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NEWS

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ADMINISTRATION, TRIBLE, WOLF AGREE ON REVISED PERFORMANCE PAY PLAN; "BETTER THAN THE GENERAL SCHEDULE," DEVINE SAYS

(WASHINGTON, D.C.)---Donald J. Devine, Director of the U.S. Office of Personnel Management (OPM), this afternoon hailed an agreement with Senator Paul Tribble (R. VA), and Congressman Frank Wolf (R. VA) on an amended Wolf-Tribble Merit Pay bill, to reform pay for performance for managers and the Senior Executive Service (SES).

"This is a great accomplishment," Devine said, "because it moves an important segment of the federal work force further towards genuine pay-for-performance. Senator Tribble and Congressman Wolf are to be congratulated."

The amendments assure annualized within-grade raises to all Merit Pay managers in the GM-13 through 15 grades, as well as annual full comparability raises. By contrast, many General Schedule employees must wait two to three years for their within-grade raises, and previously, only half of comparability was guaranteed. And a new cash award pool will be added on top of comparability and within-grade equivalents.

"As a result, now a top rated GM-14 manager will earn up to \$41,000 more over a ten year period than will a non-Merit Pay counterpart. That is great for our managers, who deserve it. But it is a shame that the rest of the work force in the General Schedule can't share in these rewards," Devine said.

The amendments establish a mandatory performance award pool requiring agencies to disburse a minimum of .75 percent of payroll to such awards with a limit of up to 1.5 percent of payroll. This will guarantee adequate funding for cash awards to managers who perform especially well.

Numerous SES reforms are included in the amendments, including removal of the existing 50 percent limitation on the number of SES members eligible within an agency to receive performance bonuses. ~~The numerical limitation is replaced with a dollar pool of 3 percent of an agency's aggregate SES payroll.~~

MORE

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The amendments also remove the pay cap on total SES salary/bonus compensation. Under the current system, SESers receiving performance awards are denied that part of the awards which brings their total compensation above the \$82,900 Cabinet Secretary salary level.

"These changes will allow our Senior Executives to receive larger awards, and we will be able to pay them to more executives. Our valued career executives really deserve these rewards for their performance," Devine said.

~~Reduction-in-force (RIF) provisions governing SESers are also reformed by the amendments to assure retention at the GS-15 level for fully successful performers.~~ Under the current system, such executives who cannot be placed in another SES position within their agency or in another agency through OPM placement efforts are removed entirely from the work force.

Geographic reassignment notices are expanded from the current 15 days to 30 days by the amendments and reassigning agencies are now required to cite specific reasons for the requirement. The existing 15 day notice period for non-geographic reassignment continues.

"I am extremely pleased that, through the great leadership of Senator Tribble and Congressman Wolf, as well as Senator Ted Stevens (R. Ak.) and Senator John Warner (R. VA), we have developed amendments that significantly advance the pay-for-performance principle among our Merit Pay managers and SESers," Devine noted. "I still would like this concept extended to the rest of the work force so we can properly reward them also. But this is a significant accomplishment for our managers and executives."

TABLE 1

MSPB MAJOR FINDINGS ON THE SENIOR EXECUTIVE SERVICE

The following are selected major findings based on questions we asked current and former senior executives:

- o Over 70 percent of current and former executives believe that the Senior Executive Service is not providing a system designed to attract and retain competent senior executives.
- o Current executives indicated that they saw inequities in the distribution of bonuses and the majority (62%) felt that bonuses did not motivate them to work harder.
- o Sixty-eight percent of current executives believe that they could find a higher paying job in the private sector. In fact, 40 percent have been actively recruited by a private sector firm within the last year.
- o The majority of executives are not staying in Government because of the financial benefits promised in the Civil Service Reform Act; rather, they are staying primarily because they like their work (85%) and want to have an impact on public affairs (76%).
- o Most frequently cited reasons not related to the compensation system, that former executives cited for leaving the Government were: feeling that their knowledge and skills were not being used appropriately (30%), not enjoying the work anymore (30%), and distaste for criticism of Federal workers by the public, press, and politicians (26%).
- o Over ninety percent of executives who resigned left to find more lucrative work in the private sector. Former executives now employed full-time have increased their salaries by more than \$17,000, and are as satisfied or more satisfied than they were in their last government job.
- o Jobs in the SES are sought after by 45% of midlevel employees and 35% of current executives would be willing to revert to a non-SES position.
- o There is no evidence that systemic personnel abuses have occurred in the SES. However, 16 percent of former and current executives report that one or more types of individual personnel abuses have happened to them, and at least 40 percent reported they personally observed arbitrary actions happening to other executives. The desire by management to put in their own person, and partisan politics, were the most commonly cited reasons for the abuse.
- o Executives have a mixed reaction to the broad question of whether the goal of executive accountability has been achieved.

Table 2

Forms of Arbitrary Actions Personally Experienced by Senior Executives*

	Former Executives**	Current Executives
Action:		
1) "Shelving" an SES executive by detailing or reassigning him or her to lower level duties, or duties not SES in nature.	42%	50%
2) Trying to force an SES executive to resign by transferring him or her to an office in another geographic location.	31%	11%
3) Arbitrarily lowering an SES executive's performance rating.	45%	58%
4) Artificially structuring a reduction in force (RIF) in order to remove a specific SES executive.	13%	4%
5) Arbitrarily demoting a career SES executive.	6%	11%

*Overall, 16 percent of former executives and 16 percent of current executives indicated they experienced one or more forms of arbitrary actions. The percentages shown in this table are based on those 16 percent.

**Former executives include both those who resigned and retired.

Table 3

Forms of Arbitrary Actions Personally Observed by Senior Executives*

	Former Executives**	Current Executives
Action:		
1) "Shelving" an SES executive by detailing or reassigning him or her to lower level duties, or duties not SES in nature.	71%	79%
2) Trying to force an SES executive to resign by transferring him or her to an office in another geographic location.	47%	44%
3) Arbitrarily lowering an SES executive's performance rating.	30%	27%
4) Artificially structuring a reduction in force (RIF) in order to remove a specific SES executive.	15%	12%
5) Arbitrarily demoting a career SES executive.	16%	14%

*Overall 47 percent of former executives and 40 percent of current executives indicated they observed one or more forms of arbitrary actions. The percentages shown in this table are based on the 47 percent and 40 percent, respectively.

**Former executives include both those who have resigned and retired.

Federal Manager**Senior Executive Service:
Where the System
Needs Fixing****HIGHLIGHTS**

- *It's worked better than rumored since the Senior Executive Service was inaugurated in 1979.*
- *The unfulfilled compensation promises are the most flawed aspect of it right now but it has other problems as well, both real and in perception.*
- *Thinks the Pentagon's Tom Christie: fix the procedural and substantive weaknesses and give it more time to mature.*

Earlier this year, as part of fulfilling a requirement to come up with an evaluation of how well the Senior Executive Service (SES) has worked since it was set up in 1979, Chairwoman Pat Schroeder (D-Colo.) of the House Post Office and Civil Service Subcommittee on Civil Service held a series of hearings. Testimony on SES came, from among others, some Federal members of the SES itself.

One of these was Tom Christie, Director of General Purpose Programs, (his office does cost-effective analysis and evaluation of tactical air, land and naval forces including summary evaluations of alternative programs and proposed weapon system acquisitions in terms of "affordability, effectiveness, feasibility and capability") in the Office of the Secretary of Defense.

"I guess we (he was one of six that he knows were called) were asked to testify because we received meritorious awards under two (White House) Administrations." Christie, at least, has a basketful of those. While working for the Air Force from 1955-73 (with a year off to obtain a Masters degree in Applied Mathematics from New York University in 1962) and in the OSD (Office of the Secretary of Defense) Program Analysis and Evaluation Office since, he has earned the Air Force Scientific Achievement Award (in 1965, 1970); Outstanding Performance Awards (10 times); Air Force Meritorious Civilian Service Award (in 1973); DOD (Department of Defense) Distinguished Civilian Service Awards (in 1979, 1981, 1983); Defense Meritorious Executive Award (in 1980); the Distinguished Executive Award in 1983.

Some highlights from his testimony embellished by Christie for *Government Executive*:

- In contrast to the original theory that a newly created SES-designated job would be open to applicant competition, "Actually, when somebody sets up one of these SES slots, three-fourths of the time he already has somebody in mind to fill it."

- However, in the Pentagon, "On promotions and filling vacancies, I've seen very little politicization. We're more free of that than I understand exists in most other agencies and certainly more than you find in the field."

- The SES concept "should work in the field, where you have more of a product. It (the appraisal system) is uniquely difficult in a staff job like this one where we don't have a product in the sense that agency field line operations do."

Beyond that, "I've served on a lot of those (appraisal review) boards. Everybody does it differently and we haven't had a uniformly high quality of review people. We need a measure to equate productivity to the job—and we're getting there, but slowly. The appraisal system is done probably as well as it could be done, but it's cumbersome. We need something better."

- Contrary to rumors of "cronyism" in review-board analysis of recommendations for an SES-employee bonus/promotion, "In the Pentagon, we have checks and balances, review boards on review boards. The paperwork load is huge and most of the time you go on the paperwork—including even when the boss of the person didn't write up the recommendation very well. Rarely, in all the boards I've been on, have I known personally the person being considered."

Because only Subcommittee Chairwoman Pat Schroeder of all seven

to listen during most of the SES-employee testimony; and, says one of the Christie-type witnesses, "We were treated perfunctorily, to put it mildly, maybe because she's on a tight deadline for completing the report," herewith what, in summary, Christie has to say:

"In a nutshell, I believe the jury is still out on SES. Some, but certainly not all, of the initiatives have yielded the anticipated benefits to the Federal Executive and the Federal Government. I concur with the GAO's (General Accounting Office) conclusion that some headway is being made toward achieving the following four major goals established for the SES by Congress in its Civil Service Reform Act of 1978:

- Improvement of managerial capabilities;
- Protection for executives from undue political influence;
- More flexibility for federal agencies in using executives;
- Accountability for executives with compensation, retention and tenure based on performance.

In the main, I also agree with the GAO's assessment of progress in each of these categories. (Admittedly, my views on these issues are colored by my personal experience which, in turn, is a function of the organization I work for.)

With respect to improving the competency of our top level managers, I see little substantive change since the SES was established. Granted, we have very good, ongoing executive development programs designed to serve both SES members as well as possible candidates for the SES. However, many similar programs were in place and available prior to 1979. I took part in such programs in the early 1970's.

Furthermore, as was true before SES, we still encounter reluctance on the part of many individuals—and their agencies for that matter—to commit themselves to leave their positions for a long period of time in order to take advantage of these opportunities. In short, I think excellent training and executive development programs are available to members and potential members of the SES; however, there still remains an all-too-prevalent view that such programs are not worth the time away from the organization and will not have any beneficial impact on their future in the SES.

In line with a finding by the GAO on this subject, I feel the overall competency of Federal executives is affected more by the inadequacy of pay and benefits required to attract and retain the talented people we need in the SES than by the quality or availability of executive development programs.

With regards to safeguards against politicization of the SES, I know of no reason or of no situation that would lead me to question the GAO's findings on this

On August 7, 1776, Blacksmith drew Farnsworth of Wilfred Corners, Mass., wrote the "Cannon Buyer, Continental Congress, Philadelphia." Said he:



"To whom it may concern:

"I strongly favor the action taken by representatives of the Colonies on July 4, 1776. Since I want to do my part to help, I want to know if you could use an extra cannon. I have a small black smith shop here in Wilfred Corners which I run myself. I have never made a cannon, but I'm sure I could do it . . .

"I would only charge for the metal I put into it plus a little to help my family buy corn meal and meat for the winter. Please let me know what kind of cannon you want and where you want it, and I'll get started right away."

Fifteen years and 78 letters later, author John Rickey's "**Free Enterprise Patriot**" has, with biting humor, made its point: If the War of Independence had been fought under today's bureaucratic rules, this is how it might have been "with one exception . . . we probably wouldn't have won."

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number of bonuses that could be awarded annually to members of the SES is, in fact, viewed as a "breach of contract"—to use the GAO's phrase—by most of those members.

I'm not sure I have much of anything substantive to say on the issue of increased reassignment flexibility. In general, I agree with the intent of this facet of the legislation—to provide agencies more flexibility in matching executive talent to specific agency needs and to provide executives, themselves, with better opportunity for transfer within and between agencies.

While I understand the concern on the part of many SES members with the potential for arbitrary actions being taken by their agencies, I feel this increased flexibility is a much-needed mechanism for improving the usefulness and effectiveness of Federal executives.

It is the last of the four goals—accountability with compensation, retention and tenure based on performance—where I seriously question our progress. A necessary part of implementing this goal and determining the performance of executives is, of course, the performance appraisal system mandated by Congress. We have implemented such a system in our agency and use it for the purposes intended.

In addition to developing and maintaining performance appraisals for SES members who work for me, I also have served on performance review boards and performance evaluation panels within OSD. In these capacities I have seen the system at work first-hand. Performance appraisals are used annually to assess individual performance, to determine eligibility for rewards and as bases for other personnel decisions. Contrary to a GAO finding on this matter, my experience is that our system also relates an individual's performance and contributions to the accomplishment of his organization's objectives.

While I believe my agency has implemented the appraisal system quite effectively, and that the quality of the performance plans and appraisals have improved significantly over the years, I do question whether the system has, in fact, improved performance or communication; and, ultimately, whether it has been worth the large commitment of time by executives. The GAO report reflects a similar finding.

Clearly, it is the issue of compensation in its many aspects, including reductions in the planned bonus-and-award system, that has left most members of the SES with a feeling of betrayal and has led ultimately to many of them questioning the utility of the SES in general. I agree wholeheartedly with the findings of the GAO on this matter. The reductions by Congress and OPM (Office of Personnel Management) from the Civil Service

number of bonuses that could be awarded annually to members of the SES is, in fact, viewed as a "breach of contract"—to use the GAO's phrase—by most of those members.

These reductions have created morale problems. They have forced agencies and organizations into decisions, for example, which result in the same few top performers being rewarded annually (with almost equally outstanding executives going unrewarded) or result in a "spreading the wealth" policy whereby more top performers are rewarded every two or three years rather than annually.

In any event, the system that SES members signed up for in 1979 is not the system that has been implemented. Hopefully, the Fiscal Year 1984 appropriation, which lifted the earlier limitation of 20%, is a harbinger of permanent improvement in the system. An increase in the number of deserving SES members who can receive awards should go a long way toward overcoming the negative attitudes that have developed over time concerning this aspect of the program.

Certain elements of the SES program such as performance appraisals, bonuses, training opportunities, etc., are indeed significant considerations. Far more important, however, to the excellence of the SES, and thus to the effectiveness of federal agencies, is the issue of SES salary rates. Unless this continuing problem is solved, I am pessimistic about our ability to hire and retain the top quality executives we need to make our Government operate efficiently.

Until we face the issue of paying executive salaries competitive with those of similar positions in the private sector, we have little hope of developing the highly competent executive corps envisioned in the 1978 Act. Until Congress and the Executive Branch come to grips with this overriding issue, there will continue to be a valid question concerning the effectiveness of the SES.

The statistics presented in the GAO report and also gathered by the Grace Commission in its assessment of Executive level and SES pay are ample testimony to the problem. The large numbers of executives who have left the Government since the SES was formed, and the greater financial rewards in retirement compared to continuing to work, are but two examples of the problems arising from the limitations placed on Executive salaries.

Such action (providing the obvious "fix"—economically though the political resistance would be predictably fierce) will go a long way, if not all the way, toward restoring the credibility of the SES program and toward making the SES what we intended it to be five years ago, the elite management corps of the Federal Government."

GOVERNMENT EXECUTIVE

MSPB: SINGLES BEAT THREE OF A KIND

The Merit Systems Protection Board has denied the request of Special Counsel K. William O'Connor to consolidate hearings on charges that three civil service and postal union leaders violated the Hatch Act. The Board assigned the case to an administrative law judge, and said it's up to him whether to consolidate the hearings.

MSPB: SES DOESNT MEET GOALS

The Senior Executive Service isn't meeting its goals, according to a new study released by the U.S. Merit Systems Protection Board.

The study, based on two surveys of members of the SES, says the federal executives plan on staying in the government. But:

- 75 percent said SES doesn't provide a compensation system that attracts and retains competent executives. Former members of the SES reported that they earn an average of \$17,000 more than their counterparts and are happier now outside of government service.

- 50 percent thought they aren't protected from arbitrary action. (16 percent said they've experienced an arbitrary action.)

- 40 percent thought that the system isn't free from improper political influence.

- Even so, 60 percent said they aren't leaving — although 40 percent said attempts had been made to recruit them to the private sector.

("The 1984 Report on the Senior Executive Service," Office of Merit Systems Review and Studies, Merit

Systems Protection Board, 1120 Vermont Ave., NW, Washington, DC 20419, (202) 653-7208).

SHORT TAKES

- *Comparable Worth Hearings Set.* Rep. Mary Rose Oakar, D-OH, chairwoman of the House employee compensation and employee benefits subcommittee, has scheduled hearings on sex-based wage discrimination for March 25 and 28.

The hearings will focus on the GAO report on "Options for Conducting a Pay Equity Study of Federal Pay and Classification Systems."

Oakar says the report demonstrates that a pay equity study can be done in the federal government.

- *NFFE to Tower, NFFE to Tower, Come in, Please.* The National Federation of Federal Employees says it will begin organizing about 650 air traffic specialists in the New England region, now that it's won a favorable ruling from the Federal Labor Relations Authority on the scope of the potential bargaining unit.

- *Retiring Women Shortchanged?* Rep. Patricia Schroeder, D-CO, says she is looking into whether women are treated unfairly by the civil service retirement system.

"The system gives a much better return to people with more years of service and higher final salaries," says Schroeder. "Since women work for shorter periods of time than men and generally have lower earnings, women get substantially less for their contributions than men."

"The system itself doesn't discriminate against women," she added. "But for several reasons, women still end up with far less retirement income than men."

The same point was made last month in a private contractor's study of CSRS released by OPM.

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