

**Subcommittee on Civil Service and Agency Organization
Committee on Government Reform
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Testimony Presented by Hannah S. Sistare

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**The National Commission on the Public Service
Paul A. Volcker, Chairman**

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The **National Commission on the Public Service** was initiated by the Brookings Institution Center for Public Service, which is directed by Paul C. Light. The Commission report and further information on the Commission and the many organizations and individuals that assisted it are at www.brookings.edu/Volcker. For a printed copy of the report, contact Hannah Sistare at hsistare@napawash.org.

The **National Commission on the Public Service Implementation Initiative at the National Academy of Public Administration** was established in July 2003. The Academy is an independent, non-profit, non-partisan corporation chartered by Congress to provide “trusted advice” on issues of governance and public management. The Commission and the Academy remain independent entities but jointly sponsor activities to inform and further the debate on issues critical to the public service today. Further information about the Academy and its work is at www.napawash.org.

Chairwoman Davis, Congressman Davis and Members of the Committee. Thank you for inviting me to testify on behalf of the National Commission on the Public Service on the performance management recommendations made by the Commission and how they relate to the pay system now being designed for the Department of Homeland Security. Commission Chairman Paul A. Volcker and the Commission Members appreciate this Subcommittee's interest in their findings and recommendations.

The Commission gave great weight to role of performance in assuring the future health of the public service. Commission Chairman Paul Volcker introduced the Commission report writing:

Disciplined policy direction, operational flexibility, and clear and high performance standards are the guiding objectives of our proposals.

The bipartisan group of public servants who made up this Commission was united by a deep concern about the level of public trust in our federal government. During the past 40 years, survey after survey has found a steep decline in public trust in government. This failure of trust deprives our government of public support. And, important to the work of the Commission, it discourages talented Americans from joining the federal service.

Whatever the full range of causes may be, surveys have also shown a strong correlation between public trust in government and government performance. Thus the basis for the commission's focus on government performance is clear.

The Commission identified several barriers to improved government performance, and made several recommendations for reform. In brief, the barriers included:

- A system under which most pay increases are based on time in the job and geographic location.
- Employee appraisal systems where nearly everyone is rated superior – surpassing even Lake Wobegon, where everyone is above average.

- Pay caps, which in an every increasing number of cases make it impossible to reward strong performance.
- Bonus systems that are so underfunded that they are spread around like peanut butter, so everyone can get a taste.
- A conviction held by two thirds of the federal workforce that management doesn't deal adequately with poor performance.
- An organizational structure which produces duplication, overlap, and gaps in program application and which is burdened with excessive layers of political appointees.

How would the Commission recommend that the Department of Homeland Security rectify such problems in its own HR system design?

First, the organizational theory behind the Department's creation is consistent with the Commission's recommendation that government be organized in mission-centered departments, with agencies with considerable operating flexibility within them.

Second, also consistent with the Commission's recommendations, the Department has been given considerable flexibility in setting up its own personnel systems.

Third, the Commission recommended that the authorizing statute for each department set out the principles that would underlie any personnel system that was established. The Department of Homeland Security authorizing statute did set out important core principles, rights and responsibilities. These included protection of merit principles, assurance of equal employment opportunity, equal pay for work of equal value, whistleblower protection, prohibited personnel practices and collective bargaining rights.

But as Paul Volcker noted in speaking to this issue last week, the principles and protections spelled out in the Department of Homeland Security statute have not been sufficient to assuage the concerns of many who will be affected by these new systems. Clearly employees are still concerned about fairness, objectivity and due process protections in a pay for performance system.

In light of these concerns, the Commission and the National Academy of Public Administration jointly sponsored a public forum with the goal of informing and advancing the debate about performance based pay. From this discussion we were able

to identify some lessons that have proven important in the successful adoption of pay for performance in the private sector, at GAO and at the IRS.

Importantly, there was considerable agreement among the participants about the kinds of safeguards that were necessary for a pay for performance system to be effective. The safeguards that most felt should be assured at DHS and elsewhere are:

- A credible appraisal system
- A transparent system
- A timely system
- Consultation with those affected
- Peer review (external review by a neutral 3rd party was advocated by some)
- Ongoing communication, including feedback from all involved
- Training of managers and supervisors, who themselves are evaluated on how they manage performance. As former Secretary Donna Shalala noted in her testimony before this Committee last March, you have to have credible people in both political and career management positions for such a system to work.
- Training of employees to participate in the system.

To this list, Paul Volcker and his fellow Commissioners would certainly add the importance of careful and ongoing oversight by the responsible leadership in the executive branch and by the Congress.

Participants in the forum also identified several factors for which implementers must be prepared:

- Adequate time: Adoption of pay for performance will take time. GAO began to lay the groundwork for its system years ago. This may require a phased implementation, starting with those agencies or units that are ready to do a good job.
- Verifiable performance systems: Individual performance must be linked to organization goals and sound performance management systems, including agreement and buy-in among all those who are part of the system.
- Culture change: This is necessary throughout the organization.
- Adequate funding: There must be enough money to make meaningful rewards for commendable performance.

- Careful assessments: Pay for performance is complicated because it is difficult to make meaningful distinction in evaluating performance once one gets below the top performers in an organization.

In conclusion, I thank the Subcommittee again for its interest in the Commission's work. The Commission and the National Academy of Public Administration hope that the recommendations made by participants at their forum on performance based pay will be of value to this Subcommittee and those designing the new pay systems for the Department of Homeland Security. If there is any other way in which we can contribute to resolution of these issues, we are at your service.

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