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[MANAGING HUMAN RESOURCES FOR
INCREASED PRODUCTIVITY]

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"RETHINKING THE USE OF HUMAN
RESOURCES IN GOVERNMENT"

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It is a great pleasure to be here to participate in this conference. I hope that this morning I can give you a flavor of the current climate of the Federal civil service environment in the context of the changes that are swirling around us.

[The greatest asset and strength of any Government is its top leadership. This is particularly true for the U.S. Government, which is the largest employer in the Nation.] Its programs are far-reaching and complex, and they must be conducted with great sensitivity to conflicting public and private interests and with impartiality and compassion. Meeting this great responsibility requires strong executive leadership, which can respond to rapidly changing conditions and circumstances surrounding Federal programs and still chart a course which takes into account the national interest, the achievement of Presidential and congressional goals, and simultaneously maintains the soundest management techniques.

The theme of this session--"rethinking the use of human resources"--is of particular relevance to those of us in the Federal Government. Just a little over 2 years ago, the Congress debated and passed the most comprehensive reform of the Federal work force since passage of the Pendleton Act in 1883. [The Civil Service Reform Act] (Reform Act) of 1978 was signed into law on October 13, 1978, and [is clearly the most important reform of the Federal civil service system in nearly a century.] The Reform Act itself does not guarantee that change will indeed take place or that changes will improve human resources management in the manner that the framers of the legislation

envisioned. But it does provide the framework in which those changes can occur.

Most of the provisions of the Reform Act took effect in January 1979--although some programs will not become effective until October 1981.

Overall, [the reforms are based on sound principles intended to maximize the productivity of Federal workers at all levels of Government.] Only time will serve as an accurate measure of the merit and effectiveness of the changes. But there is no question that the changes introduced into the civil service system will have a far-reaching impact on the way in which the Government conducts its business in the immediate years ahead. Most certainly, these will be challenging and exciting times for innovators and futurists who wish to effect change and make their presence felt.

Briefly, [the specific goals of the Reform Act are to

- provide a competent, honest, and productive Federal work force;
- provide a work force reflective of the Nation's diversity; and
- improve the quality of public service.]

[To accomplish these goals, the Reform Act initiated complex changes in Federal personnel management in four main areas:

- The creation of a Senior Executive Service with sufficient flexibility to enable the Federal Government to recruit and retain highly qualified executives.

- The introduction of new incentives for improved performance and of revised procedures for handling poor performance.
- The revision of staffing procedures in order to improve management efficiency.
- The introduction of programs designed to change the larger context of Federal personnel management, including an emphasis on recruiting minorities and women into the Federal work force; codification of labor-management relations provisions formerly in executive order; and a research and demonstration program designed to encourage the testing of innovative personnel management ideas.

Creation of a Senior Executive Service (SES)

Previously, no fully effective Government-wide system existed for selecting, assigning, developing, and rewarding the executives responsible for administering Federal programs. The Civil Service Commission (CSC) set quotas for executive positions based on availability of slots, not on need. Agencies had to receive prior CSC approval to fill executive positions, which took time and caused some managers to feel they lacked flexibility to fill important positions with appropriately experienced executives of their choice. Once selected, executives were rarely evaluated rigorously in terms of program accomplishments. While insulated from the risks of poor performance, some also felt deprived of tangible rewards for excellence. Finally, most agencies gave little thought to long-range planning to meet future executive needs.

Now, executive position allotments are based on a determination of need. Agency heads select individuals for executive

positions subject to Office of Personnel Management (OPM) approval and have more flexibility in reassigning these individuals to other positions. Senior executives are regularly evaluated, with special emphasis on the achievement of agreed-upon organizational goals. Those who are not performing well must be removed from the SES, while outstanding performers are eligible for significant bonuses. Agencies must implement executive development plans for middle managers and link development efforts to the staffing of executive positions.

Introduction of New Incentives for Improving Performance

Four major initiatives--performance appraisal, merit pay, probationary period for managers and supervisors, and employee relations--focus primarily on improving performance.

Performance Appraisal

Prior to civil service reform, Federal supervisors were required by law to rate employees annually as outstanding, satisfactory, or unsatisfactory. These ratings were criticized for being made perfunctorily and for being based on character traits rather than job-related tasks. Now, objective performance standards and critical elements must be established for each job, employees must be notified of these standards at the beginning of the appraisal period and appraised against them, and personnel decisions must be based on the appraisals. The new performance appraisal systems are expected to lead to increased

employee understanding of job requirements, accurate assessment of performance, and personnel decisions based on the appraisals.

Merit Pay

Within-grade increases for all General Service employees were previously determined primarily as a function of tenure. Outstanding performance could be recognized through Quality Step Increases, but these increases were given infrequently. Unsatisfactory performance could result in withholding a within-grade increase, but this too occurred rarely. The compensation system thus provided no real linkage between pay and performance. Under the merit pay provisions of the Reform Act, managers and supervisors are to be granted pay increases based on their performance. By basing pay on performance, the merit pay system is intended to motivate employees and to encourage recruitment and retention of more competent mid-level managers and supervisors.

Probationary Periods for New Managers and Supervisors

Previous civil service laws and regulations provided no probationary period for new supervisors and managers. Thus, returning or reassigning a new supervisor or manager to a non-supervisory or nonmanagerial job required instituting formal adverse action procedures, which were both time-consuming and stigmatizing. The Reform Act requires that agencies establish probationary periods during which new supervisors and managers receive training. During this period (usually 1 year), the new

supervisor or manager can be returned to a nonsupervisory position without the use of formal adverse action procedures.

Employee Relations

The Reform Act provisions regarding employee relations were a response to the perception that previous procedures for demoting, suspending, or removing employees were too complicated and cumbersome and that the process took too long. The Reform Act simplified these procedures. In addition, together with a reorganization plan (which implemented related organizational changes), it separated the regulatory and the appeals functions in this area between two new agencies--OPM and the Merit Systems Protection Board (MSPB).

Efficiently Managing Staff

Another set of major programs focuses on improving management efficiency and flexibility in organizing staff and operations. These programs include delegation, grade and pay retention, and early retirement.

Delegation

Prior to the Reform Act, the CSC maintained centralized control of competitive examinations for employment in the Federal service. The process was severely criticized because of the length of time it took to fill jobs, the amount of resources consumed in the evaluation and maintenance of long list of applicants, and the isolation many managers felt from the selection process. Under the Reform Act, OPM has delegated some examining authority to the agencies.

Grade and Pay Retention

In the past, many managers were reluctant to downgrade positions in their units because of the adverse financial impact on employees. The Reform Act tries to encourage managers to improve classification accuracy by allowing employees to retain their grade and pay for 2 years when their positions are downgraded to correct an error in classification or when they are moved to lower graded positions through reduction in force. While the retention period is in effect, agencies are supposed to place employees in jobs appropriate to their grade and pay and provide needed training and career development assistance.

Early Retirement

Previously, the CSC could authorize early retirements in an agency only if the agency was undergoing a major reduction in force. Because of the Presidential commitment to reorganize Federal departments and agencies while protecting employees from adverse effects, agencies attempted to implement major reorganizations and transfers of function without reductions in force. By permitting early retirements in such reorganizations, the Reform Act helps protect employees from adverse effects while assisting agencies in implementing reorganizations and transfers of function.

Influencing the Context of Management

A final group of programs addresses the larger context of management--the Federal Equal Opportunity Recruitment Program,

codification of the labor-relations program, and human resources management research.

The Federal Equal Opportunity
Recruitment Program

The Federal Equal Opportunity Recruitment Program (FEORP) requires agencies to establish special recruitment programs designed to eliminate underrepresentation of minorities and women in the Federal work force. Agencies must develop detailed plans outlining their degree of underrepresentation and their activities to reduce underrepresentation through special recruitment programs.

Labor-Management Relations

Previously, the Federal labor relations program operated under executive order and thus lacked a statutory base. The Reform Act provided the program with statutory authority and expanded union and employee rights in a few areas.

Research and Demonstration

Prior to the Reform Act, there was no clearly designated responsibility for encouraging and coordinating public sector management research. As a result, the central management agencies focused insufficient attention on this area. The research which was done was sometimes duplicative and left significant areas of interest unexplored. Further, the scope of such research was limited by the laws and regulations governing personnel management. The Reform Act gives OPM central responsibility for coordinating a Federal public management research

program and enables them to waive many civil service laws and regulations in order to conduct demonstration projects and study the effects of different personnel practices.

We hear a great deal these days about how civil service reform will increase the Federal bureaucracy's responsiveness by making it easier to remove or reassign unproductive employees. While this may, to some extent, be the case, it is an overly narrow view of reform's opportunities.

In focusing only on these aspects of reform, we run the risk of ignoring the more fundamental management problems that reform addresses. The issue goes much deeper than the competence and dedication of individual workers. [The Reform Act's most important attribute is that it recognizes the importance of human resources management and that it makes managers more accountable for managing their people, while giving them some (hopefully good) tools to do so.]

In general, Federal managers have not had the time nor made the effort to manage their human resources. They have focused almost exclusively on program results without fully realizing management implications of personnel functions like selecting, promoting, and developing employees. For many, it was difficult to see a direct connection between human resources management and program goals. Personnel activities--in the past, tended to be viewed as burdensome--as roadblocks which hampered achievement of program goals. As a result, employees were not evaluated,

developed, or coached in ways that would optimize their contribution to an organization. Many managers, for example, preferred to avoid performance appraisals. As a result, appraisals often receive only pro forma attention, and the potential benefits of the process were compromised.

Civil service reform is, at least in part, an effort to overcome traditional problems in that it recognizes the importance of human resources management in achieving agencies' program goals.

The Reform Act may make it more difficult for managers to escape accountability for human resources management. Managers will now be required to set performance standards for their employees and base personnel actions such as promotion, development, removal, reassignment, and, in some cases, pay on the achievement of these standards.

While the Reform Act certainly signifies a change in philosophy, there is great danger in assuming that, by itself, it solves any problems.

Reform does not end our problems--it just gives us a chance to solve them.

This altered environment calls for the cultivation of a new attitude of mind which puts a higher and consistent value of what might be termed "anticipation." To do this, we must create within ourselves the desire to find time in our schedule to think and to plan. Federal managers must not only capably

handle administrative duties, but also see to it that policy machinery stays several lengths ahead of next year's problems.

The Government manager must have the qualities of restlessness, of research, and of dissatisfaction. This is where administration both supplies and finds it drive and where its contribution to the entire process of perfecting the imperfect structure of compromises that we call modern society.

If managers lack creativity themselves, they still have the opportunity--and the obligation--to spread the contagion of leadership so that the environment encourages creativity among those who have potential.

To be truly creative, we must reach beyond the things about which we already feel certain. We must take risks. We must unleash our notions, our curiosity, and our instincts to experiment. We must find out what the other person is thinking about and why they are thinking about it. We must rediscover that there is a convergence somewhere along the line between and among every thread of public policy--between science and foreign relations, between housing and health, between transportation and defense, and between budgeting and economics.

No problem is more directly related than the problem of attracting the best talent for public service. While a democratic society's government is not expected to have a monopoly on the most able people produced by society, neither can it afford to provide for the public service an iota less than its full share of the talent available.

In the past, the consequences of an average or below par public service have not been nearly as serious as they are today. As the role of Government grows and changes and as the decisions of public officials at all levels of Government have a more and more direct effect both on our daily affairs and on our prospects for the future, the quality of our public service has increasingly become a major public concern.

Government in the coming years will need as many people as possible with the kind of vision required to solve the complicated problems that arise in our mass society--arresting the rising costs of education, public health, and welfare; rebuilding cities; reducing poverty to its lowest level; and developing a higher sense of unity in our society.

These then are the challenges we face in rethinking the management of human resources in the Government.

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