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DEPARTMENT OF DEFENSE
CIVILIAN PERSONNEL REFORM

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BEFORE THE
SUBCOMMITTEE ON PERSONNEL
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
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(III)
DEPARTMENT OF DEFENSE
CIVILIAN PERSONNEL REFORM

THURSDAY, MARCH 23, 2017

U.S. Senate,
Subcommittee on Personnel,
Committee on Armed Services,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:33 p.m., in Room SR–232A, Russell Senate Office Building, Senator Thom Tillis (chairman of the subcommittee) presiding.

Members present: Senators Tillis, Ernst, Gillibrand, and Warren.

OPENING STATEMENT OF SENATOR THOM TILLIS

Senator Tillis. Thank you all for being here, and I am sorry, we are running a little bit late. I do not like starting late. We just had a vote, but now we can dedicate our attention to a very important topic. I appreciate the ranking member and the Senator from Iowa joining us, and we may have other members join us later.

But the Senate Armed Services Personnel Subcommittee meets this afternoon to discuss a very important topic in my mind, and it is civilian personnel reform. We are fortunate to have a group of former Department of Defense appointees with us, and I do mention “former” just in case people want to treat you like the current ones, to discuss ideas for forward-thinking reforms.

The Honorable Dov Zakheim, the former Under Secretary of Defense Comptroller; the Honorable Peter Levine, former Deputy Chief Management Officer [DCMO] and official performing the duties of the Under Secretary of Defense for Personnel and Readiness. Was that your full title?

[Laughter.]

Mr. Levine. Senator, I was Acting Under Secretary, and then with the Vacancies Act, at a certain point, you are not allowed to be “acting,” and they give you a tongue-tying title to replace that.

Senator Tillis. Gotcha. The Honorable Laura Junor, former Principal Deputy Under Secretary of Defense for Personnel and Readiness.

I think most of us know, but it bears repeating that the Department of Defense employs close to 1 million civilian employees who serve in capacities supporting the warfighter, such as depot maintenance, facility mechanics, administrative support, nuclear engineers, scientists, healthcare professionals, lawyers, and accountants. These individuals are an important force multiplier for the Department of Defense missions worldwide. Today, we will discuss
areas for improving the laws and regulations governing these employees.

The management structure governing civilian employees is outdated, restrictive, and cumbersome. The Department of Defense and service branches are constantly asking for relief to make the system more flexible and manageable. This committee has spent the last few years legislating around restrictive civilian personnel practices, adding direct hiring authorities for scientists, students, acquisition personnel, and requiring stronger performance metrics and demanding that employees and supervisors be held accountable for mission accomplishment.

However, these efforts are merely a start. Beginning in late 2015, the Senate Armed Services Committee held a series of hearings at the full committee level dedicated to the Department of Defense management overview and reform. At our November 15, 2015, hearing, “Overcoming Obstacles to Effective Management,” Mr. Richard Spencer, a former member of the Defense Business Board, testified to the challenges faced by an outdated system that prioritizes tenure above all else.

He noted, “On the civilian side, we need to adopt meaningful management performance measurement tools and educate managers on how to use those tools in order to craft a high-performance Government service and Senior Executive Service cadre.

“To quote a charge-charging GS–14 [General Schedule] we interviewed, ‘How can the building compete for the best and brightest when the strategy for long-term success and promotion is just do not die?’

Today, we will discuss alternative strategies for effectively hiring, managing, supporting, promoting, and divesting Department of Defense civilian personnel. I look forward to hearing from our distinguished panel on the important issue of civilian personnel reform.

Senator Gillibrand, would you like to read an opening statement?

STATEMENT OF SENATOR KIRSTEN E. GILLIBRAND

Senator GILLIBRAND. Sure. Well, thank you, Senator Tillis, for your leadership and holding this hearing.

I want to join you in welcoming our witnesses as we discuss this important topic.

I want to start by stating for the record how essential I believe the civilian workforce is to the Defense Department. They are integral to the total force. They provide continuity at all levels of the force, from units deployed overseas to installations in the States to headquarters in Washington.

They maintain our equipment at depots throughout the Nation; provide contracting and legal expertise; investigate misconduct, fraud, and waste and abuse; and address myriad issues within the services, such as investigating and responding to sexual assault and hazing. They are Americans who are committed to our national defense and may spend a lifetime performing vital work on behalf of the Nation in the capital region, across the country, and across the globe.

In recent years, this committee and this Congress have used the civilian workforce as a target for cost cutting, with little focus on
the larger strategic picture of how we recruit and retain the best people to support our warfighters. Congress reduced the civilian workforce’s retirement benefits twice and mandated across-the-board reductions to workforce that were completely divorced from strategic purpose or consideration for health of the force.

These measures have hurt morale, and they inhibit the Government’s ability to properly shape this workforce. Under President Trump, management of civilian workforce has deteriorated further. Days after his election, the President instituted a Government-wide hiring freeze, which, though it has a national security exemption, has led to the confusion, frustration, and disarray within our civilian workforce.

As just one example, my office has fielded calls from concerned military parents whose DOD [Department of Defense] school cannot hire teachers and whose military child care center cannot hire staff needed to address child care shortages. I know many others on both sides of the aisle are receiving similar complaints.

There is a better approach to civilian personnel reform, which focuses on improving the Department’s ability to hire talented individuals, sharpens the incentives to manage the workforce, and ensures the integrity of the workforce by enforcing merit principles and competitive hiring practices.

I thank the chair, Senator Tillis, for holding this hearing so we can hear directly from these experts about how to more efficiently and effectively manage DOD’s civilian workforce to shape the force we need today and into the future.

Lastly, I would be remiss if I did not point out that most, if not all, legislation in this area is actually in the primary jurisdiction of the Homeland Security Committee and Government Affairs Committee, which Senator McCaskill is ranking on.

Again, I thank the witnesses and look forward to your testimony.

Senator Tillis. Thank you, Senator Gillibrand.

Senator Warren, welcome to the committee.

Senator WARREN. Thank you.

Senator Tillis. Thank you for attending.

Senator WARREN. Thank you, Mr. Chairman.

Senator Tillis. We will start with the witness statements, and we will begin with Dr. Junor.

STATEMENT OF HONORABLE LAURA J. JUNOR, FORMER PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS, DEPARTMENT OF DEFENSE

Dr. Junor, Thank you, Chairman Tillis, Ranking Member Gillibrand, for allowing me to come and talk about a workforce that I have the utmost respect for.

I have already submitted my written testimony. So I would like to just briefly cover some of the observations and thoughts I have on reform.

Over the course of my career, the vast majority of my colleagues have been high performers, if not overachievers, even in the midst of furloughs, pay freezes, and a constant rhetoric about how they more often detract from the business of the Government—of the Department rather than being part of the critical enabler.
In fact, most of the frustration I have observed is not with the DOD’s civilians themselves. Rather, it has been with the inflexible human resource system that governs them.

For example, I have observed that it is hard to hire employees especially if you require particular skills for a position. It is also surprisingly difficult to hold employees accountable for poor performance or violating clearly established departmental or Federal policies. Finally, I found that it is difficult to adapt the inventory of Federal civilians even when the work goes away or substantively changes.

For example, consider my experience on Secretary Gates’ efficiencies task force in 2010. As I am sure you are aware, Secretary Gates wanted to shift the Department’s resources away from overhead and towards activities more closely aligned with warfighting capabilities.

Rather than repeating mistakes of blind percentage-based reductions, he preferred the painstaking approach within OSD [Office of the Secretary of Defense] of identifying and then eliminating low-priority lines of work and the staff that was associated with them. In the end, we found that adjusting the inventory of the traditional Title V workforce was much harder than we expected it to be.

I believe there are some changes that could yield a more efficient workforce. First, publicly recognize the talent and significance of our civilian workforce. Again, this workforce has been plagued by furloughs, pay freezes, and this rhetoric that systemically associates them with being more of a burden to the Department than a critical enabler. It is hard to believe that we will continue to attract top talent with this as a background vocal.

In addition, we should consider finding the right balance among Federal civilian, military, and contract labor forces. Each one of these labor pools has pros and cons. Imagine what we could do if we allocated work based on those attributes alone.

We should also evolve towards flexible hiring authority, specifically the use of Title X, term employees, and I want to point out that I am currently sitting in a Title X term billet right now. That is how I am employed at the National Defense University.

Finally, I want to consider holding supervisors more directly responsible for the performance of their subordinates and also supporting their validated employee assessments.

In closing, I am proud to serve as a DOD civilian and humbled by the talent of my colleagues. This is an important topic. Thank you again for holding this hearing, and I look forward to your questions.

[The prepared statement of Dr. Junor follows:]
lysts and cyber security experts that keep us safe, and the scientists and engineers
that are solving tangible operational problems today and developing new capabilities
for tomorrow. Attracting and maintaining a high-quality, high-functioning federal
workforce is a critical enabler of DOD's mission, yet those that have worked in this
personnel system are well acquainted with its challenges. I am honored to share
with you my observations as a member and senior manager of this workforce. I will
close with my thoughts on evolving the federal workforce in ways that benefit both
the employees and their mission.

OBSERVATIONS

I've observed the typical DOD civilian to be a dedicated professional who takes
the mission of the Department very seriously. Contrary to stereotypes, over the
course of my career the vast majority of my colleagues have been high performers,
if not overachievers, even in the midst of furloughs and perennial pay freezes. The
typical federal civilian has marketable professional or technical skills and is not em-
ployed in the Washington, DC area. The average worker is about 47 years old with
12 years of service.1

Our civil service system today is based on the same merit principles on which it
was founded in 1883; and there's a lot of goodness in those principles. For example,
we should:

• Recruit, select, and advance our people on the basis of merit, after fair and open
  competition
• Treat employees and applicants fairly and equitably
• Provide equal pay for work of equal value and reward excellent performance
• Retain or separate employees on the basis of their performance
• Protect employees from reprisal for lawful disclosures (whistleblower rights)
• Create an environment that encourages the development of new talent and
  ideas

However the way that we have “operationalized” those principles ends up being
extremely restrictive and that's detrimental to our mission and to our workforce.
Most of the frustration I've observed is not with DOD employees themselves. It's
been with the inflexibility of the human resources system that governs them. In
fact, we're not talking about only one system; DOD has more than 66 different pay
systems, and each has its own set of laws, regulations, and policies.

It is hard to hire employees especially if you require particular skills for a position.

According to my colleagues in the Office of the Under Secretary of Defense for
Personnel and Readiness (OUSD P&R), it takes between 80 and 150 days to hire
someone in DOD, and that is when things go smoothly. In 2014, I attempted to hire
an experienced, Title V General Service (GS)–14 readiness analyst. I was looking
for an excellent writer, with demonstrated analytic skills and experience in some
facet of readiness management. I gave up after nearly a year of frustration. Here's
what I learned. First, in order to hire someone, you have to have an authority. We
have at least 34 hiring authorities; that means a different set of regulations and
processes for each authority. We have so many authorities, that in many cases, we
don't know the rules for using them, or when we do know the rules, they are applied
differently depending on where you work.

For example, an excellent pathway to bring in new, skilled talent to the federal
workforce is through the National Security Education Program Boren (NSEP) Schol-
ars and Fellows program, which provides federal funding to bright undergraduate
and graduate students to study the languages and cultures most critical to national
security. However, to date, not enough federal human resources professionals know
that Congress has provided direct hiring authority for this talented group of stu-
dents. More simply, we give these students funding to fill a critical security need,
require them to pay that funding back with federal service, and then struggle to
find them positions in which to serve. Similarly, we typically only use a small per-
centage of the Department's authorized allotment of Highly Qualified Experts
(HQEs). The Department has recently streamlined this process, but the true de-

deficit for HQEs is still likely more than the amount we are bringing on board.
Again, many federal human resources professionals are probably unclear about the
myriad of hiring options.

The second thing that I learned as I attempted to hire a readiness analyst is that
describing the required skills or performance standards for a job is surprisingly cen-
tralized. These standards also factor into how much we can pay an employee. Clear-

1From the Defense Civilian Personnel Advisory Service FY2017 DOD Appropriated Fund Pop-
ulation Summary.
ly, setting accurate and current performance standards is a critical element of hiring and managing employee performance. Under one of our pay systems, the General Schedule, jobs are “classified” based on a set of standards; in many cases, these standards are outdated or irrelevant. For example, the standard for “computer science” was developed in 1988. The standard for telecommunications was developed in 1990. It can take years to update or develop a new standard. Information Technology (IT) standards were updated in 2011 after three years of work. Given changes in IT, they are likely out of date again.

It is extraordinarily difficult to adapt the inventory of federal civilians even when the work goes away or substantively changes.

Consider my experience on Secretary Gates’s efficiency task force in 2010. Faced with 3 years of $1 trillion federal budget deficits, two demanding wars, increasing concerns about China, and a growing realization that the economy was disintegrating into a national security concern, Secretary Gates wanted to shift the Department’s resources from overhead activities to those activities that directly contributed to warfighting capabilities. Rather than repeating the mistakes of past blind percentage-based reductions, he preferred a painstaking approach of identifying and then eliminating low-priority lines of work and the staff that was associated with them. His initial focus was on his own organization, the Office of the Secretary of Defense (OSD). His own hand-picked team worked with the OSD staff to identify these low-priority production lines, inventory the associated personnel and funding, and ultimately eliminate them in the next budget submission. We underestimated how difficult this was going to be. Without a reduction in force (RIF), the people that were associated with these billets remained a part of OSD, despite the fact that their work went away. Now the Department had the responsibility to find them other jobs. Many were placed in positions for which they were well matched. But many were placed more out of a need to find them “any” position rather than whether they were well qualified for a particular position. There were others that literally drifted without a billet for years. We had written into our procedures for addressing these personnel a provision that kept them from turning down more than one offer; we had not considered the prospect that some—many of them senior executives—would not receive an offer, even after repeated interviews. While the number of individuals in this category was very small, it does illustrate some of the challenges with the traditional title 5 system.

There are also few options for adapting a traditional title 5 organization to changes in the nature of work, such as those that arise because the work becomes more technical or requires new sets of advanced skills. Consider the Defense Language Institute (DLI), an organization primarily composed of title 10 instructors, each of whom is a native language speaker hired on a term basis. At DLI, the organization’s demand signal is defined as the number of students for each language. As you can imagine, this demand signal changes significantly over time as different areas of the world become concerning. In the Cold War, for example, proficient Russian speakers were in high demand. As the wars in Iraq and Afghanistan evolved, different Middle Eastern languages became more critical. Now, DLI is likely seeing another swing in student requirements as Russia and the Balkans become increasingly concerning again. Because these are title 10 instructors, DLI could always adjust the workforce accordingly, thus avoiding the need to figure out how to get Japanese or Spanish instructors to teach Farsi, or more recently, how to get Farsi instructors to teach Russian.

It is surprisingly difficult to hold employees accountable for poor performance or violating clearly established departmental or federal policies.

Resolving cases of low performers or employees who engage in misconduct is a sensitive issue, and it should be. Let me begin with two clarifying points. First, I’ve only ever experienced a handful of these cases in all of the years that I’ve been employed by or associated with DOD. Second, although this case is often born by employees across the whole of the affected organization. Again, this is a population that takes enormous pride in their mission and, when faced with a peer that is not holding up their part of the work, they often attempt to make up for that loss. In the case of an employee who engages in malfeasance, the peers often bear the brunt of the issue. Supervisors are duty-bound to protect their organizations from these effects, and most recognize that. Few follow through though. Based on my experiences, here’s why I think that is.

First, it takes years of copious record keeping and evidence gathering to even begin holding an employee accountable. In my experience, even documented evidence from 3rd parties (e.g., inappropriate activity on federal computers, time card
fraud, and inappropriate contract management) or disconcerting results from repeated formal climate surveys were insufficient to overcome the reticence of senior leaders, labor management relations personnel, and attorneys, to move forward with action against an employee in excess of a minor counseling session. This is based on the fear of retaliatory complaints and law-suits from the poorly performing personnel. Employees must be protected from unsubstantiated or spurious accusations from their leaders; there is no question about that. But I found that even with clear and convincing evidence of misconduct or poor performance, there is almost no support for imposing meaningful penalties, much less undertaking the termination of an employee.

Complicating matters, I’ve observed supervisors’ tendencies to over-rate average or even poorly performing employees. This is likely true for three reasons:

- It is simply easier for supervisors to give a satisfactory rating. There is little justification required and it preserves peace in the organization.
- If it’s a title 5 employee, that employee will likely stay in that position for many more years, even if their performance is rated below average. Put slightly differently, there is little short-term gain from a low assessment, and the potential for a great deal of loss, especially if the employee files a formal complaint as a result of the appraisal.
- There is a credible fear of the employee filing a retaliatory formal complaint against a supervisor. It typically takes a year or longer for most of these complaints to resolve, leaving both the employee and the supervisor in a very difficult position.

**REFORM THOUGHTS**

I’ve argued that the civilian workforce is a critical enabler of DOD’s mission, but there are real challenges in how we manage this workforce that constrain its extraordinary potential. What follows are my thoughts for how to address these challenges.

**Publically recognize the talent and significance of our civilian workforce.**

This workforce has been plagued by furloughs, pay freezes, and worst yet, systemic rhetoric that our civilian employees detract from DOD’s mission, rather than serving as a critical enabler. It is hard to believe that we will continue to attract top talent with this as a background vocal. There is a body of research that suggests that mastering a skill and making a contribution are even more powerful personnel motivators than fiscal rewards. The converse is also true; the effects of careless disparagement of individuals that have mastered their craft and are contributing in meaningful ways is harmful and unnecessary.

**Find the right balance among the federal civilian, military and contract labor forces.**

Although Secretary Gates’s efforts to reduce overhead spending were much harder to accomplish than I originally realized, his objection to blind, “salami slice” cuts was well founded. Reducing any aspect of this workforce without reducing the actual work that goes with it will exacerbate existing inefficiencies and performance problems and jeopardize the mission. Such cuts are also likely to result in an eventual resurgence of some aspect of the workforce that has been “eliminated”, despite the best attempts to prohibit that. There are pros and cons to utilizing each of the broad labor categories: civilian, military, and contractor, and when the work is allocated based on these attributes, we can and should expect to achieve a more effective and efficient workforce. That said, such an outcome requires policy and legislative tools to adapt the federal workforce; I will discuss those below.

As a means of finding real workforce efficiencies, consider the potential benefits from modernizing the human resources IT systems that we use to track and manage civilian and military personnel. Both are in tremendous need of updating. Upgrades offer the very real potential of saving significant labor while providing a significantly better product. For example, the military personnel management system remains as paper-intensive as it was in the 1950s. Even today, retiring personnel are told to make copies of their personnel records; typically hundreds of pages. We’ve invested in a very expensive electronic health record, but the very first medical form is the scan of a piece of paper from a Military Entrance Processing Station. On the
civilian side, the myriad of human resources systems are equally inefficient, often inaccurate and incomplete, and lack the ability to “talk to” one another. Again, a modern system would certainly reduce labor and error costs as well as increase productivity.

Evolve toward simpler, flexible hiring authorities.

The single biggest challenge that I’ve experienced in managing the civilian workforce is the inability to shape that workforce. That includes moving people with specific skills into jobs that require those specific skills and removing those that are either not performing well or those whose skills are no longer needed. I’ve found that title 10 offers a great deal of flexibility, while maintaining incentives that will attract a quality workforce. I have managed title 10 workforces and am currently occupying a title 10 position.

I’ve already described the critical workforce shaping advantages this authority provides to DLI. I am currently employed at the National Defense University (NDU), where 80 percent of teaching and research faculty are title 10. There is no evidence that this causes a problem attracting and retaining a talented workforce. In fact, my peers and I—each of whom has been hired for a particular and finite term of years—don’t mind being held to challenging but fair performance standards, even at the risk of not being renewed for another term. This is an overachieving workforce that gains a lot of satisfaction from being recognized as authorities in their fields. The organizational risk of having such high performing employees is that they are extremely marketable and can be lured away at any moment. Retention has to be explicitly managed. At NDU, we do this with academic freedom, retention incentives, and publication support.

I understand the concerns of many that moving toward a title 10 civilian workforce would appear to forsake the tenets of a merit-based civil service system, potentially increasing the potential for unscrupulous managers to mistreat or mismanage applicants for vacant positions and subordinates. This risk can be minimized. NDU employs a governing Talent Management Review Board to ensure that our personnel are treated fairly and with respect. The typical term for an NDU employee is three years; this term can be renewed indefinitely, but each time, a decision to renew (or not) is made deliberately, based on an employee’s performance and the University’s requirements. NDU requires that every term employee be notified about whether they will be renewed at least a year before the end of their term. Each of these decisions is proposed by the employee’s supervisor, but must be approved by the board. More specifically, an employee’s supervisor, two years prior to the end of the term, recommends whether that employee is on target for renewal. If the issue is performance, the employee will have another year to improve before a final decision is rendered on his or her renewal. If the issue is a change in the University’s requirement—meaning that the individual’s skills are no longer needed—the employee’s term is simply not renewed.

A title 10 workforce means that there will be more employee turnover than we see with title 5 employees. That means new people will join organizations and bring with them new skills and perspectives. This ensures that the demand and supply for labor remains in sync. Both of these are great attributes that contribute to a highly effective organization. It also means that some people will have to leave the organization before they are ready to do so, and that can be hard. That is unavoidable, but it is a reality that millions of people in both the public and private sectors manage successfully throughout their careers. We owe employees a fair and predictable system and we can do that even, while at the same time affording both DOD and our employees greater flexibility.

Not every organization would benefit from a title 10 workforce. But title 10 does seem to fit organizations with the following characteristics:

- The potential for the nature of the work to change significantly over time
- Work associated with technical/professional skills that require currency
- Furthermore, organizations should be delegated decisions over the critical elements of implementing a title 10 workforce. These include:
  - Term length (e.g., 2 to 5 years)
  - Establishment of clear performance metrics
  - Renewable limits on the number of terms authorized or indefinite
  - Competitive salaries
  - Other perks, such as education and training support, telework agreements, sabbaticals, or IPA-type experiences within and outside of government to retain highly performing employees

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IPA stands for Intergovernmental Personnel Act. This is a program sponsored by the Office of Personnel Management that allows for the “temporary assignment of personnel between the
Hold supervisors responsible for the performance of their subordinates and support their validated employee assessments.

The most basic reform must address the failure to identify current, job-specific performance standards and to hold employees to those standards. Moving to a title 10 authority will not be useful if supervisors don’t know what good performance looks like or are unwilling to hold employees accountable for that performance. This begins with decentralizing position descriptions and performance standards to reflect current requirements of individual vacancies. Supervisors are responsible for accurately assessing each individual’s ability to meet those requirements. Holding supervisors personally accountable for the work of their subordinates is essential. Each supervisor should have in one of his or her performance objectives an element that addresses how well their employees perform individually and as an organization. For example, if an employee fails on a project, the supervisor’s rating should reflect whether the supervisor actively addressed that failure. Conversely, supervisors should be rewarded when individuals and the collective improve. There is no way to avoid the supervisor’s fear of retaliatory charges associated with low performance ratings or holding employees accountable for major policy violations. Employees must have the means to signal unfair or unethical supervisor treatment. However, we can and should expect all charges to be reconciled within six months. Faster resolution would benefit everyone.

In closing, I am proud to serve as a DOD civilian and humbled by the talent and dedication of my colleagues. We can provide a more rewarding work experience and a better mission outcome by simplifying our hiring authorities, decentralizing their implementation, tailoring performance standards and position descriptions to the specific requirements of each job, and definitively recognizing both good and bad performance.

Senator Tillis. Thank you, Dr. Junor.

Mr. Levine?

STATEMENT OF HONORABLE PETER K. LEVINE, PERFORMED THE DUTIES OF THE UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS, DEPARTMENT OF DEFENSE

Mr. Levine. Thank you, Mr. Chairman, Senator Gillibrand, members of the subcommittee.

Thank you for taking on this issue. I think it is a tremendously important issue, and I agree with— with I think everything that Dr. Junor just said.

I would like to— you have my written statement. So I would like to just focus again on a few key points.

First, the DOD’s civilian workforce is not only incredibly important. It is also an incredibly diverse workforce. We have everything from nurses to truck drivers to people who make foreign policy recommendations, and I think that you need to understand that, and I hope that you will keep that in mind and avoid “one size fits all” solutions, thinking that the same solution that we need for the policy adviser is also appropriate for the truck driver.

With that said, I would like to specifically address a number of the topics that you raised in your invitation letter. First, hiring. It seems to me that the single most important thing that you could do in hiring is the step that you took last year by giving DOD direct hiring authority for students and recent graduates.

I know when I was in the Department, we really appreciated that, and if there were one thing I could urge you to do, it would be to make that authority permanent. If you were going to look for
other areas to reduce red tape, I would suggest giving the Department its own classification authority independent of OPM.

I would—you might also want to think about establishing a separate DOD SES [Senior Executive Service] workforce, a defense SES workforce so that DOD would be able to hire its own SES employees independent of OPM [Office of Personnel Management] review and approval. I cannot tell you how long and aggravating that OPM review and approval process is.

Second, with regard to pay systems, DOD has long benefited from the flexible pay authorities that Congress has authorized for science and technology employees, acquisition employees, medical professionals, the cyber employees, and I support these kinds of authorities—the expansion of these kinds of authorities to financial managers, policy experts, and other knowledge workers.

I think there are a variety of approaches you could consider for these kinds of knowledge workers, including the use of step increases based on performance rather than tenure, more flexible bonus authority. I think it is extraordinary right now, and I do not know how many people know this. But an SES employee can get up to 15 to 20 percent of their salary, their base salary in bonuses, but a GS–15 is limited to about 1 percent. Now that is not a balance in terms of incentives that makes a lot of sense to me.

The one thing I would be cautious about is an across-the-board pay banding approach like what the Department tried with the NSPS [National Security Personnel System] system, and that is because, again, looking at the diversity of the workforce, the authorities that the Department needs for its high-tech professionals and knowledge workers may not be appropriate for clerical workers or truck drivers, wrench turners, warehouse workers, and others.

Experience shows that it will take a lot of effort for the Department to establish that to try to impose that kind of authority. In the past, that undermined the entire effort, and the effort to reform DOD personnel practices were lost over that.

Third, performance management. I was personally disappointed by the recent change in the DOD performance management system that makes it more—that eliminated—reduced the number of evaluation categories, making it more difficult to distinguish employees who show consistent hard work from those who just meet minimum requirements. This may be the right answer for some parts of the workforce, but I would advocate again, at least for the knowledge-based workforce of the Department, restoring a fourth evaluation category so that those employees who go above and beyond requirements can be rewarded for their effort.

Finally, with regard to preference eligibilities, I think that the committee made a noble effort last year to address this issue, even though the language that you drafted proved problematic because of unintended consequences for the veterans preference, and I would suggest that if you choose to address the issue again, it would be wisest to focus specifically on internal promotions and to clarify that internal promotions are to be merit based, with preferences as a tie-breaking factor. That would then ensure that the role of preferences for all outside hires would remain unchanged.
I appreciate your inviting me here today. I appreciate your taking on these difficult issues. They are very complex, and I look forward to your questions.

Thank you.

[The prepared statement of Mr. Levine follows:]

**PREPARED STATEMENT BY PETER LEVINE**

Chairman Tillis, Ranking Member Gillibrand, Members of the Subcommittee, it is a pleasure to appear before your Subcommittee this afternoon. The views I express are entirely my own, and should not be interpreted as reflecting any position of my new employer, the Institute for Defense Analyses.

As you know, I worked on the staff of the Armed Services Committee for 18 years, and I place a tremendous value on the work that you do to support our men and women in uniform and their families. As the Subcommittee undertakes the important task of civilian personnel reform, I would suggest that you take into account a few considerations.

First, the civilian employees of the Department of Defense are an essential pillar of the Department on which our military relies to perform its critical missions around the world every day.

DOD civilians administer highly complex and legislatively mandated personnel and pay systems. They run training and education programs, manage travel and change of duty stations, and provide security, support, and facilities sustainment on military bases. They help address problems like sexual assault, suicides, bullying and haz ing, and drug abuse. They provide financial advice, voting assistance, and family life counseling to Service members around the world. They play key roles in running 664 hospitals and clinics, 172 schools for military children, 1,880 retail stores, and 2,390 restaurants for our men and women in uniform.

DOD civilians also serve as operational enablers in the intelligence and cyber domains, and are essential to warfighter training and combat system and equipment readiness. They help manage and oversee more than $200 billion a year in acquisition spending and run the largest and most sophisticated research and development activity in the world. They operate depots and arsenals that maintain and recapitalize a huge inventory of the most complex and advanced fighting equipment in human history. They are the life-blood of a logistics system that works 24 hours a day, 365 days a year to ensure that military equipment and supplies are ready when and where needed, anywhere in the world, and often with little or no notice.

Second, the vast majority of DOD civilian employees are highly motivated, hard-working, and strive to perform with excellence. In my time at DOD, I found that the career civilians who surrounded me believe strongly in the importance of the Department’s mission and want to contribute to it. New projects and new work are embraced enthusiastically by employees who work long hours without any reward beyond the challenge of the work itself and the understanding that the results they produce are valued by the Department’s leadership.

This, in my view, is the great competitive advantage of the Department of Defense in the employee marketplace. DOD will never be able to pay its civilian employees as much as the private sector. What the Department can offer instead is challenging assignments, great responsibility, and the pride that comes from serving a cause that is greater than oneself. Of course, this also means that when we treat DOD civilians as worthless bureaucrats who are sucking up money that could be better spent on more ships and planes, we risk undermining the competitive advantage that enables us to attract and motivate the capable employees we need to support the national defense mission.

Third, the laws, rules, and practices governing the civil service system at DOD have become overly bureaucratic and stultified over the years. As a result, it is more difficult than it should be to hire the talent that the Department needs, to remove workers who aren’t up to the job, and to advance capable employees into the positions in which they can contribute the most. Capable military and civilian leaders at the Department are generally able to work within the existing system to get the results they need, but it can be frustrating and time-consuming for everyone involved.

For example, when I was serving as Acting Under Secretary for Personnel and Readiness, it came to my attention that when a civilian employee moves from one DOD component to another—for example, from the Army to the Navy, or from the Air Force to the Defense Logistics Agency (DLA)—he or she was treated as a new employee. That meant getting a new ID [identification] card, a new drug test, and
repetitive mandatory training events the employee had already completed in the previous position. By establishing reciprocity in these areas, we were able to save more than $25 million dollars a year—and avoid countless hours of aggravation for employees who no longer have to undergo these meaningless requirements.

This Committee has already enacted significant new flexibilities that enable the Department to better manage its civilian workforce. These include demonstration programs providing flexibilities for science and technology employees, for acquisition employees, for intelligence employees, for medical professionals, and most recently for cyber employees. They include the direct hiring authority that you enacted last year, and the revised Reduction in Force authority that you enacted the year before that.

Here’s how important these reforms are: two years ago, one of my SES managers complained to me that her aging workforce was reluctant to embrace new technologies. A second manager said that she didn’t have this problem—her workforce skewed young and adopted new technologies on their own without prompting. The difference was that the second manager was in the Acq Demo program, with direct hiring authority that greatly enhanced her ability to bring recent graduates into the workforce. The legislation you enacted last year provides this critical authority to the entire Department of Defense.

So, we have a highly capable and motivated civilian workforce, working in a clunky personnel system that too often impedes their performance. This isn’t a contradiction, but it does mean that while reform is needed to improve workforce management, the reform effort must be carefully targeted to ensure that it addresses what is broken without undermining the large and diverse civilian workforce on which the Department relies today.

I would suggest that the committee consider three principles to ensure that your reform efforts build and improve upon DOD’s civilian workforce and do not risk breaking it.

First, beware of one-size-fits-all solutions. A reform that works for scientists and engineers in defense laboratories might not meet the needs of wrench-turners in the depots and arsenals.

When I served as DCMO, I learned that the hiring process in the Pentagon was hamstrung, in part, because we relied on a standard questionnaire applied by the Defense Logistics Agency to determine who was “best qualified” for a position. Because this questionnaire failed to serve as an effective screen, hiring managers spent countless hours refining position descriptions to ensure that their new hires were actually qualified.

I got around this problem by authorizing hiring managers to use panels of subject matter experts, in lieu of the DLA questionnaire, to determine who was really “best qualified” for a position. I did not make this process mandatory, however, because the Director of the Pentagon Force Protection Agency told me that he needed to be able to hire several hundred new law enforcement officers at a time, and it would not be practical for him to use expert panels in lieu of a screening test. This was an important lesson for me in the diverse needs of different parts of the DOD civilian workforce.

Second, don’t reinvent more than you have to. Our civil service system is incredibly complex. It has thousands of pages of rules—but that is because there are thousands of issues that human resource managers must address, and they cannot do so without guidance.

Back in the 1990s, when then-Vice President Gore was leading a task force on “reinventing government,” he made a big show of throwing out the civil service rule book as a streamlining measure. I remember being told at the time that savvy human resource managers kept bootleg copies of the rules, because the same questions were still going to come up and they were still going to need to know how to answer them.

A few years later, when Congress authorized the Department of Defense to establish a new “National Security Personnel System,” the Department spent countless hours writing new rules to replace the old ones. NSPS made changes to parts of the system that probably needed change, but it also changed parts of the system that were working perfectly well. In the end it failed because of the controversy generated by parts of the new system that probably weren’t necessary at all, and this failure dragged down the prospect of constructive reform—in areas where it remains very much needed—for another decade.

Finally, any reform effort should treat employees as allies, not enemies. I know, for example, that there is great interest in making it easier to remove poor performers. It is true that the Department has a very small number of civilian employees who simply aren’t up to the job or refuse to carry their share of the workload.
These employees can be a drag on the rest of the workforce, and are very difficult to remove.

A large part of the problem is that few DOD managers believe it is worth the time and effort required to go through a performance improvement process that can take more than a year to complete. At least in the short run, they are probably right: the overall productivity of a program or office is likely to go down, not up, if the senior manager is required to spend huge quantities of time on an employee who produces a tiny amount of work. The kind of managers we want in the Department—the kind of people who are motivated by the mission—would rather spend their time on substantive work, even if it means leaving an unproductive employee on the payroll.

As you consider possible measures to address this issue, however, you consider the impact that any proposed changes would have on the balance of the workforce. If legislation that is intended to address a problem with one percent of the workforce is perceived as threatening and hostile by the other 99 percent, it may undermine the Department’s ability to attract and retain the capable employees that it needs. The civilian workforce will not become more productive if problem with a small number of poor performers is addressed with measures that are perceived as a declaration of war on all employees.

Fortunately, I believe that there are steps that Congress and the Department could take to make it easier for managers to remove poor performers within the existing rules, without threatening the vast majority of the workforce whose performance and work ethic does so much for the Department every day.

For example, this Committee recently enacted legislation that established a two-year probationary period for DOD civilian employees, but the Department has done little to take advantage of that legislation. What if DOD were to institute a routine review, before the expiration of the probationary period, to assess the employee’s performance and determine deliberately whether or not he or she should be retained as a tenured employee?

With regard to the existing removal process, why not offer assistance to managers rather than requiring them to bear the burden of the performance improvement process alone? Isn’t it possible that by establishing a few dedicated performance improvement managers in an agency, we would change the managers’ calculus, opening a route for them to remove unproductive employees without sacrificing countless hours of their own time to the effort?

These are difficult issues, but important ones. I thank the Subcommittee for taking on the issue of civilian personnel reform, and I thank you for inviting me to participate in your review. I look forward to your questions.

Senator Tillis. Thank you, Mr. Levine.

Dr. Zakheim?

STATEMENT OF HONORABLE DOV S. ZAKHEIM, FORMER COMPTROLLER, DEPARTMENT OF DEFENSE

Dr. Zakheim. Well, thank you, Chairman Tillis and Ranking Member Gillibrand and members of the committee.

I appreciate your giving me the chance to testify on this issue. I have also submitted written testimony, and I would request that it be included in the record, if that is okay?

I do not disagree with much of what you just heard, but I would go further and wider. First of all, and maybe this is because I not at all that long ago was a green eyeshade, DOD civilian personnel account for about 36 percent of all full-time DOD personnel, including the Guard and Reserves that serve full time.

In the past 15 years, DOD has added 77,000 more civilians. That represents an 11.5 percent jump in the workforce since 2002. Military end strength declined by 8 percent, or 120,000 personnel, in the same time frame.

Over those 15 years, civilian pay increased by a very healthy 31 percent, and most of that increase went to General Schedule white collar workers. The blue collar wage board—it is about one-third of the total civilian force—their pay actually declined in fiscal year
2017 dollars by about 5.5 percent. So you got a real imbalance right there. At the same time, of course, as you know, total military pay for Actives and full-time Guard and Reserve barely rose at all, 0.2 percent.

So with civilian pay consuming a significant portion of the budget and in light of other needs in the defense enterprise, whether it is to increase Active Duty end strength or enhance readiness or provide more funding for acquisition, you have got to look at whether the productivity of the civilian workforce justifies the resources it has consumed over the last decade and a half, and I think the answer is clear. It simply has not.

It is highly questionable whether defense civilians—not all of them, obviously—are making the most of information technology systems that are available to them, operating at the cutting edge of cyber technology, or acting as an educated consumer when procuring the vast range of high-tech systems that combine with our military personnel and comprise the lifeblood of our fighting power.

Finally, the availability of contractors to carry out many of the same missions as the civilian staff, which we politely term “staff augmentation,” has often resulted in civilians offloading to contractors works for which they are themselves responsible with the result that what is produced is more costly and often, in my personal experience, less than adequate to the task.

I am first going to talk about manpower efficiencies and then talk to some training and education issues and the issue of staff augmentation. GAO [Government Accountability Office], in December 2015, reporting on just the acquisition workforce, said that the Department had yet to identify and certainly not address all the gaps in civilian skills, and I am quoting here, “that are essential for effective human capital management.”

At the time of the report, DOD had not updated its acquisition workforce plan, and at that time, it appeared that DOD had not established time frames for addressing these concerns, all of which go to the heart of workforce efficiency. Not clear to me how much progress has been made in the past year.

Then in October of 2016—in other words, 6 months ago—GAO addressed the entire workforce, and it said that DOD had “not developed and implemented an efficiencies plan for reducing civilian and contracted services workforces.” In fact, DOD, according to GAO, seemed to be circumventing the intention of Section 955 of the 2013 NDAA, which called for this kind of a plan to cover fiscal years 2012–2017.

Section 955 allowed DOD to exclude required reductions that it identified as critical, and the Department—and this is not the first time I have seen this happen in my career—excluded 538,000 out of the 776,000 civilians, which meant, of course, that you really were not going to be dealing with the entire civilian workforce. DOD has not really challenged GAO’s findings or the assumption that the civilian workforce could be more efficient.

In fact, in his memo of February 17th of this year, Secretary of Defense Mattis explicitly called for, and I am quoting, “making our business operations more efficient and freeing up funds for higher priority programs.” So what I am saying is not original at all.
Moreover, and here he was incorporating a taxonomy that the Defense Business Board highlighted in its own January 2015 examination of DOD efficiencies, the Secretary called for “exploring efficiencies with respect to human resource management.” The board specifically identified civilian personnel as a major target of opportunity for efficiencies in the human resources realm.

The board pointed out that annual savings from what it termed “optimizing the Government labor footprint” could amount to anywhere from 8 to 13 percent of total back office costs. Allowing for the fact that 60 percent of that force is civilian, we are talking about $5 billion to $8 billion in the fiscal 2017 budget alone.

Part of the reason that the workforce is not as efficient as it could be is lack of training and education that it needs to keep pace with new development in technology, in cyber, and in human resource management itself. DOD civilians can take courses in everything from auditing to contracts management to test and evaluation and cost estimation. But many or most of these course are taught via distance learning, which does not necessarily ensure that students will absorb or retain what they have been taught.

They take these courses at the Defense Acquisition University. All you have to do is go online and look at the course offerings. It does not offer courses in human resource management, which is key to ensuring that officials at every level strive for efficiency on the part of their staffs, and most of its courses are, in fact, distance learning courses.

Now the various better buying power of reforms that have been promulgated in recent years, they have gone some distance to remedying the paucity of training requirements for acquisition officials, but there is some way to go. Human resource training programs for civilian managers, which you have just heard about, are much further behind.

There is no advanced education requirement for members of the Senior Executive Service or people who want to be promoted to the Senior Executive Service. DÂU [Defense Acquisition University] offers training. That is very different from education. To be proficient in the management of human resources or even to be an educated consumer of technology, you need more than training.

The military has a system of professional military education. You cannot move up unless you have taken, been at staff college, been at National War College or one of the service war colleges. Not the case for civilians. There is no civilian equivalent.

I would recommend that no civilian be promoted to the SES, the Senior Executive Service, without getting a year of appropriate education at one of the Nation’s top business schools or at a top institute of technology. There has never been such a requirement imposed by the Department nor by OPM.

It looks like legislation would be the only way to ensure that our top civil servants and those aspiring to make it to the top will both get the education and the training they need to carry out their tasks most efficiently.

Now in addition to changes in the way the civil servants are trained and educated for their jobs, there is an urgent need to alter the culture that seems to govern their behavior. Again, I am speaking from eyewitness experience.
Too often DOD civilians rely all too heavily on contractors for work that they should undertake themselves. It was for good reason that Secretary Gates sought to reduce the level of staff augmentees. The work should be done by the civil servants.

One way to change the situation would be to prohibit anybody from retiring from the military, as well as any retiring DOD civilian, from serving in a staff augmentation position for 5 years after retirement. Too many folks flip their badges. Friday, they are a Government official or a military person. Monday, they are working for a contractor back at the same job, back with the same colleagues. Now, come on.

Given the cost of DOD’s civilian workforce and its acknowledged lack of efficiency—again, it is not me, Secretary of Defense—it might have been expected that the proposed fiscal 2018 budget as well as the 2017 budget amendment would call for a reduction in civilian end strength. But even though the Trump administration is proposing cuts to the Federal civilian workforce, it has not identified any reductions in the DOD workforce, not the $54 billion increase in 2018 or the $25 billion amendment for 2017.

It is true that there is a hiring freeze and, combined with anticipated retirements, there could be some reduction in civilian levels. But the proposed increases in 2018 could well result in a higher civilian force should the freeze be lifted. Even if the freeze is not lifted, civilian personnel levels may not or probably will not decline significantly.

The only way to do it is through a targeted effort, and that is something that Congressman Ken Calvert has proposed in his REDUCE Act, which stands for—re—Rebalance for Effective Defense Uniformed and Civilian Employees Act. He has been proposing it for the last several years because what it would do is limit full-time positions in DOD in each year of fiscal years 2024 to 2028 to a number of not greater than 85 percent of the number of such positions as of September 30th of 2018.

To begin the process, the bill would authorize the Secretary to offer separation incentive early retirement payments to civilian employees. But if he does not hit the right number, he can reduce force and reduce personnel involuntarily. The act would also cap Senior Executive Service at 1,000 personnel.

Now, not surprisingly, this bill has been opposed bitterly by the Civil Service unions that represent DOD civilians. The unions have been a major stumbling block in the way of Civil Service reform. They want to see no changes in the 1978 Civil Service Reform Act, which, among other things, enabled civil servants to unionize.

So when the Secretary of Defense, my former boss, Secretary Rumsfeld, sought to initiate a merit-based system for evaluating and promoting civilian personnel, which my colleague Peter Levine mentioned in passing reference, and that would have clearly led to more civilian efficiency because it was merit based, he was met with a boatload of criticism and lawsuits filed by the unions, and he had to drop the proposal.

It should be noted, however, that the very same act allows the President to exempt groups in the name of national security. The armed services, employees of CIA, and the FBI are already exempted. So, in theory, the Trump administration could—the Secretary
of Defense could exempt civil servants in the Department of Defense from unionizing. That would free up a lot of the kinds of recommendations that you have heard from my colleagues here on the panel and several that I have talked about.

DOD relies heavily on its civilian personnel. They are integral to the Nation’s ability to fight and win its wars. To that end, it is critical that we ensure that the DOD’s civilian corps operates in the most efficient manner possible, and it is an urgent requirement if DOD is successfully to confront and overcome the challenges that are constantly emerging in today’s international security environment.

Thank you for your patience in listening to me. I would be delighted to answer your questions as best I can.

[The prepared statement of Dr. Zakheim follows:]

PREPARED STATEMENT BY DOV S. ZAKHEIM

Chairman Tillis, Ranking Member Gillibrand, Members of the Committee, I appreciate your giving me the opportunity to testify on the critical issue of DOD civilian personnel reform. DOD civilian personnel currently account for approximately 36 percent of all full-time DOD personnel, including full-time National Guard and Reserves. In the past fifteen years, DOD has added 77,000 more civilians, representing an 11.5 percent jump in the civilian workforce since fiscal year 2002. During the same period military end strength declined by 8 percent, or 120,000 personnel.

Over that same fifteen year period, civilian pay increased by a very healthy 31 percent. Most of that increase went to General Schedule white collar workers, who account for two-thirds of all DOD civilian employees. On the other hand, blue-collar Wage Board pay actually declined by about 5.5 percent. At the same time, total military pay for all Active personnel, including full-time National Guard and Reserves, rose by a mere 0.2 percent.

Of course, the decline in military end strength means that on a per-capita basis, military pay increased markedly since 2002, and indeed, military pay increases have either equaled or exceeded civilian pay increases ever since. Nevertheless, with civilian pay consuming a significant portion of the budget, and in light of the need to bolster other elements of the defense enterprise, whether to increase Active Duty end-strength, or to enhance readiness, or to provide more funding to meet acquisition needs, it is important to examine whether the productivity of the civilian workforce justifies the resources it has consumed over the last decade and a half.

Members of the subcommittee, the answer is clear: DOD has benefitted from precious few gains in efficiency even as the workforce has grown so markedly. Moreover, it is not at all evident that the civilian workforce is properly trained to deal with the speed of changes in technology given Moore’s Law, which posits that the power of computer central processing units, or CPUs, doubles every two years. In other words, it is highly questionable whether Defense civilians are making the most of Information Technology systems available to them, operating at the cutting edge of cyber technology, or acting as an educated consumer when procuring the vast range of high technology systems that combine with our military personnel to comprise the lifeblood of America’s fighting power.

Finally, the availability of contractors to carry out many of the same missions as the civilian staff—politely termed staff augmentation—has often resulted in civilians offloading to contractors work for which they are themselves responsible, with the result that what is produced is more costly and often, in my experience, less than adequate for the task at hand. It is not without good reason that former Secretary of Defense Bob Gates targeted staff augmentation as an area that deserved both greater scrutiny and urgent reform.

I will first address the question civilian manpower efficiency and then turn to some training and education issues and to the matter of staff augmentation. Numerous reports by the Government Accountability Office, most recently those of Decem-
ber 2015, 1 which addressed the acquisition workforce, and of October 2016, 2 which called for efficiencies in both the civilian and contractor workforces, underscores the judgment that the efficiency of the civilian defense workforce leaves much to be desired. The GAO’s 2016 report on the acquisition workforce noted that DOD had yet to identify, much less address, all gaps in civilian skills that, it stated, “are essential for effective human capital management.” Nor, as of the time of the report, had DOD updated its acquisition workforce plan. It noted that 26 percent. of all acquisition-related hirings were not in line with DOD’s own stated priority career fields. Most troubling, it appeared that DOD had not established time frames for addressing these concerns, all of which go to the heart of workforce efficiency.

The October 2016 report, which, as noted, addressed the entire civilian DOD workforce, for the first time, not just its acquisition component, pointed out that DOD had “not developed and implemented an efficiencies plan for reducing the civilian and contracted services workforces.” Indeed, DOD seemed to be circumventing the intent of Section 955 of the FY 2013 National Defense Authorization Act, which called for such an efficiencies plan to cover the period fiscal years 2012–2017. Section 955 allowed DOD to exclude required reductions that it identified as critical, and the Department excluded 538,000 of its 776,000 personnel.

DOD itself has not challenged GAO’s findings, nor the general assumption that the civilian workforce could be far more efficient than is currently the case. Indeed, in his memo of February 17th of this year, Secretary of Defense Mattis explicitly called for “making our business operations more efficient and freeing up funds for higher priority programs.” Moreover, incorporating a taxonomy that the Defense Business Board highlighted in its own January 2015 examination of DOD efficiencies, Secretary Mattis called for “exploring efficiencies [with respect to] human resource management.” Significantly, the DBB identified civilian personnel as a major, if not the major, target of opportunity for efficiencies in the human resources realm. The Business Board noted that annual savings from what it termed “Optimizing the Government Labor Footprint” could amount to anywhere from eight to thirteen percent. of civilian personnel costs, or anywhere from five to eight billion dollars in the fiscal year 2017 budget alone.

Part of the reason for the civilian workforce’s inefficiency is its lack of the training and education required for it to keep pace with new developments in technology, including cyber, and indeed, in human resource management as well. DOD civilians can take courses in the Defense Acquisition University (DAU) in everything from auditing, to contracts management, to test and evaluation and cost estimation. 4 But many, if not most, of these courses are taught via distance learning, which do not necessarily ensure that students will absorb or retain what they have been taught. Moreover, DAU does not offer courses in human resource management, which is the key to ensuring that officials at every level strive for efficiency on the part of their staffs. The various Better Buying Power reforms promulgated in the past few years have given some way to remedying the paucity of training requirements for acquisition officials, but there is still some way to go, while human resource training programs for DOD civilian managers are even further behind.

Finally, there is no advanced education requirement for members of the Senior Executive Service, or those seeking promotion to the Senior Executive Service. DAU offers training, not education. Yet to be proficient in the management of human resources, or indeed, to be an educated consumer of technology, more than training is required. The military has its system of professional military education; there is no such equivalent for civilians. A civilian with a Masters’ Degree can serve forty years in the Defense Department without ever taking another graduate level course throughout his or her career. Such a situation is unacceptable. Specifically, no civilian should be promoted to the Senior Executive Service without receiving a year of appropriate education at either one of the nation’s top business schools, such as Harvard, Stanford, Chicago or Rice, or at a top institute of technology such as MIT, RPI, Cal Tech or Georgia Tech. The Department has never imposed such a requirement, nor has the Office of Personnel Management. Officials do take a year off to attend graduate programs, such as that at Harvard’s Kennedy School, which is tailored for senior government executives. Still, participation in these programs is vol-

untary, and many executives are reluctant to spend a year away from their place of work; or, their superiors are reluctant to lose them for a year. Legislation appears to be the only way to ensure that our top civil servants, and those aspiring to the make it to the top, will get both the education and the training that they need to carry out their tasks in a most efficient manner.

In addition to changes in the way civil servants are trained and educated for their jobs, there is an urgent need to alter the culture that seems to govern their behavior. Too often, DOD civilians rely all too heavily on contractors for work that they should undertake themselves. For example, many reports to the Congress actually are prepared by contractors, often “staff augmentees” who retired from the military or the civil service only to return to virtually identical jobs in the same office, with the same colleagues, but now are wearing a contractor badge. Yet the reports these contractors produce are often poorly written and formulated; it is questionable whether civilian DOD staffs carefully review what has been produced before forwarding the reports up their command chain. It was for good reason, as I mentioned earlier, that Secretary Gates sought to reduce the level of staff augmentees; the work should be done by civil servants themselves. One way to help change what might be termed a poisonous symbiosis of DOD civilians and contractors would be to prohibit anyone retiring from the military, as well as any retiring DOD civilian, from serving in a staff augmentation position for five years after retirement. DOD staffs would then either take on the work themselves, or, if they feel uneasy about their workload, find jobs elsewhere.

Given the cost of DOD’s civilian workforce and its acknowledged lack of efficiency, it might have been expected that the proposed fiscal year 2018 defense budget as well as the fiscal year 2017 budget amendment would call for a reduction in its end strength. Ironically, however, even as the Trump Administration is proposing cuts to the total Federal civilian workforce, it has not identified any such reductions in the Department of Defense. Neither the proposed $52 billion increase for fiscal year 2018, as well as the $25 Billion budget amendment for fiscal year 2017 reveals any indication that Administration plans to reduce DOD civilian personnel levels. It is true that the current hiring freeze, combined with anticipated retirements, should result in some reduction in current civilian levels. On the other hand, the proposed increases for fiscal year 2018, could well result in a higher civilian force level should the freeze be lifted.

Even if the freeze remains in place, civilian personnel levels are unlikely to decline significantly. Only a major targeted effort will result in lowering those levels. Such an effort is encapsulated in the Rebalance for an Effective Defense Uniformed and Civilian Employees Act, commonly known as the R.E.D.U.C.E Act. This bill, which Congressmen Ken Calvert first proposed in January 2015 and has subsequently proposed each year since, would, in its current form, limit full-time positions in the Department of Defense, in each year of fiscal years 2024 to 2028, to a number not greater than 85 percent of the number of such positions at DOD as of September 30, 2018. To begin the process, the bill would authorize the Secretary to offer separation incentive early retirement payments to civilian employees. Most importantly, it also requires the Secretary to use involuntary measures, such as reductions in force, beginning on October 1, 2018, “to achieve required reductions in personnel levels if voluntary measures are inadequate.” The Act would also cap the Senior Executive Service at 1000 personnel.

Needless to say, this bill has been strenuously opposed by the civil service unions that represent DOD civilians. The unions have been a major stumbling block in the way of civil service reform; they wish to see no changes to the 1978 Civil Service Reform Act (CSRA), which, among other things, enabled civil servants to unionize. Thus, when Secretary of Defense Rumsfeld sought to initiate a merit-based system for evaluating and promoting civilian personnel, which would clearly have led to an improvement in civilian efficiency, he was met with a torrent of criticism and lawsuits filed by the unions and eventually dropped the proposal.

It should be noted, however, that the CSRA also allowed the President to exempt groups in the name of national security. Indeed, the armed services, employees of

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7 (2) The President may issue an order suspending any provision of this chapter with respect to any agency, installation, or activity located outside the 50 States and the District of Columbia, if the President determines that the suspension is necessary in the interest of national secu-
the CIA and the FBI already are exempted. Should the Trump Administration exempt DOD civilians, it would clear the way for both reducing the level of DOD civilians and implementing reforms along the lines that Secretary Rumsfeld proposed. Should the Administration not act to exempt civilians from the CSRA's provisions regarding unionization, and even if it does act, the Congress should consider passing the R.E.D.U.C.E. Act. This Act not only would act as a catalyst for a far more efficient and effective civilian DOD corps, but also which result in significant savings that could be redirected to other urgent defense needs. that continue to emerge in today's increasingly uncertain international security environment.

The Department of Defense relies heavily on its civilian personnel; they are integral to the Nation's ability to fight and win its wars. To that end, ensuring that the DOD civilian corps operates in the most efficient manner possible is a critical and urgent requirement if DOD is successfully to confront and overcome the challenges that are continually emerging in today's increasingly uncertain international security environment.

Thank you.

Senator Tillis. Thank you.

You know, one of the big surprises to me when I came into the Senate 2 years ago was how you form your office. I just naturally assumed there were all kinds of personnel requirements and structures, and they basically say your State is this big. You have this allocation. Best of luck.

Which was great because we were able to treat it like a small business and create personnel practices. I immediately went back to the work that I had done when I was doing recruiting and retention work at Pricewaterhouse, and we adopted a very similar model within my office.

Every staff has a professional development plan. Every staff has a knowledge and skills inventory at the beginning of the year. We have very specific expectations for continuing education. There is a place for online education, but there is also a place for hands-on applied education.

We have made that every staff in our office at every level has these plans, and they are expected to perform and develop a knowledge and skills that shows growth over time. I do not think any employee, and I believe it may have been Mr. Levine that talked about how sometimes there is no, you know, direct obvious attainment of knowledge and skills from year to year. I think that that is a problem because you are not adding value.

If you are not adding any additional value other than what you got paid for the year before, why should you expect to get anything more over the cost of living? That mentality does not seem to exist anywhere in the Federal Government.

We also at Pricewaterhouse had an 18 percent attrition rate. A lot of people say, oh, my goodness. We thought that was healthy, somewhere between 15 and 18. I do not know what it is today. About half or two-thirds of those were people who consulting was not for them.

That is when working at home happened on Saturdays and Sundays and when there was not such a thing as mobile commuting. Hopefully—or happily, we have gotten past that, but it was a tough job, and we expected people to move on.

But we also counseled out 5 to 8 percent a year. They were brilliant people. We recruited them from the best schools, and they all
had GPAs [Grade Point Averages] of 3.5 or higher. But it was a
tough job, and they just did not demonstrate the value that made
sense for the firm.

So is there any evidence of that happening anywhere in the
DOD? Is there any best practice or an area out there that we
should be looking at?

Dr. Junor. Well, I am currently at NDU [National Defense Uni-
versity], and I am—like I said, I am filling a Title X term position.
When I was at P&R, I also oversaw, as did Peter, the Defense Lan-
guage Institute, which is also run by—for title X. The advantage—
so I am not a "one size fits all" proponent either. But the advan-
tage of this authority is that you are hired with a—for a very spe-
cific job, and you can ask for very specific attributes to meet that
job, which is surprisingly not common, and that goes to the classi-
fication authority that Peter was alluding to earlier.

But when you are hired, in my case, we are hired on average for
a 3-year term, I know every 3 years, I have got to come to a table,
and I am going to be held accountable for whether I have met my
performance objectives. If my term runs out, this is not something
I can dispute. It is done. So I can be not renewed either because
I failed to meet performance objective or because the needs of my
employer change.

Senator Tillis. Now let me talk about—let talk me talk about
performance objectives, and reading the background material, it
seems like do have the situation where you may be working for
somebody who works for the DOD. They move to different assign-
ments, and sometimes there seems to be a lack of real interaction
between the supervisor and the employee with respect to the devel-
opment of their knowledge and skills and really preparing maybe
for the next opportunity.

Do we have a problem there any of you would want to talk
about? Mr. Levine?

Mr. Levine. Sure, let me address that one. I think we have a
problem with the systematic development of careers for civilian em-
ployees. We have a systematic focus on military careers, and we
know what education blocks and what training blocks and what are
expected and what those are building to.

There is nothing comparable for civilian employees. So when ci-
vilian employees have the kind of training that Dov talked about,
they have training opportunities, but those training opportunities
may be handed out as a plum to somebody who has done well.
They may also be handed out to somebody who is not very good
that you just want to get out of your organization.

Either way, there is not a whole lot of conscious thought what
is that building to, what is the next step, and how are we going
to utilize and take advantage of that training? So that kind of plan-
ning is something that the Department has been short on, and
really, it is not easy to address, but needs to be addressed.

Senator Tillis. Well, thank you.

Consistent with my policy of rodeo rules, I do not want to go 8
seconds over. So I am going to go to Senator Gillibrand, and then
after we go through a round, if you all are okay, we will just open
it up to questions if we have them.

Dr. Zakheim. Mr. Chairman?
Senator Tillis. We will just do it openly.

Dr. Zakheim. Mr. Chairman, could I just add, if I may?

Senator Tillis. Yes.

Dr. Zakheim. Peter actually pretty much said what I wanted to say, but I want to add one other thing. I am familiar with at least one case of somebody who was clearly looking to get out of—had enough years to get a pension and needed something more to be able to get a good job on the outside. So that person went to his supervisor and got to the Kennedy School. That is not what you want.

It seems to me that unless——

Senator Tillis. Dr. Zakheim, we will come back to that in my follow-up.

Dr. Zakheim. Okay. Good.

Senator Tillis. Thank you.

Senator Gillibrand?

Senator Gillibrand. Thank you, Mr. Chairman.

I want to talk a little bit about cyber. Growing the cyber workforce has been a subject of intense interest on this committee, including determining the proper mix of Active Duty and Reserve component, including National Guard and civilian personnel. 2016 and 2017 defense bills included additional authorities for the Department to hire cyber civilian employees, including direct hire and special pay authorities.

What are your views on these provisions and how the Department is or is not using them? What else would you recommend with respect to hiring and retraining—excuse me, hiring and retaining civilians with critical cyber and computer skills, including those who are members of the Reserve components? How best can we utilize those talents, and is there more we could be doing with universities to increase recruitment in this area?

Dr. Junor. Mr. Chair——

Mr. Levine. Well, the answer is——

Senator Gillibrand. Can I ask Ms. Junor to do the first? Thank you.

Mr. Levine. Oh, I am sorry.

Dr. Junor. That is fine. Getting the right balance of the cyber workforce is a—it is an absolutely huge issue. Like the three components or four components that you just labeled, each has their own pros and cons. When I was—so I am a little—my knowledge is a little bit dated. I have been out for over a year now, but the Department struggled with, first, identifying the appropriate mix and then determining exactly how to recruit and retain and continue to grow those cyber professionals. That work is ongoing.

Senator Gillibrand. Mr. Levine?

Mr. Levine. So, first of all, the authorities that you have given the Department, I think, are very important ones. So you did ask about that. This is another area where you have given the Department flexible hiring authority and flexible pay authorities, which I think for a high-tech workforce, in order to compete with the private sector, those are very important.

I agree with Dr. Junor that we have not done what we need to do yet in terms of figuring out the proper mix of the workforce, but I think there is an underlying problem, which is we have not figure
out what we are doing in terms of cyber strategy. Until we figure out our cyber strategy it is hard to figure out what the workforce is you need to meet that strategy.

Senator GILLIBRAND. Dr. Zakheim?

Dr. Zakheim. It is Zakheim, by the way. I would only add that at the service level, they know they have the need and they are boxed in by the categories they have for taking people on. In particular, they could do very well hiring Reservists or, rather, taking in Reservists who have that background, but the system for taking in Reserves does not necessarily fit.

So individual commanders decide whether they will kind of bend the rules a little bit. They need some more guidance and help because they know what they want, and as Reservists, they have got people to do it. But you will get people in the Navy who are basically working in the bilge or something and actually are CEOs [Chief Executive Officer] of high-tech companies.

Senator GILLIBRAND. Separate topic. Civilian hiring authority for healthcare providers. The military is having difficulty hiring and retaining civilian healthcare workers in critically needed healthcare occupations, such as behavioral health, family medicine, pharmacy, and physical and occupational therapy.

In a report issued in February of this year, DOD reported that despite the use of special salary rates and hiring flexibilities authorized by Congress, current and projected difficulties relate to competition from the private sector and supply shortages. Interestingly, the report does not recommend to request new and enhanced hiring authorities or additional compensation authorities.

Does the Department need enhanced civilian hiring authorities and/or authority for additional compensation in order to address these shortages for healthcare providers? If so, what do you recommend? Dr. Junor?

Dr. Junor. I am not exactly sure what—I would have to—I am an economist. I would have to look at exactly what the mismatch is in that labor pool. I think all the authorities that you could provide would be helpful. For example, the—if it is a pay disparity, the pay you get on the outside has a much higher potential than it would with our limitations within the Civil Service. That is clear.

I also, though, worry, and this goes back to the how we cast our civilian workforce, and I have been worried writ large about the ability to hire especially in areas where there is a lot of competition from the civilian side. If the background vocal continues to be that the civilian workforce is more of a plague than an asset, then I think this is going to be an issue with cyber, with health, with any technical skill set.

So, yes, increasing authorities would definitely help, but along with finding a way to better manage this workforce and talk about it.

Senator GILLIBRAND. Mr. Levine?

Mr. Levine. So, first, with regard to competing on salary, we cannot compete on salary with Federal employees. You will not give enough for some of these specialized professions. You will not give enough salary authority or allow us to pay high enough, and so we then have to look at a contract model in some cases.
But I would agree with Dr. Junor that our biggest competitive advantage in hiring and retaining people is the mission and the feeling of people that they have an opportunity to contribute and contribute to something greater than themselves that they are involved in public service. When we undermine that by the way we talk about civil servants, we undermine our ability to attract and retain really highly qualified people that we need.

Senator Tillis. Senator Ernst?

Senator Ernst. Thank you, everyone, for joining us today. I am going to continue along those same lines and not just cyber or healthcare industry. Dr. Junor, you talked about a lot of other fields as well, but when we are looking at those that are in the STEM [science, technology, engineering, and mathematics] fields, or the science, technology, engineering, and math, recruiting there can be really challenging, and I have seen a lot of the benefits coming from STEM even in my home State of Iowa, who does tend to be on a leading edge with STEM education.

What incentive systems exist out there, or are there any, where we can recruit the best and the brightest of those young people that are engaging in STEM fields? Is there something that exists out there that we are not aware of, and if it does not exist, is there something that we should look at?

If we could start with you, Dr. Junor?

Dr. Junor. Peter referenced the direct hiring authorities for the recent graduates. I think that is a very big deal. If you can—if you can get these folks in right after they have learned the skill set, number one, they are bringing in current thinking that is technologically relevant. This is an aging workforce. So that is helpful.

But also if we can get them in and retain them and attract them and get them hooked on our mission, which is actually a pretty cool way to spend your career, that is an absolute plus.

Senator Ernst. Very good. Mr. Levine?

Mr. Levine. What I would add to that is that you need to think about the work that you are giving people when you are bringing them. So if you are going to try to attract and retain highly skilled workers, you bring in these young people, you do not want to plug them in so they are another widget in a giant system. You want to give them the ability to be creative and feel like they are really contributing.

I think the IT [Information Technology] area is a place where we can do that because we are challenged in IT in every way, and we can use these teams that sort of stand outside the system and try to reinvent the way we work. But you need to think about that and recognize that the only way you are going to attract and retain young people who—with these kind of talents is if you challenge them and make them excited by the work.

Senator Ernst. Very true. Dr. Zakheim?

Dr. Zakheim. There is a program that is not career but is important called Highly Qualified Experts. We tend to think of highly qualified experts as people in their fifties, whatever. But when you are talking about IT and high tech, probably the highly qualified experts are 25.

Senator Tillis. Or 19.

[Laughter.]
Dr. Zakheim. Well, that is true. I mean, my grandchildren are clearly highly qualified experts. Bringing those kinds of folks in under the program, expanding it, and then perhaps as we—creating a vehicle for those that want to stay to be able to stay because they are doing interesting work might be another way to deal with this issue.

You find somebody who is 25, 30, whatever, who is doing fantastic work. You bring them in as a highly qualified expert, and then if they are good, it becomes a kind of, you know, almost probationary-type effort, and then they stay and we will benefit.

Senator Ernst. Very good. I know that we have the USAJOBS hiring process that exists out there, and Dr. Zakheim is laughing. Yes, we have experienced so many difficulties with this system, and the length of time it takes to bring those applicants into the system is horrendous. I have heard story after story.

So the direct hiring process is one way that we could mitigate that. Can you explain some of the problems that we are having with USAJOBS, and then what is a better alternative?

Mr. Levine. So when you are trying to bring in a college—somebody who is graduating from college, if you have to go through the USAJOBS process, then you can go to the campus, but you cannot offer them a job. You can say go ahead and apply. There is this portal, and in 6 months or a year, it will kick out or it will not kick out. You have got to apply job by job.

That is not the way anybody else recruits on campus, and we cannot compete if we do that. We need to be able to go there and say you are talented, we want you. We will find a place for you, and here are the kinds of things we can do, and here are the kinds of places we can put you. Yes, we are going to tell you yes now, and we are going to figure out a way to make it work.

Direct hiring enables us to do that. USAJOBS will never enable us to do that.

Senator Ernst. Thank you.

Dr. Zakheim. It takes about 83 days now to hire somebody, apparently. So it is about 3 months. But again, the manager is not the one that actually gets into the hiring process until very late in that process. That is because of HR getting into it and the automated stuff that Peter spoke about so that if—again, if you are looking for a job and you are good and other people are offering you something, you are not going to have the patience to wait around and see what happens.

Senator Ernst. They are going to snap you up before——

Dr. Zakheim. Yes.

Senator Ernst. Right. Certainly.

Dr. Junor. Eighty-three days is on the short end. I have tried to hire and be hired on USAJOBS, and there is a lot of things wrong with it. But the single most frustrating part to me is how the work is classified.

If you get stuck in a rigid OPM "this is how we have to define the attributes for a job," it is lethal. I ended up—I worked in OSD personnel and readiness, and I wanted to hire somebody. I gave up. I was frustrated.

It took—we iterated for the better part of a year, and I could not—I had some attributes that I wanted, and I could not figure
out how to jam them into the rigid boxes that OPM gave me so that I was sure I was not going to come out with really odd matchings that I had to contend with. In fact, that is what happened, and that is why I ended up giving up.

If you are on the—trying to be noticed, if are trying to get a job, these things are equally lethal. So the direct hiring authority, being able to actually list, if you are an employer, what you want in an employee and then allowing employees to match to that, it is much better on both sides.

Senator Ernst. Very good. Thank you very much.

Thanks, Mr. Chairman.

Senator Tillis. Senator Warren?

Senator Warren. Thank you, Mr. Chairman.

In October, a gunman opened fire on American personnel visiting an Army munitions supply point outside Kabul. Two Americans were killed in the attack. One was Army sergeant Douglas Riney. The other was Michael Sauro, a civilian employee of the Department of the Army.

They may not wear the uniform, but civilian workers are an essential part of our national defense effort. They care for service members in military hospitals, as we were just discussing. They service our most advanced aircraft. They keep our military bases running.

Thousands of civilian from DOD, from State, from our intelligence agencies have been deployed in Iraq and Afghanistan over the last 15 years, serving right alongside uniformed personnel. Some have been wounded. Some, as this shows, have been killed. I mention this because I am not convinced that we are treating these personnel with the respect that they deserve.

Our civilian workforce has become accustomed to hiring freezes, to furloughs, even a Government shutdown, and it is getting worse. The new administration has issued yet another hiring freeze that includes much of DOD, and the budget released last week would require the largest cuts to the Federal workforce post World War II.

So I just want to ask, Mr. Levine, what impact do actions like the furloughs and the pay freezes have on the effectiveness of the Defense Department's civilian workforce?

Mr. Levine. We have to worry about demoralizing the civilian workforce. I think that the morale is still pretty high because there is belief in the mission. But the more these attacks accumulate, the more you have a problem, and you can undermine the effectiveness of the workforce.

I agree with Dr. Zakheim and Dr. Junor that we have a three-pillared workforce. It is not only the military, not only the civilians, but also the contractors. It is important to recognize that we rely on all of them. You start with you have a job that gets done. Who is the right person to perform that?

One of the reasons that we have more civilians and fewer military now, and it is you do these trade-offs. But we had an effort over the years to say let us get our military more to the pointy end of the spear. Let us get them out of doing the back office stuff that they used to do, and as you do that, somebody still has to do the work.
So you are relying on civilians to do all kinds of things that the military cannot do their job without, but it is all one workforce, and we need to—we need to treat them as one workforce and respect them as one workforce.

Senator WARREN. So let me go back to this point in terms then of professional development that you raised earlier and that we have talked some about here, and talk about the disparity. We assume with contractors that they work on professional development. That is part of their job.

Obviously, with the military, we have been very strong on professional development. But on civilian employees of the Government, we have not done the same, even though they have positions of great responsibility.

So, for example, we will let people pause their military career so they can go back to school and acquire more skills that they will bring back to the jobs. We send them to schools. We send them to professional development. We do not do the same with civilian managers.

So let me ask you the question. Now I am going to assume that we would benefit from a robust institutional process that assures that civilians get more access. Why has it not happened? Anyone want to weigh in on that?

Dr. ZAKHEIM. I think—yes.

Senator WARREN. I want to be careful about my time.

Dr. ZAKHEIM. Sure. I think it has not happened in part because, in that respect, civilians are taken for granted. In part because the system is so rigid that you move up the scale almost no matter what, as long as you have been around. If you are alive, you are going to move up.

I think it is unfair to the civilians. It is not just unfair to the Department or the taxpayer. It is unfair to them because they need to get out there. I mean, look, if you get a physics degree, say, a master’s at the age of 23, and you do not take another course for 40 years, I mean, how really can you understand what the latest developments are when Moore’s law tells you every couple of years, you know, the computing capability doubles?

Senator WARREN. I hear——

Dr. ZAKHEIM. We are doing them a disservice. I think this needs to become, and that is why I have said, it needs to become a requirement, particularly if you are joining the Senior Executive Service. You want to be a top manager, you better spend a year at Harvard or MIT or whatever.

Senator WARREN. I hear your point. I just have a little bit of time left.

Dr. Junor, could you just weigh in on this, please?

Dr. JUNOR. Yes, I think Dr. Zakheim nailed it. We have a current system—sorry. We have a current system right now that is completely focused on longevity. Everything is about longevity, and so that is not going to breed the best productivity out of our people when it comes to, you know, hiring the young, eager, technically savvy workforce. If they come into this kind of—that is lethal if they come into this kind of environment.

So, in a sense, we are not even promoting mediocrity. We are promoting sitting in a seat. People do not want that. Most people
love their job, and they want to be good at it. That is one of the attributes of feeling good and having self-confidence. So if we built a system that rewarded and encouraged that through things like learning, I think the civilians would be better off, the Government would be better off. Turns out that is a little bit hard, although there are tools out there where we have seen this work.

Senator WARREN. Thank you.

I appreciate this because it just seems to me we have got to have both compensation structures and opportunity structures that really help our civilian employees that recognize all they have done, but also help them develop and be all they can be.

Thank you. Thank you, Mr. Chairman.

Senator TILLIS. Thank you, Senator Warren.

You know, Senator Warren made some points that I think bear repeating, and I—because my time was limited, I did not get to it in the first discussion. But we do need to make it very clear that they are a very important part of what we do.

I have been to several military installations. I have seen helicopter maintainers, aircraft maintainers. They are in there. They believe in the mission as much as anybody else in the military. So they need to understand we understand the role that they play, the force multiplier. If there is any doubt, at least on my part, and I think I speak for the members here, that they are important to us.

But what this is about is enriching their opportunity, enriching them professionally, building their knowledge and skills, and recognizing that in any group of employees, some are higher performers than others. Do they satisfy minimum requirements to keep them employed, or is there some point where you need to counsel them out?

That is very difficult. We called it counseling out. Divesting is an interesting one. I have used it more in my financial business than I have with a human being. But I mean, it is more a matter of creating a high-performing environment.

But you cannot create a high-performing environment—and to Senator Ernst's point, STEM, I mean, we are all fighting for STEM resources—public sector, private sector. The difference is when I would go and recruit at Penn State or Cornell or somebody, I saw somebody who was extraordinary, they could get an offer right there, I had the authority to do it.

Bring them into training and get them deployed to an engagement 6, 8 months, 9 months later after an extensive training program. It is 120 days. I believe my staff in the staff memo said the average is 120 days, and it can extend up to 180 days.

You are not going to get a kid that graduated with a physics degree or, you know, pick—an economics degree, something like that from a top school with a high GPA [Grade Point Average] and say we just need you to wait around 4 to 6 months, and maybe these five different jobs that you apply for, one of them will pop up. So that is clearly an area that I think that we need to drill down on.

The other thing I just wanted to ask, and Senator Gillibrand, just jump in if you have any other questions. But I know we have an internship program, and I was asking about that at about the same time that Senator Ernst asked about the USAJOBS system.
But it seems like you could come in and have an intern do great work, and you want to hire them. But there is such a lapse between having that promising person who really wants to go work and actually transition to a job.

That seems to be another area that we need to focus on. Would you agree with that, Dr. Zakheim?

Dr. Zakheim. Absolutely. I had interns that were what in those days called “presidential management interns.” I think there is a slightly different name now. But you are hired as a civil servant. So you come in.

By the way, the only reason I used 83 days is because that is the lowest number I could find.

[Laughter.]

Dr. Zakheim. I do not disagree with you at all. But getting an intern in the sense that you did or I did in the private world just does not happen. So an internship program that then allows you, as in the private sector, to move into the Government, as opposed to being hired as a Government official who is then an intern, I think that would be a tremendous step forward.

Senator Tillis. Dr. Zakheim, you said something that I do not think I really take exception to it, but—but as we are looking at policies that once we pass something, it becomes this rigid thing that people follow or have to follow. I am thinking more in the cyber space or the technology space.

I understand at certain levels, there are requisite requirements, particularly within the Comptroller’s office. Financial, education, those sorts of things are important. But it also goes back to treating different jobs and different skill sets differently. I could think about cyber as one example.

I was actually recruited to Pricewaterhouse without a college degree. When I started there in 1990 at 30 years old, I did not have a college degree, and I was continuing my education, but I happened to work in a technologies field that was imaging and kind of artificial intelligence field that there was not a lot of people doing that back then.

So we have got to make sure that when we look at getting these top skills where clearly credentialed skills are necessary for certain jobs that you would have performed, that we have the flexibility to bring in top talent and not take a Bill Gates, who did not get a college degree and not have him come work in software development.

Dr. Zakheim. Well, let me——

Senator Tillis. Would you not agree?

Dr. Zakheim. Let me make myself clear. I am not—was not talking about how we take them in. I think you are absolutely right. I would have hired Bill Gates, and so you would, I think, Senator.

But once they are in, you do not want them to just live off their intellectual capital forever.

Senator Tillis. That is right.

Dr. Zakheim. That is really what I was focusing on.

Senator Tillis. Okay, very good. Mr. Levine?

Mr. Levine. Mr. Chairman, I think you are onto a point there because as—as somebody who was a senior manager, I wanted to be able to get the most talented, most capable person for a position,
and I resented where there was an artificial constraint so I could only look at this subcategory. 

So I would be careful. I think that authorizing somebody to establish requirements, and a few years ago, we authorized the Comptroller, for example, to require CPAs [Certified Public Accountants] for certain positions. Authorizing that is a good thing. Requiring it is another matter. Because if you require it, then you say you are not allowed to have the choice to get the person you think is best suited.

Senator Tillis. Thank you.

Senator Gillibrand?

Senator Gillibrand. No, I have no further questions. Thank you so much for your testimony. It was excellent.

Senator Tillis. Well, I have got one or two others then.

Senator Gillibrand. Go ahead.

Senator Tillis. Then I can crawl off to Judiciary. But, Senator Gillibrand, I know if you have other commitments, certainly feel free to leave when you need to.

This needs to be a dialogue. There is a lot of things that we will follow up, based on your statements.

But you know, I remember working for a Marine. He was an Annapolis graduate. By the way, I did get my degree after I was admitted to the partnership. But I did finish it off because I told everybody I love public education so much I went to it for 17 years after graduating from high school.

But this partner, he was a Marine, and he had this way about him that was truly what you would expect out of a Marine coming out of the Naval Academy. He said I am going to treat you fairly, but I am not going to treat you equally.

There are certain things that we have to accomplish for our clients, and there are certain skills that we need to bring, which means that I necessarily have to differentiate based on your knowledge, your skills, and the value that you are producing.

We went to a point in the 1990s where we had what we called “hot skills bonuses.” That when there was a specific task that required a unique skill. May not be something, particularly in today’s world because of the changing of technology, last year’s hot skill may or may not be next year’s hot skill.

What flexibility do we have or do we need to allow that same sort of capability among our employee base?

Dr. Junor. I think this is the area that we need the most work, frankly, and it is not a simple thing to fix. The flip side of being part of a critical workforce like we have is being accountable for your performance in that critical workforce, and that is hard for a variety of reasons.

When you hold—and this is—accountability is part of this issue. But focusing just on accountability, it is very difficult to hold—and as I said in my testimony, to hold an employee accountable for poor performance, for example. The process is long and drawn out. Most supervisors just do not do it for a variety of reasons.

A low performer is most likely to be given a middle grade because it is easier. The—being rewarded—so the poor performers gravitate toward some kind of middle score. We do not have a lot
of flexibility to reward the high performers. In the Title V system, you cannot—you cannot promote them really early.

Senator Tillis. Do we have any system of creating—it would seem to me we have a large enough population to create cohorts that we can force into a bell curve on performance. I mean, if you look out at a lot of HR best practices, there is this theory that any cohort will fit into one of three or four categories—the top 15 percent performers, the 25 percent exceeds expectations, 35 percent expectations, 15 percent need to bump up or get out.

Do we have any examples of where we—where either the organization has adopted these practices or been allowed to adopt these sorts of practices among the civilian employees?

Mr. Levine. I would say that the entire culture of the Department of Defense is contrary to that, and not only—not only with regard to civilians, but with regard to contractors. It used to frustrate me no end that you would see contractors who were clearly failing in their performance who would get 98 percent ratings on their past performance ratings.

It is the same thing on civilians. It is a—it is a management culture which generally tries to avoid confrontation, and avoiding confrontation means you do not grade somebody at the bottom level.

Senator Tillis. What is the potential—what is the potential risk of forcing a bell curve? In other words, you do your individual evaluations, but they have to be—if I have a supervisor of a group of people they have got to be forced into a bell curve where you are having to do a comparative assessment within a cohort, what are the potential challenges for doing something like that?

Dr. Zakheim. Well, Secretary Rumsfeld actually tried that, and he ran into, like I said, a buzz saw of union opposition. Because what he tried to do is take the various GS [General Schedule] levels and create much wider bans, which would then allow for exactly what you are talking about. But he just could not pull it off.

You also have another issue here that OPM is a major player in this, and OPM's whole approach is kind of different. I remember I was on one commission or another, I cannot remember which, where we talked to OPM folks and discovered that I think it was 90 percent of SESers were above average. Now that is straight out of Lake Wobegon.

So you have got a fundamental problem with how people are evaluated.

Senator Tillis. Yes. That is—Dr. Junor?

Dr. Junor. Yes, there is certainly nothing easy about this. But I go back, if you have a small organization, then the bell curve is really not going to work. Because if you have three people, it is entirely possible that they are all superstars based on the criteria that you used to pull them in.

Let me give you a counter thought. A counter thought would be what if we could get rid of the incentives or the restrictions that prevent managers from honestly assessing their employees? What if we—what if we could find a way to reduce the friction or compel managers to be held responsible for the performance of their employees?

In other words, if your employees mess up a project, that is now on your performance statement, right? You cannot do any better...
than your worst employee kind of thinking. On the other end, I mean, what if we could give GSers more of a bonus, spot bonuses that reward? From what I have read about improving employee performance, spot bonuses, rewards, especially recognition for things well done right when it happens is probably more impactful than waiting to the end of the year for a bureaucratic assessment of what they have done.

Senator Tillis. Well, I could go on forever about this, and actually, I want to. But I think that Senator Gillibrand and I both intend to work on language that will move forward to the full committee, and we would like your continued feedback. Because, again, an environment where we really recognize role model behavior and we put on performance plans those who need to add value or counsel them, respectfully, into other careers are things that we want to talk about.

I would also like to follow up on a comment, Dr. Zakheim, that you made about somebody that rebadges. One day, they have got one badge. The next day, they have got another badge. Because I think that that is another area.

We saw that in the private sector. A lot of times we go in and we would see problems with an IT shop. It is because they were not really changing the mix, and they were just broadening the base of problems, to be honest. Not in every case. Some cases you want to retain those people, and it may be the only way you can.

But you all have given us a lot of feedback in this brief committee, and I hope that we can continue the dialogue with myself, the ranking member, and our staff as we move forward marking up language for consideration for the full committee.

Thank you all for being here.

I also want to move, without objection, that we include any outside statements received in the official record for the hearing. Without objection, so moved.

[The information referred to can be found in Appendix A.]

Senator Tillis. Thank you for being here this afternoon. This meeting is adjourned.

[Whereupon, at 3:38 p.m., the hearing was adjourned.]

[Questions for the record with answers supplied follow:]
1. Senator WARREN. Dr. Junor, in the hearing you said “We have a current system right now that’s completely focused on longevity. Everything is about longevity. And so that is not going to breed the best productivity out of our people. . . . Most people love their job, and they want to be good at it. That’s one of the attributes of feeling good and having self-confidence. So if we build a system that rewarded and encouraged that through things like learning, I think we—the civilians would be better off. The government would be better off. Turns out that’s a little bit hard, although there are tools out there where we’ve seen this work.” Please provide additional detail on the types of tools available and where you believe they have been used successfully.

Dr. JUNOR. The most significant tool is the use of Title 10 hiring authority for a defined term with organizational renewal authority and specific performance objectives. Here’s why that works:

• It creates a clear understanding of what the organization needs out of each employee
• It creates an incentive to perform (or risk non-renewal)
• It maintains quality peers (low-performers are less likely to be renewed)

In summary, this type of hiring authority maintains a culture that motivates individual and organizational improvement. This authority works even better when an organization uses an annual oversight process to review renewal decisions. Such a process would ensure that employees are treated fairly and are given at least one year’s notice in the event they will not be renewed.

I believe professional development offered in this environment is much more likely to be effective than in an environment that emphasizes longevity. I have seen this authority work well at National Defense University (where I am currently employed) and at the Defense Language Institute.
APPENDIX A

PREPARED STATEMENT BY J. DAVID COX, SR., NATIONAL PRESIDENT, AMERICAN FEDERATION OF GOVERNMENT EMPLOYEES, AFL–CIO

On behalf of the almost 700,000 federal and District of Columbia employees, including 270,000 in the Department of Defense (DOD), who are represented by the American Federation of Government Employees, AFL–CIO (AFGE), thank you for the opportunity to submit this Statement for the Record on DOD Civilian Personnel Reform. Our members’ experience and dedication ensures reliable and cost-efficient support for our nation’s war-fighters—from maintaining weapons to overseeing contractors to guarding installations.

AFGE has had numerous occasions to study and testify on proposed changes to the DOD civilian personnel system. We are all too familiar with various efforts within the Defense establishment to further the agenda of placing all DOD civilian personnel within a title 10 framework, and removing the Office of Personnel Management (OPM) from any meaningful role with respect to DOD civilian personnel. AFGE opposes these efforts. Neither DOD nor any defense “studies” have made a coherent case for shifting civilian employees from civil service coverage under the well-developed framework of title 5 to a DOD driven title 10 system that shortchanges the pay and rights of federal workers.

THE THREAT TO REVIVE THE DISCREDITED NSPS: PERFORMANCE PAY AND FORCE OF THE FUTURE

The Federal Government’s disastrous experience with the National Security Personnel System (NSPS) in the Department of Defense during the George W. Bush administration is a cautionary tale on the dangers of abandoning an objective “rank-in-position” system like the General Schedule for federal agencies. From 2006 to 2009, 225,000 civilian workers in DOD were subject to a system that based salaries and annual salary adjustments on supervisors’ assessments of employee performance. NSPS also granted managers tremendous “flexibility” on classification of jobs, hiring, assignments, promotion, tenure, and “performance management.” The system’s only additional funding relative to the General Schedule payroll base was for outside consultants who had a large role in designing, implementing, and training DOD managers in their new system.

It was not surprising that even in its brief three-year reign, NSPS damaged the Federal Government’s excellent record of internal equity on race and gender. Data on salaries, performance ratings, and bonuses showed marked advantages to being white and male, and working in close geographic proximity to the Pentagon. Those in the Office of the Secretary of Defense, the Defense Finance and Accounting Service and Tricare were found to be higher performers, on average, than civilian employees in the Departments of the Army, Navy or Air Force.

NSPS was a system conceived in a highly politicized context. The Department of Homeland Security (DHS) had been established two years earlier, in 2002, and its secretary was granted broad personnel authorities, construed by the agency to include the right to unilaterally abrogate provisions of collective bargaining agreements and replace them with agency directives. The rationale for DHS’ grant of authority to create a new pay and personnel system was the war on terror and the administration’s belief that union rights and national security were mutually exclusive. So in 2003, Defense Secretary Rumsfeld used the same rationale to seek personnel authorities similar to those granted to the Secretary of the Department of Homeland Security.

In early 2016, the Defense Department began exploring NSPS 2.0 under the rubric of “Force of the Future.” Early drafts of the Force of the Future proposals for civilians included the notion of moving virtually all DOD civilians from title 5 to title 10. This was the original plan for NSPS. Title 10 governs the Department’s uniformed personnel, but includes a few provisions for civilians in intelligence and Defense universities. A move from title 5 to title 10 would eliminate most civil service protections, and give the hiring authority complete discretion to set and adjust pay. AFGE strongly opposes any and all efforts to restore NSPS, whether under the guise of Force of the Future or by any other name, including the just released report of Bipartisan Policy Center. The flaws of that system were well-documented and there is certainty that a revival would reproduce all the discriminatory effects of its earlier incarnation.

DOD has often argued that it needs a more “flexible” personnel system in order to manage its workforce than is contemplated or permitted under title 5. However, if experience is any guide, DOD rarely, if ever, simplifies much of anything, even
when given broad latitudes by Congress. More recent examples include DOD’s implementa-
tion of the broad-banded Senior Executive Service pay system, or implementa-
tion of the Defense Acquisition Workforce Improvement Act. In each case, the De-
partment developed and grew its own dedicated systems that blunted any alleged
flexibilities that were sought. The net effect is an even more bureaucratic and inter-
ally rule driven process than the old system that the putative “flexibilities” were
designed to replace.

At the Department of Homeland Security, AFGE preventing that agency’s pro-
posed new personnel system, called MaxHR, from ever getting off the ground,
thanks to a lawsuit that successfully argued that its undermining of collective barg-
aining rights violated the law. But at DOD, NSPS did move forward in part be-
cause its focus was not on eliminating the union per se, but rather on creating a
pay system that allowed managers to reward themselves and their cronies, and pun-
ish others. NSPS could only have continued if Congress had been indifferent to its
discriminatory outcomes. Fortunately, when faced with data that showed NSFS
gave systemic advantages to white employees and other relatively powerful groups
at the direct expense of other DOD civilians, and that the venerated Merit System
Principles had been undermined, Congress voted to repeal the system in 2009.

But the architects of NSPS never gave up on the dream of a subjective pay system
for the Federal Government, one in which managers can decide each employee’s sal-
ary and whether and by how much that salary will be adjusted each year. Prior to
the 2016 iteration of Force of the Future, the contractor Booz Allen Hamilton ($5.41
billion in revenue in FY 2016, 98 percent of which is from the Federal Government)
endoed the publication of a report under the imprimatur of the Partnership for
Public Service.

The report trod the well-worn path of those seeking lucrative contracts to revamp
the federal personnel system. It employs many of the hackneyed tropes that have
become all too familiar among the enemies of fair pay for federal employees: the
General Schedule is “stuck in the past,” “broken,” “rigid,” and “fragmented.” It con-
veniently neglects to acknowledge the fact that numerous flexibilities and mod-
ernizations have been enacted over the past few decades. In the 1990’s, the General
Schedule went from having one nationwide annual cost-of-living adjustment to a
city-by-city, labor market-by-labor market cost-of-labor salary adjustment system.
Special rates were authorized as well. In the 2000’s, Congress passed legislation
that introduced broad new hiring authorities, managerial flexibilities in salary-set-
ting, and a program for substantial bonuses for recruitment, relocation, and reten-
tion. Congress enacted legislation to allow student-loan repayment, new personnel
system demonstration projects, and phased retirement. The list of new flexibilities
is long, and in many cases, these new authorities have improved the General Sched-
ule. In any case, the list stands as a refutation of the myth that the General Sched-
ule is a relic, untouched by modernity or that Congress has failed to address needed
changes in the civil service system for decades on end.

Congress has been careful, however, not to go so far as to undermine the Merit
System. Unlike a private firm, the Federal Government is spending the public’s
money in ways that are meant to promote the public interest. NSPS was an object
lesson in what happens when a Booz Allen Hamilton plan is implemented in a fed-
eral agency. Despite good intentions, the Merit System Principles are undermined,
particularly the principles that promise “equal pay for work of substantially equal
value,” and that “employees be protected against arbitrary action, personal favor-
itism, or coercion for partisan political purposes.” Veterans Preference in hiring, ret-
tention and promotions is also inevitably undermined. These are the lessons of
NSPS.

Now we see that what is old is new again under the title “Building a F.A.S.T.
Force: A Flexible Personnel System for a Modern Military” (hereafter the “FAST
Report”) issued by the Bipartisan Policy Center. While most of the FAST Report
deals with military personnel policy on which AFGE does not take a position, the
sections addressing civilian personnel policy look like they were cribbed from pre-
vious reports and proposals, including last year’s Force of the Future proposal.
AFGE does not suggest that either the Partnership, the architects of Force of the
Future, or the FAST Report, advocate discrimination in pay. They likely have good
intentions. But we also know that the road to hell is paved with good intentions,
and federal employees have no desire to revisit the hell of NSPS. To be clear: Force
of the Future and/or the FAST Report blueprint are not just cut from the same cloth
as NSPS; they are NSPS redux.

While NSPS and its would-be successors fail the internal equity test, there is no
question that when it comes to external equity, Congress and the Clinton, Bush, and
Obama administrations all failed to perform their role. It is preposterous to blame
the current system for failing to produce external equity. External equity is a fund-
ing issue, and the General Schedule cannot fund itself. It relies on budget authority and appropriations. To pretend that Congress would magically provide billions more each year to fund a new civil service system identical to one it repealed in 2009 on the grounds that it was discriminatory is folly.

The cost of living has risen 10 percent from 2010 to the present. So even before the salary reductions for new employees of 2.3 percent and 3.6 percent (i.e., the increase in employee contributions to FERS), the purchasing power of federal salaries had declined by 4.6 percent. The degree to which they lag the market varies by city, but the nationwide average is 34.92 percent according to the most recent estimates from OPM, using data from BLS. That number includes current locality payments which were frozen for five long years. https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/general-schedule/pay-agent-reports/2015report.pdf

INEQUALITY, THE DECLINE OF THE AMERICAN MIDDLE CLASS, AND WAGES AND SALARIES OF FEDERAL EMPLOYEES

The decline in living standards for America's middle class and the ongoing misery of the poor have been much in the news recently. Even as the rate of unemployment has dropped, wages continue to stagnate as do household incomes. On one side are those who deny the numbers, attribute changes in the distribution of income and wealth to changes in educational attainment or willingness to exert effort. On another side are those who recognize that the decline of unions, the rise of outsourcing and global free trade agreements, and the deregulation of the 1990s and other factors are better explanations. Median incomes for middle class American families, adjusted for inflation, are lower than they were in the 1970s and the very rich have benefited so disproportionately from economic growth over the decades that America is now more unequal than it was in the 1920s. Both middle incomes and the incomes of the poor are now higher in several European countries and Canada than they are in the U.S. After adjusting for inflation, median per capita income in the U.S. has not improved at all since 2000.

Federal employees are typical middle class Americans. They work hard and have historically received modest, but fair pay from their employer. It has been recognized that the nation benefited from having an apolitical civil service governed by the merit system principles. The pay and benefits that derived from those principles, were supposed to be adequate to recruit and retain a high-quality workforce, capable of carrying out important public sector functions, from law enforcement to guaranteeing care for wounded warriors to protecting public health.

The government would not be a bottom-of-the-barrel employer, paying the lowest possible wages and forgoing health care and retirement benefits, like so many of today's most profitable corporations. Likewise, the government would not be a place where anybody went to get rich at taxpayer's expense (that role is assumed by government contractors like Booz Allen Hamilton). The government as an employer would be a model when it came to ideals of internal equity and non-discrimination, promoting both fairness and seeking employees devoted to the public interest. On pay and benefits, it would aim at "comparability," defined in the pay law as no less than 95 percent of what private and state and local government pays on a locality basis.

While some brave politicians have held fast to these principles over the past several years when there has been immense political pressure to reduce government spending no matter what, many more have succumbed to the notion that America should reconcile itself to declining living standards for all but the very rich. As such, they supported the pay freeze, the 1 percent pay adjustments, the federal retirement benefit cuts, which have cut purchasing power of some federal paychecks by an additional 2.3 or 3.6 percent; and they have supported the Budget Control Act's discretionary spending caps, which have meant temporary layoffs and could mean permanent job loss for thousands.

We recognize the politics behind the pressure to constantly reduce federal spending. We understand the vast power of those who would protect the low tax rates of the wealthy at any cost. Regardless of one's position on austerity and sequestration, both Force of the Future and FAST Report proposals deserve strong opposition because they introduce subjectivity and politicization into federal pay, undermine veterans' preference and violate the merit system principles. These plans are also objectionable because they would reallocate salary dollars away from the lower grades toward the top, increasing inequality and decreasing opportunity for advancement. Even if the direct attacks on federal employees' pensions were to stop and funding for salaries were enhanced, it would be important to reject Force of the Future and the FAST Report approach, because they quite explicitly advocate greater inequality between the top and the bottom of the federal pay scale.
The elitism of Force of the Future and the FAST Report is striking. They ignore the Federal Government’s hourly workforce altogether. Apparently blue collar workers are so bereft of the qualities DOD and its contractors want to reward in their pay schemes that they are not worth notice. The implied segmentation of the General Schedule or salaried workforce is also highly elitist. Employees in the lower grades, like hourly workers, are excluded entirely, again because, presumably, trying to measure their contribution to excellence would be a pointless exercise. But excluding the lowest paid federal workers is only one part of the inequality enhancement exercise that Force of the Future and the FAST Report propose for DOD. Like their NSPS forbearer, the plans would divide the workforce by occupational category, reserving the highest raises for the highest earners. Those in the midlevel occupations would stagnate or decline, while their betters would be provided with both higher salary increases and a larger pool of funds from which to draw performance-based adjustments.

Force of the Future and its government-wide twin from the Bipartisan Center should also be opposed because they both would undo the tremendous achievement of the current system with respect to eliminating discrimination in pay. AFGE urges Congress to treat the findings of the OPM study on pay equity as important accomplishments worth protecting. We should be celebrating this success, not considering replacing the system that produced it. That celebration must include full funding, so that federal employees can restore their status in the middle class.

MAINTAINING A MERIT-BASED CIVIL SERVICE AND DUE PROCESS RIGHTS

A “merit-based” civil service system forms the cornerstone of all modern Western democracies. It ensures that technical expertise is brought to bear on performing agency missions, without the threat of overt partisan agendas driving day-to-day operations.

When the FAST Report at recommendation A–5 states: “Create a separate and unique personnel system for all Defense Department civilian employees,” we at AFGE ask, will due process rights be maintained? The FAST Report further comments on page 27: “Another issue with the civilian personnel system is the lack of flexibility to hire and fire employees in a timely manner. Since the system’s primary rationale is fairness and impartiality, it is exceedingly difficult to remove low performers.”

These code words and the outright contempt for civil service due process rights they express should be opposed by all those who care about maintaining a nonpartisan career civil service. The notion that poor performers and those who commit acts of misconduct cannot be disciplined or removed are myths that have been perpetuated by advocates for an “at will” civil service.

The FAST Report ignores that the Civil Service Reform Act (CSRA) provides that all title 5 employees, including DOD employees, may be removed for either misconduct or poor performance. The employee merely needs to be informed of his or her alleged deficiency and the reason that management proposes to take an action against him or her (removal, demotion, suspension, etc.).

An employee is subject to a final adverse action by an agency 30 days after receiving an adverse proposal. An employee may file an appeal to an adverse action to the Merit System Protection Board (MSPB), a third-party agency that hears and adjudicates civil service appeals. MSPB administrative judges (AJs) hear the matter in an adversarial setting and decide the case in accordance with established legal precedents. If dissatisfied with the AJ’s decision, either the agency or the employee may appeal the decision to the full three Member MSPB.

The MSPB appeal process is highly efficient and expeditious. Most AJ decisions are rendered within 70 days of the filing of an appeal. On appeal to the full MSPB from an AJ decision, agencies win 80–90 percent of the time. Meanwhile, the agency’s decision, e.g., removal of the employee from the payroll, remains in effect during the entire appeals process.

The importance of maintaining a nonpartisan, apolitical civil service in an increasingly partisan environment cannot be overstated. First, most federal jobs require technical skills that agencies simply would not obtain through non-merit based appointment. Second, career employees must be free to perform their work in accordance with objective professional standards. Those standards must remain the only basis for evaluating employee performance or misconduct.

Calls to make it easier to fire a federal employee by decreasing due process rights or speeding up the removal process are “dog whistles” for making the career service subject to the partisan or personal whims of a few supervisors or political appointees.
The drafters of the FAST Report may find it politically unpopular to admit this, but federal managers are already fully empowered under existing law to take appropriate action when employees are underperforming or engaged in misconduct. There is no group of people who object more to the continuing presence in the workplace of those who are not performing well or who may engage in misconduct than fellow federal employees. When someone doesn't perform up to speed, it simply means more work for the rest of the people who do perform well. Similarly, an individual's misconduct hurts all employees in the workplace, and it is usually fellow employees who are the first to shine light on misconduct.

A premise of both DOD's "Force of the Future" proposal and the FAST Report seems to be that federal managers lack adequate authority and tools to discipline those who engage in misconduct or who are poor performers. Thus, they argue, shifting employees from existing title 5 processes and protections to a new title 10 system for all DOD civilian employees is warranted. Despite the various protestations of some managers, management-associated think tanks, and so-called bipartisan groups, the Government Accountability Office (GAO), the Merit Systems Protection Board (MSPB) and the Office of Personnel Management (OPM) have all issued reports and analyses that have come to pretty much the same conclusion: When poor performers are not dealt with it is never because the civil service laws or procedures are too difficult to navigate, but rather because some managers (or their managers) either do not want to take the time and effort to properly document poor performance and remove or demote poor performers, or because they lack the knowledge, skills, and ability to do this.

A recent GAO report, "Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance," (GAO–151–191), February 6, 2015, found four principal reasons why agencies do not use the already substantial tools they have available to them to remove the relatively few poor performers. All four reasons related to management failures and/or unwillingness to properly identify and document poor performance. AFGE would urge this Subcommittee to review GAO's well thought-out recommendations and its careful analysis of relevant statutes and regulations.

The premise that the procedural hurdles for removing poorly performing employees are too high is simply not borne out by the facts. When an employee invokes his/her rights to a formal adjudicatory hearing before the MSPB, the agency almost always prevails. For example, in 2013, only 3 percent of employees appealing their dismissal to the MSPB prevailed on the merits. In contrast, agencies were favored at a rate five times that of employees when formal appeals were pursued. The notion that the MSPB makes it impossible to fire a federal employee is simply not true. Perhaps we should call it an "alternative fact."

There are well-established and fully adequate processes and procedures for removing problem federal employees. This is true for performance or conduct reasons. In fact, the standards for removing underperformers were specifically developed so that poorly performing employees may be more easily dismissed than employees committing conduct-related offenses. Even more important, the burden of proof is lower for removing a poor performer—it is only the "substantial evidence" test, so that reasonable supervisors are given leeway to determine what constitutes unacceptable or poor performance.

**A BETTER WAY FORWARD**

Already federal workers, including DOD civilian employees, have contributed over $182 billion to deficit reduction during the past 8 years. Employee pay adjustments during this period have been very small (and in quite a few years there were no adjustments at all), and inflation-adjusted federal employee compensation has actually decreased. Rather than continuing to punish and vilify DOD civilian workers, Congress should consider giving DOD supervisors appropriate tools to reward high performers. Freezes in pay, promotions and awards, and decreases in benefits whether directly or through more employee cost-sharing, do nothing to improve quality.

History is replete with examples of public service corrupted by unfettered, politically-based employment decisions. That's why we continue to support a merit-based civil service system with appropriate due process, and checks and balances to ensure that both hiring and firing decisions be merit-based, and subject to meaningful review.

AFGE strongly supports improvements in agency performance management systems, such as the Defense Department's New Beginnings approach. We look forward to working with lawmakers and others to see this carried-out. AFGE also supports better training of both supervisors and employees so that clear expectations are es-
tablished, performance is measurable, and appropriate steps are taken to either remedy performance problems, or to remove the small number of poor performers from the workplace. AFGE also recommends that Congress focus more on empowering and improving the quality of the workplace for the 99 percent of DOD employees who perform well. While we understand the need to deal with the 1 percent who may be problem performers, we must not allow the other 99 percent to be tarred and feathered with the same brush. Improving the lot of the 99 percent will further reduce the influence and tolerance for the 1 percent to remain employees. This starts with more proactive management.

AFGE opposes virtually all of the proposals set forth in the FAST Report as they may affect civilian DOD workers. They are simply a replay of NSPS, and its destructive tone. AFGE does support the call in the FAST Report for improving educational opportunities for civilian DOD employees. However, these authorities already exist. It is a lack of funding that is responsible for the dearth of career development of civilians at DOD.

IMPACT OF HIRING FREEZE ON MILITARY READINESS

As many of you are aware, the current freeze on hiring and promotion of federal employees has had and is continuing to have a negative impact on operations at DOD. While wide swaths of employees have received permission for exemptions on an individual basis, such as depot maintenance employees, others, who have a direct impact on the ability of the ‘unfrozen’ employees to conduct their jobs, are still caught in the freeze even though their jobs have a direct impact on national security. For example, many of the engineers and systems integrators that plan and direct workload at depots across the country remain firmly caught in the freeze. Additionally, other key and equally important areas of the organic industrial base, such as arsenals, supply depots, and DLA are still caught in the freeze even though their workload and workforce have a direct impact on military readiness. Further, working capital fund employees, who work on funded orders from customers, are still caught in the freeze and makes no sense when current statute clearly states that their work and manning should be tied to workload. AFGE believes that the Armed Services Committee, the Senate and all of Congress should act to ensure that the freeze on civilian employees at DOD—and across government—are removed from the freeze on hiring and promotions. The current freeze is the most inefficient method of managing employees and has a tremendously negative impact on morale.

As you will recall, a recent GAO study identified that the military services are failing to meet core requirements under 10 U.S.C. 2464 at several locations across the organic industrial base. These gaps in core requirements were identified at the lower tier levels and create skill gaps that are critical to maintaining weapons systems that are necessary for war fighting. Increased funding is needed in some cases to ensure that backlogs are covered. In other cases, there is a need to transfer workload to the organic depots. Regardless, these core skills must be preserved to ensure military readiness. Failure to enforce the law is not a good option. This is an area that must be addressed by this Committee. GAO made recommendations that we hope the Committee will enact.

AFGE would like to bring to the attention of this Committee an issue that has an impact on retention and hiring at some facilities, particularly DOD organic industrial facilities. At a limited number of facilities across the country, there is a great unfair disparity between the wages of the GS employees and wage grade employees based on illogical decisions that were made in the past or failure to make logical decisions. For example, the salaried employees at Tobyhanna Army Depot in Pennsylvania are in the New York locality pay area, while the hourly employees are in the Scranton, Pennsylvania area for purposes of locality-based pay. This differential treatment of salaried and hourly employees results in enormous disparities in pay. Both hourly and salaried workers at the Tobyhanna Army Depot should be in the New York locality pay area, as commuting patterns for both workforces show that the relevant labor market for all occupations employed at the Depot is most closely aligned with New York. The Federal Prevailing Rate Advisory Committee has recommended this unification, but OPM has not implemented the change. We urge the Committee to enact legislation to correct this unjustifiable inequity.

At some of our depots, AFGE Locals and management have worked together on innovative ideas and programs to improve workload leveling and to implement skills enhancement programs that will also increase pay for employees. One such example is the Multi-Trades Demonstration Pilot Program that Congress has authorized and reauthorized to allow all of the military services to enter into agreements where certain skilled journeymen level artisans could be trained in another skill and work
in both skills for a higher grade and higher pay. The Air Force Materiel Command (AFMC) has worked diligently on a program at Ogden Air Logistics Complex to implement a pilot program. This pilot demonstration project has been years in planning. It has been approved and promoted through the 4-Star Commanding General at AFMC multiple times and forwarded to the Air Force, DOD and OPM. Yet, in spite of the coordination and agreement between labor and management and despite the solid business case analysis, the plan is caught in a bureaucratic nightmare at DOD and OPM. AFGE needs your help to get this pilot program moving and approved so we can implement the demonstration program to determine whether it is a good model for the future.

CONCLUSION

We would urge this Subcommittee to reject any movement of DOD’s civilian workforce from coverage under title 5 to a system run by the Department under the authorities of title 10. This was tried under NSPS only a few years ago, and was rightfully abandoned when the gross inequities of the system became apparent.

Although it is easy to focus on the small number of employees in any organization who create problems, it is important to remember that the vast majority of federal employees perform very well, and that agency systems and the laws and regulations governing employee performance serve the public interest in an apolitical, transparent, and accountable civil service. We do not need new laws or authorities regarding public administration. We need to make sure that agency managers and supervisors (and the supervisors of supervisors) have the training and will to implement current rules effectively. In this, we share the concern of this Subcommittee, and we will work with you as we strive to ensure that our civil service system motivates and maintains high quality employee performance at DOD. Due process rights, including union rights, for civil servants at DOD or other agencies provides accountability to the public for both managers and political appointees and is a cornerstone of our system of democracy and should not be treated as expendable.

PREPARED STATEMENT BY MAX STIER, PRESIDENT AND CEO PARTNERSHIP FOR PUBLIC SERVICE

Chairman Tillis, Ranking Member Gillibrand, Members of the Subcommittee on Personnel, thank you for the opportunity to submit a statement for the record regarding the state of the Department of Defense’s civilian workforce and the need for meaningful personnel reform.

I am Max Stier, President and CEO of the Partnership for Public Service, a nonpartisan, nonprofit organization committed to inspiring a new generation to enter public service and transforming the way government works.

This Committee deserves credit for its leadership in taking steps to reform the decades-old federal civil service system. The Committee recognizes the stark reality that, as it exists today, the federal personnel system is no longer a good fit for the dedicated civilian employees of the Department of Defense and, more importantly, undermines our government’s ability to keep us safe. The personnel system governing the Department, and our Federal Government more generally, is a relic of a departed era and reflects a time when many federal jobs were clerical in nature and did not require the specialized knowledge and skills that they do today. America’s warfighters deserve and depend on a civilian workforce comprised of top talent, which will not happen unless the personnel system promotes effective recruitment, hiring, and compensation processes. Achieving the best possible mission outcomes requires that the Department recruit and hire the best and brightest civilian talent, compensate that talent fairly, engage and develop employees’ skills, and, when necessary, discipline employees to achieve the best possible mission outcomes. The Senate Armed Services Committee has led the way on reform, and the Partnership believes that the time is right for Congress to do more to overhaul the civil service system so that the Department can better utilize its most important resource—its people.

THE FEDERAL CIVIL SERVICE SYSTEM IS IN CRISIS AND NEEDS REFORM

The current civilian personnel system dates back to 1949 and serves only to disconnect the federal workforce from the larger talent market for knowledge-based professional jobs. To help agencies meet their talent needs and accomplish their missions, Congress and OPM have, over the years, authorized numerous agency-specific systems and flexibilities. The result has been balkanization and fracturing of
the civil service. Agencies compete not only with the private sector for talent but with other federal agencies as well.

Americans who want to serve our country and enter public service confront a disjunctive, unresponsive hiring process that is difficult to understand, frustrating to navigate, and fails to meet the needs of agencies or applicants alike. Individuals hired confront a job classification and pay system which treats all occupations the same and sets pay and grade level based on an arcane and arbitrary formula, bearing little relationship to private sector compensation. Former Secretary of Defense Robert Gates noted in his memoir, A Passion for Leadership, that, “Most of the sclerosis that impedes change in terms of hiring, firing, work rules, pay, and personnel is generally hardwired into law or regulations” which, when combined with attacks on public service more broadly, “discourage young citizens with desirable and needed talents from entering public service.”

The need for a modern, streamlined personnel system is particularly acute at the Department of Defense, which employs nearly 700,000 civilian employees and currently operates under 66 unique civilian personnel systems. According to the Partnership’s analysis of the most recent Office of Personnel Management (OPM) Federal Employee Viewpoint Survey (FEVS), percent positive responses to the statement, “My work unit is able to recruit people with the right skills” ranged between 39 percent at the Department of the Army to 42 percent at the Department of the Air Force. These responses indicate that employees see clearly an inability to hire and retain needed talent in DOD. To its credit, Pentagon leaders recognize the need for meaningful reform. Secretary Mattis, in his confirmation hearing, stated that he would “pursue reforms to the civilian personnel system.”

There have been many attempts to modernize the Department over the years, from the China Lake Demonstration Projects to AcqDemo and more recent reforms that have sought to implement new approaches to compensation, classification and performance management. However, these reforms have not had a fundamentally transformative impact on the Department’s talent management approach, and it continues to struggle to recruit, hire, retain, and engage the talent it needs. According to the Partnership for Public Service’s Best Places to Work in the Federal Government Rankings, the most comprehensive measure of employee engagement available, neither the DOD’s Fourth Estate nor any of the services ranked higher than 12th of 18 large agencies in overall employee engagement.

True reform will require a thoughtful framework, strong leadership, and employee buy-in. The Partnership offered just such a blueprint in our 2014 report, Building the Enterprise: A New Civil Service Framework. In that report, we proposed a comprehensive, fundamental overhaul which offered ideas on how to speed hiring, modernize compensation, simplify job classification, strengthen employee accountability, and develop effective leaders. Our overarching goal was to create a unified federal enterprise that balances merit principles and common policies across government with agency flexibility to tailor personnel systems to their unique missions. Agencies like DOD ultimately know best how to hire, support and engage the people they need, and the civil service system should help them do so rather than stand in their way.

CONGRESS SHOULD VIEW DOD AS A TEST-BED FOR COMPREHENSIVE CIVIL SERVICE REFORM

The current political moment represents a valuable opportunity for major reform. Leaders in the public and private sector, in academia and the good government stakeholder community all agree that the Federal Government’s personnel system is in desperate need of reform. The Senate Armed Services Committee has led the way. Reforms enacted over the last few years—creation of a public-private talent exchange to facilitate sharing of best practices with the private sector, expanding
merit promotion privileges to employees on time-limited appointments new auth-
ity to hire students and recent graduates quickly, among many others—represent
an important starting point for the Department and the government as a whole.
While the full impact of these recent reforms is not yet known, there is no doubt
that the Committee’s efforts have set the tone and direction for the rest of govern-
ment. As the Boston Consulting Group points out, “Given that almost one-third of
all federal employees work in the DOD, its views are extraordinarily influential, and
there is a growing realization that the civil service system is inadequate for effective
government. It is opaque, inefficient, and inflexible.” The Committee should use its
influence to reimagine the Defense Department’s personnel system as a modern,
agile, unified system that attracts and retains the best and brightest and serves as
a model for the rest of government. Below, I outline several recommendations for
doing so, focusing on both long-term ideas for broader civil service reform beginning
at DOD and spreading throughout government, and actionable, short-term legisla-
tive ideas that can have an immediate impact on the Department’s ability to man-
age its talent.

LONG-TERM RECOMMENDATIONS

Pursue comprehensive civil service system reform at the Department of Defense

The size and influence of the Department of Defense over the rest of government
mean that it can, should, and likely will serve as the leader in personnel reform.
With this in mind, the Committee should pursue broad reform at the Department
that can serve as a model for other agencies. This reform should create a Defense
Department that has the flexibility to hire, pay, and hold accountable its workforce
in an equitable manner consistent with merit principles, veterans’ preference, and
the foundational ideas of a professional civil service. The Secretary should have
broad authorities to recruit, hire and compensate mission-critical talent in a way
that best meets the needs of the organization and should be able to manage per-
formers and deal with poor performers through a fair but reasonable process that
serves both managers and employees. The Armed Services Committee has already
laid the groundwork, and we strongly urge you to continue down the path of reform.

Benchmark the Department’s Hiring Process and Other Aspects of Talent Manage-
ment

For the Department of Defense to become an employer of choice for the best and
brightest, it must first be able to make meaningful comparisons to the organizations
with which it competes in critical hiring and other talent management metrics. A
human capital benchmarking initiative would allow the Department to understand
its talent challenges better and lay out a path towards resolving them. Key metrics
might include time-to-hire; quality of hire; manager, applicant, and new hire satis-
faction with the hiring process; ability to reach and recruit talent from diverse tal-
ent pools; and the use and impact of special hiring authorities and flexibilities. This
last metric is particularly important in light of recent GAO findings that govern-
ment as a whole does a poor job of understanding and utilizing the dozens of hiring
authorities and flexibilities currently in law. Congress could require the Depart-
ment to collect this information and use it to improve its internal talent manage-
ment practices continuously.

Provide Regular, Meaningful Oversight of the Department’s Performance Manage-
ment Processes

As DOD finally begins rolling out the “New Beginnings” performance manage-
ment process, this Subcommittee should commit to performing regular oversight to
ensure that the initiative is meeting its goals. The data shows that, as of now, per-
formance management is a problem. Across the Department, just a third of employ-
ees respond positively to the statement that “Promotions in my work unit are based
on merit,” while even fewer agree that “steps are taken to deal with a poor per-
former who cannot or will not improve.” Ensuring that wider civil service reforms,
including the new requirement that reductions-in-force (RIFs) be based primarily on
performance, truly take hold will depend on an effective performance management
process which employees believe is both fair and equitable. Ultimately, holding em-

7 Brad Carson, Greg Mallory, and Mel Wolfgang. “The Pentagon’s ‘Force of the Future’ Re-


9 “2016 Federal Employee Viewpoint Survey EMPLOYEES INFLUENCING CHANGE.” U.S.
ployees accountable for their performance is core to mission accomplishment. This Subcommittee will be essential to holding DOD itself accountable and making sure that the Department is adjusting course as necessary.

The topic of RIFs deserves special focus. Congress took a step in the right direction by weighting performance more heavily in executing reductions-in-force. However, given that there has not been a large-scale RIF in over 20 years, there is reason to believe that the process may have unanticipated and unintended negative consequences on the Department’s overall talent posture—e.g., upending succession planning by pushing out or discouraging younger talent and making it harder to bring in new talent because of the re-employment rights of employees released as part of a RIF. It will be essential for the Committee to understand how the Department would execute a RIF and how a RIF would affect the ability of the Department to recruit, deploy, develop and discipline its civilian talent.

SHORT-TERM RECOMMENDATIONS

**Change the Standard for Using Direct Hire Authority from a Shortage of “Minimally-Qualified” Candidates to a Shortage of “Highly-Qualified” Candidates and Grant DOD the Authority to Make Direct Hire Determinations**

In filling the ranks of the civilian workforce, government as a whole and DOD, in particular, should only hire people who are highly qualified for their jobs—settling for candidates who are minimally qualified is simply the wrong bar. Currently, however, agencies must demonstrate to OPM that they face a shortage of candidates who are minimally qualified before requesting direct hire authority for that position or group of positions. Further, to show a lack of minimally qualified candidates, an agency must go through the full hiring process before applying to OPM for such authority, adding a minimum of six months to the process. Therefore, we propose that Congress change the standard that the Department of Defense must meet to use direct hire authority for any position to a demonstration of a shortage of highly-qualified talent. Also, the Secretary of Defense should have the authority to grant direct hire authority to components or for positions where it is needed, with proper OPM oversight. The Department knows best what its talent needs are and where the roadblocks to reaching that talent lie, and it should have the power to act to address them.

**Allow the Secretary to Offer Market-Based Pay for Mission-Critical Positions**

The General Schedule is more than six decades old and no longer serves to effectively and rationally compensate the talent that the Department needs. While there are certainly some employees who may be overcompensated by the current system, relative to the labor market, there are other vital positions for which federal pay is simply not competitive. The Partnership’s report, *Building the Enterprise: A New Civil Service Framework*, laid out a new pay-setting process for the federal workforce. The modernized pay system would establish broad pay bands for employees rather than rigid grades, better align salaries and benefits on an occupation-by-occupation basis, set salaries based on those comparisons and give agencies the flexibility to bring talent in at the appropriate salary level. While the Committee need not pursue this detailed of an approach in the short term, the Department would greatly benefit from having the authority to set market-based pay levels for specific mission-critical occupations as a way to better attract and retain badly-needed talent.

**Authorize DOD to Noncompetitively Rehire Former Department Employees to Any Position for Which They Qualify**

Currently, former federal employees who have held a career or career-conditional position can be reinstated non-competitively within the Federal Government, but only to a job that is at or below the grade level they last held in the Federal Government. The individual applying may be qualified for a more senior position due to several years of valuable higher-level experience outside the government, but that experience does not matter for the purpose of their non-competitive eligibility. The result is that government unnecessarily disincentivizes talented former federal employees from returning to public service. This proposal would create better flow between DOD and the private sector and encourage talented individuals to return to government service.

**Require DOD to Accept Resumes for SES Positions in the Initial Stage of the Hiring Process**

In many cases, applicants for SES positions must apply for these jobs by writing lengthy essays addressing their qualifications for the position. This process is time-consuming and greatly deters external candidates from applying. A report by the
Partnership, *A Pivotal Moment for the Senior Executive Service: Measures, Aspirational Practices and Stories of Success,* pointed out that the application process “discourages many potential candidates from applying, particularly if they come from the private sector.” By allowing all applicants for SES positions to apply with a simple resume at the initial stages of the hiring process, agencies can ensure they are receiving a diverse pool of candidates from both within and outside government. As part of this recommendation, it may also be useful to require agencies to survey candidates, new hires and hiring managers to ensure the hiring and selection process brings the best possible talent to the Department.

**Authorize DOD, rather than OPM, to certify that their selected SES candidates possess the Executive Core Qualifications**

Rather than relying on the current OPM Qualifications Review Board (QRB) that is required to approve applicants for executive positions, DOD should be able to certify its executive talent on the basis that the Department itself knows best what type of executive it needs. The QRB serves as the last step in the SES selection process, and its purpose is to certify that an SES candidate possesses broad leadership skills. However, the QRB process extends the length of the hiring process even while it approves nearly all candidates. Delegating this authority to DOD has the potential to speed up the hiring and certification process for new executives and allow the Department to manage its executive talent better. To protect against abuse and ensure quality candidates, OPM could review and certify a sample of hiring decisions annually to ensure the Department is acting appropriately.

**Establish a Dual-Track Promotional System to Enable Both Managers and Technical Experts to Advance Their Careers**

The rigid structure of the General Schedule typically requires employees to move into supervisory and management roles to advance their careers, even in cases where the employee may not be an effective manager. For employees who possess valuable technical expertise but are not suited for supervisory duties, this is especially challenging. A dual promotional track that allows employees to become either managers or technical experts would give both agencies and employees more choices. Individuals with superior technical qualifications could advance in their careers without being forced to become a manager, while those who have demonstrated an aptitude for leadership would be allowed to take on those responsibilities. The outcome is not just more satisfied employees, but more effective managers throughout the organization.

**Require Performance Plans for Political Appointees Which Recognize Critical Management and Leadership Goals**

As the highest level of leadership in the Department of Defense, political appointees play a crucial role in providing leadership and setting priorities for the organization. Appointees should be held accountable for their performance and contributions like every other employee. Unfortunately, DOD does not perform particularly well regarding the effectiveness of its leadership—with rankings among its major components in the Partnership’s measure of “Effective Leadership” ranging from seventh to 15th out of 18 large agencies. Scores in the subcategory specifically measuring satisfaction with senior leaders are only marginally better, with the major DOD components ranging from between sixth and 12th among 18 large agencies. Across the Department, between 39 percent and 45 percent of employees respond positively to the statement, “In my organization, leaders generate high levels of motivation and commitment in the workforce.” Performance plans should address the accountability of leaders for managing well, supporting efforts to recruit, hire and retain highly-qualified talent, training and developing future leaders, engaging employees, and holding subordinate managers accountable for addressing employee performance issues. Each of these criteria plays a role in building a high-
performing workforce and will drive leadership attention to the pressing workforce and management issues within the Department.

Expand the Pathways Programs to Allow for the Conversion of Third-Party Interns and Volunteers

Student interns and recent graduates provide a critical pipeline of entry-level talent into any organization. Increasing the number of young people in an organization provides new ideas, reinvigorates the workforce, and creates a pool of future leaders. At the Department of Defense, where just seven percent of the workforce is under the age of 30—a number well below the comparable level in the private sector—this is especially true. Further, internships give agencies the opportunity to evaluate potential employees on the job, where they can most effectively assess their work product and their fit within the organization. The Pathways Programs serve as the best means of bringing younger talent into government; codifying conversion authority while simultaneously expanding it to allow for excepted service appointments of student interns, volunteers who perform substantive work functions, and interns hired through third-party organizations would increase the pool of proven, high-quality entry-level talent available to DOD.

Require Aspiring DOD Executives to Demonstrate Experience in Another Sector, Level of Government, or Agency Before Being Selected for the SES

The Senior Executive Service, established by the Civil Service Reform Act of 1978, was originally conceived as a mobile corps of federal leaders. This Committee recognized the importance of mobility and diversity of experience for the civilian workforce last year when it included a provision authorizing a DOD public-private talent exchange in the National Defense Authorization Act for Fiscal Year 2017 (P.L. 114–328). The Armed Services Committee could build upon this new authority by requiring DOD to give added weight during the SES selection process to candidates who would bring a diversity of experience to the role. Rotations offer a rich professional development opportunity in management and policy for current and aspiring leaders and allow agencies to build managerial skills, strategically fill vacancies, and infuse new thinking into their organizations. However, barriers to greater mobility among executives and aspiring executives have built up over time. These include agencies’ hoarding of talent and reluctance to accept short-term transition costs of losing a top performer, and organizations doing a poor job of onboarding new executives. Overcoming these roadblocks, at least initially, will require a push from Congress, and the Partnership firmly believes that the benefits far outweigh the costs.

Move to a Shared Services Model for DOD Human Resources

In a constrained fiscal environment, the Department of Defense must look for new ways to seek efficiencies and reduce spending. Shared services offer the ability to use resources more efficiently while enabling more effective delivery of mission through efficient administrative services. For an organization the size of DOD, the savings potential of a move to an HR shared services model is well into the billions of dollars; the Federal CIO Council has estimated that the savings generated by shared services can be estimated somewhat between $21 billion and $47 billion per year. The need for such efficiencies at DOD is great: the Department operates hundreds of separate HR IT systems and employs 22,000 civilian employees in HR. Further, DOD has found that “due to the lack of modern automated workflows, gaps in functionality are bridged by human intervention.” Shared services can bring about this system modernization at a lower cost to the Department than if it were to develop such systems in-house. Whether the move to a shared service model results in a centralized DOD HR function or one where a single component acts as an executive agent for all DOD is a tactical decision—the demands on the Department’s resources are too pressing not to move down this path. Creating the right environment for shared services entails committing to the goal, altering spending expectations and incentives, and rethinking how government makes investments in its administrative services and infrastructure. The Committee can

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18 Ibid. 105.
and should play a leading role in driving that commitment and investment forward. 19

The Committee Should Pay Close Attention to the Management Qualifications of Nominees to Critical Positions Within the Department

As the single largest federal Department, with hundreds of thousands of employees in offices and installations across the country, the Pentagon represents a challenging management environment for even the most effective leaders. Each service, even taken individually, is comparable in size, budget, and complexity to a Fortune 100 company. The Armed Services Committee plays a crucial role in ensuring that nominees for key executive positions in the Department bring management skills to their new jobs along with subject matter expertise—a role that is especially important because successfully managing in the Federal Government is much different than managing in other sectors. As this Subcommittee, as well as the full Committee, begin to consider the President’s nominees for important DOD posts, the Partnership urges you to review, and question, each nominee’s management qualifications to ensure that potential Defense Department leaders understand the challenges they are taking on and are capable of successfully leading their organizations.

Conclusion

Chairman Tillis and Ranking Member Gillibrand, thank you for the opportunity to share my views on the need for civilian personnel reform at the Department of Defense. I am pleased to see this Subcommittee maintain its commitment to modernizing and strengthening the civil service system so that it can meet the needs of the Department’s hundreds of thousands of civilian employees, as well as our men and women in uniform. I look forward to working with the Subcommittee on these important issues moving forward.

PREPARED STATEMENT BY SARAH MAPLES, DIRECTOR NATIONAL SECURITY AND FOREIGN AFFAIRS VETERANS OF FOREIGN WARS OF THE UNITED STATES

Chairman Tillis, Ranking Member Gillibrand, and distinguished members of the Personnel Subcommittee, on behalf of the men and women of the Veterans of Foreign Wars of the United States (VFW) and its Auxiliary, I thank you for the opportunity to provide the VFW’s views on the Department of Defense (DOD) civilian personnel reforms. We appreciate the work this subcommittee has done in the past to improve programs and policies for our service members and their families.

Section 1101 of the National Defense Authorization Act (NDAA) for Fiscal Year 2016 required DOD to develop a new Reduction in Force (RIF) policy wherein, should civilian employees be required to be let go from service, determination of who will be released from employment “shall be made primarily on the basis of performance.” In January 2017, DOD released its new policy, which it claims meets this requirement. Upon review, however, the VFW believes the new policy not only fails to meet the NDAA requirement, but it also disadvantages veterans by reducing the value of veterans preference, particularly for transitioning service members who gave years of honorable service to our country but lack enough tenure in post-military federal service to have received a performance rating.

Under DOD’s previous RIF policy which continues to apply to the rest of the Federal Government, the order of retention was: 1) tenure of employment; 2) veterans preference; 3) length of service; and 4) performance. DOD’s new policy claims to adhere to the following order of precedence: 1) performance; 2) tenure; 3) average score; 4) veterans preference; and 5) service computation date. However, this is inaccurate, as the new policy requires DOD to divide employees by tenure group and number of months of assessed performance before performance is even considered. Therefore, the true order of precedence is as follows: 1) tenure group; 2) months of assessed performance; 3) performance rating of record; 4) tenure group; 5) average score; 6) veterans preference; and 7) service computation date. This means civilian employees are protected by two rounds of tenure before their performance is even considered which is counter to the intent of the NDAA mandate and more tenure-centered than the previous policy. Not only does this new order unfairly weight the system towards tenure, as opposed to the stated performance, it also undervalues the service veterans performed for their country.

Under the previous system, if two individuals were hired on the same day—one a civilian who had worked six months for another federal agency before transferring to DOD, and the other a veteran with ten years of honorable military service—and a RIF was then implemented, the veteran would be retained above the civilian. The previous policy recognized that veterans, while absent from the civilian workforce, have valuable experience worth considering. Therefore, in situations where individuals were in the same tenure group, the veteran's service was the deciding factor in who was retained.

According to the new policy, if DOD has not yet rated either employee, the transferred civilian will be retained before the veteran, simply because that individual would have a rating of record, whereas the veteran would not, despite the veteran's ten years of honorable military service. This is true even if the civilian's rating of record reflected below average performance.

This is because DOD's performance management system does not provide appraisals until after an employee has served more than 90 days. In instances where DOD has not yet evaluated an individual's performance, they will accept a rating from another federal agency. They will not, however, accept a military performance rating in a similar circumstance. Therefore, a recently transitioned veteran with ten years of honorable military service will be given no performance value and, instead, will be cut based on lack of tenure. Meanwhile, a non-veteran with a poor performance rating from another federal agency and as little as three months of service to DOD is retained.

Additionally, when asked why it cannot include a performance factor for veterans that recognizes their honorable service, DOD responded in a letter to the VFW that it has "remained consistent with the government-wide regulations, which do not allow consideration of performance assessed using military ... ratings of record." The VFW finds this statement to be disingenuous, as the rest of the government is providing a value for military performance by using veterans preference as the second highest factor in RIF proceedings. However, DOD has reduced veterans preference while providing no comparable evaluation of military performance.

DOD has repeatedly stated that they believe their new system will better benefit "high performing veterans." However, it is clear that many veterans may never make it to the "high performing" category, as they will be eliminated before their performance can ever be evaluated. Meanwhile, underperforming civil servants will be retained at the expense of veterans who honorably served the very department that now casts them out. This is particularly concerning for veterans who received high performance marks during military service and are now on a RIF short list simply because they have less than 90 days of civilian work experience.

Congress has continually tried to ensure that time spent serving our Nation in the Armed Services is valued when veterans move into the civilian workforce. When passing the Jobs for Veterans Act (Public Law 107–288) in 2002, which revised and improved employment, training and placement services furnished to veterans, Senator Rockefeller said, "As we ask the young men and women of this Nation to prepare themselves to take up arms in its defense, we must ensure that we will be able to help them find productive careers upon their return as we did for the previous generations that defended our freedoms."

This protection for those who have returned from the battlefield is no less needed now, after fifteen years of war and its associated demands, than it was at the beginning of the war. As such, the VFW calls on Congress and the Department of Defense to recognize the service and sacrifice of this Nation's veterans by correcting the injustice done by DOD's new RIF policy. Specifically, we call on the Department of Defense to meet the true intent of the 2016 NDAA by limiting tenure consideration to a single instance, as opposed to the multiple considerations it is currently being given, and restoring veterans preference to its proper place in the RIF factors in order that the performance of veterans be properly reflected.