CHALLENGES FACING THE CAREER SENIOR EXECUTIVE CORPS THREATEN GOVERNMENT PERFORMANCE

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Earlier this year President Obama announced a bold Management Agenda for his second term that relies heavily upon technology, innovation and the effective management of complex and interlocking government programs that deal with national security, public safety and health, economic revitalization and other important Administration priorities. In announcing his new agenda the President indicated he will recruit entrepreneurs, innovators and other new talent from the private sector as well as continue to rely on current public managers to ensure a "government that's smarter, quicker, and more responsive to the needs of the American people."

In reference to the critical role played by current federal employees, the President acknowledged, "America is full of talented, dedicated public servants who are working really hard every day to uphold the public trust." Also, both during and following the recent government shutdown the President reiterated his gratitude for the crucial work performed by federal employees and expressed disappointment at Congress's failure to recognize their value to the nation's well-being.

The President's prescience is especially true when it comes to the approximate 7,000 career federal executives who are the absolute critical link between Administration policy and program priorities and effective agency-level design and implementation of these priorities on an ongoing basis. The talented and proven men and women who comprise the Senior Executive Service (SES) and other career senior managerial and professional positions across the government provide the ongoing leadership capability and technical program management skills needed to operate the federal government on a day to day basis. These executives average 26 years of government experience and have demonstrated success on many levels throughout their careers. However, these executives are currently facing unprecedented challenges as they attempt to effectively administer large scale government programs under exceedingly constrained and uncertain financial circumstances.

Added to these fiscal realities are growing weariness, circumspection, caution and fear that the difficult decisions they are tasked with making could be subject to second guessing and retribution by partisans in the Congress. Further there is a growing sense among career executives that Administration political appointees are underutilizing their talents, undervaluing their contributions, questioning their expertise and judgment, and not being fully supportive during these difficult times. For a variety of reasons, career executives are increasingly choosing to retire or resign to take better paying, more rewarding positions outside the federal sector. These key talent losses are putting in jeopardy accomplishment of the key Administration priorities at time when our government and the nation are most in need – a situation that bodes poorly for future innovation and government transformation.

The following discussions capture current key challenges and threats to the continued viability and stability of the career senior executive corps in the federal government. The Senior Executives Association believes these specific areas of concern are having or will soon have negative impacts on government effectiveness and need to be addressed in the near future.

Rising Risk Aversion Threatens Innovation and Government Improvement

It is no secret that federal employees are being debased on many fronts – in the media, in Congress, and perhaps most importantly, in the public eye. Several so-called "scandals" have surfaced and the entire federal workforce (and in particular the senior executive corps) is bearing the brunt of poor judgments and damaging actions committed by a few. The cumulative effect of these circumstances, coupled with a long-standing pay freeze and Congressional attacks on federal benefits, is becoming apparent. With increasing frequency many career senior managers are avoiding risk and are becoming inclined to make "safe decisions" as opposed to the "right decisions" – or decisions (in their minds) that could potentially be career damaging in the current climate if not fully successful.

Unfortunately, avoiding the more difficult and critical issues (and the tough decisions associated with them) diminishes opportunities for breakthroughs in technological innovation and productivity, cost savings, process and program enhancements, improved resources utilization and other goals outlined in the President's Management Agenda. Moreover, avoiding risk and choosing safe vs. right decisions ultimately does a disservice to the American public who, as taxpayers, deserve our government's best –as opposed to just "good enough".

Accelerating Turnover Reflects Growing Frustration Among Senior Executives

As discussed in more detail below, problems with pay, recognition and public support for career executives are beginning to take their toll. One important sign that this is causing problems is increasing retirements and other turnover among SES executives and other senior professionals in government. The net result is a huge brain drain and loss of institutional capability at a time when government most needs career executive leadership, expertise and commitment.
With greater frequency senior career executives themselves are choosing to retire or seek employment in the private sector rather than continue in a system they believe does not support or reward their efforts – and in some cases seems to denigrate their value as critical front-line leaders of the most important and impactful federal programs. Quite clearly, as time passes, the situation is getting worse and not better as evidenced by recent trends.

- The actual number of career senior executives leaving government increased by 27% between FY 2010 and FY 2012.
- The retirement rate among career SES managers rose from 5.8% in FY 2009 to 8.3% in FY 2012 – a 43% increase.
- Looking ahead, nearly two-thirds of career SES executives are eligible to retire in the next five years.

The loss of key staff due to retirements and resignations and eroding employee morale have also added to pressures on non-retiring senior executives who stay and continue to work tirelessly to manage mission essential programs across the government. These senior career executives have increasingly been subjected to Inspector General and Congressionally-mandated investigations into the propriety of their management actions and decisions – to the point where many feel they are being treated as “guilty until proven innocent” – and causing them to rethink their commitment to federal service.

Declining Recognition and Performance-Based Pay Are Reducing Morale and Retention

Presidential Rank Awards: Public recognition of key achievements on behalf of the American public is one of the most treasured rewards of federal senior career executives. Developments during the Obama Administration have raised concerns about the Administration’s willingness and commitment to recognize the significant contributions of senior career manager. Most recently, an unnamed Administration official was quoted in June as indicating that for FY 2013 Presidential Rank Awards will be replaced with appropriate forms of non-monetary recognition, though the statute governing the rank awards provides for monetary awards. Even prior to this statement, the Administration had delayed the review and selection process for the FY 2012 SES Rank Award winners (including those from the Intelligence and Foreign Service communities) to a point where awardees began to wonder about whether their achievements were truly valued. Recent data underscore these concerns.

- Since the outset of the Obama Administration, the number of Distinguished Rank Award winners has dropped each year from 75 in FY 2009 to 46 for FY 2012 (39% drop).
- Even more drastically, the number of Meritorious Rank Award winners has dropped from 269 in FY 2009 to 78 in FY 2012 (65% drop).
- This decline threatens to discourage innovation and cost savings. For example, cost savings to the government achieved by Distinguished Rank Award winners from FY 2009 thru FY 2012 approximated $217 billion, including about $95 billion in FY 2012 alone,
- The cost of Rank Awards granted to the 240 DEs during this timeframe was approximately $15 million – an impressive return on investment!

Further, OPM currently does not publish the names of the awardees (SEA does) and agencies are under instructions to do nothing to identify them publicly This is in sharp contrast to previous Administrations that publicly celebrated Rank Award recipients’ achievements (e.g., Presidents Reagan and Clinton met with Distinguished Award winners in the White House – and President George H.W. Bush included Distinguished Rank Award winners in a meeting at Constitution Hall early in his Administration).

Although SEA does not agree with the Administration’s recent cancellation of the traditional Rank Awards program for FY 2013, the Association does believe that recognition, aside from the award itself, can and should still be given. To this end, SEA has since recommended appropriate means for the Administration to now meet its commitment to acknowledge excellence in the career executive service and to do so in a meaningful way – and has offered specific cooperation and support in the process.

Compensation: Career members of the Senior Executive Service and other Senior Professionals in the federal government have witnessed in recent years several disturbing developments with regard to their basic pay as well as compensation based on the merits of their performance. These developments are increasingly causing financial hardship and serving as disincentives to executive recruitment, performance and retention. As with other federal employees, members of the SES have been subject to an across the board pay freeze going on three years. In addition to the pay freeze, senior executives are experiencing increasingly pernicious pay compression that has resulted in many of their subordinates (at the GS-15 level) being paid more than them – and in some cases a good deal more. The following data illustrate these problems.

- The pay range for SES employees is $119,554 to $179,700 ($165,300 for non-certified agencies). The pay range (in the D.C. Metro Area) for GS-15 subordinates is $123,578 to $155,500. The average salary of SES employees is $166,529 (FY 2011 data).
- If the SES pay scale (the scale is tied to political appointees' pay scales at EX Levels II/III) had received the same percentage increase as the GS pay scale of their subordinate staff, the SES maximum salary limit would currently be at approximately $248,000.
- Pay compression for the top 7,000 career executives is especially painful when they know that the current government ceiling on the pay of comparable executive contractors and those who they oversee is well over $700,000.

Also, beginning in FY 2011 the Administration reduced the percentage of SES performance awards funds available in agency pay out pools from a maximum of 10% of aggregate salary to a maximum of 5% - a 50% reduction in available pay for performance funding. Further, bills have been introduced in both bodies of Congress to suspend performance awards during sequester (with no opposing stand taken by the Administration). Ironically, OPM regulations governing SES performance management require making meaningful distinctions in rating and paying SES employees based on performance. Moreover, cancelling performance awards may have the effect of putting in jeopardy OPM certification of agencies' SES performance management systems – which would further weaken pay for performance.

<u>Escalating Congressional Attacks Create Disincentives to Serve</u>

Beyond pay issues, several recent bills introduced and being discussed in Congress would, if enacted, impose further financial hardships and deprive career executives of fundamental due process protections – thereby exacerbating disincentives to serve in critical executive jobs.

Among the proposed legislation of most concern to SEA are:

(1) a House bill that would require firing any Federal employee who exercised 5th Amendment rights and refuses to answer questions from Congress, and

(2) a bill that would allow agencies to put career Senior Executives on unpaid investigatory leave for up to 3 months without due process pending the outcome of an investigation if the agency determines the executive has engaged in serious misconduct. The

bill also directs agencies to either fire, suspend without pay or reinstate the executive after the unpaid investigative period has expired. The House version of this bill would also allow career SES employees to be fired without third party appeal rights to the MSPB.

To date, the Administration has not taken a stand in opposition to any of these bills.

The net effect of these proposed bills, coupled with a perceived lack of support by the current Administration, is not only to add to the hastening of the exodus of highly talented career executives from the federal service, but also, as alluded to earlier, to heighten circumspection and caution among executives who remain - with executives fearing exposure, retribution and being singled out by Congress or the Administration. Being overly cautious and avoiding critical issues, will, over time, significantly impact government effectiveness and service to the public.

SEA further fears that passage of the proposed bills would also increase the likelihood of politicization of the career executive service – with senior managers' objectivity and independence diminished due to fear of summary dismissals, placement on unpaid investigatory or other types of political reckoning for expressing views or taking actions viewed as contrary to or not supportive of their agency's "party-line."

Lagging Succession Planning, Training and Interest in Joining the SES Causing Problems

The problem of the thinning ranks of career executives, coupled with continued diminishment of the incentives for those continuing to serve in these positions, is exacerbated by two related, emerging trends that will impact the quantity and quality of future candidates who are available to fill vacant career executive positions

Lack of Succession Planning and Bench Strength: There is a growing reality that many agencies, due mostly to budgetary and workload pressures, have not done a particularly good job of succession planning or otherwise preparing the next generation of replacements for key career SES executives who are becoming retirement eligible. For example, the number of formal SES Candidate Development Programs being conducted by agencies is declining due to current budgetary constraints and increasingly restricted replacement hiring into SES positions. Other leadership training, executive coaching and mentoring programs that otherwise would contribute to increased succession readiness are also being cut for the same reasons. In addition, training and executive development provided to employees already in SES positions is being cut, making it more difficult for current executives to meet emerging technical and managerial challenges or to take on broader responsibilities.

Waning Interest in SES Jobs by Talented Potential Replacement Candidates: There is increasing evidence that many of the most talented and capable GS-15 potential replacement candidates are not even applying for SES jobs due to the perceived thanklessness of the positions coupled with the pay compression, lack of recognition, and other disincentives previously cited. These disincentives are compounded by potential candidates knowing that the SES system is based on mobility and that their agencies increasingly are declining to pay for household sales/moves and other relocation expenses when career executives are reassigned to different geographic areas. Unfortunately, agencies are viewing mobility and relocation as budgetary/procurement challenges as opposed to key elements in their human capital program that support improved employee recruitment and retention. (This trend is also adversely impacting retention among current SES members who fear they may be forced to move without financial support from their agency). These dynamics are consistent with a 2009 SEA survey of GS-14s and GS-15s that found the stress and financial implications of accepting relocation served as an impediment to joining the Senior Executive Service. These employees also expressed concerns about the work/life balance associated with becoming a Senior Executive.

Increasing Workloads and Spans of Control Lead to Burnout and Loss of Oversight

Although implied in many of the aforementioned sections, due to sequester and other budgetary pressures, many agencies are choosing not to backfill key executive positions when vacancies occur. This often results in managerial work being shifted from the vacant position to a filled SES position in a related program area. The added workload and managerial pressures can result in insufficient attention being paid to key programmatic and organizational activities – and also increased executive stress, overload, and burn-out – all of which further contribute to costly and ill-timed turnover as well as increased risk in program management and oversight. Foregoing oversight, quality control and other managerial measures that cut down on waste, mistakes, delays and program implementation glitches can have adverse impacts on performance and delivery of service as well as public confidence in government.

Growing Agency Inconsistency in Managing Executive Resources Threatens System Stability

One of the key features of the SES provisions of the Civil Service Reform Act was to give OPM the centralized role of setting policy and managing the government's executive resources program to enhance consistency and fair treatment in areas such as merit-based hiring, pay for performance, mobility and career development. In keeping with this role OPM was also given SES system oversight responsibilities to ensure that agency performance appraisal systems, hiring and selection processes and allocations of executive resources are consistent with merit system principles and good government management practices.

In recent years, with increasing frequency, SEA has witnessed agencies attempting to circumvent OPM centralized management and oversight processes by establishing practices inconsistent with government-wide regulation and OPM guidance as related to the SES and other senior personnel systems. These actions create both intra and interagency inequities among senior executives, added costs, and erode public confidence in the entire executive resources system. To address these challenges, OPM needs to reassert its centralized management role through a strengthened SES policy/oversight organization, working with stakeholder agencies and SEA, to improve system fairness, consistency and cost effective utilization of executive resources across the government.