

THE GENERAL ACCOUNTING OFFICE
HUMAN CAPITAL REFORM ACT OF 2003

TESTIMONY BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON CIVIL SERVICE AND AGENCY ORGANIZATION
OF THE GOVERNMENT REFORM COMMITTEE

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Thank you for inviting me to testify today on the General Accounting Office Human Capital Reform Act. My statement is exceedingly brief, not because of a want for trying. In all candor, I can find little to fault in the current proposal. It has a careful logic, fits well with past reforms at the GAO, and is the result of careful evaluation and engagement. In short, it has been produced through the kind of process that I would like to see in all agencies, and reflects a commitment to evidence-based policy making that I believe this subcommittee values. Although I do not find a template here for the substance of human capital reform in other agencies, I do find a commitment here to the kind of process that is most likely to produce employee productivity during a time of rising expectations and an increased demand for performance.

I am sure this subcommittee has received the same briefings and documents that GAO has circulated to its Advisory Board, of which I am a member. Frankly, I could not be more impressed with the thoroughness of review. Consider, for example, the description of the process that GAO used for dialogue with its staff. If I read the documents correctly, the Comptroller General and/or his executive team have set the standard for consultation with the agency's employees. Although I am sure that there are some employees who still wonder what the proposal might hold for them, they can have little doubt that the agency is ready to listen. Moreover, as past experience indicates, GAO has also been willing to invest deeply in the management training needed to make these kinds of authorities work.

Although this subcommittee knows that I favor the effort to reform the Defense Department personnel system, particularly in the wake of successful bipartisan compromise in the Senate, I did not favor the kind of process used in developing the proposal. To rephrase the old auto repair commercial, you can talk to employees before enactment or after, but you will have to talk at some point. Far better to do it up front than under pressure. Federal employees have ample reason to be anxious. Indeed, every day seems to bring news of continued disquiet regarding the role of federal employees and their representative—pay parity is in dispute, the administration has unwisely restored political appointee bonuses, and there remain serious doubts about the real intentions behind the competitive sourcing proposal. I need not remind this subcommittee that this could do more harm than good.

Much as I and others have worked to improve the presidential appointee process, for example, there is no need to open the gates for appointee bonuses. Whether they are confirmed by the Senate or are appointed by the president, the vast majority of presidential appointees stay in office for a relatively brief time and move on to higher paying positions after service. Only 8 percent of the 435 Reagan, Bush 41, and Clinton administration's senior Senate-confirmed appointees reported a decrease in their earning power as a result of their service, while 36 percent reported an increase, and 43 percent reported no change at all. Since nearly half of these appointees were making much more than their presidential salary before entering office, one can surmise that presidential service has a rather dramatic impact on the post-service income of those called to serve in the nation's highest appointee posts. There is scant evidence that bonuses have

the slightest impact on motivation, and ample reason to worry that bonuses create the appearance of political favoritism, not objective performance. That is why so many of the Bush Administration's own cabinet officers expressly prohibit their appointees from competing for bonuses.

One need not worry about such appearances at the General Accounting Office. Managers have been well schooled on the measurement of performance. They engage in continuous feedback, reward and discipline employees on the basis of clearly stated criteria, and have, therefore, earned the trust of the Congress in the delegation of authority. Would that all federal agencies spent as much time working with managers on how to use these grants of discretion. Alas, as we all know, training is among the first items cut when spending gets tight, leaving managers and front-line employees alike with serious questions about their ability to do their jobs well.

I am also pleased to note GAO's commitment to self-study, which is expressed in its June 2003, report on the role of personnel flexibilities in strengthening its human capital. It is useful to note, for example, that the pay-banding authorities have not created any noticeable grade-creep at the agency. To the contrary, GAO's data suggest that the agency is putting its resources right where they belong: on the front-lines where the studies are conducted. GAO has shown maximum interest in learning how its authorities have worked, and has conducted rigorous and anonymous surveys of employee attitudes toward the system. Would that all federal agencies gave their employees the same opportunity for input, whether through completely anonymous surveys or consultation with employee representatives.

If all agencies cared as much about their human capital as GAO does, I rather suspect that we would not have the continuing meltdowns that prompt urgent action by this subcommittee and the rest of the Congress. All too often, Congress is only asked to intervene in human capital when an agency confronts a crisis. This is precisely how the Internal Revenue Service, Federal Aviation Administration, the Securities and Exchange Commission, and National Aeronautics and Space Administration all came to the point of legislative relief. Luckily, GAO has long been well ahead of the curve on preparing for a changing labor market. It remains an admired agency in large measure because its reforms are, in fact, based on evidence, not hunch, and carried forward by Comptrollers General who are committed for the long haul. That is how Elmer Staats brought the agency into the modern era of program evaluation, how Charles Bowsher took the agency through its great downsizing with a gain, not loss, in productivity, and how David Walker now proposes to move the agency forward yet again.

Ultimately, this is not "trust me" legislation. It is well grounded, well designed, and very likely to achieve the stated ends. I can see no reason why this subcommittee should not grant the authorities sought, and encourage you to move forward.

As for the proposed name change to the Government Accountability Office, I give the benefit of the doubt to the Comptroller General and his team. An agency by any other name will still perform as well. As long as the change does not divert any resources from the core mission through unnecessary signage, I see no reason to deny this request either.