

ELEVATING *Our* FEDERAL WORKFORCE

Chief Human Capital Officers Offer Advice to President Obama

2008 SURVEY OF FEDERAL HUMAN CAPITAL OFFICERS



PARTNERSHIP FOR PUBLIC SERVICE



Grant Thornton

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- Raises awareness and helps improve public attitudes about government service.
- Promotes government service through outreach to college campuses and job seekers.
- Provides hands-on assistance to federal agencies to improve their operations.
- Advocates for needed legislative and regulatory reforms to strengthen the civil service.
- Generates thought-provoking resources and strategies for workforce challenges facing our federal government.

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EXECUTIVE SUMMARY

With an historic economic crisis, two ongoing wars, exploding health care costs and record budget deficits, our new president certainly will have his hands full. The chilling reality is that his job will be even tougher than it seems. To deal effectively with any of these high-profile challenges, the incoming administration also must deal with an under-the-radar issue which will impact every single policy it advocates: the state of the federal workforce.

Building, energizing and maintaining a high-quality workforce is the key to success for any organization—and our federal government is no exception. Unfortunately, our government's current system for recruiting, hiring, compensating, training and managing people is broken in too many places. As a result, federal agencies struggle to bring in top talent, often don't fully utilize the skills of current civil servants, or simply lack enough of the right talent.

The consequences of these problems are enormous. If you look at our government's most notable failures in recent years—the botched response to Hurricane Katrina, the failure to connect the dots leading up to 9/11, insufficient federal oversight of our nation's financial institutions—you see that each was rooted in workforce problems.

Compounding these problems, our federal government expects to lose roughly one-third of its employees over the next five years, as the retirement of baby boomers depletes our government of many expert and experienced workers.

Tackling these problems and the challenge of getting the “people piece” right in our federal government is essential to fully realizing the Obama administration's goals. This raises the obvious question, “How do we get the people piece right?” To learn the answer, Grant Thornton and the Partnership for Public Service asked the people who would know best: our federal government's chief human capital officers (CHCOs), deputy CHCOs, and other key human resources staff and advisors.

More specifically, these officials were asked to answer the following question: “You have a few minutes in an elevator with the new president. What do you tell him about federal human capital?”

The following apocryphal “elevator speech” reflects the consensus of the responses from this expert panel.

Mr. President, congratulations on your victory. I'd love to chat, but we only have a minute and there's an issue you need to know about, so I'm going to get straight to the point.

Good government starts with good people. Unfortunately, you don't have enough of the right people in the right places working under the right policies and programs to get the job done. It's going to take a lot of hard work to make sure we have the workforce you will need to carry out your agenda. But with the change in administrations and a change in demographics, now is the time to tackle the long-standing problems with our federal workforce. To build the civil service that the times demand and the American people deserve, you are going to need to do four things:

1. Make people issues a presidential priority. Federal managers will not see human capital reform as a priority unless it is a priority for the president. You should specifically assume the role of recruiter in chief and issue a call to government service.
2. Create 21st century systems to support a 21st century workforce. This will require updating the way our government hires, classifies and compensates

its workers, among other reforms. You will also need to update your Office of Personnel Management, and focus its efforts on workforce improvement and agency assistance.

3. Improve our federal workforce by investing in the human resources workforce. Less than a third of HR leaders think their staffs clearly have the skills needed to do their jobs effectively. An investment in HR staffs is an investment in attracting and retaining high-quality people to carry out your administration's agenda.
4. Don't automatically hit the reset button on previous workforce reform efforts. Thanks to a lot of hard work, a lot of progress has been made in areas such as improving performance management systems and metrics to hold agencies and managers accountable for effective workforce management. Build on this progress and send a powerful message to career employees that you value the work they've been doing.

Here's the bottom line: an investment in human capital issues is an investment in your policy agenda. The higher the quality of our federal workforce, the higher the chances that your policies will be well executed. I hope to have the opportunity to work with you and your team to revitalize our 1.9 million-strong civil service.

Thank you for your time, sir, and good luck.

These brief remarks reflect the collective wisdom of 54 of our government's leading experts on people issues, but they are hardly the only key insights to come from these interviews. The following are some key findings of this research, many of which underpin the case for reform:

- **More than half of respondents volunteered that bold reform of our civil service system is necessary.**
- **More than two-thirds advocate eliminating or significantly updating the General Schedule pay and classification system. The vast majority of them recommend phasing out the current system gradually.**
- **Ninety percent agree that alternative work schedules are a useful tool to a "great or very great extent" for attracting and retaining talent, and over half would add telework to that list of especially useful tools.**
- **Given a menu of options, direct-hire authority and dual compensation waivers are cited as the most underutilized hiring tools. The need to obtain prior OPM approval to use these tools on a case-by-case basis is cited as the main reason they are not more actively used.**
- **Only 44 percent of CHCOs believe that federal managers and supervisors possess the supervisory or managerial competencies they need "to a great extent," and none of the respondents believe federal managers overall deserve the highest rating, i.e., "to a very great extent."**
- **Only 29 percent of CHCOs believe "to a great extent" that HR staff members have the competencies they need.**
- **The percentage of CHCOs who believe their HR staffs are viewed as trusted advisors is 52 percent.**
- **Almost all of the small agency HR officials we interviewed reported shared HR services offered through the Human Resources Line of Business initiative to be useful. Large agency representatives were less interested in these services.**
- **Eighty-eight percent of the CHCOs interviewed believe federal performance management systems are doing a good job of aligning organizational goals with individual performance, up from 64 percent in 2007.**

Our next president and his team will have no shortage of people offering them advice. Considering the primacy of an effective federal workforce toward achieving the administration's goals, they would be well served by what our government's top human capital experts have to say. Acting upon these expert recommendations could elevate our federal government to new heights.

BACKGROUND

ABOUT THE REPORT

In 2007, the Partnership for Public Service and Grant Thornton LLP, interviewed federal government chief human capital officers (CHCOs), deputy CHCOs and other key human resource advisors to learn firsthand about critical issues in federal human capital management. The 2007 survey focused on the President’s Management Agenda, the general environment and laid the groundwork for future surveys.

In 2008, we repeated the survey and focused on issues surrounding the impending presidential transition. While many CHCOs are career civil servants, some are political appointees who will leave the federal government and pass their duties on to new leaders. In this context, we hope the results of this year’s survey will be particularly useful as the new administration takes the reins.

The concept of a CHCO—an official in each major department whose responsibility is to help leadership develop a high-quality workforce—was championed by the Partnership for Public Service and established in law in 2002. Aided by the President’s Management Agenda and its focus on human capital, the role of the CHCO has grown as government leaders have realized that, in the words of one of our survey respondents, “human capital matters—the right person in the right job affects how the government operates.”

Between May and September 2008, we interviewed 54 officials, both political appointees and career civil servants, from all major departments and several small agencies. Interviews were conducted on a “not-for-attribution” basis to encourage candor and, therefore, we do not attribute quotations or responses to specific respondents.

To maintain consistency, all interviews were conducted by the same person: John Palguta, Vice President for Policy at the Partnership for Public Service and a retired member of the Senior Executive Service with more than 30 years of experience in federal government human resource management and policy. Other professionals from the Partnership and Grant Thornton also attended interviews, recorded and analyzed responses, and helped develop this report.

We asked survey participants nine open-ended discussion questions and eight closed-ended questions on critical human capital issues. The goal was to allow the CHCOs to shape the discussion. We asked them to offer advice to the new president, identify key issues, and tell us what is working and what needs to change. This report summarizes and analyzes their responses.

All analysis or interpretation contained in this report is based on information collected during our interviews, and all direct quotes are those of survey participants.¹ Therefore, this project was a unique opportunity to hear firsthand the views, insights and advice of the federal human capital leadership at a critical time. Their voices have never been more important.

“Human capital matters—the right person in the right job affects how the government operates.”

¹ Because we asked open-ended questions, the percentages reported for these questions should not be interpreted in the same way as the answers to the closed-ended questions. For example, if one-third of survey participants mentioned a specific topic in response to a discussion question, this is significant because the answer was offered without prompting, as opposed to chosen from a list of options. Answers to closed-ended questions are represented with graphs in this report.



HELLO, MR. PRESIDENT. GOING UP?

“You have a few minutes in an elevator with the new president. What do you tell him about federal human capital?”

This was our first question to CHCOs for our 2008 survey. We wanted their thoughts and advice to the new administration—not just the president, but also his political team and the leaders who will come to Washington to manage the executive branch. While some CHCOs are political appointees and others are career executives, they largely spoke with one voice regarding the biggest issues facing our federal workforce.

The president would need a long elevator ride to hear all our survey respondents’ advice; the federal government’s “people people” have a lot to say. Advice ranged from broad to very detailed, but consensus formed around four overarching recommendations:

1. **Make people issues a presidential priority.**
2. **Create 21st century systems to support a 21st century workforce.**
3. **Improve our federal workforce by investing in the human resources workforce.**
4. **Don’t automatically hit the reset button on previous workforce reform efforts.**

FIRST FLOOR: MAKE PEOPLE ISSUES A PRESIDENTIAL PRIORITY

Demographic changes will affect the federal workforce profoundly in the next ten years, with baby boomers retiring in large numbers. According to Partnership projections based on Office of Personnel Management (OPM) data, nearly one-third of the full-time permanent workforce will leave federal service within the next five years, the majority through retirement. A number of the executives we interviewed said they see an upside to the retirement wave; they urge the new administration to view the exodus as a chance to bring new people into government and reshape the federal workforce for the 21st century. Said one interviewee, **“Don’t be afraid of the retirement tsunami; it’s an opportunity.”**

Serve as recruiter in chief

Nearly half of survey participants said the new president should issue a call to public service similar to that of President Kennedy’s. They see the president as recruiter in chief for the federal government. One interviewee said, “We need to inspire the next generation of young people to meet the huge challenges ahead: terrorism, the environment, keeping up with foreign technology, reforming health care.”

“Federal service is a high calling,” noted another survey participant. **“Young people should think of public service as a first choice—not a last choice.”** In that respect, many respondents feel it is important not to blame all of the problems in, or facing, government on career federal employees. “Politicians have been running against government; we need to stop that,” lamented an interviewee. “You can have problems with programs, but you need to differentiate programs from the people that run them.”

Put human capital management in good hands

Several respondents specifically mentioned the need for the president to put a trusted aide at the helm of management in general and of human capital issues in particular. “Put someone you trust in charge high up, and push them to drive results,” one respondent suggested. “Any people you choose to lead, make them understand the importance of human capital. It will trickle down to key positions.”

“Remember,” another interviewee advised, **“you are coming to manage the executive branch.”** This was a sentiment echoed by a number of respondents, who pointed out that although management issues are often seen as less exciting than policy decisions, they are equally important: **“You have to pay attention to the plumbing if you want the building to function.”**

Engage career leadership

Fully half of all respondents implored the next president to trust career civil servants, solicit and listen to their

views, and work as partners rather than adversaries. “We are all part of the same team,” said a CHCO.

One respondent spoke favorably of President George H.W. Bush’s meeting with career government leaders six days after his inauguration, referring to them as “among America’s finest” and stating, “You’re the first group that I am addressing as president outside the White House, and you’re one of the most important groups I will ever speak to.”

This same respondent urged the new president to follow a similar course: “I would tell the next president to support the career civil servants publicly and visibly. Foster a partnership between political and career leaders. It’s a question of leadership—pure and simple. Signal to your appointees that they need to work and play well with career folks. Communicate this by word and deed. Include your career leaders as you’re standing up your administration. It will serve as a model to your appointees: this is how we treat our civil servants.”

Respect for civil servants should not be limited to the top ranks, respondents cautioned. “Don’t leave first-line managers behind. You can have the best leaders in the world, but you need people who can carry out the vision on the ground,” offered an interviewee.

Make civil service reform a government-wide effort

About one-third of participants pointed out that solving the complex problems of our time must involve an “enterprise” approach to governing—agencies working together across boundaries to develop innovative solutions.

“The great challenges can only be met on an interagency basis,” said one respondent. “Federal employees have been brought up in stovepipes, but we need to think enterprise. That was the original vision of the SES [Senior Executive Service], but we need to push it further down [and] focus on professional development by discipline, not agency. And we need to figure out how to make boundaries [between agencies] more permeable.”

Another respondent put it succinctly: “We need to grow good leaders to be good public service leaders, not just good leaders for individual agencies.”

“Hire people who are good at communication, collaboration and innovation,” another interviewee responded. **“Technical skills can be taught, but these qualities are nec-**

essary. This approach is far more valuable than hiring a particular skill set. We’re doing things now that we weren’t doing 10 years ago, and we will be doing different things in the future—even during your administration.”

Focus on strategy, not just on tactics

While the President’s Management Agenda (PMA) was a major topic raised by those interviewed in our 2007 survey, this year’s interviewees focused less on this initiative. Mirroring the results for 2007, about a third of 2008 participants said that the PMA has helped to focus attention on human capital issues. Nearly 40 percent of respondents in 2008, however, feel that the PMA has become too tactical and focused on process rather than strategy—an increase from one-third of respondents in 2007.

Specifically, several interviewees noted that the criteria used to determine if an agency earned a “red,” “yellow,” or “green” on the administration’s scorecard often seemed unrelated to whether the human capital systems being reviewed were actually producing the desired end results. “There was too much form over substance,” according to one interviewee. “I feel like we’re trying to impress people with our writing ability.”

“The scorecard mentality does not give us the time to focus on reflection; you always have to move on to the next thing,” offered another.

Interviewees urged the next president to keep the focus on strategy and resist the trend toward easily captured tactical measures—especially after initial goals are met. “An initiative may sound strategic at first, but it becomes a playground for the green eye-shaded auditors,” one warned. “You drill down too far and the tail is wagging the dog, and you might drive the agency to focus on minute details that don’t matter.”

SECOND FLOOR: CREATE 21ST CENTURY SYSTEMS TO SUPPORT A 21ST CENTURY WORKFORCE

In response to the open-ended question soliciting their advice to the president, more than half of respondents specifically said that certain aspects of the current civil service system discourage talent from considering government, and that a top priority of the next administration should be bold reform. This is up from 2007, when

about one-third advocated this when asked about legislative or regulatory changes.

Laws governing federal employment on everything from recruiting and hiring to compensation and retirement are promulgated in Title 5 of the U.S. Code of Federal Regulations. The current structure of federal employment has been in place since passage of the Classification Act of 1923, which divided government jobs into five distinct services or classifications. The Classification Act of 1949 expanded the 1923 law, and established the General Schedule (GS), which is still used today. While the classification and pay structure have been around for more than 50 years, the number of laws and regulations governing every other aspect of federal employment continues to grow each year (from how the government hires to when employees can retire, and everything in between). The result is a complex web of rules, restrictions and paperwork.

Said one respondent, **“Stop tinkering and do some pretty drastic change—management, pay, everything.”** As outlined below, the federal pay and hiring system represents two areas in which major actions were seen as needed.

Reform the General Schedule (GS) pay and classification system

When most CHCOs talked about modernizing civil service laws, they focused primarily on the GS, the 15-grade pay system used by the federal government since 1949. More than two-thirds of participants advocated eliminating it either immediately or over a set period of time, or suggested some other type of reform. Only 14 percent would keep the GS system as is (see figure 1). Note: we added this question for 2008 based on strong interest and discussion from 2007 respondents.

“The GS system is antiquated; we need a market-based, pay-for-performance system—not one that’s longevity-based,” said an interviewee. Another added, “I would say you need to get rid of the GS rather than try to tinker with it—there’s too much history there.” Many, particularly those from agencies with a highly technical work-

force, agreed that a new pay system should be market-sensitive.

Those who would retain the current system cited consistency and familiarity as the primary reasons. “The GS structure is not ideal, but it may be the best we’ve got. The GS doesn’t get enough credit,” said one CHCO. “It allows for consistency. Salaries are published; it levels the playing field.”

We asked interviewees to discuss both the pros and cons of the GS. One CHCO answered, **“The best thing is that it’s predictable; the worst thing is that it’s predictable.”**

One aspect of the GS pay system which was particularly singled out was the position classification system, which is based on the broad descriptions in law of the types of work (in terms of difficulty and level of responsibility) that should be assigned to each of 15 grade levels.

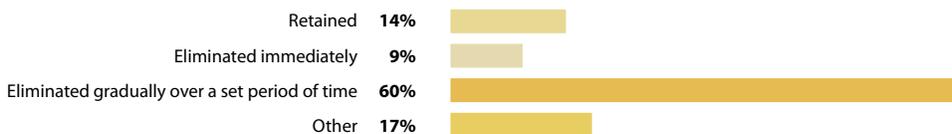
More than one-third of respondents volunteered that the position classification system is outdated and needs an overhaul. Respondents said that a system created more than half a century ago (by the Classification Act of 1949), when 70 percent of the workforce performed clerical or lower-level technical work, is not the right structure for a 21st century workforce. While OPM publishes classification standards to guide this process, jobs and the work environment change over time and the standards become outdated, they noted.

Another problem with the position classification system, according to respondents, is that the differences between grade levels are not aligned with the realities of today’s job market. For example, a highly-recruited new college graduate with superior academic qualifications is deemed qualified only for a job up to the GS-7 grade level (currently with a starting salary of \$39,330 per year in the Washington, D.C. area). Private-sector employers will often pay a much higher starting salary for that same individual.

Further, as an employee advances into higher grades, the need to divide all jobs into one of 15 grade levels can

FIGURE 1

DO YOU THINK THE GENERAL SCHEDULE (GS) PAY SYSTEM SHOULD BE:



lead to seemingly arbitrary distinctions. For example, the difference in statute between a GS-11 and a GS-12 level job is, in part, that the GS-11 position performs work of “*marked* difficulty and responsibility” while the GS-12 position performs work of “*a very high order* of difficulty and responsibility.” Many respondents argued this is a root cause of the problem with the General Schedule. “Job classification and grading decisions are the problem,” according to one respondent, “not necessarily the [concept of the] GS.”

Others feel that the classification system is too rigid and complex. “It’s not the GS system, necessarily; it’s the lack of flexibility. If they allowed you to be more flexible, they wouldn’t have ‘creative classification’ going on, which creates the problem of diminished grades [manipulating classifications to give people higher salaries, particularly in areas with high costs of living],” noted one interviewee.

Further, each grade level encompasses a pay band with ten steps (with a 30 percent pay range between step 1 and step 10), and movement to the next step is based primarily on length of service (for employees operating at an “acceptable level of competence”). As a result, employees have little influence over base pay increases even if they are exceptional performers, or if they make outstanding contributions. Plus, most new hires must start at step one of the grade level into which they are hired. This further limits an agency’s ability to be “market-sensitive” and competitive for talent.

One CHCO offered this advice: “Keep the pay side for now, but fix the classification system. Fix that now, then fix pay slowly. Eliminate the classification structure—but do it with the unions.” Another agreed, saying, “If we could fix problems with the classification structure—update it since most [of the standards] are ancient—you could conceivably address the problems.”

Lift the Senior Executive pay cap

Nearly 20 percent of respondents said they worry about pay compression (which occurs when members of the Senior Executive Service (SES)) have reached the maximum salary allowable by law, and cannot receive raises or performance bonuses while employees under the General Schedule—who are not subject to the same limitations—can continue to earn annual pay adjustments). Since the SES pay scale is tied to pay for Members of Congress, every few years executives are held hostage while they wait for Congress to take (or not take) the

politically unpopular step of voting itself a raise. Right now, GS-15 pay at the higher steps significantly overlaps the SES pay range.

A few of our survey participants warned that this would cause an exodus of seasoned federal employees. “**The executive salary cap is getting ready to kill us,**” one CHCO said. “**Employee pay will rise more than executive pay. We have round two of the perfect storm ahead, and if round one was Andrew, round two is Katrina.**”

“SES pay compression is a problem,” another added. “You’ve got some people earning more than their bosses.” A few mentioned this as a disincentive for GS-15 managers to apply for the SES.

Make the hiring process work better

Despite improvements in time-to-hire, hiring complexity was the chief complaint of survey respondents, who generally feel that the hiring process is still too cumbersome. “The hiring process needs to be streamlined,” said one interviewee. “We need to do a better job of enticing people into public service—and make them want to stay once they get here.”

Nearly every aspect of the federal hiring system is governed by laws and regulations designed to meet a particular public policy goal—whether it is to give first priority to veterans, preserve merit principles, or foster a diverse workforce. Noble aims, all of them, but the result is that everything from the position description through the way vacancies are announced to the way candidates are evaluated has its own set of complex rules. In an era of instant communication, the system seems cumbersome to even the most experienced HR professional—and utterly mystifying to anyone outside of government.

“Laws and regulations are the reason [for the complexity], not the bureaucracy,” said a respondent, who focused on the need for a broad overhaul. “We have spent time to make the process more efficient, but you can’t change it unless you change the laws and regulations. We need to maintain [the original legislative] intent without all the complexity. You can study the process ad nauseam, but you can’t make it better until you amend the laws and regulations.”

A few feel that the level of complexity makes it difficult to attract workers from outside the federal government. “The [federal hiring] system is designed to attract feds. If you’re in the federal government, you know how to

do all the tricks, which boxes to check. We have a hard enough time attracting outsiders with our low salaries,” noted one interviewee.

For example, “With the Internet, it would be better for USAJOBS (the OPM Web portal which lists federal job vacancies) to be an interactive tool, [more intuitive and easier to navigate],” said another respondent. “Now it’s almost like, ‘Say the secret word and I will show you a job.’ Why can’t we make USAJOBS more user-friendly and use technology to find the right people through advanced search capabilities and data mining? For instance, if someone applies for a job at one agency and they don’t get it, wouldn’t it be great if the system could send that person to another agency looking for similar skills?”

Retool the Office of Personnel Management

Nearly half of respondents would like to see the OPM focus more on strategy, and become more of a partner and less of an overseer. The finding echoes results from the 2007 survey.

OPM is responsible for ensuring that the federal government has an effective civilian workforce. It issues guidance on all personnel matters from recruitment to retirement administration, and designs government-wide human capital strategies. OPM also conducts background investigations. While OPM provides a central clearinghouse for human capital practices, most HR responsibilities (hiring new employees, for example) are delegated to each agency.

Although the above list of OPM responsibilities includes a focus on strategy and guidance, survey respondents’ views of actual practice can be summed up in one comment: “OPM focuses too much on ‘Mother, may I?’ and not enough [on] serving as an advisor and consultant to agencies and helping with strategy.”

Focus on the means – not just the ends

While many respondents agreed on what the civil service of the future should look like, the consensus is that reforming the decades-old compensation and classification system will be a complex undertaking. However, several CHCOs suggested tactics to create the right conditions for large-scale change.

Level the playing field

When considering reform focused on compensation, 38 percent of survey participants want to level the playing field by taking a government-wide approach. “Some agencies have relief from [some provisions of] Title 5,” said one CHCO, citing the title of the United States Code that covers the civil service. “But it has caused unfair competition among agencies. Intergovernmental competition makes [recruiting and hiring] hugely difficult.”

“Right now, it’s the haves and the have nots,” said another respondent, referring to agencies that have more flexible pay systems with broader pay bands in place of the 15 grade levels, as well as the ability to make greater adjustments in pay. These flexibilities, it was maintained, make it easier to attract and retain talent than operations at agencies under the GS system. Several CHCOs in agencies under the GS system noted that they were losing some of their best employees to other federal agencies that can pay more.

“Be consistent,” suggested another interviewee. “Anything you do, do it on a government-wide basis.” One interviewee said, “**The GS is obsolete, but it should not be every agency for itself. How do you compromise? Common standards—not uniformity but common principles.**”

Invite unions to the table to discuss pay reform

Several interviewees said they think it will be important to engage employee unions when tackling GS reforms. “The new president will have to patch things up with the unions,” said one interviewee. “Unions should be at the table on how to modernize the federal service.”

Recognize intergenerational differences

Nearly 40 percent of respondents said that it will be important for the new administration to recognize the differences among generations when crafting federal human capital policy. They said the goals and aspirations of the current generation of entry-level employees are different than those of the baby boom generation. “Younger people are looking for a challenge and better work/life balance,” said one respondent. “[They] don’t want to be paid based on tenure; they want to be paid based on results,” added another.

The typical model of spending an entire career in the federal government will change, respondents noted. One said that the average young worker today will change careers (not just jobs) three to five times in their lifetime. This new career model will require focusing on more

mid-career hiring and better knowledge management, according to survey participants.

Trust CHCOs to use personnel flexibilities wisely

Generally, CHCOs want the new administration to grant them more authority to use personnel flexibilities, and recruitment and retention tools. We learned this through an open-ended discussion question concerning which legislative or regulatory changes CHCOs would like to see, in addition to closed-ended questions regarding the usefulness of different flexibilities.

Two important tools mentioned by respondents are especially hard to use, according to our survey: dual compensation waivers and direct-hire authority. Without a dual compensation waiver, a retired federal employee with specialized skills who is re-employed has her retirement annuity significantly reduced. Direct-hire authority allows agencies to avoid many of the time-consuming standard hiring steps when speed is needed to compete for hard-to-find talent. For these flexibilities, the vast majority of interviewees feel that OPM is too rigid and arbitrary. Several described needlessly difficult negotiations with OPM and talent lost due to OPM’s overly restrictive stance.

In answering the open-ended question about desirable legislative or regulatory changes, sixty percent of interviewees said they want better access to dual compensation waivers. This mirrors our 2007 results. One CHCO said, “Annuitants who retire at 55 are not ready to go fishing full time, and we need the means to tap into that.” Respondents said that hiring annuitants is critical for knowledge transfer—especially with demographic shifts, and a federal workforce heavy on senior managers and new hires but sparse in the middle ranks.

Forty percent of respondents would include on their wish list of regulatory changes the authority to hire new employees directly (while still adhering to standards and criteria within the existing regulatory framework), rather

than having to petition OPM. Many respondents said the approval process is arbitrary and cumbersome, and that the cases where authority is granted are few and far between. **“Direct-hire authority needs to be expanded,”** said one interviewee. **“It’s not meeting our needs. Companies hire people—the government collects résumés.”**

In the closed-ended questions, we asked survey participants to rate several personnel flexibilities on their usefulness:

- telework;
- hiring and retention bonuses;
- student loan repayment;
- alternative work schedules;
- direct-hire authority; and
- OPM-approved dual compensation waivers.

The flexibility which received the highest marks was allowing employees to follow alternative work schedules, with 90 percent of respondents saying it is useful to a great or very great extent. The next most useful flexibility, according to interviewees, is the ability to offer hiring and retention bonuses. Not surprisingly, the least useful were the dual compensation waiver (27 percent) and direct-hire authority (36 percent) because of the difficulty, described above, of obtaining prior OPM approval. In fact, interviewees frequently said, “It would be a five [on a five-point scale] if I had blanket authority to use it.”

In general, CHCOs said they don’t mind—in fact, they expect—to be held accountable for judicious use of the flexibilities. Their preference, however, is for accountability on a post-audit basis for achieving the desired end results. The current approach seeks to prevent problems but, to achieve that goal, severely limits access to needed tools, they noted.

The figures below highlight the results for all flexibilities as well as the primary barriers to using them as cited by CHCOs. (See figures 2-7)

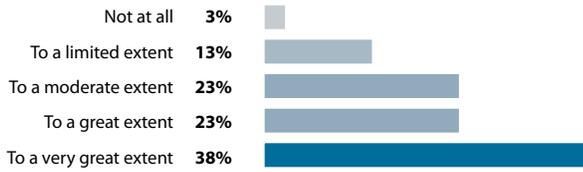
FIGURE 2
TO WHAT EXTENT DO YOU FIND ALTERNATIVE WORK SCHEDULES TO BE A USEFUL TOOL?



Barriers to using alternative work schedules: Reluctance of managers; Intergenerational differences; Scheduling difficulties for team projects

FIGURE 3

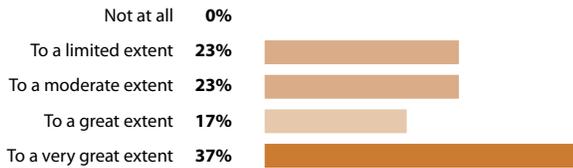
TO WHAT EXTENT DO YOU FIND HIRING AND RETENTION BONUSES TO BE A USEFUL TOOL?



Barriers to using hiring and retention bonuses: Budget constraints

FIGURE 4

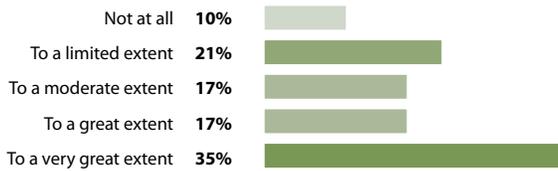
TO WHAT EXTENT DO YOU FIND TELEWORK TO BE A USEFUL TOOL?



Barriers to using telework: Not appropriate for all jobs ("Try guarding the border from home."); Reluctance of management; Technology limitations; Security concerns

FIGURE 5

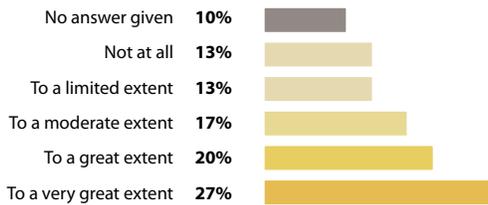
TO WHAT EXTENT DO YOU FIND STUDENT LOAN REPAYMENT TO BE A USEFUL TOOL?



Barriers to using student loan repayment: Budget constraints; Inequity (i.e., not every employee has student loan debt)

FIGURE 6

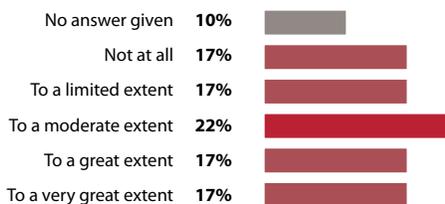
TO WHAT EXTENT DO YOU FIND DIRECT-HIRE AUTHORITY TO BE A USEFUL TOOL AS IT IS CURRENTLY STRUCTURED?



Barriers to using direct-hire authority: Dealing with OPM is too cumbersome; OPM decisions are arbitrary

FIGURE 7

TO WHAT EXTENT DO YOU FIND OPM-APPROVED DUAL COMPENSATION WAIVERS TO BE A USEFUL TOOL?



Barriers to using OPM-approved dual compensation waivers: Dealing with OPM is too cumbersome; OPM decisions are arbitrary

Improve management skills

According to our respondents, management skills are increasingly important—but often overlooked.

In 2007, many interviewees expressed concern that management competencies were weak across government in relation to technical skills; therefore, in 2008 we added a question to develop a baseline on this subject. This is an important area of focus, according to respondents, particularly as agencies move to multi-level performance appraisals and the pay system is reformed.

CHCOs were asked to rate the skills of line managers in their agencies on a five-point scale. The average rating was 3.42 on a five-point scale, with only 44 percent saying that managers and supervisors have competencies they need “to a great extent,” and none giving their agency managers the highest rating. (See figure 8)

“People are still selected for leadership positions based solely on technical expertise,” said one interviewee. “There’s a lot of work to be done.”

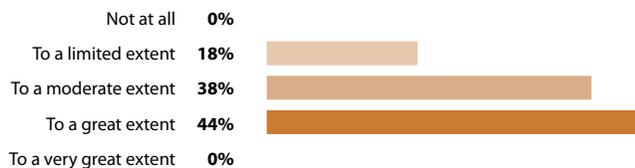
Several respondents pointed to training programs they rolled out in their agencies to develop managers with an eye toward the future. One respondent optimistically predicted, “The bottom line is: few have these skills today, but *all* will have them tomorrow.”

Use internships and other special entry-level hiring programs

Respondents spoke highly of internship programs and other special hiring authorities, with one in four saying these programs helped to recruit the best talent. “We make good use of the Federal Career Intern Program and other internship programs,” said one CHCO.²

FIGURE 8

TO WHAT EXTENT DO YOU BELIEVE YOUR MANAGERS AND SUPERVISORS (I.E., LINE OPERATIONS – NOT HR) HAVE THE COMPETENCIES NEED TO BE SUCCESSFUL?



² Despite its name, the Federal Career Intern Program is not a typical intern program as most people understand that term. It is a special, two-year excepted service hiring authority established by Presidential Executive Order 13162, dated July 6, 2000. Employees hired under this authority may be converted to competitive civil service status at the end of the two-year “internship.”

Several interviewees expressed the need to make better use of current programs. “There is a lot of innovation coming out of government; we just need to communicate that to students. Internships are a good way to do that.”

THIRD FLOOR: IMPROVE OUR FEDERAL WORKFORCE BY INVESTING IN THE HUMAN RESOURCES WORKFORCE

Make sure CHCOs have a seat at the table

One of the key goals of the CHCO Act was to ensure that leaders of the human capital community have a seat at the management table. As in 2007, the majority of CHCOs feel they are valued by agency leadership as a trusted business advisor. As one interviewee noted, “They get it. It’s my table.”

While CHCOs themselves feel like part of the management team, the real change will come when the entire HR function is seen as strategic rather than transactional. Last year, 68 percent of respondents said HR was seen as trusted business advisors to a great or very great extent. In 2008, only 52 percent agreed that their HR staffs were viewed as filling this role. However, the percentage who answered “to a limited extent” doubled from 2007 to 2008.³ (See figure 9)

Give CHCOs what they need to be effective

Only a third of CHCOs interviewed said they have the resources they need to be effective to a “great” or “very great” extent, nearly the same as in 2007. Twenty percent either do not have the resources they need, or have them

³ In 2007, this question appeared as “Do you feel that HR is viewed by our agency leadership as a trusted business advisor (versus a transaction manager)?” In 2008, this question was slightly altered to “Do you feel that HR staff is viewed by our agency leadership as a trusted business advisor (versus a transaction manager)?”

FIGURE 9*

TO WHAT EXTENT IS HR (STAFF) VIEWED BY YOUR AGENCY LEADERSHIP AS A TRUSTED BUSINESS ADVISOR VERSUS A TRANSACTION MANAGER? (2008 VERSUS 2007)

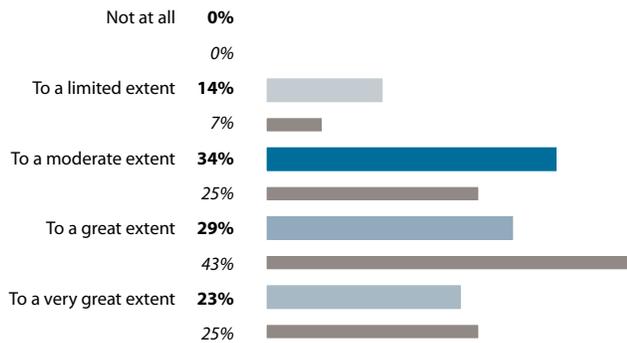
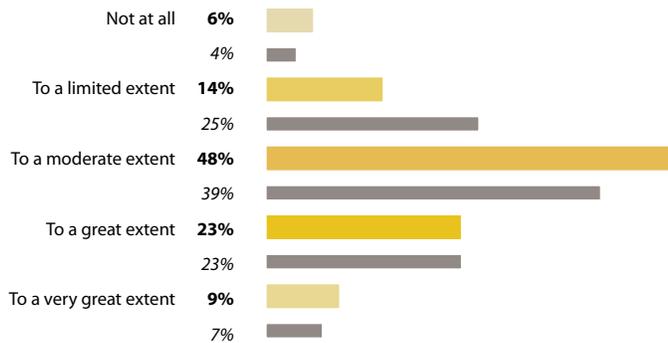


FIGURE 10*

DO YOU HAVE THE RESOURCES YOU NEED TO BE AN EFFECTIVE CHCO? (2008 VERSUS 2007)



*Percentages do not equal 100 percent due to rounding error.

only “to a limited extent”—a nine-point improvement from a year ago. But with nearly half of respondents saying they only have what they need “to a moderate extent,” it seems that CHCOs are just getting by (see figure 10). The three critical resources are money, people (including skills) and information.

Budgets/money

As always, respondents report that budgets are tight, and many feel they are competing for resources. **“Resources don’t go to HR—the cobbler’s children go shoeless,”** said one interviewee. According to another, “We’ve had a 44 percent budget cut in the past four years.” Without money, some CHCOs are operating with smaller staffs. **“We have the capabilities,”** said one such respondent, **“but not the capacity. We don’t have the capacity to be strategic, and we spend 80 to 85 percent of our time on hot water delivery.”**

Working under successive Continuing Resolutions (temporary funding measures passed by Congress) was a difficulty shared by many participants.

HR staff and skills

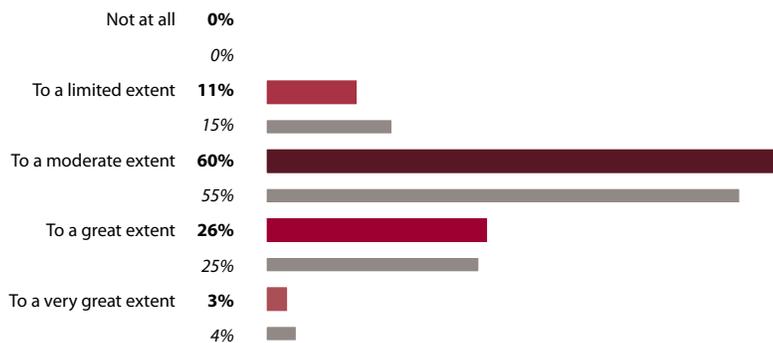
The federal HR talent pool is limited, and many survey participants said that they often hire HR professionals from other agencies. Many of these workers have outdated skills as technology and other trends demand new competencies that require HR to evolve from transaction processing to analysis. “HR competencies are behind on the whole,” said a respondent, “but we are developing them.”

“[HR staff] are very comfortable in the transaction zone, but not so comfortable giving advice,” said another interviewee. The shift away from transactional skills to a more consultative role for HR staff that requires strategic thinking was noted by many participants.

When asked again this year the extent to which HR staff members have the competencies needed to help their agency succeed in the future, the results were nearly identical in 2008. Seventy-one percent of respondents said their HR staffs had needed competencies to only a “limited” or “moderate” extent, with less than one-third

FIGURE 11*

DO YOU BELIEVE YOUR HR STAFF MEMBERS HAVE THE COMPETENCIES NEEDED TO HELP YOUR AGENCY SUCCEED IN THE FUTURE? (2008 VERSUS 2007)



*Percentages do not equal 100 percent due to rounding error.

saying their staffs had the right skills to a “great” or “very great” extent. (See figure 11)

Information and systems

Reliable, timely information is important for managing the workforce. We asked CHCOs which metrics and measures are particularly helpful and which ones are needed.

Nearly half said data about turnover, attrition and retirement are particularly helpful. Sixty-five percent of respondents stated that the Federal Human Capital Survey (FHCS) conducted by OPM and Annual Employee Survey provide useful data, and one in five said that the Partnership’s *Best Places to Work in the Federal Government* rankings encourage human capital improvement. The FHCS, first conducted in 2002, measures “employees’ perception of whether ... conditions characterizing successful organizations are present in their agencies.” The Partnership for Public Service uses the results for its *Best Places to Work* rankings. A government-wide survey, the Annual Employee Survey (AES), is required every year under Section 1128 of the National Defense Authorization for Fiscal 2004. The FHCS satisfies this requirement during the year it is conducted. Each agency must arrange for the survey during any year that the FHCS is not administered (since 2002, OPM has conducted the FHCS every two years).

Several respondents cautioned that workforce data, measures and metrics must be put in context. One warned that too much of a focus on metrics can produce a “tee-ball mentality—put the ball on the tee, everybody gets a hit and everybody scores.”

Along these lines, a few brought up the example of time-to-hire. “**Measuring time-to-hire is like taking the temperature of the patient to see if he has cancer;**” said one CHCO. “**If you hire someone who comes in and ruins the program—but you hired him quickly—what good does that do? We should be measuring whether we are hiring the right people.**”

One in five survey respondents said they needed better systems and analytical tools. “We have old and clunky systems,” one interviewee noted. “Just getting the data is hard,” said another respondent. “I need a system with a developmental assessment tool [that can measure competencies and qualities of current and potential employees].” Nearly 20 percent said that predictive trend data (e.g., likelihood of retirement rather than just eligibility for retirement) are the most important and useful, but also the most difficult to capture and use.

Shared Services and the HRLOB

As CHCOs are forced to make do with limited workforces, one idea that seems to make sense is to consolidate HR transaction processing using a shared service model—the basis for the Human Resource Lines of Business (HRLOB), developed by the Office of Management and Budget and administered by OPM. Survey respondents are cautiously optimistic about this shared service model, where one agency provides a service for many others. Currently, agencies can choose from among designated federal or private-sector shared service centers (SSCs).

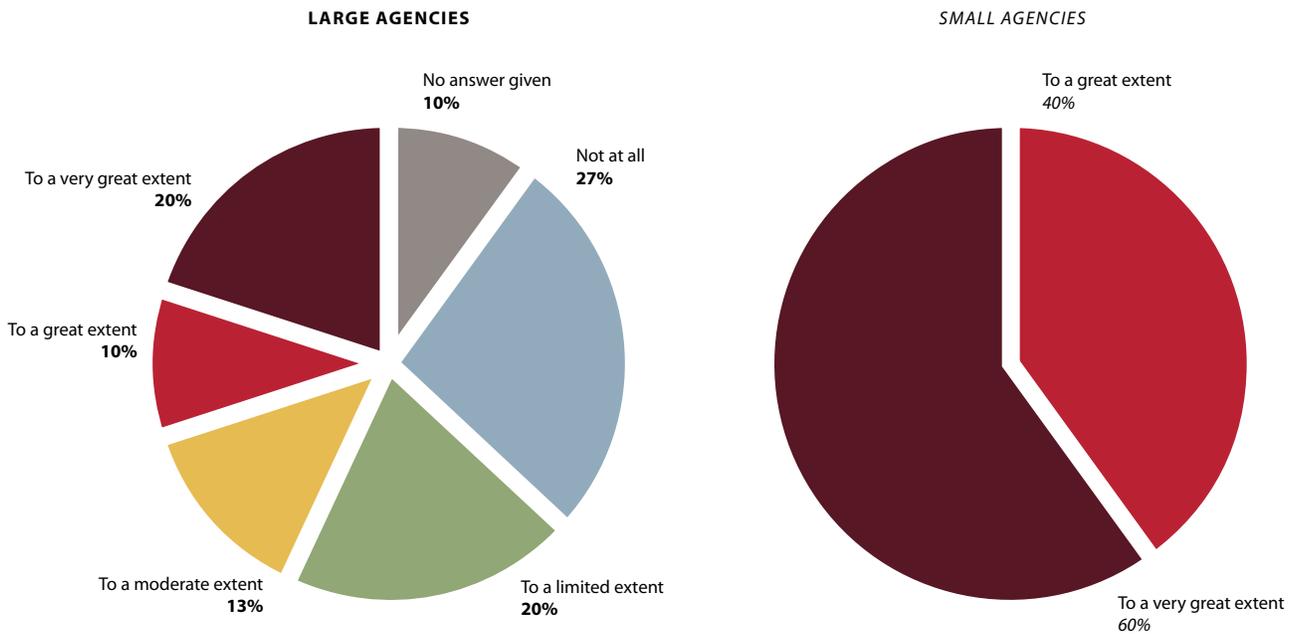
While most respondents support the concept behind shared services (creating economies of skill and scale), and nearly all agencies use an SSC for payroll functions, about a third of respondents representing the larger agencies in our survey said they would not use an HRLOB

SSC to outsource HR transactions. Many of those agencies already use an in-house approach, where one bureau provides HR services for others within the same department.

Small and large agencies differ on their opinions of the usefulness of the HRLOB. When asked to rate the likelihood of outsourcing HR transactions to an HRLOB SSC by 2010, large agency CHCOs were much less inclined to say this is likely. The average rating for the large agencies was 2.67 on a scale of 1 to 5 versus 4.6 for small agencies. (See figure 12). The inference is that small agencies benefit enough from the economies of scale to give up some control over transaction processing. For some larger agencies, the tradeoff apparently is not worth it.

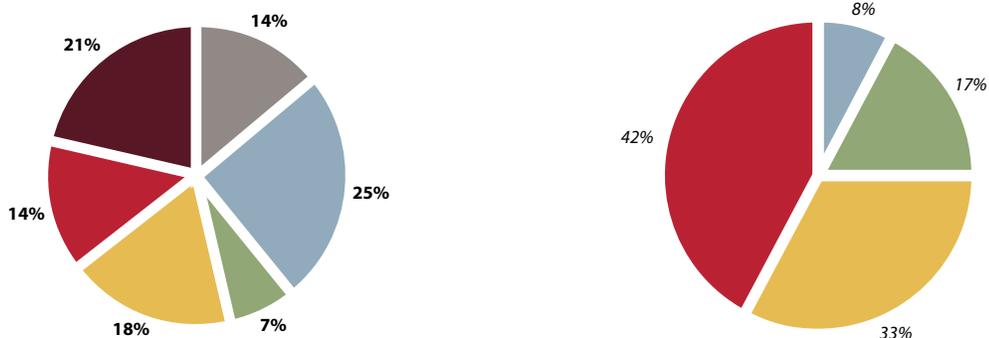
Generally, large agencies were concerned about the logistical aspects of moving to one of the public or private SSCs designated under the HRLOB, and the possibility of losing functionality and control of data. A few that had tried SSCs ended up bringing operations back in-house, with one calling the foray into HRLOB territory a “failed experiment.” This respondent went on to say, “This reflects on the maturity of that particular SSC, not the concept—the concept is sound; we’re just not there yet.” Some small agencies share the same frustration of losing functionality, with one participant characterizing it as “taking a step backward” in terms of service level and functionality.

FIGURE 12
OVER THE NEXT FOUR YEARS, IS YOUR AGENCY LIKELY TO USE AN EXTERNAL SHARED SERVICE CENTER UNDER THE HRLOB?



2008

2007



Consider giving CHCOs a greater role in managing the multi-sector workforce

With the increase of a multi-sector workforce and a greater reliance on contract employees to meet the mission of government, there is debate over how to manage this important source of talent. Should CHCOs play a greater role and consider the contract workforce in their strategic management of human capital? While we did not ask this specifically in our 2008 survey, we did ask participants to offer their thoughts on how work is contracted out. For many the answer involves the “make or buy” question (i.e., “is it more effective to have the talent in-house or to rent it for the time my agency needs it?”).

About one-third of CHCOs rely on the definitions in the Federal Activities Inventory Reform (FAIR) Act of 1998, which requires agencies to develop lists of “commercial activities” (functions that the private sector can do), and defines which activities are “inherently governmental” (functions “so intimately related to the public interest as to require performance by federal government employees”).

However, for 41 percent of respondents, contracting out is often a function of “dollars versus FTEs.” The focus is simply on doing whatever needs to be done to accomplish the mission. If the agency does not have enough employees on staff with the right skills, the default is to contract for what they need. Only one in four survey participants take a highly strategic approach, and for some CHCOs, the decision falls outside their purview.

FOURTH FLOOR: DON'T AUTOMATICALLY HIT THE RESET BUTTON ON PREVIOUS WORKFORCE REFORMS

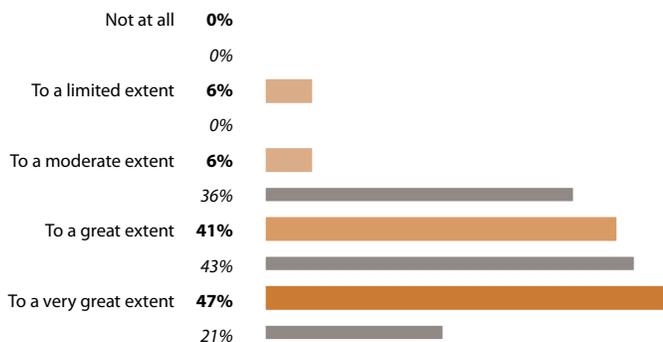
Many CHCOs pointed to progress in human capital management and would ask the new president to not “reinvent the wheel,” but rather build on current successes realized over the past eight years—some of which could be attributed to the President’s Management Agenda. **“Don’t throw the baby out with the bathwater. We have done an enormous amount of work,”** said one CHCO, who pointed to the development of strategic human capital plans, the implementation of more sophisticated performance management systems, initiatives to improve hiring time, the move back to multi-level appraisal systems and other accomplishments driven by the PMA.

Performance management systems are taking hold

More than one-third of respondents emphasized that effective performance management systems are a critical building block for pay reform. Survey participants see steady improvements in performance management, with nearly all agencies now using multi-level performance appraisal systems, not pass/fail systems.

One survey participant, whose agency is in the early stages of implementing a five-level system, said, “We are having better conversations [between managers and employees] that are more productive. It is making them think about what they are trying to accomplish—what’s a stretch, and what’s realistic.”

FIGURE 13
DO YOU FEEL THAT, IN GENERAL, YOUR AGENCY DOES A GOOD JOB OF ALIGNING ORGANIZATIONAL GOALS TO INDIVIDUAL PERFORMANCE? (2008 VERSUS 2007)



While CHCOs were pleased with multi-level appraisal systems in general, several expressed concerns that employees tend to see “fully successful” (a rating of three on a five-point scale) as a grade of “C.” One respondent said, “In terms of moving away from a pass/fail system, people saw “pass” as equaling “outstanding.”

More than half of respondents report that their managers are beginning to make meaningful distinctions in relative performance, but some were more skeptical: “Yes, we have a five-level system. But they wouldn’t know a meaningful distinction if it bit them. In reality, it’s always a two-level system: good and very good.”

A few respondents feel that a three-level system is preferable to a five-level. “A five-level is hard,” said one. “It pretends we have a level of precision that we don’t really have. Three is better.”

Nearly half of CHCOs interviewed for this year’s survey would like to focus on and measure competencies and skills as opposed to focusing solely on job titles and lists of responsibilities. In other words, rather than focusing on the employee’s job titles or what projects they can lay claim to, CHCOs would like to focus on the employee’s capacity for future success: measuring whether employees are developing and mastering the skills and competencies needed to help achieve the goals of the organization.

Agencies are better at aligning organizational goals with individual performance

Aligning individual performance to organizational goals is important for effective performance management. In *Best Places to Work in the Federal Government*, employee skills/mission match is one of the key drivers of employee engagement across the federal government. In addition, many interviewees stressed that employees who identify with the mission of their agency are actually happier in their jobs.

The number of respondents who feel that their agency is doing a good job aligning organizational goals with individual performance is higher than in 2007. The average rating increased from 3.96 to 4.3 on a 5-point scale, a promising trend, and 88 percent of respondents said their agency linked organizational and personal goals to a “great” or “very great” extent, up from 64 percent in 2007. (See figure 13)

RECOMMENDATIONS FOR PRESIDENT OBAMA'S ADMINISTRATION

During many hours of focused discussion with the federal government's human capital management leaders, clear similarities emerged with the issues identified in the 2007 interviews. This "unfinished business" includes the demand for more HR flexibility, the need to build government-wide management competency and the necessity of revitalizing the HR workforce.

This year, however, the stakes are even higher as our government—and the nation—face a presidential transition. As expected, CHCOs reflected on this enormous challenge, the uncertainties that come with it, and how President Obama can ensure that the federal government has the talent it needs.

The nation's human capital leaders agreed that the work of the federal government is too important—and the challenges facing the country and the government too daunting—to settle for anything less than the most talented, engaged and diverse federal workforce possible.

However, weaknesses in the current HR systems, policies, and practices were identified as clear obstacles. Further, a rapidly changing global and national environment and the reality of a multi-sector workforce—which includes government employees at the local, state, and national levels, as well as contractors and nonprofit organizations—also argues for changes to the status quo.

In order for the federal government to provide leadership in addressing the problems facing the country, there was also general consensus among the interviewees on several overarching recommendations for President Obama and his new administration. Despite this overall consensus, however, there were some areas of disagreement. For example, while a large majority of those interviewed saw a need to change the current GS pay and classification system, 14 percent would retain the GS system as is.

Despite some isolated differences of opinion, however, the following recommendations had broad support among the current HR leaders in government.

1 The president and his appointees should demonstrate that an effective government workforce is a top priority, through actions as well as words. Specifically, the president should:

- Embrace the role of recruiter in chief, and issue a renewed call to public service which explicitly focuses on the federal government.
- Select political appointees who not only support the goals of the administration, but who also have a track record as capable leaders and managers. He should not exclude career federal employees from consideration for political appointment.
- Set an early example of how political appointees should cooperate with career leaders by meeting with the Senior Executive Service shortly after inauguration.
- Engage the career workforce and career executives early—in part by providing clear goals, enabling feedback and then allowing them to help determine how best to achieve those goals as effectively and efficiently as possible.
- In filling the more than 400,000 jobs that will become vacant during the next four years, make it clear that meeting the time-honored objective of recruiting and maintaining a talented, motivated and diverse federal workforce is a shared responsibility for both managers and the federal HR community.
- Actively promote and require cross-agency collaboration on workforce management issues. Acknowledge, or even reward, the sharing of innovative strategies for success.

2 To modernize the federal civil service system, the President should:

- Work with Congress to update the 1949 law governing pay and job classifications for white collar positions [i.e., the General Schedule (GS) pay system] to make it more market- and performance-sensitive.

- Update the federal job classification system and the 15 separate grade levels in the General Schedule pay system, as part of the overall reform of the GS system, to remove artificial barriers to how talent is deployed and developed.
- De-couple SES pay from congressional pay to eliminate the growing problem of SES pay compression when the top GS pay levels increasingly overlap SES pay.
- Overhaul the federal hiring system by providing greater authority and flexibility to federal agencies, including eliminating the need for advance OPM approval of: a) dual compensation waivers when hiring annuitants, and b) use of direct hiring authority when conditions require it. However, agencies should be held accountable (e.g., on a post-audit basis) for adhering to merit principles and public policy goals such as diversity and veterans preference.
- Consider proposing legislation to modify the statutory role of the Office of Personnel Management to balance OPM's regulatory enforcement duties with its responsibility to provide strategic advice and guidance. OPM must be able and expected to prioritize its role in providing assistance to help agencies meet their human capital challenges. Moreover, other agencies (e.g., the Merit Systems Protection Board) may be better suited to enforce compliance.

3 To rebuild the capacity of the HR workforce and the ability of the chief human capital officers to provide needed support to each department and agency, the president or his appointees should:

- Ensure that each department and agency is making the necessary investment in its HR infrastructure and HR workforce. Human capital professionals must have the cutting-edge competencies they need to provide innovative and high-quality leadership and support.
- Require that decisions regarding which HR services to provide through internal staff and which to provide through external providers are strategic and based on what is most effective and efficient over time—not simply what is most expeditious in the short-term.

4 The new administration should also assess and retain the HR successes that have occurred to avoid “reinventing the wheel.” For example:

- Federal performance management systems, overall, have clearly improved and are providing a greater alignment of individual and organizational goals. Continued progress should be encouraged and acknowledged.
- The use of a Presidential Management Agenda or a similar method to communicate not only the president's management goals but also a set of metrics for measuring progress toward those goals has also been successful to a large degree. However, care must also be taken to ensure that the best results-oriented metrics are developed for each agency. Otherwise, process can be mistaken for results.
- In addition to ensuring that HR professionals with the right skills are in place, it is clear that even the best HR policies and systems will not work without skilled managers. President Obama and his team must continually focus on ensuring they have the right managers and leaders—with the right competencies—in place across government.

APPENDIX A: SURVEY PARTICIPANTS

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APPENDIX B: INTERVIEW QUESTIONS

DISCUSSION QUESTIONS

1. If you had a few minutes with the next President (e.g., in an elevator) to share a few thoughts about federal human capital issues, what would you advise? What would you say if you had the same opportunity with a new agency head or other key political appointees?
2. What are your key human capital achievements/successes?
3. What regulatory or legislative changes in federal human capital management would you recommend to the next administration or the next Congress?
4. What (specific) metrics have been most helpful in gauging the health (e.g., right talent, employee engagement and strong leadership) of your agency's workforce and why?
5. What data do you wish you had to manage your agency's workforce that you don't have?
6. What works best and what is problematic about the current General Schedule?
7. Does your agency use a multi-level performance appraisal system? If so, are your managers successful in using it to make meaningful distinctions among their employees?
8. Given that most agencies have a multi-sector workforce of both employees and contractors, how does your agency decide what functions should be performed by employees and what functions should be contracted out? (if time is running out, we will submit this question in writing)
9. Is there anything else we should know or any other issues we should focus on?

CLOSED-ENDED QUESTIONS

On a scale of 1-5 using the benchmarks below, please answer the following questions:

| | | | | |
|------------|---|-----------------|---|-------------------|
| Not at all | | Moderate extent | | Very great extent |
| 1 | 2 | 3 | 4 | 5 |

To what extent:

- Do you feel that HR staff is viewed by your agency leadership as a trusted business advisor (versus a transaction manager)?
- Do you have the resources you need to be an effective CHCO?
- Do you feel that, in general, your agency does a good job aligning organizational goals and individual employee performance standards?
- Do you believe your HR staff members have the competencies needed to help your agency succeed in the future?
- Do you believe your managers and supervisors (i.e., line and operations, not HR) have the competencies they need to be successful?
- Over the next four years, is your agency likely to use an external shared service center under the HR LOB?

Unions have said that the federal government should do more with the pay and workplace flexibilities it has before scrapping the General Schedule (GS). They cite a GAO study that found agencies were not making the best use of those flexibilities. To what extent are the following existing flexibilities useful:

| | | | | |
|------------|---|-----------------|---|-------------------|
| Not at all | | Moderate extent | | Very great extent |
| 1 | 2 | 3 | 4 | 5 |

- Telework
- Hiring and Retention Bonuses
- Student Loan Repayment
- Alternative Work Schedules
- Direct Hire Authority
- OPM approved Dual Compensation Waivers

What are the barriers, if any, to using the above or other existing flexibilities?

Do you think the General Schedule (GS) pay system should be:

- Retained
- Eliminated immediately
- Eliminated gradually over a set period of time
- Other (please explain)

APPENDIX C: REPORT CONTRIBUTORS

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