



## MEMOS TO NATIONAL LEADERS

**SUBJECT:** RECOMMENDATIONS FOR STRENGTHENING THE FEDERAL WORKFORCE

**FROM:** STEPHEN E. CONDREY, REX L. FACER II, and JARED J. LLORENS

As many in the field of public administration have observed over the past decade, the federal workforce faces a number of critical challenges that must be addressed in order to fulfill the increasingly complex demands placed upon federal agencies. For example, there is a looming retirement bubble, which will require the replacement of a significant portion of the federal workforce. In addition, the technical skills required in today's workplace continue to necessitate advanced employee training efforts. Accordingly, during the next four years, improving the federal human resource systems will be critical. In order to provide the level of service expected from the Federal Government, we must address significant HR issues. These issues include: compensation reform, strengthening and streamlining federal recruitment and selection, enhancing training and development, and strengthening employee/labor relations.

In an effort to provide assistance to the Presidential and Congress, we have prepared a set of policy memos that each summarize a key challenge for federal human resources managers, and provide practical recommendations on how the President and Congress can better position the federal workforce to meet the dynamic and growing demands placed upon it. These recommendations include the following:

- Federal pay comparability policy should more efficiently resolve disparities between the Federal Government and the private sector through tailored pay adjustments within the General Schedule pay system, and expanded within-grade pay ranges.
- To replace 60 percent of the federal workforce expected to retire during the next Administration, the federal recruitment process should continue reform efforts to strengthen transparency and accessibility by talented job applicants.
- Federal training and development efforts should be reinvigorated in order to serve as a natural complement to compensation policies aimed at rewarding individual effort and achievement.
- Federal labor/management partnerships should be reinforced to ensure fair treatment for employees whose pay and benefits are under increasing pressure from outside economic forces.
- The role of the U.S. Office of Personnel Management should be enhanced to better position the agency to lead federal human resource management efforts in the future.

**MEMO #1: MOVING TOWARDS A MORE STRATEGIC FEDERAL PAY COMPARABILITY POLICY**

**Abstract:** *To address existing shortcomings in the federal pay setting process, the President and Congress should take immediate steps to reform the General Schedule pay system to provide greater flexibility in making annual pay adjustments and enhanced opportunities for employees and supervisors to progress within their occupational grade levels.*

**Background**

Spurred by the current freeze on federal pay, the issue of federal pay comparability has taken on renewed importance in recent years. Mirroring discussions taking place at the state and local levels of government, both policymakers and independent researchers have devoted a great deal of attention to questions concerning the extent to which federal employee pay rates are comparable to rates available in the private sector, as well as appropriate strategies for ensuring that federal human resources management systems are capable of recruiting and retaining the best and brightest candidates.

Perhaps the most contested issue in recent federal pay discussions concerns the proper methodological approach for both comparing federal and private sector pay rates and providing annual pay increases to employees. As authorized by the Federal Employees Pay Comparability Act of 1990 (FEPCA), the U.S. Federal Salary Council must make annual pay rate recommendations to the President’s Pay Agent based upon salary survey data provided by the Bureau of Labor Statistics (BLS). With comparability estimates constructed from a survey of occupational salaries in the private sector, BLS data has consistently highlighted that, on average, federal employees working in the General Schedule (GS) system tend to be substantially underpaid when compared to their private sector counterparts; but when disaggregated by grade level, lower graded employees tend to be overpaid while higher graded employees are generally underpaid.

<b>Table. 1 Federal GS Wage Gap - March 2010</b>			
<b>Grade</b>	<b>BLS - Estimated Comparable Annual Pay</b>	<b>GS Average Annual Pay w/ Locality Adjustment</b>	<b>BLS - Estimated % Pay Gap w/ Locality Adjustment</b>
<b>1</b>	\$ 20,092	\$ 23,608	-14.89%
<b>2</b>	\$ 20,916	\$ 25,011	-16.37%
<b>3</b>	\$ 24,819	\$ 28,199	-11.99%
<b>4</b>	\$ 29,129	\$ 31,849	-8.54%
<b>5</b>	\$ 33,096	\$ 35,585	-6.99%
<b>6</b>	\$ 39,239	\$ 40,135	-2.23%
<b>7</b>	\$ 44,227	\$ 44,594	-0.82%
<b>8</b>	\$ 51,733	\$ 51,616	0.23%
<b>9</b>	\$ 58,621	\$ 53,683	9.20%
<b>10</b>	\$ 71,859	\$ 60,481	18.81%
<b>11</b>	\$ 76,990	\$ 65,205	18.07%
<b>12</b>	\$ 102,496	\$ 78,939	29.84%
<b>13</b>	\$ 110,770	\$ 94,632	17.05%
<b>14</b>	\$ 147,581	\$ 112,266	31.46%
<b>15</b>	\$ 167,877	\$ 134,320	24.98%
<b>Weighted Average</b>	\$ 70,330	\$ 61,313	14.71%

As 2010 BLS estimates highlight above, there is a distinct break in federal pay comparability for those employees in grade levels higher than GS-7, with higher graded employees experiencing pay gaps of up to 31% in some cases.<sup>1</sup>

While there is considerable disagreement as to whether occupation-based pay comparisons provided by the BLS accurately capture comparability levels between the Federal Government and private sector, perhaps the most significant shortcoming of the Federal Government's existing approach is that it fails to account for differences in pay comparability between grade levels within the GS system. As mandated by FEPCA, the Federal Salary Council can make only one annual pay adjustment recommendation for the entire GS system. In practice, this means that annual pay increases are applied uniformly across all pay grades, thus overlooking variation in pay comparability between grade levels. While the Federal Salary Council has historically recommended pay increases at levels aimed to bring average pay rates within 5% of private sector pay rates (as mandated by FEPCA), actual pay increases have been much smaller (between 1% and 3%), and have had the ultimate effect of increasing pay premiums for lower graded employees without substantially affecting underpayment for higher graded employees.

### **Recommended Actions**

From a strategic human resources management perspective, the current federal pay setting policy leaves much to be desired and the President and Congress should take proactive steps to reform the current system in a manner that will allow federal agencies and managers to better compete in the broader labor market. While we acknowledge concerns with the current process for estimating pay comparability, there are two relatively simple policy reforms that would provide immediate improvements upon the current system.

- **The President and Congress should take steps to end the practice of across-the-board GS pay scale increases to address public/private pay disparities and allow for grade-level adjustments based upon disaggregated comparability estimates.** This policy shift would grant the Federal Salary Council and President's Pay Agent the ability to strategically target pay increases for those GS grade levels found to be the furthest below the private sector labor market in an effort to boost the recruitment, retention, and performance of federal employees. However, it would also allow for general cost-of-living adjustments for all grade levels.
- **The President and Congress should take steps to expand the pay ranges within the existing GS pay system to allow for greater pay progression within GS grade levels.** Current pay ranges are insufficient to accommodate acceptable pay progression and ultimately contribute to salary compression at the higher grade levels. When combined with the first recommendation, this system reform would provide employees with greater opportunities to progress within existing grade levels without the need to consistently seek out higher graded positions.

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<sup>1</sup> Data provided at the October 29, 2010 Federal Salary Council meeting in Washington, DC. Estimates reflect the difference between comparable federal and private sector salaries using data from the National Compensation Survey. Final averages weighted by PATCO and employment by grade level. In the third column, positive estimates reflect a private sector advantage and negative estimates reflect an advantage to the Federal Government.

## **MEMO #2: STRENGTHENING AND STREAMLINING FEDERAL RECRUITMENT AND SELECTION**

**Abstract:** *To address existing shortcomings in the federal recruitment and selection system, the President and Congress should take immediate steps to enhance the hiring process by providing greater strategic alignment of agency level hiring systems, strengthening merit system protections, and bolstering existing efforts to attract, select, and retain a high quality federal workforce.*

### **Background**

The Federal Government workforce, much like the U.S. population, is aging significantly. As a result, there will continue to be an increase in retirements among federal employees. Recently, the Office of Personnel Management (OPM) announced a dramatic increase in retirement applications during the 2011 fiscal year. OPM expects that there will continue to be higher levels of retirements in 2012, a trend that should continue on its projected path, as 60 percent of the federal workforce will be eligible for retirement between 2012 and 2016. As a result, the Federal Government will need to hire a significant number of new employees and, in order to accomplish this critical task, we believe the Federal Government should undertake a renewed effort to reform and reinvigorate agency hiring systems.

Research by the Merit Systems Protection Board (MSPB) has found that the Federal Government has generally been quite successful in hiring talented individuals with the skills necessary to carry out agency missions. Despite this success, however, the MSPB, along with many outside experts, has identified several significant shortcomings in the federal hiring process. These include inefficient and overly complex hiring systems, inadequate employment branding strategies, ineffective assessment systems and, in some cases, a lack of expertise among federal human resources managers in cutting-edge recruitment and retention strategies.

While the negative effects of these shortcomings have been minimized during the recent economic downturn, due to increased labor market demand for public sector jobs, these shortcomings will be more evident as the overall economy improves and the Federal Government is forced to recruit highly qualified applicants in a more competitive labor market. Given that the selection of quality employees is a key element of strategic human resource management, we recommend that the President and Congress pursue the following actions to improve federal recruitment and selection.

### **Recommended Actions**

Guiding our recommendations are the following underlying principles:

1. Agency flexibility to effectively manage their hiring systems;
2. The protection of employees and applicants as promised by the merit system principles, and;
3. Maintenance of a high-quality workforce working towards the public interest.

*Overall, we recommend that OPM continue its efforts to work with agencies to develop a government-wide framework for federal hiring reform. This framework should provide agencies with the necessary flexibilities to address agency needs while also preserving selection quality, as well as employee and applicant protections. The framework should provide guidance in streamlining and consolidating*

*appointing authorities to simplify hiring procedures and make the employee acquisition process more transparent and comprehensible for HR staff, selecting officials, and applicants.*

**To begin this process, we offer five recommendations based on research provided by the MSPB:**

- **Improve the strategic perspective of hiring.** Agencies should view and manage hiring as a critical business process, not an administrative function. Recruitment and selection should be designed as a continuous, long-term investment in attracting a high-quality workforce capable of accomplishing the organization's mission. Recent efforts to improve internships, the presidential management fellowship, and other recruitment strategies are quite positive. Accordingly, discussions of agency branding and hiring system reforms should be integrated with the overall strategic plan and mission of the respective agency.
- **Agencies should assess their internal hiring processes, procedures, and policies.** Such an assessment should better identify barriers to quality, timely, and cost-effective hiring decisions. Often, hiring barriers are self-imposed and rooted in past practices without a strategic guiding principle. For example, agencies may continue to impose excessive time frames, which may have been necessary when applications were processed manually.
- **Agencies, with the assistance of OPM, should employ rigorous assessment strategies that emphasize selection quality, not just cost and speed.** In particular, agencies should develop and use assessment instruments that have a relatively strong ability to predict future performance. Multiple assessment tools used in succession can improve the effectiveness of the assessment process by managing the candidate pool and narrowing the field of qualified candidates. Agencies should work with OPM to develop assessment tools that can be used for occupations that cut across agencies. This would increase the Government's return on investment for these assessments.
- **Agencies should improve efforts to manage the applicant pool while making the process manageable for applicants.** Recent improvements to USAJobs.gov and the developing use of mobile e-recruitment platforms have resulted in significant strides in this area. However, there is still a need to continue to improve recruitment strategies, vacancy announcements, and communication with applicants. For example, enhancing ongoing communication with applicants will encourage applicants to await a final decision rather than abandon the federal job search in favor of alternative employment.
- **Human resources staff and selection officials need to be appropriately trained to think strategically and carry out the full range of services necessary to implement an efficient recruitment and hiring system.** In particular, OPM should bolster its efforts to inform hiring officials about their critical role in the hiring process, the importance of using good assessment tools, what assessment tools are available to them, and how to use the probationary period to alleviate selection mistakes.

## MEMO #3: ENHANCING FEDERAL TRAINING AND DEVELOPMENT

**Abstract:** *To address increased demands on the federal workforce, we recommend the President and Congress enhance funding for training and development to drive a cultural shift that rewards individual achievement and innovation.*

### **Background**

There is little debate that the jobs of federal workers have become more exacting, especially as workloads have increased with a slimmed-down federal workforce. Today, the training, development, and educational needs of the federal workforce, both civilian and military, are among the most demanding of any organization. Federal workers must come with higher levels of education to qualify for their professional jobs. Despite aspersions in the political arena, federal agencies are expected to be organizational role models, technological trendsetters, and articulators of best practices.

### **Recommended Actions**

We recommend that the President and Congress reinvigorate federal training and development efforts to serve as a natural complement to compensation policies aimed at rewarding individual effort and achievement. Specifically, we recommend the following:

- **Increased emphasis on training and development by the Federal Government's political and bureaucratic leadership.** In order to achieve a cultural shift that welcomes and rewards training and development activities, these activities need to be supported at the highest levels of the government. Employees take their lead from political and bureaucratic leaders. If training and development are valued and rewarded in the federal workplace for a sustained amount of time, a shift in the organizational culture will have begun.
- **Specific funds need to be set aside for training and development activities.** A source or fixed percentage of funding not subject to normal budgetary pressures should be set aside to fund training and development activities. Such a funding source will provide necessary stability and continuity throughout budgetary peaks and valleys.
- **Closer ties between training and development, and career progression.** A revitalized federal compensation system that links salary progression to individual achievement can most easily be accomplished through career ladders linked to individual training and professional development accomplishments. Such progression is transparent and appropriate for a large and diverse organization such as the Federal Government.

## MEMO #4: IMPROVING EMPLOYEE / LABOR RELATIONS

**Abstract:** *Federal labor unions play a vital role in the effective management of the federal workforce. As such, it is critical that the President and Congress take proactive steps to improve and maintain the Federal Government's relationship with labor representatives, especially in light of the ongoing challenges associated with reform efforts in human resource management.*

### **Background**

The Bureau of Labor Statistics estimates that 28% of the Federal Government's 3.5 million full and part-time employees are members of a union. Unions represent federal workers who are both members and non-members. In total, just over 31% of federal employees are represented in union negotiations and the two largest unions representing federal employees are the American Federation of Government Employees (600,000 covered employees) and the National Treasury Employees Union (150,000 covered employees).

Given restrictions on negotiating issues related to pay and benefits, federal unions have historically focused their collective bargaining efforts on employee working conditions. However, the on-going political discussion concerning federal employee pay and benefits, coupled with ongoing federal employee pay freezes, has served to chill overall labor/management relations at the federal level. Still, the cooperation of federal employee unions will be key to initiating meaningful and comprehensive reform efforts affecting all facets of the federal human resource management system.

A recent effort of the Obama Administration was the creation of the National Council on Federal Labor-Management Relations (NCFLRM). The 17-member council is comprised of management representatives from across the Federal Government and is co-chaired by the Director of the Office of Personnel Management (OPM) and the Deputy Director of the Office of Management and Budget (OMB). Seven union officials, five agency representatives, the chair of the Federal Labor Relations Authority, and the presidents of the Senior Executives Association and the Federal Managers Association make up the remainder of the Council. The Council provides for overall coordinative efforts concerning federal labor-management relations.

### **Recommended Actions:**

Given the need for full labor cooperation in implementing critical human resource management reforms, we recommend the following actions:

- **Union cooperation should be sought in implementing comprehensive human resource management reform efforts.** Reform cannot be successfully implemented without the cooperation of federal employee unions.
- **The National Council on Federal Labor-Management Relations (NCFLMR) is an excellent avenue to increase overall coordinative efforts between federal management and employee unions – its use should be encouraged.** The continued use of NCFLMR should be encouraged, as should the use of labor/management councils at the agency level.

- **Federal management, unions, and other interested groups should begin a coordinated effort to improve the image of the federal workforce.** Such an effort will enhance recruitment and selection efforts as well as dispel inaccurate perceptions of the federal workforce. The NCFLMR should coordinate these efforts in cooperation with the American Society for Public Administration (ASPA), the National Academy of Public Administration (NAPA), the National Association of Schools of Public Affairs and Administration (NASPAA), the Partnership for Public Service, and other public service organizations.

## MEMO #5: ENHANCING THE ROLE OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT

**Abstract:** *Given the current human resources management challenges facing federal agencies of all sizes, we believe that it is imperative that U.S. Office of Personnel Management (OPM) take on an enhanced leadership role and substantially bolster its efforts to ensure the presence of a stable and high performing federal workforce.*

### **Background**

Since the passage of the Pendleton Act of 1883, there has been a sustained need for strong leadership in the management of the federal civil service system. While the Civil Service Commission originally fulfilled this role during a period defined by centralization and standardization, the U.S. Office of Personnel Management has sought to maintain this role under increasing pressures to decentralize and delegate personnel management authority to the agency level.

While the move towards decentralization has allowed for increased flexibility and experimentation at the agency level, the diversity and complexity of contemporary approaches to agency personnel management has called attention to the need for increased oversight and leadership by OPM to ensure that agencies operate in accordance with Merit System Principles and that efficient and effective personnel management practices are in place throughout the Federal Government.

### **Recommended Actions**

We recommend that the President and Congress support OPM in addressing the following actions:

- **Comprehensive evaluation of the personnel management operations of Title 5 and Title 5-exempt agencies.** As part of the transition towards more flexible personnel management systems, there are a number of federal agencies currently exempt from the civil service rules and procedures outlined in Title 5 of the U.S. Code. As a result, the current landscape of federal human resource management is considerably varied, with some agencies operating under strict Title 5 guidelines and others provided increased flexibility to tailor their personnel systems to their unique needs. While the overriding intent of agency exemptions to Title 5 has been to enhance agency personnel operations, OPM should initiate a comprehensive review effort to assess the benefits of Title 5-exempt federal personnel systems and how these potential benefits might be achieved across all agency personnel systems.
- **Comprehensive assessment of the efficiency and effectiveness of Title 5 personnel requirements.** Related to the first recommendation, we believe that the current personnel management structure outlined in Title 5 of the U.S. Code should be substantially restructured to better align with the realities of managing federal personnel in the contemporary labor market. For many years, OPM has led the effort to guide agencies on effective means of managing their personnel resources within the existing statutory framework of Title 5, but, given the rapidly changing workforce environment, we believe that it is the appropriate time for OPM, along with the President and Congress, to identify and revise those portions of Title 5 not fully compatible with the needs of high performing human resource management systems.

- **Reinforcement of OPM’s Leadership Role and Human Capital Capacity.** This recommendation centers on strengthening OPM’s image as the “go to” source for human resource related consulting services. A significant portion of OPM’s work is currently driven by agency requests for service. However, this role can be expanded. This will likely require a restructuring of the agency to leverage resources. OPM needs to be seen as the primary source for solutions, strategies, and services for the federal HR system. For example, OPM can further bring together resources much like it has done with the HR University program. HR University is designed to increase the professional development of human resource professionals across the Federal Government by identifying the best training resources and sharing those resources across agencies. If OPM strengthens its internal capacity to provide additional consulting type services, this may result in substantial savings for the Federal Government across agencies. Another example of the kind of effort that should be fostered is OPM’s recent establishment of the Innovation Lab. The Innovation Lab brings people together in an environment that is designed to foster collaboration and creativity as they address challenging problems.
- **Increased leverage of technological innovation.** Human resource management over the past 20 years has moved away from standardized processes; however, technological advancements over the past 10 years have created opportunities for more effective personnel management efforts through greater standardization and agency collaboration. For example, most agencies were granted the authority to develop and manage their own recruitment and assessment practices in the mid-1990s. The result has been a highly variable recruitment and assessment landscape where a select group of agencies have fully leveraged newer Web 2.0 technologies in this area (e.g., the U.S. Peace Corps) and others, often with less expertise and/or funding, maintain practices that are dated or ineffective in recruiting and placing younger job applicants. Overall, such technological variation is not conducive to achieving broader personnel management goals, and OPM should take the lead in identifying those areas where standardization might benefit all agencies.

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## **CONCLUSION**

It is our hope that the above will serve as an outline for creating a learning organization in the federal workplace. These five recommendations provide the basis for creating a revitalized federal workforce that recognizes and rewards its talented seasoned workers, but also creates an organizational environment that better attracts and retains the talented and dedicated workers needed to guide the Federal Government in years to come.

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