

**STRENGTHENING THE SENIOR EXECUTIVE
SERVICE: A REVIEW OF CHALLENGES FACING
THE GOVERNMENT'S LEADERSHIP CORPS**

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT,
THE FEDERAL WORKFORCE, AND THE
DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
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**STRENGTHENING THE SENIOR
EXECUTIVE SERVICE: A REVIEW OF
CHALLENGES FACING THE GOVERNMENT'S
LEADERSHIP CORPS**

TUESDAY MARCH 29, 2011

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:04 a.m., in room 342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Johnson.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. This hearing will come to order.

Aloha and good morning to everyone. Thank you so much for joining us as the Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia meets to examine challenges facing the Senior Executive Service (SES).

Today's hearing on strengthening the government's leadership corps is timely and important in this challenging climate. Agencies and Federal employees are being asked to do more with less. Looking for ways to cut costs without compromising agency missions, they are rising to the challenge even while facing uncertainty about future resources and personnel.

As the Federal Government's senior managers, the SES is responsible for leading the workforce through these difficult times. The SES is essential to driving management priorities and promoting efficiency within agencies and across the government. Each year through Presidential Rank Awards, we recognize outstanding senior executives whose innovation and management expertise save taxpayers billions of dollars. I am proud that such talented people have chosen a career in public service, and I believe that America has benefited as a result.

Although the SES is critically important to efficient and effective government, it has been a number of years since Congress took a comprehensive governmentwide look at the Senior Executive Service. Like any workforce, it faces its share of challenges. Many top

candidates do not want to apply to the SES. For years this Subcommittee has been working to fix the broken Federal hiring process, and we have made quite a bit of progress working closely with the Office of Personnel Management (OPM).

But the hiring process for senior executive jobs is even more complicated and longer than other jobs. A survey of chief human capital officers and upper level General Schedule (GS) employees in 2009 found that the complex process deterred many employees from applying to the SES. It is time to focus on fixing the SES hiring process.

To make matters worse, there is little financial incentive to join the SES. In 2004, Congress enacted reforms that created a pay-for-performance system, raised the cap on SES pay and eliminated locality pay. The SES pay range is linked to congressional pay and over time it has not increase as fast as GS pay. As a result, the General Schedule pay scale overlaps substantially with the lower end of SES, particularly in areas where GS employees receive higher locality rates.

Members of the SES carry critical responsibilities, often work long hours and have fewer employee protections, but they may bring home smaller paychecks than the employees they manage. The same 2009 survey found that many senior GS employees did not apply for the SES in part because the overlapping pay, often called pay compression, creates a financial disincentive.

These general recruiting challenges have made attracting diverse candidates to government service and the SES even more difficult. In 2008, Congressman Danny Davis and I held a joint hearing to explore the issue of SES diversity. We also introduced legislation in the 110th and 111th Congresses aimed at increasing SES diversity. There has been slow progress. As of June 2010, only 17 percent of SES members were ethnic minorities, up from 16 percent 3 years before, and only 31 percent were women, up from 29 percent.

So I am pleased that President Obama and OPM are also focused on this issue, creating the Office of Diversity and Inclusion (ODI). However, much work remains to be done.

With 90 percent of the SES workforce eligible for normal or early retirement, it is critical that agencies focus on these pressing recruitment challenges. We also need to make sure Federal employees are prepared when they apply for SES. This means mentoring employees throughout their careers and identifying those with leadership abilities. Agencies also must invest in in-depth opportunities, including interagency rotations.

The important topics we are exploring this morning involve complicated issues without easy solutions, but the first step is focusing attention on the need for reform. I look forward to hearing from our witnesses this morning.

And now I would like to call our Senator Ron Johnson for any comments he has to make, or an opening statement.

Senator JOHNSON.

OPENING STATEMENT OF SENATOR JOHNSON

Senator JOHNSON. Well, thank you, Senator Akaka. I would also like to thank the witnesses for your time and preparation, and coming to testify and be witnesses here today.

First of all, I do want to thank you, Mr. Chairman, for holding this hearing. This is extremely important. Our Federal Government, this year, is facing a \$1.65 trillion deficit. We simply cannot afford to have inefficient and ineffective government. And, if we are going to become more efficient, if we are going to become more effective, it absolutely requires leadership, and that points to leadership from top managers within our government.

In reviewing the briefing materials for today's hearing, I thought it was somewhat interesting the SES, my understanding, was created about 32 years ago, in 1978 under the Civil Service Reform Act (CSRA). That is about as long as I have been in business. And just so the witnesses know, my background really is in building a business over the last 31 years from a small, to what I would consider a medium-size business. So I have gone through the challenges of hiring talent, top talent, in the private sector.

So my perspective—I think the questions I will be asking—is going to come from that perspective of a small, innovative, lean, mean type of management machine which of course is what government is not.

And I think in today's economic environment with the budgetary constraints, I think that is exactly the type of culture, a culture of continuous improvement of efficiency and effectiveness, that we have to try and bring to government because—let's face it—we ask government to do an awful lot and they are going to end up having to do a lot more with less money. So we are going to have to become efficient.

But, Senator Akaka, I want to second what you said about the quality of the workforce. I mean in my very short period of time here I have met a number of people who work in agencies, and they are top-flight people. They are dedicated. They are hardworking.

And so I think the question is how can we retain, how can we attract top people to provide that type of effective leadership because in the end leadership is just incredibly important.

So again, I am looking forward to hearing the testimony. And, as a manufacturer, I am always looking for the root cause. So I guess one of the questions I will be starting out, and you can start thinking about it now, is what was the problem we were trying to solve in 1978, how well have we solved it and what needs to be fixed.

So with that, I will turn over to Ms.—is it Kichak? Kichak, OK. Or, I guess probably back to the Chairman. You probably will turn it over to her, right? Thank you.

Senator AKAKA. Thank you so much, Senator Johnson, for your opening statement, and that helps us set the tone for today's hearing.

I would like to welcome today's first witness to the Subcommittee—Ms. Nancy Kichak, Chief Human Capital Officer (CHCO) and Assistant Director of Strategic Human Resource Policy at the Office of Personnel Management (OPM). She has been before this Subcommittee many times and has been very helpful to us over the years.

As you know, it is a custom of the Subcommittee to swear in all witnesses, and I would like to ask you to please stand and raise your right hand.

Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth and nothing but the truth, so help you, God?

Ms. KICHAK. Yes.

Senator AKAKA. Thank you. Let it be noted for the record that the witness answered in the affirmative.

And I want the witness to know that while your oral statement is limited to 7 minutes your entire statement will be included in the record.

Ms. Kichak, will you please proceed with your statement?

**STATEMENT OF NANCY KICHAK, ASSOCIATE DIRECTOR FOR
EMPLOYEE SERVICE AND CHIEF HUMAN CAPITAL OFFICER,
U.S. OFFICE OF PERSONNEL MANAGEMENT**

Ms. KICHAK. Thank you, Chairman Akaka and Ranking Member Johnson. Thank you for inviting me here today to talk about the current State of the Senior Executive Service.

We are in an unusually challenging period for the SES and for the civil service generally. Members of the Senior Executive Service are the leaders charged with recognizing challenging environments, overcoming obstacles and bringing about change in the way government does business. At a time when we truly need the best and the brightest in our executive corps, and when senior managers are expected to achieve even greater results with limited resources, the funds available for executive pay, awards, training and professional development are severely limited.

At the same time, career SES members are being asked to lead and motivate a workforce whose own compensation and career opportunities are under attack. However, the government's senior leaders have been chosen carefully and will rise to the occasion.

Last year, the President's Management Council (PMC) launched an initiative on improving the SES led by (OPM) and the Office of Management and Budget (OMB). OPM and OMB began by consulting with a range of experts including past and present SES members, the Senior Executives Association (SEA) and the Partnership for Public Service (PPS). A number of working groups were formed, representing 19 Federal agencies. We are now working to implement their recommendations in the areas of senior leadership engagement, recruitment and career development.

More than half of current SES members will be eligible to retire within the next 2 years. As these leaders are replaced, we must recruit from the most talented, diverse, high quality pools of executive candidates, including sources outside the Federal Government. The PMC working groups are currently coordinating among agencies to jointly recruit SES candidates with marketing and outreach strategies focused both inside and outside the government, with the objective of appropriately supporting diversity and veterans' employment.

Agencies cannot expect to have an effective senior executive corps if they do not provide robust career development opportunities. Some techniques for fostering career development in this cur-

rent fiscal climate include agencies pooling resources to provide shared educational offerings and partnering to share rotational opportunities.

Another major element of the SES initiative is improving performance management. Under the PMC initiative, an agency working group is developing proposals to improve certification and performance management. The President's Management Advisory Board, made up of leaders from the private sector, is also sharing its knowledge of effective private sector practices.

We are working to improve the hiring process and reduce the current time to hire of 117 days. One improvement is allowing the applicant to apply with a resume that provides evidence of Executive Core Qualifications (ECQs). An independent Qualifications Review Board (QRB) confirms the qualifications have been met.

As you said in your opening statement, Mr. Chairman, we have made some progress on diversity, but it is not enough. We cannot be complacent about the importance of stepping up our efforts. We strive not only to improve the diversity of our senior leaders but also to foster a culture of inclusiveness.

Measures designed to enhance diversity within the SES include connecting agencies with special emphasis and affinity groups, increasing the candidate pool through resume-based applications and providing increased rotational assignments for potential future leaders. In addition, Director Berry and Deputy Director Griffin established an Office of Diversity and Inclusion to develop and coordinate governmentwide policy and initiatives to promote diversity.

Finally, we cannot forget that agencies' ability to recruit and retain outstanding individuals into our senior executive corps is also affected by pay. Senior executives' pay has not kept pace with that of the workforce they manage. Nevertheless, since most Federal employees' pay is frozen at this time, we do not believe it is appropriate to exclude the workforce's senior leaders from the freeze applied to the employees they manage.

We must bring all of our best thinking and creativity to bear on how to make our SES recruitment, career development and performance management programs as effective as they can possibly be. We at OPM look forward to the work ahead.

Thank you for the opportunity to testify before you today.

Senator AKAKA. Thank you very much. You testified that improvements to the SES depend on support from agency heads. What steps is OPM taking to engage senior leadership and focus attention on cultivating the SES?

Ms. KICHAK. Well, first of all, the President has addressed the importance of the PMC, the President's Management Council's initiatives. Deputy Director Zients of OMB, has also placed emphasis on this along with Director Berry. So, we have the very senior leadership of government engaged.

But in our hiring reform efforts for the government as a whole, we have made a major point of the fact that managers have to engage in the hiring process, that this is not something where you just post a job and somebody in the Human Resources (HR) shop looks to see who the best candidate is. So that emphasis at the

agency level is being driven by the CHCOs, as well as by the senior managers.

So, once we engage the senior managers in all hiring, in hiring of the general workforce, it is going to become apparent that same engagement needs to happen with the Senior Executive Service.

Senator AKAKA. Over the years, one of our challenges has been reducing hiring time.

Ms. KICHAK. Right.

Senator AKAKA. As you know, it takes 117 days on average from the end of an SES vacancy announcement until materials are reviewed by a qualifications review board. OPM is piloting a resume-based application process which could be one method for reducing hiring time while upholding high standards for SES selection. Will you please tell us more about that pilot program, including what challenges you have encountered and how you are addressing them?

Ms. KICHAK. Yes. Thank you.

We have three agencies that are using only resume-based applications. We also have a working group that continues to work on how to improve that process, and we run training sessions for the individuals in agencies who are focused on overseeing the hiring and the care and maintenance of the SES. So we are doing training. We are actively engaging in using it. There is nothing like testing it out to make it work better.

One challenge that we are facing is that some folks do not know how to use a resume correctly; they have written a resume that they use to apply for any job; and they have not focused that resume on what is important to senior leaders.

What we are looking for are people who can drive change. We are looking for people who are going beyond the managing a project well to managing a project well when they have to deal with many different interests in which some of the interests see things differently. So they have to work in somewhat of an adverse environment.

And so resumes that focus on people's activities rather than the results they have achieved and how they have changed the environment they are currently working in sometimes do not pass muster. People need to understand that these are very high level, very senior jobs that are driving change in the Federal Government.

Senator AKAKA. Another kind of change we are looking at in an effort to increase progress is that of recruiting diverse candidates to public service. I care deeply about this and we have talked about it before.

Are minorities, women, and other underrepresented groups being selected for career development programs at the same rate as their participation in the Federal workforce, and what is OPM doing to increase their participation in these programs?

Ms. KICHAK. We are currently working with the PMC subgroups, or working groups, to develop ways to come together as agencies, to not just work in agency silos but to recruit across the diverse groups, so that we can increase our recruiting powers, so that we are not just waiting for people to come to us, but we are reaching out.

We are establishing relationships with groups representing diverse populations. So, that they know the kind of jobs available in the Federal Government, and they will be drawn to apply for them.

We are developing candidate development programs that have those same qualities, that have searched broadly for candidates inside and outside the Federal Government, so we can reach to the broadest pool possible.

So those are some of the techniques we are using to appeal to these candidates.

Senator AKAKA. Ms. Kichak, I recently held a hearing to explore how the Federal Government could better attract and accommodate people with disabilities. OPM keeps data on the number of women and ethnic minorities in the SES. My question is: Is similar data available for other groups such as people with disabilities?

Ms. KICHAK. We do have some data for people with disabilities in the SES, and I can get that for you for the record. I have it in my notes somewhere, but I am not going to dig for it if that is OK.

Senator AKAKA. Yes. Well, you testified that overlapping pay rates between the GS and SES create a recruiting challenge—

Ms. KICHAK. They do.

Senator AKAKA [continuing]. And sometimes result in employees making more than their supervisors. What specific solutions should Congress consider to address pay compression?

Ms. KICHAK. Well, we would like to work with you on that in the future. We do believe that right now is not the appropriate time to promote any kind of increase in pay for the senior executives because they are leading a workforce whose pay is frozen. And for employee morale purposes, I think that the senior executives should be in the same boat with their employees. This is a pay-freeze time and a difficult fiscal climate, and we in the executive service want to serve alongside the people who work for us.

Senator AKAKA. Thank you. Now let me call on Senator Johnson for any questions he may have for you. Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

And Ms. Kichak, again, thanks. Thanks for coming before us here today.

Let me get back to what I alluded to in my opening comments about bring me up to speed. What was the purpose of establishing the SES back in 1978?

I mean what was the problem? What was trying to be addressed and how well has that been addressed over the last 31 years?

Ms. KICHAK. It is my understanding that one of the things that happened at that time was to make the Senior Executive Service more like the private sector. And so the pay system was set so that the senior executives got not only a pay increase but a larger bonus than is normally given in the Federal Government, and that was looked at as part of the SES compensation, with the idea of driving more innovation and motivating the SES to be more creative and take more risks.

Over time, in managing through difficult financial times, there have been requests to limit the bonuses for the SES, and there has been a lack of recognition that the pay system is different for the Senior Executive Service than the rest of the Federal Government.

So, I think that is one thing where it has not quite worked out as intended.

The other thing that is talked about is that the SES should be more mobile, and as they are trained they are a corporate resource, which is why OPM reviews the final selection of every SES. They are supposed to be appropriate for leadership in any agency. However, the SES has not moved that much.

Now, I think the question to ask there is whether that original vision was a good vision or whether the fact that some SESers are becoming more specialized is also appropriate, and I know other witnesses are going to address that. But many of the SES jobs are such things as chief information officers (CIOs), requiring some technical expertise; chief financial officers (CFOs), certainly requiring technical expertise. And so it might be time to reconsider that initial vision and recognize the fact that with these leadership jobs are such that many of them are not simply high-level management jobs but also high-level technical jobs.

Senator JOHNSON. So initially, the SES was set up to provide the incentives and a pay differential between just general service employees versus managers, and that originally worked, but now that pay scale has just been compressed? Is that the—

Ms. KICHAK. It has been compressed, yes.

Senator JOHNSON. Again, reading the briefing materials, it sounds like there is a real reluctance now for GS-14 and 15s to move into the SES. I mean other than the pay compression are there other problems? Are there other reasons why people do not want to move into the higher management levels?

Ms. KICHAK. Well, I would say, first of all, right now we are getting good applicants for the jobs. So, the situation as to whether folks apply for government jobs does vary with the economy, and right now the Federal Government happens to be a good place to work because of what is going on outside of the Federal Government. However, it has not always been the case and certainly was less so 3 or 4 years ago when the economy was good and salaries were attractive in the private sector.

But I think the other issue we are dealing with is that these are difficult jobs. I mean there is only one SESer for every 250 people in the Federal Government. So, they are high pressure, a lot of work, extra hours; and there is risk involved; and you are leading change.

So, if you are looking for work-life balance, an SES job might not be the best place to go. You are asked to give more.

But if you are looking for a challenge and an opportunity to really make a difference; and you have the time and stamina for the extra hours; it is a good place to be.

Senator JOHNSON. Do you have any idea of what the average size of governmental entity is being managed by some in the SES?

Ms. KICHAK. Well, again, if you look at the numbers of SES compared to the population, it is about 1 to 250. Now, that means because a lot of the policy offices and some of the very senior people are only managing a smaller number, there are many SESers managing 500 to 1,000 people.

Senator JOHNSON. OK. I was thinking more in terms of dollar size. I mean are they managing entities that are on average a bil-

lion dollars in size, 10 billion dollars? I mean do you have any kind of estimate of that?

Ms. KICHAK. I do not, but I can tell you, for example, at OPM we have 1 SES manager running the \$40 billion Federal Employees Health Benefits (FEHB). So, they might not be managing a lot of people, maybe only 30 or 40 people, but they are responsible for enormous expenditures.

Senator JOHNSON. The reason I ask the question is again I come from the private sector.

Ms. KICHAK. Right.

Senator JOHNSON. So I take a look at what is the incentive from somebody, a top-flight manager from the private sector, to come in the government and compare the incredible responsibilities you have if you are managing a \$40 billion agency. And somebody in the private sector managing a \$40 billion company is probably going to make more than what an SES employee is going to make, correct?

Ms. KICHAK. Yes.

Senator JOHNSON. How do we bridge that gap? Is that not sort of at the root cause of the problem here?

Ms. KICHAK. I would say two things. No. 1, looking at pay is really critically important, but those of us in the SES never forget how important it is and what gratification we receive from serving our country and making a difference.

Senator JOHNSON. And I would agree. People come to government for a different reason.

Ms. KICHAK. Right.

Senator JOHNSON. I will raise my hand and say that is why I do it as well.

How often do we find let's say retired top-flight executives that would actually want to come in government and serve their country?

How easy or how difficult is it for us to actually track those folks and bring some of those top-flight managers from the private sector on to serve the country later in their careers?

Ms. KICHAK. I do not have any data on that; I see people coming in to serve, but I do not see any heads of major corporations. In my limited experience, I have not seen those people coming into the Federal Government. I know it happens. I know we have had some of that in the financial industries, but I do not think it is the common solution.

Senator JOHNSON. OK. Well, thank you. Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Johnson.

We will have another round of questions for you, Ms. Kichak.

I was troubled, Ms. Kichak, when Government Executive reported yesterday that senior executives at the Department of Energy (DOE) may be forced to give back performance awards that were received at the end of 2010. Will you please explain this situation, including the number of affected senior executives and whether OPM officials directed agencies to revoke SES performance awards?

Ms. KICHAK. OK. The situation reported was that the Department of Energy gave two pay raises to SES employees within calendar year 2010. The laws and regulations specifically prohibit two

pay raises within a calendar year except under very specific circumstances such as an employee changing positions, taking on more responsibility or changing agency. None of the exceptions applied. So the Department of Energy was in violation of the statute.

We pointed that out to the Department of Energy. They chose to take corrective action and revoke the pay raises that were given incorrectly. It impacted about 220 senior executives.

Senator AKAKA. Ms. Kichak, you testified about the President's Management Council initiative—

Ms. KICHAK. Right.

Senator AKAKA [continuing]. To provide interagency rotational experience for certain GS employees. Will you please elaborate on this initiative, including which agencies are participating, the length of rotations and any plans to expand the project.

Ms. KICHAK. I do not know, specifically, which agencies are working on our working group, but in the PMC initiative covers—we had 19 agencies participate in all of the working groups.

So, this working group is developing the system, and then every agency will have an opportunity to participate in it. We are developing a website to enable any Federal agency to see what rotational opportunities are available. So, once we get the requirements in place, what a rotation looks like and we get the website fully operational, we will be able to get all of the agencies to participate in that project.

Senator AKAKA. Ms. Kichak, I was pleased that the Office of Personnel Management reestablished a Senior Executive Resource Office in the year 2009. Please elaborate on this office's work, including what role it has in the career development and also the SES training initiatives you discuss in your testimony.

Ms. KICHAK. OK. The SES office that we have established is responsible for oversight of all matters concerning the Senior Executive Service. This includes how to recruit and how to certify. The office runs the qualifications review boards. It is leading these working groups through the President's Management Council. It has worked closely with the President's Management Council and is bringing together the agencies I have talked about on the working group.

It also was the office responsible for regulating how we implemented the previous legislation requiring training for supervisors, which I recognize are not the SES, but they are often the feeder pool for the SES.

And it has been working very closely with agencies to start collecting data on who is trained, what kind of training they have, and what the cost of that training is. We have made a big effort to do that. The data is still not very reliable because we are relying on the agencies to input it into the system, but this office does that.

The office issues policy on the SES. It also reviews the performance management systems for the SES and certifies those systems for all the agencies in the Federal Government. It makes sure that the performance management systems in place drive results and are aligned with the agencies' missions, so that executives know what is expected of them.

So it has brought together all of those functions.

Senator AKAKA. As you know, Ms. Kichak, SES candidate development and continued training are inconsistent and vary between agencies. I appreciate OPM's focus on candidate development, including encouraging agencies to work together and pool their resources. Does OPM have plans to help agencies implement governmentwide standards for these development programs?

Ms. KICHAK. Yes. I should have added that one of the additional functions of this SES office is exactly that. The standards are already in place for what a good candidate development program would consist of. Our office works with agencies to help them establish those programs. When the agency applies to us for certification of their program, we work with them to make sure that certification happens.

So, we look to see that they are recruiting widely for members; that they are paying attention to diversity; that they have good training programs in place; and that they have valid assignments that their candidates are going to engage in that will help them develop adequately. We look to see that selections are merit-based because people who graduate from a certified candidate development program are eligible for immediate conversion into the SES if there is an appropriate position available for them.

Senator AKAKA. Ms. Kichak, I thank you so much for your responses. This will be my final question, and it has two parts. First, what are your top three priorities for strengthening the SES in the coming years, and the second is what actions should Congress consider to aid these efforts?

Ms. KICHAK. I would say that our first priority is recruiting diverse candidates, a wide pool of folks, so that we can have a good group of people to select from.

I would say our second priority is improving the hiring process. So, once we have recruited from that group we can get them to apply and then move them through the process, so they can become senior executives.

And then once we get them in, I would say our third priority is caring for them once they are in, and that is why we are working on such things as onboarding and mentoring and ways to make sure that when they transition into the Senior Executive Service and when we ask them to rise to these challenges that we are supporting them in that effort.

Those were our three.

And what was your second question?

Senator AKAKA. Yes, the second question is what actions should Congress consider to aid these efforts?

Ms. KICHAK. I would suggest that—

Senator AKAKA. Of course, this is legislative type of efforts.

Ms. KICHAK. I think a lot of what I have laid out before you, we can already do, and we are engaged in those efforts. But we would be glad to work with you. I know that you had a bill in the past that has some things in it, and we would be glad to work with you to see if there are additional things such as more training and more developmental opportunities that we could work with you on for the future in legislation.

Senator AKAKA. Thank you very much for your responses.

Ms. KICHAK. Thank you.

Senator AKAKA. Senator Johnson.

Senator JOHNSON. Thank you again, Mr. Chairman.

You just mentioned onboarding. That was a new term. I had never heard that before going through the briefing. So can you just describe in a little greater what you mean by onboarding?

Ms. KICHAK. Right. Onboarding is trying not just to bring the new person in and show them their desk and wave goodbye. It is introducing them, making sure they are introduced to the history of the agency, the mission of the agency, and getting to meet the folks in the agency that they are going to have to deal with to be effective, making sure they know who the players are and finding them a mentor and a coach. So, that if they are met with any particular challenge, somebody could tell them who the right people to go to are.

It is also giving them training in such things as the ethics required to operate in the Government environment and what some of the procurement rules are like and what some of the hiring rules are like. So, that they make sure that in their hiring and developing of staff they comply with veterans' preference and all the things that matter in managing a Federal workforce.

So, onboarding is just making sure that when somebody enters into the agency and is new in the Senior Executive Service, they understand what is expected of them, so that they can deliver.

Senator JOHNSON. How long a process do you think that normally takes?

Ms. KICHAK. Well, we think the first 3 months are critical, but in our developing of onboarding, we are committing to making sure we stay with that senior executive for their first year of service.

Senator JOHNSON. OK. Thank you.

You mentioned one of your top goals, recruiting a diverse applicant pool. How do you recruit? I mean how does the Federal Government recruit folks?

Ms. KICHAK. Well, we post our jobs on USAJOBS, and so sometimes we are expecting people to look there. But we are doing more with electronics because it is cost-effective. So, we are developing a recruiting tool for USAJOBS where we identify areas where we can send the announcement that might have the appropriate candidates. For example, if we are recruiting for a chief information—an information technology (IT)—person, we would be sending it to professional organizations that support folks with information technology.

We are developing relationships with affinity groups that represent certain demographics of the Federal Government, so that we can let them know that those jobs are there. We participate in some of their functions, so that we appear, tell them what is going on in the Federal Government, tell them what opportunities we have and encourage them to apply.

Senator JOHNSON. Is the recruitment process, is that across the government?

I mean does every agency utilize the same recruitment process? Are they all separate? I mean do each agencies recruit in their own way?

Ms. KICHAK. Each agency recruits in its own way.

Now, one of the initiatives that we have started, coming out of this recent PMC initiative, is that we are teaming with other agencies to do that, so that we can get out there more. One agency would have trouble going to a lot of different places. So, if we share the kinds of jobs we are looking for, then we will be talking about other agencies' jobs when we are out talking to people.

Senator JOHNSON. How often are qualified applicants shared within agencies? In other words, if you are recruiting for one position, you end up with five or six really solid applicants, are those shared then throughout the Federal Government?

Ms. KICHAK. Currently, that is not happening. Now, that is one of the things that we are working on. In our hiring reform project we have suggested some legislative language that would allow us to share applications among agencies because there are some concerns that, if you apply for X job, do you want other people to know that you are looking? And so we have to share those applications appropriately, and we are, we have been working on ways to try to make that happen without violating people's rights.

Senator JOHNSON. Right, right, right. You mentioned your second goal, improving the hiring process. I mean what are the current problems involved in the hiring process right now, the top two or three?

Ms. KICHAK. I think the problem is that we did—until very recently the only way to apply for an SES job was to write essays on how you have met certain capabilities, and those are the capabilities like how you led change, how you drove results. In other words, we did not use a resume that said I worked here and I had this job and I had this job.

You had to write and say not only did I have this job, but in this job this is the difference I made. This was my impact, not just being there.

And so the application process got very long. People had to write what was called ECQs and they could not use a resume. So, that was a disincentive for some people to apply.

We have now made using resumes allowable. We are doing that, but certain agencies are fearful of doing it because that is not how they have always done business. And that is why we are training and working through these committees.

Senator JOHNSON. Would you consider that process pretty detrimental to trying to attract people from the private sector that are totally not used to that type of process?

Ms. KICHAK. Well, I do know that it has been detrimental.

I also know, though, that in executive recruitment sometimes in the private sector they use these grand assessment tools and put people through assessment programs to see what their leadership qualifications are. So, this paperwork exercise, although detrimental and we are trying to improve it, definitely helped us look for that extra edge.

Again, the senior executives are in a very special place. They are very, very much the leaders. They are not just the supervisors and managers, who are critical to the Federal Government also, but they are the change agents. And so we are looking for extraordinary talent.

Senator JOHNSON. How closely have we benchmarked the government's hiring process to the hiring process of major corporations that also are hiring top-flight managers for large jobs?

Ms. KICHAK. We continue to look at what the private sector does. I do not think we have a benchmark that would stand up to a rigorous analysis, however.

Senator JOHNSON. OK. Again, thank you for your testimony.

Ms. KICHAK. You are welcome.

Senator JOHNSON. Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Johnson, for your questions.

I want to say thank you very much, Ms. Kichak, for your responses.

Ms. KICHAK. Thank you very much.

Senator AKAKA. It certainly will be helpful to us.

Ms. KICHAK. Thank you.

Senator AKAKA. Thank you very much for being here.

I would like to welcome today's second panel of witnesses: Ms. Carol Bonosaro who is President of the Senior Executives Association and Mr. Max Stier, President and Chief Executive Officer (CEO) of the Partnership for Public Service.

As you both know, it is the custom of this Subcommittee to swear in all witnesses, and I ask you to please stand and raise your hand and take this oath.

Do you solemnly swear that the testimony you are about to give this Subcommittee is the truth, the whole truth and nothing but the truth, so help you, God?

Ms. BONOSARO. I do.

Mr. STIER. Absolutely.

Senator AKAKA. Thank you very much. Let it be noted that the witnesses replied in the affirmative.

And I want the witnesses to know that while your oral statements are limited to 5 minutes your entire statements will be included in the record.

Ms. Bonosaro, will you please proceed with your statement?

STATEMENT OF CAROL BONOSARO, PRESIDENT, SENIOR EXECUTIVES ASSOCIATION

Ms. BONOSARO. Yes. Thank you, Chairman Akaka and Ranking Member Johnson, for the opportunity to testify on the challenges facing the Senior Executive Service.

SEA has represented the interests of the career executive corps for the past 30 years, almost since the inception of the SES. The almost 7,000 SES executives are critical to a high performing government. However, we are now seeing troubling signs that are likely to affect the future corps. Difficulties with recruitment and retention, a pay and performance management system that requires reforms and a lack of focus on strengthening career leadership may well lead to loss of quality within the SES.

In 2009, SEA surveyed GS-14s and 15s regarding their views of the SES. Over 12,000 responses confirmed there is a recruitment problem brewing. Potential applicants are losing interest in aspiring to the SES, and the detractors of the system outweigh the at-

tractors. Comprehensive reform is necessary to address the currently skewed risk to reward ratio for the SES.

Following is a summary of the major problem areas we see in our proposals for reform:

First, SEA has consistently supported legislation to increase diversity in the SES. We believe this is achievable only through adequate data, a strong pipeline and strong central leadership. Although we applaud OPM Director Berry's reestablishing the SES Resource Office, it should be required in statute to ensure its continuity in future administrations.

Second, over the years, we have observed a diminished role for career executives as layers of political appointees have multiplied, and many formerly career positions are filled by political appointees. The lack of career leadership at certain top positions has resulted in a loss of continuity and expertise as well as diminished opportunities for career advancement. Given the focus on streamlining operations, reducing redundant programs and identifying cost savings, agencies must have a strong leadership corps to oversee these initiatives on a long-term basis. Therefore, SEA recommends that agencies place high performing career executives in the Assistant Secretary for Administration and other key positions at each agency, specifically at the chief level.

Third, given our experience with the SES pay and performance management system since 2004, SEA believes it must be modified to ensure both that quality applicants will aspire to the SES and that we will retain the experienced executives needed in these challenging times.

The SES is not seen by many as a desirable career goal because senior executives take on more duties, work longer hours, yet receive no compensatory time, no locality pay and no guaranteed annual comparability pay raises, all of which are part of the General Schedule compensation. Further, SES annual pay increases are entirely discretionary, irrespective of performance. And although quotas are prohibited, it appears that agencies have applied de facto quotas and sometimes reduced executives' ratings without explanation, perhaps in the belief that reducing the number of outstanding ratings would enable their systems to achieve certification.

For the system to work, senior executives have to believe that it is fair and transparent. To strengthen the system, we recommend that performance awards be included in the high-three annuity calculation. This would make SES an attractive career goal for the best applicants, and it recognizes the reality that performance awards have become an integral part of the SES compensation system.

We also recommend that new senior executives receive a 5 percent salary increase upon entry to mitigate some of the pay overlap between the SES and GS systems.

In addition, we recommend that each senior executive be given a written explanation if his or her rating is lowered and that the use of quotas be statutorily prohibited.

Fourth, building a pipeline of qualified candidates and creating a culture where continuing development is the norm is also important for a strong SES system. The commitment to both is uneven

across government. Onboarding should be provided to new executives as well as continuing professional development throughout an executive's career.

Fifth, many believe that the SES was created with the intent that it be a corps of mobile executives. However, the intent of the 1978 act was that the SES corps be flexible and that agencies be able to assign senior executives where needed. Mobility was not seen as an end in itself.

Over 40 percent of the GS-14s and 15s responding to SEA's survey said the possibility of mandatory geographic reassignment was a top detractor to entering the SES. Many commented on the threat of being reassigned. Agencies should have the discretion to use mobility to meet strategic goals, but participation in rotation programs should not be a precondition to entry unless rotation opportunities are made available to the candidates to enable them to meet the requirement.

OPM should also create a registry that includes information on all executives' experience, education, training and professional development interests for agencies to use when seeking candidates for vacancies as well as in time of critical need. Agencies can also use such information to manage succession planning, identify needed development and provide mobility opportunities for their executive corps.

Finally, the complexities of the SES hiring process can be a deterrent to some applicants, especially those from outside government. We are concerned that the move to a resume-only process not diminish the need for careful assessment to ensure that applicants to the SES actually possess the required executive capabilities.

Perhaps of even more concern is the suggestion that agencies abolish their qualifications review boards. Careful QRB consideration of SES selections is designed to ensure that merit principles are followed. Furthermore, OMB has found—OPM, pardon me, has found that QRBs add, at most, 2 weeks to the hiring process, often the lengthiest part of which stems from the higher level signoffs required at the agency level for SES hires.

In conclusion, the areas of reform for the SES are wide-ranging. Congress has the opportunity to consider comprehensive reform rather than a piecemeal approach. We look forward to working with the Subcommittee to ensure that the SES of tomorrow continues to be a high caliber leadership corps that accomplishes the goals of the Federal Government. Thank you.

Senator AKAKA. Thank you very much for your statement, Ms. Bonosaro.

Mr. Stier, will you please proceed with your statement?

**STATEMENT OF MAX STIER, PRESIDENT AND CHIEF
EXECUTIVE OFFICER, PARTNERSHIP FOR PUBLIC SERVICE**

Mr. STIER. Thank you, Chairman Akaka, Senator Johnson. It is a pleasure to be here with you, and it is really important that you are focusing on this issue. It is truly urgent.

In your opening remarks, both of you have commented on some of the critical needs here. Not only do we have obviously a world that is becoming more and more challenging, and more and more

fast-paced, we have the resource constraints that are obviously very substantial. And it is really important to focus on a fact that no one has touched on yet, which is that just about half of the existing SES is eligible to retire right now. So the issue is truly urgent.

Obviously, the work that the President's Management Council, OPM, and OMB has done has been terrific, and it is really important that they are making the SES a priority. We believe you can go further and should be going further, and there are eight areas that I would focus on for improvement.

No. 1, this has been touched on already, talent needs to be a leadership priority in government. Senator Johnson, you asked the question about root causes. Today, talent is not viewed as a leadership priority it is viewed as an HR issue.

As an example of this, the President has yet to meet with his senior executive corps. President George H. Bush and President George W. Bush both met with the SES. This is your career executive team. The President has never met with them, and I think that is a mistake.

We need to focus on the SES as a critical leadership corps in government, and frankly, that is not happening. That is something I think you can help press in your oversight role.

No. 2, we need to rebalance the career and political appointees; Carol has mentioned this. I think it is absolutely critical.

Again, you look at root causes. The U.S. Government is unique among developed nations in the number and depth of political appointees. There is no other place like this. And the biggest root cause of management dysfunction in government is that you have short-term political leaders that are not aligned with the long-term needs of the organizations they run.

As a result, you get a political appointee that is in office for 18 months to 2 years. They are incented to focus on crisis management and policy development, not on the long-term health of the organizations they are running.

This to me, is a root cause, and we need to address it. One way we can address this is making sure that new political leaders are actually trained to deal with managing a government.

Senator Johnson, you are faced with a million acronyms coming in here. You are getting trained on the spot right now.

Most of the executive branch political appointees, they walk in and have no idea how to manage their SES. They are handed performance plans by the SES that they have done themselves, the SES. They have no idea how to manage and use them appropriately. We need to be investing in the political appointees, so that they can be better managers and leaders inside government.

We also need to make sure that those senior management positions that Carol mentioned are career or term-appointed positions. That would make a huge difference.

We also need to see that there is, Senator Johnson, a 10 percent cap on the SES positions that are non-career/political. That cap ought to apply not just governmentwide but also to every single agency.

You have certain agencies like the Department of Education where the number of political appointees is 20 percent. You have

historical dumping grounds where there are a lot of political appointees put in place. That is a mistake. It creates a lot of dysfunction in those agencies.

No. 2, at a minimum, we should have a cap at every agency as well as the governmentwide cap. And as I said before, the C-Suite positions need to be career positions with term appointments and performance contracts.

No. 3, we need to do an audit of the SES positions. I hope we can come back to the purpose of the SES, but what ended up happening in 1978 is all the super grades—16s, 17s, 18s—were all wrapped up into one SES group.

The fact of the matter is that some of those were true managers. Some of those were technical experts. There are positions called Senior Level (SL) or Senior Technical (ST) people for those spots, but that is not actually how it played out. There are a lot of SES positions today that, frankly, are not really doing management. They are technical positions, and we need to segregate them and separate them.

No. 4, mobility. And just to clarify with Ms. Bonosaro, we are not talking about geographic mobility. We are talking about mobility of experience. Today, 92 percent of the SES comes from within government, 4 out of 5 from within the same agency.

We need to make sure we have cross-agency and cross-sector collaboration to address problems, and we must have an executive corps that has experiences in multiple places. And we believe very strongly that requiring mobility, either as an entry into the SES like the military does for the senior ranks already, or for the SES themselves, would be very powerful. I think this is critical.

An analog to that would be to create a private sector exchange program. While there is a statute now that allows exchanges between nonprofit and the government, we actually need to see government executives experiencing the private sector, and vice versa. That would be a wonderful program and a great starting place.

No. 5, recruiting and hiring is absolutely vital. Today, we have a system that is unique to government. The rest of the talent market has no appreciation for how to get in, and it is way too difficult for them to do that. Again, I would love to have an opportunity to come back to this.

Resumes are the starting point. There are all kinds of things you can do afterwards. For most people the application process is so complicated they get chased away and they do not engage. This is one of the reasons why you do not see that much talent from the outside coming in.

No. 6, we definitely need to be seeing more development of the SES. Again, the military does a great job of investing in their senior executives. We do not see that same level of investment on the civilian side. We propose something on the order of 2 or 3 percent of salary to be placed in a development fund for the SES. This is the one place we are asking for real money, but honestly, the investment will pay off in the long term.

If you look at companies like International Business Machines (IBM), they are putting \$700 million in their leadership training. They know that the Return on Investment (ROI) is great. We are not doing that in the Federal Government, and we should be.

No. 7, there is no communication among the SES corps today. We should be creating an online community. We should be creating a mechanism by which the SES can communicate among itself—again, Carol raised this issue which is terrific.

We ought to be able to understand the talents and abilities of a SES. We have no central repository for that information. That needs to be created. In today's era of communication technology, it is really easy to do and needs to be started here and now.

And No. 8, we need better data. We have very little data in many different areas. This is the second major root cause challenging government. First, is the short-term political leader. The second is we do not have real-time information about performance of government. A good example of this in the SES context is we do not conduct general exit interviews.

A great example of the problem here is in the Department of Homeland Security (DHS). It was set up in 2003. Between 2003 and 2007, 72 percent of the SES left DHS, but no one knows why because we did not do any exit interviews. That is unacceptable.

There are many other examples like that. I look forward to talking about them. This is a critical issue. The SES is less than 1 percent of the Federal workforce, but if you do not get this right, nothing else works.

Thank you very much.

Senator AKAKA. Thank you very much.

Senator JOHNSON. First of all, I would like to thank both of you for your testimony. I am going to have to leave for another meeting, but I would love to meet with both of you later on because this is such an incredibly important issue.

So Mr. Chairman, again I apologize for having to leave, but I am sure you can ask some pretty good questions, and we will take a look at the transcript. Thank you very much.

Mr. STIER. Thank you.

Senator AKAKA. Thank you very much, Senator Johnson, and wish him well on his next meeting.

Thank you very much for your statement, Mr. Stier.

Ms. Bonosaro, as you and others have noted, these are challenging times for the Federal workforce, and it was mentioned by Mr. Stier we are facing a time when there will be a huge number of retirees. Also, some of the public frustration over the economy and the budget deficit is being directed at civil servants. Will you please discuss, Ms. Bonosaro, how recent so-called scapegoating of Federal employees has impacted SES recruitment and its morale?

Ms. BONOSARO. Well, as demoralizing as scapegoating can be, frankly, I think that there have been other issues that have impacted the morale to a greater degree. I mean to some extent the scapegoating has sort of come with the territory for many years. It gets worse at some times and dissipates at others.

But I think that the challenge first of indeed doing, being expected to do more and more with less and less, the tremendous challenges posed by being an executive in government today are tough enough. And when you add to that issues such as, for example, the fact that some executives are indeed supervising those who work for them who earn more than they do, that can be a bit demoralizing.

Max cited the lack of the President going off to meet with the Senior Executive Service. To some people, that may seem like a relatively frivolous thing, but in the importance of what they are doing, why is the President meeting with them so critical? But yet, we have executives who remember from what, 30 years ago, very distinctly going over to Constitution Hall to meet with President Bush. And that really speaks to the issue of the recognition of the SES, the prestige, and that buys an awful lot.

So people who are doing these very tough jobs, who may not be getting necessarily the financial rewards that they deserve, that is a real morale boost. And the executives who walked out of there, frankly, would have walked on water for the President at that point.

But then you add some other issues. Right now, apart from the pay freeze, performance awards are being cut back in the SES, and these people are in a pay and performance management system, in which all pay adjustments and awards are totally dependent on performance. But yet, that is not happening.

So I think there are a number of issues around this system itself that have, frankly, been a bit demoralizing. And so the bashing that has occurred in the media and by some politicians is sort of the cherry on the sundae, if you will.

Senator AKAKA. Thank you.

Mr. Stier, a recurring theme of the Partnership's 2009 report on the SES was that many senior executives are technical experts, not necessarily people who demonstrated management skills or an aptitude for leadership. Why do you think that this is, and what are the implications of this concern and this conclusion?

Mr. STIER. Thank you, Senator Akaka. I think one of the reasons why this is, is that despite the many challenges that I think Carol appropriately identifies in getting to the SES, it is still the case that for many folks the SES is the next level up. It is the senior level in government and there is a prestige associated with it.

And unfortunately, a lot of technical experts try to grasp that ring because they do not see the alternative, the SL or the ST position, as actually fulfilling that same level of prestige have not really permitted or created a kind of track that allows for recognition of a technical expert in a way that would permit them to follow a different road than that of the SES.

I think part of the challenge ultimately is that we need to make sure that our very best technical experts, and those that are in fact engaged in true management, have an alternative career path that enables the recognition and rewards associated with their important contributions.

Now the implications are that you have positions that in fact do require larger management and leadership responsibilities that are taken up by people who do not actually have the very best of those kinds of skills. I think the implication is that we do not get the best out of government. In our recommendations here we are suggesting a more thorough effort to create this alternative path and you can grant the process by conducting an audit.

Right now, there are fewer than a thousand SL and ST positions, and there are 7,000 people in the SES. I do not know what the right balance is, but I do not think that is it I think we need to

really do some triage to make sure that people are appropriately being recognized for their skills and the work they are engaged in. And then we need to truly expect performance of a different sort from the SES, one that really does highlight their leadership and management capacities.

Ms. BONOSARO. Senator Akaka, may I speak to that question as well?

Senator AKAKA. Yes, Ms. Bonosaro.

Ms. BONOSARO. Thank you. I have heard this argument made for many years, and I do not doubt that there are some positions in the SES that should not be, but no one has yet demonstrated this with any factual material, with any data.

And in fact a survey that we did in cooperation with OPM several years ago, and I will be happy to give that data to the Committee, really demonstrated that the vast majority of these executives have a substantial span of supervising either resources or people.

And I just want to point out too that ST positions, scientific and professional, are in fact world-class scientists, and that is not a dumping ground for anyone who does not belong in the SES. In fact, those STs would be very unhappy to think about anyone less than their caliber moving there.

So our concern really with developing a two-track system is that what you do in the end, it is not inappropriate to consider use of senior level positions, but you do not want to inhibit management's ability to reassign where needed.

So you may have, for example, an executive at the IRS who is running a very large operation, and the commissioner says gee, I want you in my office for a year to think about tax policy and supervise one person. You ought to be able to do that in the SES and be moved around where management needs you. But our main concern is, first, how many of these people are there in reality and second, let's not throw the baby out with the bath water, if you will.

Senator AKAKA. Thank you very much for your comments.

Ms. Bonosaro, you testified that certain key positions should be reserved for career employees rather than political appointees. Agencies may be concerned that this change would take away their flexibility to appoint particular people or to bring senior leaders in from the private sector. Would you please elaborate on your recommendation and address these concerns?

Ms. BONOSARO. Well, first, when the SES was created by statute in 1978 and then actually implemented in 1979, every Assistant Secretary for Administration throughout the Executive Branch was in fact a career executive. And over the years, obviously, that has all changed.

We have three departments right now where, by statute, their Assistant Secretaries for Administration should be career, and it is Department of Transportation is one. Justice is another. And which one?

Mr. BRANSFORD: Health and Human Services (HHS).

Ms. BONOSARO. So in fact, it has occurred in three departments.

We think that for the reason of continuity, that Max was just talking about too, being able to accomplish management and policy

changes in the long term really requires people of experience to be there over that long term.

Also, what we have found—I think there is no doubt about it—is not only with this proliferation of political appointees you minimize opportunities for career advancement of career senior executives, but you also create so many layers that you inhibit communication between top leadership and the career executives who are there trying to meet the Administration's objectives.

So for a number of reasons, we think that there are some positions that we recommend indeed should be reserved for career executives or at least where agencies should have to make the case as to why they should not be in a particular instance.

Senator AKAKA. Well, thank you for your response on that.

I also ask you Mr. Stier whether you have any thoughts on that question.

Mr. STIER. Absolutely. I think Carol covered the territory very well.

I do think that one of the root causes of management challenges in government is that discontinuity between the short-term political leader and the long-term needs of the organizations that are being run. Having a set of career or term-appointed leaders with performance contracts in those management spots—I would include the Chief Financial Officers (CFOs), all the C-Suite management positions—would make a very big difference. So you could actually have longer-term focus on the set of issues that need to be addressed.

I have not been around forever, but I have already seen numerous cycles where a political team comes in. It takes them a while to get their sea legs and figure out what they are supposed to do. By the time they actually get organized for action, they are on their way out, and nothing actually is accomplished.

Then a new set comes in. They come up with the same set of plans, and then they are out.

That is no way to run a government, and that is what we have today. It is getting worse, not better. So I think that it is really important to change these positions.

The sole argument that I have heard on the other side is that if you make these positions career positions, then the new political teams will not trust those folks and those people actually will not be at the table. To the extent that there is any truth to that, I would rather have that problem than the problem we have today, which is a lot of management dysfunction.

Senator AKAKA. I want to followup with you on that. You testified that each agency should be held to a 10 percent cap on political appointees—

Mr. STIER. Yes.

Senator AKAKA [continuing]. In the SES. Will you please discuss why you think this would be useful and whether you believe a 10 percent cap for each agency would create the right mixture of career and political SES members?

Mr. STIER. If you let me go lower, I would. The truth of the matter is that we already have a 10 percent cap governmentwide. The governmentwide number is about 9 percent.

The reason that cap was put in place was to ensure that we did not have a government and the senior executive corps that was overly politicized and provide continuity.

So the idea originally was to keep political appointments to a relatively small number, but what was not understood at the point at which that cap was put in place was that there was flexibility in individual agencies to raise that number quite a bit. As I mentioned earlier, the Department of Education is the best example of this. They have 20 percent of their SES in political positions, and that creates a very different dynamic. I know that they are not actually filling all those spots with political appointments.

We need to make sure over the long term that we have good hygiene. It is not good hygiene to have that depth of political participation in the leadership group, and I would love to see it be a lot less.

Some of the best agencies have few political appointees. The Social Security Administration (SSA), a very well run agency, has one political appointee. You look at Social Security Administration, the Internal Revenue Service (IRS), the Federal Bureau of Investigation (FBI)—there are a lot of places where we have understood that we need a political leader, but beyond that, that political leader needs to work with the career executives to make things happen. That is, by far, the better model.

I am not advocating something so radical as to make every other agency do just that, but there are some real outliers; the permission of agencies to go above that 10 percent cap is something I would hope could be addressed.

Ms. BONOSARO. Mr. Chairman, I am going to ask one more time for the opportunity to weigh in simply because this is a recommendation of ours as well.

Right now, the statutory cap on agencies is 25 percent. So indeed by law they can have 25 percent non-career. But equally important is the definition in the statute because right now it is authorized positions, not actually filled positions, and that is a very important distinction.

So we believe that not only should the law say 10 percent per agency but that the 10 percent both governmentwide and per agency should be based upon filled positions, not authorized positions.

Senator AKAKA. Ms. Bonosaro, as you know, I have worked for a number of years to reform Federal hiring, and I introduced legislation last Congress to streamline the application process. The SES hiring process is even slower than the General Schedule. I want to hear from Mr. Stier on this as well.

To you first, Ms. Bonosaro, in addition to encouraging agencies to make SES hiring a greater priority, what suggestions do you have on ways to streamline SES hiring?

Ms. BONOSARO. Well, we have a number of suggestions—first, that Executive Resources Boards (ERBs) within agencies have to take a more active role in terms of managing the corps and the positions within the corps, and it varies a great deal across agencies, the degree to which they are involved.

As I said, one of the real additions of time to the hiring process are the signoffs that are required going up the agency chain. I

think each agency is going to have to deal with that issue on their own.

We are also concerned, however, that as we move toward this resume-based system, as I indicated, that we not lose sight of ensuring that these candidates actually possess the executive corps qualifications. So I think we have to see agencies doing more with regard to structured interviews and more sophisticated assessment methods of candidates that are more common in the private sector, but which will be relatively new I think to government, but are needed really to ensure that we are doing an adequate assessment.

I think there is just an awfully long time that it is taking an agency, given that these are very high level positions, and so I think there is probably a lot more care to be certain they are selecting the right person. But especially moving up the line for all the signoffs, and as I said, that is something that individual agencies are going to have to address.

Senator AKAKA. Thank you.

Mr. Stier, your thoughts on this issue as well.

Mr. STIER. Great. Well, thank you, Chairman Akaka. I would offer at least five suggestions on this front, starting again with the leadership engagement.

Carol mentioned the challenge of actually getting approval all along the line. Part of the issue is that there is no drive, there is no ownership from the top of the house, saying: Guess what? This is the most critical resource we have here. We need to hold our folks accountable to get the right talent and meet the needs that Carol is describing as quickly as we possibly can.

And I think that agencies respond to their leadership's priorities. If the priority among the leadership is to make sure they are staffed with the best talent possible, then more investment will occur there. So that would be No. 1.

No. 2, there needs to be an effort to recruit more effectively. By and large—and Senator Johnson asked this question—it is a passive recruiting process. It is a post and pray that exists for the SES as well as most other jobs.

In the private sector, there is an investment in executive search firms in order to be able to find the right talent. When you are talking about critical talent like the talent is going in the SES, we ought to be making sure we spend the money necessary on the front end to get the broadest and most effective pool possible. Investing in executive search would make a big difference.

Third, the executive resource boards in the agencies are the ones that are owning this, and it is very uneven as to whether or not they have the resources staff and skills necessary to do this effectively, and that is going to be very critical.

Fourth, the hiring process. Look, the resume is not the be-all-end-all. But it is what most talent in the world at large uses as their calling card, their way of determining whether there is a first sign of interest. That is not what the first hurdle that most folks have to deal with in coming into the SES. They have massive essays that they have to fill out.

The truth of the matter is that it is the very rare person that is going to subject themselves to that from the outside. There are

some folks from the inside who might because they know how it works and they are willing to put that investment in.

But from the outside, and I have dealt with a lot of these people who are incredible leaders of the top executive programs in major corporations, who want to come into government, and they say: Forget it, not worth it. I do not understand this process and I am going someplace else.

That is a real problem.

We ought to have sharing of best qualified lists. Again, this was a question that was raised earlier. We ought to be able to make sure that if the due care has been taken by one agency and they found some incredible people, that information can be shared and those individuals can be hired by another agency that may need a similar type of talent.

Finally data—we really need information that is usable for us to understand if the system is working in the way it ought to be, and that means surveying the managers to understand whether we are getting the right talent in. It also means surveying the applicants, so we understand what their experience is like. And to your point about the quickness, we need data on the time to hire. Those are three points that would be very easy to collect, and that information would be very helpful in driving the right kind of changes.

I gave you more than five. I am sorry.

Senator AKAKA. Thank you.

Ms. Bonosaro, I share some of your concerns about transparency in a pay-for-performance system. The recent dismantling of the National Security Personnel System (NSPS) at the Department of Defense (DOD) shows how difficult it is to get pay for performance right. Please elaborate on your concerns with the current SES pay-for-performance system and ways that we can improve it.

Ms. BONOSARO. Well, to some degree, the system has become very complex. If you argue that the hiring system is complex, I would argue that how we are dealing with performance management and pay adjustments is even more complicated.

I think in an effort to meet if not what is required, certainly what is perceived to be required, in order to gain certification, a number of agencies have developed extraordinarily elaborate systems. I have seen charts that require all sorts of computations, after executives' performance ratings have been determined, to make a determination with regard to a pay adjustment or with regard to a performance award. So it has become a very complex system, and I think one that in many places becomes very paper-intensive, and that is a problem.

Second problem is that I think while there certainly has been a push toward having results-oriented performance standards, again this has become a somewhat uneven enterprise because I have talked to executives who have said: Look, my boss said you and I both know what you need to do. Let's just write these performance standards so they pass muster, then go do the job that we both know you need to do.

So what is the disconnect there? It becomes a problem.

The third issue is that many executives are totally unaware of what their agency's compensation policies are, how the ratings happen to fall out until they see what OPM publishes.

And most importantly, as I indicated, some executives have had their ratings summarily reduced without explanation, and the only apparent explanation is a desire to meet some sort of normal curve. And that becomes an issue because then the system is not seen as something that is fairly, in fact, judging performance.

So we think a number of things need to be done.

Rating quotas are in fact prohibited by regulation right now. Perhaps prohibiting them by statute might convince agencies that we are more serious about that.

I think we have really got to recognize that performance awards have become an important part of compensation, and I know that this is not the time we are supposed to talk about things like this, but we do think that it would be really important to include them in the computation of the high-three. And in fact, there is some precedent for doing that because Veterans Administration (VA) nurse executives have their special pay counted in to their high-three, and I think the pharmacists do as well. So that is one thing that can be done, and requiring transparency, outlawing quotas.

I know that the PMC has been looking very hard at why there is so much variation among agencies in their ratings and performance awards. So that is something that is being looked at internally, but those are just a few of the things that we think need to be done.

Senator AKAKA. Thank you.

Mr. Stier, you testified that some form of joint work experience should be phased in as a requirement for entry into SES. Will you please elaborate on how phase-in should be carried out?

Mr. STIER. The reason why we are advocating for phasing it in is that there is the question about whether or not you have a pipeline available today of people who have already had those joint experiences that would then be available for the SES. My own perspective is, frankly, that there are actually probably a fair number of folks out there who have.

But I think that the idea of giving a year or two. I think you do not need anything more than that in order to be able to give an opportunity to those who have perhaps participated in government for a long time, who want to join the SES, who see this then as a new requirement that they did not previously anticipate, to give them that opportunity to compete for those original SES positions. I think a year or two would be a reasonable time period to permit putting in such a requirement.

But the truth is that in the world we live in today the kinds of challenges that the executives in government, the true managerial executives, need to address are going to be cross-organizational, or a large amount of them are going to be cross-organizational or cross-sector or cross-level of government. We need to have people in government in those positions who have had experience in multiple places, and I know that both from what I see anecdotally as well as I see from best business practice outside the government. It is really important.

We see this even in government with the joint duty requirement that the military has and the impact that it has had in the ability of the services to actually integrate their work together. It is something that is high time and coming.

There is an argument that I have heard raised today, which is actually the first time I have heard raised today, raised ever, that the reform in 1978 was not in fact intended to do this. I do not think that is an argument we need to have. If it was not what was intended in 1978, it is what should be happening today.

Senator AKAKA. Ms. Bonosaro, your testimony contains specific recommendations for implementing rotations within the SES. However, you cautioned that rotations should be required only, only if there is a business purpose, as part of a comprehensive plan. Do you believe if your recommendations are followed that a strategic mandatory rotation program would strengthen agencies and the SES workforce?

Ms. BONOSARO. Well, as Max was speaking, I was just sitting here and thinking about the Department of Veterans Affairs and saying of what purpose would it serve to have all of these VA hospital directors serving in other agencies, and I am not sure I understand one. I do not think there is necessarily a business purpose. They may have come from the private sector, but it is doubtful because they would be taking a tremendous cut.

I think that there clearly is very often a business purpose. Whether it is for purposes of developing executives so that agencies have a good succession plan in place to fill what they anticipate will be vacancies, whether it is the business purpose of continuing the development of executives so that they are of more value to them, that is fine.

I think that what we ought to do is look to a place like the Department of the Navy which has done a very intelligent job of this. They have in fact collected information on all of their executives that not only looks at their experience and their education, and so on, but their interests as well as any personal issues they might have that would preclude them from reassignments. They put that all together with the needs of the Navy, and it is very interesting because it becomes a win-win for everyone. So they are able to make intelligent career moves there that benefit the Department and that benefit the executives, but it is a very thoughtful process. And I think that is what does concern us.

Now as for entry, it is going to take, I think, more than a year to enable people to get a leg up and be able to get these rotations, and it is going to take some effort on the part of the government to make them available. And even then, I think it is a matter of does it make sense to require it for every position in every agency that is an SES position.

Senator AKAKA. Yes, Mr. Stier.

Mr. STIER. Thank you, Chairman Akaka. I just want to clarify for the record that the VA hospitals are under Title 38. So they are actually treated differently.

Ms. BONOSARO. No, that is not true. There are senior executives running VA hospitals.

Mr. STIER. My understanding is that at least for the doctors corps that it is Title 38.

Ms. BONOSARO. For doctors.

Mr. STIER. But my point would be that, again, even as you stated, there are a fair number of them that actually do come from the private sector, and that multiplicity of experience is quite powerful.

I agree with Carol that this has to be done carefully, but care does not mean that it should not be done.

And I think that the urgency that we started with is something that we also have to keep our eye on. We have half of the SES eligible to retire now. I think if we want to see a new cohort of talent coming in, we need to put these requirements in soon.

Senator AKAKA. Mr. Stier, talking about interagency rotation experience, I believe that this experience is valuable and can enhance an employee's professional development. However, there are occasions where individuals' interagency experience is not well matched to the skills they will need when they return to their home agency. Do you have suggestions for agencies on how to better incorporate rotational experience in their strategic and human capital planning?

Mr. STIER. Well, Mr. Chairman, I think this is a real challenge. I think, unfortunately, the culture today in government is such that in many instances when somebody is asked to move or rotate it is a way of getting rid of problems rather than viewing it as a developmental opportunity. And so I am not minimizing the challenges associated with trying to, in essence, change the culture of the executive corps, so that rotation becomes more the norm.

Ultimately, rather than reorganizing the big boxes, the way we are actually going to get agencies to work better together is to have some of that talent have experience moving back and forth.

So very specifically, some ideas: I do think it is easier to require mobility as an entry into the SES. That would be a more manageable way to ensure that you are talking about a cohort in the executive level that has experiences from multiple places.

I think that building it truly into the candidate development programs would be quite valuable, as well, and really associating it with some benefits, so that these people are also given mentors, so people that are looking out for them in both the new organization as well as potentially from the organization they are coming from, to make sure that they get support.

We must ensure that we are selecting very carefully at the front end a set of people who will draw other talent after them. If you get the very best who are taking advantage of mobility as a professional development opportunity others will want to follow, and that will create the change that we want.

Senator AKAKA. Ms. Bonosaro and Mr. Stier, this will be my final question. I would like both of you to answer it, beginning with Mr. Stier.

Legislation that costs a lot of money to implement will be difficult to move through Congress. So my question to you is what are your top three recommendations for SES reforms that would cost the government little or no additional money?

Mr. STIER. No. 1, the issue around mobility does not have to cost the government a penny. You are still talking about talent that is doing different jobs. They will do it better, and the payoff will be very attractive over the long term.

No. 2, rebalancing the career and political appointments, again, does not cost a cent. In fact, I would be all for reducing the number of political appointees in general. You will save yourself some money that way. So that would be a way of ensuring that you have

long-term continuity among the management group and that you do not have too many political appointees in any individual place.

And No. 3, I would focus on recruiting and hiring. What we have seen certainly, even moving into the resume-based approach among the agencies, there is a challenge at the front end. But the agencies that have done this find it to be well worth doing, it does not have to require a lot of money.

Practically all these things practically that I have recommended today can be done cost-free. In fact over time they will produce real value for the American people. And even the places where we suggest some additional money, like the developmental fund for the SES, that again will pay for itself over the long term. Organizations both inside government, like the military, and outside that have made these investments. Thank you.

Senator AKAKA. Thank you so much for that response. Ms. Bonosaro.

Ms. BONOSARO. Well, we are, Max and I are, both singing from the same hymn book about increasing career leadership and minimizing political appointments, and indeed there is probably a cost savings there.

Unfortunately, our other big issue though with regard to fixing the pay system, while it may not cost very much at all in fact, given the very small numbers involved, I recognize the difficulty that you are speaking of. But I am afraid if we do not do something in that regard, whether it is dealing with these performance awards as the high-three or doing more to fix the pay system generally because right now there are 88 separate pay systems in the government that are equivalent to the SES. So this is not a terribly attractive place to be at the moment. So that is a second point.

And then third, I guess I would probably characterize a number of actions under the rubric of restoring prestige. I think that OPM creating a governmentwide database of all of these executives that agencies would look to when they have vacancies, when they have critical needs, would demonstrate that this is a group that is extremely valuable to government and we do not always have to go outside government. I do not disagree with recruiting outside government. There is an awful lot of talent inside government as well.

And a number of things that we can do as well to improve the candidate development programs, for example, and our consideration of those who graduate from them for SES positions can also help to increase diversity in the SES too.

So there are a number of things that we can, I think, do that do not cost very much money. But some of them indeed will cost money, unfortunately.

Senator AKAKA. Well, I thank you so much. Any further comments, either of you?

Mr. STIER. Thank you, Mr. Chairman, for focusing on this. This is a critical issue, and I know you have a lot on your plate, but it would make a real difference for you and for Congress to take this on.

Senator AKAKA. Thank you. I really appreciate your responses. It will be helpful to us.

And I want to wish you well in your work as, Ms. Bonosaro, as President of the Senior Executives Association and Mr. Stier, as

President and Chief Executive of the Partnership for Public Service, with those groups. Thank you very much.

I want to thank all of our witnesses today. In these challenging times, focus must be placed on strengthening our government executives and giving them the tools necessary to drive reforms and guide the Federal workforce. You have addressed many important issues facing our government's leadership corps and given us constructive suggestions on how to strengthen the SES.

The hearing record will be open for 1 week for any additional statements or questions other members may have.

And again, I want to thank you once again for your suggestions here and your recommendations.

This hearing is adjourned.

[Whereupon, at 11:51 a.m., the Subcommittee was adjourned.]

APPENDIX



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

STATEMENT OF
NANCY H. KICHAK
ASSOCIATE DIRECTOR FOR EMPLOYEE SERVICES
U.S. OFFICE OF PERSONNEL MANAGEMENT

before the

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

on

"STRENGTHENING THE SENIOR EXECUTIVE SERVICE: A REVIEW OF
CHALLENGES FACING THE GOVERNMENT'S LEADERSHIP CORPS"

March 29, 2011

Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee:

Thank you for inviting me to speak with you today about the current state of the Senior Executive Service (SES). I very much appreciate your interest in ensuring we are doing all that we can to nurture and support an effective senior leadership corps.

We are in an unusually challenging period for the SES – and for the civil service generally. We face rising public skepticism about the Government's capacity to meet the many challenges confronting the Nation and to do so in a way that gives taxpayers the best value for their money. Most agencies are being forced to do more with frozen or shrinking budgets. Consequently, Federal agencies need to be especially vigilant in seeking continuous improvement in the way we manage our resources – including our human resources – to carry out increasingly complex missions effectively and in the most economical way possible.

Members of the Senior Executive Service are on the front lines of this challenge. At a time when we truly need the best and the brightest in our executive corps – and when senior managers are expected to achieve even greater results with limited resources – the funds available for executive pay, awards, training, and professional development are severely limited. Not only is this true of funds for senior executives' own compensation and development, but funds are also limited for training, developing, and rewarding the employees they manage and for training and

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Associate Director for Employee Services
U.S. Office of Personnel Management**

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developing their successors. At the same time that career SES members are being asked to achieve more with fewer resources, they must also lead workforces that are facing new challenges to their own compensation, professional development opportunities, and morale.

However, the Government's senior leaders have been chosen carefully and will rise to the occasion. The stakes are too high. The services for which the public depends upon us and the problems they need us to solve are too important. We will not turn away from them, and we will not settle for merely getting by.

President's Management Council Initiative on Improving the SES

This is why, last year, the President's Management Council (PMC) launched an Initiative on Improving the SES, led by the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). OPM and OMB began by consulting with a range of experts, including past and present SES members, the Senior Executives Association (SEA), and the Partnership for Public Service ("the Partnership"). OPM and OMB then led a number of working groups, made up of more than 50 individuals from 19 Federal agencies, to analyze key issues and identify a set of recommendations in the areas of senior leadership engagement, recruitment, career development, and performance management. OPM and OMB are currently leading the pilot implementation by several agencies of the recommendations of the working groups, in collaboration with other groups such as SEA, the Partnership, and the President's Management Advisory Board. I would like to highlight some of the recommendations from this project that are being implemented, keeping in mind that this is not an exhaustive list and that the implementation groups are continuing to generate new ideas and recommendations.

Senior Leadership Engagement

First, the success of all of the PMC Project recommendations on SES improvements depends heavily on the involvement and support of agency heads and other senior leaders, including Secretaries, Deputy Secretaries, Under Secretaries, Assistant Secretaries, and the equivalent. Senior agency leaders optimize the effectiveness of the senior executives by visibly engaging on key issues, including: ensuring effective leadership development, recruitment, and on-boarding of senior executives; communicating clear performance expectations, regularly and promptly providing feedback on performance, and accurately and fairly evaluating performance; actively partnering with SES members; and communicating the value of executives' contributions. The PMC Project working groups will work to further develop recommendations on senior agency leader engagement in SES issues, including the following:

- The White House and OMB will work with agencies to identify opportunities for direct engagement with SES members, such as in activities related to implementation of the Government Performance and Results Modernization Act of 2010.

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- OMB and OPM will work closely with leadership councils that have overlapping interests in SES issues, particularly the PMC, Chief Human Capital Officers (CHCO) Council, and Performance Improvement Council.
- Senior agency leadership will be asked to conduct agency-specific SES forums to address the range of issues pertinent to executives.

Recruitment

SES recruitment demands special attention at a time when more than half of current SES members are eligible to retire. In order to reach the deepest and most talented pools of executive candidates, agencies must consider diverse avenues to recruit high-quality talent, including sources outside the Federal Government. The PMC SES Initiative implementation groups are currently working on a shared capacity among agencies to jointly recruit SES candidates with marketing and outreach strategies focused both inside and outside the Government, with the objective of appropriately supporting diversity and veterans' employment. These efforts will also include the use of a resume-based SES hiring model that will enable the Government to draw from broad and diverse talent pools while streamlining procedures to increase efficiency and the quality of the applicant experience. OPM is also leading a working group to examine improvements in the staffing, timeliness, and effectiveness of the Qualifications Review Boards that assess the core qualifications of SES candidates.

Career Development

Agencies cannot expect to have an effective senior executive corps if they do not provide robust career development opportunities. Offering these opportunities is an especially acute challenge in the current fiscal climate. One way to address this is through pooling resources to provide shared educational offerings, partnering to share rotational opportunities, and compiling a current directory of SES members available for rotations to facilitate communication. OPM is currently working on all of these initiatives.

We recognize that the experience a new executive has in the first year is critical to his or her future success; and OPM has responded by creating a one-year "on-boarding" program to facilitate the transition into an executive position and foster a culture of continuous learning and development. OPM has initially provided this program model to six agencies that will pilot this program through the PMC SES Initiative. The on-boarding program includes a special emphasis on providing information and support to executives who are new to the Government, as well as those who are new to their specific agency, particularly during their first 30 days on the job, in order to expedite their transition and integration into their new roles.

In partnership with the Federal Executive Institute, OPM is also designing a Governmentwide leadership development initiative that includes a candidate development curriculum, more frequent SES orientation programs, and cohort networking opportunities. OPM is also working with Federal agencies to broaden networking and professional development opportunities for

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current SES members. This effort will include identifying best practices in and outside Government that agencies will be able to customize for their own use. We are producing a compendium of Fortune 500 companies' best practices on executive development.

OPM also continues to work with agencies on creating or maintaining Candidate Development Programs (CDP) which enable agencies to identify and prepare future senior executives within the agency. The CDPs provide SES candidates at the GS-14 and 15 levels with the training and development opportunities they need to strengthen their executive competencies, and to understand the wide range of Government programs and issues beyond their own agencies and professions. Success in placing graduates of these programs varies widely among agencies, and OPM is working with agencies to improve the placement of graduates of their SES CDPs. OPM recently developed a centralized website for CDP developmental assignments.

OPM encourages agencies to collaborate when developing and implementing CDPs and the curriculum for CDP participants. Current regulations allow for multi-agency programs. We have coordinated joint CDPs in the past, as a resource for small agencies that typically do not have the resources to establish and administer CDPs; however, these programs lacked participation, either because agencies were not persuaded of the value of these programs or because agencies lacked the funds to participate. Through the PMC Initiative, OPM is working with numerous agencies to produce more shared CDP events and activities. These events will help establish networks and broaden participants' organizational experiences, in addition to reducing costs to agencies.

OPM is also working with OMB and to lead a PMC Initiative pilot project to generate inter-agency rotational opportunities, shared between several agencies, for employees at the GS-13-15 levels who have demonstrated leadership potential. This project, which involves 9 agencies, aims to provide aspiring senior executives with high-level, meaningful assignments that will hone their managerial skills and give them broader organizational experience. Participating agencies have agreed to host the cohort once during the rotational program, providing a monthly learning event to facilitate networking of participants across agencies. We expect that the wider use of rotational assignments will help cultivate a senior executive corps with more diverse views, perspectives, and experiences.

Personnel Performance Management

Another major element of the SES Initiative is improving personnel performance management. OPM, OMB, and an agency working group are focusing on streamlining the appraisal system certification process and strengthening the linkage between appraisal systems and agency missions and performance goals. The CHCO Council has created a working group to provide an initial set of recommendations for improving the Federal Government's method for evaluating employee performance. Understanding and measuring performance is a crucial component of rewarding performance. The current performance-based pay system for the SES was established in 2004. Under the law, agencies may not pay their senior executives higher than the rate for level III of the Executive Schedule unless those employees are covered by an appraisal system

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that is certified by OPM, with OMB concurrence, as making meaningful distinctions based on relative performance. Those who are covered by a certified appraisal system may be paid up to the rate for level II of the Executive Schedule. Today, nearly all SES members are covered by a certified performance appraisal system. They are being held accountable for achieving measurable results that are directly linked to organizational goals, and we are seeing better distinctions in performance under the current pay system.

Career and Political Employees and the Hiring Process

The Civil Service Reform Act of 1978 that created the SES allows up to 10 percent of SES positions Governmentwide to be filled by political appointees, and 90 percent are to be filled by career employees. As of December 2010, there were 7,077 career employees and 668 political appointees Government-wide, which means 89 percent were career, 8 percent were political appointees, 2 percent were limited term, and another 1 percent were unspecified.

Regarding the SES hiring process, OPM has developed a set of core qualifications, commonly known as the Executive Core Qualifications (ECQs), to assess potential career appointees to the SES. OPM administers peer review boards which evaluate whether candidates possess essential leadership qualifications required under the ECQs. The ECQs include: (a) Leading Change; (b) Leading People; (c) Results Driven; (d) Business Acumen; and (e) Building Coalitions. The ECQs reflect an underlying 28 executive competencies.

In 2008, OPM piloted two new methods for selecting members of the SES, the Accomplishment Record and Resume-based methods. The Accomplishment Record method does not require SES applicants to address the five broad ECQs but rather a select few of the 28 executive competencies underlying the ECQs. The Resume-based option is even simpler, with the applicant showing possession of the ECQs in a standard resume format. Finally, initial career appointments to the SES must be founded on merit-based competition. OPM is currently working on creating a pilot project to expand resume-based hiring for new SES members. Currently, the time from the SES vacancy announcement closing date to review by the Qualifications Review Board, which reviews and approves appointments of new SES members, is 117 days on average based on Executive and Schedule C System (ESCS) data. We are continuously working to improve the timeliness of hiring.

Diversity within the SES

We have made some progress on diversity, but we cannot be complacent about the importance of stepping up our efforts. Of course, when we talk about diversity, we have in mind a very broad view of diversity that includes recruiting and hiring from a very wide variety of groups. Our understanding of diversity also goes beyond simply achieving greater numbers of SES recruits from each of these groups; it has to do with nurturing a culture of inclusiveness. This entails

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making sure we are benefiting from the best thinking and talents of everyone and that we are doing all we can to develop their skills.

Many of the measures I have previously described as part of the President's Management Council Initiative are designed to enhance diversity within the SES. These include the SES diversity roundtable discussions we conducted last year and the effort to connect agencies with special emphasis and affinity groups to help them cast a broader net in SES recruiting. In addition, the resume-based hiring model I described will use marketing and outreach strategies to reach a diverse set of professional organizations, including those with membership composed of minorities, women, and individuals with disabilities. The "on-boarding" initiative I described includes delivery of training on managing diversity and fostering inclusiveness for all new executives. All of these actions demonstrate that OPM is paying attention to diversity, and it has been incorporated in many elements of the Initiative on Improving the SES.

I would also like to tell you about steps we have taken within OPM to give diversity a sharper focus. Director John Berry and Deputy Director Christine Griffin established a new Office of Diversity and Inclusion (ODI) to develop and coordinate Governmentwide policy and initiatives to promote diversity. ODI is currently developing a comprehensive strategy to nurture and consolidate more inclusive practices throughout the Federal Government and to help build a diverse workforce, respecting varied individual and organizational cultures, while complying with merit principles and applicable Federal laws. ODI is further supporting Deputy Director Griffin's effort to establish strategies and tools for agencies to use as they create an environment that values workforce diversity as an essential element of high-performing organizations.

OPM also established an Executive Resources and Employee Development (ERED) office, consolidating numerous responsibilities relating to Government leadership, including policies and services for all Federal Government SES and other senior professionals (such as SL/ST employees). Our ERED office also is responsible for personnel performance management and employee development for all Federal employees. ODI and ERED collaborate closely on policies and strategies designed to ensure a cadre of strong senior executives.

OPM currently supports diversity management within the SES in multiple ways. In its SES policy development, OPM reinforces merit system principles and emphasizes the importance of diversity. OPM also provides direct operational services to ensure equal employment opportunity, including administering the Qualifications Review Board (which reviews and approves appointments of new SES members) and the Presidential Rank Award to ensure adherence to merit system principles and the participation of reviewing officials who are selected from diverse and broad pools. When reviewing and approving agency SES Candidate Development Programs, OPM requires the CDPs to use inclusive marketing and outreach procedures and to comply with merit system principles. These are some of the ways in which fostering diversity is integrated into our day-to-day work.

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Pay Compression

Finally, we cannot forget that agencies' ability to recruit and retain outstanding individuals into their senior executive corps is also affected by pay. As you know, Mr. Chairman, there is a serious pay compression problem that affects SES members, as well as other senior officials. Senior executives' pay has not kept pace with that of the workforce they manage. Current pay rates for senior officials do not reflect either internal alignment based on the relative importance and difficulty of the work or external alignment based on salaries for comparable jobs paid by other employers.

In the Washington, D.C., area, for example, the starting rate for the SES range is more than \$4,000 lower, at \$119,554, than the starting rate for a GS-15. The reason for this is that the GS pay rates are adjusted by locality pay, and the SES pay range is not.

While the impact of pay compression on recruitment and retention is difficult to measure, responders to a 2009 survey by the Senior Executives Association commented that the lack of a difference in pay between the GS-14/15 levels and the SES was a concern. Nevertheless, since most Federal employees' pay is frozen at this time, we did not believe it was appropriate to exclude the workforce's senior leaders from the freeze applied to the employees they manage.

Conclusion

Today our senior executives are working extremely hard in unusually challenging circumstances to carry out increasingly complex and important missions for the public. They do so amid heightened skepticism about the value and effectiveness of the Government's services. They do so even while their pay is increasing negligibly or not at all. In this environment, we must bring all our best thinking and creativity to bear on how to make our SES recruitment, career development, and performance management programs as effective as they possibly can be. We cannot afford to overlook any source of future leaders, and, although diversity in the SES ranks has improved somewhat over the last two years, we need to keep working at it. I am confident the work we and our partners have done on the President's Management Council Initiative has set us on the road to ongoing improvement in the key areas that are essential to the future success of the SES. The working groups have charted a clear course, and we at OPM look forward to the work ahead.

Thank you again for the opportunity to discuss this important issue with you. I would be happy to respond to any questions you may have.



the voice of career federal executives since 1980

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TESTIMONY

of

CAROL BONOSARO

President

SENIOR EXECUTIVES ASSOCIATION

Before the

SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE AND THE DISTRICT OF COLUMBIA

“STRENGTHENING THE SENIOR EXECUTIVE SERVICE: A REVIEW OF CHALLENGES
FACING THE GOVERNMENT’S LEADERSHIP CORPS.”

March 29, 2011

Chairman Akaka, Ranking Member Johnson and Distinguished Members of the Subcommittee:

Thank you for the opportunity to testify before this Subcommittee on the challenges facing the Senior Executive Service and areas requiring reform. The Senior Executives Association (SEA) is a professional association that for 30 years has represented the interests of career federal executives in government, including those in Senior Executive Service (SES) and equivalent positions, such as Senior Level (SL) and Scientific and Professional (ST) positions.

These are interesting, albeit challenging, times for the federal workforce. Focus has recently been on the size of the federal government and the amount of federal employee compensation. What has been lost in this conversation is a strategic discussion of the leadership needs of the government and how the current rhetoric surrounding federal employees exacerbates already existing problems within the SES. SEA appreciates the efforts of the subcommittee to ensure that career leadership concerns are identified and addressed.

The Senior Executive Service is comprised of the approximately 7,000 men and women who are critical to a high performing government and are crucial to implementing the political and management agenda in each agency and of the Administration. These are the top career professionals in government, with an average of 26 years of experience, who obtained their positions on the basis of merit. Career Senior Executives undertake a myriad of jobs and hold substantial responsibilities, as well as serving as the interface between political appointees and the rest of the career civil service.

To ensure that the SES remains the high caliber corps that it is today, it is necessary to review potential problem areas and discuss needed reforms. These include recommendations by the Senior Executives Association to restore career leadership, create a more fair and transparent pay and performance management system, provide for training and continuing development of the SES, and review the SES hiring process. Making such reforms to the SES system will help all agencies recruit and retain the best Senior Executives and ensure that they have the necessary leadership to successfully accomplish the missions of their agencies.

We are now seeing troubling signs that are likely to affect the future Senior Executive Service corps. SEA is concerned that difficulties with recruitment and retention, exacerbated by a pay for performance management system that requires reforms, and a lack of focus on strengthening career leadership, will lead to a loss of quality within the SES. It is imperative that the federal government has the necessary career leaders in place to operate government programs and to perform critical government functions. Appropriate attention to the human resource management practices governing the Senior Executive Service is necessary to facilitate a reversal in the difficulties related to recruitment and retention of career leaders.

In 2009, SEA conducted a survey of GS-14 and GS-15 employees regarding their views of the SES. (A copy has been provided the Subcommittee, but the report, "Taking the Helm," can be found on SEA's web site, www.seniorexecs.org.) As SEA had heard anecdotally, responses to the survey confirmed that there is an SES recruitment problem brewing. GS-14s and GS-15s are losing interest in joining the SES and the attractors of the system (e.g. the chance to contribute to an agency's mission, increased responsibility, and greater opportunity for innovation) are

outweighed by the detractors (e.g. skewed work-life balance, increased job risks, lack of assured pay). It appears that more often than not, quality candidates for the SES are choosing to remain in the GS system. Comprehensive reform is necessary to overcome this recruitment challenge and to ensure that the currently skewed risk to reward ratio for the SES is addressed.

The following is a brief summary of the major areas of consideration for SES reform and SEA's proposals to ensure a strong and sustainable leadership corps.

Areas of Necessary Reform within the Senior Executive Service

Increasing Diversity in the SES

SEA has consistently supported legislation in previous Congresses to increase diversity in the SES. Achieving diversity will pay dividends by producing a government led by executives who are even better able to respond to and provide services to all Americans. SEA believes this is achievable only through proper data, a strong pipeline, and—most of all—strong, central leadership on the issue.

SEA believes previous versions of diversity legislation could be substantially improved by the addition of stronger language regarding the data collection on diversity. Although the Office of Personnel Management and the Government Accountability Office currently provide data on minorities and women in the federal workforce, the data is inconsistent, and agencies are not required to collect certain specific data.

Most importantly, SEA has learned that when small numbers of minorities exist in an agency, the data is reported as "other," rather than identifying the ethnic breakdown with specificity. This makes identification of diversity shortfalls more difficult and impedes oversight of diversity progress by Congress. SEA proposes requiring OPM to establish and maintain annual statistics on the specific composition of the Senior Executive Service in each agency, down to the bureau level, with regard to race, ethnicity, sex, age, and individuals with disabilities.

To oversee diversity initiatives, OPM has reconstituted the SES Resource Office. Such an office is called for in previously introduced legislation on SES diversity. Although SEA applauds OPM's decision to open the office, SEA believes that this office should be required in statute to ensure its continuity in future administrations.

Restoration of Career Leadership

Most career Senior Executives have spent their careers in civil service and are deeply committed to the mission of the federal government and their agencies. Over the years, we have observed a diminished role of career executives as many SES positions are filled with politically appointed non-career SES. Also, the failure to provide career leadership at certain top positions – as was once the practice in government – has resulted in a loss of continuity and expertise. Career executives are the key to that continuity and expertise, which hinders the ability of senior leaders to ensure critical programs and daily agency operations function effectively and efficiently.

Given the recent focus on streamlining government operations, reducing redundant programs, and identifying cost savings across the federal government, it is imperative that agencies have a strong leadership corps to oversee these initiatives on a long term basis. Career Senior Executives bring experience and institutional knowledge to the table, and will be in place for the entire implementation period of these initiatives. However, most agencies have allowed top non-policy positions to be given to political appointees. On average, political appointees hold office for eighteen months. This is often not long enough to see a project through from start to finish. Marginalizing career leadership does not help to ensure continuity and strong operations of each agency.

Further, such layers of political appointees inhibit effective communication between an agency's top leadership and the career corps.

A recent emphasis on cutting the size of the federal workforce, especially at senior levels in some agencies, continues the trend of diminishing career leadership. Such proposals do not account for the problems that such a loss creates to effective long-term management of an agency. In considering the size of upper tiers of the workforce, the number of political appointees at an agency should be factored in to the strategic planning that accompanies any reduction proposals. If reductions must be made, then they should equally affect career and political appointees.

To ensure that Senior Executives have the necessary support and tools to carry out their mission, the Senior Executives Association suggests the following reform:

Place high-performing career executives in Assistant Secretary for Administration and other key positions requiring long-term experience at each agency, specifically, at the "Chief" level (e.g. Chief Human Capital Officer). These positions are now often reserved for political appointees, as is the position of Assistant Secretary for Administration, which was formerly held by senior career employees in cabinet departments. In only three departments – Justice, Transportation, and Health & Human Service – do career Senior Executives now hold that position, as a result of a statutory requirements.

SEA makes this recommendation because a) continuity in leadership and expertise during the transition from one Administration to another is needed, b) relatively short-term political appointees have limited ability to accomplish long term agendas, and c) the positions SEA recommends be held by career appointees deal with critical human capital and agency operations, not policy-driven positions necessitating political appointments. Further, Administrations are not gaining the benefit they might from seasoned and accomplished career executives who know how to operate government programs and to pursue the agendas of their political leadership.

SES Pay and Performance Management System

The current proliferation of demonstration projects and alternate personnel systems governing senior level employees has created a complex system that creates management challenges for the federal government. This Balkanization of senior level personnel systems inhibits both effective oversight and the ability of executives to move within departments and across agencies.

SEA recently did an informal survey of the pay systems covering employees equivalent to Senior Executives and found 88 such systems across government. Many of these systems cover a small cadre of specialized employees, and some systems have statutes that have not been modernized to account for newer senior level systems. SEA is providing a copy of the list for the record. SEA encourages OPM to provide oversight on these systems and for Congress to consider ending the balkanization of senior level pay systems.

The current SES pay and performance management system is the main alternate pay system covering senior level employees. It was created by statute in 2003 and implemented in 2004. There has now been sufficient time and experience to examine how well the system works. SEA believes the system needs to be modified to ensure that quality applicants will aspire to the SES and those already in the SES will want to stay. The large number (approximately 50%) of Senior Executives eligible to retire makes a review of the SES system even more imperative.

Over the past several years, multiple surveys of Senior Executives have highlighted that the SES pay and performance system is a major factor in the recruitment and retention challenges facing the SES. SEA has become aware of a perception among an increasing number of federal managers that the SES is not a desirable career goal. This is due in large part to the skewed risk and reward ratio that Senior Executives face. Senior Executives take on more duties and work longer hours, yet receive no compensatory time, no locality pay, and no guaranteed annual comparability pay raises, all of which are a part of the compensation system for General Schedule (GS) employees.

While there are many managers who are motivated by a call to public service, incentives are still needed to encourage others to make the leap from the GS-14/15 level into the SES. Those who do join the ranks find that the pay and performance management system does not work as intended. What is clear is that a system that was meant to relieve pay compression, to be transparent and flexible, and to reward performance, has instead become a disincentive for many of the best employees who might otherwise desire to serve in the highest ranks of the career civil service.

The SES is a pay for performance system. As such, high performers must be rewarded. SEA is concerned that the current rhetoric surrounding federal pay is degrading the pay for performance concept. Generally, performance awards have evolved into the part of compensation that draws meaningful distinctions in performance. Since the pay freeze was implemented, there has been pressure on agencies to limit performance awards as well, specifically by cutting the pool available for performance awards (a percentage of total SES compensation in each agency) in half. When promises of pay for performance are broken, the system does not function effectively and further contributes to morale and retention problems.

As noted above, SEA has long heard anecdotes regarding GS-14 and GS-15 employees losing interest in applying for the SES. SEA's 2009 survey of GS-14s and GS-15s confirmed that detractors to the SES outweighed the attractors. Although pay was not the top detractor, (lack of work-life balance and geographic reassignments topped the list), neither did it help overcome them. Of the over 12,000 respondents to the survey, 3,500 provided extensive written comments,

many detailing the lack of financial incentives as a factor in decisions to forego applying for SES positions.

In addition to the lack of locality-based pay adjustments, SES annual pay increases are entirely discretionary, irrespective of performance, creating the accurate perception that a Senior Executive cannot rely on the receipt of an increase based on superior performance. Moreover, GS and alternate pay systems have become more generous with the result that today some GS-15 or equivalent employees make more than the Senior Executives they work for, particularly if the Senior Executive is new. This lack of financial incentives and guarantees makes it increasingly difficult to entice qualified GS-14s and GS-15s to apply for the SES.

Many Senior Executives also express concerns about a distinct disconnect between ratings, pay adjustments and performance awards. An earlier SEA survey found that many executives believe the connection between their performance ratings and pay adjustments were based on administrative decisions and budgetary constraints, not actual performance. Although quotas are prohibited, it appears that agencies are applying de facto quotas in the belief that reducing the number of outstanding performance ratings will enable their systems to achieve certification. SEA is aware of executives whose ratings have been summarily reduced without explanation. This adds to the feeling of arbitrary performance management. For the system to work, Senior Executives have to believe and trust that the system is fair and transparent.

Efforts should also be made to increase communication and transparency when agencies adopt the use of tiers, as many have, to structure their SES pay system. SEA has learned that often the use of tiers is not accompanied by clear communication regarding the criteria for placing SES positions into each tier, how Senior Executives can move from one tier to another and the performance standards necessary to reach a higher level. It has also come to SEA's attention that top levels of tiers at some agencies are being reserved largely for political appointees. This prevents upward mobility and further discourages SES retention efforts. Tiers should be open to all Senior Executives who meet the communicated criteria.

The following proposals are offered by SEA as a comprehensive approach to strengthening the SES pay and performance management system.

- Include performance awards in a Senior Executive's "high three" annuity calculations. SEA believes that this provision would make the SES an attractive career goal for the best applicants and will help assure a high quality future SES. It recognizes the reality that performance awards have become an integral part of the SES compensation system and would not cost agencies more money to implement. Agencies have discretion to determine the size of their award pool and can allocate amounts accordingly. This award system is overseen by a strong agency approval process and the Performance Review Boards, and is therefore not arbitrary or politicized. Furthermore, there is precedent for counting performance awards toward the high 3 annuity calculation. Congress recently passed legislation which enables the special pay of Veterans Affairs nurse executives (up to \$100,000) to be counted toward their retirement. Previously, the cap on counting special pay toward nurse executives' retirement was \$25,000. Likewise, up to \$40,000 of

special pay accorded to Veterans Affairs pharmacists can be counted toward their retirement calculations.

- Provide an assured increase in salary to new Senior Executives. Each new Senior Executive, who has come from a General Schedule or equivalent position, should receive a salary adjustment that is at least 5% greater than the salary they made as a GS employee directly before joining the SES. This measure will help to mitigate some of the pay overlap that many Senior Executives are currently experiencing.
- Require transparency measures be implemented for ratings and performance appraisals. Agencies should be required to provide each Senior Executive with notification of their rating and a written explanation if a lower rating is given than was communicated at the initial appraisal.
- Prohibit the use of quotas. Amend current statute to ensure that determinations of rates of pay be made without the use of quotas or forced distributions of ratings.

Continuing Development and Candidate Training Programs

Building a pipeline of qualified candidates to the SES and creating a culture where continuing development for the duration of a Senior Executive's career is the norm are important aspects of a strong SES system. Unfortunately the commitment to both of these areas is uneven across the government. Some training and development opportunities do exist in the form of Candidate Development Programs (CDPs). More attention needs to be given, however, to ensuring that Senior Executives receive continuing professional development throughout their careers. That includes specific "on-boarding" programs (which may include, for example, executive coaching and/or a mentor for the first year), as well as attention to activities which can keep a career executive up to date and revitalized throughout his or her time in the SES.

Training programs are typically cut when agency budgets are tight and are often neglected in an agency's strategic planning. The lack of training and development related to a strategic plan affects the preparedness and effectiveness of agencies government-wide. OPM has taken steps to address this issue through issuance of regulations at the end of 2009 that require agencies to conduct trainings and focus on succession planning for their Senior Executive positions. SEA recommends that agencies also be required to provide dedicated funding to ensure continuing development needs of Senior Executives be pursued and implemented.

Candidate Development Programs are the important first step in providing training to potential Senior Executives. CDPs are by no means uniform government-wide, and some agencies rarely conduct CDPs, making it difficult to groom aspiring candidates to the SES. Given the declining interest of GS-14s and GS-15s in joining the SES, it is imperative that agencies identify possible candidates, communicate CDP opportunities, and build a culture of opportunity for qualified candidates to enter and complete a CDP.

Many small agencies do not have the resources to run CDPs on a regular basis. And they are further disinclined to actively identify potential candidates by engaging in what could be viewed as "pre-selection." However, if agencies do not take an active role in building the candidate pipeline and ensuring funding for CDPs, qualified candidates will not necessarily be inclined to enter a CDP. In fact, SEA's survey found that many GS-14s and GS-15s had never had higher

level support for attendance in a program, and many, in fact, had little or no information regarding the SES system or SES positions. SEA supports the President's Management Council's initiative to allow small agencies to share resources to offer CDPs more frequently in order to increase opportunities for aspiring Senior Executives to receive necessary training and evaluation.

Should an aspiring candidate complete a CDP, problems remain. Some agencies conduct programs that place all their graduates in SES positions, while other programs leave many of their graduates without prospects for receiving an SES appointment. More effort needs to be channeled into selecting the right candidates for the programs, assessing CDPs to understand why graduates are not being placed within the SES if they are well-qualified and looking to CDP graduates when SES vacancies occur.

Finally, SEA supports legislation or regulation to encourage agencies to consider already certified candidates (those GS employees who have successfully completed a CDP, but have not yet been selected for a position) before sending more employees into a CDP.

SES Mobility

SEA has often heard claims that the SES was created with the intent that it be a corps of mobile executives. However, the Congressional intent of the 1978 CSRA that created the SES was that the corps be flexible and Senior Executives be able to be reassigned where needed; thus, mobility was not seen as an end per se or as some form of "musical chairs."

Further, mobility does not refer solely to geographic reassignment, but to reassignment within an agency as the needs and strategic planning of the agency dictates, and as necessary professional development for particular Senior Executives dictates.

SEA's survey found that mandatory geographic reassignments are a top barrier to GS-14s and GS-15s to entering the SES. Over 40% of respondents selected it as a top detractor and many of the comments that accompanied the survey centered on the threat of being randomly reassigned and the perception that mobility decisions are being made arbitrarily.

SEA believes that agencies should have the discretion to use mobility to meet strategic goals. Mobility decisions should be made with a business purpose, as overseen by the Executive Review Board (ERB), and should be done as a part of a comprehensive plan. The Department of the Navy offers one example of a successful mobility program. Navy gathers information on its Senior Executives into one database and includes the background, experience, and interests of each executive, as well as any mobility limitations (spouse, children, parents), and factors this information in with the agency's strategic needs and succession planning. With this information Navy has made mobility decisions that work for both the agency and the executives.

Should an agency chose to implement a mobility requirement, SEA recommends the following:

- Ensure that participation in rotation programs will not be a precondition to entry into the SES unless rotation opportunities are made available to the candidates along with a phase-in period to meet the requirement.

- Require OPM to create an SES profile registry of Senior Executives government-wide that includes information on education, experience, training, and professional development interests for agencies to use when seeking candidates for vacancies, as well as in times of critical need, e.g., during natural disasters.
- Require OPM to publish guidelines for objectives and results to be obtained through a rotation.
- ERBs should oversee all mobility decisions to ensure that they are done fairly and serve a business purpose.

SES Hiring Process

Discussions on reforming hiring have centered on the general hiring process as overly burdensome, opaque, and time consuming and a deterrent to the best applicants. While sharing some of the same problems, the system for filling SES spots is generally quite different from other systems. First, applicants must meet a set of Executive Core Qualifications. Often the applicants outline their qualifications in a written submission, but recently OPM has encouraged the use of a resume based system which relies on agencies to ferret out the qualifications from the resume and structured interviews. When a selection is made, the candidate's information is then given to a Qualifications Review Board which reviews the information and makes recommendations to the Office of Personnel Management and the specific agency to which the applicant is applying. This rigorous process is necessary to ensure that the selection process is not politicized and that the most qualified candidates are chosen to become Senior Executives.

SEA understands that the complexities of the SES hiring process can be a deterrent to some applicants, especially those applying from outside government. While the move to a "resume only" requirement for applicants appeared designed to attract candidates from outside the government, this has been a current focus of the President's Management Council as well. SEA is primarily concerned that the resume only method not diminish the need for careful ascertainment that the applicant to the SES does actually possess executive capabilities. However, SEA would also like to share a note of caution that while the push to bring in executives from the private sector should be part of a hiring equation, it is not always appropriate for a private sector executive to be brought in at the SES level. Certain agencies and programs require technical and institutional knowledge and would be better served by identifying current federal employees with the necessary executive and technical qualifications.

One issue that has come to SEA's attention recently is the hiring of retired military officers to fill SES positions. Retired military officers have an advantage when compared to civil service candidates due to their leadership training provided by the services. Added to that is the waiver by DoD of the six month waiting period before entrance to the civil service is allowed and the ability of retired officers to now keep their full military annuities while receiving civilian pay. While many of these retired military officers are highly qualified, SEA cautions that, given current trends, they could easily become the majority of an agency's SES course and further inhibit qualified civilian applicants.

Perhaps of even more concern to SEA is the suggestion that agencies abolish their Qualifications Review Boards (QRBs). Critics claim that QRBs add more time to the hiring process and are a burden to applicant approval. SEA believes that QRBs are an integral part of the hiring process. During a QRB meeting, three Senior Executives assemble at OPM and study each candidate's case files in order to assure that candidates are well-qualified, and are not chosen primarily for political reasons. Careful QRB consideration of SES selections is a very important part of the Civil Service Reform Act, designed to ensure that merit principles are followed. In the legislative history, numerous members of Congress voiced their concerns regarding possible politicization of the SES, and there were frequent references to "independent" QRBs administered by OPM as providing a counter check to such politicization. Furthermore, OPM has found that QRBs add at most two weeks to the hiring process.

Often the lengthiest part of the process stems from a delay by agencies in issuing the job announcement. Keeping overburdened personnel offices on top of managing paperwork and staying on top of the hiring process can also lead to delays, as can higher level sign-offs. Agencies can meet the shorter processing time if they are encouraged to make hiring a priority.

Putting aside the current problems related to attracting applicants to the SES, SEA believes that the SES hiring process generally fulfills its aim of selecting qualified SES applicants. Nonetheless, certain reforms can be made to streamline the process. SEA cautions, however, that any reforms must continue to ensure that merit principles are upheld (even if these principles necessitate a lengthier process), and that hiring reforms being considered for the GS System should not automatically be applied to the SES.

Conclusion

The areas of reform for the SES are wide ranging. Congress has the opportunity to consider comprehensive reform rather than a piecemeal approach that will not adequately meet recruitment and retention challenges. SEA encourages Congress to do so and looks forward to working with Congress, OPM and the Administration to find creative solutions to ensure that the SES of tomorrow continues to be a high caliber leadership corps that accomplishes the goals of the federal government and effectively serves the American people.



PARTNERSHIP FOR PUBLIC SERVICE

**Written Testimony of Max Stier
President and CEO
Partnership for Public Service**

Prepared for

**Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the
Federal Workforce, and the District of Columbia**

**Hearing Entitled,
*“Strengthening the Senior Executive Service: A Review of Challenges
Facing the Government’s Leadership Corps”***

March 29, 2011

Chairman Akaka, Ranking Member Johnson and Members of the Subcommittee, thank you for the opportunity to appear before you today. I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization dedicated to revitalizing the federal civil service and transforming the way government works.

Strengthening our government's Senior Executive Service (SES) is urgently needed, and your hearing today could not come at a better time. The challenges facing our nation demand the very best of government. If you have one opportunity to make a real impact on the way our government performs, it is by strengthening government's leadership corps.

Top companies around the world invest heavily in developing their leaders. For example, IBM, ranked the number one company for leaders by Fortune Magazine, spends approximately \$700 million on leadership development annually. The military also invests heavily in developing leaders, which is why top companies like Wal-Mart, PepsiCo and GE are recruiting heavily from the military's elite.

On the civilian side of government, good leaders are just as important – and the consequences of poor leadership can spell disaster. We know from our *Best Places to Work in the Federal Government* rankings that leadership is consistently the number one driver of employee satisfaction and engagement. The SES – just over 7,700 people – accounts for less than one percent of our federal workforce,¹ but it has a disproportionate effect on the rest of government. Consequently, investing in these individuals will fundamentally change the way our government works. The right leaders set the tone for the rest of their workforce – motivating their employees, promoting innovation, and driving results. Poorly equipped, under-developed leaders achieve just the opposite, and the American people pay the price. The SES is the critical piece of the government performance puzzle – we need to get the SES right for the rest of the pieces to fall into place.

In 2009, the Partnership and Booz Allen Hamilton embarked on a research effort, which examined the extent to which the SES had achieved its original goals set forth 31 years prior and also looked at impediments to its effectiveness. The report, entitled “*Unrealized Vision: Reimagining the Senior Executive Service*,” found that the Senior Executive Service, which was envisioned by reformers as a unified, government-wide cadre of executives with shared values, a broad perspective and solid leadership skills, has fallen short of its promise. We issued a set of recommendations for how the SES might be reformed, many of which will be addressed later in this testimony.

We are very pleased to see that President Obama and the President's Management Council (PMC) have identified SES reform as an administration priority. We commend the work being done by the PMC, as well as the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM). The three PMC working groups – recruitment and selection, performance management, and career development – have generated a much deeper understanding and many new ideas. We have been working closely with OMB, OPM and a set of

¹ FedScope: www.fedscope.opm.gov, December 2010. Includes full-time career and non-career SES.

agencies specifically on the recruitment and selection challenges facing the SES. Currently, the pilot groups are transforming ideas into implementation plans. The agencies, the PMC, OMB and OPM have undertaken an impressive collaborative effort, and we will continue to support their efforts as reforms are implemented.

The bottom line is that we need to re-imagine the SES as a senior leadership team that works together to fulfill government's priorities. The Partnership's recommendations address the life cycle of the SES, beginning with workforce planning and developing pipelines of talent, to recruiting, selecting and onboarding, then developing leaders, and finally succession planning and knowledge transfer. Strengthening the SES is the single biggest step we can take toward fundamentally fixing the federal government.

Workforce Planning

Agencies need the right mix of executive talent to effectively manage their operations and deliver on deeply complex missions. With almost half of the SES workforce currently eligible to retire, changing missions, and the need for greater inter-agency cooperation, agencies should assess their executive talent to determine whether they have the best people in place to drive agency results.

Congress is rightly focused on the need for agencies to coordinate around cross-cutting, high-priority goals. Indeed, the recently enacted Government Performance and Results Modernization Act (GPRMA) demands it. Mr. Chairman, you were a leader in the effort to pass this important legislation, and Senator Johnson, you are quickly becoming an expert on it through your work on the Senate Budget Committee's Performance Task Force. We believe that the GPRMA cannot yield the intended results unless we have a senior management corps in government that is highly collaborative and results-oriented. We must have leaders who seek opportunities for collaboration, make strategic decisions, and drive employees toward solving problems, not just executing programs.

As a starting point, all agencies should be developing strategic workforce plans that reflect the increasingly cross-cutting nature of federal challenges and current and future human capital needs, while considering traditional factors like attrition rates, hiring projections, retirement projections, and skills gaps. We also believe that OMB, with the support of OPM, should work with the agencies to develop a government-wide workforce plan for our government's executive ranks. We should view this as a real opportunity to rethink and reshape government's senior leadership corps. Political and career leadership at the very top need to make investment in government's senior executive corps a priority and should be held accountable for building, managing and developing a cohesive team. The PMC should play a key role in driving this effort.

Agencies, with clear guidance from OPM and OMB, should also be required to conduct a government-wide audit of SES positions. When the SES was created, nearly all of the former "super grade" positions – GS-16s, 17s and 18s – were folded into the new executive corps regardless of whether the work met the vision for this corps. This muddled the waters of what a true SES position was supposed to encompass. We believe that true SES positions must balance

leadership, management and technical responsibilities. Positions that require a high level of technical expertise should be reallocated as Scientific and Professional (ST) positions. Senior positions which require less than 25 percent of time be spent on management and leadership responsibilities should be reallocated as Senior Level (SL) positions. These are all prestigious positions which play a critical role in our government, but we believe it is important to understand which of those positions are predominantly management in nature and therefore appropriately classified as SES positions. In establishing the audit, the administration should make it clear to agencies that they intend for mobility to be a requirement for all SES positions.

We must also re-examine the balance of political to career appointments across agencies. The Civil Service Reform Act, which created the SES, allows non-career appointees to fill up to 10 percent of the SES positions government-wide. While the government-wide average is nine percent, the picture varies dramatically within individual agencies.² For example, 20 percent of the SES at the Department of Education is non-career personnel, while the Department of Veterans Affairs and Department of Energy each have 4.27 percent and 4.95 percent of their SES as non-career positions, respectively.³ Through our work with agencies we have seen the impact of a political-appointment-heavy leadership corps: lack of attention to critical executive hiring and limited attention to the performance management of career SES. We urge Congress to cap the number of non-career SES at each individual agency instead of the current, cross-government policy. This would ensure no agency becomes a repository for political favors and would promote better selection of individuals whose skills match agency missions.

Finally, we recommend Congress mandate that all C-Suite positions be career appointments with a six-year renewable appointment and a performance contract. Having career experts serving in key management positions would allow an agency to retain institutional knowledge, ensure continuity and accountability between administrations, and provide sustained attention to long-term management challenges that require a multi-year commitment.

In our view, a strategic approach to talent is a fundamental part of good management. Ideally, workforce planning assesses leadership needs and allows agencies to deal with current and emerging challenges. But planning must evolve along with needs. From our work with agencies, we have observed that their approach to workforce planning is inconsistent, which hampers their ability to prepare for imminent workforce changes.

Recruiting and Hiring

Roughly half of the members in the SES are currently eligible to retire. This demographic tidal wave presents a unique opportunity to transform leadership across government; however, current recruiting practices will not deliver on this promise. Passive recruiting, lengthy hiring processes, and the current pay structure deter quality applicants from applying to join the ranks of the SES.

² FedScope: www.fedscope.opm.gov, December 2010. Percent of permanent, full-time, nonseasonal SES that are non-career.

³ FedScope: www.fedscope.opm.gov, December 2010. Does not include limited-term appointments, or emergency appointments.

Our work with the PMC has uncovered opportunities for reform, and we commend the PMC for giving attention to these issues.

Candidate Development Programs (CDPs) are an important talent pipeline for the SES. There are differing perspectives on whether Candidate Development Programs for our nation's most senior executives should be centralized or decentralized. Some agencies build their own CDPs, and OPM also provides a central CDP. We suggest that all CDPs should encompass the same basic curriculum which covers the key foundational skills executives are expected to have when they reach the upper echelons of government. We also recommend phasing in a requirement for some form of joint experience – across agencies or sectors – as a pre-requisite for joining the ranks of the SES. Candidates with a greater range of experience in and across agencies or sectors can be expected to have increased capability to address large-scale, cross-cutting challenges which require high degrees of communication, collaboration and innovation. OPM should work with agencies to develop government-wide metrics on the quality and effectiveness of the CDPs.

To diversify their talent pipelines, we suggest that agencies more frequently enlist the support of executive search firms for key jobs, which can strategically tap diverse sources outside government. In addition, they should allocate more resources to already overburdened executive resources staff. These teams struggle to manage the lifecycle needs of senior executives and often lack the skills and training required to do an effective job of hiring.

To make the hiring process more applicant-friendly, agencies should accept traditional resumes for SES applications, rather than require Executive Core Qualification (ECQ) narratives. This move would bring the government in line with industry practice and the General Schedule. Mr. Chairman, we know that you supported resume-based hiring approaches in the 111th Congress with S. 736, the Federal Hiring Process Improvement Act, and we encourage your continued support.

Agencies will also need to be more competitive with the private sector with respect to compensation. Our research shows when executive compensation is well below that of the private sector, agencies struggle to recruit top executive talent. The problem is compounded by pay compression inside the civil service whereby GS-15s can earn more than their leaders. We believe that moving to a market-based pay system would help address these concerns. We understand that pay reform is a challenging issue, but we remain convinced that better aligning federal compensation with market forces will better enable the government to meet its most mission-critical talent needs.

Agencies should also be able to share “best qualified” lists. If an agency has done its due diligence and generated a good list of candidates, other agencies should be permitted to select from that list. To ensure that agencies are selecting the best candidates, we recommend inviting outside experts to join selection committees.

Senator Akaka, we applaud you for making SES diversity a priority, and we will continue to support you in this effort. We are pleased that OPM recently stood up the Office of Executive Resources and Employee Development, which is working with the Office of Diversity and Inclusion to increase diversity in government. The good news is that government has made

strides in diversifying its senior ranks. Between 2000 and 2008, the percentage of women in SES roles increased from 23.2 percent to 29 percent. Over the same period, minorities increased from 13.9 percent to 15.5 percent. While this trend is positive, a recent GAO report cautions that low levels of diversity in traditional feeder pools – especially GS-14s and 15s – will make it difficult to sustain this progress.⁴ Agencies need to focus on recruiting and developing entry and mid-level talent in order to build a pipeline of talent for the SES. This finding also reinforces our strong recommendation that agencies look to external talent sources to increase diversity at the executive level.

The administration has made hiring reform a priority, and is urging agencies to streamline their processes and reduce the time to hire. One agency we have worked with identified an opportunity to reduce their cycle time from 130 to 60 days through increasing leadership involvement in the hiring process. While hiring decisions should be made in a timely manner, what matters most is getting the right person for the job. Currently, little data exists to help agencies understand if their recruiting and assessment strategies are effective. We urge Congress to require agencies to conduct candidate, new hire and hiring manager surveys to enable agencies to understand whether their approaches deliver the right talent. Such surveys would also reveal whether the hiring process is timely and transparent.

Developing Talent

Agencies should invest in developing their leaders from the day of hire. Effective onboarding and political orientation programs minimize the time it takes for new members of the SES to reach full performance. The PMC and OPM, in particular, are making progress in their work on executive onboarding programs. We believe that jointly onboarding political and career appointees would bring even greater benefits, especially in increasing understanding and cooperation between these two pivotal groups. As part of the process, political appointees should be trained in understanding the role of the career SES and in better managing SES performance.

Investing in the continued development of the SES beyond the onboarding period is critical. We encourage Congress to create a development allowance which would encourage executives to invest their time in developing skills and knowledge that enhance performance. We suggest a percentage of an executive's salary (2-3 percent) should be placed in a pool for professional development purposes, which could include the use of an executive coach.

In addition to formal training, leaders should be exposed to challenging job assignments including rotations and details. As previously stated, we encourage Congress to make mobility a requirement for entry into the SES, so new members have diversity of perspectives and experience on which to build once in the senior ranks. Once they have joined the SES, leaders should continue to be mobile, moving primarily across agencies or sectors. When the SES was established under the Civil Service Reform Act of 1978, mobility was envisioned as a core component. The history of the use of mobility and rotational assignments has been limited at best, creating a culture of leading in place.

⁴ Government Accountability Office, *Diversity in the Federal SES and Processes for Selecting New Executives*. GAO-09-110. November 2008.

The Center for Creative Leadership (CCL), a nonprofit organization focused on advancing the understanding, practice and development of leadership for the benefit of society worldwide, asserts the importance of challenging assignments to support executive development. They have found that expanding leadership capability requires a variety of developmental experiences, even at the executive level. We believe federal executives would benefit greatly from new opportunities at another agency or in another sector to broaden their perspective, create new networks, and strengthen their leadership skills. We recommend that OPM designate temporary SES slots to facilitate mobility and rotations.

Some private sector corporations, such as IBM, GE, and Procter and Gamble have developed reputations for using mobility to optimize executive effectiveness. In addition, initiatives at the Department of Defense and within the Intelligence Community provide us with an opportunity to learn more about mobility programs. This is an area of particular interest for the Partnership, and we have recently launched a study with McKinsey to look at the use of SES mobility and rotational assignments in government, any barriers to implementing such programs and the benefits derived. Our study will also look at mobility as it relates to the performance of the individual, the agency, and the federal government.

We also recommend creating a more formalized mentoring program for new members of the SES to help them navigate their new environment and excel in their new roles. Presidential Rank Award winners could serve in such a capacity, guiding new members of the SES and sharing their knowledge and expertise.

To help facilitate many of these development opportunities, we recommend building a central technology collaboration and information tool, such as an online community. This community could serve a number of purposes – sharing vacant SES positions, reaching out to ‘passive’ candidates, listing executive skills, providing a way to harness cross-agency talent, advertising professional development opportunities, reducing time to search for appropriate programs, and facilitating communications and the building of a truly collaborative cross-governmental executive team.

Finally, we need a much better understanding of our executives’ strengths and weaknesses, as well as a system in place to support their continuous development and hold them accountable for results. Regular performance feedback is important, and we encourage the use of 360 degree reviews as a tool to assess and strengthen leaders. This information should be used to help leaders improve in their current positions, or reassign them to a new role if necessary. Specifically, political appointees should be held accountable for managing the career SES and should also be evaluated on their efforts to recruit, hire and develop executives. OPM, the PMC, and many federal agencies have made progress on improving the performance management process over the last few years; federal agencies should expand on that success, particularly with regard to top leadership.

Succession Planning and Knowledge Transfer

Given that many members of the SES are nearing the end of their careers, it is critical that agencies focus on succession planning and knowledge management. Succession planning should

focus both on how to fill the position and how to capture the critical knowledge and experience of the departing executive, whether career or non-career. There are a number of ways this transfer of knowledge can be achieved. Agencies can build formal systems to capture and share this wisdom. For example, the National Park Service keeps a directory of retired federal employees so their expertise can be tapped after they leave the workforce. Alternatively, agencies can build informal methods of transferring knowledge from peer to peer by tapping into internal organizational networks. Whichever combination of approaches agencies select, they must invest in this critical activity – agency performance can be significantly impacted by the loss of SES knowledge.

Another effective way to share is through mentoring. As previously mentioned, we encourage Presidential Rank Award winners to give back through mentoring newer members of the SES. This is a terrific professional development opportunity for both parties involved, and is also a great way to facilitate knowledge transfer. We would encourage training for new mentors so they can effectively serve as a resource.

A final option for tapping knowledge is hiring retired federal employees for a short term basis as reemployed annuitants to lend their expertise on a particular project or share their knowledge on a particular subject matter.

Congress should require agencies to conduct exit surveys and interviews for all departing members of the SES to shine a light on improvement opportunities. One could look at exit interviews, for example, to better understand why 72 percent of the senior executives in place when the Department of Homeland Security was created in 2002 were no longer in the Department by 2008. Having real-time data would help agencies make course corrections.

Recommendations for Congress

In summary, we would like to offer the following recommendations for Congress:

- *Oversight* – Political and career leadership at the very top need to make investment in government's senior executive corps a priority. Simply put, a stronger SES is the single most important thing we can do to improve government performance, but it will not happen without the commitment of agency leaders and the White House. The SES must be a strategic team that works together across-government to solve problems, provide a vision for the agencies, and ultimately deliver results to the America people. OMB, OPM, the PMC, and agencies are working together to address many of the challenges facing the SES, and they should continue to make this a priority. This subcommittee is in a unique position to hold leaders accountable and ensure they are committed to recruiting, developing and managing their executives.
- *Mobility* – Require mobility as a pre-requisite for joining the SES with a phased implementation process. Once in the SES, leaders should continue to move between agencies and across sectors.

- *Audit of SES Positions* – Require agencies, with clear guidelines from OPM and OMB, to audit their SES positions to ensure they meet the vision for the SES and reclassify as SL or ST when appropriate.
- *10 Percent Cap on Non-career by Agency* – Cap the number of non-career SES at each agency instead of the current, cross-government policy. This would ensure no agency becomes a repository for political favors and would promote better selection of individuals whose skills match agency missions.
- *Career Appointments for C-Suite Positions* – Require all C-Suite positions be filled by a career appointee for a renewable term of six years to ensure continuity between administrations. Require performance contracts for these positions.
- *Recruiting and Hiring* – Authorize agencies to share “best qualified lists.” Require agencies to accept traditional resumes for SES positions. Require agencies to conduct candidate, new hire and hiring manager surveys to ensure the hiring and selection process enables the best talent to serve.
- *Onboarding* – Establish a requirement for an SES onboarding program for career and political appointees, with training for political appointees on how to manage the career SES.
- *SES Development Allowance* – Require agencies to set aside 2-3 percent of executive salaries to be put in a development fund for the SES.
- *Online Community* – Authorize and appropriate funds for OPM to create an online community for the SES to facilitate communication, information sharing, mobility, developmental opportunities, information gathering, and sharing of job vacancies.
- *Exit Interviews* – Require agencies to conduct exit interviews and surveys of all members of the SES who retire or otherwise leave their position to better understand the reasons for their departure and to make continuous improvements.

Conclusion

Mr. Chairman, we thank you and your colleagues for the opportunity to share our recommendations with you today.

BACKGROUND
STRENGTHENING THE SENIOR EXECUTIVE SERVICE: A REVIEW OF
CHALLENGES FACING THE GOVERNMENT'S LEADERSHIP CORPS
MARCH 29, 2011

Background

The SES was established by Title IV of the Civil Service Reform Act of 1978 (P.L. 95-454) as part of President Carter's broad reform of the Federal Civil Service.¹ The reforms were partially a response to abuses of executive authority in the Nixon Administration and the desire to foster an environment of "efficient, effective, and equitable administration of Government programs."²

The SES corps of senior leaders is essential to driving management, efficiency, and other policy initiatives within agencies and across the Federal Government. The majority of SESers are career civil servants hired based on their ability to meet certain Executive Core Qualifications (ECQs).³ ECQs are not part of the appointment process for political SESers; however political SESers do not have the same types of protections as their career counterparts.⁴

The original SES had six rates of base pay with the lowest rate being equal to at least 120 percent of the minimum base pay of a GS-15 and was capped at Executive Schedule Level IV.⁵ SES base pay was linked to the GS so they would receive a pay increase whenever the GS did; SESers also received locality pay.⁶

Reforms

The Administration of President George W. Bush formed the President's Management Agenda (PMA), which was critical of agency performance appraisal systems for the SES and advocated the idea of "pay for performance."⁷

Section 1125 of the National Defense Authorization Act for Fiscal Year 2004 (P.L. 108-136) established a pay for performance system for both career and political SESers. The 2004 reforms initiated in part by the PMA modified certain portions of Title V of the U.S. Code and dramatically changed SES pay by doing four primary things:

- Instituting a pay for performance system that eliminated locality pay and delinked SES and GS base pay increases;
- Condensing the six pay rates into one pay range;
- Increasing the salary cap from Executive Level I to Executive Level III; and

¹ Mark W. Huddleston & William W. Boyer, *The Higher Civil Service in the United States: Quest for Reform* (University of Pittsburgh Press 1996) at pp. 94-108.

² *Id.* at pp. 93-100.

³ L.E. Halchin, *Senior Executive Service (SES) Pay for Performance System* (RL33128) (2007), at p 1.

⁴ *Id.* (Political SES appointments are term limited; career SES appointments do not expire.)

⁵ *Id.* at pp. 1-2.

⁶ *Id.* at p. 2.

⁷ *Id.* at pp. 7-9.

- Creating a higher salary cap at Executive Level II for agency pay for performance systems that were certified by OPM.⁸

Key Issues

Unfortunately, many of the same problems that lead to the creation of the SES survived the 2004 reform efforts and continue to challenge the workforce today. A complicated hiring process, compensation, and individuals with inadequate managerial expertise being selected for leadership positions are issues that were raised by President Carter's Executive Task Force.⁹ Additionally, new issues have surfaced in the decades since the SES was formed. Agencies must retool the way they recruit and develop SES candidates to reflect an increasingly diverse American population. Also, the Government's need to remain resilient by sharing information and expertise across agencies means training and mobility issues should be reexamined.

Complicated Hiring Process

A survey of Chief Human Capital Officers and senior non-SES Federal employees found that the lengthy hiring process for career SESers, which make up the bulk of the SES workforce, is a key SES recruitment challenge.¹⁰

Applicants for career SES positions are selected based on their ability to meet five Executive Core Qualities (ECQs): leading change, leading people, results driven, business acumen, building coalitions.¹¹ The process begins with an agency identifying a vacancy and posting an announcement on the USAJOBS website. Applicants are asked to apply via one of three methods: resume-based, accomplishment record, or traditional.¹² The resume-based application is the shortest because candidates must demonstrate the five ECQs via their resumes, while the latter two methods require narrative statements addressing how the applicant meets the ECQs.

An agency Rating Panel then reviews and ranks candidates and has the option to conduct interviews. The panel then sends the ranked candidates to an Executive Resources Board (ERB), which is an internal review board that evaluates each candidate's ability to meet the ECQs. The ERB then sends the best qualified candidates to an agency Selecting Official who makes a final

⁸ *Id.* at pp. 10 & 18.

⁹ Huddleston & Boyer, *The Higher Civil Service in the United States: Quest for Reform* (1996), pp. 97-98.

¹⁰ Survey of Federal Employees conducted by the Senior Executives Association and Avue Technologies, "Taking the Helm: Attracting the Next Generation of Leaders," (2010), pp. 16-17. Available at: http://www.seniorexecs.org/fileadmin/user_upload/Professional_Development/Research/Taking_the_Helm/Full_Report.pdf. Politically appointed SES are fewer in number and are not required to go through the same merit based hiring process; this hearing will not focus on the political SES hiring process.

¹¹ Office of Personnel Management, "Guide to Senior Executive Service Qualifications," (June 2010) pp. 1-2. Available at: http://www.opm.gov/ses/references/GuidetoSESQuals_2010.pdf.

¹² *Id.* at p. 4. The resume-based and accomplishment record application processes initially were piloted by OPM in 2008 to give agencies more flexibility in initially assessing SES applicants.

selection, certifies that the selected applicant meets the ECQs, and forwards an application packet to OPM.¹³

The second tier of the SES hiring process begins with OPM convening a three-person Qualifications Review Board (QRB) to review SES application packets received from the agencies.¹⁴ Applicants are not compared against each other, but are instead assessed on the overall scope and depth of their ability to meet one of three criteria: demonstrated executive experience, possession of special or unique qualities that indicate a likelihood of executive success, or completion of an OPM-approved candidate development program (CDP), which qualifies the applicant for non-competitive appointment.¹⁵ Once certified by the QRB, an applicant may be granted initial appointment to the SES.

This second tier of review by the QRB has been cited by some as duplicative, particularly because the agency has already internally certified via the ERB and Selecting Official that their final selection meets the ECQs and is therefore qualified to join the SES.¹⁶ The application packet for the QRB is lengthy, including an evaluation of a candidate's background related to the ECQs, at least one written reference, and Individual Development Plans (IDP) that detail how a candidate will enhance his or her skills to meet ECQs that may be an area of weakness for them.¹⁷ The length and complexity of the process has created a market for paid consultants that help candidates prepare their applications.

OPM and others argue that independent certification of an applicants' ability to meet the ECQs ensures uniformity across agencies and provides a layer of oversight. While QRBs add to the length of time to hire, further investigation is needed to determine if the safeguards provided in the merit system process outweigh the disadvantages.

Pay Compression

Pay compression is not a new issue for the SES. Under the original SES system, SESers received annual base pay increases, but their aggregate pay was capped at the Executive Level III. This resulted in a compression of salaries for upper-level SESers whose pay reached the cap. To address this problem, in the 2004 reforms, Congress delinked SES pay from GS pay, linking it instead to Congressional pay, and raised the SES salary cap.¹⁸ By eliminating automatic pay increases and lifting the pay ceiling, SES salaries would no longer be driven upwards automatically and individuals would be permitted to receive a higher aggregate pay.

The 2004 reforms, however, also eliminated locality pay. These changes shifted the pay compression problem from upper-level SESers to lower-level SESers. In general, the base pay

¹³ *Id.* at pp. 4-5.

¹⁴ *Id.* at pp. 6-7. (QRBs are convened weekly and are comprised of three SESers, at least two of whom are career SES.).

¹⁵ *Id.*

¹⁶ Subcommittee Staff Meeting with the National Aeronautics and Space Administration (NASA), August 3, 2009.

¹⁷ Office of Personnel Management, "Guide to Senior Executive Service Qualifications" (June 2010) p. 6.

¹⁸ L.E. Halchin, *Senior Executive Service (SES) Pay for Performance System* (RL33128)(2007) at pp. 1-2.

for the GS automatically increases each year.¹⁹ In the years that Congress does not receive a pay raise, the SES pay scale stays the same while, usually, the GS scale is increased. Over time the GS scale has risen more than the SES scale, and it now substantially overlaps with GS-14 and GS-15 pay rates, particularly in areas where employees on the GS scale receive high locality rates.

Pay compression in the lower ranks of the SES creates a financial disincentive for GS-14 and GS-15 employees to go through the lengthy process of joining the SES because they would not necessarily make more money, but would have added managerial responsibilities, fewer employee rights, and often longer work hours.²⁰ Reinstating automatic increases, however, could lead to pre-reform problems of SESers hitting a pay ceiling more rapidly. The issue of how best to alleviate pay compression at the lower level so it is not a recruiting impediment, but also how to avoid compression at the top of the SES pay scale, deserves thoughtful consideration.

Candidate Development and Training

Section 3396(a) of title 5 requires OPM to establish programs for the development of SES candidates and for the continued training of the SES workforce. OPM upholds its statutory obligations by encouraging agencies to create Executive Development Plans (EDPs), and by offering formal management training to prospective SESers at its Federal Executive Institutes. Certain interested GS employees can apply to OPM's Candidate Development Program (CDP), which focuses on the five ECQs in the SES application process.²¹ Agencies also run their own CDPs that are tailored to fit the agency's mission and strategic planning.

GS-14 and GS-15 employees cited budget constraints, lack of agency support, and poor quality of programs as reasons for not participating in a CDP.²² Continuing development and leadership training for SESers also does not appear to be a priority for agencies, as no uniform guidance or approach exists for training senior leadership.²³ Given the current budget constraints facing many agencies, it is important to monitor how resources are prioritized and whether training and candidate development is focused upon sufficiently to foster an SES workforce that is able to fully support agencies.

Diversity

Recruiting and retaining diverse individuals to Federal service is a challenge throughout the Federal Government, but is more acute in the SES. In 2008, this Subcommittee held a joint

¹⁹ 5 U.S.C. §5303(a) (In cases of National emergency, however, the President may exercise authority to freeze pay. See 5 U.S.C. §5303(b).).

²⁰ Partnership for Public Service and Booz Allen Hamilton, *Unrealized Vision: Reimagining the Senior Executive Service*, (August 2009) at p. 10. Available at:

<http://www.ourpublicservice.org/OPS/publications/download.php?id=136>; see also Survey, "Taking the Helm: Attracting the Next Generation of Leaders," (2010), pp. 16-18.

²¹ Office of Personnel Management, Leadership and Development Training website, available at:

<https://www.leadership.opm.gov>.

²² Survey, "Taking the Helm: Attracting the Next Generation of Leaders," (2010) pp. 35-37.

²³ Partnership and Booz Allen, *Unrealized Vision: Reimagining the Senior Executive Service* (August 2009) at pp. 17-18.

hearing with the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia to examine diversity in the SES, focusing on the U.S. Postal Service.²⁴ Based on OPM data, the Government Accountability Office (GAO) testified that in 2007, ethnic minorities made up 22.5 percent of the employees in the GS-14 and GS-15 ranks, but only 16 percent of career employees in the SES. Women made up 34 percent of GS-14 and GS-15 employees, but only 29 percent of the career SES in 2007.²⁵ As of June 2010, the percentage of ethnic minorities increased to 17 percent and the percentage of women in the career SES increased to 31 percent.²⁶

Senator Akaka and Congressman Davis (D-IL-7) introduced legislation in the 110th and 111th Congresses aimed at increasing diversity within the SES.²⁷ While there have been small improvements, recruiting and retaining more diverse SES candidates may take more focused efforts.²⁸

Mobility

The SES was originally envisioned to be a mobile corps of senior leaders able to be placed anywhere their leadership expertise was needed within the Government. Rank residing in the individual rather than with a given position was meant to facilitate mobility between agencies.²⁹ Alan Campbell, who would become OPM's first Director, testified at a House Hearing on the Civil Service Reform Act that a manager who spends his or her entire career at one agency, "deprives both the government and the employee of the rich benefits in competence and understanding which accrue from experience gained in a variety of agencies and programs."³⁰

The idea of a mobile corps, however, was never realized. Recognizing the value in shared knowledge to face a common threat, there have been some attempts by agencies with national security missions, like the Department of Homeland Security and the Department of Defense, to rotate their SESers within different components of the agency, but agencies have stopped short of making rotational experience a prerequisite for promotion.³¹

²⁴ Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia and the House Subcommittee on the Federal Workforce, Postal Service, and the District of Columbia Joint Hearing entitled, *Managing Diversity of Senior Leadership in the Federal Workforce and Postal Service*, (April 3, 2008).

²⁵ Statement of Katherine Siggerud, Director Physical Infrastructure Issues and George H. Stalcup, Director Strategic Issues, at Joint Hearing entitled, *Managing Diversity of Senior Leadership in the Federal Workforce and Postal Service*, April 3, 2008. Available at: <http://www.gao.gov/new.items/d08609t.pdf>.

²⁶ Office of Personnel Management, *Senior Executive Service Demographics Facts and Figures* (June 2010). Available at: http://www.opm.gov/ses/facts_and_figures/demographics.asp.

²⁷ Senior Executive Service Diversity Assurance Act, S. 2148 and H.R. 3744, 110th Congress (2007). Senior Executive Service Diversity Assurance Act, S. 1180 and H.R. 2721, 111th Congress (2009).

²⁸ Partnership and Booz Allen, *Unrealized Vision: Reimagining the Senior Executive Service* (August 2009) at p. 11.

²⁹ E.L. Halchin, *Senior Executive Service (SES) Pay for Performance System* (RL33128) (2007) at p. 1.

³⁰ Huddleston & Boyer, *The Higher Civil Service in the United States: Quest for Reform* (1996), p. 117.

³¹ Government Accountability Office, *National Security: An Inventory of Professional Development Activities Intended to Improve Interagency Collaboration and Selected Characteristics, E-supplement* (GAO-11-109SP, November 2010). Available at: <http://www.gao.gov/special.pubs/gao-11-109sp/interagencyrotationalprograms.htm>.

Conclusion

The SES is the Federal Government's top leadership corps, charged with managing agency resources and personnel. This cadre of leaders, however, continues to be challenged by human capital issues like hiring, compensation, training, and workforce development that date back to its creation in the 1970s. It is essential to strengthen the SES by identifying and addressing challenges so that they have the necessary tools and capacity to drive reforms and guide the Federal workforce.

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**Statement of Jeffrey D. Zients
Federal Chief Performance Officer and Deputy Director for Management
Office of Management and Budget**

**Senate Subcommittee on Oversight of Government Management, the Federal Workforce,
and the District of Columbia**

**“Strengthening the Senior Executive Service:
A Review of Challenges Facing the Government’s Leadership Corps”**

March 29, 2011

Thank you Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee, for the opportunity to provide a statement for the record about an important initiative the President’s Management Council (PMC) recently launched to strengthen the Senior Executive Service (SES).

More than 30 years after it was established, the SES is the backbone of Federal executive leadership and its members play a crucial role in addressing unprecedented challenges facing our nation. At the very time we need ever greater output and performance, today’s economic environment complicates developing, recruiting, and retaining senior executives. SES members are consistently asked to do more with less against a backdrop of heightened accountability and too few professional development opportunities.

In this context, the PMC, working with the Chief Human Capital Officers (CHCO) Council, launched a collaborative, cross-agency initiative last May to strengthen the SES corps through enhanced senior leadership engagement, career development, personnel performance management, and recruitment. Coordinated by the Office of Management and Budget (OMB) in partnership with the Office of Personnel Management (OPM), the project was structured in three working groups – comprising more than 50 people from 19 agencies – that analyzed key issues, evaluated potential improvements, and identified a set of recommendations to benefit the SES corps in the years ahead.

This statement summarizes the challenges identified by the PMC-chartered working groups and anticipated initiatives to implement their recommendations, which incorporated input from a range of experts, including representatives from the Senior Executives Association and the Partnership for Public Service. Given the broad scope and complexity of SES roles, this set of programs will likely evolve over time to maintain an SES corps that is prepared for new challenges.

Senior Leadership Engagement

The involvement of senior agency leaders is critical to effective career development and performance management. Particularly at the highest levels (i.e. Secretaries, Deputy Secretaries, Under Secretaries, Assistant Secretaries, and the equivalent), agency leaders need to visibly engage with the SES on key issues – setting clear expectations, actively partnering with SES members, and communicating the value of executives’ contributions. To better engage these senior agency leaders in SES issues, related activities include:

- The White House and OMB will work with agencies to identify opportunities for direct engagement with SES members, such as activities related to implementation of the Government Performance and Results Modernization Act of 2010;

- OMB and OPM will work closely with leadership councils that have overlapping interests in SES issues, particularly the PMC, CHCO Council, and Performance Improvement Council; and
- Senior agency leadership will be expected to conduct agency-specific SES forums to address the range of issues pertinent to executives.

Career Development

While leading organizations deeply invest in executive development, resource constraints in the Federal government (including both time and funding) often limit opportunities for professional development. Even in challenging times, the Federal government must help equip its executives with the qualities and capabilities required to meet the leadership demands of 21st century. To maximize executive effectiveness and potential while growing skill sets to prepare the corps for future challenges, Federal agencies need to emphasize executive development. One opportunity is fostering a connected and cohesive corps through centralized solutions, such as shared developmental offerings, a central database of job and rotational opportunities, and a directory of current SES members that facilitates communication and enables tapping into critical skills in times of need. Related activities include:

- An executive's first year is essential to productivity, retention, and overall success; to that end, OPM will roll out a one-year onboarding program to facilitate the transition into executive roles and foster a culture of ongoing learning and development;
- OPM and the Federal Executive Institute (FEI) will design a government-wide leadership development approach, including shared candidate development curriculum across agencies (with potential joint programs for smaller agencies), more frequent SES orientation programs, and subsequent centralized cohort gatherings;
- OPM and FEI will also work with agencies to expand ongoing networking and professional development for current SES members, including through the identification of best practices for agency customization and implementation; and
- To cultivate a diverse rising generation of SES talent with broad organizational experience and skills to lead in today's complex inter-agency environment, OPM and OMB will coordinate a pilot project to enable rotational opportunities for high-potential staff at the GS 13-15 level.

Personnel Performance Management

Personnel performance management is central to successful operations in any work setting. Particularly in the Federal government, where SES members are not eligible for locality pay or national comparability raises, performance planning and implementation of assessments and performance-based awards become critical. It can be difficult to constructively link staff appraisal systems to agency performance, while aspiring to stretch goals can seem at odds with achieving meaningful measurable results. Streamlining administrative burdens and reshaping the SES appraisal system certification process will help improve agency-level implementation. Related activities include:

- Supported by OPM and the CHCO Council, agencies will identify and implement best practices to enhance personnel performance planning, monitoring, assessment, and recognition; and
- OPM, OMB, and an agency working group will streamline the appraisal system certification process, focusing requirements and regulations on a set of priority outcomes and management goals and fostering dialogue and collaboration between OPM/OMB and agencies; this involves finding ways to strengthen the linkage of appraisal systems to agency performance goals and mission, developing a more tailored, results-oriented approach.

Recruitment

While the retirement pattern varied in recent years, projections indicate more than half of the SES could leave government service in the next five years – taking with them significant knowledge and expertise. In addition, through the biennial allocation process, a number of agencies have or may receive new SES spaces to meet future needs or address legislative changes, increasing the urgency to build deep and diverse pipelines of talent. Given this confluence of daunting demographic challenges, agencies will have to pursue multiple approaches, coupling active recruitment of current staff with talent channels outside their agencies and government. Related activities include:

- Across agencies, develop a shared capacity to market and recruit within and outside government for SES positions, linking to existing efforts to increase diversity and reach out to veterans;
- Working from a framework developed by OPM and agencies, a new pilot group will broaden use of a resume-based SES hiring model, implementing related tools and templates to expand talent pipelines and incorporate procedural efficiencies;
- To supplement agency-level recruitment efforts, OPM, OMB, and a set of agencies will conduct an external talent search pilot, collaboratively creating a diverse pool of SES candidates with strong leadership and general management skills; and
- OPM will oversee a working group focused on the Qualifications Review Board to define a revised model that includes potential improvements related to staffing, timeliness, and effectiveness.

Conclusion

I appreciate Chairman Akaka's leadership in this area, and the Subcommittee's attention to this issue, which has a real impact on the effectiveness of our Federal programs. Thank you for the opportunity to share highlights of this important initiative with you, and I look forward to engaging in these efforts.



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September 7, 2010

FRAGMENTATION OF THE SENIOR EXECUTIVE CORPS*

***[Positions Paid Above GS-15 (10)]**

Introduction: On July 1, 2010, in response to a letter from SEA, OPM Director Berry agreed that "we believe it is important to address the balkanization of systems that cover so many of our Senior positions." As Director Berry acknowledged, "the fragmentation of senior level positions into a myriad of separate HR systems across Government makes it difficult to manage these positions effectively as a cohesive Governmentwide corps." SEA has sought information so it could address this problem on a number of occasions:

• In 1996, OPM advised SEA that at that time, there were 31 Senior Level Pay Plans¹ [paying above GS-15(10)], encompassing 15,019 employees.

• In 2010, asked the same question by SEA, OPM advised that as of December 2009, there were 82 Senior Level Pay Plans, encompassing 51,431² employees. Fragmentation continues, unabated.

It is virtually impossible to keep track of these separate systems³, though in most cases we have able to determine their dates of origin and statutory authority. We have broken them down into seven groupings:

I. SES and SES Look-Alikes:

<u>OPM Pay Code</u>	<u>Date of Authoriz. or Implementation</u>	<u># in system 12/09</u>	<u>Name of system, Statutory Basis, Features, etc.</u>
1. ES	1979	6563	Senior Executive Service.

¹ The list that follows is based on the OPM pay codes, and the numbers in each code also come from OPM.
² In 2010, Congress abolished the National Security Personnel System (NSPS) which encompassed 4277 of these senior level pay plan employees; they were moved back into the GS system and given "retained pay." Subtracting that number from the 51,431 leaves 47,154, still a 300% increase from 1996.

³ *Caveat:* This listing should not be considered authoritative. There are very likely scattered inaccuracies in it due to multiplicity of systems and lack of a centralized source of authoritative information, as well as SEA's limited resources for seeking the information. OPM has from time to time issued studies on alternative personnel systems generally, but with an emphasis on performance management rather than levels of compensation. See, e.g., "Alternative Personnel Systems in the Federal Government," Dec. 2007.

5 USC 3132. Most Federal depts and agencies. Single broad pay band (except where there are tiers). Pay cap is EL II for OPM-certified agencies, EL III for uncertified ones. OPM monitors and certifies systems.

2. IE	2004	56	PL 97-89. ⁴ Senior Intelligence Executive Service. DOD, Army, Navy, A.F. Excepted service.
3. IP	Unknown (1990?)	91	Senior Intelligence Professionals (See #2 IE above.)
4. SL	1990	562	Senior Level Positions. 5 USC 3104. Execs with supervisory duties less than 25%. Also agencies not authorized to have SES: e.g. PBGC, Fed. Election Commission, etc.. Brought under SES pay system by PL 110-372 (2008).
5. ST	1990	333	Scientific and Professional. World-class scientists. 5 USC 3104. Brought under SES pay system by PL 110-372 (2008).
6. IA	1996	165	10 USC Ch. 83. Defense Civilian Intelligence Personnel System. DOD Intelligence components (NSA, DIA, NGIA). 5 pay bands.

II. Judges

1. AL	1966	1203	Administrative Law Judges. 5 USC 5372 In 22 agencies: NLRB, EPA, SSA, etc. 3 Levels of basic pay: AL I thru 3. (Min: 65% of EL IV; Max: EL IV). Also get locality pay.
2. AJ	1993	18	Administrative Judges. (NRC only) ⁵ PL 93-438.
3. CA	1978	35	Bd. of Contract Appeals Judges. (BCAJ)

⁴ This authorization has gone through several iterations. E.g. 10 USC 1601(2004).

⁵ Although the OPM Code list indicates that the AJ designation is for NRC only, a recent document issued by MSPB represents that that organization employs 60 career AJs to hear employee appeals.

41 USC 601-613; 5 USC 5372(a).
 Separate agencies combined into GSA
 Civilian Bd of Contract Appeals '07;
 Armed Services Bd of Contract Appeals
 remains separate, under DOD.

4. IJ	1996	215	PL 104-208, sec. 371. Immigration Judges - Dept of Justice.
5. AA	2001	32	Administrative Appeals Judges. 5 USC 5372(b) Review ALJ Decisions. Pay: AA-1 thru 6, based on AL scale: Min: AL-3A; Max: AL-3F.

**III. Generic (may or may not be limited to single agency), but generally tied to
 occupation and established by particular legislation.**

1. AD	Various	12,061	Administratively Determined Rates Not Elsewhere Specified. E.g., PTO, AID, etc.
2. IG	1978, 2008	22	Inspectors General. PL 95-452, amended PL 110-409. Basic Pay = EL III plus 3%.
3. GS	1949	184	Title 5 USC, Ch. 53. Location of employees and legislative authority to pay above EL IV, (including locality pay), unknown. [Perhaps on retained pay from NSPS?]
4. RS	1990	156	Senior Biomedical Research Service. PL 101-509. Public Health Service (HHS.) Pay between GS-15(1) and EL I. Single ungraded pay band.
5. RA	2002	11	Dept of Ag. Sr. Scientific Research Service. PL 107-171. Pay range same as RS (See #4 RS above.)
6. NP	1999	11	Naval Research Laboratory Scientific and Engineering Professionals. Performance-based compensation.

7. FE ⁶	1980	217	Senior Foreign Service. PL 96-465, sec 103(3). AID, parts of AG, DHS, BBG, Commerce (ITA) and Peace Corps
8. FO	1980	160	Foreign Service Officers. PL 96-465, sec. 103(4). Same agencies as FE.
9. FP	1980	72	Foreign Service Personnel. PL 96-465, sec. 103(5). Same agencies as FE.

IV. Demonstration Projects

1. DB	1995	19	10 USC 2358. Demonstration Engineers and Scientists (DOD, Army, Navy, AF). Title V rules waived. Pay bands. "Contribution-based" compensation.
2. ND	1995	6	10 USC 2358 Demonstration Scientific and Engineering. (Navy) 5-6 pay bands.
3. PD	1999	27	PL 105-277 (Title I, Div. C, sec. 102) Treasury Demonstration Projects (TTB), but also DOJ (ATF- transferred to DOJ), and DHS (CBP and Secret Service).

V. Limited to One Agency (non generic)

A. Department of Commerce (DOC)

1. ZA	1988	3	PL 99-574 NIST. Administrative. Career Paths and Pay Banding.
2. ZP	1988	23	Same as ZA. Scientific Engineering Professional.

B. Commodity Futures Trading Commission (CFTC)

1. CT	2006	187	CFTC Positions "previously defined under four other pay codes."
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⁶ FEs, FOs, and FPs are distinguishable from the Foreign Service Officers employed directly by the Department of State. OPM did not include the latter in its chart of senior level pay systems. While we have learned independently that State does utilize the FE and FO pay codes, as well as FA, it does not report these to the OPM database. Some of these are Ambassadors and Chiefs of Mission who are paid at EX levels

C. Corporation for Nat'l and Community Service (CNCS)

1. NX	1993	11	PL 103-82, subtitle G, sec. 195(b). Executive Level and Managerial Positions.
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D. Defense Nuclear Facility Safety Board (DNFSB)

1. DN	1990	34	PL 101-510. DNFSB Excepted Service.
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E. Department of Energy (DOE)

1. EJ	2002	101	DOE Organization Act Excepted Service. (Also used by a part of DHS.)
2. EK	1995	40	Nat'l Def.Auth. Act Excepted Service.
3. EN	2002	115	PL 106-65, sec.3241 National Nuclear Security Admin. (NNSA) Excepted Service.
4. NQ	2002	38	NNSA Professional, Technical and Administrative Career Path.
5. NN	2002	33	NNSA Engineering and Scientific Career Path.

F. Federal Aviation Administration (DOT-FAA)

1. AT	1996	3755	Air Traffic Controller Compensation Plan. PL 104-50, sec. 347 (1995), removing FAA from most parts of Title V.
2. EV	1996	183	Executive Compensation Plan. EV 1-3, w/ locality pay. Cap: \$179,700 (2010). No <i>aggregate</i> limit on compensation.
3. FG	1996	2	Similar to the General Schedule.
4. FV	1996	997	Core Compensation Plan.

G. Farm Credit Administration (FCA)

1. VH	Unknown	54	Farm Credit Act of 1971, as amended.
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Prof, Admin, and Managerial (used also by Farm Credit Insurance Corp).

H. Federal Deposit Insurance Corporation (FDIC)⁷

1. CG	1989	480	Corporate Graded. Max: \$178,648 ('09) ⁸
2. CM	1989	310	Supervisory and Managerial Positions Below Executive Level. Max: \$196,150('09)
3. CX	1989	2	Senior Expert Positions. Max: \$269,779 ('09)
4. EM	1989	104	Executive-Level. Positions. Max:\$269,779 ('09)

I. Government Printing Office (GPO)

1. GE	Unknown	19	GPO Employees formerly under SL
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J. TSA- Department of Homeland Security (DHS)

1. SV	2006	344	TSA employees other than executives.
2. SW	2006	101	TSA executives. Cap = EL II. TSA (not OPM) certifies its own pay system.

K. Department of Housing and Urban Development (HUD)

1. OE	1992	32	Execs of Fed. Housing Enterprise Oversight (folded into Fed. Housing Finance Agency 2008).
2. OF	1992	97	Office of FHEO.
3. TF	1995	21	Fed. Housing Finance Board Exec.
4. TM	1995	33	Fed. Housing Finance Board Merit Pay.

⁷ These FDIC positions were established by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, PL 101-73. Several other agencies' similar systems, such as that at NCUA, also stemmed from the so-called "FIRREA" Act.

⁸ Despite the above "maximums" set forth in FDIC's 2009 published "salary structures," it is stated in a footnote that "the salary cap for CG and CM positions, including locality pay, is \$227,300; the salary cap for most CX and EM positions, including locality pay, is \$240,000."

M. Millennium Challenge Corporation

1. MC	2004	52	Employees appointed under PL 108-199.
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N. National Credit Union Administration (NCUA)

1. CU	1989	75	Credit Union Employees (FIRREA system.)
2. SS	1989	34	Senior Staff Positions. (FIRREA system.) In 2006, Exec. Dir. paid \$250,768 base, and \$283,042 including locality pay.

O. Nuclear Regulatory Commission (NRC)

1. SN	1996	85	Senior Level System.
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P. Securities and Exchange Commission (SEC)

1. SK	2002	1753	Employees formerly under GS, GM, and EZ pay plans.
2. SO	2002	107	Employees formerly under ES pay plan.

Q. Department of the Treasury

1. NB	2001	701	Office of the Comptroller of the Currency.
2. TG	1989	207	Office of Thrift Supervision Salary Schedule (FIRREA).

R. Department of Veterans Affairs (VA)⁹

1. VM	Unknown	11408	Medical and Dental.
2. VN	Unknown	63	Nursing.
3. GP-GS	1998	1347	GS physicians and dentists paid market pay under 38 USC 7431(c).
4. GR-GM	1998	19	GM (managerial) physicians and Dentists. Market pay. Under 38 U.S.C. 7431(c).
5. SQ	1998	3	Physicians and Dentists paid under ST pay system, receiving market pay. 38 USC 7431(c).

VI. Miscellaneous Pay Plans

1. ED	1946	7	Experts Appointed under 5 USC 3109.
2. EE	1946	192	Experts appointed under any authority <i>similar</i> to 5 USC 3109 (i.e. no competitive exam or job classification).
3. EF	1946	10	Consultants Appointed under 5 USC 3109.
4. EG	1946	83	Consultants appointed under any authority <i>similar</i> to 5 USC 3109. (See #2 – EE above).

⁹ There is a disconnect between OPM's description (and indicated statutory origins) of its codes for VA senior level pay plans and what the responsible official at VA told us is the reality. She says that, except for SES, SLs and STs, VA's only senior level executives are a handful of Directors employed in the office of the Secretary, paid under 38 USC 7306. Their pay and pay cap are set periodically by an Executive Order, and in November 2010 the cap will go up to \$179,000, the SES cap. Appointments are for 4 years and can be renewed. I find no corresponding OPM Code for them. On the other hand, she advises that VA has approximately 20,000 physicians "and they probably all receive over the GS 15(10). Nurses (VN) do not." She says nurses are capped at EL IV. The physicians' and dentists' pay systems are authorized under 38 USC 7431, and are market-based. VA does not consider market based pay to be senior level pay, but OPM does, since its maximum is over GS 15(10). The VA official says that Codes GP-GS, GR-GM, VM, VN cover the same groups of employees.

5. EX	1980	164 ¹⁰	Executive Pay. 5 USC (II, 5311) Includes President, VP, and 5 Levels \$145,700 to \$199,700.
6. EI	1972	40	Members of Advisory Committees. PL 92-463.
7. GM	1993	2	GM Employees covered by PMRS Termination Provisions. PL 103-89.
8. SR	Various	125	Statutory rates not elsewhere specified.
9. TP	1994	1	Teaching Positions, DOD Education Activity only.
10. WM	1972	149	Maritime Pay Schedules. 5 USC 5348.

**VII. NSPS Employees Paid above GS 15(10) as of
Dec. 2009 (abolished 2010)**

Note: All employed by DOD only, including Army, AF, Navy)

- 1. YA - 1192 Standard Career Group: Professional and Analytical
- 2. YB - 1 Standard Career Group: Technician/Support Pay Schedule
- 3. YC - 2070 Standard Career Group: Supervisor/Manager Pay Schedule
- 4. YD - 722 Scientific & Engineering Career Group: Professional Pay
Schedule
- 5. YF - 853 Scientific & Engineering Career Group: Supervisor/Manager Pay
Schedule
- 6. YG - 510 Medical Career Group: Physician/Dentist Pay Schedule
- 7. YH - 3 Medical Career Group: Professional Pay Schedule
- 8. YJ - 109 Medical Career Group: Supervisor/Manager Pay Schedule
- 9. YK - 1 Investigative and Protective Career Group: Investigative Pay Schedule
- 10. YN - 5 Investigative and Protective Career Group: Investigative Pay Schedule

Note: All these have been put back in GS system with "retained pay."

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¹⁰ It is common knowledge that there are considerably more than 164 Presidential Appointees Subject to Senate Confirmation, whose compensation is based on the Executive Schedule. In fact, OPM's Central Personnel database lists 434 in all agencies paid under the EX pay code. We are unable to reconcile this with the figure of 164 given us by OPM.

**Other Senior Level Systems That We Have Been Unable to Place
Within OPM's 82 Pay Codes**

- CIA Executives
- IRS Special Hires for "Critical" Positions, authorized by IRS Restructuring Act of 1996 (paid up to VP's salary).¹¹
- Department of Education PBO executives, established 1998 (5 estimated appointments exempt from Title 5 and with bonuses of 25-50% of salary).
- Defense Advanced Research Program Agency ("DARPA") hires, 40 "super" slots with salary ranging up to VP's salary.
- "Title 42" scientists, hired by HHS under 42 USC 7404, sec. 209(f-h). Allegedly no statutory limit, but HHS says pay should be "no higher than necessary," up to EL I. (in 2010, \$199,700).
- Special Pay Authority hires at NASA, for employees "deemed critical."

There are undoubtedly others.

¹¹ It is possible these and some others are included within pay code AD, Administratively Determined.

**ANSWERS TO QUESTIONS FOR THE RECORD
OF A HEARING BEFORE THE SENATE COMMITTEE ON HOMELAND
SECURITY AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA**

***“Strengthening the Senior Executive Service: A Review of Challenges Facing the
Government’s Leadership Corps”***

March 29, 2011

Questions for the Record Submitted by Chairman Daniel K. Akaka

1. Does OPM have plans to establish Government-wide training requirements for employees after they become Senior Executives?

In December 2009, OPM issued final regulations for Title 5 CFR Part 412- Supervisory, Managerial, and Executive Development. OPM included requirements for agencies to establish a program or programs for the continual development of senior executives. Agency programs must include preparation, implementation, and regular updating of an Executive Development Plan (EDP) for each senior executive. The EDP must do the following:

- serve as a detailed guide of developmental experiences to help senior executives meet organizational needs;
- address enhancement of existing executive competencies and development of other competencies to strengthen the executive’s performance; and
- outline developmental opportunities and assignments that will allow the senior executive to develop a broader perspective in the agency as well as Governmentwide.

Each agency’s Executive Resources Board or similar body must review EDPs annually and make any appropriate revisions.

OPM encourages members of the Senior Executive Service (SES) to participate in other long-term assignments, including sabbaticals. EDPs may also provide for SES sabbaticals and other long-term assignments outside the Federal Government, consistent with 5 U.S.C. 3396(d) and other applicable statutes.

OPM also continues to create other programs for continual development of senior executives. In November 2008, OPM issued a memorandum to agencies on Guidelines for Broadening the SES. These guidelines encourage and help agencies to develop policies and programs ensuring continual development of senior executives, including providing interagency developmental opportunities and rotation assignments to foster broader cross-Government perspectives.

The memo encourages SES members to pursue developmental opportunities at least every 3 to 5 years to broaden their perspective. These developmental opportunities include the following:

- details to another agency or to an outside organization using the Intergovernmental Personnel Act authority
- sabbaticals, and
- rotations to new executive positions.

2. As you know, the percentage of career and political SES members varies widely between agencies. Do you believe this is appropriate, and overall does the SES have the right mix of career employees and political appointees?

The Federal Government provides a wide array of services, with missions varying in different agencies; therefore, the composition of SES members will vary between agencies. As Ms. Kichak stated in her testimony on March 29, 2011, SES members' responsibilities vary in terms of the size of budget, programs, and staff they manage. Furthermore, the percentage of career and political positions at agencies may change, depending on agency size, mission and emerging Administration priorities. Therefore, the percentage of career and political SES members appropriately may vary widely among agencies in order to meet specific and different mission needs.

OPM works with agencies to clearly identify resource and succession planning needs during the biennial process to allocate new SES, senior-level (SL), and scientific and professional (ST) positions to agencies, and to approve appointments of new career and non-career SES members.

3. Qualifications Review Boards are intended to safeguard merit principles in SES hiring. However, some agencies and applicants question how much value they add to the process. Your testimony states that OPM is leading a working group to examine improvements in these Boards. Please elaborate on your efforts, as well as any benefits you believe the Boards add to the selection process.

The Qualifications Review Board (QRB) is critical to helping OPM promote compliance with merit system principles and to ensuring – throughout the resource challenges of the current economic times – that the Federal Government manages available resources most effectively, including by appointing executives with strong leadership competencies. The QRB provides pre-appointment confirmation that SES candidates possess the basic executive core qualifications (ECQs) determined to be critical for Federal executives. These competencies include the following: Leading People, Leading Change, Results Driven, Business Acumen, and Building Coalitions. An additional 28 competencies further support the five ECQs. The QRB helps achieve consistency across the Federal Government in the selection of the SES cadre, which was intended to serve as a corporate Government resource. The QRB's focus on ECQs also supports the original vision of SES Governmentwide mobility by ensuring SES members have transferable leadership competencies across agencies and executive positions.

The President's Management Council has commissioned a group of cross-agency representatives, with expertise in the QRB process, to develop recommendations to help OPM further strengthen consistency within the process, while fostering applicant-friendliness and reducing the administrative burden to Federal agencies. OPM has already begun implementing some initial improvements, including updating the documentation and instructions provided to SES members serving on the QRBs to ensure they are as prepared to serve as possible. Other efforts are also being developed, such as creation of a standing group of SES members to serve on QRBs for a specified period of time to support greater consistency in decisions and a greater level of experience with the documentation being reviewed.

OPM is currently reviewing additional innovative ideas to assess their feasibility under current laws and regulations. OPM has benefited from this collaboration with agencies and will certainly move forward along the appropriate avenues to pursue improvements that will significantly improve the QRB process.

- 4. I appreciate that OPM through the President's Management Council is working to directly engage Senior Executives on implementing the GPRA Modernization Act. I believe Senior Executives' input will be critical to the success of this new law. Please tell us more specifically how the Administration is engaging Senior Executives on implementing this legislation.**

OPM is strongly supportive of the GPRA Modernization Act. As an agency, OPM continuously seeks ways to drive progress on our current near-term High Priority Performance Goals, which are now required by the Act as well as Administration policy and to innovate, operate ever more efficiently, and save money. Also, we are working closely with the CHCOs to use goals and measures for smarter human resources management and to align those efforts with agency strategic goals and annual performance goals, especially those that are priorities. Moreover, we have begun exploring with OMB ways to strengthen career development and nurture the skills Federal employees will need to implement the GPRA Modernization Act effectively. In addition, at OPM, we have just named a new Chief Operating Officer and Performance Improvement Officer as required by the Act. Specific information on implementation and outreach efforts to senior executives across the Government concerning other aspects of this Act would most appropriately be provided by the Office of Management and Budget, which is leading Governmentwide efforts to support the Act.

- 5. Do you believe that joint experience – either between sectors or agencies – should be required for entry into the SES?**

Interagency or other broadening assignments could be used to help employees gain experience needed to fill SES positions, especially those designated as National Security Professional (NSP) positions. However, OPM recently completed an analysis that

reaffirmed the five Executive Core Qualifications (ECQs) used in the selection of SES members, but did not indicate joint experience should be required for entry into the SES. This does not mean that other qualifications could not be considered, if supported by an analysis establishing their relationship to successful performance.

One of the working groups formed as part of the President's Management Council's SES Initiative is currently implementing a recommendation to create a pilot program with agencies to enable rotations for high-potential employees at the GS-13 to GS-15 levels. The objectives of the pilot are to expand "joint duty" experience for potential future agency leaders, as well as to provide high-level, meaningful assignments to expand management skills and cultivate a diverse rising generation of potential SES members with broad organizational experience.

In November 2008, OPM issued a memorandum to agencies on Guidelines for Broadening the SES. The memo encourages agencies to develop policies and programs to ensure continual development of their senior executives, including developmental opportunities and rotational assignments to different agencies to gain a broader perspective across Government.

The memo encourages SES members to pursue developmental opportunities at least every 3 to 5 years to broaden their perspective. These developmental opportunities include the following:

- details to another agency or to an outside organization using the Intergovernmental Personnel Act authority
- sabbaticals; and
- rotations to new executive positions.

6. OPM keeps data on the number of women and ethnic minorities in the SES. Is similar data available for other groups, such as people with disabilities?

As of September 2010, according to the Central Personnel Data File (CPDF) at OPM, of the total number of individuals in the SES, the statistics for individuals with a disability in the SES are as follows: 29 had an unlisted disability; 263 had a non-targeted disability; 36 had a targeted disability; 7,284 had no disability; and the disability status was unknown for 293 employees in the SES.

**Post-Hearing Questions for the Record
Submitted to Ms. Carol Bonosaro
From Senator Daniel K. Akaka**

**“Strengthening the Senior Executive Service: A Review of Challenges Facing the
Government’s Leadership Corps”
March 29, 2011**

1. You recommend that performance awards be counted for SES retirement annuity calculations because they are an integral part of the SES compensation system. As you know, bonuses are generally not included in retirement calculations. Please elaborate on how differences in the SES pay system justify treating performance awards differently?

SEA Response:

There are many differences between the General Schedule (GS) and Senior Executive Service (SES) systems that often favor GS employees. For instance, GS employees receive locality pay, compensatory time and overtime, and within grade increases. Locality pay was removed from the current SES system that was implemented in 2004 and Senior Executives have never received compensatory time, overtime pay or within grade increases. In fact, performance awards were part of the “increased reward for increased risk” premise of the SES; they were intended to compensate for the lack of within grade adjustments and also the increased risk that Senior Executives take on when they enter the SES.

The precedent has already been set in terms of treating the SES differently from the GS, often to the disadvantage of Senior Executives. Therefore, including performance awards in the high-3 annuity calculations for SES members would be in keeping with recognizing the SES as a very distinct personnel system. Further, there is precedence for exceptions with regard to retirement calculations. For example, special pay for VA nurse executives (up to \$100,000) can be counted toward their retirement, as can the special pay for VA pharmacists (up to \$40,000).

Finally, over the years, performance awards have become a significant part of a Senior Executive’s salary that is at play each year based on performance. Just as adjustments to the base salary of a Senior Executive are discretionary, so are performance awards; both are integral to the SES pay for performance system. In a climate where recruiting well-qualified GS-14s and 15s is becoming increasingly difficult, counting performance awards toward the high-3 would provide a strong incentive to SES candidates and would help address recruitment challenges.

2. In SEA's 2009 survey, respondents cited forced geographic relocation as a reason they were reluctant to join the SES. Roughly 75 percent of Senior Executives work in the Washington DC area. If employees were given the option to rotate locally, do you believe that would ease those concerns?

SEA Response:

As provided for in 5 U.S.C. §3395, Senior Executives may already be reassigned to any SES position in the same agency or to another agency (in the same commuting area) as long as written notice is provided at least 15 days in advance. Senior Executives may also be reassigned geographically provided that certain notification rules are followed. What SEA is concerned about are proposals that would require transfers and reassignments as a precondition to entry into the SES or as a program for current Senior Executives. As discussed in SEA's testimony, any required mobility program should be clearly communicated and made available with a phase-in period for those affected to meet the requirement.

Further, at the Department of the Navy, for example, executives are able to cite personal family difficulties which would result from a geographic move, and those are taken into account when reassigning executives. Not every agency follows this practice, however, and there is no requirement that they do so.

3. You testified that Qualifications Review Boards add an independent layer of review to make sure merit principles are followed. There are some, however, who have been critical of the Boards. Do you think there are ways to improve the QRB process?

SEA Response:

SEA understands that much of the criticism of QRB's stems from the additional time a QRB adds to the hiring process (an average of two weeks) and an argument that there is no "value added." It seems to us that agencies simply do not want stringent oversight of candidates and believe they should be trusted to hire whomever they choose. SEA feels strongly that QRBs are essential to ensure that selections follow merit principles and that candidates are able to meet the rigors of SES positions and are appointed without political influence.

However, the following are suggestions for QRB improvement:

- QRBs are composed of volunteers from within the SES. OPM can utilize volunteers more effectively and provide them with guidance once QRBs are convened. OPM could develop a calendar system that allows Senior Executives to

volunteer for QRBs as they have availability or devise a system similar to a jury pool for selecting members for QRBs.

- OPM should require Senior Executives to serve for a specified period of time (e.g. for three successive Boards) to provide some continuity to the process.

**Post-Hearing Questions for the Record
Submitted to Mr. Max Stier
From Senator Daniel K. Akaka**

**“Strengthening the Senior Executive Service: A Review of Challenges Facing the
Government’s Leadership Corps”
March 29, 2011**

1. You suggested that a Government-wide audit of the SES be conducted to make sure that current positions meet the goal of having a corps of senior managers. As you can imagine, this may lead to some agencies reclassifying certain SES positions while others may not. What are your recommendations to guarantee uniformity in the way agencies conduct this audit?

Response: Uniformity in the way agencies conduct the recommended audit of their SES position will only be possible with clear guidance to each agency on how the audit should be conducted and the criteria that should be applied during that audit. One vital element in the criteria to be applied should be a determination of whether the ability of an incumbent to do the job is or would be enhanced by interagency/departmental experience and/or experience in multi-functional roles (for example, budget, acquisition, human resources). If it is determined that ability to carry out the duties and responsibilities of a particular position is unaffected by cross-agency or cross-department experience or by experience in different functional areas, that position should not be in the SES. In short, a requirement for career mobility should be a defining characteristic of a position classified as an SES position.

Note: The value of cross-agency or cross-department experience has previously been recognized in statute in the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Public Law 99-433) for senior ranks in the military. In addition, the Intelligence Reform Act of 2004 recognized, in statute, the value of mobility (joint-duty experience) for those aspiring to be members of the SES in the Intelligence Community. Subsequently, Executive Order 13434 contained a framework to provide lower level security professionals access to the type of experience opportunities that would later enable them to meet the joint-duty requirement for advancement to the SES.

Finally, below are a few thoughts with regard to the logistics of ensuring uniformity across agencies in determining which of the current SES positions should be reclassified to a non-SES position.

Each department and agency will need to exercise judgment in determining which of its current Senior Executive Service (SES) positions are not truly part of the type of mobile leadership corps the SES was envisioned to be and, therefore, are more appropriately designated as a Senior Level (SL) or Scientific or Professional (ST) position. However, consistency in those judgments can be provided by the following:

1. OPM and OMB should issue clear, joint guidance to each agency head that articulates the goal of the audit and the criteria that are to be used in making the judgments. The criteria, of course, should be consistent with the current guidance in law and regulation but also emphasize the distinction between SES and Senior Level (SL) or Scientific or Professional (ST) positions. It will help to have examples of positions that are properly classified as SL positions that have management responsibility but which do not carry with an expectation, for example, that the incumbent will have cross-agency, cross-department, or cross-function experience.
2. The audit guidance should also make it clear that any position that is determined to be an SES position should also carry with it the expectation that in order to be hired into that position, candidates will have broad and varied work experience. It should be understood, for example, that someone who has spent their career in one functional area in one organization and who might be a good candidate for an SL or ST position is unlikely to be the best candidate for a SES job in that same organization.
3. When auditing an SES position for which there is a current incumbent who has had limited or no experience outside the immediate organization or function, the outcome of the audit should be in two stages: a) a determination of whether the position itself is appropriately an SES position; and b) if the position is determined to be an SES position then the incumbent should be given an opportunity to expand their experience base through reassignment or details to other SES level positions or consideration should be given to reassigning the individual to a different position in the organization that is classified as an SL or ST position.
4. There should be no actual or perceived penalty or reward for moving from an SES to an SL or ST position. For example, if an audit finds that a current SES job is more appropriately an SL or ST job, the incumbent of that position should experience no loss in salary or benefits when the job is reclassified.
5. OPM should be prepared to do selected post-audits of the agency determinations and agencies should be aware that those post-audits will be conducted and the results made public. In addition, when agencies submit their biennial requests to OPM for new SES positions under the provisions of 5 USC Section 3133, OPM's consideration of those requests should include a specific examination of whether the requested position(s) are more appropriately classified as SL or ST positions.
6. In addition, there should be an automatic review when a position is vacated to determine whether the position should continue to be an SES job or reclassified to an SL or ST position to better reflect the plans for that position going forward (for example, the talent pools to be used for recruitment or the factors to be emphasized in the selection process).

