

*A Message to the 44th President
from the Senior Executives Association*



*Senior Executive Service issues
won't be among your top 5 priorities,
but addressing them will make it more likely that
you will succeed in accomplishing your priorities.*

**Meeting Your Objectives
through Partnership with
the Career Senior Executive Service**

*A Message to the 44th President
from the Senior Executives Association*



*Senior Executive Service issues
won't be among your top 5 priorities,
but addressing them will make it more likely that
you will succeed in accomplishing your priorities.*

**Meeting Your Objectives
through Partnership with
the Career Senior Executive Service**

The Senior Executives Association is a non-profit, non-partisan professional association. Since 1980, it has served as the voice of the career Federal executive corps (the Senior Executive Service and equivalent executives).

SEA's mission is to improve the efficiency, effectiveness and productivity of the federal government; to advance the professionalism and advocate the interests of career federal executives; and to enhance public recognition of their accomplishments.

*Copyright © 2008
Senior Executives Association
Suite 700
820 First St. N.E.
Washington, D.C. 20002
202.927.7000
www.seniorexecs.org*

Forward

As the Senior Executives Association has looked ahead to this election year and to the coming transition, we have been focused on two major issues – restoring career leadership and reforming the Senior Executive Service pay and performance management system. The latter has taken on added importance in view of the large number of career executives eligible to retire and the persistent reports of many talented and able potential applicants being dissuaded from aspiring to the SES positions which will be vacated.

This paper, prepared for the new Administration, provides a comprehensive package that explains the issues we perceive, presents our recommendations, and will facilitate a more thorough approach to revitalizing the career executive service than the piece-meal reforms which are typically undertaken.

The foundation of this paper, however, rests on what has always been the cardinal role of the career Senior Executive – that of servicing any and every Administration to the very best of his or her ability without regard to personal political beliefs. Put another way, the career executive is essential to the success of the political appointee(s) with whom he or she works.

Therefore, we believe it important to outline the steps that should be taken to facilitate the transition. While the career executive/political appointee interface typically functions well, a substantial amount of time can elapse before that occurs in a given relationship or in a new Administration. It is in everyone's interest to minimize the time required for the career-political team to function successfully.

At the time we started this project, few could imagine the huge challenges that will be faced by the next Administration. These challenges have made the message of this paper even more urgent.

The Association will welcome any opportunity to work together and assist the Administration to develop an effective partnership with the career executive corps, one that will better enable success in addressing the issues confronting the nation.



CAROL A. BONOSARO

President

Table of Contents

Why Is the Career Executive Corps Critical to Meeting Your Goals?.....	1
Actions to Take for a Successful Partnership: During Transition	5
Actions to Take for a Successful Partnership: Upon Taking Office	13
Actions to Take for a Successful Partnership: During Your Term of Office	17

Why Is the Career Executive Corps Critical to Meeting Your Goals?

Given the myriad of jobs and the substantial responsibilities exercised by the career Federal executive corps, these almost 7,000 men and women are critical to high performing government and are key to implementing your political and management agenda. These individuals are the top career professionals in government, with an average of 26 years of experience, who obtained their positions on the basis of merit. Career executives are an absolutely essential link between your administration and agency activities such as rulemaking, implementation, enforcement and operations.

Several Presidential Distinguished Rank executives illustrate the breadth of responsibilities, capabilities, and accomplishments of this corps:

- Serves as Deputy Chief Operating Officer for the largest purchaser of health care in the world with 85 million beneficiaries and one-third of the nation's health expenditures. She led one of the biggest changes in the history of the Medicare program, expanding coverage to over 500,000 Americans and to an additional 800,000 for coverage for prescription drugs.
- Manages a nationwide environmental cleanup program whose efforts directly led to nine sites – including the Rocky Flats weapons production site, once called the “most dangerous place on Earth” – being 100 percent environmentally cleaned up.
- Is the principal architect of a smart identity card which has received more than a dozen technology awards and

led development of a physical access system with biometric capabilities which can scale up authentication requirements as threat increases.

- Negotiated a groundbreaking agreement with General Motors, Chrysler and Ford through which over 5,000 minority businesses were able to win supply contracts of almost \$9 billion, as well as management and technical assistance.
- Oversaw the separation of the Social Security Administration from the Department of Health and Human Services which required the division of the home office, 125,000 employees, and a budget of almost \$1 trillion, one of the largest reorganizations in the history of the government up to that time. She achieved this on schedule and without the filing of a single personnel grievance.
- Provides retail, food, and vending services in 180 healthcare facilities at no cost to the government, and returns all earnings – almost 6 percent of sales, unequalled in the commercial sector – to support projects including assisting destitute family members of severely injured veterans under treatment.

Career executives are the interface or link between policy and implementation, and an effective working relationship between political appointees and career executives is the key to mobilization of the 1.8 million Federal civilian employees (and millions more contractor support staff) to carry out new initiatives, reforms and improvements of existing programs, and increased attention to priority services.

Further, the work of these professionals is rated highly by

political appointees. In the Spring 2001 issue of the Brookings Administration journal, *Governance*, George C. Edwards wrote, “[A]ccording to surveys of appointees ranging from the administration of Lyndon Johnson to the present, political appointees – regardless of party, ideology, or administration – find career executives both competent and responsive.” “In interview after interview,” observes Paul Light, “presidential appointees celebrate the dedication of their bureaucrats.”

The most recent data, from the Brookings Presidential Appointee Initiative, confirms that more than four out of five appointees found the career officials with whom they worked to be both responsive and competent. Only 25 percent of appointees found directing career employees to be a difficult task. Indeed, every other task about which appointees were asked was more difficult. More than a third of appointees, for example, found it hard to deal successfully with the White House.

For many years and several Administrations, utilization of the advice and creativity of the career Senior Executive Service (SES) corps has been steadily diminished. It has been politically fashionable to denigrate and mistrust the bureaucracy and to give less attention and compass to the career corps. The complex and critical work of the hundreds of separate Federal programs they run has frequently been underestimated and undervalued, often resulting in negative impacts on Administration initiatives and on the quality of services provided to the American public. Rather than being treated as the “most valuable players” in the Federal enterprise – which they truly are – they have been increasingly taken for granted and buried under layers of non-career appointees. This trend has generated serious problems in the past, most dramatically in the Fed-

eral Emergency Management Agency's disastrous handling of Hurricane Katrina. If not reversed, this erosion of the salience of the career SES will become even more dangerous as the current corps ages and retires, recruitment becomes more difficult for the reasons detailed later in this paper, and the nature and magnitude of the issues facing our nation grows exponentially in the coming years.

The next President will face urgent challenges spanning virtually every facet of the Federal establishment, including defense, health care, the economy, environmental crises, homeland security, the nation's infrastructure, energy, the long-term sustainability of our social safety net programs, and the Federal debt. More than at any previous time in our history, it is crucial that the next Administration find ways to make maximum use of the career SES corps to achieve the swift and successful implementation of its critical initiatives. *To do so, you must focus on how best to use this critical resource and how to get off on the right foot with career executives.*

The Senior Executives Association (SEA), the voice of the career SES corps, stands ready to assist you in this key aspect of your transition planning.

Following are SEA's recommendations for the steps you can take to ensure success – during transition, upon taking office, and during your term.

Actions to Take for a Successful Partnership: During Transition

1. Identify knowledgeable former career executives to serve on the transition teams assembled for the major agencies. The tendency is to look for team members from Capitol Hill and from major stakeholder groups. Leavening teams, however, with former career executives who have actual experience in the agencies involved would enable the teams to move quickly and take advantage of the executives' vast institutional knowledge.

2. Consider placing high-performing career executives in Assistant Secretary for Administration and other key positions requiring long-term experience at each agency, specifically, as Deputy or Chief Human Capital Officers (CHCO), Chief Information Officers (CIO), Chief Financial Officers (CFO), and Chief Operating Officers (COO). These positions are now reserved almost exclusively for political appointees, as is the position of Assistant Secretary for Administration, which was formerly held by senior career employees in cabinet departments. In only two departments – Justice and Transportation – do career Senior Executives now hold that position, as a result of a statutory requirement (at Justice, the Assistant Attorney General for Administration is also required to be held by a member of the competitive service). On May 14, the Homeland Security Department's acting Deputy Secretary Paul Schneider told the Senate Homeland Security and Governmental Affairs Committee that the department's highest human resources office should be held by a career official, not a political appointee, as is now the case.

“The fact that by law it’s a political appointee means that, for the most part, that person will leave on January 20.” “Having a career civil servant in that job — especially...at this point in time — somebody that could carry over to the next administration would be absolutely essential ...to improve national operations [in the] department.” While this position is, by statute, restricted to a political appointee, many others throughout government are not, and career executives could be named to fill them.

SEA makes this recommendation because a) there is no continuity in leadership and expertise during the transition from one Administration to another, as well as no such continuity when a political appointee resigns and another takes his or her place, and b) relatively short-term political appointees have limited ability to accomplish long-term agendas. Further, Administrations are not gaining the benefit they might from seasoned, accomplished career executives who know how to get agendas accomplished.

As the Government Accountability Office (GAO) has noted (November 1, 2007 letter to Senators Akaka and Voinovich, transmitting GAO 08-34, *Organizational Transformation*),

“As agencies across the federal government embark on large-scale organizational change needed to address 21st century challenges, there is a compelling need for leadership to provide the continuing, focused attention essential to completing these multiyear transfor-

mations.sustained management attention (is) essential for addressing key stewardship responsibilities in an integrated manner while helping to facilitate the business transformation process within an agency. These long-term responsibilities are professional and non-partisan in nature and cover a range of ‘good government’ responsibilities that are fundamental to effectively executing any administration’s program and policy agenda.”

Further, “High turnover among politically appointed leaders in federal agencies can make it difficult to follow through with organizational transformation because of the length of time often needed to provide meaningful and sustainable results.” Ibid. GAO report 08-34, p. 8.

In recognition of the indispensability of career executives during transition, the Department of Homeland Security has undertaken plans to ensure that critical jobs at 25 agencies within the department are held by career civil servants, whether in the primary or deputy slot. This scheme will ensure that departmental operations will not be disrupted by the transition. Donald Kettl, a University of Pennsylvania professor, has noted “Fast-moving problems require complex and interpersonal relationships that just don’t grow up overnight.” (“Homeland Security Prepares for Its First Transition,” *Washington Post*, 21 January 2008).

3. Cut the number of appointed positions substantially and reduce the political layers which have multiplied over the years. All new administrations use the last administra-

tion's appointed positions as their starting point for determining where appointees go and where careerists go. As of December 2007, the Office of Personnel Management (OPM) reported a total of 3,018 appointees (including 1,641 "Schedule C" appointments). Begin with a "zero base" approach and look hard at the necessity for and value of these appointed positions.

SEA makes this recommendation because:

An increase in political layering has moved many career executives further and further from political leadership, diminishing their autonomy, their opportunities, and their effectiveness. Extra layers also minimize the direct influence the most senior political appointees can have on the careerists who carry out their agendas. Several institutions have released numerous studies confirming an increase in political appointments over the years. As the report of the second Volcker National Commission on the Public Service noted,

"When President Kennedy came to office in 1960, he had 286 positions to fill in the ranks of Secretary, Deputy Secretary, Under Secretary, Assistant Secretary, and Administrator – the principal leadership positions in the executive branch. By the end of the Clinton administration, there were 914 positions with these titles. Overall in 2001, the new administration of President George W. Bush confronted a total of 3,361 offices to be filled by political appointment." (Urgent Business for America, January 2003, p. 18)

More recently the House Committee on Government Reform released a report (in May 2006) which revealed that the number of political appointees had declined from 3,029 in 1992 to 2,479 in 2000, but grew again to 2,786 by 2005. The Committee noted a particularly steep increase in the number of “Schedule C” appointments.

The net result is to inhibit the ability of career executives to contribute fully to their agencies’ programs and policies because of their loss of autonomy and insufficient communication with agency and department political leadership. Hannah Sistare, former Executive Director of the second Volcker National Commission on the Public Service, has said, “The Commission, among others, was concerned about the layering at the top of government.....What gets lost is that we have gotten into a situation where the secretary of a department is far removed from the top civil servants who have knowledge and experience and a lot to offer.” (*Leader’s Reflections*, Fall 2006, National Academy of Public Administration)

This layering apparently has an impact on program management as well. David Lewis of the Woodrow Wilson School at Princeton University utilized the Bush Administration’s Program Assessment Rating Tool (PART) scores to analyze the relationship between political appointees and program performance. He found that federal programs administered by politically appointed bureau chiefs received systemically lower PART evaluations than programs run by bureau chiefs drawn from the civil service. “I find that career managers have more direct bureau experience and longer tenures, and these characteristics are significantly related to performance.....I conclude

that reducing the number of appointees or increased sensitivity to appointee selectioncould improve federal bureau management.” (*Journal of Politics*, November 2007)

4. Direct your Office of Personnel Management (OPM) transition team to develop a plan for reorganizing the agency to create a single, clear focus in that agency for exercising oversight of the career executive corps, for collecting information, identifying problems, and developing and implementing policies to better manage this critical human resource. Much authority over the SES system has devolved to the agencies, so that OPM does not nurture the corps effectively, and there is much variation in experience across agencies. A clear and continuing focus on top talent is the norm in top private sector corporations; that was the case in the Federal government until a Bush Administration reorganization of OPM dismantled the Office of Executive Resources, which should be reconstituted. In fact, legislation passed by the House (H.R 3774) and currently pending in the Senate (S. 2148) contains a provision to do so by creating the SES Resource Office.

SEA makes this recommendation because:

There is a lack of sufficient data to assess corps issues and develop appropriate policies to resolve them. OPM’s survey of the SES released earlier this year was the first undertaken since 1999, and this recent survey was far less comprehensive. Data is not regularly collected and published with regard to, for example, the composition of the corps, personnel actions, and retirement plans. Two results are that insufficient data is

available to evaluate issues, and policy is often formulated without benefit of hard information.

The career executive corps has been fragmented by the creation throughout the Executive Branch of equivalent but different services, types of positions and exemptions from statute; this fragmentation has been driven by the desire of agencies and departments to overcome both pay compression and insufficient SES allocations. This “crazy quilt” has made oversight of the career executive corps as a whole extremely difficult and has fostered additional requests for exemptions. Taken to the extreme, it threatens to create a community of “haves” and “have nots” among agencies and departments which will be on an uneven footing in competing for talent, regardless of need.

The increasing trend of agencies and departments to develop their own corps requirements may inhibit management flexibility government-wide. For example, both the Department of Defense and the Office of the Director of National Intelligence are developing their own plans for entrance into and development within the SES. These plans are designed to foster mobility among component agencies, resulting in a more corporate-wide view and greater collaborative skills. The basic requirements for SES entry (meeting the “Executive Core Qualifications” developed by OPM and passing muster of the Qualifications Review Board) must still be met. To the degree that these plans provide differing requirements for entry and service, however, these changes may well make mobility between departments and agencies more difficult, if not impossible. Yet ease of mobility is extraordinarily desirable, both for the executive who wishes to revitalize his or her career and

for political leadership that may wish to place the executive in an agency or program of greater need.

There have been tremendous inconsistencies in the development and implementation of SES Candidate Development Programs; in some places, they are non-existent. There is no consistent leadership training, consistency in vetting of candidates or simply applying efficiencies in these development programs. (These typically yearlong programs, which require competition for entry, are designed to prepare employees at the General Schedule grade 15 (or equivalent) for entry to the SES. Graduates of OPM – approved programs may be selected for SES vacancies without competition, though their qualifications must still be assessed and approved by the statutorily required Qualifications Review Boards which OPM convenes for all appointments to career SES positions.)

Efforts to increase diversity in the corps have been fragmented and without the overall leadership necessary for success.

Actions to Take for a Successful Partnership: Upon Taking Office

1. Meet early in your first months in office with the career executive corps. Such a meeting was held in Constitution Hall by President George H.W. Bush in the first weeks of his Administration. His clear intention to look to the career corps as partners in meeting his goals sent a powerful message both to career executives and to political appointees and inspired not only the career executives present but others who were aware of the event.

2. Announce the appointment of career SES members to key positions (see recommendation 2 on page 5).

3. Include career SES members (and other career experts) on blue ribbon and interagency task forces engaged in carrying out key Administration initiatives.

4. Develop a manageable number of fundamental “good government” initiatives that will help your political and career leaders administer their programs effectively, and actively seek career executives’ input and buy-in for such measures. Career leaders are highly motivated to accomplish the mission of their agencies, and they are frustrated by systemic roadblocks to effective performance such as continually delayed budget decisions, slow and unresponsive human resources systems, and constantly escalating paperwork requirements. An early and meaningful success on this front will garner gratitude by demonstrating genuine understanding of

the obstacles to mission delivery and a commitment to doing something about them.

5. Demonstrate your intention to rely on career executives by ensuring that a) political appointees are fully briefed on the value and operation of the executive corps shortly after their appointments, and b) agency and departmental political leadership schedule, early in their term, off-site meetings with their career executive corps to establish working relationships and share information regarding policy directions, as well as management issues.

To enable career executives to effectively support your goals, political appointees must continue to communicate fully with their career corps and share their objectives for their agencies and programs.

Establishing trust between career executives and political appointees is critical. A Presidential Distinguished Rank Executive put it this way:

“Every transition eventually becomes a transformation. It moves from initial distrust from the political appointee to (his or her) eventually saying, ‘Civil servants are great. Their contribution is invaluable and I didn’t realize it when I walked in.’”

(Reflections of Presidential Distinguished Rank Executives, Senior Executives Association, 2003, p. 15).

The challenge is to minimize the time it takes for that transformation to take place and for the career-political team to function well, enabling the Administration's agenda to be met.

Actions to Take for a Successful Partnership: During Your Term of Office

To enhance communication and recognition

1. Reinforce the impact of the early meeting with career executives by scheduling an annual Presidential address to career executive leaders at Constitution Hall.

2. Recognize Presidential Distinguished and Meritorious Executives and Senior Professionals by the appearance of the President or the Vice President at the SEA banquet held each April in their honor. For many years, there has been little or no White House recognition of these winners of the nation's highest civil service award. Since 1986, the Senior Executives Association has held an annual black-tie banquet at the Department of State Diplomatic Reception Rooms for these awardees. In most years, this event has constituted their only public recognition. While the Association has usually succeeded, with great effort, to secure the appearance of a member of the President's Cabinet (and once, in 1997, the appearance of the Vice President), this event represents a lost opportunity for the Administration both to recognize these executives, thereby promoting excellence in the civil service, and to foster a greater understanding among the American public of the truly astounding accomplishments of their government.

To restore career leadership: Administrative action

Professional, non-partisan leadership of career Senior Executives is essential to the effective management of the federal government. This leadership has been diluted over the past two decades by the changing role of political appointees (noted above) and the pay-for-performance system (discussed below) which can place increased political pressure on career employees. Political appointees also are known to “burrow in” and take career positions. These problems, and others, limit the efficiency and professionalism of the Executive Branch.

The SES was established by the Civil Service Reform Act (CSRA) of 1978; that law envisioned an SES whose members are “highly competent,” “protected from arbitrary or capricious actions,” “[able to] provide program continuity and policy advocacy in the management of public programs,” and “free from improper political interference.” Simply stated, its purpose was to “ensure that the executive management of the Government of the United States is responsive to the needs, policies, and goals of the nation and otherwise is of the highest quality.”

The CSRA also required a biennial report to each new Congress on the SES and its status throughout government, including: its size, pay rates, performance ratings, job descriptions and all positions transitioning between career and non-career during the previous two years. This requirement was repealed in 1995, and OPM disbanded its Office of Executive Resources during the current Administration, thus losing a focal point for the operation of the SES.

The following recommendations are made to restore the SES to more rigorous standards with regard to career and non-career appointments, as well as enable substantially improved oversight.

3. Ensure that OPM submits to Congress a review every two years of which SES positions should be designated as Career Reserved. There are two types of SES positions: General and Career Reserved. General positions are open to appointment of either career or non-career SES, whereas Career Reserved must be held by career SES appointees. Career Reserved positions were established by statute to ensure that policy was directed by political appointees, but implemented by professionals. This safeguard was to ensure impartiality and public confidence in government services.

The statute provides for designating an SES position Career Reserved “only if the filling of the position by a career appointee is necessary to ensure the impartiality or the public’s confidence in the impartiality, of the Government.” OPM regulations provide for designating an SES position Career Reserved if the position entails “direct responsibility to the public for the management or operation of particular government programs or functions.” Currently, Title 5 makes OPM responsible for “periodically” reviewing SES positions to determine whether the positions should be designated as Career Reserved, but this review, if it is currently being exercised, should be made more transparent by requiring a report to Congress.

4. Make certain that both OPM and the agency involved

publish, at least 30 days in advance, the justification for converting a Career Reserved SES position to a General position. Currently, changes in the designation of an established position, for example, from a Career Reserved to General, require prior approval from OPM, but nothing more.

5. Ensure that OPM publishes the number of those appointed to the SES from the civil service annually. At least 70 percent of the SES is required, by statute, to have five years of current continuous service in the civil service before appointment to the SES. OPM should monitor this requirement and make relevant data publicly available.

6. Require OPM to publish the appointing authority's written approval and qualification determination on appointments for all limited term, emergency and non-career appointments annually.

7. Require each agency to make and publish a yearly request to OPM for authority to employ a specific number of non-career appointees. By statute, no more than 10 percent of SES allocated positions government-wide can be filled by non-career appointees; 25 percent can be filled by non-career appointees in an agency. Because this restriction is based on allocated – not filled – positions, the percentages can, in fact, be exceeded when considering only filled positions. At the least, requesting authority for non-career hires would enable greater oversight of the career/non-career mix.

8. Require OPM to conduct a pre-appointment review for all appointments of Schedule C and noncareer SES em-

ployees to competitive service positions. During the Presidential election period (defined as June 1 of the election year to the inauguration on the following January 20), OPM typically requires a pre-appointment review of these conversions to ensure that agency personnel actions remain free of political influence. Such reviews serve to inhibit “burrowing in” during that period; conversions prior to that period, however, are not subject to review. The same reasoning that applies during the Presidential election period makes equal sense for all such conversions, no matter when they occur. All appointments to career positions at the GS-13 level (or its equivalent) and above should be reviewed by OPM prior to their being made.

9. Discontinue the Defense Department’s (DoD) waiver, currently in effect, of the 180-day period required after separation from the military service prior to being hired into the civil service. Retired military personnel are increasingly filling SES positions at DoD, as well as positions in the GS-14/15 feeder groups. While military personnel at this level typically bring a range of experience and training, these hires 1) are limiting opportunities for civilian personnel as they reach the apex of their careers and face an influx of competition from retiring military officers, 2) are seen by some as ultimately diminishing civilian influence in the Department, and 3) contrary to the stated intent of current DoD SES policy, do not promote a DoD-wide corporate view, but, rather, maintain the tradition of component agencies’ service cultures. Former Secretary Rumsfeld initiated the waiver in response to the Iraqi war, and the waiver should be discontinued, at least with regard to positions at the GS-14 and National Security Personnel System payband 3 levels and above.

Legislation

10. Support passage of legislation to improve the SES “pay for performance” system and address pay compression. Given the importance of the career executive corps, every Administration wants and needs top-notch talent in these positions, which number fewer than 7,000 or 0.4 percent of the Federal workforce. But action must be taken to ensure that top-notch talent will continue to be so.

SEA makes this recommendation because:

A retirement tsunami looms ahead. As of 2006, OPM estimated that 90 percent of all Senior Executives would be eligible for retirement in the following 10 years. During 2007, 564 executives (almost 9 percent of the corps) retired, exceeding OPM projections by 18 percent. Further, many agencies are reporting high SES retirement eligibility rates. At the end of 2007, 50 percent of the career executives at the Department of Veterans Affairs were eligible to retire, as well as 43 percent of those at the Department of Agriculture, where an additional 33 percent will be eligible to retire during the four years of the next Administration.

Many experienced, talented executives – who might otherwise continue in government – are planning to retire at the earliest opportunity due to corps problems detailed throughout this paper. An OPM survey of the SES conducted in 2008 reported that 10 percent of all executives plan to leave within the year, 32 percent within 1 to 3 years, and another 20.5 percent in 4

to 5 years. Among those planning to leave in the next year, only 56 percent reported they were satisfied with their pay. The survey did not include questions addressing other issues reported in this paper. Further, of federal executives responding to a recent (fall/winter 2007-2008) survey on the Future of Government Service, conducted by the Woodrow Wilson School, 49 percent reported eligibility to retire and 29 percent reported their intention to retire within 12 months. Career executives cited opportunities to make a difference and make better use of their skills as the most influential reasons in their decision to stay or go. Also important were opportunities to be recognized for their performance and to earn more money.

Those on the threshold of the SES, namely, those in GS-14 and GS-15 positions, increasingly lack interest in aspiring to the SES positions to replace these retirees. In 2006, SEA conducted a survey of the SES with regard to the new pay and performance management system. The report, “Lost in Translation,” revealed that 47 percent of all executives responding reported that the new SES pay and performance management system had had either a negative effect or a very negative effect on the interest of their GS-14/15 employees in becoming a member of the SES. To date, anecdotal evidence continues to build to support this view. And OPM’s recent survey reported that only 49.5 percent of executives believe SES pay and benefits are helpful in attracting and retaining high-quality senior executives. Therefore, the government is at risk of not attracting the best and brightest to the positions which will be vacated.

General Schedule (GS) pay is increasingly overlapping SES

pay and, in fact, pay levels for political appointees. For example, in the Washington, D.C. locality area, pay for GS-15, step 10 now equals Executive Schedule IV (\$149,000), which is the pay rate for Assistant Secretaries, as well as the presidentially-appointed members of such agencies as the National Labor Relations Board and other commissions; this alone is a disincentive for potential political appointees, much less Senior Executives. Currently, the minimum SES pay level is \$114,468, and the maximum \$172,200 (Executive Schedule or EL II) in agencies with a certified SES performance appraisal system, and \$158,500 (EL III) for those agencies not certified.

Under its partially implemented National Security Personnel System (NSPS), the Department of Defense has increased the ceiling for prior GS-15 (step 10) managers by 5 percent. When combined with locality pay, the top GS pay overlaps SES pay. Also under NSPS, GS employees can now receive substantial bonuses, formerly a unique feature of the SES. In response to the GS-15 pay cap, other departments and agencies have also taken steps to increase GS-15 managers' pay even though these managers have fewer responsibilities and more rights than members of the SES.

The SES pay ceiling has not kept pace with General Schedule pay adjustments, that is, adjustments for the pay of employees these executives supervise. If the Executive Schedule had kept pace with the national comparability increases provided the General Schedule since 1994, Executive Level II (the cap for SES pay in certified agencies) would be \$226,859, not \$172,200.

The new (in 2004) SES pay and performance management system has created the potential for politicization, is unevenly administered with great inconsistencies among agencies and departments, does not offer any assurance of an annual pay adjustment for those executives rated fully successful or better, is prone to the application of de facto quotas, and has no uniform requirement for pay upon entry to the SES. Further, the loss of market-based locality pay inhibits geographic reassignments of executives and makes filling positions in high-cost areas difficult. These problems have resulted in executives retiring at the earliest opportunity, demoralization among many who stay, and decisions by those who would be qualified to compete for SES entry to decline to do so. Because of the abolition of the six pay ranks in the earlier system and the latitude allowed agencies under this system, a variety of tiered pay plans have sprung up with individual agencies and departments essentially creating their own executive corps.

While an agency's pay bands and tiering create a situation where new pay compression can arise within the bands and questions abound regarding how to gain promotion from one tier to another, the loss of ranks has been most keenly felt at the Department of Defense, where such civilian executive ranks were looked to not only for protocol purposes, but to determine appropriate counterpart working relationships with the military.

The development and implementation of this system has come at a substantial cost (in administrative dollars and time spent), yet it has marginal motivational value at best. Most Federal

employees are more fundamentally motivated by devotion to the mission than by pay. No employee ignores his or her pay, but the question raised here is whether the relatively marginal pay increments available to the SES, (especially when coupled with looming pay compression) actually make any difference at all, much less enough difference to overcome the many motivational negatives associated with skepticism about the fairness of individual ratings and the imposition of organizational level quotas. Senior Executives are committed to improving organizational results, but the recent OPM survey indicates that only 43.4 percent of executives agreed that the SES pay-for-performance system promotes better organizational performance.

Finally, it is extremely rare for performance issues to apply to those who employees rise to the SES level, and, when performance problems do occur at the SES level, pay incentives are unlikely to be the right tool to address them.

Although an integral part of the SES compensation system since the establishment of the corps by statute in 1978, SES performance awards (a.k.a. bonuses) have been under attack. In mid-2007, members of Congress attacked bonuses paid to executives at the Department of Veterans Affairs (VA), and a bill was introduced this year which would severely limit the authority of the VA Secretary with regard to SES performance awards.

Such attacks have not been uncommon and most often arise from policy differences with the Executive Branch. In the VA case, the differences concerned a backlog of veterans' disabil-

ity claims and a dispute regarding the budget requested to deal with it. The result is a growing sense of uncertainty among executives about a compensation system in which all pay adjustments (unlike the General Schedule) must be made on the basis of job performance, but in which that performance can be second-guessed and the rewards based on that performance (bonuses) do not count toward their retirement annuities.

Although career Federal executives are devoted to public service, and do not expect to earn what they could in the private sector (for example, career executives who run Veterans Affairs health facilities generally make less than 50 percent of what their private sector counterparts earn in comparable positions), the pay problems are demoralizing, inhibit qualified GS-15's from aspiring to the SES, and prompt retirements earlier than would otherwise occur.

The solution is The Senior Executive Service Pay and Performance Management Improvement Act, drafted and proposed by the Senior Executives Association. The provisions are as follows:

- **Mandatory Minimum Market-Based Annual Salary Adjustment for all Senior Executives Rated at the Fully Successful or Higher Level:** This adjustment will be a formula-based percentage of a Senior Executive's salary equal to the increase in the Executive Schedule plus any increase in locality pay in the region the Senior Executive is stationed. This provision will also ensure that the adjustment is applied when providing lump-sum payment for accumulated

and accrued leave on separation.

- **Inclusion of Executive Performance Awards and Retention Allowances in “High-3” Average Salary Calculations for Retirement:** Performance awards and retention allowances have been shown to be provided consistently to high performers, accounting for a significant amount of the high-performing Senior Executive’s salary over the course of his or her career. By excluding these awards and allowances from credit for retirement annuities, we deprive good Senior Executives of a retirement package that reflects their true earned compensation salaries.
- **OPM Certifications:** OPM must certify an agency’s SES performance management system to enable paying executives at a cap of Executive Schedule II instead of Executive Schedule III. OPM must also provide an agency with “clear and consistent advice” on how to comply with requirements prior to six months before recertifying or decertifying an agency.
- **Transparency of Ratings for SES Officials:** Senior Executives must receive notification and feedback regarding their individual rating levels and specific reasons for the rating level in a reasonable period of time (within 60 days). The provision would also ensure that overall data is provided executives on how their agency’s SES officials are rated, the range of salary adjustments they receive for each rating level, and the amount and percentages of performance awards. Finally, all documents generally describing the SES pay and performance management system would be required to be made public via agency websites.

- **Transparency of SES Rankings and Pay:** The Merit Systems Protection Board would be required to administer a biennial survey, with consultation from the organization representing the largest number of Senior Executives. The survey should track the experience and views of career Senior Executives with regard to the SES pay and performance management system, including opinions regarding performance awards transparency, perceived use of quotas or forced distribution and other irregularities, as well as other questions perceived as necessary by the Board.
- **Assured Increase for New Senior Executives:** A minimum salary increase over his or her current General Schedule salary of at least 5 percent would be required for any person who is promoted into the career SES.
- **Prohibiting Quotas and Forced Distribution:** It would be illegal for an agency to utilize quotas or a forced distribution in rating the performance of Senior Executives.
- **Assured Funding of SES Pay:** Senior Executives' pay would be funded in such a manner so as to ensure that agencies would be able to pay required annual increases (see above).
- **Reasons for Rating Reductions:** Agencies would be required to provide a Senior Executive whose performance rating is lowered from the rating originally recommended by a higher level supervisor with reasons for the reduction. While the Senior Executive could gain insight into his or her job functions and responsibilities as well as the supervisor's expectations, this

requirement would also serve as a check against lowering ratings simply to force a de facto quota.

- **Requirements related to Pay Tiers of Senior Executives:** If an agency decides to implement a tier or rank system for Senior Executive positions, it must provide a justification and an explanation of the boundaries of each tier. Senior Executives should understand the criteria used to place SES positions in tiers, what their respective agencies mandate for upward mobility, and the path he or she needs to follow in order to advance in the defined tiers.

11. Support passage of legislation to restore career leadership. Excessive political layering and the diminution of career leadership are addressed earlier in this paper. The following provisions are viewed as necessary to bolster the career service by providing greater opportunities and continuity, thus enabling the Administration to fully utilize the skills and experience of career executives and maximize their contributions to government.

- Amend the provision for 10 percent of SES positions government-wide to be non-career so that it is based on filled, rather than allocated, positions. This change would reflect more accurately the intent of the original statute.
- Eliminate or reduce the rule that up to 25 percent of SES at any agency can be non-career. Some agencies (such as the Internal Revenue Service and the Federal Bureau of Investigation) remain highly non-political, but there are others (such as the Department of Housing and Urban Development and the Small Business

Administration) that tend to have higher political concentrations.

- Require all cabinet-level agencies have at least one career professional at the Deputy Assistant Secretary level or higher. This would be less stringent than the Department of Justice requirement noted above, but would be a measure to ensure greater continuity and career leadership.
- Require particular positions across government to be Career Reserved SES, including all deputies to COOs, CIOs, CHCOs, CFOs. SES positions in Inspector General (IG) offices should all be required to be Career Reserved.
- Require limited term and emergency appointees to consist only of career appointees. This change would ensure that these appointment methods are not used to insert political appointees into positions that should be filled by career employees.

12. Support legislation authorizing part-time employment for retired executives with no reduction in annuity and other measures to offset the impending massive loss of experience and institutional knowledge.

SEA makes this recommendation because, given the number of anticipated retirements in the SES (as noted above), it is of particular concern that there is no viable method either to ease the transition to new career executives in the vacated positions or to bring back career executives in case of agency emergency needs.

Proposed legislation (H.R. 3579 and S. 2003) would remove

current annuity penalties to those who are rehired to work part-time. Agencies would control who would receive these part-time appointments, and employees hired under this authority would not have the right or expectation of continued part-time employment beyond an agency's need. The bills also have effective limitations on the amount of overtime that reemployed annuitants can work.

13. Support passage of The Federal Managers Fairness Act, a proposal by SEA and the Government Managers Coalition.

SEA makes this recommendation because:

- The proliferation of equal employment opportunity (EEO) complaints and the complexity of the rules surrounding whistleblower reprisal cases make managers reluctant to deal effectively and quickly with poor performers and employee misconduct.
- Increased emphasis on accountability through such recent statutes as the No Fear Act makes managers even more reluctant to act against poor performers out of fear of an EEO or IG complaint, which can take up a substantial amount of their time and threatens to label them unfairly.
- Some of the employees who use the EEO or whistleblower process are merely attempting to paralyze their managers. These charges clog the system and delay attention to justified complaints.
- Prior to changes in the rules in the late 1980s, managers had the right to be a part of the EEO complaint process.

Today, some agencies reduce the manager to the status of a mere witness with no right to see the evidence or to protect him or herself during the process.

- With the increased emphasis on accountability, managers need assurance that their due process rights will be protected and that adverse actions will not be taken against them because of a reaction to an EEO finding resulting from a process that the manager may not have had a chance to participate in to any meaningful extent.
- Merely because a complaint is filed, managers can find their performance ratings affected. This can ultimately form the basis of denying a promotion, bonus or other award, including Presidential Rank awards. Considering that it takes sometimes years to resolve a complaint, a manager who is subsequently exonerated will not be able to recover lost salary increases, promotions, or awards unless a process for the consideration of these denied benefits is enacted.

The Federal Managers Fairness Act provides for participation by the alleged discriminatory official during the EEO investigation process, the right for that manager to be consulted before a settlement, the right for that manager to be told when a case is filed and when it is finished, and consideration for lost benefits resulting from both frivolous EEO and whistleblower-type complaints.

SEA actively supports a federal career executive corps that:

- *Exhibits the high degree of competence essential to effective government, both in providing continuity and in meeting the challenge of change.*
- *Upholds the highest standards of professional integrity and ethics and exhibits a strong commitment to public service.*
- *Is committed to quality service to the American public.*
- *Responds to policy direction while ensuring fair and impartial treatment of all citizens consistent with our laws and the Constitution of the United States.*
- *Recognizes a community of interest among career executives government wide and an institutional identity of the corps.*
- *Promotes opportunities for mobility within and among agencies and with other sectors and does not limit career executives' opportunities.*
- *Maintains and enhances its management skills through continuing professional education and development, and works to ensure professional development for peers and subordinates.*
- *Is recognized and rewarded for demonstrated excellence, and promotes recognition and rewards for all federal employees who attain excellence in the public service.*



820 First Street N.E.
Suite 700
Washington, D.C. 20002
(202) 927-7000
www.seniorexecs.org