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*FMA National President
Darryl Perkinson*

Meeting the Challenges Before Us

The Federal Managers Association's recently concluded 70th annual National Convention raised challenges that deserve our immediate attention. We find ourselves in the midst of a presidential campaign of historic proportion. In our agencies and workplaces, we still face the tremendous pressures associated with a retiring workforce and the "brain drain" that comes with it. In our Association, there is apprehension over the stagnant membership numbers we have faced the last couple of years.

These are issues that I will address in the coming months and seek your ideas on how FMA should approach them.

One of the greatest strengths we have as an organization is our ability to focus on the issues through communication and engagement with both political parties. We have forged great relationships, but unfortunately, an unprecedented number of federal employee-friendly legislators will be leaving Congress in 2009. It is vitally important for us to entrench ourselves with our allies in both parties that will remain in the next Congress. It is equally important that we communicate our message on key issues to the new Members taking office in January. This will require grassroots efforts from our members, in conjunction with the National Office, such that we can be ready to run with our agenda next year. I urge you to be conscious of our need to remain nonpartisan in our pursuit of those issues dear to FMA's membership.

With the changes coming in 2009, we will need to be responsive and ever-prepared to address our issues. With the development of our relationships at the Congressional committee level, we are positioned to be invited to discuss key issues at the core of our legislative initiatives.

In the federal community, we continue to battle attrition problems with the wave of baby boomers reaching retirement age. We have been engaged in the creation of several policies to slow the drain, including efforts to reemploy annuitants. FMA has been an active participant in discussions concerning mentoring and the development of managerial training for our next generation of supervisors and managers. As we prepare to meet in Philadelphia in August, I would like for us to generate ideas on how we can attract younger supervisors into our Association. Additionally, we must work hard to retain those members that are retiring from the workforce and keep them engaged in our efforts.

Retention has continually eluded us as our members retire. Recruitment is ongoing and we have done well at bringing new people into our association. Additionally, we need to expand our efforts to recruit members-at-large and develop a smooth process to bring them into chapters where we can. We, as an association, must reach out and appeal to the young supervisors and managers we are hiring today. FMA must strive to recruit every young manager within our reach or face potential extinction. As members, you are a true believer in what FMA stands for and the issues we pursue. If you feel the relationships we have forged in Congress and the agencies are important to our future, if you feel our Association is an important player in the federal community, then you must act today to recruit and sign up every manager within your reach.

As we face the challenges and new adventures ahead, please bring your ideas to the table. This Association has survived challenges in the past and will endure those facing us today. The very essence of this great democracy depends on citizens such as you to sustain this nation. Despite our critics and naysayers, the proof of our greatness and the hard work we perform lies in the continued efforts our enemies undertake to destroy our system. The challenges described are by no means the only ones we will face. Let us join together to elevate the greatness of America. ■

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GAO: A Case Study in Human Capital Reform



By the Honorable David M. Walker, Immediate Past Comptroller General of the United States

The United States faces a range of serious challenges on many fronts, domestic and international. For example, our population is aging, and many baby boomers are expected to live far longer, spend many more years in retirement, and incur far higher medical bills than their parents. The burden on federal entitlement programs such as Social Security and Medicare is set to increase dramatically. At the same time, as the recent bridge collapse in Minneapolis made clear, America's infrastructure is deteriorating. Huge sums will be needed to modernize highways, airports, water and sewage systems, along with schools and other public buildings. We also face serious problems related to health care, elementary and secondary education, environmental protection, energy dependence, homeland security, immigration and border control, foreign relations, and many other vital areas.

Most of these areas are large,

complex, and structural in nature and, consequently, will require sustained effort over many years before lasting success is achieved. In many cases, only government has the resources and reach to lead change on these issues. As a result, the need for efficient, effective, and responsive government becomes more critical every year.

Unfortunately, our government has a poor track record in adapting to new conditions and meeting new challenges. Much of the federal government remains overly bureaucratic, hierarchical, myopic, and narrowly focused. Many agencies continue to cling to outmoded organizational structures and strategies. They have also been slow to adopt best practices. Another major problem is that much of the federal government is geared toward social, economic, and national security conditions that existed in the 1940s, 1950s and 1960s.

To stay aligned with the needs of current and future generations of Americans, our government needs to rethink what it does, how it does business, and who should do that business — federal workers, contractors, or some combination of the two. In my view, human capital reform must be central to these transformation efforts. This article discusses how the U.S. Government Accountability Office (GAO) is attempting to lead by example when it comes to

human capital reform.

The central idea behind human capital theory is that people should be viewed as an asset whose value can be enhanced through investments in training, technology, incentives, and other areas. To be truly effective, however, human capital policies cannot exist in isolation. They need to be linked to an organization's mission, core values, vision for the future, specific goals and objectives, and current and expected resource levels. The simple truth is that any organization is only as good as its people. Therefore, effective government requires a first-rate workforce. Given the scope, breadth, diversity, complexity, and importance of the federal government, we can not afford to have anything less than top talent in key government jobs.

Unfortunately, too many federal agencies lack an adequate number of people with the right skills to address today's problems and a sense of stewardship to help ensure a better tomorrow. In addition, the civil service is aging: large numbers of federal executives and managers are expected to retire in the coming years. Despite these demographic trends, too few agencies have adequate workforce and succession plans in place.

At the same time, the government faces stiff competition for top talent. Sought-

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after prospective hires can be highly selective when it comes to job offers. To be attractive, federal positions must offer opportunities to do meaningful work that is both recognized and rewarded.

In so many areas — recruiting, training and development, job classification, pay and benefits, and employee empowerment — the federal government typically lags other sectors. Many federal personnel practices date back to the 1940s and 1950s. For example, the prevailing General Schedule (GS) pay scale tends to reward time in grade rather than performance on the job. In addition, the hiring process for many federal jobs can be way too complex and lengthy.

A growing human capital challenge now threatens the ability of some agencies to carry out their missions. The situation is so serious that GAO added “strategic human capital management” to its list of high-risk government areas in 2001. Clearly, government needs to be treating human capital as a strategic issue. Unfortunately, human capital has been a missing link in many agencies’ efforts to deliver a more results-oriented and accountable federal government.

Although broad-based civil service reform may not be at the top of the legislative agenda at the moment, its time is coming. In the meantime, Congress has provided selected agencies, including GAO, with greater flexibility to address their human capital needs. So far, GAO has instituted a broad range of fundamental human capital reforms, some based on legislation, others through administrative action.

The effort to revise our personnel practices actually dates back more than 25 years. Until 1980, GAO’s personnel system was indistinguishable from those of most executive branch agencies. In other words, GAO was subject to the same laws, regulations, and policies as all other federal agencies. With the expansion of GAO’s role in congressional oversight of

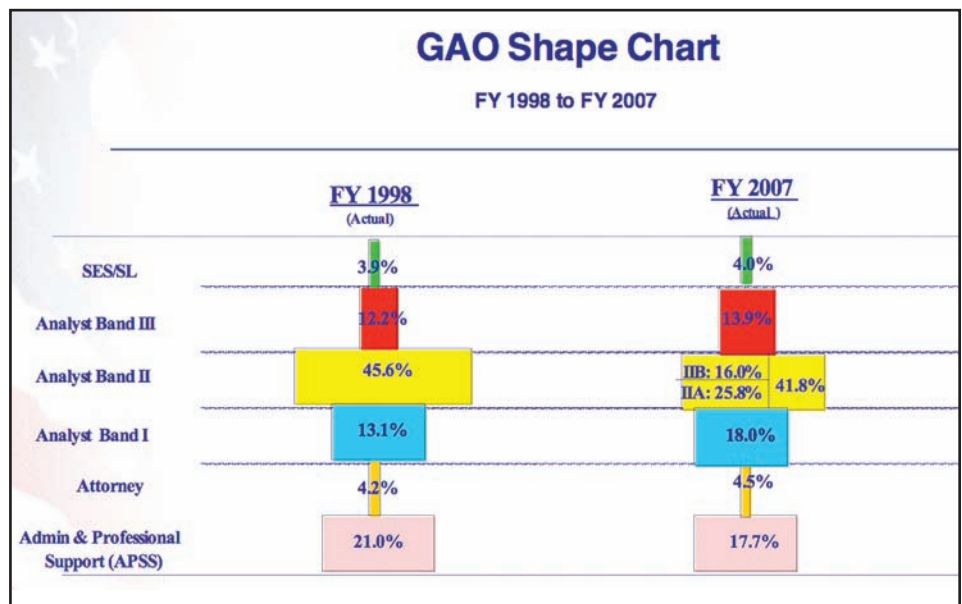
federal agencies and programs, however, concerns grew about the potential for conflicts of interest. Could GAO conduct independent and objective reviews of executive branch agencies, such as the Office of Personnel Management, when these agencies had the authority to review GAO’s internal personnel activities? As a result, GAO worked with Congress to pass the GAO Personnel Act of 1980, which made GAO’s personnel system independent of the executive branch.

Along with this independence, the Act gave GAO some greater flexibility in hiring and managing its workforce. It gave the Comptroller General the authority to appoint, promote, and assign employees without regard to certain executive branch requirements found in Title 5. The act also gave the Comptroller General the authority to set employees’ pay without regard to the GS scale and to establish a more performance-oriented pay system. By exempting our agency from certain executive branch requirements, the GAO Personnel Act of 1980 allowed us to pursue some significant innovations in managing our people. One key innovation was the establishment of a “pay banding” approach to classifying GAO’s analyst and

attorney workforces, along with the adoption of a pay-for-performance system for these same employees in 1989.

When I first came to GAO in 1998, I found an agency that had recently experienced a major downsizing over a several-year period and one that faced serious client, workforce, and other challenges. From fiscal year 1992 through fiscal year 1998, GAO saw its workforce reduced by 39 percent — from 5,325 to 3,245 employees. To cope with mandated budget cuts, GAO had run a reduction in force that involved cuts at headquarters and the closing of several field offices. The agency also froze hiring; eliminated performance rewards; curtailed travel, supplies, and other support costs; and scaled back investments in training and technology. As a result, GAO faced a number of critical human capital, information technology, and other challenges. In particular, GAO’s workforce was seriously out of shape. GAO had a dearth of entry-level workers, and it was top heavy with mid- and upper-level employees.

The lack of recruitment and investment in GAO staff had produced a serious skills imbalance and succession planning challenge that threatened the agency’s



long-term health and viability.

As a result, with Congress' approval and input from its employees, GAO began to undertake a range of comprehensive human capital initiatives to enhance its ability to recruit and retain a first-rate workforce. In 2000, Congress authorized additional human capital flexibilities for GAO. In addition to giving GAO the authority to establish senior-level positions to provide critical scientific, professional, and technical expertise, the law allowed GAO to give greater weight to performance in the event the agency needed to carry out a workforce restructuring. The legislation also authorized a three-year pilot program at GAO that gave the agency some specific tools — voluntary early retirement authority and voluntary separation incentive payments — to help it right size its workforce and bring in new knowledge and skills.

Further flexibilities were authorized by the 2004 GAO Human Capital Reform Act, which made permanent the three-year pilot authorities authorized in 2000. This legislation also eliminated the long-standing requirement that GAO provide all employees, regardless of their performance, with automatic annual pay increases applicable to the executive branch.

Under the act, GAO also was given authority to move to an even more performance-oriented and market-based pay system. Today, GAO's pay ranges are based on annual market assessments, and annual pay raises are tied more closely to an individual's performance appraisal ratings. Employees whose performance is satisfactory and who are not paid above competitive compensation ceilings receive a base annual salary adjustment determined by the Comptroller General. Additional compensation adjustments are provided based on a person's individual performance as compared to his or her peer group.

GAO hired a leading consulting firm to help develop competitive salary ranges for

all our job series based on surveys of public, private, and nonprofit organizations with whom GAO competes for talent. Jobs and pay ranges at GAO are now classified according to an employee's roles and responsibilities and market-based conditions. GAO is among the first, if not the first, federal agency to adopt such a job classification and pay system for its permanent employees on an agency-wide basis.

The act also gave GAO greater flexibility to reimburse employees for relocation costs and to provide key employees with less than three years of federal service additional annual leave. In addition, the act established an executive exchange program at GAO to allow us to tap into knowledge and experience in the private sector. In my view, more agencies need to be open to the idea of partnering with other federal entities and with selected businesses and nonprofit groups to address issues of common interest and concern.

Over the years, we have adopted many best practices to help make GAO an employer of choice. For example, to help our employees better balance the demands of work and home, GAO provides flexible work schedules and telecommuting. In our Washington, D.C. headquarters, GAO provides an on-site child care facility and a fitness center.

GAO has also made it a priority to recruit aggressively at select colleges and universities. Thanks to these efforts, the use of student loan repayment authorities and our first-rate training and development programs, GAO has been able to attract and retain a first-class workforce. As a result, our workforce now has a better mix of knowledge, skills, and ability. Through its efforts to acquire, develop, and retain staff, GAO has assembled a diverse and inclusive workforce, which I believe gives the agency a competitive advantage, both in attracting top talent and achieving our strategic goals and objectives.

To give our staff the tools they need to

get the job done, GAO continually invests in new computer hardware and software. In fact, for the third year in a row, *CIO Magazine* rated GAO among the top 100 public, private, and non-profit organizations nationwide in information technology management. Likewise, more and more of the agency's support services are being automated. Employee-benefits as well as time-and-attendance systems are now automated, and all GAO employees have on-line access to nearly 1,000 training classes.

As part of our commitment to investing in our workforce, GAO has also made life-long learning a priority. We have tried to foster an environment that values learning. GAO has a chief learning officer who oversees our in-house training center. That facility offers a wide range of classes to keep our employees up to date on the latest professional trends and skills. We also offer opportunities for outside training.

At all levels of GAO, staff development is emphasized. All newly hired analysts are enrolled in our professional development program. As part of our executive candidate development programs, we encourage our new executives to attend the Senior Management in Government Program at Harvard's Kennedy School of Government or a comparable program. We have found this is an excellent way for our people to gain exposure to various leadership styles and concepts and improve the ability to solve problems and manage change.

In 2007, we launched our first GAO-wide mentoring program linking senior and junior employees according to shared interests and specific developmental goals. This is an informal adjunct to the centralized training and coaching that occurs on the job as part of our normal work.

For many years, GAO's workforce has been predominately professional, and that is still the case today. We count among our

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Transforming government will not happen overnight. Success depends on inspired and sustained leadership that transcends the efforts of a single person or a single administration.

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3,100 plus employees economists, social scientists, communications specialists, attorneys, analysts, and auditors as well as specialists in areas ranging from national defense to health care. The difference today, with our greater focus on human capital, is that old institutional divisions within the agency have given way to a more inclusive and participatory approach to making decisions and staffing jobs. A particular assignment may have input from staff across the agency — seasoned employees with strong professional contacts and institutional memory, mid-level hires who have worked at other government agencies or in private industry, and newer workers with fresh perspectives and cutting-edge technology skills.

We have also undertaken a number of employee empowerment initiatives. Among other things, GAO conducts annual electronic employee feedback surveys on key issues. We also established employee suggestion and rewards programs and created an elected Employee Advisory Council (EAC) to advise top management on employee concerns.

In addition to human capital changes, GAO has undertaken other initiatives to transform how we do business. The agency issued its first strategic plan in early 2000, and we have updated it periodically to reflect changing congressional needs and priorities. GAO's strategic plan defines our mission, lays out the key trends and themes GAO plans to focus on, and outlines the agency's goals and objectives.

The strategic plan has become a touchstone for budgeting and spending decisions. People, dollars, and technology are now allocated with an eye toward GAO's overall goals. In 2001, we reassessed our organizational structure and resource allocations and concluded

that streamlining was essential. As a result, we trimmed our organizational units from 35 to 13, reduced the number of field offices from 16 to 11, and eliminated an entire management layer.

As part of its focus on results, since 2000, GAO has issued an annual performance and accountability report that explains what the agency has achieved with its resources and what it expects to accomplish in the coming year. For example, GAO's work in fiscal year 2007 generated almost \$46 billion in financial benefits for the taxpayer. That translates into a nearly \$94 dollar return on every dollar invested in GAO — an impressive number for any organization, inside or outside of government. We issued about 1,200 products, such as reports and correspondence; testified at 276 congressional hearings; and made more than 2,000 recommendations to improve government operations. In our view, this type of straightforward agency performance measurement and cost/benefit reporting needs to become standard throughout government.

GAO also developed a strategic workforce plan to complement our overall strategic plan. Using this plan as a guide, piece by piece, GAO has built a modern human capital system that is credible, equitable, affordable, sustainable, and linked to the goals in our overall strategic plan. In the final analysis, all these initiatives are designed to help GAO better support Congress and serve our country. I am always mindful that GAO is in the information business, and any GAO report is only as good as the people who worked on it.

A report issued in 2005 by the IBM Center for the Business of Government was similarly complementary, concluding that GAO had successfully used human capital management as part of its broader organizational transformation efforts. The report said that "other agencies would do well to heed the lessons of the federal

government's chief accountability office as they go about the critical work of reinventing their own personnel systems."

Not all of our human capital changes have been easy, or without controversy. Obviously, reforms that affect an employee's pay and job classification can be contentious. This is particularly true in a workforce like GAO's, which is highly educated and, by training, highly skeptical.

Not surprisingly, our recent move to a more market-based and performance-oriented pay system was somewhat controversial. However, the real controversy centered on the impact of our efforts to properly classify about 300 mid-level analysts who, based on a review of their responsibilities, were found to be paid above market levels. These and other employees were categorized into two new pay bands that more accurately reflected their actual levels of professional responsibility — the so-called "Band II" split. This split was the primary factor behind the establishment of a union at GAO that will represent some of our workforce. Band IIA and Band IIB employees are analysts who are expected to play a key role in carrying out GAO investigations and other assignments. The Band IIB analysts, however, have greater leadership and supervisory responsibilities, including staff development. Ironically, the Band II split could have been avoided had GAO adopted market-based pay ranges and implemented four, rather than three, pay bands during the implementation of its initial human capital reforms in 1989.

Irrespective of this fact, GAO is clearly better off today and better positioned for the future than when I become Comptroller General. GAO management is committed to doing its part to continuously improve our organization. We hope to have a constructive and cooperative relationship with the International Federation of Professional

and Technical Engineers, with whom we will bargain in good faith. This is, however, a shared responsibility, and only time will tell how our relationship will evolve.

The overall result of GAO's many human capital initiatives in recent years have been improved performance, greater employee job satisfaction, and more effective use of GAO's resources. Feedback has been overwhelmingly positive. In fact, the Partnership for Public Service recently ranked GAO second in its list of the best places to work in the federal government. In addition, *Washingtonian* magazine has included GAO in its 2007 list of top employers in Washington — public, private, and non-profit. Today, GAO is not only better equipped to tackle Congress' toughest assignments, it is also better prepared for the future.

A key lesson from GAO's human capital reform experience is the importance of managing change. Top management must be willing to tap into the ideas of rank-and-file employees. Obviously, the people on the front lines often have the best sense of what is working, what needs to be fixed, and how things can be improved. In the case of the federal government, civil servants are uniquely positioned to help realign programs, eliminate inefficiencies, and fine tune federal services.

At the same time, agency leaders ultimately need to act on behalf of the greater good, both for today and tomorrow, while effectively communicating key institutional decisions and the reasons for them. Top management should go out of their way to both inform and empower their employees. As part of their stewardship responsibility, they also need to mentor those who will follow in their footsteps.

Listening and responding to employees' concerns and comments are particularly important during a time of change. As Comptroller General, I made it a point to

speak with all GAO employees on at least a quarterly basis via live broadcasts over our in-house television system. During my remarks, which are known as "CG chats," I address various transformation issues as well as external developments that may affect the agency. Importantly, in the past, I also answered questions from GAO employees.

One lesson we have learned at GAO is that it is not just what you do but how you implement and communicate, both internally and externally, that matters. In this regard, it is clear that although we communicated extensively about our many reforms, we evidently did not do enough in connection with our Band II split. At the same time, I am not sure that any level of communication would have been enough given the significance of the proposed change and its impact on some employees.

Transforming government will not happen overnight. Success depends on inspired and sustained leadership that transcends the efforts of a single person or a single administration. GAO is proof, however, that dramatic and fundamental human capital reform is both advisable and achievable in the federal government. In fact, many of our efforts are transferable and scalable.

For too long, people have been government's most undervalued asset. It is time that those in charge made better use of this important resource. I am convinced that, in time, every department and agency will have to consider the types of changes GAO has undertaken. My hope is that other federal agencies, as well as entities outside of government, can learn from our experience and apply what is useful to their own circumstances.

On March 12, 2008, David Walker resigned as Comptroller General. He now serves as President and CEO of The Peter G. Peterson Foundation. ■