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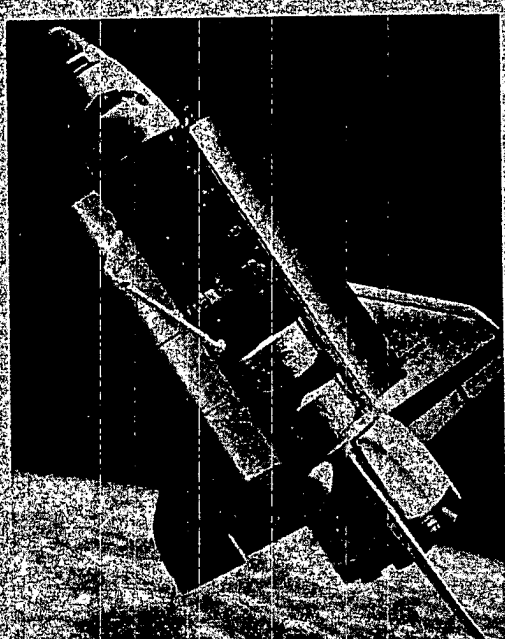
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## Subcommittee on Civil Service

## Committee on Post Office and Civil Service

## House of Representatives

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**Statement by: R. G. Smith**      **Director,**      **98th Congress**  
**John F. Kennedy Space Center**

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION  
WASHINGTON, D.C. 20546

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STATEMENT OF RICHARD G. SMITH  
DIRECTOR, JOHN F. KENNEDY SPACE CENTER

BEFORE THE

SUBCOMMITTEE ON CIVIL SERVICE  
HOUSE COMMITTEE ON POST OFFICE AND CIVIL SERVICE

ON

AN ASSESSMENT OF THE SENIOR EXECUTIVE SERVICE

Madam Chairwoman and Members of the Committee:

I am pleased to be here today to provide you with my view and impressions of the Senior Executive Service. When the Civil Service Reform Act was passed, I was eager to accept the view of many who felt the SES would be the cornerstone of civil service reform. The basic philosophy behind the SES was, and still is, sound. The system design had a lot going for it. Who could fault a service designed to create a cadre of extraordinarily competent executives who are accountable for their programs and eligible for additional compensation and benefits based on their performance? Five years after its inception there is still much to be said for the SES. However, I am less enthusiastic than I was in the beginning. As an individual I have certainly been well treated, but I have not been able to do as well for many equally deserving people who report to me.

The bonus provision of the SES was a primary inducement to join, and to excel in performance. For the first time we were to have an environment that actually provided an incentive for those in the top levels of management to sit down and discuss performance requirements, establish challenging goals, and then adjust those goals as the external environment dictated. The bonus was something tangible to work with, and the number of bonuses available was important. Those who became charter members of the SES, as well as those who have since entered the SES, were, with few exceptions, good to outstanding managers. If anything, I personally felt that the provision for giving bonuses for up to 50% of those in the SES was marginally adequate, and that a number in the 70% - 80% range would have been much more effective. Nonetheless, the bonus provision was a tremendous step forward, and other benefits, such as unlimited annual leave accrual, were extremely worthwhile incentives for people who, by necessity, work far more than 40 hours per week to carry out their responsibilities.

From my standpoint then, the reaction by Congress and the Office of Personnel Management at the end of the first performance rating period was unexpected and deeply disturbing. I understood that Congress really endorsed bonuses for up to 50% of those in the SES. My agency, NASA,

was recognized for setting up an effective appraisal program. Then we were condemned for granting nearly 50% of our people bonuses at the end of the first rating period. We were disturbed at the criticism. We were more disturbed when Congress reduced the limit on bonuses to 25%. We considered the Congressional reduction in bonus authority to 25% and the OPM's further reduction to 20% to be unwarranted and a major breach of faith. I heard many, including some Congressmen, express the view that bonuses were an unwarranted give away program. That attitude greatly dampened my enthusiasm for sitting down and doing the kind of job required to painstakingly set and adjust goals, and maintain the steady dialogue throughout a performance cycle necessary to give the system credibility and make it work as intended. I feel the same way about Merit Pay and all of the performance rating systems. These systems simply have not been implemented as they were intended to be, and people do not feel good about them. The rating process is a lonely process at best. With extremely small numbers of bonuses available for those in the SES, and Merit Pay System problems which have not permitted adequate recognition for GS-13 through GS-15 managers and supervisors, I not only worry whether I'm doing the right thing when I make my bonus recommendations, I also worry about whether or not my recommendations and actions are actually demotivating. The Comptroller General, in his testimony before you in November, indicated that more than 40 percent of the career executives who became charter members of the SES in July 1979 have left. I think one need not look too far to find some of the major reasons for such large turnover.

I understand the Congressional limitation on bonuses has not been renewed this fiscal year. I also understand that OPM is publishing guidance which will permit agencies, with OPM's prior approval, to increase the number of bonuses to 30 to 35 percent of career SES appointees. This certainly is a step in the right direction. It should eliminate some of the negative feelings which exist among those in the SES today. However, I submit that if Congress meant what it said when it passed the Civil Service Reform Act, we ought to be permitted to return to the original 50 percent limit.

Here, I would like to reiterate that bonuses for up to 50% of the SES population is not an extremely high number. Earlier I expressed the personal view that a number in the 70 to 80 percent range would have been much more effective. I suggested this for a number of reasons. First, such numbers are not without precedent in industry. Rockwell, and others, regularly grant performance bonuses to about 80 percent of their executives. Second, if we have done a reasonable job of selection into the Senior Executive Service, a "satisfactory" performer in the literal sense should be rare. I know this to be true in NASA, and it is particularly true at all of the field centers with which I have had first hand experience. Third, top people, especially top executives not only think they are good, they know they are good. Morale suffers tremendously when a system breaks faith with its employees and begins to treat them as losers rather than winners. Thomas J. Peters and Robert H. Waterman, Jr., in their fine book, "In Search of Excellence," have much to say on this point, but their bottom line is very succinct: "The message that comes through...is that we like to think of ourselves as winners. ...label a man a loser and he'll start acting like one." Not only in the SES but throughout the Federal government, we are in great danger of taking an extremely talented and competent group of people and

turning them into losers. Constant carping about the quality and dedication of Federal employees at all levels, the perceived breach of faith in the SES bonus system and the merit pay system, the effort to gut the retirement system, and the health benefits fiasco are causing major morale problems throughout Government at all levels. Bad morale, low productivity, and an inability to attract competent people is something we can ill afford.

In my end of the space business, we really haven't had this trouble in the past. We've been a high visibility agency with a glamour mission and we've been pushing the frontiers of technology. Now we are operationally oriented and we're trying to sell fully reimbursable launch services in the face of stiff competition from Ariane, and perhaps soon from Russia and the private sector. We are asking people to stretch to drive down the cost of operations and reduce people, contractor and civil service alike, to the minimum. If the current environment continues we cannot expect to attract and retain top competence in the Federal work force. I can already see the beginnings of a serious degradation in competence as people become disenchanted and leave. It becomes more difficult to recruit quality replacements, not only in the SES but throughout government, and I fear that government programs which offer second class benefits based on second class philosophies will soon attract nothing but second class people. In time that will assure that Federal employees, including those in the SES, will have become what some, including some in Congress, have claimed them to be.

In summary, the SES system was good, both in intent and concept. My assessment is that it hasn't worked nearly as well as it should have, or could have. My philosophy is, we should do it right--or not do it at all. This ends my statement. Thank you for inviting me to be here.