

THE SENIOR EXECUTIVES ASSOCIATION'S DETAILED COMMENTS AND RECOMMENDATIONS ON THE ADMINISTRATION'S DRAFT EXECUTIVE ORDER ON STRENGTHENING THE SES

In SEA's view, strengthening the SES requires, at a fundamental level, making it truly attractive and motivating to potential candidates and current employees. The current situation involving increased turnover rates, loss of important talent and institutional capability, a "gotcha" accountability culture, and the growing reluctance of high quality GS-15s to apply for SES jobs, evidence a serious erosion of the attractiveness of the SES system. These trends, (as borne out in studies conducted by SEA^{1,2,3}, OPM's recent exit interview survey of senior executives⁴, a multi-part media assessment of the SES⁵, and other areas), are worsening and need to be addressed as part of meaningful, overarching reform of the SES – both now and in the future.

Heightened SES retirement rates evidence not only changing demographics but also profound frustration with current system.⁶ In a recruitment climate survey of over 500 SES and SP career leaders released by SEA in October 2015, many reported challenges in recruiting talented candidates to consider the SES and that the leadership bench strength at their agency and quality of applicants has diminished in recent years. It found that the attractors to the highest levels of career leadership barely outweigh detractors. From the standpoint of career executives (and potential candidates for SES jobs), inadequate compensation, lack of pay-for-performance, limited recognition, increasing politicization within agencies, unrequited Congressional attacks, lack of Administration support, and expanding work-life imbalances are making the system increasingly unattractive – and threaten the future quality and commitment of the career executive corps. In a word, the risk-reward imbalance of serving in the SES has worsened significantly in recent years.

Indeed, OPM's exit survey of senior executives found that the current political environment and organizational culture, lack of recognition for accomplishments, stress on the job, insufficient pay and lack of awards for good performance among other things contributed significantly to the reasons executives are leaving government in large numbers. Conversely, the same survey found that increased compensation, verbal encourage and recognition, increased autonomy in decision making and better work-life balance were listed among top stay factors encouraging an executive to continue in their role. It is in many of these areas where the E.O., unfortunately, is notably inadequate.

¹ Senior Executives Association, "Taking the Helm: Attracting the Next Generation of Federal Leaders," 2010, https://seniorexecs.org/images/documents/Full_Report.pdf.

² Senior Executives Association, "Recruiting Qualified Career Senior Leadership: How Are We Doing? A Survey of Current Career Federal Executives," October 2015, <https://seniorexecs.org/images/RecruitingQualifiedCareerSeniorLeadership-HowAreWeDoing.pdf>.

³ Senior Executives Association, "At Will Employment in the Career Senior Executive Service: Promoting Accountability or Threatening Federal Government Effectiveness and Senior Management Capability," March 2015, https://seniorexecs.org/images/documents/press_releases/AtWillSurveyReport.pdf

⁴ Office of Personnel Management, "Senior Executive Service Exit Survey Results April 2015," <https://www.opm.gov/policy-data-oversight/senior-executive-service/reference-materials/ses-exit-survey-resultspdf.pdf>.

⁵ *Federal News Radio*, "Fixing the SES," February 2015, <http://federalnewsradio.com/special-reports/fixing-the-ses/>.

⁶ Senior Executives Association & George Washington University, "Increasing Separations of Career Senior Executives: Effects of a Baby Boomer Workforce and Recommendations for Growth," May 2014, <https://seniorexecs.org/images/SEA-GWU-Report.pdf>

Specific SEA Concerns and Recommendations on the draft E.O. include the following:

Pay for Performance: Section 1 of the draft E.O. includes a Presidential policy statement regarding the national interest in cultivating a high caliber career executive corps. SEA commends the E.O. for including provisions reflecting the need “to better support, recognize, and reward our executives, especially our top performers,” but is deeply disappointed in the lack of substance in the remainder of the E.O. to reflect the critical importance of meaningful recognition and rewards.

In this regard, the underlying premise of the SES system – pay-for-performance – has been compromised by ill-advised Administration funding caps on SES performance awards and basic pay increases as well as cutbacks in Presidential Rank Awards and other meaningful forms of performance-based compensation⁷. Lacking within-grade increases and locality pay afforded to General Schedule (GS) employees, members of the SES have fallen prey to widespread salary compression that has resulted in an appreciable percentage of GS-15s making more money than their SES bosses⁸. Further, some high-performing GS-15s who do opt to enter the SES do not receive any pay adjustment upon appointment. SEA strongly urges the Administration to provide a provision in the E.O. to ensure those who join the SES receive a meaningful pay adjustment.

The draft E.O. does contain a weak, attenuated provision to require agencies to raise the pay of SES, over time, to that of GS-15 employees in the same pay localities. This provision (which unfortunately is diluted from its original form), will do little to address underlying pay compression, and in a sense perpetuates, and does not reform, the underlying dilemma that the central feature of the SES – pay-for-performance – has been eviscerated in recent years while the risks and frustrations of serving in SES positions have grown substantially.

The statute governing SES compensation provides that agencies can use up to 10% of aggregate SES pay to reward deserving career executives via performance awards. SES performance awards are not guaranteed, approved by the agency head, and by statute must be 5% of an executive’s salary at a minimum. However, since 2011 the Administration has limited performance award funding to not quite half of the statutory ceiling. This draft E.O. on strengthening the SES could address this issue but does not, even though SEA and others have urged the Administration to do so – and were led to believe that it would be included in the spirit of true reform that makes the SES attractive and worth the risk of serving in these very demanding jobs. Regrettably, the failure to lift the Administration’s cap on SES awards signals that this effort to strengthen the SES is starkly incomplete and lacking of a central feature that would contribute significantly to making the SES stronger, more attractive and more focused on creating more efficient and effective government. SEA strongly recommends a provision in the E.O. or accompanying guidance on its issuance that lifts the long-standing performance awards funding cap.

Executive Recognition: The draft E.O. contains no specific guidance to agencies on recognizing the achievements of senior executives. There are many meaningful ways to recognize SES beyond employee

⁷ Senior Executives Association, “Deteriorating Pay for Performance Adversely Impacting Morale and Retention Within the Federal Career Senior Executives and Professionals Corps,” May 2014, https://seniorexecs.org/images/documents/Deteriorating_Pay_for_Performance.pdf

⁸ Senior Executives Association, “Myths & Realities: Pay Overlap Between Senior Executives and General Schedule Managerial Employees,” June 2013, https://seniorexecs.org/images/documents/press_releases/Overlapping_Pay_Myths_Realities_01.pdf.

bonuses based on performance, including special act and service awards, honorary and other non-monetary awards, Presidential Rank Awards and a host of agency-based awards for a range of achievements. When agencies recognize their highest performers publicly, it sends a positive signal to the entire workforce as well as the American public about the amazing work the federal government and its employees perform each and every day. However, the draft E.O. is conspicuously silent in this area, reinforcing the imbalance of risk vs. reward that is making the SES increasingly unattractive.

SEA recommends inclusion of a strong language in the E.O. encouraging agencies to use existing authorities to recognize and reward the contributions of exemplary executives. Also, SEA would welcome the President's participation in the Rank Awards Banquet SEA sponsors each year for awardees, and/or a White House audience such as that afforded to winners of the Partnership for Public Service's Service to America Medals. This would send a powerful message that the contributions of senior executives are recognized, valued, and important.

Qualifications Review Boards and the SES Hiring Processes: The draft E.O. directs OPM to evaluate the Qualifications Review Board (QRB) process and to suggest alternatives or replacements to the current essay requirement for QRB submissions. The E.O. also directs agencies to assess and make changes to their SES hiring process. OPM is also to consider guidance for agencies on streamlining their initial application requirements.

SEA supports efforts to streamline and make more efficient and effective the QRB and SES hiring processes. SEA supports reforms that allow resume-only applications at the initial application stage, but strongly favors the retention of Executive Core Qualification (ECQ) narratives later in the application process. Such narratives highlight an applicant's experience and competencies and provide a critical opportunity for agencies to better understand an applicant's background and fit with the organization in the SES hiring process. We also note that in many agencies, technical skills are a very important consideration and narratives are particularly useful in assessing an applicant's technical expertise and aptitude for non-generalist leadership billets. SEA stands ready to assist OPM in its evaluation of the QRB process and expects to be fully informed and consulted as reforms to the process are explored.

Further, and very importantly, SEA believes that any changes to the QRB and SES hiring processes must preserve merit hiring and be accomplished within the current statutory framework.

Rotational Assignment Programs: The draft E.O. directs agencies with more than 20 SES positions to develop a plan to rotate or reassign their executives, with a government-wide goal of 15 percent of SES rotating for a minimum of 120 days by the end of FY 2017. It has never been clear to SEA what data or research has served as the basis for the 15% goal, or how the goal will be shared among agencies. SEA opposes rotation for the sake of rotation nor establishing government-wide quotas. Agencies are in the best position to determine the level of rotational assignments along with other employee development assignments, training and other actions to improve current and future SES capabilities.

Although we favor well-conceived rotational assignment activities, we also believe, generally speaking, it would be more effective to establish agency rotational assignment programs that cover high potential GS-14, 15s, as well as SES and other senior professionals, as part of senior management development programs geared to agency missions. The E.O. could encourage this approach – even require the program establishment with certain features and parameters. Administration and agency budget requests would need to be crafted to reflect the funding necessary to carry out such programs.

Also, SEA is concerned that the timetable in the E.O. for agency implementation of rotational assignment programs is to begin in October 2016, at the very end of the Administration. Sending executives out of their agencies on rotational assignments (or even to different components within their agencies) during a Presidential transition could generate a great deal of angst among executives and might, in some cases, be viewed as career crippling or punitive. Moreover, during times of transition, career executives are most needed in their positions of expertise to help incoming Administrations get traction and attain results.

Other government programs with a rotational component, such as the Presidential Management Fellows (PMF) program and the recently launched White House SES Leadership Development Program have borne witness to the problems agencies often have with successfully implementing rotation programs. Compounding the issue of feasibility for the rotation initiative, security clearances are often not portable from agency to agency. Another potential hurdle to facilitating rotations is the fact that there are currently over 90 different executive pay systems (far too many in SEA's view). Additionally, the E.O. only makes mention of one agency flexibility, the Intergovernmental Personnel Act (5 CFR 334), but fails to include provisions of other personnel flexibilities, such as the Interchange Agreements and Cooperation provisions of 5 CFR 214.204. SEA suggests that guidance be developed advising agencies of all personnel flexibilities available and applicable for rotational assignment programs.

Talent Management and Succession Planning: While SEA supports the directive that agencies establish an annual talent management and succession planning process, we note that many agencies already are not adhering to the directive from Congress in the Federal Workforce Flexibility Act of 2004 (P.L. 108-411) and similar laws. Sixty percent of executives reported in OPM's recent SES exit survey that their agencies had no formal succession planning efforts in their agency. Funding, staffing, and workforce data on both current executives as well as leadership pipeline candidates are all necessary to make talent management and succession planning efforts a successful reality. Also, OPM sharing of successful and model programs would be useful during the E.O. implementation period.

Executive Development and Resources Management: SEA supports the concept in the draft E.O. calling on agencies to update Executive Development Plans (EDP) and to provide at least one annual developmental activity and a leadership assessment every three years. Once again, funding is required to ensure developmental opportunities and leadership assessments are made available to executives, and the E.O. does not indicate how such funding allocations will be made.

SEA strongly agrees with the provisions that high level attention must be afforded to the management of an agency's executive resources. To the extent that this E.O. provision is successfully achieved, it will greatly contribute to achieving other E.O. goals – especially in the areas of succession planning, employee development and executive mobility.

Too often political leadership of agencies neglect their role in managing their agency's workforce, particularly their obligations to career SES if they are their supervisors. SEA documented this in our 2014 report on pay-for-performance cited earlier. To facilitate this section of the E.O., SEA suggests the creation of a government-wide database of senior career leaders that lists their employment histories, specialty areas, credentials and competencies, desires for rotational or developmental opportunities, and other key pieces of information to aid in the management of the government's executive corps. Also, SEA once again notes that there are over 90 different executive pay systems – which adversely impact enterprise-wide SES executive development and resources management. SEA believes an

assessment should be undertaken to determine how to reduce and consolidate these various systems to better support the use and management of the government's executive resources.

Executive Onboarding: SEA fully supports the establishment of a formal Executive Onboarding Program included in the E.O. The Onboarding Framework has been in place for at least a year, and it is past time that all agencies implement it. Further, SEA suggests moving this section to the area of the E.O. slated for immediate implementation.

Role of the President's Management Council (PMC): Section 2 of the E.O. establishes a subcommittee under the PMC to "inform and support" efforts related to the E.O. SEA notes the PMC is not a codified body, and therefore may or may not exist in future administrations. Additionally, to avoid the risks of the perception of politicization and political influence, SEA questions the wisdom of the PMC taking ownership of monitoring SES reform initiatives, instead of OPM, the agency responsible for federal wide SES policy leadership. Also, the language in the E.O. highlights the role that three Deputy Secretaries would play on the PMC subcommittee, but fails to consider tasking execution and monitoring of the E.O. within agencies to all Deputy Secretaries – something SEA would recommend. Doing so would likely provide more effective, agency-level attention to this initiative, and highlight the importance of senior agency leadership involvement in matters of workforce management.

Agency Coverage: The E.O. does not appear to require or even encourage most small and some mid-sized agencies to implement Section 3 requirements (dealing with talent management, recruitment reform, executive development plans and on-boarding) at all. This disparity hardly seems prudent in light of the overarching importance of strengthening the SES and could send a signal that executives and SES reform at these agencies are not important.

Funding Reforms to Strengthen the SES: Nothing in the E.O. addresses funding to support the many new requirements to establish succession, rotation, development, and other programs. Implementing these reforms at the end of an Administration, with high turnover in the ranks of Deputy Secretaries and other senior political leadership, as well as dual-hatting of both political and career executives, will be hard enough. Creating a series of unfunded mandates will compound these challenge and mitigate success. If these are truly important, funding for them needs to be addressed in the Administration's budget requests to Congress and backed up by agency reallocation and prioritization of resources to these activities. The Executive Order, or accompanying issuing guidance need to address prioritization of funding for the reforms.

A forthcoming report from the Merit Systems Protection Board (MSPB) found that a well-trained SES corps is an integral component of organizational success⁹. Other research from the MSPB, OPM, and the public and private sector supports the importance of training and development for all levels of an organization's workforce. Unfortunately in the federal government, training is often the first item to be cut when budgets are tight.

Defense Department agencies, for example the Air Force, are able to field model talent management programs covering not only their executives, but also leadership pipeline employees at the GS-14 and 15 level only because adequate funding and staffing is allocated to support those activities. For many years authority has existed to develop, rotate, reassign, detail, etc. SES – however, without prioritization of

⁹ *Government Executive*, "Investment in Senior Executive Training Pays Off," November 24, 2015, <http://www.govexec.com/management/2015/11/investment-senior-executive-training-pays/123956/>

funding these opportunities languish – and are particularly difficult at smaller to mid-sized agencies. In short, most of the E.O. is an unfunded mandate and funding will ultimately be a critical factor in the success or failure of the Administration’s efforts to strengthen the SES