

**Testimony  
of  
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**on**

**The Human Capital Challenge: Offering Solutions and Delivering  
Results**

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9:30 a.m.**

**Senate Subcommittee on Oversight of Government Management  
and  
House Subcommittee on Civil Service  
342 Dirksen Senate Office Bldg.**

Chairman Voinovich, Chairwoman Davis, thank you very much for giving me the opportunity to appear before your two Subcommittees today on the human capital challenge facing the federal government. I am Colleen Kelley, the National President of the National Treasury Employees Union (NTEU), and I appear today on behalf of the more than 150,000 federal employees represented by NTEU.

As you know, for entirely too long now, too little attention and too few resources have been spent on the federal government and its employees. The crisis we face today is the result of that failure. Turning the human capital crisis around will require investing in federal employees - in their training, in their workplaces and in the federal government's most important resource – the employees themselves - something that has been a foreign concept for the federal government.

The message too often received by today's federal workforce is that they are not valued. Many believe their pay is inadequate, but they don't see Congress and the Administration committing the resources necessary to develop a fair and appropriate pay setting process. Many also believe, based on years of experience, that their agencies will not receive sufficient resources to either allow employees to be properly trained, to do a good job or to receive the recognition they should when they perform above expectations. The other unfortunate message so many of today's federal employees receive is that even as they struggle to perform to the best of their abilities, the leadership of their agencies may be plotting to contract their positions out from under them. Is it any wonder the federal government is having a hard time recruiting and retaining the best employees?

NTEU does not believe it is possible to solve the crisis facing the federal government without a commitment to establish a fair process for setting federal salaries. Although the Fiscal Year 2003 federal pay raise was recently settled, it came only after a long and public fight that again, sent the wrong message to the federal workforce.

As you know, while the President recommended a 4.1% pay raise for the Nation's military employees in 2003, he called for only a 2.6% raise for federal civilian employees. Despite strong bipartisan and bicameral support for pay parity between the Nation's federal civilian and military employees and language in both the House and Senate Budget Resolutions and appropriations measures making this clear, the President ignored Congress' intent and implemented a 3.1 % pay raise late last year.

When Congress returned early in 2003, they restated their strong support for the 4.1% pay raise for federal employees. Although the legislation was signed into law and the amount of the 2003 federal pay raise has finally been settled, federal employees have yet to receive the additional 1% of pay. Today is April 8, 2003 and the full federal pay raise that should have been received in January has not yet reached federal employee paychecks. There is no question as to what message this sends.

Once again, in its Fiscal Year 2004 budget, the Administration has shown a total lack of concern for what failure to properly compensate the Nation's public employees means for the future of public service. For 2004, the Administration has proposed

another 4.1% pay increase for the Nation's military employees, but a paltry 2% for the federal civilian workforce. The message this unmistakably sends to employees- even to those employees on the front lines of helping secure our Nation's borders – is that their work is not as important, not as valued, and not as vital as that of their military counterparts.

Fortunately, this is not the message Congress wants to send to the federal workforce. Instead, despite the Administration's opposition, both the House and Senate 2004 Budget Resolutions contain language once again affirming Congress' strong support for the concept of pay parity between military and civilian employees of the federal government. NTEU applauds that action.

I also want to comment on the Administration's proposal to create a \$500 million Human Capital Performance Fund. Funding for this new gimmick comes at the expense of the 2004 federal pay raise. Rather than putting this \$500 million toward a more appropriate pay raise, the Administration would give managers unfettered discretion to give incentive pay to a fraction of the federal workforce. The only thing this is likely to accomplish is a further decline in employee morale.

As you know, no annual pay raise has even been close to the level called for in the federal pay law. In NTEU's view, until such time as federal pay is comparable to that paid in the private sector for similar work, a performance fund like the one the

Administration has suggested has no business being considered. This should not be just another excuse not to close the pay gap.

In addition to compensation, benefits play a key role in the federal government's ability to attract and retain the workforce it will need for the future. The Federal Employees Health Benefits Program (FEHBP) is in crisis. The 11.2% premium increase for 2003 marked the fifth year in a row of exorbitant rate increases in the federal health program. As you also know, federal employee salary increases have not kept pace with these rate hikes, forcing many employees to examine whether or not they can afford to be covered by the federal health insurance program. There is little question that this is also a key consideration for employees considering employment with the federal government.

While health insurance costs have risen steadily in the private sector as well, private sector employees continue to pay, on average, **less** for their health insurance – both in terms of percent of premium and in terms of monthly cost. The respected Kaiser Family Foundation's 2002 Annual Survey of Employer Health Benefits reports that, "on average employees are now paying \$38 per month for single coverage and \$174 each month for family coverage."

Compare this to the average federal employee choosing the most common FEHBP plan, Blue Cross-Blue Shield Standard Option Self Only coverage. That individual will pay \$98.93 each month compared to his or her private sector counterpart who pays an average of \$38 monthly for similar health coverage. A federal employee

choosing family coverage under Blue Cross Standard Option will pay \$227.98 each month, again, significantly more than his or her private sector counterpart.

The sharp contrast continues when we look at the percentage of premium employees must absorb. The federal government currently pays 72% of the health insurance premium for its employees. Yet, the Kaiser study points out that on average, employees in the private sector are required to pay only 16% of premium for self only coverage and 27% for family coverage.

As Chairman Voinovich knows, NTEU strongly supports legislation to increase the government's share of FEHBP premiums for its employees from the current average of 72% to 80%, bringing the federal government more into line with those private sector and state and local government employers with which it competes. Bipartisan legislation, H.R.577, has been introduced in the House to accomplish this goal and I strongly encourage you, Chairwoman Davis to carefully review and cosponsor this legislation. Similar legislation has been introduced in the Senate, S.319. I would also encourage you, Senator Voinovich, to cosponsor this critical piece of legislation.

Employee training is another critical piece of the pie. It, too, must be properly funded. Holding agencies to unrealistic funding levels has, among other things, restricted their ability to adequately train their employees. Often, employees don't receive the proper training to either perform their missions effectively or enhance their abilities and prepare them for advancement within their agencies. Without proper training, everyone

loses – customers do not receive the best service and employees do not find their work rewarding or challenging.

The Administration's march to contract out 850,000 federal jobs through arbitrary quotas imposed on agencies has served as yet another disincentive to federal employment. These one size fits all quotas are being forced down agencies' throats without thought to their potential impact on the federal government's ability to recruit and retain employees, and without thought as to whether or not it is appropriate to contract out these functions. Employees have told me that the message they believe their agencies are conveying to them is this: we may hire you, we may train you, we may even promote you, but when it comes time to meet our contracting out quotas, we may eliminate your job in order to meet our targets. What private sector employer sends such a message to employees it is trying to either recruit or retain?

These blind contracting out quotas continue to erode the morale of the federal workforce, disrupt agency operations and generally send a message to all who might apply – don't bother if you are seeking any level of job security. I think we all agree that government services should be delivered in the most efficient and cost effective manner, however, if we are truly concerned about agencies' ability to carry out their missions, Congress must act to stop the Administration's blind contracting out quotas before even more harm is done.

I also want to comment on legislation Senator Voinovich has recently introduced that is pending before this Committee, S.129. The Federal Workforce Flexibility Act of 2003 seeks, in part, to streamline the process for setting up demonstration projects. NTEU is not opposed to the use of demonstration projects and in fact, continues to believe that demonstration projects are a valuable method of experimenting with new pay and work arrangements.

NTEU further believes that the type of experimentation that can be accomplished through demonstration projects works best when all parties are clear that they have a voice in the process. To this end, we believe that the collective bargaining process is invaluable in ensuring that both management and employees understand the nature of the demonstration project and are committed to its success. Efforts to empower and involve employees in the goals of their agencies leads to employees with commitment and a sense of attachment to their workplaces. Involving employees in decisions before changes are made helps make employees feel a sense of commitment to the process, and a desire to make their workplace as efficient as possible, something we all strive to achieve.

The legislation also proposes providing additional flexibility to agencies in the use of recruitment, relocation and retention bonuses. I must point out that the key reason these bonuses are not used more frequently now is that agencies do not have adequate funding for this purpose. Without additional funding for these recruitment and retention tools, the only way agencies will be able to increase their use is by further gouging their training budgets and placing added stress on their salary and expense accounts.

OPM's own data show that budgetary constraints are the main reason these important tools are so infrequently used. Expanding the availability of these incentives makes little sense if agencies are not provided with the resources to accomplish the goal. It is critically important that the Committee ensure that appropriate funding will be forthcoming before giving false hope to agencies that additional bonus options are available to them.

NTEU also has concerns about the expanded use of critical pay authority that is recommended in S.129. Although some have argued that expanding this authority is necessary if the government is going to compensate highly qualified individuals on a level similar to what they might command in the private sector, serious issues have been raised both within and outside government about the federal government's use of critical pay authority to date. Moreover, NTEU believes that inadequate pay prevents the federal government from being competitive at **all** levels of government. Properly compensating the federal workforce would make further critical pay authority unnecessary.

NTEU welcomes the fact that the Senator's legislation draws long overdue attention to the federal government's need to properly train its employees. However, the legislation does nothing to address the resource problems that have prevented agencies from providing necessary training to their employees in the first place. As we already know, absent Congressional intervention to provide increased resources to agencies for this purpose, little will change.

I also want to comment on the provision in S.129 that would enhance annual leave for certain new federal employees. The section would permit the head of an agency to deem a period of qualified non-federal experience as federal service for leave purposes. It is my understanding this section would apply to mid-career federal employees. Members of the Senior Executive Service and other senior level employees would be granted eight hours of annual leave each pay period regardless of their years of federal service. In addition, the Office of Personnel Management would be authorized to extend coverage of this section to other “equivalent” categories of employees.

As you know, rank and file federal employees must work 15 years for the federal government before earning eight hours of annual leave per pay period. If Congress believes that annual leave limits are a barrier to hiring, then the system should be reformed. However, NTEU strenuously objects to proposals to grant only senior executives and other unspecified mid-career federal employees additional leave time while leaving the current system in place for the rest of the workforce. If the annual leave system is a deterrent to recruitment and retention of employees, we would be happy to work with this Committee to reform it.

In conclusion, NTEU very much appreciates the opportunity to appear before you today. It is important that we have discussions like this and that we search for the right solutions to the problems we know the federal government and its employees face. NTEU thinks it is also critically important that throughout this process we think

about the messages we are sending to our current and potential public servants and that we make sure the messages are the ones we want them to receive: We want you to apply to work for the federal government. We want you to be successful. We value what you do every day for the American public. I look forward to working with you toward this end. Thank you.