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**CIVIL SERVICE REFORM:
Changing Times Demand New
Approaches**

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Civil Service Reform: Changing Times Demand New Approaches

Summary Statement by
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Despite both the Civil Service Reform Act of 1978 and the other measures taken since then, the civil service system as a whole is still viewed by many as burdensome to managers, unappealing to ambitious recruits, hidebound and outdated, overregulated, and inflexible. To be effective in an environment of rapidly changing public expectations, the civil service will need to keep evolving. In this regard, GAO makes three points:

- First, ever since the creation of the competitive service in 1883, Congress has periodically updated its provisions in response to changing conditions. The goal of reform today should be to fashion a system that not only fulfills today's needs but is also flexible enough to quickly respond to further demands as they unfold.
- Second, it is clear that today's leading private-sector employers—as well as some government entities both here and abroad—are creating personnel systems that diverge sharply from the federal government's traditional approach. The new model is more decentralized, focused more directly on mission accomplishment, and set up more to establish guiding principles than to prescribe detailed rules and procedures.
- Third, should Congress adopt this model and create a more fully decentralized civil service system under which federal agencies have more flexibility to manage their own employees, it will still need to establish effective oversight and accountability mechanisms to ensure that the agencies adhere to civil service principles and meet established goals.

The new private-sector approach has emerged in response to many of the same societal, economic, and technological pressures the civil service is now encountering. The emphasis on innovation, flexibility, and decentralization stems from the recognition that organizations must adapt continually to change. Part of this involves acknowledging that employers cannot—perhaps even should not—guarantee job security to their employees.

Regardless of the success of these new approaches in the private sector, whether they can or should be adapted to the federal civil service will depend on what sort of civil service this government wants. Ultimately, this involves fundamental policy calls that are Congress' to make.

If Congress decides to further decentralize the civil service—already, some 45 percent of federal workers are employed under alternative merit systems—the need for guidance and oversight will grow. Even as Congress eliminates prescriptive rules for the agencies, it will need to set measurable expectations by which to evaluate their adherence to established principles and goals. It will also need to establish effective oversight and accountability mechanisms to ensure that agencies are accomplishing the desired results.

CIVIL SERVICE REFORM: Changing Times Demand New Approaches

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss some of the issues surrounding the future of the federal civil service. Calls for a smaller yet higher performing workforce are prompting a major reexamination of civil service principles and practices. How far this effort will go toward producing fundamental changes in the system cannot be predicted, but if changes occur in the federal personnel arena of the scope and depth already experienced in the private sector, then tomorrow's civil service will look considerably different from today's. The civil service is no stranger to change; it has been evolving since it was created. To remain effective in an environment of rapidly changing public expectations, it will need to keep evolving into the future.

I would like to make three points:

- First, the civil service is a work in progress. Ever since the creation of the competitive service in 1883, Congress has periodically updated its provisions in response to changing conditions. The goal of reform today should be to fashion a system that not only fulfills today's needs but is also flexible enough to quickly respond to further demands as they unfold.
- Second, it is clear that today's leading private-sector employers—as well as some government entities both here and abroad—are creating personnel systems that diverge sharply from the federal government's traditional approach. The new model is more decentralized, focused more directly on mission accomplishment, and set up more to establish guiding principles than to prescribe detailed rules and procedures. Whether this new model can or should be adapted to the civil service is a question for Congress to decide.
- Third, should Congress adopt this model and create a more fully decentralized civil service system under which federal agencies have more flexibility to manage their own employees, it will still need to establish effective oversight and accountability mechanisms to ensure that the agencies adhere to civil service principles and meet established goals.

THE CIVIL SERVICE IS A WORK IN PROGRESS

The Civil Service Act of 1883, which established the competitive federal service, was passed to replace a corrupt and outmoded spoils system, under which political patronage determined who worked for the federal government, for how much, and for how long. Over the years, Congress returned to civil service issues again and again, establishing, for example, the first civil service retirement plan in 1920, uniform job classifications in 1923,

and standardized efficiency ratings (the precursors to performance management) in 1949. In the 1950s, Congress instituted life insurance and health benefits programs. In 1978, it passed the Civil Service Reform Act (CSRA)—one more step in its continuing effort to create a professional, well-managed federal workforce in keeping with modern employment practices. CSRA was not intended to completely overhaul the civil service but rather to refine or modernize the system in several key areas, such as leadership (through creation of the Senior Executive Service (SES)), staffing, performance management (including Merit Pay) and dealing with poor performers, administrative redress for federal employees, labor-management relations, and demonstration projects.

The CSRA was passed 17 years ago. Since then, as the pace of social, economic, and technological change has increased, Congress has responded with further refinements to the civil service. Congress created a new retirement system (the Federal Employees Retirement System (FERS)) in 1986; passed the Federal Employees Pay Comparability Act in 1990, putting into law the principle of locality pay; made changes to the Hatch Act in 1993; passed the Workforce Restructuring Act in 1994, which, while downsizing the federal workforce, provided broader training flexibility to make federal workers more employable; and passed the Family Friendly Leave Act in 1994. The civil service now allows telecommuting, alternative work schedules, and flexitime, and it provides assistance with dependent care problems. Recently, the Office of Personnel Management (OPM) has loosened the rules governing the design of agencies' performance management systems and made it easier for agencies to design their own systems to deal with employee grievances.

The point here is that the civil service has never stood still. Nor would it be typical of Congress, based on what we have seen in the past, if it were to stand pat on civil service issues today while the world of work outside the government continues to change at an ever faster pace. We can expect Congress, for instance, to revisit many of the issues addressed by CSRA. While that legislation is widely recognized as a landmark in civil service reform, its accomplishments were uneven: Merit Pay (and its successor, the Performance Management and Recognition System) were failures; the SES succeeded in some aspects but fell short in others, such as the mobility of SES members; the redress system provides extensive protections for employees but is complex, time-consuming, and expensive; the poor performers issue remains a frustration. And despite both CSRA and the other laws passed and regulatory changes made since 1978, the civil service system as a whole is still viewed by many as burdensome to managers, unappealing to ambitious recruits, hidebound and outdated, overregulated, and inflexible.

This perception was the main impetus for the National Performance Review's (NPR) recommendations for change in federal human resource management systems. A recurring theme in many of the NPR's recommendations is that central control and regulation are unnecessarily hindering agencies' abilities to manage their employees, and that greater autonomy in such matters as determining the number of employees needed, recruiting and hiring, position classification, and performance management would allow

agencies to establish policies better tailored to their own circumstances. OPM has acted on some of NPR's 14 recommendations—by discontinuing, for example, its central registers for entry-level professional and administrative positions—but others await further study and/or executive or legislative action.

The NPR, of course, is not the only voice calling for changes in the civil service system. Throughout the government—in the agencies, at OPM, here on the Hill—practitioners and policy makers have pointed to problems in need of attention. The National Academy of Public Administration has been active in this area as well. There is general recognition that in one way or another, the civil service must be made more flexible in response to a changing environment.

A NEW APPROACH TO MANAGING PEOPLE

If changes in social, economic, and technological conditions have put pressures on the civil service, these same pressures are by now quite familiar to private-sector organizations, which in recent years have had to deal with such issues as a more diverse workforce, heightened global competition, and steady or declining resources. Many of these organizations have looked hard at their human resource management (HRM) approaches, found them outmoded, and turned to new ways of operating.

In our contacts with experts from private-sector organizations and from other governments both here and abroad and with labor representatives, academicians, and experienced federal officials, we have identified several newly emerging principles for managing people in high-performing organizations—principles you may find relevant as you consider the future of the civil service. These principles came to the fore at a symposium we held in April of this year at the request of Senator William V. Roth, then Chairman of the Senate Governmental Affairs Committee. The 32 symposium participants, some of them representing large private-sector employers such as Xerox, Federal Express, and AT&T, told us that changing conditions made new thinking necessary, and the organizations that can best adapt to change—now and in the future—are the ones that will succeed. We will be issuing a full report on the symposium in the near future.

Among the principles we distilled from the discussions are these: First, in today's high-performing organizations, people are valued as assets rather than as costs. They are recognized as crucial to organizational success—as partners rather than as mere hired help—and organizations that recognize them as partners invest in their professional development and empower them to contribute ideas and make decisions. Second, organizational mission, vision, and culture are emphasized over rules and regulations. A strong organizational culture with high standards for both performance and personal behavior can make detailed, prescriptive rules unnecessary. Third, managers are given the authority to manage their people flexibly and creatively so they can focus on achieving results rather than on doing things "by the book." They are held accountable

for outcomes—for furthering the mission and vision of the organization—rather than for adhering to a set of minutely defined procedures.

This approach is built on allowing managers and employees the flexibility to innovate and make independent decisions—acting, all the while, within a strong framework of expectations provided by the organization's mission, vision, and culture. At the organizational level, this approach involves adopting a particular organizational structure because it supports the organization's mission, rather than because it conforms with structures that have been adopted elsewhere. Under this approach, "personnel" is no longer a function that is uniform from one organization to the next and no longer an isolated function within any organization. Instead, HRM activities are integrated into the business of the organization. By decentralizing and deregulating authority for HRM—for example, by delegating a considerable share of this authority to line managers—the practice of managing people effectively becomes the concern of the whole organization.

This approach is a far cry from the civil service system's traditional emphasis on laying out both guiding principles and detailed rules of implementation. The new approach retains the former and drops—or at least deemphasizes—the latter. Leading figures in organizations that have taken this new path have told us they did so in response to a rapidly changing environment and in expectation that rapid change will continue into the future. They said they need the flexibility to innovate and respond to changing internal and external expectations while still pursuing a clear mission, articulating a defining vision, and building a strong and supportive organizational culture.

The question arises: Can or should this new approach—based largely on private-sector experience but thus far applied to a limited extent in the public sector as well—now be adapted to the federal civil service? It is a complex question, involving, to some extent, the question of whether the government wants to treat its employees much as private-sector organizations do theirs.

For example, the private sector has begun moving away from the idea that employers can—or even should—guarantee job security. Instead of "lifetime employment," the private-sector practitioners at our symposium emphasized "lifetime employability"—that is, preparing their employees for a fluid work life in which they must be prepared for periodic downsizings and shifts in the job market. This expectation that employees will come and go contrasts with the traditional expectations surrounding the federal employment system, which, after all, has been based on the concept of a "career" civil service. The government's traditional emphasis has been on retaining its employees for the duration of their careers, not on preparing them for moving from job to job.

Yet signs have emerged that this is changing. FERS created a portable retirement system, in contrast with the older, career-based CSRS; the Workforce Restructuring Act mandated large cuts in a workforce that had thought itself largely immune to layoffs; and as efforts are made to make the government more economically efficient, new attention is being

paid to using temporary, part-time, or intermittent workers; contractors; and former employees in new enterprises to do work that might previously have been done by full-time, career federal employees.

My point is that the question of adapting private-sector HRM approaches to the civil service will depend, in large measure, on what sort of civil service this government wants. The answer could have a profound impact on the nature of federal employment and on the government's ability to retain, and eventually attract, the best employees. Ultimately, it involves fundamental policy calls that are Congress' to make.

For example, a consensus exists that the current administrative redress system for federal employees is weighted toward protecting employees rather than toward providing a streamlined, inexpensive system for handling employee complaints. Judging by the number of proposals to revamp the system, there is broad agreement that the balance between resolving employee complaints swiftly and providing employees with the maximum due process needs to be shifted. In exploring the possibility of redesigning this system, Congress will need to decide where it wants the balance between these competing objectives to fall.

In the classification area, many organizations are moving toward broad banding systems. These systems provide management with increased flexibility to use employees to meet critical organizational needs without being constrained by narrowly defined classification requirements. This can also result in flatter, more responsive organizations. However, broad banding can result in increased costs, as employees move to the top of their bands more rapidly than in traditional classification systems. The impact of this cost needs to be weighed against the increased flexibility provided by these systems.

ESTABLISHING EFFECTIVE OVERSIGHT AND ACCOUNTABILITY

If Congress decides to adopt a more fully decentralized civil service system—one under which federal agencies have the flexibility to tailor their personnel systems to their own missions and circumstances—the need for congressional guidance and oversight will grow in importance.

Congress will need to decide upon principles and goals for the civil service—as today's civil service incorporates merit system, equity, equal opportunity, and other national objectives. Even as Congress eliminates prescriptive rules for the agencies, it will need to set measurable expectations by which to evaluate their adherence to these systemwide principles and goals. And finally, it will need to establish effective oversight and accountability mechanisms to ensure that agencies are accomplishing the desired results.

In the matter of oversight and accountability, Congress should keep in mind that the current civil service is already highly decentralized and that current oversight is by no means uniform. What is commonly thought of as the "civil service"—the federal civilian

workforce subject to all the provisions of Title 5—comprises only about 55 percent of all federal civil servants. Technically, this segment is known as the "competitive service," operating under the federal merit system. The other 45 percent of federal workers are employed in agencies or other federal entities—such as government corporations (like TVA) and quasi-governmental organizations (like the U.S. Postal Service)—that operate outside Title 5 or are statutorily exempted from parts of it. These workers, while all members of the civil service, are in the "excepted service" and are covered by a variety of alternative merit systems. One of Congress' reasons for establishing alternative merit systems for some federal organizations was to exempt them from the strict rules governing the competitive service under Title 5. Congress may want to consider examining these alternative merit systems for ideas about how the competitive service could be made more flexible.

Today, responsibility for the oversight of the decentralized civil service is split between OPM and Congress. OPM has oversight authority for the competitive service, while oversight of the excepted service rests directly with Congress. If Congress chooses further decentralization, it will need to address its own role and that of OPM (or any central personnel agency) in ensuring that the principles and goals of the civil service are upheld throughout the federal government. One path may be through annual oversight hearings specifically addressing the full range of HRM-related issues within each agency or organization.

Our view is that whatever Congress decides, oversight strategies for a more decentralized civil service should be developed before further decentralization is allowed to take place. Not only will effective oversight help ensure that agencies are adhering to civil service principles and meeting established goals but under the best circumstances it will also allow for information sharing, so that successful practices developed in one part of the government can be brought to the attention of others.

In closing, Mr. Chairman, we feel that to reexamine the civil service in a changing environment is both grounded in precedent and a fundamental congressional responsibility. In fact, ensuring that American taxpayers get the best government for their money requires it.

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This concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions you or other Members of the Subcommittee may have.

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