

STATEMENT OF THE HONORABLE DAN G. BLAIR  
DEPUTY DIRECTOR  
OFFICE OF PERSONNEL MANAGEMENT

at a joint hearing of the

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT  
MANAGEMENT, THE FEDERAL WORKFORCE AND  
THE DISTRICT OF COLUMBIA  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE

and the

SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION  
COMMITTEE ON GOVERNMENT REFORM  
U.S. HOUSE OF REPRESENTATIVES

on

THE HUMAN CAPITAL CHALLENGE:  
OFFERING SOLUTIONS AND DELIVERING RESULTS

APRIL 8, 2003

MR. CHAIRMAN, MADAM CHAIR, AND MEMBERS OF THE SUBCOMMITTEES:

THANK YOU FOR YOUR INVITATION TO TESTIFY THIS MORNING. ON  
BEHALF OF OFFICE OF PERSONNEL MANAGEMENT (OPM) DIRECTOR KAY  
COLES JAMES, I AM PLEASED TO PROVIDE THE COMMITTEES WITH AN  
OVERALL ASSESSMENT OF THE STATE OF THE FEDERAL WORKFORCE.  
INDEED, THERE IS REASON TO BE QUITE OPTIMISTIC IN THAT REGARD. I  
BELIEVE THAT THE FEDERAL CIVIL SERVICE IS IN BETTER SHAPE NOW  
THAN IT WAS JUST TWO YEARS AGO, AND THAT FURTHER IMPROVEMENTS  
ARE IN PROGRESS. WE HAVE CONGRESS (AND YOU PERSONALLY) TO

THANK FOR THAT. WITH YOUR HELP, WE HAVE AN OPPORTUNITY TO MAKE EVEN GREATER STRIDES FORWARD THIS YEAR.

SO, WHERE DO THINGS STAND TODAY, SOME TWO YEARS AFTER THE GENERAL ACCOUNTING OFFICE (GAO) FIRST PUT THE FEDERAL WORKFORCE ON ITS HIGH RISK LIST? BACK THEN, ALMOST ALL OF THE NEWS WAS BAD, AS WERE ALL OF THE PREDICTIONS. FOR EXAMPLE, THE NUMBER OF FEDERAL EMPLOYEES ELIGIBLE TO RETIRE HAD REACHED AN ALL-TIME HIGH, WITH THE POTENTIAL FOR A DEBILITATING “BRAIN DRAIN” LOOMING LARGE. AT THE SAME TIME, THE SHEER NUMBER OF EMPLOYEES ELIGIBLE TO RETIRE THREATENED TO OUTSTRIP THE PIPELINE OF SKILLED APPLICANTS AVAILABLE TO TAKE THEIR PLACES.

TWO YEARS LATER, THERE IS SOME GOOD NEWS TO REPORT. FIRST, WHILE THE NUMBER OF FEDERAL EMPLOYEES WHO ARE ELIGIBLE FOR RETIREMENT REMAINS HIGH (AND GETTING HIGHER), WE HAVE NOT SEEN THE MASS EXODUS OF TALENT THAT MANY HAD PREDICTED. INDEED, SEPARATION RATES HAVE DECLINED. NO DOUBT THIS IS DUE IN PART TO THE FLAT ECONOMY, BUT OTHER FACTORS ARE AT WORK HERE THAT BODE WELL FOR OUR CIVIL SERVICE AND OUR NATION. FOR EXAMPLE, IN OUR LANDMARK FEDERAL HUMAN CAPITAL SURVEY, OVER NINETY PERCENT OF OUR EMPLOYEES TOLD US THAT THEY THINK THEIR WORK IS VITALLY IMPORTANT, AND A SIMILAR PERCENTAGE SAID THAT THEY

BELIEVE THAT THEIR WORK CONTRIBUTES DIRECTLY TO THEIR AGENCY'S MISSION. THESE ARE REMARKABLE NUMBERS, RESULTS THAT OUGHT TO BE THE ENVY OF ANY HIGH-PERFORMING ORGANIZATION IN THE PUBLIC OR PRIVATE SECTOR.

EVEN AS WE SEE IMPROVEMENTS IN THE STRATEGIC MANAGEMENT OF OUR HUMAN RESOURCES, WE MUST STILL DEAL WITH CONSTRAINTS AND UNINTENDED CONSEQUENCES WHICH HAMPER THOSE EFFORTS. FOR EXAMPLE, WHILE RETIREMENTS AND OTHER SEPARATIONS ARE GENERALLY AT MANAGEABLE LEVELS, WE MUST STILL WORK TO ENSURE THAT REPLACEMENTS ARE IN THE PIPELINE.

THE PRESIDENT HAS FOCUSED GOVERNMENT-WIDE ATTENTION ON STRATEGIC MANAGEMENT OF HUMAN CAPITAL, MAKING IT A PRIORITY INITIATIVE IN HIS MANAGEMENT AGENDA. HE HAS DIRECTED OPM TO TAKE THE LEAD RESPONSIBILITY FOR PROMOTING AND ASSESSING STRATEGIC HUMAN CAPITAL MANAGEMENT THROUGHOUT THE EXECUTIVE BRANCH. WE WILL MEASURE OUR SUCCESS BY THE PROGRESS AGENCIES MAKE IN PLACING THE RIGHT PEOPLE IN THE RIGHT JOBS AND MANAGING THEM IN WAYS THAT HELP ACHIEVE MISSION GOALS. WE KNOW THAT HOW WELL THE GOVERNMENT WORKS DEPENDS ON GOVERNMENT WORKERS. WE KNOW THAT ADHERENCE TO MERIT

SYSTEM PRINCIPLES RESULTS IN THE FAIR AND EFFECTIVE MANAGEMENT OF THOSE WORKERS.

OPM, GAO, AND THE OFFICE OF MANAGEMENT AND BUDGET (OMB), HAVE COLLABORATED THIS PAST YEAR TO HELP AGENCIES ADDRESS HUMAN CAPITAL MANAGEMENT MORE STRATEGICALLY, AND THE RESULTS HAVE BEEN IMPRESSIVE. MOST AGENCIES ARE NO LONGER SATISFIED WITH JUST FILLING A VACANCY; THEY NOW RECOGNIZE THE NEED TO ASSESS THE STRATEGIC VALUE OF THAT POSITION AND THE COMPETENCIES REQUIRED TO PERFORM THAT FUNCTION. AGENCIES NO LONGER SEE HUMAN CAPITAL MANAGEMENT AS A PROCESS; THEY SEE IT AS A STRATEGIC TOOL TO PROPEL MISSION ACCOMPLISHMENT. WHEN WE SAY WE HAVE MADE PROGRESS IN THE HUMAN CAPITAL INITIATIVE, WE ARE NOT SPEAKING OF MERE PROCEDURAL CHANGES; WE'RE TALKING ABOUT CULTURAL CHANGES.

A SIGNIFICANT STEP LEADING TO THIS PROGRESS WAS THE DEVELOPMENT OF THE HUMAN CAPITAL STANDARDS FOR SUCCESS, A JOINT PRODUCT OF GAO, OMB, AND OPM. THESE STANDARDS FOCUS ON THE MAJOR HUMAN CAPITAL CHALLENGES FACING THE GOVERNMENT, SUCH AS ALIGNING HUMAN CAPITAL STRATEGIES WITH MISSION GOALS, ESTABLISHING ACCOUNTABILITY FOR HUMAN CAPITAL MANAGEMENT,

AND RECRUITING, RETAINING, AND DEVELOPING EMPLOYEES WHILE MORE EFFECTIVELY MANAGING THEIR PERFORMANCE.

THESE ARE THE STANDARDS WE USE TO SCORE AGENCY EFFORTS EACH QUARTER. THIS SCORING PROCESS HAS CAST A BRIGHT LIGHT ON AGENCY EFFORTS TO TRANSFORM THEIR HUMAN CAPITAL MANAGEMENT SYSTEMS INTO EFFECTIVE TOOLS TO ADDRESS HUMAN CAPITAL NEEDS, RESULTING IN HIGH-LEVEL ATTENTION AND AGGRESSIVE ACTION.

TO MAKE THE SCORING PROCESS TRANSPARENT, OPM PUBLISHED A FRAMEWORK LAST FALL THAT PROVIDES A COMMON LANGUAGE AND PERSPECTIVE SO AGENCIES KNOW EXACTLY WHAT WE'RE LOOKING FOR WHEN WE RATE THEIR EFFORTS. WE WILL USE IT TO ASSESS AGENCIES, AND IT IS ALSO AVAILABLE FOR SELF ASSESSMENT. IN OUR RESTRUCTURING, OPM DEDICATED A HIGHLY-SKILLED STAFF TO WORK DIRECTLY WITH OMB STAFF AND POLICY OFFICIALS AND AGENCY LEADERS TO APPRAISE AND ADVANCE STRATEGIC HUMAN CAPITAL MANAGEMENT. THE SHARED FRAMEWORK HAS MADE OUR DISCUSSIONS WITH AGENCIES MUCH MORE FOCUSED AND PRODUCTIVE.

THE FACT THAT THE HUMAN CAPITAL STATUS OF MOST AGENCIES IS STILL RATED RED IS NEITHER SURPRISING NOR DISCOURAGING. REMEMBER THAT THE PRESIDENT'S FIVE INITIATIVES IN HIS

MANAGEMENT AGENDA FOCUSED ON THE GOVERNMENT'S MOST SERIOUS MANAGEMENT PROBLEMS. THEY WERE NOT DEvised TO MAKE THE GOVERNMENT LOOK GOOD; THEY WERE DEvised TO MAKE THE GOVERNMENT BETTER. HUMAN CAPITAL MANAGEMENT, BECAUSE IT INVOLVES NO LESS THAN TRANSFORMING THE WAY WE EMPLOY, DEPLOY, AND DEVELOP OUR WORKFORCE, IS ONE OF THE MOST COMPLEX OF THE FIVE INITIATIVES.

AGENCIES HAVE SPENT THIS FIRST YEAR CONCENTRATING ON LINKING THEIR HUMAN CAPITAL PRACTICES TO MISSION RESULTS. WORKFORCE PLANNING STRATEGIES ARE BEING USED TO IDENTIFY AND ANTICIPATE SKILL GAPS AND THE AGENCY LEADERSHIP IS TAKING OWNERSHIP OF HUMAN CAPITAL. HUMAN RESOURCES STAFF ARE PARTNERS, BUT THE LEADERS OWN THE INITIATIVE. ALIGNING HUMAN CAPITAL STRATEGIES WITH DEPARTMENTAL MISSION GOALS HAS BEEN DIFFICULT, ESPECIALLY FOR LARGE DEPARTMENTS WHERE BUREAUS HAVE TRADITIONALLY ACTED RATHER AUTONOMOUSLY. NOW AGENCIES ARE MOVING FROM PLANNING TO IMPLEMENTING, AND MORE WILL BE PROGRESSING FROM RED TO YELLOW STATUS. WHILE GREEN IS THE ULTIMATE GOAL, ACHIEVING EVEN A YELLOW STATUS INDICATES SIGNIFICANT PROGRESS. IT MEANS AGENCIES ARE ACTING STRATEGICALLY AS THEY RECRUIT, RETAIN, DEVELOP, AND REWARD THEIR WORKFORCE. IT MEANS HUMAN

CAPITAL STAFF ARE FULL PARTNERS IN HELPING LINE MANAGERS GET THEIR WORK DONE.

SEVERAL AGENCIES, INCLUDING SOME NOT YET SCORED YELLOW, HAVE MADE NOTEWORTHY GAINS. THE DEPARTMENT OF ENERGY AND THE DEPARTMENT OF LABOR ARE AMONG AGENCIES THAT HAVE SUCCESSFULLY LINKED PERFORMANCE EXPECTATIONS OF MANAGERS TO STRATEGIC PLANS AND MISSION OBJECTIVES. THEIR PERFORMANCE APPRAISAL SYSTEMS ARE DESIGNED TO MAKE MEANINGFUL DISTINCTIONS BY REWARDING HIGH PERFORMANCE AND CORRECTING POOR PERFORMANCE.

OTHER EXAMPLES OF EFFECTIVE PRACTICES IN HUMAN CAPITAL MANAGEMENT INCLUDE THE SOCIAL SECURITY ADMINISTRATION'S INITIATIVE IN REDEPLOYING ITS WORKFORCE TO FRONT-LINE POSITIONS TO IMPROVE CUSTOMER SERVICE. IT HAS ALREADY TRANSFERRED NEARLY 300 STAFF POSITIONS TO THE FRONT LINE AND PLANS TO REASSIGN FIVE PERCENT OF HEADQUARTERS STAFF POSITIONS TO DIRECT SERVICE BY THE END OF NEXT FISCAL YEAR.

THE DEPARTMENT OF LABOR HAS IDENTIFIED COMPETENCIES FOR MOST OF ITS MISSION-CRITICAL OCCUPATIONS AND IS DEVISING STRATEGIES TO ADDRESS FUTURE COMPETENCY GAPS. THE DEPARTMENTS OF DEFENSE,

VETERANS AFFAIRS, AND TRANSPORTATION, AND THE NUCLEAR REGULATORY COMMISSION HAVE ALL IMPLEMENTED STRATEGIC WORKFORCE PLANNING MODELS THAT HELP MANAGERS DETERMINE THEIR NEAR- AND LONG-TERM SKILL NEEDS. THIS WORKFORCE ANALYSIS ALERTS AGENCIES TO WHERE THEY NEED TO CONCENTRATE THEIR RECRUITING AND TRAINING EFFORTS.

THE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION HAS DEVELOPED AN AUTOMATED COMPETENCY MANAGEMENT SYSTEM THAT, WHEN FULLY IMPLEMENTED, WILL ALLOW SUPERVISORS AND POLICY MAKERS TO STUDY THE COMPETENCIES OF INDIVIDUALS, GROUPS, CENTERS, OR THE ENTIRE AGENCY. THIS INFORMATION IS VITAL TO EFFECTIVE WORKFORCE PLANNING, RECRUITING, TRAINING, AND OTHER HUMAN CAPITAL STRATEGIES.

THESE ARE BUT A FEW EXAMPLES OF HOW AGENCIES HAVE PROGRESSED BEYOND ROUTINELY PROCESSING STAFFING AND TRAINING ACTIONS TO STRATEGICALLY ASSESSING HOW THESE ACTIONS WILL HELP THE AGENCY DO ITS WORK.

IN SUMMARY, IT IS CLEAR THAT WE NEED TO PLAN BETTER, LINK PERFORMANCE EVALUATION TO AGENCY MISSION, AND IDENTIFY SKILLS GAPS. WE ARE STARTING TO PROFESSIONALLY IDENTIFY AND FILL GAPS,

AND TO DEVELOP PROGRAMS FOR HIRING AND RETAINING THE BEST PEOPLE, BUT WE NEED MORE TOOLS, LIKE THE HUMAN CAPITAL PERFORMANCE FUND PROPOSED IN THE PRESIDENT'S BUDGET FOR THE NEXT FISCAL YEAR.

JUST AS THE GOVERNMENT PERFORMANCE AND RESULTS ACT DIRECTS AGENCIES TO TRACK ORGANIZATIONAL PERFORMANCE, WE BELIEVE THAT THE GOVERNMENT MUST ADOPT COMPENSATION PRACTICES DESIGNED TO SPUR AND MEASURE INDIVIDUAL EMPLOYEE PERFORMANCE. THERE CAN BE NO TURNING BACK FROM THE SHIFT TO MEASURING RESULTS. INDEED, PERFORMANCE-ORIENTED PAY IS EMBRACED BY MERIT SYSTEM PRINCIPLES WHICH CALL FOR "APPROPRIATE INCENTIVES AND RECOGNITION" FOR "EXCELLENCE IN PERFORMANCE."

AS I MENTIONED EARLIER, TO HELP AGENCIES OFFER MORE SIGNIFICANT REWARDS FOR SUPERIOR PERFORMANCE, AS WELL AS RECRUIT AND RETAIN EMPLOYEES WITH NEEDED SKILLS, THE ADMINISTRATION HAS PROPOSED ALLOCATING \$500 MILLION FOR A NEW HUMAN CAPITAL PERFORMANCE FUND. THE FUND WOULD ALLOW AGENCIES TO GIVE EXTRA PAY RAISES BASED ON AN EMPLOYEE'S SUPERIOR PERFORMANCE OR POSSESSION OF SKILLS CRITICAL TO THE AGENCY'S MISSION. THE

HUMAN CAPITAL PERFORMANCE FUND PROVIDES AN INCENTIVE FOR AGENCIES TO DIFFERENTIATE BETWEEN LEVELS OF PERFORMANCE.

WE KNOW THAT MORE PROGRESS IS NEEDED IN DEVELOPING ROBUST PERFORMANCE APPRAISAL SYSTEMS, YET THE SYSTEMS DEVELOPED BY THE DEPARTMENTS OF ENERGY AND LABOR SHOW IT CAN BE DONE. WE BELIEVE ADOPTION OF THE PRESIDENT'S PROPOSAL FOR A HUMAN CAPITAL PERFORMANCE FUND WOULD PROVIDE ADDITIONAL MOTIVATION AND REAL INCENTIVES – BACKED BY REAL DOLLARS – FOR AGENCIES TO DEVELOP THESE SYSTEMS.

MORE SIGNS OF PROGRESS CAN BE FOUND IN THE GOVERNMENT-WIDE PROVISIONS OF PUBLIC LAW 107-296, THE HOMELAND SECURITY ACT, WHICH INCLUDES A NUMBER OF HUMAN RESOURCES PROVISIONS PROPOSED BY THE PRESIDENT IN HIS MANAGERIAL FLEXIBILITY ACT. THOSE PROVISIONS, WHICH YOUR COMMITTEES SO STRONGLY SUPPORTED, MAKE AVAILABLE TO AGENCIES A NUMBER OF SIGNIFICANT FLEXIBILITIES THAT WE BELIEVE WILL HELP TO STREAMLINE AND MODERNIZE HIRING ACROSS THE GOVERNMENT AS WELL AS HELP AGENCIES TO BETTER MANAGE THEIR WORKFORCES USING CONTEMPORARY TOOLS.

LET ME FIRST ADDRESS THE HIRING FLEXIBILITIES – DIRECT HIRE AND CATEGORY RATING. WE ARE DRAFTING REGULATIONS THAT WILL ALLOW OPM TO DETERMINE ON ITS OWN, OR IN RESPONSE TO AN AGENCY REQUEST, THAT A SEVERE SHORTAGE OF CANDIDATES OR CRITICAL HIRING NEED EXISTS GOVERNMENT-WIDE, OR IN SPECIFIED AGENCIES, FOR ONE OR MORE OCCUPATIONAL SERIES, GRADES OR GEOGRAPHIC LOCATIONS. IN ADDITION, THE REGULATIONS WILL ALLOW US TO DETERMINE THAT A CRITICAL HIRING NEED EXISTS WHEN AN AGENCY HAS A NEED TO FILL A POSITION OR POSITIONS TO MEET MISSION REQUIREMENTS BROUGHT ABOUT BY AN EXIGENCY SUCH AS A NATIONAL EMERGENCY, THREAT OR POTENTIAL THREAT, ENVIRONMENTAL DISASTER, OR OTHER UNANTICIPATED OR UNUSUAL EVENT OR MISSION REQUIREMENT. A CRITICAL HIRING NEED MAY ALSO BE TRIGGERED BY THE NEED TO CONFORM TO REQUIREMENTS OF LAW, PRESIDENTIAL DIRECTIVE OR ADMINISTRATION INITIATIVE, OR A CONGRESSIONAL OR OTHER MANDATE TO MEET NEW OR EXPANDED MISSION REQUIREMENTS BY A PARTICULAR DATE.

WHERE SUCH A SEVERE SHORTAGE OR A CRITICAL HIRING NEED IS ESTABLISHED, AN AGENCY WILL BE ABLE TO HIRE DIRECTLY, WITHOUT REGARD TO PROVISIONS OF LAW GOVERNING PREFERENCE ELIGIBLES OR THE “RULE OF THREE.”

CATEGORY RATING IS ANOTHER IMPORTANT FLEXIBILITY MADE AVAILABLE GOVERNMENT-WIDE BY THE HOMELAND SECURITY ACT. THIS ALTERNATIVE METHOD TO NUMERICAL RATING WILL GIVE AGENCIES A BROADER FIELD OF CANDIDATES FROM WHICH TO SELECT WHILE PROTECTING THE HIRING PREFERENCES THAT ARE SO IMPORTANT TO THE MEN AND WOMEN WHO SERVE OUR COUNTRY AS MEMBERS OF THE MILITARY SERVICES. AS YOU KNOW, CATEGORY RATING HAS BEEN USED SUCCESSFULLY AT SEVERAL AGENCIES UNDER DEMONSTRATION AUTHORITY, AND WE LOOK FORWARD TO IMPLEMENTING IT MORE BROADLY UNDER THE NEW PERMANENT GOVERNMENT-WDIE AUTHORITY.

THE WORKFORCE SHAPING TOOLS OF THE HOMELAND SECURITY ACT INCLUDE CHANGES TO VOLUNTARY EARLY RETIREMENT AUTHORITY (VERA) AND PROVIDE GOVERNMENT-WIDE BUYOUT AUTHORITY DESIGNED TO HELP AGENCIES RESHAPE THEIR WORKFORCES. WE PUBLISHED INTERIM FINAL REGULATIONS IMPLEMENTING BUYOUTS ON FEBRUARY 4. DIRECTOR JAMES, IN CONSULTATION WITH OMB, HAS ALREADY APPROVED BUYOUT AUTHORITY FOR THREE AGENCIES. WE ARE CURRENTLY DRAFTING THE VERA IMPLEMENTING REGULATIONS.

TO FACILITATE RECOGNITION OF HIGH-PERFORMING EMPLOYEES, THE ACT PROVIDED ACCESS TO A HIGHER AGGREGATE COMPENSATION

LIMITATION FOR MEMBERS OF THE SENIOR EXECUTIVE SERVICE AS WELL AS SENIOR-LEVEL AND SCIENTIFIC OR PROFESSIONAL EMPLOYEES. OPM IS DEVELOPING REGULATIONS THAT WILL PERMIT AGENCIES ACCESS TO THE HIGHER LIMIT PROVIDED THAT WE CAN CERTIFY THAT THE APPRAISAL SYSTEMS COVERING SUCH EMPLOYEES MAKE MEANINGFUL DISTINCTIONS IN PERFORMANCE AND TAKE INTO ACCOUNT ORGANIZATIONAL AS WELL AS INDIVIDUAL PERFORMANCE. CONSISTENT WITH THE LAW, WE WILL DEVELOP THE REGULATIONS IN CONSULTATION WITH THE OFFICE OF MANAGEMENT AND BUDGET.

PERHAPS THE MOST SIGNIFICANT PROVISION OF THE HOMELAND SECURITY ACT FROM A HUMAN CAPITAL PERSPECTIVE IS THE PROVISION THAT ALLOWS THE DEPARTMENT SECRETARY AND THE OPM DIRECTOR TO DESIGN A NEW PAY AND PERSONNEL SYSTEM TO BRING TOGETHER THE EMPLOYEES OF THE 22 AGENCIES THAT NOW MAKE UP THE DEPARTMENT OF HOMELAND SECURITY. THE DESIGN TEAM FOR THAT EFFORT BEGAN MEETING LAST WEEK. TEAM MEMBERS ARE EMPLOYEES REPRESENTING A CROSS-SECTION OF HOMELAND SECURITY INCLUDING PROGRAM MANAGERS, AGENCY PERSONNEL EXPERTS AND REPRESENTATIVES FROM THE AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, THE NATIONAL TREASURY EMPLOYEES UNION AND THE NATIONAL ASSOCIATION OF AGRICULTURE EMPLOYEES. DURING MAY AND JUNE, THE TEAM WILL REACH OUT TO EMPLOYEES OF THE NEW

DEPARTMENT THROUGH FIELD MEETINGS. BY SEPTEMBER, WE EXPECT THE DESIGN TEAM TO DELIVER ITS OPTIONS TO A SENIOR REVIEW COMMITTEE THAT WILL DEVELOP RECOMMENDATIONS FOR SECRETARY RIDGE AND DIRECTOR JAMES. AGAIN, WE ARE MOST APPRECIATIVE OF YOUR SUPPORT FOR FEDERAL EMPLOYEES, FOR THE IMPORTANT GOVERNMENT-WIDE FLEXIBILITIES PROVIDED BY THE HOMELAND SECURITY ACT AND FOR THE OPPORTUNITY TO DESIGN A WORLD CLASS PERSONNEL SYSTEM.

IN YOUR LETTER OF INVITATION, YOU ASKED THAT WE ADDRESS SPECIFIC LEGISLATIVE PROPOSALS. FIRST, OPM SUPPORTS MANY OF THE PROVISIONS THE “FEDERAL WORKFORCE FLEXIBILITY ACT OF 2003 (S. 129 / H.R. 1601).” THIS PROPOSAL BUILDS ON THE GOVERNMENT-WIDE HIRING AND PAY FLEXIBILITIES PROVIDED BY THE “HOMELAND SECURITY ACT OF 2002” AND CAN HELP MAKE THE FEDERAL GOVERNMENT A BETTER AND MORE ATTRACTIVE EMPLOYER. THIS BILL INCORPORATES MANY OF THE RECRUITMENT AND RETENTION FLEXIBILITIES PROPOSED IN THE PRESIDENT’S “MANAGERIAL FLEXIBILITY ACT.” THE ADMINISTRATION IS CURRENTLY DEVELOPING A POSITION ON EACH OF THE ADDITIONAL PROVISIONS THAT HAVE BEEN INCLUDED IN THIS BILL.

REGARDING THE PROPOSED “SENIOR EXECUTIVE SERVICE REFORM ACT OF 2003,” WE ARE PLEASED TO SEE THAT THIS BILL INCORPORATES THE

BASIC FEATURES OF THE SES PAY REFORM PROPOSAL INCLUDED IN THE PRESIDENT'S BUDGET FOR FY 2004. THE ADMINISTRATION'S PROPOSAL IS INTENDED TO RELIEVE SERIOUS "PAY COMPRESSION" PROBLEMS WHILE AT THE SAME TIME CREATING AN OPEN RANGE PAY SYSTEM FOR SENIOR EXECUTIVES THAT WILL ENABLE EACH EXECUTIVE'S PAY TO BE SET ON THE BASIS OF MEANINGFUL DISTINCTIONS IN PERFORMANCE. WE WOULD LIKE TO SUGGEST A FEW TECHNICAL CHANGES IN THIS PROPOSAL THAT WOULD PERMIT THESE OBJECTIVES TO BE REALIZED MORE FULLY. WE LOOK FORWARD TO WORKING WITH YOU TO ADDRESS THIS IMPORTANT ISSUE.

THE PROPOSED "GENERATING OPPORTUNITY BY FORGIVING EDUCATIONAL DEBT FOR SERVICE (GOFEDS) ACT OF 2003 (S. 512 / H.R. 1056)," WOULD ALLOW THE FEDERAL GOVERNMENT TO OFFER TAX-FREE STUDENT LOAN REPAYMENT BENEFITS TO NEW RECRUITS OR CURRENT EMPLOYEES.

JUST AS WE EXPECT AGENCIES TO THINK STRATEGICALLY IN MANAGING THEIR HUMAN CAPITAL, WE AT OPM KEEP THE BIG PICTURE IN MIND AS WE DEVELOP TOOLS AND GUIDANCE TO HELP AGENCIES MAKE THE MOST OF THEIR HUMAN CAPITAL. THE MERIT SYSTEM PRINCIPLES PROVIDE THE FOUNDATION FOR ALL OF OUR DEALINGS WITH AGENCIES. I WANT TO UNDERSCORE THE IMPORTANCE OF MAINTAINING THESE PRINCIPLES AS

FOUNDATION OF ALL HUMAN CAPITAL PRACTICES. THESE PRINCIPLES HAVE SERVED OUR NATION WELL DURING TIMES OF WAR AND PEACE AND WE CONTINUE TO TURN TO THE MERIT PRINCIPLES TO ENSURE THAT WE MAINTAIN A FAIR SYSTEM THAT WILL ATTRACT AND MOTIVATE THE BEST AND THE BRIGHTEST OF THE RISING GENERATION TO HEED THE CALL TO PUBLIC SERVICE. OPM WORKS WITH THE AGENCIES TO ENSURE CONSISTENCY AND FLEXIBILITY IN OUR HUMAN CAPITAL PRACTICES. COMPLEMENTING OUR EFFORTS TO OPERATE WITHIN A MERIT-BASED ENVIRONMENT, WE ALSO ARE WORKING TO BALANCE OUR RECOGNITION THAT AGENCIES NEED TAILORED AND FLEXIBLE PERSONNEL SYSTEMS AGAINST THE INTERESTS OF THE FEDERAL GOVERNMENT ACTING AS A UNIFIED EMPLOYER. CONSISTENCY SUPPORTS THE BASIC VALUES AND PRINCIPLES THAT MAKE THE GOVERNMENT AN EMPLOYER OF CHOICE. FLEXIBILITY ANSWERS THE NEED FOR UNIQUE SOLUTIONS TO INDIVIDUAL AGENCY PROBLEMS. BY ADDRESSING SPECIAL NEEDS WITHIN GOVERNMENT-WIDE SYSTEMS, WE CAN MAINTAIN THE CLARITY AND UNITY THAT THE GOVERNMENT NEEDS AS AN EMPLOYER, WHILE ENCOURAGING EXPERIMENTATION WITH INNOVATIVE SOLUTIONS. INNOVATIONS THAT PROVE EFFECTIVE CAN THEN BE MADE AVAILABLE GOVERNMENT-WIDE.

FINALLY, WE EMPHASIZE ACCOUNTABILITY. AGENCIES MUST TAKE FULL RESPONSIBILITY FOR THE EFFECTIVENESS AND PROPRIETY OF THEIR

HUMAN CAPITAL OPERATIONS. OPM SUPPORTS THEM BY DESIGNING TOOLS SUCH AS THE HUMAN CAPITAL ASSESSMENT AND ACCOUNTABILITY FRAMEWORK AND DEVELOPING BETTER METRICS. IN SO DOING, WE ARE PLACING AGENCIES IN A BETTER POSITION TO MAKE HUMAN CAPITAL DECISIONS THAT ARE GUIDED BY A DATA-DRIVEN, RESULTS-ORIENTED ACCOUNTABILITY SYSTEM.

IN CLOSING, LET ME EXPRESS OUR APPRECIATION FOR YOUR LEADERSHIP IN ADDRESSING THESE IMPORTANT ISSUES AT THIS CRUCIAL JUNCTURE FOR GOVERNMENT AND THE WORKFORCE. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.