

Toward a 21st Century Public Service: Reports from Four Forums

Mark A. Abramson, Editor
The PricewaterhouseCoopers Endowment
for The Business of Government



Participating Organizations:



The PricewaterhouseCoopers Endowment for
The Business of Government

About The Endowment

Through grants for Research and Thought Leadership Forums, The PricewaterhouseCoopers Endowment for The Business of Government stimulates research and facilitates discussion on new approaches to improving the effectiveness of government at the federal, state, local, and international levels.

Founded in 1998 by PricewaterhouseCoopers, The Endowment is one of the ways that PricewaterhouseCoopers seeks to advance knowledge on how to improve public sector effectiveness. The PricewaterhouseCoopers Endowment focuses on the future of the operation and management of the public sector.

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January 2001

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Foreword

January 2001

Over the last 18 months, The PricewaterhouseCoopers Endowment for The Business of Government has been very pleased to support four forums, all aimed at examining the future of the civil service. In this report, *Toward a 21st Century Public Service*, recommendations stemming from these four initiatives are brought together in one volume.

The message from the four forums is clear: Dramatic change is needed in the way the federal government recruits, retains, develops, and rewards its public servants. With a new administration taking office, the time is now ripe to begin making changes in the nation's civil service systems. *Toward a 21st Century Public Service* includes recommendations for change in both the civil service and the Foreign Service personnel systems. In reviewing these recommendations for change, one is struck by the similarities of both the problems facing each system and the potential solutions.

A common theme from all four forums is the importance of moving toward a "human capital" approach to human resources in government. In this approach, people are viewed as "assets" rather than "costs." We strongly support the efforts of David M. Walker, Comptroller General of the United States, to make human capital a major issue for government.

We believe that now is an opportune time to begin major civil service reform, and we trust that this report will be helpful to the new administration as it examines this crucial issue.

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Introduction

By Mark A. Abramson

The time is *now* for major civil service reform. Over the last several years, there has been a dramatic increase in interest in reforming civil service. There is no shortage of ideas and recommendations. The PricewaterhouseCoopers Endowment for The Business of Government has participated in four forums during the past 18 months in which public servants, academic experts, and business leaders all came together to examine the future of public service in the 21st century. Participants expressed concern as to whether government was equipped and prepared to deal with human resource challenges in the decade ahead. There was concern about the ability of government to compete with the private and nonprofit sectors to get the right people with the right skills at the right time. Questions were raised as to whether our current civil service systems will be adequate to meet this challenge.

As an outgrowth of the four forums, recommendations were prepared for review by the new administration. This report contains nearly 50 recommendations. The appendix includes more than 20 additional ones stemming from two other recent reports. The goal of this report is to stimulate and encourage discussion and action on reforming our civil service systems.

Readers of this report will find remarkable agreement among the different groups and organizations that developed these 70 recommendations. All agreed that dramatic reform was needed now. There also appears to be a developing consensus around specific problems that must be addressed by the new administration. There is wide agreement that the following improvements are needed:

- An increase in workforce planning;
- Reinvention of the human resource professional;
- Reform of the recruitment and hiring system;

Excerpts from *Toward a 21st Century Public Service*

Many in the federal community now believe that the federal government faces a leadership crisis. Participants at the Summits expressed concern about the viability of the current civil service system, particularly in the face of the potential exodus of senior managers throughout the federal government by the year 2005.

Report from the Federal Leadership Summit Conferences, page 7

In the course of a wide-ranging discussion... it was apparent that the Foreign Service faces an acute crisis. Inflexible bureaucratic structures, inadequate workforce planning, a lack of vision and career mission, and a workplace environment which was perceived as uncaring are all factors that have contributed to the current crisis.

Report from the Belmont Forum, page 17

Ensuring that the federal service of the future has the flexibility, the vigor, and the focus to be effective is a formidable task. It involves new analyses of some of the most closely held tenets of federal service: merit, the statutory bases of the current system, the ideas of risk, reward and accountability in the public service. Without attention to the task, effective government is at risk.

Report from the Wye River Forum, page 24

- Compensation reform;
- An increase in training and development programs; and
- Greater attention to the retention of employees.

The Road Ahead

In reviewing these 70 recommendations, the new administration faces two different, but not mutually exclusive, paths on which it can embark:

Path One: Start Over — Create a New Civil Service for the 21st Century. There is a growing segment of the federal workforce that believes we must start anew in rethinking a civil service for the 21st century. The Pendleton Act, which created much of the current civil service system, dates back to 1883. While it has been reformed often since, many believe that a new model and new system is now needed. One of the major decisions the new administration will face is whether to embark on this difficult and challenging, albeit potentially very worthwhile, path.

Path Two: Substantially Reform the Existing System. Path two is equally challenging and fraught with difficulty. It is to make substantial — not minor — changes in the current system. Following this path will require many changes to the existing system, but would not attempt to “start over.” The question facing the new administration is whether a series of incremental, fine-tuning changes will create the substantially strengthened civil service that will be needed for the 21st century.

The new administration will also face crucial decisions about whether to encourage human resource reforms, including different pay scales, for individual agencies or professions. Without comprehensive reform along the lines of path one, there is likely to be growing demands for action to solve agency and profession-specific problems. There are differing points of view as to the advisability of continued or expanded agency and profession-specific reforms.

The two paths outlined above are not mutually exclusive. The new administration could initially embark on path two, while beginning to consider

longer-range alternatives to the current civil service along the lines of path one. Whichever course of action the new administration decides to pursue, it must do so immediately to demonstrate its concern for the urgency of the problem. There was a strong sentiment in all the reports that a “business as usual” approach is no longer appropriate. A sense of urgency is now needed to begin to address many of the concerns outlined in these reports. Specific actions are recommended to begin a needed renewal of the civil service system.

While one might differ on specific recommendations, the value of this report can be found in the questions that were asked in each forum. Is our current civil service system viable for the future? Will government be able to compete in the “war for talent” with the private and nonprofit sectors? What will be the impact of technology on the types and number of civil servants required in the future?

It is our goal that this report not be viewed as the “final word” on this important set of issues. It should be viewed, instead, as the start of an important dialogue about the future of the civil service and the capability of government to perform effectively in the years ahead. The challenge before the new administration is clear: It must now begin a reexamination of the nation’s civil service. As this report demonstrates, there is much support for such an examination.

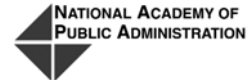
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Report from the Federal Leadership Summit Conferences

Summit I: June 6, 2000
Kennedy Center
Washington, D.C.



Summit II: October 20, 2000
Westfields Conference Center
Chantilly, Virginia



Introduction

Over the past year, the following organizations — Management Concepts, the American Society for Public Administration, American University, the Council for Excellence in Government, the National Academy of Public Administration, and The PricewaterhouseCoopers Endowment for The Business of Government — have sponsored two Federal Leadership Summits. Nearly 200 individuals participated in either one or both of the Summits. Participants included federal executives, senior congressional staff members, representatives of non-profit organizations and professional organizations, and the private sector. Based on these two one-day conferences, this Report has been prepared to share the issues and recommendations that were raised in both Summits.

Many in the federal community now believe that the federal government faces a leadership crisis. Participants at the Summits expressed concern about the viability of the current civil service system, particularly in the face of the potential exodus of senior managers throughout the federal government by the year 2005. New mandates for accountability have also changed the pace and level of information that managers require and the skills they will need to manage and use it.

We have divided our recommendations into two parts. Part I consists of recommendations focused on human capital issues. Part II consists of recommendations aimed at rethinking broader workforce needs and reviewing basic assumptions built into the system as it exists today.

We recognize that much work will be needed to further develop each of the recommendations contained in this Report. Our goal, however, was to provide the new administration and the new Congress with insights into actions that they can take to improve the management of government. Participants in the two Summits brought many years of experience and firsthand knowledge to the development of the recommendations contained in this Report. We hope that the incoming administration and Congress will find it both helpful and useful.

We respectfully set forth these recommendations in the interests of improving our federal government. To keep this important dialogue going, we welcome all comments and feedback on this report through our website: www.FederalLeadership.net.

Part I: Human Capital Issues

Leadership for Human Capital

Participants at the two conferences argued that the federal government should quickly move toward a “human capital” approach to federal employment. In this view, employees are seen as “assets,” rather than costs. It was believed that this approach would enhance the prestige and value of public service, as well as help in recruiting and retaining federal employees.

There was agreement that leadership on these issues is clearly needed in the federal government. There was disagreement, however, on who in the executive branch should deal with the perceived crisis in federal employment. Some participants argued that the Office of Personnel Management (OPM) may no longer be positioned to lead. Others expressed the view that OPM needs to assume a greater leadership role, while at the same time delegating more authority and flexibility to agencies for workforce planning and management. Participants recognized that the Office of Personnel Management has made many significant reforms in recent years, but that change is now needed at a much more rapid pace.

Recommendation 1

The President of the United States must appoint an individual to take a leadership role in examining and developing solutions to the current crisis in

public service. This role would include “educating” key stakeholders — such as presidential appointees, members of Congress and congressional staff, agency executives — on the “human capital” approach. Potential candidates for such a role include the director of the Office of Management and Budget, the deputy director for management at the Office of Management and Budget, the director of the Office of Personnel Management, or the chair of a specially appointed commission or task force responsible for this examination. It was also advocated that this individual work closely with the Congress in the examination and development of solutions to the current crisis.

Restoring Prestige to and Enhancing the Value of Public Service

A second major concern of participants at the two Federal Leadership Summits was that public service had lost much of its prestige in recent years. This declining perception affects the morale of those currently in public service and the government’s ability to attract new employees.

Recommendation 2

The individual selected to lead the reexamination of federal service should also lead a government-wide initiative to enhance its prestige with the goal of conveying the value of public service to the nation. This initiative might couple a nation-wide public relations campaign with an ambitious effort to actively recruit new blood into government.

Leadership and Management

Participants at both Summits agreed the “leadership crisis” in government requires that the government develop a new generation of leaders. Participants also expressed the view that the government should emphasize management skills for its executives.

Recommendation 3

The federal government should create a “leadership culture” throughout government, making senior leaders accountable for results at all levels. This change will infuse a philosophy that leaders are assets to public service. Senior leaders, acting as stewards of selection for both career and non-career positions, will serve on selection panels comprised of cross-agency, private sector, and other

leaders and will be charged with selecting and developing a diverse pool of leaders through broad and challenging education and experience. Selected current and retired leaders will mentor and coach emerging leaders, becoming the bow wave of the leadership crisis team.

Recommendation 4

New standards for the management and leadership of the civil service must be developed. Good management should be rewarded and recognized; promotions should be based on merit, not longevity. Future leaders should be identified early, with leadership tracks including both more training and innovative experiences, such as sabbatical exchange programs with the private sector.

Making Recruitment and Retention a High Priority in the Next Administration

There was agreement that the federal government should develop a comprehensive recruitment strategy to attract workers, identify top candidates, and make it easier for government to hire the people it needs. Participants agreed that the existing recruitment strategy is broken and implemented unevenly throughout the government. While recruitment should be a major priority, participants also felt retention was equally important.

Recommendation 5

A comprehensive recruitment strategy is needed for government. To attract top performers to government service, the government needs to become a more attractive employer. Potential innovations might include: scholarships for college students in exchange for a commitment of a certain number of years of government service, student loan forgiveness for college graduates entering government service, or a federal tax credit for federal service.

Recommendation 6

The Office of Personnel Management should assist agencies in identifying top candidates for federal employment. This can be accomplished through: an advertising strategy targeted to young people, launching an active recruitment program, including sending political appointees and senior executives to campuses to speak to students, developing a high school/college pipeline for federal service,

identifying recruitment best practices across the government, and piloting a referral program through which existing government employees can recommend candidates.

Recommendation 7

The hiring process must be dramatically improved, shortening it to compete more effectively with the private sector for employees and to make it easier to hire people quickly and with fewer “hassles.” Reforms might include: reducing the length of time to apply for federal jobs, enabling on-the-spot offers to college hires for all agencies, and increasing flexibility around starting salaries, and promoting wider use of recruitment bonuses.

Of all the recommendations contained in this report, Recommendation 7 registered the highest level of support and agreement that this change would have a major impact in improving government.

Recommendation 8

The Office of Personnel Management should inform agencies of existing mechanisms to recruit individuals to fill special, temporary needs and develop additional means for such recruitment. Mechanisms include: non-competitive hiring authority for urgent needs, the authority to hire personal service contractors for short- and medium-term use, partnerships, volunteers, and automation as hiring alternatives, and use of dual compensation waivers for retirees during peak periods and for critical needs. This set of reforms registered the second greatest level of support from conference participants.

Recommendation 9

The Office of Personnel Management should encourage agencies with hiring delegation authority to further delegate hiring authority to line managers giving them greater authority for candidate screening and appraising. Such a delegation might better align recruitment with workforce needs.

Recommendation 10

A comprehensive government-wide strategy to retain employees is needed. Concurrently, departments and agencies should also develop their own retention initiatives, such as: retention bonuses to be paid to critical occupations, and increasing non-

monetary rewards and incentives, such as flexible work schedules, telecommuting, child care, physical fitness centers, etc., access to continuing education, and increasing the availability of job rotation and developmental assignments.

Greater Flexibility and Enhanced Workforce Planning and Forecasting Systems

While Summit participants called on OPM to take a greater leadership role, they also recommended that OPM give greater flexibility to individual agencies. In particular, they proposed that agencies increase the use of workforce planning and forecasting systems to anticipate future human resource needs.

Recommendation 11

Both the Office of Personnel Management and individual departments and agencies should establish workforce planning and forecasting systems that are linked to agency strategic plans. The systems would collect and analyze workforce information, which would then be organized into integrated databases. OPM should encourage agencies to share workforce planning and forecasting best practices and resources with each other.

Recommendation 12

The Office of Personnel Management should provide greater flexibility to agencies in managing human resources. To give agencies discretion and flexibility to meet their own human resource needs, the role of OPM would shift to articulating government-wide values while enabling all departments and agencies to develop their own alternative personnel systems to reflect those values. Under this flexible approach, agencies would have greater authority to:

- implement pay banding systems or other non-traditional personnel systems,
- develop their own classification systems,
- use “gain-sharing” or similar incentive systems as part of their own performance management system, and
- establish incentive systems to meet mission needs.

There was a high level of agreement on Recommendations 11 and 12.

Rethinking/Redefining the Role of Human Resource Offices

There was a growing realization at both Leadership Summits that the role of the traditional human resource office in government must change to meet the demands of the recommendations contained in this Report. Summit participants agreed that human resource systems need to be reformed to make the entire system more effective. There was consensus that agencies need to develop new HR information technology systems with a seamless interface that enable them to do their job.

Recommendation 13

The Office of Personnel Management should take the lead in working with agencies to refocus their human resource offices. This leadership would include:

- developing an HR best practices database and encouraging agencies to facilitate innovation,
- developing HR staff competencies to transform HR staff into strategic partners and valuable resources,
- encouraging HR offices to play a key role in their agency’s strategic planning process,
- adjusting performance standards, accountability, rewards, and incentives for HR staff,
- working with agencies to devise long-term training strategies (including distance learning via the Internet) that link training and development with the agency’s strategic plan, and
- developing ways to measure the “the return on investment” for HR programs and to better analyze and monitor HR initiatives.

Recommendation 14

The Office of Personnel Management should foster knowledge management across government. This would be a new role for OPM and for other human resource organizations. OPM should develop a systematic approach to knowledge management that enhances learning and helps agencies preserve corporate memory and share information. The knowledge management strategy should be linked to the agency’s overarching business strategy. Performance measurement and recognition systems should sup-

port a knowledge sharing culture. Knowledge management can improve the consistency of knowledge services delivered by the agency and can compensate for increasing turnover by accelerating the learning curve for new employees. While not a traditional human resource role, knowledge management is likely to become increasingly important in the decade ahead.

Rethinking Current Reward Systems in Government: Moving Toward Performance Management

There was also strong sentiment that the current reward systems in government need substantial reform. While some progress has been made in recent years, participants felt that government must move toward a true performance management system fully compliant with the Government Performance and Results Act and linking performance management to agency mission.

Recommendation 15

A review is needed of government's current performance management system, with an aim to develop and implement a new system that rewards high performers and holds poor performers accountable.

Recommendation 16

The Office of Personnel Management should assist agencies in creating performance criteria — for individuals, teams, departments, and organizations — linked to agency annual performance plan goals. Agencies should measure performance against those criteria and establish rewards for exceeding and consequences for failing to meet these criteria.

Recommendation 17

The Office of Personnel Management should assist agencies in developing results-oriented, competency-based individual development plans. Personnel performance evaluations should be linked to agency mission and program goals, and should include a 360-degree evaluation. As a result of these performance evaluations, compensation should not be based on length of service, but rather should reflect performance, competency, and/or competitive market analysis.

Part II: Systemic Issues

Federal Leadership Summit participants agreed that systemic issues, integral to leadership performance and accountability, should also be addressed. They recognized that without corollary initiatives, many of them broadly stated here, an integrated solution would not be possible. Hence, they examined distinct but related functions — from the roles and responsibilities of political appointees; to the need for the Executive Office of the President to advise the President on structural and management issues; to the need to continue and support procurement reform, budget reform, and technology (e-government) initiatives; to the need to support and enhance the spirit of citizen-centric government.

There was strong agreement among participants that systemic issues as outlined below — procurement, budgeting, and technology — are foundation systems that must be buttressed.

For the Office of Presidential Personnel

Recommendation 18

The new administration should require all political appointees to attend mandatory training. This training would cover topics such as the Government Performance and Results Act; ethics and conflicts of interest; the role of the chief financial officer, the inspector general, and the chief information officer; congressional relationships and relationships between career staff and political appointees; interface with media and constituent groups; e-government, and other major issues. New members of Congress should be invited to attend on a voluntary basis.

Recommendation 19

The new administration should set qualifications and minimum performance standards for political appointees and should monitor performance and accountability to the President or head of an agency.

Recommendation 20

The new administration should use an independent, nonpartisan group to assess the role and number of political appointees with a view to improving the quality and reducing the number of political appointees.

Recommendation 21

The new administration should create opportunities for new political appointees to meet with career employees as soon as possible. Participants also recommended that career executives work with the political transition teams.

For the Executive Office of the President**Recommendation 22**

The President will be faced with decisions on the organization or reorganization of the federal government, including assigning, combining, and eliminating functions. Because few knowledgeable resources are available to advise the President on these matters, we recommend that the new administration reestablish this capability in the Executive Office of the President.

For the Office of Management and Budget**Recommendation 23**

The Office of Management and Budget should allow agencies to manage their workforce by payroll dollars rather than number of full-time equivalents (FTEs).

Recommendation 24

The new administration should continue the acquisition reform process to enable a user to acquire needed goods and services in a more effective manner, while retaining responsibility and accountability for purchase decisions. Among the recommendations for systemic changes, this recommendation garnered the strongest level of support.

Recommendation 25

To measure and evaluate the results of federal programs and achieve accountability for the results, the budget process needs to be reformed. Budgets, financial management, and performance measurement should all be linked. Government needs the capability to measure what it has accomplished and what it cost to do so. The long-range view for budgeting should include capital budgeting for long-term investments. Baseline budgets should be set over the long term. Two-year budgeting should also be considered. Summit participants voiced strong support for this recommendation.

Recommendation 26

Federal leadership is missing the opportunity to use technology to improve its capability to deliver its mission. To help leaders at all levels understand how to employ technology, the new administration should add to federal leadership training programs information on best practices in the use of information technology (IT) within and outside government and provide a place where executives can ask questions about IT.

Recommendation 27

The new administration should increase the interaction of government with citizens, non-profits, and private entities. The new administration should adopt a citizen-centric framework, reflected in the skill mix of federal employees, in new legislation, and in the use of technology to enhance customer services. The government should promote greater citizen participation and accountability through the use of technology. The new administration should revisit laws and regulations to reflect the appropriate role of government in a citizen-centric framework.

For the Executive Branch and Legislative Branch**Recommendation 28**

Summit participants believe that executive and legislative relations have deteriorated in recent years, inhibiting the effectiveness of the government. To reverse this state of affairs, they recommended that there be a statement of policy that the two branches of government should approach each other with respect and dignity. Both branches should promote a high level of public disclosure and transparency to bring about understanding and unity. Strong executive leadership will be imperative given the likelihood of continuous narrow majorities in both Houses. The President should meet early and routinely with the leadership of both Houses to promote cooperation and to signal the importance of reaching consensus on legislation.

Federal Leadership Summit Conference

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Report from the Belmont Forum

A New American Diplomacy:
Requirements for the 21st Century
October 1-3, 2000
Elkridge, Maryland
Belmont Conference Center



Introduction

The National Policy Association in collaboration with the American Academy of Diplomacy sponsored a three-day Thought Leadership Forum on October 1-3, 2000 entitled "A New American Diplomacy: Requirements for the 21st Century." The Forum, funded by The PricewaterhouseCoopers Endowment and the Una Chapman Cox Foundation, was held at the Belmont Conference Center, formerly the home of Ambassador David Bruce, one of the foremost architects of American foreign policy in the Post-War period. The Forum brought together 27 present and former government leaders and diplomats, business executives and academics. Its goal was to explore the changing dynamics of diplomacy and the human resources required to carry out America's global leadership responsibilities against the background of a rapidly expanding agenda, growing technological challenges, and evolving societal norms and career patterns.

Foreign affairs practitioners and the military establishment recognize that diplomacy is and should remain America's first line of defense. In a world of proliferating crises on every continent and with the challenges of transnational and global issues, the United States is called upon by virtue of its military

and economic power, the saliency of its values, and its commitment to democracy and free market economics to play an increasingly active role in the world. That role requires a vigorous, well-funded and broadly based Foreign Service. At the present time America does not have a diplomatic establishment which is either adequately funded or with sufficient public and congressional support to carry out its growing responsibilities.

During the past two years several different groups have studied American Diplomacy: the Stimson Center, The Center for Strategic and International Studies (CSIS), and the United States Advisory Commission on Public Diplomacy. Their published reports, which focus on the requirements for 21st century diplomacy, received limited publicity, notwithstanding the eminence of the steering groups that supported their findings. Most recently, the Overseas Presence Advisory Panel, the Kaden Commission, appointed by Secretary Albright, in addition to focussing on issues of security and ambassadorial authority, highlighted the urgent need for institutional change in the State Department and for greater resources for personnel, security, and information technology. None of these reports' recommendations obtained substantial sup-

port from the Congress or the media. The next administration will undoubtedly be called on to address many of these questions again.

This Thought Leadership Forum did not duplicate the work of the earlier studies, but rather sought to build consensus on an action plan for the next administration by concentrating on the specific steps needed to create a 21st century Foreign Service which would be broadly based, technically competent and consistent with the changing social and career patterns in American society. In particular, the Forum examined the Foreign Service's recruitment and promotion process, its training needs (specifically the need for leadership and management training) and issues associated with the retention of a cadre of worldwide available officers. The Forum concluded that a reformed and modernized diplomatic service can and should be America's first line of defense.

Forum Recommendations

In the course of a wide-ranging discussion, which included interaction with Foreign Service Officers at junior, senior and mid levels, it was apparent that the Foreign Service faces an acute crisis. Inflexible bureaucratic structures, inadequate workforce planning, a lack of vision and career mission, and a workplace environment which was perceived as uncaring are all factors that have contributed to the current crisis. Finding a solution, however, proved difficult. One option, supported by several participants, is to revamp the system completely, perhaps by merging the existing Foreign Services in the Departments of State, Commerce, and Agriculture, and the U.S. Agency for International Development, clearly defining the profession of diplomacy and creating a new, unified Foreign Service consistent with the changing world environment and America's role in it.

A second, and obviously easier option, is to improve the existing system through clearly focussed measures to enhance recruitment, advancement and retention. Even if this option were to be adopted, a redefinition and updating of the mission of diplomacy would still be urgently needed. There was agreement at every stage, that the Department must engage in rigorous workforce planning if it is to resolve the current crisis in the Foreign Service. The incoming administration

should, at an early date, engage in an intensive review of all recent reports from the Stimson Center, CSIS and the Overseas Presence Advisory Panel and create taskforces to bring about rapid implementation of specific recommendations of these reports and those emerging from the Forum.

Recruitment

The discussion of recruitment proceeded from an assumption that the United States needs a corps of career professionals whose work can be complemented by specialists as necessary. Participants focused heavily on the extraordinary anomaly in the Department's recruiting system which denies to examiners and Department management alike, any information about the experience, performance or education of prospective candidates. There was a consensus that some way must be found to "unblindfold" the examiners. There was also consensus that senior Department management should, to the degree possible, be involved in the recruitment process. There was considerably less agreement about retention of the traditional written examination. There was, however, general support for diversifying recruitment mechanisms, including some direct recruitment without a written examination, the use of the Internet to create a continuous examination process, and moving toward the CIA's more decentralized system.

Participants did not discuss mid-level recruitment extensively, although those working outside the Department strongly urged it to be more open to the recruitment of skills at the mid-level as well as at the entry level, and to consider an "in and out" system which did not lock all officers into a 25-30 year career within the bureaucracy. As one participant urged: "Bring the best of the outside world" into the Department.

The Forum recommended that the Department of State:

- 1. Link recruitment closely to workforce management analysis.**

The absence of a detailed and credible workforce management plan seriously inhibits the Department's ability to manage its human resources. Without such a plan, none of the recommended reforms is likely to be effective.

2. Diversify recruitment mechanisms beyond a one-size-fits-all examination system.

For almost fifty years, the Department has relied on an annual Foreign Service examination which has combined multiple choice type questions with an oral assessment. This examination is the basic instrument for entry level admission to the Foreign Service. Over the last two years, there has been limited experimentation with an alternative entry process for government employees, which relies on a written self assessment and the current situational oral examination. Neither mechanism is particularly flexible or based on the skill needs of 21st century diplomacy. Using the Internet as an examination tool might be one possible new recruitment tool.

3. Expand the Alternate Entry Program to include interns and Foreign Affairs Fellows.

The current Alternate Entry Program (AEP) is limited to government employees. While not permanent employees, interns and Foreign Affairs Fellows have already received security clearances and have experience working in the Department and/or embassies abroad. Allowing them to compete under the AEP would add a further degree of flexibility to the entry process.

4. Create a recruitment system, which gives recruiters/examiners adequate information about the experience and academic background of candidates.

For many years, in order to ensure that no racial or other bias entered the recruitment process, examiners have been denied information about the academic performance and work experience of candidates. The result has been that the Department, at the entry level, is unable to recruit against specific linguistic, geographic or functional skill needs, other than those contained within the broad conal categories now used in the examination. No other organization in America recruits without some knowledge about the skills and achievements of aspiring employees.

5. Engage top managers directly in the recruitment process.

Neither the Foreign Service's best and brightest nor the Department's senior managers participate in the recruitment process. Recruitment and examination work is seen as a professional dead end or a low priority use of time. In agencies such as the CIA and in the private sector, recruitment is a priority for senior managers. Without senior management involvement, the Foreign Service's recruitment process will continue to lack dynamism and credibility.

Promotion

Two sets of issues preoccupied the participants: the criteria and the speed of promotion. Again there was consensus that the Department should develop a skill/knowledge matrix for promotion at all levels, particularly at the two critical threshold levels, tenure and entry into the Senior Foreign Service. At these levels there should be clear promotion criteria, experiential requirements and training benchmarks. It was generally, but not unanimously, agreed that there ought to be some possibility of fast track promotions within an overall framework which permitted fairly predictable rates of advancement (for example, by offering promotions after officers had completed the requisite period of time in class). Whatever system was adopted there was a clear preference for stability in promotion numbers based on at least a five-year time horizon.

One of the most stimulating discussions revolved around the question of building into the Foreign Service some form of requirement for "purple suiting", i.e., of assignments to other agencies as a requirement for officers destined for flag rank in the Service. There was also general agreement on the desirability of out-of-cone assignments and of some formal encouragement, if not requirement, to serve on promotion boards or recruitment teams. Since an integral part of the promotion system is the rating system there was strong sentiment for enhancing the integrity of the rating process, through elimination of self-written efficiency reports and the introduction of some form of 360 degree review at least for professional development purposes.

The Forum recommended that the Department of State:

6. Link promotion to workforce planning with a five year horizon.

As in the case of recruitment, workforce planning is a necessary ingredient of promotion management. Past efforts to develop a workforce plan have had short time horizons. Promotion and recruitment numbers have varied widely from year to year. With a five year horizon as the basis for promotion decisions, greater stability would be introduced into employees' career planning.

7. Make the tenure process more rigorous, with demonstrated performance in cone, and where possible, linked to a junior officer rotation program.

Officers may now be tenured in the Foreign Service without ever serving in their professional cone. In virtually all cases, tenuring is based on a substantial amount of consular work, even for non-consular cone officers. Demonstrated proficiency in the officer's chosen field of professional specialization (his/her cone) should be a prerequisite for tenure and the Department's reciprocal commitment to a 25-year subsequent career for officers who achieve tenure.

8. Make the senior threshold process more rigorous with specific requirements for management and leadership training, varied out-of-cone and out-of-agency experience, and service in management related functions such as recruitment, promotion boards, etc.

Officers can, and often do, advance into the Senior Foreign Service without demonstrated leadership or management experience or training. Similarly, although the agenda of American Foreign Policy has greatly expanded in the post-Cold War period, with many new agencies engaged in policymaking and program management, Senior Foreign Service Officers typically have no experience working outside the Department, with the exception of a few select positions in the Office of the U.S. Trade Representative, the National Security Council

and the Department of Defense. Rigorous criteria for entry into the Senior Foreign Service are lacking.

Training

Numerous participants recommended that the Department move away from the use of the concept "training" to the broader concept of "professional development." There was strong support for systematic workforce planning, into which training should be factored. Some participants argued training should be used to meet skills deficits, and that wherever possible the recruitment mechanism should be used to meet the Department's basic skills needs. There was strong sentiment for a mandatory program of professional development, which would include both leadership and management training for all officers, particularly those aspiring to the Senior Foreign Service. This training could be provided in the recently established School of Leadership and Management at the Foreign Service Institute (FSI). Promotion, it was felt, should be dependent on successful completion of training, and managers should be rated on the basis of demonstrated management and leadership skills. It was, however, recognized that in the current resource environment, it was unrealistic to require greatly expanded training if there was not some sort of training "float", equivalent to between 10 and 15 percent of overall staffing levels.

While there was no consensus on specific resource issues, there was a useful discussion of the need to expand the Foreign Service Institute's facilities to include a childcare center, training for eligible family members and the integration into the FSI campus of other off-site training activities.

The Forum recommended that the Department of State:

9. Institute a mandatory program of professional development linked to the promotion process and with requirements for leadership and management training.

The Department has not created professional development plans for any of its officers. There are no training benchmarks for advancement at any level, and professional development is left

to the personal efforts and initiative of individual employees. Neither leadership nor management training is required for appointment to senior “command” positions.

10. Meet its basic skills needs through the recruitment and examination process, with training programs designed primarily to fill skill deficits.

Because the examination process is not designed to recruit to specific skill needs, the Department may rely on the Foreign Service Institute to meet its basic skill needs, such as language, area studies and economics. The development of a more flexible and skill-based recruitment process would enable the Department to concentrate its training efforts on specialized skills and emerging substantive knowledge areas.

11. Develop and seek funding for a personnel “float” of between 10 and 15 percent to ensure that the Department is able to accomplish its mission and fulfill its training needs simultaneously.

Training is currently grossly underfunded, but, even if it were not, the Department does not have sufficient staff to fill all its vacant positions. The result is that, given the operational pressures facing American Foreign Policy, officers can not easily be spared, for either short or long term training assignments. Only a substantial training float, similar to that which exists in the military services, can remedy this situation.

Retention

In various ways, all participants agreed that the surest way to retain talent is by conveying to employees a strong sense of institutional purpose and the importance of their contribution to that purpose. There was equal agreement that the State Department, having lost its monopoly in the world of foreign policy, did not articulate its mission well with the result that employees sometimes felt that they had hitched their fortunes to a sinking ship. Similarly the profession of diplomacy needs redefinition and clarification so that employees have a clear sense of the unique value-added that they provide in the foreign affairs arena. This redefinition is particularly needed given the expanded interna-

tional agenda, the new technologies which impact diplomacy and the changing world of work and career.

Overall, participants were unanimous in the view that it is critically important to give employees work that is valued, recognized and rewarded. Even with a more clearly articulated sense of mission there is obviously a need for greater flexibility in the way in which the Department cares for its personnel. Far too often, participants noted that the Department did not give the impression of being a caring employer. For that to happen it would have to be more flexible about working arrangements, give employees greater choice in areas affecting their private lives, such as housing and education, and look to the interests of spouses, particularly those with non-Foreign Service professional careers.

The Forum recommended that the Department of State:

12. Define more clearly the mission of American Diplomacy and articulate more aggressively the role of a professional Foreign Service within it.

At the heart of job satisfaction is an employee’s recognition of the importance of an institution’s mission and vision and satisfaction with how that mission is to be achieved. Against a background of budget cuts, unfocused leadership and a constantly shifting agenda, Foreign Service Officers have become increasingly uncertain about the role and value of professional diplomacy. Atrophied bureaucratic structures seem to be increasingly out of tune with modern diplomatic roles.

13. Develop programs to relieve employee stress and the pressures of constant crisis work and be more flexible in allowing movement into and out of the Foreign Service.

The private sector has extensive experience dealing with the workplace needs arising from changing family structures and career expectations. Government, in general, and the State Department, in particular, has not taken the lead in encouraging innovative mechanisms such as flexitime and flexiplace. The Depart-

ment has also not been willing to think about careers as a permeable phenomenon, and hence has not been innovative in developing sabbatical programs or in allowing officers to take a substantial break in their careers by working outside of the Department. Under current procedures, once out of the Foreign Service, it is virtually impossible for an officer to return except as a presidential appointee, even if he/she has acquired relevant substantive experience outside the government.

14. Replace the current mechanistic approach to work with one built from the bottom up using team structures.

The Department continues to be an extremely hierarchical workplace. Talented officers working on challenging issues often feel stifled in this bureaucratic environment. The concept of team building is inadequately developed, even though many entrants join the Foreign Service with positive previous experiences in working in decentralized, open workplaces.

15. Pay greater attention to spousal and family needs, particularly overseas; including greater choice about housing, education and employment.

The Foreign Service family now expects that the professional aspirations of spouses, whether inside or outside of the Foreign Service, will be met over the course of a career. Health and education hardships, once an expected part of Foreign Service life, are no longer acceptable given the significant gap between overseas facilities and domestic standards. A complex rules-based allowance system denies employees choice and flexibility and impacts directly on morale and employees' willingness to continue in the Service.

A New American Diplomacy: Requirements for the 21st Century Participants

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Report from the Wye River Forum

People and Performance: Challenges for
the Future of Public Service*

June 27-30, 1999

Queenstown, Maryland

Wye River Conference Center



The Maxwell School
OF CITIZENSHIP AND PUBLIC AFFAIRS
SYRACUSE UNIVERSITY

What are the key challenges for the public sector at present, and what will the future public service look like if it is to meet these challenges? These questions were put to public and private sector leaders at a Thought Leadership Forum held at the Wye River Conference Center in June 1999. The leaders agreed on aspects of a broad vision for the future, and the urgent need for a detailed debate on the transition questions that arose.

Giving Priority to People and Performance: A Federal Public Service for the Future

From June 27-30, 1999, twenty-five leading public and private sector practitioners and scholars met at the Wye River Conference Center in Maryland to discuss the state of the federal merit system and to outline a vision of a system responsive to changes in the labor market and in the delivery of public services. At this meeting there was broad and strong consensus on four major points:

- The people resources of government — its human capital — must be valued more highly and developed more carefully than current practice allows;
- Performance — high performance — must become a way of life and a critical part of the culture of the federal service;
- Strong leadership from both political and career executives must come center stage; and
- Partnerships with unions, with other levels of government, and with other sectors must be front-loaded and focus on mutual goals and performance objectives.

The many ways in which the challenge was perceived and described — a “war” for talent; a palette of choice and opportunity; a mandatory focus on human capital; new competition in a unified and hypercompetitive market; and a necessary re-examination of leadership needs for new challenges — grew from a common foundation. It was this: If government leaders and the public are seri-

* Many thanks to all of the participants of the Wye River Forum, and in particular to the following individuals: Mark Abramson, Melissa Allen, Jonathan Breul, Scott Fosler, Nancy Kingsbury, George Nesterzuk, Robert Lavigna, Ned Lynch, Carol Okin and Ronald Sanders. Thanks also to David Walker for discussing the issues raised at the Wye River Forum in an interview.

ous about demanding better performance from government, they must also be serious about better ideas for the public service. Those ideas include knowing that human capital is an investment to be carefully tended, that performance is deterred by systems that are too complicated and often contradictory, and that responsibility for effective and far-sighted leadership resides with political leaders as well as with other members of the public service. Ensuring that the federal service of the future has the flexibility, the vigor, and the focus to be effective is a formidable task. It involves new analyses of some of the most closely held tenets of federal service: merit, the statutory bases of the current system, the ideas of risk, reward and accountability in the public service. Without attention to the task, effective government is at risk. How to best navigate the move from old to new, while retaining core commitment to the enduring value of effective public service, is not completely clear. The charting requires extensive discussion, collaboration, and consensus.

The leaders at Wye emphasized different priorities in charting the transition, and had different ideas about how to achieve the common goals. However, they shared the unequivocal view that the debate must be engaged now, and must be raised above an incremental discussion of reform to a vision for the future. The purpose of this paper is to engage that debate and begin a process of dialogue between the actors concerned with the issues and future of the public sector.

Changing Markets: New Challenges

The ever-changing global economy, dramatic technological change, and increased expectations about government performance demand new attention to a complex set of public service skills and capacity. The foundation of the public service — its human capital — must be strong, capable, and committed. The presence of this talent cannot be assumed, however. The reality of the marketplace is that a strong competition for talent exists, and the public sector must compete with the private sector for human resources with increasingly complex skills. A recent report from the McKinsey group

placed the issue in stark terms: “What we found should be a call to arms for corporate America. Companies are about to be engaged in a war for senior executive talent that will remain a defining characteristic of their competitive landscape for decades to come.” (Chambers et al, 1999, 44). Competition with other sectors is not new for the public service, nor is it, on its face, problematic. The challenge and value of a public service career remain high. Nonetheless, the government now competes essentially in a single market against a better prepared and more flexible private sector for skills that both must acquire. A leading appointee recently noted: “I would argue that 70 percent of any job will rest with the quality of the people on your team and making sure that the right people are in the right positions to move forward successfully.”

New technology, new ways of organizing work, new means of delivering public services, and an increasing reliance on a temporary workforce have redefined the nature of public work. The structure and systems for acquiring and developing human capital have not kept pace. In Paul Osterman’s terms, “We are in a paradoxical economy... a transition period, from old ways in which the labor market operated — old structures, old systems, old sets of rules — towards a something we don’t yet know...The key to policy is to create a new set of rules, not in the spirit of trying to recreate the old era, but to address the problems of the new era, without undermining the positive elements the new era has brought.”

The problem is made more urgent by an aging workforce, and a looming potential retirement problem at all levels of the federal service. In the next three to seven years, many federal agencies will confront the strong possibility of a significant exodus in both management and executive ranks. Just over 70 percent of the federal government’s career senior executives will become eligible for retirement by the end of fiscal year 2005¹; although the actual retirement level is likely to be closer to 45 percent. This suggests an increase in the annual Senior Executive Service (SES) retirement rate to 6.4 percent in 1999-2005, from 5.5% in 1992-98.

¹ Another 19 percent will be eligible for early retirement. However, early retirement can only be taken by these SES members if their agencies seek and obtain authority from the Office of Personnel Management to offer such retirements and the agencies include SES members among those offered the early retirement option by their agencies’ management.

The potential retirement challenge varies by agency and by occupational specialty within the SES. For instance, the retirement eligibility rates for the Department of Veterans Affairs as a whole, and for its health system administrators, are particularly high. Other critical agencies, such as the Social Security Administration, are likely to have large retirement exits at all levels of the organization.

The challenge of maintaining the right skill mix is made more complex for both public and private sectors by the multi-dimensional nature of the changes in workforce skill and capacity demand. A recent report from the American Management Association (1998, 4), for example, noted that, “As recently as 1995, such factors as restructuring, reengineering, and automation spurred job cuts much more often than they boosted new hiring, but the patterns have changed dramatically. Today, as many companies create new jobs due to restructuring as eliminate jobs for that reason, and a higher percentage cite automation as a rationale for hiring than firing” (1998, 4). The Director of U.S. Office of Personnel Management, Janice Lachance, adds another dimension: “Work processes are increasingly driven by what employees know — the lines between job and learning are blurred.”

The federal government is behind this curve, with many agencies just now beginning to hire following a decade of downsizing. The need to acquire human capital resources with cutting edge skills is an increasing concern. The National Academy of Public Administration’s (NAPA) Center for Human Resource Management reports that “The flow of new, high quality hires in federal departments and agencies has been dramatically reduced, while the age of the workforce and the number of professional and administrative workers has risen... Bringing new ‘seed corn’ into federal agencies is vital” (1999, 19). Does the federal government have the ability to find the right people and to hire them when they are needed? The report concluded: “The continued and dramatic escalation of technological and scientific advances, the resulting changes in how work is done, the new demands on workers and the depressing effects on workforce skills of a

decade of downsizing, buyouts, hiring freezes, and low unemployment have elevated the issues of acquiring and developing entry level workers for the government’s professional and administrative occupations to near crisis proportion” (1999, 1).

Is the Federal Government Prepared?

Merit at the Millennium

For well over one hundred years, the federal public service has been guided by merit principles. Indeed, the federal system is consistently described as a merit system. In many ways, however, the idea of a single merit system is misleading. Multiple employment systems are already in place: the Foreign Service and the Federal Aviation Administration (FAA) do not operate under the Title 5 system. The Internal Revenue Service (IRS) Restructuring Act gave that agency new management and executive flexibilities that the Commissioner declared “absolutely essential” in revitalizing IRS. The most common flexibilities adopted by reinvention laboratories throughout the federal government are related to human resource management. Some federal agencies operate only a few of their human resource management activities under the provisions of Title 5 — for example, retirement. Overall, less than half of federal government employees are under competitive service rules.

A recent study identified eight major ways to hire for professional and administrative positions at entry or early level; government wide examinations (ACWA) were only one of the eight and accounted for less than 1 percent of the hires in the period 1991 — 1998 (NAPA, 1999, 3). Of the new federal hires in April 1999, 29 percent were recruited via the competitive service; 71 percent were recruited through excepted and SES hiring practices.² Of entry level professional and administrative hires in the period 1991 — 1998, The Outstanding Scholar program accounted for 8 percent, OPM non-ACWA hiring 11 percent, agency delegated examining 9 percent, non competitive direct hires 23 percent, and agency internal hires 43 percent. (NAPA, 1999). The sum of

² Of the 40,841 new hires made in April 1999: 11,782 (28.85 percent) were through the Competitive Service; 29,059 (71.15 percent) through Excepted and SES. Source: The Office of Personnel Management, *Federal Workforce Statistics: Workforce and Trends as of May 1999*, 71.

these changes is that merit is complex, multidimensional and very segmented. Leaders and managers must sort through a bewildering set of constraints and choices. “The challenge, and the paradox is to give us the tools to compete in today’s and tomorrow’s hyper-competitive labor market, without compromising on the principles of merit that have served us so well in the past,” observed Ronald Sanders, Chief Human Resources Officer (IRS).

The merit system was created to provide an expert and efficient public service and to provide protection from the excesses and vagaries of politics. The system that evolved, however, is a narrowly described, rigidly defined classification and compensation system. The classification and compensation systems are both the defining characteristics and the dinosaurs of public employment, epitomizing a focus on process and procedures, not excellence in human capital resource acquisition, and not on performance. Nor do they keep key people: Almost one-third of new entrants to professional and administrative positions in 1991 — 1993 had left government service by 1998 (NAPA, 1999).

Despite being ill suited for the tasks of recruiting and managing talent, however, these systems define the current human resources environment. The very strong commitment to tenure that they represent underpins many of the burdensome processes and procedures that detract from performance and from a consistent focus on quality and excellence. The problems are exacerbated by non-strategic and non-performance driven granting of flexibility. Provisions of the Civil Service Reform Act of 1978 and a plethora of smaller reforms adopted since its passage, allow for a variety of flexibilities and exclusions to be granted. However, these are rule-based, not goal- or performance-based flexibilities. There are at least two disconcerting implications of such non-strategic diffusion of human capital management flexibilities. The first is that, as a Brookings Institution study observed, rule based flexibility encourages conformance, not performance (Kettl, et al, 1996, 25). The second is that merit principles, though of continuing significance to an effective public service, are obscured in the clutter.

Human Capital Is an Investment, Not Just a Cost

Together, the weaknesses present in the current system create an urgent need for change in federal human resource management systems — not at the fringes, which has too often been the case in the past, but at their very core. Without change, the civil service can continue to muddle through, using short-term remedies for long-term problems. But, the oft-taken ad-hoc approach in the federal government has created a number of unintended problems in the past. The unplanned outsourcing of service delivery and support functions and a haphazard approach to improving performance are examples. The cumulative result of such decisions has been to diminish capacity to manage performance at a time when it sorely needs redefinition and revitalization.

Referring to members of the public service as “human capital” may seem crass. Public service has long been viewed as having special qualities and as presenting notable opportunities for challenge and contribution. Members of the public service are also, however, government’s most important resource. Failure to understand and value that resource will inevitably be linked to lack of capacity and performance. A top official at the General Accounting Office notes, for example that “While the concept of human capital is not new, it has taken on a new urgency as organizations face increasingly complex challenges, often with fewer resources. For knowledge-based organizations particularly, people are a critical and valuable asset that must be better understood, invested in, and strategically directed toward the achievement of identified organizational results.” Emphasizing the investment that human capital represents, while also more efficiently managing its performance and cost, may well be the biggest challenge the public service will face in the next decade.

The need for improved training and development is one aspect of this challenge. The American Management Association (1998, 6), summarizing the need for focusing on training and development of human capital, even in times of cuts, linked increased training to greatly increased productivity, quality, and shareholder value. This emphasis, how-

ever, is conspicuously absent in the federal government. The average expenditure reported on training for ten agencies studied in the Government Performance Project in 1998 is less than 1.5% of their budget.³ For most federal agencies, training and development funds are the first to go if budgets are reduced. In the new workforce environment, this short-term solution has serious long-term costs.

Further, the practice of focusing on costs rather than on benefits, in the long-term human capital equation, limits the opportunity to consider the return on investment. This investment should be a core part of a careful human capital management strategy. Members of the federal service do represent a critical resource. But there is also need to structure a workplace in which the investment relationship is two-way. Employees receive appropriate rewards, incentives and development opportunities; they give back necessary expertise, solid capacity, and higher performance. The interactive responsibility of this commitment and exchange is frequently missing in the current environment. If the aim is to place greater value on human capital management and to make performance the driver in the system, the mutual responsibility link must be created.

Obviously, compensation and patterns of reward will be fundamental in this regard. Detailed discussion of the specific changes was not possible at the Wye River Forum; there was agreement, however, that these topics must be included in the human capital and performance agenda. The issues raised at the Wye River Forum encompassed pay and performance flexibilities, pay competition among federal agencies, the role of labor/management collaboration in compensation and performance rewards, the ability to clearly establish the costs and benefits of human capital, and differential valuation of work and mission. All of these issues form the core of the longer-term debate in this area.

Leaders Are the Glue

A decade ago, the National Commission on the Public Service — the Volcker Commission —

reported that: “A strong executive leadership system is essential to the effective management of government...the two components of that system, political appointees and career executives must work together in a partnership; neither alone can run the executive branch” (1989, 167). That basic reality has not changed. Indeed, many of the same issues that spurred the Volcker analysis are still around: debates about numbers and placement of political appointees; tenure in position; the match between both political and career skills and talent, and the demands of program and policy that they address; and the extent to which accountability to Congress and the President can be assured, appear to be timeless.

At the same time, there are new dimensions to the leadership problem. The broad issues related to human capital management generally are no less salient to leaders. The acquisition, development and retention of critical leadership talent is central to performance. The availability of leadership skills for the public sector may be even scarcer than for the larger workforce. Again, current policy exacerbates the problem. The buy-outs and early retirement options that accompanied the downsizing activities of the past few years had a significant impact on the career leadership pool available to the government. Many persons who would have been at the peaks of their careers chose instead to exit government. Retaining key leadership in the face of such attractive retirement options is another problem that government has created for itself. This too, needs to be fixed.

Finally, the responsibility that leaders and top managers have for the performance of their employees and their organizations must be recognized. Leaders are part of an organization's culture, its reward structure, and as such define the clarity of goals and objectives. If leaders abdicate this responsibility, the performance effort is moot. Leaders should be rewarded for high employee and organizational performance, and the differential between those who take this responsibility seriously and those who do not should be clear.

³ Based on survey results from the Environmental Protection Agency, Food and Drug Administration, Federal Aviation Administration, Occupational Safety and Health Administration, Patent and Trademark Office, Social Security Agency, Health Care Financing Authority, Immigration and Naturalization Service, Internal Revenue Service, Federal Emergency Management Agency and the Federal Housing Administration. The Government Performance Project is an activity of the Alan K. Campbell Public Affairs Institute.

Partners Will Be Important

As the work of government has become more complex, the ways in which it is carried out have changed. Contracting out has caused government services to be delivered by other sectors, the nature of the relationship between labor and management has become more collaborative in some agencies, and acquiring critical talent has placed the public and private sectors on essentially the same field. Relationships with, and reliance on, other levels of government are very important.

In most cases, however, there has not been adequate attention to front-loading common goals, expectations, or means of evaluating the effectiveness of the partnership. Furthermore, accountability for quality and effectiveness of service has become less clear. These issues have been the basis for partnership agreements with unions in some agencies, and with a very limited set of other levels of government, but more activity in this area, as well as expansion to other potential partners will be a factor in future capacity and performance.

A Vision Quest: A Public System that Reflects Market and Merit

To compete, the federal service must marshal its resources to attract and reward talented people, to create dynamic agencies, to encourage initiative and strong performance, and to focus on accountability to elected officials and citizens. This will include consideration of the contemporary meaning and definition of merit, full utilization of existing, but untapped, flexibilities in current legislation, and consideration of potential new legislation to support improved human capital management and performance. The following principles will be the foundation:

Valuing People

- Federal employees are not only a cost, but a critical investment, to be carefully developed and managed.
- Performance, not protection and security, will be a central value.
- Employee development, growth and contribution will be central to compensation strategies.

- Promotion and reward will be clearly linked to performance.
- Flexibilities will continue to be important, but must be strategic and performance driven.
- The system will proceed from the fundamental position that public work is valuable, challenging, and a contribution to effective government.

Performance is the Driver

- Performance rewards and incentives must actually contribute to performance.
- Flexible and differential compensation and reward strategies will reward individual, group, and organizational performance.
- Core merit values and effective performance incentives will be aligned.
- Elected and appointed officials will recognize their critical responsibility to carefully frame mission and to clearly define the basis for performance assessment.
- Multiple employment and reward systems will exist, but will be bound by common values and a clear strategy for performance attainment.

Leaders are the Glue

- Acquiring necessary leadership talent in both the political and career spheres will be given priority by elected officials and other leaders of the public service.
- Acquisition of necessary talent will be a clearly recognized task for leaders.
- Leaders will be recognized and rewarded for their attention to all levels of performance within their organization.
- Accountability for performance will be central to both political and career leadership.

Strategic and Front-loaded Partnerships

- Labor-management partnership will be based on up-front collaboration and on mutual goals for performance.
- Discretion and differential reward, not standardized compensation will be a base operating assumption

Table 1: Shifting from a Traditional Public Sector System to a System for the 21st century

Traditional Public Sector System	Public Service System for the 21st Century
1. Single system in theory; in reality multiple systems not developed strategically	1. Recognize multiple systems, be strategic about system development, define and inculcate core values
2. Merit definition that had the outcome of protecting people and equated fairness as sameness	2. Merit definition that has the outcome of encouraging better performance and allows differentiation between different talent
3. Emphasis on process and rules	3. Emphasis on performance and results
4. Hiring/promotion of talent based on technical expertise	4. Hire, nurture and promote talent to the right places
5. Treating personnel as a cost	5. Treating human resources as an asset and as an investment
6. Job for life/lifelong commitment	6. Inners and outers who share core values
7. Protection justifies tenure	7. Employee performance & employer need justifies retention
8. Performance appraisal based on individual activities	8. Performance appraisal based on demonstrated individual contribution to organizational goals
9. Labor-management relationship based on conflicting goals, antagonistic relationship, and ex-post disputes and arbitration on individual cases	9. Labor-management partnership based on mutual goals of successful organization and employee satisfaction, ex-ante involvement in work-design
10. Central agency that fulfilled the personnel function for agencies	10. Central agency that enables agencies, especially managers, to fulfill the personnel function for themselves

- Leadership obligations for both labor and management will be recognized.
- Accountability and responsibility for doing public work and delivering public services will be more clearly specified.
- Partnerships with other sectors and other levels of government will carefully consider performance goals and measures.

Translating today's public sector issues suggests the vision for the public sector for tomorrow. Table 1 illustrates the direction that the public sector needs to go to meet future needs. In some ways the evolution from the traditional public sector system has already begun, primarily through the work of the Office of Personnel Management and the National Partnership for Reinventing Government. However, an agreed path to the future of the public service has not yet been clearly mapped. As a consequence, serious transition issues around the question of "How do we get there?" remain.

Conclusion

Viewing federal employees as a human capital investment shifts how government perceives its workers — as assets rather than just as necessary costs to be controlled. The costs, of course, remain; but the investment must be clear. To maximize this investment, agencies need a full range of tools and resources to actively acquire and develop — through recruitment, training, and reward strategies — excellent talent and leadership. These tools should at a minimum include portable, individualized total compensation and benefit packages which recognize the increasingly “in-and-out” nature of career development and differing needs of individual employees. Human capital is an investment in talent, in capacity, and in problem solving skills. Employees must accept a new set of responsibilities as well. If they are to be viewed and rewarded as an investment, they must commit to providing a measurable return for that investment.

If performance is to be an important driver for government, the system must obtain and retain talented people by emphasizing public service and investing in its employees. The new system for managing talent must create clear and carefully aligned performance incentives for individual employees, for teams, for managers, and for leadership. In turn, these incentives must be tied clearly to agency mission.

Other nations — Canada, Australia, New Zealand, and Great Britain — have carefully considered the constraints created by old ideas of merit. They have moved toward simpler systems, more clearly directed public organizations, better ideas about accountability and performance, and communication with citizens about reasonable expectations of public work and public workers. National leaders have argued that performance and accountability can only go hand-in-hand if core values and organizational purpose are clear, if managers and leaders have the discretion they need and the authority to use it, if they are held accountable for doing so, and if there is agreement about the purpose and outcomes of the new system among elected officials, other political leaders, the public service, and the public. The fragmentation of public employment systems in the past and the continuing need for increased strategic flexibility elevates the impor-

tance of maintaining core unity across the public sector. The values and principles that underpin such core unity range from broad public values (a respect for basic democratic institutions, responsiveness, accountability and a desire to engage in public service) to practical organizational values (an emphasis on problem solving, not problem creating; continuous learning and change; and much better communication about merit and performance).

The challenges presented to the public sector on the eve of the 21st century are considerable, but not insurmountable. A new emphasis on performance and on the value of human resources allows each employee to better understand how and why their work is important, and allows elected officials and the public to better understand what public organizations do and how they do it. Diverse human capital management systems enable agency flexibility when necessary — ensuring that excellent talent is in place when needed. The presence of core values will promote a system-wide commitment to performance-based merit principles. The transition to such a system will undoubtedly require enormous political will. But the long-recognized problems demand a revolution for the 21st century. The message is clear: Change is here; more is on the way. To those who would engage this debate, the unmistakable message from Wye is: “Start your engines!”

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Appendix

Recommendations on Human Capital from Other Reports

Over the last year, there has been a dramatic increase in interest on human capital issues and the development of numerous recommendations in this area. This Appendix presents recommendations from two recent reports: *Report to the President: The Crisis in Human Capital* (December 2000) and *Transitioning to Performance-based Government* (November 2000).

Report to the President: The Crisis in Human Capital

*Report by Senator George V. Voinovich, Chairman
Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia
Committee on Governmental Affairs
United States Senate, 106th Congress*

To obtain report: www.senate.gov/~voinovich

Recommendations

Recommendations Which Do Not Require Legislative Authority

Workforce Planning

"...the president should direct all federal departments and agencies to conduct comprehensive workforce planning as part of the Results Act strategic planning activities, to determine attrition, hiring, skills requirements for the next decade, and the kind of workforce that will be needed in the next 15-20 years."

Reinvent the Human Resource Professional

"Agencies must make an immediate, concerted effort to reinvest and reinvent the human resources professional."

More Effective Use of Technology to Assist Human Resources Professionals

"To shorten hiring times and assist agency managers and human resource professionals, all federal agencies should acquire automated staffing systems."

Telecommuting

"...federal agencies should enable as many people as possible to telecommute or participate in other types of flexible workplace programs."

Recommendations Which Require New Legislative Authority

Improving the Hiring System

"...the Subcommittee recommends an examination of the entire hiring process to identify the obstacles to bringing qualified candidates quickly into federal service."

Institute "Broad-banding" or "Pay-banding"

"To test the feasibility of broad-banding across the government, more agencies with larger number of employees should be permitted, even encouraged, to experiment with it."

Make a Governmentwide Employee Exchange Program

"The Subcommittee supports OPM in its efforts to establish a governmentwide exchange program."

Enhance Career Development

"...the government must demonstrate that it values the professional and career development of its employees."

Improve training

"Training is a vital component in making a world-class civil service." The report sets forth seven specific recommendations in the area of training.

Improve Employee Accountability

“...an outside group...should be commissioned to conduct a study of the disciplinary and termination process and make unbiased recommendations on how it can be overhauled and streamlined to bring greater accountability to federal employees.”

Recommendations for Congressional Action

Safeguard Incentive and Training Budgets

“There is a clear role for congressional appropriations in assuring that adequate funding is available for incentives to recruit and retain a highly skilled and motivated workforce and to properly train that workforce.”

Transitioning to Performance-based Government

A Report to the 43rd President and 107th Congress

Transition to Governance Project

Project members: Reason Public Policy Institute, National Academy of Public Administration, The Council for Excellence in Government, George Washington University, United States Chamber of Commerce, American Society for Public Administration, Government Executive

To obtain report: www.rppi.org/transition2000.html

Recommendations

Recommendation Theme 1

Initiate a dialogue on comprehensive, system wide reform

Recommendation Theme 2

Overhaul the compensation system to provide flexibility for effective recruitment and retention

Recommendation Theme 3

Advance performance-based government through individual employment performance plans and incentives

Recommendation Theme 4

Streamline the appeals process to promote performance-based government

Recommendation Theme 5

Prepare for the demographic bubble about to hit the federal government through aggressive recruitment and reform of the retirement process

Recommendation Theme 6

Provide effective orientation and training programs for the new appointees on how to effectively manage personnel in the federal government

Recommendation Theme 7

Boost the morale and image of public service by effectively marketing government service and avoiding anti-government employee rhetoric

Recommendation Theme 8

Invest in training and development for the federal workforce

Recommendation Theme 9

Partner and dialogue with career employees and their unions early and often

Recommendation Theme 10

Require your agencies to devise clear human capital management strategies

Recommendation Theme 11

Overhaul the political appointments and confirmation process.

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