

STATEMENT OF DR. THOMAS E. MALONE
DEPUTY DIRECTOR,
NATIONAL INSTITUTES OF HEALTH

on

THE SENIOR EXECUTIVE SERVICE

before the

SUBCOMMITTEE ON CIVIL SERVICE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
U.S. HOUSE OF REPRESENTATIVES

March 20, 1984

Madam Chairwoman and Members of the Subcommittee:

I am pleased to have the opportunity to testify before this Subcommittee and to present my views on the implementation and the effectiveness of the Senior Executive Service (SES) at the National Institutes of Health (NIH).

As Deputy Director, I was responsible for the implementation of the SES system at NIH, and I continue to exercise oversight of the operation of the system. The NIH presents many challenges to implementing new and comprehensive systems such as the SES. In order to adequately express my views on the effectiveness of this system, I believe it would be helpful to briefly describe the unique nature of NIH, as well as some of our experiences with the SES.

The NIH has developed a national and international reputation as a center for biomedical research excellence. Our mission is to fund, support, and conduct innovative research in the biomedical sciences. The NIH has an SES staff of approximately 165 individuals with highly diverse responsibilities ranging from the direction of medical research institutes, such as the National Heart, Lung, and Blood Institute, to the program leadership of major research grants and contracts programs, to the management of basic scientific and clinical research programs. Over half of our SES staff are noted researchers within their scientific disciplines, including several recipients of the Nobel Prize. The NIH is an environment within which

creative science and research flourish. It is essential that our administrative and personnel systems be designed to support such a system. Our task was to implement the SES system in a manner consistent with this administrative philosophy.

At the time the Civil Service Reform Act was enacted, the NIH was fortunate to have most of its senior staff members serving under a special appointment mechanism authorized by Section 208(g) of the Public Health Service Act. That appointment mechanism had been given to the Public Health Service in recognition of the limitations of the Civil Service System in the recruitment and retention of specially qualified professionals and scientists. This authority was based on a "rank-in-the-person" concept, including the principle of compensating top-level scientists for their scientific accomplishments and achievements rather than managerial qualifications. This mechanism offered considerable flexibility in initial appointments, reassignments, and pay-setting. Even then, the Government was at a constant disadvantage in being able to compete for the most promising scientific leaders since most universities were capable of offering more attractive compensation packages and perquisites. Nonetheless, the flexibilities of the 208(g) authority offset some of these disadvantages and this appointment mechanism served NIH well for many years. However, this mechanism did not provide for monetary awards, and as the disparity between the compensation packages of the private sector and the NIH increased, we reached the limitations of this authority. By the late seventies it had become ineffective for recruitment and retention purposes.

Consequently, when the SES was created, expectations were high. The SES was also based on the "rank-in-the-person" concept and contained many of the same features as the 208(g) authority NIH had been using. However, the SES promised substantial improvements in terms of additional flexibilities, and more importantly, the ability to provide monetary rewards that had never been available to the NIH in the past. Not only did we view the SES as a system that would increase our prospects for successfully competing for the top caliber scientists so essential to the mission of the NIH, but also as a means of finally being able to adequately recognize and reward their outstanding achievements. Therefore, we were committed to implementing the system in the most effective and efficient way possible. We were active participants in the implementation planning sessions conducted by the Office of Personnel Management at Ocean City, Maryland, in October 1978, and at Cherry Hill, New Jersey, in February 1980. We also worked extensively and cooperatively with the administrative staffs of the Department of Health and Human Services and the Public Health Service to design the best and most appropriate system.

Our first task was to determine how to implement this system within the environment I previously described, and in a manner that would enhance rather than intrude upon the scientific mission of this organization. Chief among our problems was to design and implement a performance appraisal system conducted on an annual basis that would adequately assess both managerial and scientific performance. Performance appraisal systems are poorly suited to judgments of performance in a scientifically oriented institution. This is particularly true for assessing the value and contributions of the individuals involved in the direction and conduct of

basic and clinical research programs and investigations. It is very difficult to predict the results of basic science, and therefore establish performance standards and expectations. Research projects are usually of long duration, frequently lasting 3 years or more, and the results cannot be adequately judged until they have undergone a thorough and rigorous scientific scrutiny by the worldwide scientific community.

Working in a highly cooperative and collaborative effort with our colleagues in the Department of Health and Human Services and the Public Health Service, NIH developed a subservice of the SES that we call the Senior Scientific Service. The hallmark of this system is the evaluation of the performance of scientific managers within the Department on the basis of their scientific excellence, as well as their leadership qualities. Additionally, their performance is evaluated separately by Performance Review Boards composed of distinguished representatives of the scientific community to assure a knowledgeable and impartial peer evaluation. By recognizing the special needs of our basic and clinical research scientists, we have successfully overcome many of the limitations of the SES performance appraisal system as it applies to scientists. However, despite our best efforts, it is still not a completely satisfactory solution to the meaningful evaluation and compensation of our senior scientists, and I will have more to say on this point later.

The second issue that we faced was how to develop an equitable review process for the valuable and talented scientific administrators and managers

who are not directly engaged in basic research. We wanted to design an appraisal system that also provided for a fair and equitable peer review and was as simple and results-oriented as possible. To do so, NIH sought and received the input of all of its senior members. With their suggestions and the collaboration of our personnel community, we devised a system that successfully met these goals.

Even with this degree of cooperation, we found that the implementation of the SES system at NIH was very time consuming and difficult. However, the potential benefits of the SES were sufficiently high to keep everyone actively involved in seeking even better means of making the SES, and particularly the annual performance appraisal and bonus process, work more smoothly. Each year we review the manner in which the system is operating, try to identify deficiencies and problems that still exist, and by consensus, develop even better ways of assessing performance and conducting our bonus reviews. As we have gained more experience, our proficiency has increased. I am convinced that we have one of the most thoroughly reviewed systems now in operation, and that our willingness to collectively reevaluate and modify our system has led to a highly effective and equitable performance evaluation process.

In my opinion, the SES system has not fulfilled all of our expectations; nonetheless, it has been beneficial to the NIH in the following ways:

1. It has allowed us to recognize and monetarily reward at least some of our many outstanding scientists and managers.
2. Since the SES is based on a "rank-in-the-person" rather than a "rank-in-the-position" concept, it is particularly well suited to an organization such as the NIH, and allows us to recognize merit and achievement regardless of where it occurs in the organization.
3. The system does allow for greater ease in reassigning staff members; and, it also provides some flexibility for making adjustments in their basic salary levels.
4. One of the greatest benefits of the SES came from the process of designing and implementing the system in a manner that would enable us to meet the special needs of NIH. From this effort, we learned how to better integrate management systems into a scientifically oriented agency, and achieve positive and productive results.

Despite these benefits, we found that regardless of the amount of modifications to the system, the SES is not well adapted or suited to our senior scientific staff. The annual performance appraisal system, with its emphasis on management responsibilities, is inappropriate for scientists. The compensation of senior scientists is not sufficiently competitive to

meet our recruitment and retention needs. The mechanisms for hiring and promoting scientists are cumbersome and do not allow for adequate recognition of scientific performance alone. We have concluded, as did the White House Science Council's Federal Laboratory Review Panel, chaired by David Packard, that a comprehensive and flexible pay and personnel system is needed for Government research scientists. We are currently working in collaboration with the Public Health Service and the Department of Health and Human Services to develop a suitable outline for just such a system.

You also asked for my views on the findings of the GAO in their report on the SES. I find that I am in basic agreement with the Comptroller General. Unlike his general observation on the point, I think that NIH has done a very good job of linking individual performance to organizational goals and objectives. Otherwise, I would agree with the Comptroller General that the full extent and potential of the SES has never been fully realized because of the limitations that have been placed on the system either administratively or by legislation. While the relaxation of the bonus limitations that occurred this year is a positive step, I still find myself in full accord with the Comptroller General's views on increasing the number of SES bonuses awarded. In my opinion, he has offered a very practical solution to restoring the SES to its full potential, and I endorse his concept of gradually increasing the percentage of bonuses awarded to the 50 percent limit envisioned in the Civil Service Reform Act. I would further suggest increasing the amount of the bonuses that can be

awarded to SES staff in any given year to more closely approximate the 20 percent of base pay provided for in the legislation. I believe that in order to truly assess the effectiveness of the SES system, it should be given the opportunity to be implemented within the full context of the original law. Only then can we discover its true benefit as a flexible management system.

I would like to conclude by saying that I am very proud of my association with an organization as successful as NIH. We are at a time when the Nation, and indeed the world, is in the midst of a revolution in the biomedical sciences. Exciting scientific research breakthroughs are now being made into the nature and treatment of the diseases that have beset mankind, and further scientific advances can be expected in the near future. NIH has been a leader in this revolution, either conducting or stimulating and supporting much of this valuable research. I feel we have an obligation to continue this effort. The Senior Executive Service system can be a major factor in providing us with the ability to attract and retain the caliber of scientists and managers necessary to maintain and further the leadership role we have established. Consequently, I ask you to consider restoring to the SES the full potential and flexibility envisioned in the initial legislation.

Thank you very much, Madam Chairwoman, for the opportunity to present my views.