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STATEMENT OF ELMER B. STAATS  
COMPTROLLER GENERAL OF THE UNITED STATES  
BEFORE THE MANPOWER AND CIVIL SERVICE SUBCOMMITTEE  
OF THE HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE  
REGARDING H.R. 3807, MAY 2, 1972

H 2903

Mr. Chairman and Members of the Committee:

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I appreciate your invitation to discuss H.R. 3807--a bill to establish and provide for the administration of the Federal Executive Service--both from the point of view of its impact on the General Accounting Office, and from the viewpoint of our evaluation of the bill's contribution to improving the management of the Government's executive manpower resources.

In my brief letter of April 13, 1972, to Chairman Dulski, I addressed several points of concern to the General Accounting Office. Hence, I welcome this additional opportunity to discuss our views at greater length. In preparing this statement, we have had an opportunity to study the statement submitted to you by Chairman Hampton on April 18, 1972, and to review the transcript of that hearing.

I would like, first, to comment on the principal features of the proposed Federal Executive Service as outlined in Chairman Hampton's statement; and then to discuss how we believe the FES might affect our own operations.

MANAGING THE NUMBER  
OF EXECUTIVE SPACES

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As we understand the proposal, the numerous authorities which govern the 7,000 supergrade and equivalent positions included in the General

Personnel management  
Manpower utilization  
Compensation  
Executive agencies

Civil service appointments  
Government job appointments

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Schedule and Public Law 313-type positions, would be eliminated and supplanted by an annual reevaluation of executive manpower requirements. This annual reevaluation, with certain exceptions discussed later, would be prepared by the agencies, each of which would determine the number of executive positions required for the coming fiscal year, and present their requirements with accompanying justifications to the Civil Service Commission.

The Commission, in collaboration with the Office of Management and Budget, would then review and validate these requirements, and submit them in the form of a "stewardship report" to the Congress by April 1 of each year. This would provide Congress 90 days in which to review and modify the requirements, following which they would become effective on July 1. During the course of a fiscal year, the Commission could increase the number of executive appointments by up to 1 percent for emergency purposes. There would be no positions as such, established and classified centrally. Instead, each agency would use the method of position management which best meets its individual needs.

However, the bill is not clear as to how the Congress would act in its review of the plans submitted. We believe that the bill should indicate the method by which the Congress would proceed.

Subject to the above, it is my opinion that this approach to identifying and justifying the executive manpower requirements of the Federal Government would be a major improvement in authorizing positions at these

levels. The present fragmented system of supergrade allocations is inefficient and inequitable, particularly in view of the numerous special authorities which presently exist. GAO's reviews of agencies are revealing the increasing complexity of Governmental programs and operations, and the need for timely and comprehensive procedures for keeping agency management structures and executive staffing in balance with program responsibilities.

The proposal would place an important responsibility upon the Civil Service Commission and the Office of Management and Budget to have staffs qualified to examine agency organization and executive staffing plans, as well as to assist agencies in their forward planning. Your Committee may wish to give particular attention to this requirement. Also, if it would be useful to the Congress, the General Accounting Office could make periodic evaluations of the procedures for developing and justifying executive manpower requirements.

Excluded from the Federal Executive Service are about 4,000 positions, including those in the Foreign Service, the Legislative Branch, the FBI, Hearing Examiners, and a number of specially exempt agencies (Postal Service, TVA, CIA, AEC, the GAO and others). However, these agencies are directed or encouraged to adopt such features of the FES as conditions of good administration warrant. Such agencies would make separate direct arrangements with the Congress.

SETTING THE COMPENSATION  
OF EXECUTIVES

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We understand that the plan would authorize each agency to establish its executive pay structure within a prescribed minimum and maximum salary range. (i.e., the sixth step of GS-15 to Level V).

As Chairman Hampton's statement points out, this is not a new or untried proposal. For over 20 years, hundreds of high-level professional personnel have been compensated under public law systems which have embodied this degree of flexibility. This practice is also similar to that in the private sector.

To control the administration of such a flexible system, each agency would include its compensation plan in its annual report to the Commission, and would be required to obtain special approval to exceed the annual executive pay average established by the Civil Service Commission in collaboration with OMB.

Here again, the Civil Service Commission must have capable staff to exercise this important oversight responsibility. In our letter of April 13, we pointed out that "such flexibility could be the subject of abuse resulting in meaningless distinctions in pay and duties among executives." This is obviously a difficult problem, and was not necessarily intended to be a recommendation against the adoption of this feature of the plan. We do wish to emphasize the importance of assuring the Congress that the Commission and the OMB would be prepared to provide skillful surveillance and guidance to agencies.

RELATIONSHIP BETWEEN CAREER  
AND NONCAREER EXECUTIVES

As we understand it, one objective of the proposed legislation would be to eliminate the distinction between career and noncareer positions.

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It would be possible for executive jobs to be filled, interchangeably, by incumbents with career or noncareer status. However, two controls would be applied.

First, the number of jobs to be filled by noncareer incumbents would be subject to a Government-wide limitation of 25 percent--although individual agencies could request lower or higher percentages from year to year in the plans and justifications submitted to the Civil Service Commission. We are concerned with the basis used in setting the 25 percent noncareer limitations. The Commission points out that this has been the approximate ratio of noncareer positions at the supergrade levels for a number of years. But in arriving at this conclusion, the Commission included not only "Non-career Executive Assignments (NEA)" positions, but also positions in Schedule A, Schedule B, the Public Law positions assigned to NASA, and certain other exempt positions. NEA positions now account for only 8.5 percent of the 7,000 positions proposed for coverage in the FES. Thus, it would appear that by reallocating Schedule A, Schedule B, and certain other positions from the non-career to the career service, an agency could significantly increase the number of its NEA-type appointments--that is those which are clearly of a political policy character. Also, new Schedule A-type appointments (attorneys, for example) could be treated as career appointees in one agency and enjoy all the rights of privileges of career status, while those in another agency could be noncareer appointees, with no retention benefits although performing similar duties.

If the executive branch needs more policy positions filled from noncareer ranks, I would frankly prefer to see the number of positions at the Executive Level increased or extended.

Second, for incumbents having the status and privileges of career executives, a more rigorous qualifications review procedure would be adopted, using Qualifications Boards. In the GAO, a Committee of our top managers now reviews proposed appointments, transfers, and promotions in grades GS-14 and above. In other words, this objective could be achieved without legislation.

In addition to the rigorous qualifications review process, the FES plan requires a periodic review of each career executive's continuing contribution, to be implemented through a 3-year employment agreement. While the objective of ensuring executive leadership of the highest excellence and ingenuity is endorsed, I seriously question the particular technique which is being proposed. I fear an adverse impact on the recruitment of promising young people whom we would wish to retain for a full career. The limiting of tenure in positions above the GS-15 level to 3-year contracts creates a needless disincentive, and might invite abuses--particularly during changes of administrations.

More important is the danger that establishment of the Federal Executive Service would tend to diminish rather than enhance the Government's attractiveness as an employer. The present concept of a career service which allows talented employees to achieve high levels of responsibility is, we believe, a major factor in inducing such persons to

accept Government employment and remain in it in preference to work in private industry where earnings are usually higher for comparable responsibility.

The Federal Executive Service concept of a three-year contract could lessen this attraction to Government employment and defeat one of its declared purposes of attracting and retaining the best qualified employees.

As Comptroller General, I have an important responsibility to the Congress to recommend ways in which Government operations can be carried out more economically and more effectively. We are increasingly impressed with the growing complexity of Government operations requiring the highest level of dedication, professional achievement and managerial capability of senior Federal executives and professional staff. The adoption of a principle that individuals possessing these capabilities might be denied the opportunity to progress above the level of General Schedule 15, would, in my opinion, be unwise. It would fail to recognize the principle adopted in private industry where younger and more talented individuals are offered an opportunity to move to the top of their organizations. I recognize that in Government positions at the very top must be subject to change with a new administration. These positions are now provided for in the Executive Level series.

As suggested in my letter of April 13, should the Congress decide to accept the contract principle in H.R. 3807, it could limit its

application to positions in General Schedule 18 for a reasonable test period. However, I urge that the employment agreement feature of the Bill be dropped, and that the Civil Service Commission--with the advice and assistance of a panel of eminent advisers--examine a wide range of ideas for keeping executive positions manned by the most effective incumbents, while offering to executives in their less vigorous years of service, alternative opportunities to contribute while retaining executive level status.

An example of one approach to the problem is the practice of certain large public accounting firms which requires that its partners vacate line management positions in the firm upon attainment of a specified age. Thereafter, the partner can continue his service with the firm for many more years in a wide variety of capacities where he can contribute to the growth and professional development of the firm. This allows the younger executives to succeed to the top management posts at a much earlier age, while offering the older executive group other opportunities to make valuable contributions during their remaining years of service. I do not necessarily endorse this practice for general application in the Federal Service; this is simply one illustration of an imaginative approach which might be studied for possible application in appropriate circumstances.

HOW GAO WOULD OPERATE IF  
THE FEDERAL EXECUTIVE  
SERVICE IS ENACTED

Enactment of H.R. 3807 would repeal GAO's current allocation of 90 positions in grades 16, 17 and 18. While GAO is excluded from the



Federal Executive Service by section 3132(1), we are directed by subsection 3143(a) to establish by regulation an executive management program as nearly like the Federal Executive Service as conditions of good administration would warrant.

Our current thinking would be to utilize the annual reporting and justification procedures to the Congress, setting out the numbers of executive positions which we desired to fill, and the salary structure which we proposed to use. We believe we would adopt a three- or four-level pay schedule but without fixed in-grade steps at the outset. We would study the practices of other agencies in this respect, including particularly those who have had public law compensation systems. We would utilize our senior Committee on Staff Development to pass on the qualifications of all candidates for positions in our executive system; and we would work with the Commission in exploring ways of improving our systems of evaluating the effectiveness and improving the utilization of our executive group. However, we would definitely not adopt the employment agreement provision since we do not believe it meets the test of good administration.

This completes my statement, Mr. Chairman. I will now be pleased to discuss our views with the Committee.