification is organized around two main occupational groups: professional and trade jobs. These categories are subdivided into occupational families, which are further subdivided into series of related occupations. The federal classification system consists of nearly 60 job families subdivided into more than 600 job series. The 23 families of the professional group are broken down into 418 series, and the 36 families of the trade group are divided into 250 series.²⁵ Families and series are identified by numerical codes, such as 3727 for Buffing and Polishing.

The pay for these main divisions is set out under the Federal Wage System, which grades jobs according to the kinds of duties, responsibilities, and qualifications required. The pay scale used for the majority of professional personnel is known as the General Schedule (GS) and that for the trade division is the Wage Grade (WG). These letters are added to the numerical codes to indicate the pay scale alongside type of job: for example, WG-7641-Beautician, WG-5034-Dairy Farming, WG-6903-Coal Handling, WG-6941-Bulk Money Handling, and WG-3716-Lead-burning. The Federal Wage System has fifteen nonsupervisory pay grades, fifteen leaders' grades, and numerous other grades. Given the number of individual job classifications in each family and the fact that most job classifications have five or more grade levels, there are more than 2,000 ways to classify a government job.²⁶

The system is so complicated and arcane that it frustrates even those who know it best. “Title V makes my head hurt, and I’ve spent 30 years in federal service,” says Claudia Cross, chief human capital officer at the Department of Energy. “No new manager can master it. It’s just too complicated.”²⁷ The classification system has effectively trapped government workers in specific jobs that typically follow a narrow path, often keeping them in one job series throughout their careers. Managers are constrained in their ability to hire people with new skills because when a vacancy occurs, it is narrowly defined for a specific job. These strictures, combined with a lack of promotion opportunities once employees reach the journeyman level of their occupation, create resentment in the workforce and make for an extremely rigid organization.

Compensation for GS positions is based on grade and the ten pay levels (steps) within each grade. There is little flexibility, and it is difficult to link pay to performance. The step functions even make it possible to earn less than someone classified two GS levels below. With the pay structure fixed, managers often resort to gaming the system to resolve pay problems. In order to pay people more, they may inflate the duties in a job description to make them appear more substantial. Some also use this tactic to avoid hiring someone (for example, to get around the law that gives preference to veterans).

The lack of flexibility also makes it very difficult to fire, demote, or even deny a pay raise to an individual who is not performing well. This is one of the biggest complaints of federal workers. In surveys by the Office of Personnel Management (OPM), employees in both the federal and private sector said that about 25 percent of the workforce performs below expectations.²⁸ However, only 9 percent of federal employees said their organizations are competent at disciplining poor performers, while more than two-thirds said that their agencies are “not too good” or “not good at all.”²⁹ By stark contrast, 20 percent in the private sector said their companies are competent at handling poor performers, and fewer than half said their companies are not competent at dealing with them.³⁰ This single issue—managers’ inability to deal effectively with poor performers—is a source of anger and frustration among many government employees.³¹

About 50 percent of federal workers are employed in agencies that have been granted varying exemptions from Title V. But the new systems

that have emerged are very similar to the old ones, says Harvard professor Elaine Kamarck, who served as director of the Reinventing Government initiative during the Clinton administration: “The agencies have mostly re-created their old personnel systems. They have not used the flexibilities to make themselves more flexible. This is partly because it is so hard to imagine something you’ve never seen.”³²

After studying the federal workforce for the past three decades, Paul Light suggests another reason for the stodginess of the current system: “Additional flexibility costs money that is simply not in the budget.”³³ Indeed, one of the system’s grievous flaws is that the United States invests little or nothing in developing the strategic potential of its workforce. On average, the federal civilian government spends only about 1.9 percent of salaries per year per person on annual training.³⁴ By contrast, the private sector spends 4 percent on average, and leading firms spend much, much more.³⁵ This low level of investment in human capital makes the government even more vulnerable to a dramatic loss of competencies as its workers retire.

Where some reform has been attempted, the system has simply become more uneven, not less—as is evident among law enforcement personnel. Of the nation’s 106,000 federal law enforcement officers, half are employed by the Department of Defense (DOD) or Department of Homeland Security (DHS).³⁶ There is wide variation in how such jobs are defined and classified. Some officers carry weapons and can make arrests but are excluded from special pay and pensions provided to other federal law enforcement officers with similar duties. Entry-level pay also varies significantly, and overall federal law enforcement pay lags behind that offered by many state and local governments. This has been a long-standing problem, yet the new flexibility that allows the DOD to offer higher salaries and bonuses to their own law enforcement officers has created greater discrepancies and may lower morale at other agencies.³⁷

Addressing personnel problems in isolation may undermine positive aspects of the current system, such as the basic commitment to merit, equity, and fairness. In 2003 the second National Commission on Public Service recommended adopting a government-wide legislative framework for reform so that “the unique status of the federal public service may be retained.”³⁸ The Government Accountability Office (GAO) has urged that

human capital reform should “avoid further fragmentation within the civil service, ensure reasonable consistency within the overall civilian workforce, and help maintain a reasonably level playing field among federal agencies when competing for talent.”³⁹

The experience in state government provides evidence that compensation needs to be roughly uniform. Though highly decentralized in most respects, Texas has a single compensation system to ensure uniformity in what various departments pay employees for similar work. By contrast, Georgia has lacked a central compensation system, which drew complaints of “compensation anarchy” in a 2002 survey.⁴⁰ The lesson is that compensation systems must preserve pay equity for equal work across departments (with adjustment for local labor market disparities). What should be avoided is a situation in which procurement officers doing similar work in two different agencies in the same locale are paid differently.

OPM adviser Doris Hausser points out:

We have some experience with intra-governmental competition, so it would be irresponsible to ignore this possibility. We saw it occur with the banking regulatory agencies, which were able to offer more-competitive salaries and were successful in drawing talent from other agencies. The most recent example was the start-up of TSA [Transportation Security Administration], where the Administrator had significant freedom in the pay area. That created an immediate draw of talented staff. Observers said it would not be a continuing phenomenon, because it was triggered by the start-up of a new agency. But in an analysis of turnover data in law enforcement agencies after the TSA start-up, researchers found that the former Immigration and Naturalization Service experienced a 500 percent increase in separations in 2002. Most of these employees left the Border Patrol to join the TSA. The Secret Service experienced a 10% increase in separations during the same period.⁴¹

Put simply, variations in salaries for comparable work can create a negative recruiting effect, which in turn creates turnover, particularly when the skills and competencies needed are already in government (that is, when the government constitutes the pool of candidates). Without consistent personnel rules across government, the Department of Defense’s Wright-Patterson Air Force Base in Ohio will have the freedom to use occupationally sensitive pay for scientists and engineers, whereas the National Aeronautics and Space Administration (also in Ohio) will not.⁴²

Many believe that a government-wide framework will not be flexible or responsive enough to adapt quickly to changes in mission-critical needs. The central questions are: what must be done consistently across government, and what can be left flexible for the individual agencies?⁴³ Whatever the right balance, there is no obvious way to address these issues in the current environment.

3. Lack of Leadership

Many federal employees attribute the government's management problems to the lack of a clear direction for the future: "We need some competent people with vision leading the organization, not just political hacks," commented one respondent. "Then we need to set forth clear goals and objectives for middle-level workers and managers to make sure the goals and objectives are clear all the way around."⁴⁴

A peculiarity of the federal government is that political appointees who lead it typically have a shorter time horizon than the rest of the federal workforce.

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In this respect, government differs from both private and nonprofit organizations, where senior managers often come up through the ranks and stay with the organization for years. In local government, most elected and senior appointed officials live in the municipality where they work—many have spent their lifetime there—so they have an interest in what happens beyond the period of their service. In the federal government, the average tenure of a Senate-confirmed political appointee is less than twenty months, compared with four and a half years for a senior executive in the private sector.⁴⁵

This transience contributes to a lack of leadership. It fosters a culture in which it is acceptable to "lead" employees without defining long-term strategic goals. Corporations, museums, universities, and municipal governments expend a good deal of brainpower putting together long-term plans and capital budgets. Planning exercises help managers set goals and priorities, for both the organization and individuals. Career planning, training needs, recruitment, physical office design, performance

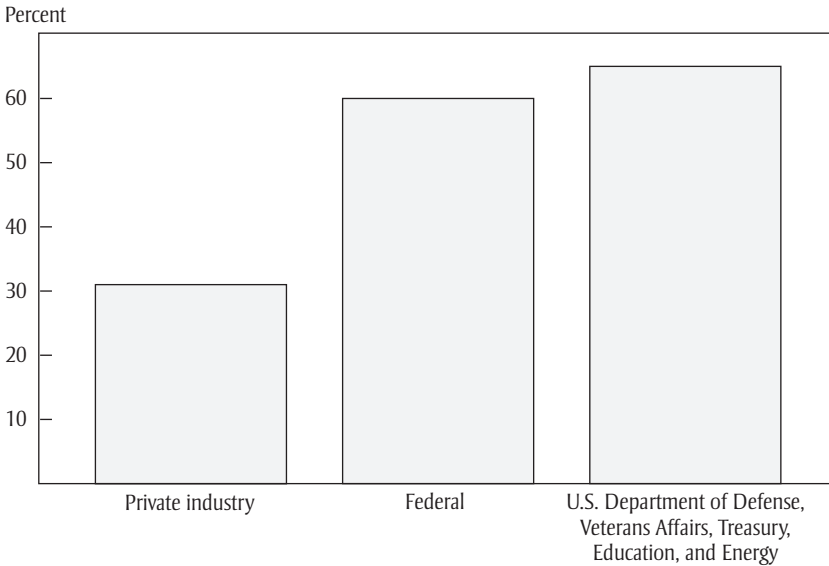
measurement, and other aspects of human resources are pegged to long-term goals.

The Government Performance and Results Act (GPRA) of 1993 forced federal departments to develop five-year strategic plans and performance metrics, but the process is hollow. Who will be held accountable for a five-year goal if all the top leaders will be gone before then? Indeed, despite an enormous amount of hours spent on them, the plans have had little impact on day-to-day management. Only 39 percent of federal employees believe the effort to measure government results has been even *somewhat* successful.⁴⁶ The Performance Assessment Rating Tool (PART) program has also tried to establish clear targets for each government agency. But despite the strong backing of President George W. Bush, it has not proved possible to link budget allocations to the achievement of PART goals or obtain reliable performance data to put into the tool. In other words, the program lacks teeth. Without financial incentives, it is difficult for managers to galvanize and lead their employees toward achieving PART goals.

The personnel reform undertaken by the Departments of Defense and Homeland Security was supposed to rejuvenate the agencies by removing Title V restrictions, linking pay more closely to performance, and allowing greater flexibility in certain hiring and staffing practices. But this reform effort was destined to fall short of its goal because it concentrated on *fixing a "problem."* The only way for the government to achieve high performance is to adopt a proactive human capital strategy. In other words, it needs to focus on the *benefits* that could accrue from a high-performing workforce, not simply on the shortcomings of the status quo. This requires leaders who can envision a high-performing workforce of the future.

4. The Retirement Crunch

If, as French philosopher Auguste Comte reputedly said, “demography is destiny,” then the time for a restructuring of the civil service is now.⁴⁷ Nearly 90 percent of senior government executives, as well as nearly half of all other federal workers, can retire by 2010.⁴⁸ The first wave of baby boomers became eligible for retirement in 2007. But the average age in the federal workforce is increasing at twice the rate of the private sector. In

FIGURE 1-1. Percentage of Employees Aged Forty-Five or Older

Source: Partnership for Public Service and OPM.

private industry, 31 percent of the workforce is older than forty-five. But 60 percent of federal employees are above that age.⁴⁹ At the Departments of Defense, Veterans Affairs, Energy, Education, and the Treasury, approximately 65 percent are over the age of forty-five (figure 1-1).⁵⁰

The federal government's 7,000 top executives—individuals who run the government, control budgets, and write rules and regulations affecting millions of people—have an average age of fifty-two and have served in government for an average of seventeen years.⁵¹ This group forms the core knowledge base of the U.S. government. In 2000, 28 percent of these executives were eligible to retire; today 45 percent can retire on a full pension, with another 45 percent able to retire early if they choose.⁵² If *all* those who are already eligible to retire decided to do so tomorrow, then some 6,100 of the 7,000 most senior managers and technical experts would walk out the door.

This exodus constitutes an enormous brain drain. Sixty-three percent of the senior executives have a postgraduate degree. One-fifth are scientists or engineers.⁵³ Some specialist areas will be especially hard hit:

within four years, 97 percent of administrative law judges, 87 percent of Social Security examiners, and 40 percent of Homeland Security analysts will be able to retire.⁵⁴ The impact of such a retirement wave cannot be underestimated, particularly in agencies requiring longer durations to properly train new employees (see box 1-2). According to the nonpartisan Partnership for Public Service, these retirements threaten the functional viability of the U.S. government:

The loss of experienced personnel is one of the surest ways to undercut an organization's effectiveness. When this loss occurs rapidly and is concentrated in critical positions, the results can be devastating. The departure of top-level employees at the Federal Emergency Management Agency (FEMA) is often cited as a key reason why it struggled to respond effectively to Hurricane Katrina. The coming wave of baby boomer retirements, combined with other turnover, threatens to dramatically diminish the Federal Government's effectiveness in meeting urgent public needs.⁵⁵

In Washington, D.C., the GAO, the OPM, inspectors general, and numerous government commissions and nongovernmental organizations have been warning for several years that a debilitating wave of retirements is in the offing. It has not materialized so far, largely because many public servants delayed retirement after September 11, 2001. Consequently, fewer than projected have actually retired each year for the past several years. However, the demographics guarantee that a large cohort of government workers will retire from the civil service fairly soon.

Most employees who joined the federal workforce before 1984 are eligible for generous retirement benefits. The Civil Service Retirement System (CSRS) provides them with an old-fashioned "defined-benefit" pension. They can retire at age fifty-five after thirty years of federal service and receive a pension of close to 60 percent of their highest three years of compensation, as well as health insurance, life insurance, and survivor benefits.⁵⁶ Employees who serve for longer than thirty years are eligible for even higher percentages of their salary, up to a maximum of 80 percent for forty-one years, eleven months. Pension payments are adjusted annually to compensate for inflation. This pension plan is exceptionally valuable given that improved medical care has lengthened the expected life span of retirees.⁵⁷

BOX 1-2. Air Traffic Controllers

The situation in air traffic control illustrates the government's challenges. Clearly, the public values the experience and maturity of the current air traffic workforce. But over the next ten years 73 percent of the nation's 15,000 air traffic controllers will become eligible to retire. The Federal Aviation Administration (FAA) expects to lose 11,000 experienced controllers within the decade. In the same period, the volume of air traffic is projected to increase by 27 percent.¹

The solution would appear to be obvious: recruit and train new controllers. But it is not so simple. Not only must the agency hire 12,500 controllers in the next ten years in order to have enough recruits in the pipeline to meet its needs, but the training alone takes three to five years, which is as long as a medical residency. The recruits must become adept at dealing with a variety of complex situations, such as weather emergencies and peak flow traffic. The agency can only handle a certain number of on-the-job trainees at a time. Even by increasing its use of high-tech simulators—which cannot substitute entirely for real-world exposure—the agency can train only about 2,000 controllers a year.

Essentially, the FAA needs to figure out how to replace its entire workforce with highly skilled professionals—while at the same time safeguarding public safety and coping with increased air travel. It must therefore find ways to recruit top-caliber candidates more quickly, without long delays in the hiring process itself. It must also invest in training, especially in state-of-the-art, customized technology for simulating air traffic control. All this requires mentoring, performance evaluation, feedback, supervision, and an ability to weed out poor performers early on. Therefore the FAA must do everything in its power to retain existing employees, taking into consideration that they are older and may require different kinds of work schedules.

1. Russ Chew, chief operating officer of the FAA Air Traffic Organization, speaking at the Air Traffic Control Association's annual conference, November 2, 2006.

Federal employees have numerous retirement options. Instead of taking full retirement after twenty-five years, they can leave at age sixty with twenty years of service, or at age sixty-two with five years of service, and receive lower percentage annuities, but with full health care benefits.⁵⁸ Or they can go to work elsewhere without forfeiting any benefits. Because most government executives have skills and deep knowledge of their

subject areas, they are attractive recruits for private sector firms. Often these “second careers” offer additional benefits and part-time, flexible hours. So early retirement is a real option—a lifestyle choice—for many long-term federal workers. The average retirement age in the federal government is fifty-eight.⁵⁹ Sooner or later, everyone who is eligible for federal retirement will take advantage of the retirement benefits he or she has earned.

Just below the senior executives is a group of about 300,000 federal employees in civil service grades 13–15. These are the nation’s middle managers—the ranks from which senior executives are typically drawn. Positions at this level include military analysts, marine biologists, lawyers, engineers, auditors, trade specialists, economists, agricultural experts, statisticians, diplomats, patent examiners, and experts in many fields. Unfortunately, the retirement pattern for this group will be similar to that of the senior executives, compounding the looming exodus of senior-level talent. Regardless of the precise speed with which they depart, the inescapable conclusion is that virtually the entire generation of public service-minded individuals who joined the federal government in the 1960s and 1970s and who occupy pivotal positions will shortly be leaving. Assuming that federal workers retire at about the average retirement age of sixty-two, one should expect a loss of close to 50 percent of the most experienced government workers within the coming decade.

Financial Consequences of the Expected Retirements

The retirement issue has huge consequences for public finances, not to mention a large impact on succession planning and the operational capacity of government programs. We project that personnel costs will rise to more than \$1.3 trillion annually by 2015.⁶⁰ If retirement rates were to increase by 10 percent, the cost would reach \$1.4 trillion.⁶¹

The surge in costs is a direct result of the generous benefits provided under the CSRS plan, which was in place until 1985 (when it was replaced by the Federal Employees Retirement System, FERS).⁶² Government retirees will, on average, be receiving about 60 percent of their highest three years of compensation plus health insurance benefits, life insurance, and payments to their survivors when they die. Therefore even if retirement stays at the current rate of 3.9 percent, the total amount of spending on people costs will increase sharply.

These expenditures plus the rising cost of U.S. entitlement programs and interest payments on the national debt will further strain the federal budget and put federal labor costs under increased scrutiny.⁶³ If the workforce is treated merely as a cost and not as an asset that requires ongoing investment, then budget constraints will continue to put downward

If the workforce is treated merely as a cost and not as an asset that requires ongoing investment, then budget constraints will continue to put downward pressure on both the number of employees and future compensation, compounding the difficulties of attracting and retaining the skilled workers needed to replace the retirees.

pressure on both the number of employees and future compensation, compounding the difficulties of attracting and retaining the skilled workers needed to replace the retirees. The end result will likely be even greater outsourcing of government functions without considering the long-term wisdom of doing so.

Who Will Replace the Retiring Civil Servants?

The near freeze on hiring in the 1990s, combined with the loss of many young people to private sector jobs during those boom years, contributes to an acute shortage of candidates within government to replace those nearing retirement. The 1990s downsizing was accomplished primarily through reductions in the civilian defense workforce at the end of the cold war. It shrank the non-postal executive branch workforce by 18 percent through a combination of buyouts, layoffs, and significantly reduced hiring.⁶⁴ As a result, the federal government lost a disproportionate number of younger, recently hired employees, who were eliminated under a “last-hired, first-fired” policy. Because most turnover of new employees occurs during the first two years of employment, the government hiring freeze further reduced the number of younger employees as a percentage of the total population as young entrants who left the government were not replaced.⁶⁵

This “Generation X” age group is much smaller than the baby boomer cohort in the general population.⁶⁶ It is also the first generation of Americans with widespread knowledge of computer technology. Consequently, the federal government competes head-on with the private sector in a “war for talent” to employ its members. The manpower

shortage in this age bracket has made it difficult for managers to assign staff to projects. In a recent study, 59 percent of current federal workers said that they rarely, or only sometimes, have enough employees to complete their jobs properly. Among senior executives, the proportion rose to two-thirds.⁶⁷

Nicholas Eberstadt, a leading demographer at the American Enterprise Institute, compares this skewed age profile to “the postwar situation in East Germany in the early 1960s—what you have is a curious-looking curve with a high percentage of older people and a scarcity of young people from the next generation. This happened in Germany because the birth rate was so low during the 1940s.”⁶⁸ It is worth remembering that one reason for the downfall of communist economies in the Eastern Bloc countries was their low birth rates and the consequent lack of well-trained younger managers prepared to run government enterprises.

The Crisis in Hiring

The private sector is paying considerable attention to what the Boston Consulting Group (BCG) calls “demographic risk,” which is “the potential loss of productivity and capacity that a company will experience as its work force ages and retires.” To deal with these challenges, BCG recommends that organizations develop succession plans, groom and train internal candidates, and recruit aggressively from outside. BCG also advises its clients to use innovative ways to manage productivity and motivation in an aging workforce—for example, by providing on-site medical care and preventive health care, enhancing workplace design, and linking compensation more to performance and less to longevity.⁶⁹

The federal government’s demographic problems are compounded by the fact that most agencies do little workforce planning or go about it incorrectly. Successful organizations, including nonprofits, focus on strategic human capital workforce planning. Typically, they map their internal skills portfolio against projected needs and then try to fill the gaps through targeted recruiting, training, rotational assignments, and promotions. But federal managers who engage in succession planning risk being accused of “preselection” (that is, rigging the selection process). Careful planning is blocked by the legal requirement for open competition for vacancies. Laws designed to safeguard the fairness of hiring have

the perverse effect of prohibiting the government from doing everything possible to ensure the continuity of service to the public.

Not only is it an uphill battle to hire talented young entry-level recruits, but agencies have difficulty hiring experienced workers in mid-career from outside the government. As discussed in part II of this book, a number of federal agencies have made progress in shortening their hiring cycles, improving the quality of recruiting materials, and matching hires to their strategic skill needs. But overall, the government is still light-years behind the best hiring practices in the private sector.

The Hiring System: “Slow, but Expensive”

The federal government hires about 250,000 employees each year, and this number will increase as the pace of retirement accelerates. But the process is slow and cumbersome. As Jeffrey Neal, who has worked in senior positions in the human resources departments of the U.S. Navy, the Department of Commerce, and Defense Logistics Agency, has quipped, “We’re very slow, but at least we’re expensive.”⁷⁰ Most agencies hire in response to job vacancies within stove-piped job classifications. They seldom perform detailed workforce planning and assessment of what skills they will need to hire or prepare to make the best strategic use of their employees.

The hiring process is frustrating for both the job-seeker and the hiring manager. Applying for a federal job can be a daunting proposition, particularly for recent college graduates or workers interested in moving from the private sector. The system bears little resemblance to anything outside government. A large hurdle is to identify federal job vacancies in the first place. Then the applicant must determine which of numerous parallel applications processes—based on veterans status, grade point average in college, disability status, or eligibility for one of dozens of special hiring programs (such as former Peace Corps volunteers)—is appropriate. There are even more channels, such as the “merit promotion” program aimed primarily at current or former federal employees (but in some cases open to others as well), that make the system even more opaque.

The hiring system has been deficient in helping agencies recruit talented workers in midcareer. Half of the posted jobs are not open to applicants from outside the government.⁷¹ The job description may be written

in a way that requires knowledge of specific laws, rules, and regulations (as opposed to the ability to learn them) and direct experience of government projects. Many midcareer applicants have little idea of how to navigate through the maze of federal employment regulations. All this places midcareer applicants at an unwarranted disadvantage.

In 2001 only 15 percent of the 68,000-plus midmanagement hires (GS-12 to GS-15 levels) were from outside the government.⁷² Since then the government has made a concerted effort to attract more talent from this cohort. There has been some progress: the number of midmanagement hires from outside the government increased to 26 percent in fiscal 2006. However, even when outside applicants are successful, they are given little help in integrating to their new work environment. Government agencies typically bring in a new person only after his or her predecessor has already left—consequently giving little opportunity to “learn the ropes.” Hiring managers thus become caught in a vicious cycle of recruiting existing government employees who can “hit the ground running,” precluding the entry of newcomers who might bring ideas, expertise, and skills from the outside.

Even entry-level positions have cumbersome requirements. Job announcements, which may run four to six pages of single-spaced type for a position paying \$46,000 to \$59,000, are filled with jargon, acronyms, and unexplained requirements such as “eligibility under 5 CFR 330.60(b).” The “How to Apply” section alone consists of well over 1,000 words. Standard résumés are often rejected in favor of something approaching a graduate school application. Applicants may even be asked to demonstrate proficiency in obsolete software such as WordPerfect or Lotus 1-2-3. (See appendix D.)⁷³

By design, essential information needed to prepare an application is withheld from the job-seeker. Most agencies consider the “crediting plan” used to evaluate the applicant’s experience confidential, so applicants have no sense of what information is critical to the application process. Thus federal job-seekers routinely submit lengthy applications that describe everything the reviewers might possibly be looking for.

Not surprisingly, the process discourages qualified individuals from applying. Two-thirds of college students agree with the statement “It is difficult to locate and apply for a job with the federal government.”⁷⁴ The

process is also extremely slow. With only a handful of exceptions, the government takes three months or more to make a hiring decision.⁷⁵ This is *double* the time that leading companies take for a job offer at the entry level and nearly three times what college students say they can afford to wait for a government job before taking another offer. When asked, 20

Two-thirds of college students agree with the statement “It is difficult to locate and apply for a job with the federal government.”

percent said their maximum was two weeks or less, 48 percent said four weeks, and 21 percent could wait up to two months. By the time the government’s offer was in

the mail, only 4 percent of these students would still be available, and the most attractive candidates would almost certainly have taken other jobs.

Graduate students are similarly discouraged from applying for government jobs. The flagship program to bring in new talent at this level—the Presidential Management Fellows (PMF) program—hires only about 500 graduate students a year. Only 6,000 students have joined the government since the program’s inception in 1977.⁷⁶ The program is so highly selective that the majority of applicants from Harvard’s Kennedy School, Syracuse University, and other top public policy schools fail to get accepted.⁷⁷ Though armed with a master’s degree in public policy and trained in economics, statistics, budgeting, and international affairs, most are unable to get a job in the U.S. government, except in a handful of agencies such as the GAO and the Office of Management and Budget (OMB).

Kennedy School students echo these complaints, and others: it is difficult to identify jobs, the application process is long and cumbersome (applicants cannot apply online to many jobs), the hiring criteria are unclear, and it takes far too long to receive a decision. If they are asked to attend a job interview, they must pay out of their own pockets to travel to Washington. Then, should they receive an offer, security background checks can take up to a year (box 1-3). How many students, saddled with loans and fresh out of school, can afford to wait a year to start a government job?⁷⁸

Not surprisingly, federal employees themselves are highly critical of the hiring system. Only 19 percent say their agencies do a good job of recruiting qualified applicants, whereas one-third say that their organizations are “not too good” or “not good at all.”⁷⁹

BOX 1-3. Talent the Government Turned Away

Brendan Dallas, a smart and enthusiastic U.S. citizen with experience living and working in Turkmenistan, seemed the perfect candidate for government service. Before earning his master's degree in public policy from the Kennedy School at Harvard University, Dallas was the country director for the American Councils for International Education in Ashgabat, Turkmenistan. In that role, he worked to introduce programs such as the Edmund Muskie Graduate Fellows Program and the Future Leaders Exchange Program for high school students in collaboration with the U.S. embassy.

Dallas excelled at the Kennedy School, winning high scholastic honors and working as a volunteer to help the local town of Somerville, Massachusetts, improve its budgeting. During the summer of 2004, he worked for the U.S. Agency for International Development (USAID). He loved it, and the agency wanted to hire him. They discussed the possibility of a full-time job after graduation, and he was eager to accept such an offer. During the following school year, Dallas wrote his master's thesis on USAID and was invited to fly down to Washington and present it to the administrator of USAID in person.

In the spring of 2005, Dallas received a call from a security official in charge of processing his security clearance. This was confusing because he had not yet received a formal job offer from USAID. "My only thought," he recalled, "was that maybe the job had come through and the security office was just way ahead of the curve." In fact, the security office was calling in reference to clearance for his 2004 summer internship. Rather than being ahead of the curve, the system was so backlogged that it had not registered that he completed his internship more than six months before its call.

Unfortunately for Brendan, the security office was not the only part of USAID that was overwhelmed. Despite constant contact and discussions, the office that wanted to hire him could not get the necessary approval from human resources for another position. The best it could work out was a temporary job with a contractor that supported the USAID office where he had worked. This contractor had previously facilitated his summer internship and was happy to offer him a spot—but it was only a six-month position with no extension guarantee, no benefits, and a salary less than what he made before graduate school.

Brendan recalled later, "The terms were definitely disappointing, but despite the salary, I was very tempted to say yes, just to get my foot in the door. But in

(continued)

BOX 1-3 (continued)

the end, I had to say no. In hindsight, it was the right decision because the contractor unexpectedly lost its extension with USAID after three months. At the same time, USAID went through some budget issues and severely reduced the number of people it was hiring. Taking the risk to get my foot in the door would most likely have meant starting from scratch three months later.”

In September 2005, after waiting without pay for four months after graduation for USAID to make a formal offer, he made the difficult decision to accept a private sector job he had been offered at Acquisition Solutions, Inc.

I really wanted to work at USAID. I turned down many jobs in the private sector that would have paid more, but I care about public service and the mission of USAID. Luckily, my current job is great: they provide me with training and care about me as a person, and I feel a strong commitment here. The irony of it is that in my current job, I spend a lot of time helping the federal government look at solutions to what many call a workforce crisis because the baby boomers are about to retire and Generations X & Y are largely choosing to work elsewhere. It makes you wonder how the federal government can and will function if someone like me, who really wants to work for the government, gets stuck in the hiring system.

Source: Brendan Dallas was a student of Linda Bilmes while at Harvard. This anecdote reflects their personal conversations. In 2008 Dallas finally joined USAID.

5. Deeply Rooted Negative Perceptions of Government Employment among Young People

Perhaps the most formidable challenge facing the federal government is recruiting the next generation of talent to replace the one that is retiring. Our research shows that college students are ambivalent toward the federal government. Although they believe the federal government does important work, they also feel that the qualities they value most highly in a job are absent in the government. Moreover, there are numerous practical impediments that prevent them from considering a government career.

To understand college students’ perceptions of the federal government, we conducted extensive research into this recruitment group. We surveyed

a total of 1,400 college juniors and seniors at four-year colleges—looking at two groups, the first in 2002 and the second in 2005–06—to determine their attitudes toward working for the government. We investigated undergraduates rather than graduate students because they represent the full spectrum of academic disciplines and personal backgrounds of interest to the government. Although this kind of survey measures only the *perceptions* of young people (who may have limited information about the government), it does provide a statistically accurate picture of how undergraduates view the idea of joining the federal workforce.⁸⁰

Overall, our college students expressed a favorable opinion of the federal government. Six out of ten said the government does important, meaningful work. Nearly half think that what happens in government affects their daily lives. But the majority surveyed would not consider working for the federal government because they perceive it as an “uncaring” employer with little concern for individual employees that does not let them rise to their full potential. In general, the federal government lags well behind both private and nonprofit organizations as a potential employer, with the Department of Homeland Security perceived in a particularly poor light.

Only one-third of college respondents said they would even consider government employment. Many expressed reservations about the lack of training, the length of time it takes to get hired, and the difficulty of locating job opportunities. Students with scientific and technical skills were even less willing to consider government employment. In general, 68 percent of students rated the federal government somewhat favorably as an employer, but this was lower than the favorability for leading private companies and state and local government and was on par with the military, which is facing its most difficult recruiting environments in decades (see table 1-5). Students rated federal employees *more* favorably than investment bankers, lawyers, the military, journalists, and state and local employees but *less* favorably than doctors, teachers, public safety workers, and nonprofit employees (table 1-6).

Government Ranks Poorly on Attributes That Students Find Important

Our survey tested how students viewed the government on specific job criteria that are important to them. We asked students to rank thirty-

TABLE 1-5. Student Attitudes toward Employers

<i>Employer</i>	<i>Percent rating “highly or somewhat favorable”</i>
GE	89
Google	88
Red Cross	81
Marriott	73
State and local government ^a	71 ^a
Boeing	70
Military	68
Federal government	68
Department of Homeland Security	55
Wal-Mart	50

Source: Survey of 1,400 college juniors and seniors, 2002 and 2006, conducted for Linda Bilmes and W. Scott Gould by Penn, Schoen and Berland Associates.

a. State and local government employers were viewed less favorably in 2006 than in 2002. In 2006, 75 percent were considered somewhat or highly favorable, compared with 71 percent in 2002.

three specific employment attributes such as “strong pension plan,” “casual and fun work environment,” “rewards and encourages ethical conduct,” and “ability to try new things and think outside the box.” We then asked whether this attribute applied more to the government or to

TABLE 1-6. Student Attitudes toward Professions

<i>Profession</i>	<i>Percent rating “very or somewhat favorable”</i>
Teacher	94
Nonprofit employee	89
Doctor	88
Public safety	85
Management consultant	70
Federal government	70
Military	68
State/local government	65
Investment banker	62
Lawyer	55
Journalist	49

Source: See table 1-5.

TABLE 1-7. Student Perception of Valued Job/Employer Attributes
Percent

<i>Attribute</i>	<i>Very important</i>	<i>Applies more to private industry</i>	<i>Applies more to government</i>
Cares about its employees	48	49	8
Opportunity to go high	44	47	10
Work/family balance	44	36	16
Secure future	39	14	55
Co-workers you respect	38	27	4
Free from discrimination	35	17	32
Challenging and interesting work	35	31	13

Source: See table 1-5.

private companies. Next, we asked them to compare the government and the nonprofit sector using these same criteria. We also tested their reaction to specific potential reforms to the government personnel system.

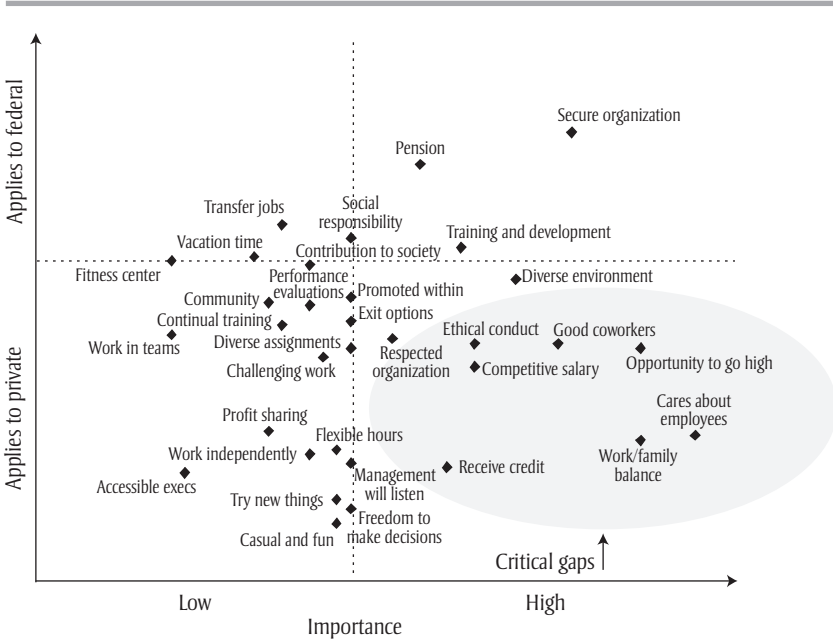
Student responses indicate that the most important attributes drawing them to work for an organization are (in order of importance):

1. The organization really cares about its employees.
2. Employees can go as high in the organization as their talents will take them.
3. The organization respects a balance between work and family life.
4. The organization has a secure and solid future.
5. Coworkers can be respected and admired.
6. Absence of discrimination.
7. The work is challenging.

One-third or more of the sample said that each of these attributes was “extremely important” in their choice of where to work. But for five out of their seven top job criteria—including all of the top three—the students scored the private sector higher than the public sector (table 1-7).

Students said the government offers better job security, a stronger pension plan, and a discrimination-free environment. But in most respects that matter to them, they considered the private sector a better employer. This suggests there is a large gap between what prospective applicants want and what they think the government offers. This can be seen clearly

FIGURE 1-2. Job Attributes Rated as Important by College Students, Government versus the Private Sector



Source: See table 1-5.

in figure 1-2, where the circled gray area shows the difference between what students want and what they identify as advantages of working in the private sector. Students also rated the nonprofit sector higher than the government sector on a variety of attributes, including making a difference and helping the community.

Our results suggest that students prefer to work in the private or nonprofit sectors because they think they will find more of what they want in a job there: a caring employer, a good balance between work and family life, the opportunity to rise to the top of the organization, and smart and capable colleagues. Students believe the private and nonprofit sectors offer greater diversity and higher ethical standards, and greater credit for their contributions. The only important criterion on which the government clearly scores better is job security.

Perhaps not surprisingly for young people, money is a secondary factor in their job selection. Only one in three students says that “competitive salary” is extremely important in choosing an employer, while less than a quarter say that an uncompetitive salary is preventing them from working for the federal government. Student responses were fairly consistent in both the 2002 and 2005–06 surveys, indicating that the attitudes toward government appear to be strongly held and may be difficult to change.

Our findings are consistent with other recent studies, such as those conducted by the Partnership for Public Service (PPS). The PPS survey showed that only 21 percent of mathematics, engineering, and computer science students are “very interested in working for the federal government.”⁸¹ Yet, as PPS noted, the federal government is in great need of recruits in engineering and the sciences.

PPS also found that students considering government careers tend to be those with weaker academic records. In the PPS study, 23 percent of students were potentially interested in working for the government, but this group consisted of fewer honors students than average-to-poor students: 25 percent of “B” and “C” students were interested in working for the government, compared with only 20 percent of the “A” students.⁸² In line with our findings, student respondents to the PPS study indicated that nonprofit work is the better way to perform public service. Just 19 percent considered government work to be “completely” public service, whereas 30 percent equated nonprofit work with public service and 81 percent with volunteer work.

In another survey of more than 2,000 college students, Paul Light found that students view “public service” as service to others: using phrases like “helping the less fortunate,” “helping the community,” or “doing your part.” When asked to rate specific careers, 58 percent said that working for a nonprofit agency was a form of public service, compared with only 28 percent who said the same about working for government. This was similar to the 23 percent who counted working for a business that serves the government as public service.⁸³

Another of PPS’s findings is that students pick up some of their negative attitudes toward government service from the media. Of the two-thirds not considering a government career, more than 50 percent agree

that “media and politicians project such a negative image of the federal government that I am less likely to work there.”⁸⁴

As noted earlier, the students in our survey cited a number of structural problems associated with getting a government job. These included the difficulty of finding out what jobs were available, the difficulty of applying and conducting the application process online, the fact that applications seemed to disappear into a “black hole” because the students seldom received letters of confirmation from the agency, and above all, the length of time required to secure a job offer and to go through security background checking. In all of these situations, students responded that their interest in working for the federal government would rise if the logistical problems were fixed. (For an example of a federal job vacancy announcement, see appendix D.)

Despite a few noble experiments here and there, the federal government’s current personnel system remains largely out of date and unequal to the technological and demographic challenges of the twenty-first century. With its unwieldy structure and hiring practices, the system has a long way to go in matching the attractions of employment at Google or GE. A good barometer of the level of these problems can be found in the attitudes of college students. Young people appreciate the importance of the government and, under the right circumstances, about one-third of respondents to surveys would consider working for it. But if it is to hire and keep the best young minds, the government needs to change the way it hires people, and above all the way it treats its workforce.

A New Call to Public Service

Public service is struggling with an explosion in demand and complexity, a lack of leadership, a lack of involvement and attention to skill development, and difficulty in attracting a new generation of talent to replace the one about to retire. The only good news is that the situation is so dire that it will force the country to collectively wake up to the problem. With the old model no longer suitable, what should a new twenty-first-century workforce look like? We envisage a slightly smaller, more prestigious civil service that enjoys wide respect and confidence from the public. This

would be a workforce that meets Paul Light’s five “tests” of a healthy public service:

- Motivated by the public good, not security or a stable paycheck.
- Recruited from the top of the labor market, not the bottom.
- Given the tools to do its job well.
- Rewarded for a job well done, not for just showing up day after day.
- Trusted by the people it serves.⁸⁵

Restoring the public service to health is an uphill task, but it is well within the power of the nation to accomplish it.

While there are many successful models for driving performance, the one that seems most applicable to the government is the “people factor” strategy. This approach has driven America’s most dynamic industries, including those in the technology, information, entertainment, health care, and scientific sectors. As we explain in chapter 2, there is now a substantial body of research to confirm that high returns accrue to firms that are willing to make a serious investment in their workforce.