

Office of Policy and Evaluation

Perspectives

The U.S. Office of Personnel Management in Retrospect

Achievements and Challenges
After Two Decades



A report to the President and the Congress of the United States
by the U.S. Merit Systems Protection Board



U.S. MERIT SYSTEMS PROTECTION BOARD

Office of the Chairman
1615 M Street, NW

Washington, DC 20419-0002

Phone: (202) 653-6772 Ext. 1325; Fax: (202) 653-8925; E-Mail: chairman@mspb.gov

Chairman

December 2001

The President
President of the Senate
Speaker of the House of Representatives

Dear Sirs:

In accordance with the requirements of 5 U.S.C. 1204(a)(3), it is my honor to submit this Merit Systems Protection Board report "The U.S. Office of Personnel Management in Retrospect: Achievements and Challenges After Two Decades."

This report presents an overview of the first 20 years of OPM's operations, drawing on the Board's numerous studies of specific OPM programs in many areas of Federal human resources management. The report is not an all-inclusive commentary on OPM's programs and activities. Rather, it focuses on the Board's perspectives regarding OPM's overall performance, and examines, in particular, issues that cause concern or deserve continuing scrutiny.

Our review found that OPM's overall performance has been characterized by notable successes. OPM has made significant progress in overseeing the delegation and decentralization of Federal human resources decision-making, improving human resources oversight, and fostering a diverse and family-friendly workplace.

At the same time, however, OPM's leadership needs to be more vigorous and timely in responding to identified problems in areas such as applicant examining and the Federal employee compensation system. In addition, OPM needs to be especially careful when it balances its dual roles of advocate for the President's programs and champion of strategic and merit-based Federal human resources management.

The report concludes with several recommendations for OPM and other Government policymakers regarding OPM's roles and leadership.

Sincerely,

A handwritten signature in cursive script that reads "Beth S. Slavet".

Beth S. Slavet

U.S. Merit Systems Protection Board

Beth S. Slavet, Chairman

Barbara J. Sapin, Vice Chairman

Susanne T. Marshall, Member

Office of Policy and Evaluation

Director

John M. Palguta

Project Managers

Jamie J. Carlyle, Ph.D.

Karen K. Gard

Project Analyst

Harry C. Redd III

Table of Contents

OPM: A Twenty-Year Overview	1
OPM has succeeded in achieving the CSRA’s vision for decentralization and deregulation of HRM.	4
OPM has revitalized its program to oversee Federal HRM.	6
Downsizing and dwindling resources have affected the way OPM does its job and have threatened agency HR effectiveness.	7
OPM has not always provided the program leadership agencies want and need.	8
Classification and compensation	8
Staffing Issues	10
Final thoughts	13
General recommendations	15
OPM Response	17
Appendix 1 — Background	19
Origins of Today’s Civil Service	19
Civil Service Growth Leads to Need for Reform.	19
MSPB’s Current Review of OPM—Methods and Sources of Information.	20
Second Decade Marked by Major Change	21
Findings After 20 Years	22
Decentralizing Personnel Management Authority	22
Overseeing the System.	25
Program status at the end of the first 10 years (1979-1989)	26
A period of further program adjustments (1989-1994)	26
An era of total change (1995 to present)	27
Agency self-evaluation.	29
Agencies’ views	30
Providing Program Guidance and Leadership	31
Recruiting and retaining a high quality workforce.	32
Employment Service mission and programs	33
Customers’ views	35
Reimbursable services.	35
Federal classification and compensation	38
Research programs and demonstration projects.	40
Equal employment opportunity	42
Performance management.	44
Retirement and insurance	46
Retirement.	46
Insurance	47
SES and executive development	49
Investigations	52
Appendix 2 — Interrogatory Survey and Participating Agencies.	55
Appendix 3 — Letter from OPM Director	61

OPM: A Twenty-Year Overview

Some twenty years ago the Civil Service Reform Act (CSRA) replaced the Government's 100-year-old Civil Service Commission with the U.S. Office of Personnel Management (OPM). Along with eliminating the bipartisan Commission and creating the new OPM as an advocate of administration policies, the CSRA also established the Merit Systems Protection Board (MSPB or the Board). Since MSPB was created with a three-member bipartisan Board serving fixed, non-renewable, seven-year terms, it retains the critical element of independence in the oversight of the civil service and the merit systems. The statute also requires the Board to periodically provide the President and Congress with an analysis of whether the actions of OPM are in accord with merit system principles and free from prohibited personnel practices.¹

The Board has, over the years, conducted numerous studies focused on specific OPM programs and activities in various areas of Federal human resources management (HRM). In addition, the Board provided a general retrospective review of OPM after its first ten years. This report presents the results of a second retrospective—this time providing an assessment based on two decades of oversight and observation. This report is not intended as an all-inclusive commentary on OPM's programs and activities. It focuses, rather, on our perspectives regarding OPM's overall performance, looking, in particular, at those issues that cause concern or deserve continuing scrutiny. The fact that this report focuses on areas of concern and opportunities for improvement, however, should not in any way overshadow the many important contributions OPM and its staff have made and continue to make in support of effective Federal HRM.

Overall, we have found that OPM's performance has been marked by singular successes, but that some important programs are still in need of attention. More specifically, OPM has made commendable progress in a number of areas such as achieving the CSRA's vision of a decentralized civil service, improving HR oversight, and fostering a diverse and family-friendly workplace. We also find, however, that OPM's leadership needs to be

¹ 5 U.S.C §§1204 and 1206.

more vigorous in responding to a number of critical program areas such as applicant examining and employee compensation policies and practices.

This report recognizes that in enacting the 1978 civil service reform, Congress clearly intended that OPM serve as an advisor to and advocate for the President's personnel policies and programs. In addition, Congress expected OPM to lead and oversee the civil service, using as its policy compass the values embodied in a set of statutory merit system principles. These are not easy tasks and they are made more difficult by the dramatic and at times tumultuous changes that have affected the federal workforce and OPM over the last twenty years. OPM must constantly balance many different, and sometimes conflicting, interests and issues among many interested parties. In seeking a proper balance, however, OPM is expected to serve both the President and the public by being a forceful advocate for strategic and merit-based HRM programs, policies, and practices and the resources necessary to implement them. As outlined in this report, MSPB has identified several areas where, if that advocacy exists, it has not been fully successful based on the results achieved to date.

Looking ahead, there is a growing consensus that the Federal Government may be facing a human capital crisis with regard to its workforce. Earlier this year, for example, the General Accounting Office identified strategic human capital management as a governmentwide high-risk area. If OPM is to be effective in helping to address this situation, it's clear that several conditions must be present. This report concludes with recommendations on what those conditions should be.

The OPM that has evolved since passage of the Civil Service Reform Act over twenty years ago is a decidedly different agency from the Civil Service Commission that it replaced. The dramatic change sought by the CSRA has, over the years, become a reality: OPM is a transformed agency, and Federal personnel management is a redefined enterprise. And while there will always be critics of the Government's systems for hiring, firing, and paying people—major systems seldom being problem-free—it must be acknowledged that OPM has presided over Federal personnel functions during a period in which many significant improvements have been made in HR programs and processes.

The transformation of the Federal civil service from a patronage program to the values-centered, merit-based system that OPM and MSPB oversee today, began in the latter part of the 19th century. In the face of an entrenched spoils system that was ripe for

major reform, Congress passed the Pendleton Act, which tackled many of the problems of patronage by emphasizing the need for competitive examinations as a criterion for entering the Federal civil service. That legislation also created the Nation's central personnel agency, the bipartisan U.S. Civil Service Commission, which was to ensure that the Government's examination program was fair and impartial.

Although the Commission's initial concern was merit-based hiring, it became evident to policy-makers that focusing on employee selection was not enough to ensure the efficient operation of the civil service. Other personnel functions such as job classification, pay, training, promotions, and retirement programs were also critical to sound operations. Consequently, the Civil Service Commission began expanding its responsibilities into other areas of human resources.

Carrying out these growing responsibilities required systems and procedures that were up to the task of ensuring that the merit system was not being compromised. Over the years, as the complexities of the systems and procedures grew, so did criticism of the system's increasing delays and inefficiencies. In the 1970s, President Carter characterized the system as "a bureaucratic maze which neglects merit, tolerates poor performance, permits abuse of legitimate employee rights, and mires every personnel action in red tape, delay, and confusion."²

The creation of the Office of Personnel Management was part of the reform legislation that was passed to address these deficiencies. The Civil Service Reform Act of 1978 established OPM to be the administration's voice on personnel matters as well as the Government's leader in Federal personnel management. Changing the Government's central personnel agency from a bipartisan organization to an agent of the President was seen as a way to stimulate reform of the Federal civil service by putting personnel policymaking into the hands of appointees who would be more responsive to the administration and its personnel management goals than the Commission was likely to be, given its divided responsibility and accountability. OPM was to ensure that Federal personnel management programs and systems enabled the Government to serve the public effectively, while at the same time preserving the merit system.

The Civil Service Reform Act enumerated a number of actions that OPM was to take, and roles it was to play, in order to achieve these goals. The law called for OPM to delegate personnel management authorities to Federal agencies; operate an aggressive oversight program that would ensure that agencies' use of those personnel authorities was consistent with the merit system principles; and

exhibit leadership of the civil service system through active improvement efforts in areas such as research and demonstration projects, recruitment and retention of highly qualified employees, performance management, and equal employment opportunity.³

When, after OPM's first 10 years in operation, the Board conducted a review that asked whether OPM had met the expectations of the Civil Service Reform Act, the answer—not surprisingly, given the enormity of the undertaking—was yes and no. Although OPM could not have been expected by that time to have cured all of the problems plaguing the Federal civil service system, it was nonetheless envisioned as the agency to take the lead in bringing about needed changes. Consequently, expectations for OPM leadership were high.

The degree to which OPM has exercised that hoped-for leadership, and the success it has achieved, varies across multiple HRM functional areas and critical issues. Early in OPM's second decade in operation, it was recognized that much remained to be accomplished. James King, OPM director in the early 1990s, asserted that "[The Civil Service Commission's] rebirth in 1979 as the Office of Personnel Management was intended to reshape its identity from rulemaker and enforcer to developer and supporter of management systems to make the Federal agencies more effective in serving the public. Nevertheless, though some progress has been made, the process of change is incomplete. OPM still oversees a regulatory system based on central control, and has failed to embrace its new responsibility as a management agency."⁴

But the decade of the nineties saw real and rapid change in the Federal Government as a whole, and in the human resources business no less than any other. The process of change that Director King viewed as incomplete has continued apace, so that

² U.S. Merit Systems Protection Board, "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," June 1989, p. 1.

³ *Ibid.*, p. 3.

⁴ National Performance Review, "Office of Personnel Management," Accompanying Report of the National Performance Review, September 1993, p. 1.

now even the vocabulary of the Federal personnel system is different. The business that once was “personnel” is now “human resources” (on its way, it seems, to becoming “human capital”). The formerly bureaucratic approaches to providing services have become “entrepreneurial.” And employees, supervisors, serviced activities, management officials, members of the public, and nearly any other persons or organizations with an interest in personnel are “customers.” These changes in language reflect the more substantial changes in Federal human resources management that OPM has been expected to cope with and lead.

Many of the significant HRM changes in OPM’s second decade have been driven by initiatives—both budgetary and programmatic—of Congress and the administration. One of the most notable of these is the Clinton administration’s National Performance Review (NPR)⁵, which studied Federal programs with the intent of “reinventing” Government operations to make them more efficient and cost effective. Among the changes that the NPR called for were “maximum deregulation and delegation, trust, accountability for results, decentralization, and entrepreneurial behavior.”⁶ And, in fact, the reforms associated with reinventing Federal HR management may have been what fueled the final push toward decentralization of personnel authorities—particularly examining and hiring authorities—that the CSRA envisioned. This issue and others about which we have special observations and concerns are addressed in the pages that follow.⁷

OPM has succeeded in achieving the CSRA’s vision for decentralization and deregulation of HRM.

For years, OPM kept a tight hold on hiring authorities through centralized examining and referral, even in the face of the CSRA’s intent to change significantly the way people were hired for Federal jobs. But by the mid 1990s, OPM had delegated the lion’s share of responsibility for recruiting and examining new employees to the agencies. Today, the work required to competitively hire new employees is generally performed by agency personnel staffs working in the Government’s approximately 650 delegated examining units.⁸ These examining units are responsible for publicizing the existence of job vacancies and for assessing candidates in order to refer the best ones to selecting officials for consideration. The units determine whether they themselves will do the work involved in the recruitment, assessment, and referral of candidates, or whether they will pay some other organization (such as OPM or other agencies) to do the work.

Giving agencies (and in turn agency managers) more direct control of Federal hiring was meant to eliminate red tape and delays. Although Federal agencies initially offered some resistance to the delegations of examining authority because of the workload increases it meant for them, they began to see these delegations in a more favorable light, recognizing them as a way to exercise more control over the hiring process and streamline the cumbersome, time-consuming procedures of earlier times. Our interrogatory surveys confirm agency satisfaction with delegation of examining authority: survey

⁵ The National Performance Review was later renamed the National Partnership for Reinventing Government.

⁶ *Op. cit.*, National Performance Review, p. 1.

⁷ Our discussion is based on a number of sources of information: various studies conducted since the CSRA created OPM, feedback from Federal agencies, discussions with OPM officials, and our interactions with agency staffs and others, both within and outside Government, who have an interest in maintaining a merit-based civil service system. In addition, OPM shared with us data from its 1998 customer satisfaction survey, including the views of 43 human resources directors and over 1,300 HR specialists. We incorporated these data into our discussion and also administered our own interrogatory surveys to HR directors of the largest Federal departments and agencies (as well as a sample of the remaining smaller Federal agencies). These information sources also provided material for appendix 1 of the report which presents discussions (and somewhat more detail) on several specific OPM program areas.

⁸ U.S. Merit Systems Protection Board, “The Role of Delegated Examining Units: Hiring new Employees in a Decentralized Civil Service,” August 1999, p. vii.

respondents were nearly unanimous in saying that the delegation has been beneficial in helping them fill their jobs more quickly and cost-effectively than in the past, and with greater satisfaction on the part of hiring officials.

At the same time, our interrogatories revealed some lingering concerns about the delegation of examining authorities. For example, agency officials worry that the quality of the candidate assessments may suffer when delegated examining units have to cope with very heavy workloads. At the time we collected information for this report, some agencies expressed concern that they had not been delegated authority to examine for those entry level professional and administrative positions that are covered by the Luevano consent decree.⁹ In November 2000, OPM addressed this concern by delegating to agencies authority to administer the examination that it had been using for positions covered by the decree.

In responding to our interrogatories, a number of agency officials also complained that in the process of decentralizing, delegating, and deregulating, OPM eliminated too much valuable guidance, such as the entire Federal Personnel Manual, which might have been more helpful as a personnel guidebook for managers taking on HR responsibilities than the less detailed title 5 of the U.S. Code or the Code of Federal Regulations that remain. The timing of this event, coinciding as it did with increasing delegation of personnel matters to agency managers, may have contributed to its unpopularity with many in the Federal personnel community. The provisions of the 7,000-page FPM often were burdensome, and the Board, in a 1993 report recommended that OPM and Congress reduce the scope and volume of Federal personnel laws and

regulations in conjunction with efforts to increase managers' and supervisors' involvement and the competence of Federal HR staffs.¹⁰ Over the years, the FPM had become to many Federal human resources specialists a set of requirements, not guidance, and was relied upon as an ultimate authority on personnel matters by both managers and HR staff. Its elimination was seen as rather abrupt. In its capacity as an agent of administration policy, however, OPM wanted to make a strong statement about eliminating excessive guidance. Dispensing with the FPM was a dramatic way to do this. As responses to our interrogatories suggest, however, whether this was ultimately in the best interests of Federal human resources management is open to dispute. In some agencies the elimination of the FPM did not result in efficiencies brought about by freedom from excessive control. Rather, to avoid numerous and inconsistent interpretations of the laws and regulations that remained, some agencies came to rely on internal regulations that often were clones of the FPM.

Despite reservations voiced by a number of interested parties, OPM has been generally successful in putting HR authority into the hands of Federal managers. As a critical accompaniment to that achievement, OPM has focused much attention and effort on oversight of human resources programs in Federal agencies. With agencies having been given greatly increased control over personnel matters and having been relieved of much of the interpretive guidance that formerly applied to their actions, an aggressive program to assure that personnel authorities are not misused is particularly important. OPM has also accomplished the intent of the CSRA in this important program, which is discussed below.

⁹ The Luevano consent decree is a 1981 agreement that settled a lawsuit alleging that a written test, the PACE, or Professional and Administrative Career Examination, had adverse impact on African Americans and Hispanics. The provisions of the consent decree are still in effect. More details about the consent decree are available in the Board's report "Restoring Merit to Federal Hiring: Why Two Special Hiring Programs Should be Ended," January 2000.

¹⁰ U.S. Merit Systems Protection Board, "Federal Personnel Offices: Time for Change?" August 1993.

OPM has revitalized its program to oversee Federal HRM.

Oversight of the civil service system has always been a core OPM mission. However, under OPM's stewardship, this mission has not always been well-served. During OPM's first 10 years, the regulatory compliance aspects of the oversight program appeared to have been handed off to the agencies and the program in general lacked the capacity to identify systemic problems or abuses. But in the late 1980s and early 1990s the oversight program's emphasis moved from reviewing agency statistical indicators to examining agency compliance with regulations and focusing on individual installation needs.¹¹

The oversight program received an important boost when OPM undertook an internal reorganization in 1995. Previously, the function had been positioned organizationally under an associate director who was responsible for a number of high-profile programs including labor relations, compensation, and workforce performance. In that environment, oversight tended to get lost. But the 1995 reorganization re-positioned the function under an associate director whose only functions were to be (and remain now) oversight of the Federal civil service, improvement of personnel policies and programs, and helping agencies meet mission goals through effective human resources management. This structure is much more consistent with the real importance of the oversight function, and has resulted in more consistency in oversight program philosophy and delivery.

The program has made merit system principles its focal point, easing away from the rigid case-examining and compliance-oriented reviews that had sometimes characterized the program in the past. This has met with the approval of agency officials. One of our interrogatory survey respondents noted that the departure from examining only cases and

records "helps promote a more balanced view of HR performance and accountability . . . [and] opens avenues for candid discussions of HR in an agency." We had some concern that OPM's oversight is now so focused on outcomes that it had lost sight of how important process can still be to the integrity of the merit system. For example, agency merit promotion programs have systematic candidate assessment processes that are applied uniformly to job applicants to assure that the best candidates are considered for job vacancies. Ensuring that those processes are applied fairly and consistently is as important an oversight activity as outcome measures such as the number of jobs filled and the length of time it took to fill them. OPM agreed that process is important and reported that it reviews both outcomes and process, but that its oversight reports emphasize process only "when there is a negative impact on a merit principle."

Several survey respondents also commended OPM's efforts to encourage agency self-assessment and offered positive observations about a self-evaluation program they were developing with OPM's help. According to one of these respondents, "Given OPM's own dwindling resources, the overall cause of personnel program compliance and effectiveness may be better served by helping agencies evaluate themselves."

OPM still is looking for the proper balance between focusing on outcomes and reviewing procedural correctness, and it still must find a way for its oversight reviews to address the fact that HRM accountability no longer lies only with the personnel office, but also with line managers and supervisors who are exercising delegated authorities. OPM staff have taken steps to improve the collection, administration, and accuracy of statistical workforce data, currently maintained in OPM's Central Personnel Data File (CPDF). OPM needs to show

¹¹ The 1998 MSPB report, "Civil Service Evaluation: The Evolving Role of the U.S. Office of Personnel Management," provides more details on OPM's HR evaluation program.

strong leadership in fostering agency programs for self-monitoring.

Overall, OPM's oversight program is one that agency personnel officials are generally pleased with, and one that seems to have been given the appropriate amount of attention and support. In fact, the oversight function is fully funded by appropriated funds (unlike a number of other critical OPM services that are marketed and sold to the agencies), and thus avoids potential conflicts of interest. As OPM enters its third decade, the oversight program is sound, with OPM recognizing the oversight problems that it still faces and continuing to devise ways to address those challenges.

Downsizing and dwindling resources have affected the way OPM does its job and have threatened agency HR effectiveness.

In the Board's 1989 report looking back over OPM's first ten years, the Board expressed concern about the significant cutbacks in funding and staff that had occurred during that period, noting that a lack of resources could continue to present an obstacle to OPM's effective fulfillment of the CSRA's expectations. That concern persists. The staff reductions that were central to the goals of the NPR left OPM, at the end of the last decade, with less than half the staff it had had at the beginning—from 6,208 employees in 1993 to 2,984 in 2000. Many of these cuts were accomplished through OPM's divesting itself of its investigations and training operations, but all functional areas in the agency experienced some personnel reductions.

This dramatic decrease in staff resources forced OPM into different ways of doing business. Many functions formerly performed by OPM have been delegated to agency HR offices; others have been privatized. Much of the HR work that OPM traditionally had done to assist agencies in operating

and improving their personnel programs remains within OPM's purview, but is no longer available to agencies as a free service. Budget reductions have moved OPM into a cost-recovery operation for many of its services. Today, when Federal agencies need help in recruiting candidates, planning reductions-in-force, processing applications, administering tests, assessing employee training needs, restructuring work, or a host of other services, they can visit the OPM web site devoted to consulting services and be greeted by the motto "Human Resource Solutions on a Reimbursable Basis." Organizations within OPM that used to give agencies this kind of help in the normal course of their work now must pay their own way by selling those services to the agencies.

These changes are very much in the entrepreneurial spirit that has marked Government activities during the 1990s, and agencies that have purchased OPM services are generally pleased with them. However, the situation raises questions about what agencies are to do if their own budgets don't permit much spending on HR initiatives, especially in light of the fact that they now have the delegated responsibility for recruiting and examining, which they have no choice but to fund. While the transfer of examining responsibilities to the agencies may have relieved OPM of a considerable burden, the agencies have also experienced staff and budget cuts that affect their personnel programs. Federal HR staffing levels dropped by 21 percent between 1993 and 1997, with some agencies cutting their HR workforce as much as 40 percent.¹²

Under such circumstances, it seems reasonable to be concerned about whether agencies have sufficient knowledge and ability on their staffs to manage HR programs for the 21st century and, if they don't, whether they can afford to purchase the expertise they need from OPM or other consultants. And, in the future, if agencies begin to rely on themselves or other consultants more than on

¹² Figura, Susannah Z., "Personnel Freedom," *Government Executive*, March 1999.

OPM, will OPM be able to retain the expertise to remain at the forefront in the Federal human resources business?

OPM has not always provided the program leadership agencies want and need.

OPM has shown initiative and creativity in many efforts to help agencies meet HR needs in areas such as retirement and insurance, performance management, and aspects of recruitment and staffing, including executive staffing and development. (Appendix 1 to this report addresses some of these programs.) Indeed, considering the dramatic downsizing and budgetary constraints OPM has faced over the past decade, the agency's efforts have been commendable. However, in the opinion of some agencies we have heard from over the years, things have not improved significantly in a number of other areas, and OPM has been criticized for not showing the type of leadership needed to maintain the most effective civil service system possible.

For example, a growing consensus that the Federal government is facing a human capital crisis is driven, in part, by the aftermath of the manner in which the Federal government identified, met, and then exceeded its workforce downsizing goals over a seven-year period. A lack of good workforce planning during this time has resulted in numerous examples of serious skills imbalances and concerns about the capacity of Government to fulfill its many missions.¹³ OPM cannot and should not be held solely accountable for this situation, but neither can OPM, as the president's primary advisor on civil service issues, absolve itself of any responsibility. In like manner, we found that agencies are still frustrated with the lack of progress in improving the Federal classification and compensation system. Agencies also find it difficult to administer

recruitment and staffing programs that both meet their needs and adhere to all of the multiple policies and laws that govern the employee selection process. These programs are discussed in the sections that follow.

Classification and compensation. The statutory Federal classification and compensation systems (5 USC chapters 51 and 53, respectively) have been the target of much criticism over the last several decades. The classification system, which has existed essentially in its present form since the late 1940s, is believed by critics to be antiquated and not particularly applicable to the work and workers of today. The reasons for the system's growing irrelevance have been alluded to by former OPM Director Janice Lachance who has commented on the ineffectiveness of organizing the workplace and its HRM systems around traditional "positions." "In many organizations now," she has said, "employees are assigned to a position, but are called upon to perform one role today and another tomorrow . . . Selections for these assignments are often based not on the employee's position . . . but rather on the skills of the particular employee . . . So, in the future, staffing and employment will be quite a different process than our traditional model of simply matching employees with specific positions that are expected to remain fairly stable."¹⁴

The former director makes an excellent point, and one that was echoed by some respondents to our interrogatory survey, one of whom observed, "The issue of how Federal employees will be compensated for their work in future years is one of the most important matters to be addressed in the next century. A new compensation system that rewards contribution and serves as an incentive to productivity is required. OPM leadership to foster this kind of development would be welcome."

¹³ Details on human resources problems in specific agencies are discussed in "High-Risk Update" (GAO-01-263, pp. 73-81), the U.S. General Accounting Office's January 2001 report on Governmentwide high risk areas. In that report, GAO has identified 20 agencies with human capital challenges and program risks, many of them a result of staffing shortfalls and skills losses.

¹⁴ Speech by Janice Lachance at the Strategic Compensation Conference, Alexandria, VA, September 8, 1999.

It's encouraging to note that OPM has now publicly recognized the significant changes that have occurred in the nature of work, but these changes have not come about suddenly. They have been brewing for years. Of course, the pace of the change seems to be increasing, making it more difficult to keep up with the problem. And OPM has made efforts to simplify the classification of many jobs by modifying various classification standards, a move that has given Government managers needed flexibility. But this has merely changed the guidelines used to classify jobs; the basis for those guidelines—the statutory grade definitions in chapter 51 of title 5, U.S. Code—remains unchanged. Moreover, this has not changed the role of classification, which remains the primary determinant of an employee's pay. Thus OPM's efforts have not changed the system for organizing the workplace and placing value on the work that is performed. Consequently, Federal employees are remunerated in basically the same way today as at the end of World War II. At that time, most work was routinized, and an employee's compensation was determined more by position—assigned duties and responsibilities—than by individual performance skills and contributions. But Federal work is no longer routinized, and it has not been for quite some time. While it is reassuring that OPM recognizes this change, a more aggressive demonstration of HR leadership would have included a revamping of the system for compensating workers that is much more comprehensive than the rewriting of standards has proven to be.

Federal compensation, like job classification, also has been criticized, primarily because of the putative pay gap between Federal and private sector salaries for similar jobs. But unlike the classification system, the compensation system became the subject of legislative reform within the first decade of OPM's existence. Discontent with the compensa-

tion system led OPM, in the late 1980s, to oversee an extensive research effort to identify specific system problems and to plan appropriate remedies. Among the issues addressed was the pay gap. In 1990, largely as a result of OPM's efforts, Congress passed the Federal Employees Pay and Comparability Act (FEPCA) with the intent of closing that gap over a nine-year period by focusing on geographical locations rather than treating positions the same way across the board.¹⁵

Nonetheless, in the years since the passage of FEPCA, the pay gap that it addressed remains. Following passage of the pay act, a new presidential administration took charge, and asserted that the FEPCA methodology was flawed. The law's critics contend, among other things, that FEPCA's concept of comparability is fundamentally flawed, and that the methodology fails to credit all the advantages of Federal employment (e.g., employee benefits and intangibles such as job and retirement security) in calculating Federal comparability with the private sector. OPM, which under an earlier administration had helped to craft the legislation and its methodology, now finds itself echoing these criticisms of FEPCA. Thus, during the past ten years, the law governing pay comparability has been effectively ignored, and Federal salary increases have not been at the levels FEPCA calculations called for. As of 2001, locality rates covered approximately 38 percent of the amount needed to reduce pay disparities to 5 percent, far less than envisioned when FEPCA was passed. One writer described the situation this way: "Inadequate political support for resolving Federal workers' pay problems offsets any interest in improving the program. Despite Congress' willingness to enact FEPCA in 1990 and accept the need for locality pay, the pay gap is still an issue in every one of the metropolitan areas defined for locality pay differentials."¹⁶

¹⁵ Friel, Brian, "Pay gap takes center stage again," GovExec.com, January 7, 1999.

¹⁶ Risher, Howard, "Why Your Pay Doesn't Stack Up," *Government Executive*, August 1997.

Although the framers of FEPCA apparently didn't view the methodology they created as a problem, reasonable people can disagree on such matters. And in an environment in which the best interests of the civil service and Federal HRM come first, a reasonable person might expect that if methodology were the problem, the methodological deficiencies would have been corrected some time during the decade since the pay comparability act became law. Whether that would have resulted in higher or lower Federal pay, it's certain to have resulted in the dissatisfaction of one or more of OPM's constituencies. Deciding on a course of action in this regard is difficult. There are parties who are interested in keeping Federal pay lower, and parties who want Federal pay to rise.

It is readily apparent, under these circumstances, why OPM's lack of action on this issue is viewed by some as a failure of leadership. One interrogatory survey respondent put it this way: "[For OPM], trying to change the compensation system is like trying to steer the Titanic with an oar—just doesn't seem to have any effect. We have been mumbling about grade banding, series consolidation, compensation reform, etc., for years and Rip Van Winkle could return after his 20-year nap and not miss a beat."

It is only relatively recently that OPM has begun to resume leadership in the compensation area, having established in 1997 a new Workforce Compensation and Performance Service to "create a performance-oriented total compensation system suitable for the multi-faceted Federal workforce of the 21st century."¹⁷ In 1999, OPM announced its intention to undertake an extensive study of Federal pay and benefits in order to "develop a performance-oriented system of total compensation within the next

two to three years . . . [with the] goal of proposing legislative changes to achieve a modernized pay system by the year 2002."¹⁸

The comprehensive approach that OPM seems to be taking is encouraging. However, former director Lachance warned that "since legislation will be essential to make systemic changes, this is not a short-term initiative."¹⁹ Such cautions are realistic, understandable, and well-taken. But it is important that this undertaking not become yet another extensive study that results in business as usual. As the Government's HRM leader, OPM needs to guard against that outcome. Given that the comprehensive pay study of the late 1980s actually prompted pay legislation and still was not successful in reforming the federal compensation system, passage of legislation and enactment of systematic changes in the compensation system will be a real challenge for OPM.

Staffing Issues. Setting the Federal Government's staffing policy and leading its staffing programs are among the most important and difficult of OPM's missions, and they are ones in which the balance among agencies' need for flexibility, the pressures of public policy objectives, and the desire to accommodate OPM's various constituencies sometimes seem to be at odds. In many cases, of course, OPM cannot act unilaterally to correct problems because they have arisen as a result of public law, and must be changed through legislative action. Legislative proposals, in turn, must have the approval of various parties, including the Office of Management and Budget. Given that OPM is the Government's HR expert, however, OMB and other public policymakers should give deference to OPM's advice and recommendations when management of the Federal workforce is at issue. And OPM can and should forcefully employ its influence as the leader

¹⁷ "OPM Creates Compensation Service with Vision for 21st Century," U.S. Office of Personnel Management news release, September 17, 1997.

¹⁸ "OPM to Look at Reinventing Federal Pay," *Federal Section News*, IPMA Federal Section, May 1999.

¹⁹ Keynote address to the Classification and Compensation Society by Janice Lachance, Washington, DC, December 8, 1998.

of the civil service to help bring about legislative and other needed changes in civil service laws and policies.

It is in the staffing area and, in particular, on issues related to how the Government hires new employees that we find several examples of policies or practices that either conflict with or detract from a merit-based employment system. Further, some of these policies and practices were identified as non-meritorious, out-dated, or problematic many years ago but they still exist. For example:

- The Government's Rule of Three²⁰ has long outlived any usefulness it may have once had, and OPM has in some situations endorsed departures from the rule (e.g., through demonstration projects that permit agencies to use other alternatives in ranking candidates). A number of state government merit systems that had originally followed the Federal example years ago in adopting a rule of three have since dropped or modified that rule. Federal managers have complained for years about the rule and the lack of flexibility it represents. MSPB first recommended in 1994 that OPM propose legislation to modify or change the statutory requirement. Yet the basic law, established over 100 years ago, still exists in the Federal Government.

It is unclear why OPM has been so slow to propose changes in this regard. We do know that some military veterans—one of OPM's constituency groups—perceive application of the Rule of Three as an essential part of the process of granting veterans preference and have opposed suggestions that the statute be changed. We also

know, however, that there are alternative methods of ensuring that veterans are provided with their legal entitlement to preference in hiring that are as effective and perhaps more effective than the Rule of Three. Not proposing a change allowed OPM to avoid having to respond to the opposition of one or more groups. But such inaction has perpetuated an outdated procedure which, if eliminated (or even revised to permit consideration of more than three candidates), would give selecting officials much-needed flexibility in hiring decisions while still fulfilling the public's promises to those who have served and sacrificed for the nation.²¹

OPM has not led the way in allaying the fears of veterans about the consequences of eliminating the Rule of Three. Because this remains a problem for Government managers, however, there have been individual agency initiatives to do something about it. A demonstration project, now made permanent in the bureaus of the Department of Agriculture where it was tested, uses categorical rankings with absolute veterans preference applied within each category. The Department of Defense has proposed similar changes to streamline its staffing procedures, and wants to submit this and other personnel reforms to Congress for approval. And finally, managerial flexibility legislation recently introduced in the Senate, and supported by OPM, includes a provision for category rating systems.²²

- Appointment authorities that do not require the use of merit-based competition obviously should be used sparingly in a merit-based civil service

²⁰ This rule comes into play when personnel offices provide a list of qualified applicants—in order of their numerical scores—to selecting officials for their consideration in filling vacancies. The selecting official must choose from among the top three interested, available candidates. Unfortunately, the assessment tools most frequently used to evaluate applicants are not very good at making the fine distinctions among candidates that would justify limiting consideration to just the top three candidates referred. MSPB reports "The Rule of Three in Federal Hiring: Boon or Bane?" (1995), "Entering Professional Positions in the Federal Government" (1994), and "The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service" (1999), provide more detailed discussions of the Rule of Three.

²¹ In fact, veterans are very well represented in the Federal workforce. According to data published in OPM's 1999 edition of *The Factbook, Federal Civilian Workforce Statistics* (page 32), more than one in every four Federal executive branch employees are veterans.

²² This legislation, S. 1612, was introduced by Senator Fred Thompson on November 1, 2001. Category ranking provisions are also included in the Federal Human Capital Act of 2001 which was introduced as S. 1603 by Senator George Voinovich on October 31, 2001.

system. There are several widely supported special hiring programs that operate as exceptions to competitive procedures to meet public policy goals, e.g., programs to increase employment opportunities for the disabled and veterans. However, OPM has also continued to support the use of two non-competitive entry level hiring programs in which veterans are *not* afforded hiring preference. The two programs in question (the Outstanding Scholar and the Bilingual/Bicultural hiring authorities) exist under the 20-year old Luevano consent decree. When reviewing the use of these hiring methods for over one hundred different professional and administrative occupations, the Board has noted that fewer veterans are hired under these programs than under competitive hiring methods.²³

Further, the individuals who are supposed to be the beneficiaries of these programs (African Americans and Hispanics) are just as likely, if not more likely, to be hired for entry level jobs through competitive, merit-based hiring programs.²⁴ Additionally, OPM's own oversight reviews have found numerous instances in which Federal departments and agencies have misused these non-competitive hiring authorities. In a January 2000 report that detailed some of the unintended consequences associated with these two programs, MSPB recommended to the Department of Justice that it petition the court for termination of the consent decree. OPM disagreed with that recommendation, and the Government has not, to date, taken action to end the consent decree.

These non-competitive hiring authorities, however, do have some vocal supporters. The supporters are primarily Federal managers who find the noncompetitive programs quick and easy to

use and advocates who believe the non-competitive authorities would be more effective than competitive hiring in increasing minority representation—despite experience that indicates just the opposite. And, to date, OPM has actively supported the continuation of these two exceptions to competitive hiring even though they account for fewer Black and Hispanic entry-level hires than competitive programs, and veterans do not fare as well as nonveterans under these programs.

This situation is illustrative of the difficulties OPM faces in trying to promote a system based on merit while at the same time trying to accommodate the perceptions of all its constituencies including those who may advocate a non-merit based approach in order to achieve a particular objective. Further complicating matters, as in this case, is the fact that perceptions sometimes can be mistaken. For example, there is no need to choose between merit-based hiring methods and procedures that promote workforce diversity. Merit-based methods can and *do* promote diversity, as our research has demonstrated.²⁵

- As the Government's premier test developer, OPM is in an ideal position to demonstrate leadership by acting as a champion for the development and use of the best assessment tools possible. However, it has not always done so. Nor has OPM served as an adequate resource for agencies seeking to improve their candidate assessment strategies—except on a reimbursable basis (which renders such improvements unfeasible for many resource-strapped agencies). Even for the one occupation for which it still has responsibility to examine centrally, OPM has not implemented the assessment process in a

²³ U.S. Merit Systems Protection Board, "Restoring Merit to Federal Hiring: Why Two Special Hiring Programs Should be Ended," January 2000, pp. 19-20.

²⁴ *Ibid.*, pp. 10-11.

²⁵ *Ibid.*, pp. 7-9.

manner that ensures the selection of the best candidates.²⁶

To its credit, OPM has devoted many resources over the years to the development of assessment tools to assist agencies in achieving a high quality workforce, and test development has been an important feature of those efforts. The Administrative Careers With America (ACWA) test of cognitive ability is one example, as are tests developed by individual agencies—often with assistance from OPM—for specific careers or occupations, such as law enforcement.²⁷ However, the use of testing—cognitive testing in particular—is not popular among many agencies, and not because the tests are not valid. Rather, using tests can lengthen the recruitment and placement process, which many managers view as already too time-consuming. In addition, some tests have a disparate impact on minorities, and the process of validating a test as job-related and defending it successfully in the event of a legal challenge is an understandable concern of agencies. Nonetheless, aside from an actual trial period for candidates (Cooperative Education Programs are one way to do this), one of the best ways to predict future job performance is through the use of written tests, especially when used in conjunction with other applicant screening devices such as structured interviews.

For the most part, instead of actively encouraging agencies to develop and use the best assessment strategies possible for the jobs they fill, OPM appears to be content with allowing each Federal department and agency to develop its own approach to employee selection. While we

believe agencies should be allowed to tailor their selection systems to meet their needs, OPM has a role to play in impressing upon agencies the consequences of failure to conduct adequate candidate assessments. As we have noted in previous Board studies, there is sometimes a trade-off between filling jobs quickly and filling jobs with the best possible candidates.²⁸ But when OPM continues to support special hiring programs that may involve little or no systematic assessment of candidate qualifications or job-related competencies, it is, in essence, sanctioning quick and easy hiring over a merit-based assessment process designed to hire the best-qualified candidates. The fact that hiring using these non-competitive hiring authorities can be accomplished quickly because they do not require extensive screening and assessment of applicants may deter agencies from finding ways to do better assessments. While most managers want to hire the best available job applicant, they may be limited in their ability to do that if they are not given assistance in the development and use of good applicant assessment tools and an understanding of the limitations inherent in the tools currently available to them. In our view it is OPM's role to both promote the use of the best possible candidate evaluation tools and to assist in their development.

Final thoughts

In looking back over the last twenty years, and focusing especially on the last ten, it's clear that OPM is to be commended for its diligence, innovation, and commitment to many civil service improvements. It's important to remember that fact

²⁶ As detailed in *Azdell v. Office of Personnel Management*, 87 M.S.P.R. 133 (2000), reconsideration denied (July 13, 2001), the Board found that OPM failed to give proper weight to the results of assessment tools used in the Government's program for hiring administrative law judges. In commenting on OPM's use of a scoring formula for the various elements of its examination procedure for ALJ positions, the Board observed that "the scoring formula violated [regulations governing employment practices] because it was not rationally related to performance in an ALJ position." Thus, it is not enough that the individual elements of the examination are related to successful performance in an ALJ position; the way in which the scores in those elements are combined to result in a list of qualified candidates must also be done fairly and "according to professionally accepted examination development and validation procedures."

²⁷ The ACWA test is a written examination that covers six broad occupational groupings, each with its own scoring key. The ACWA, along with a self-rating schedule (also called ACWA), recently became available for agencies to administer through their delegated examining units.

²⁸ The June 1998 MSPB Perspectives report, "Federal Supervisors and Strategic Human Resources Management," provides a discussion of this issue.

when considering areas in which we have found weaknesses or raised questions. And it is important to note that the identified deficiencies should not detract from the agency's significant accomplishments over the years. OPM is responsible for having initiated or refined a number of programs over the past decade that have been supportive of merit system health (e.g., the oversight program), helpful to employees (e.g., benefits programs, family-friendly policies and regulations), useful to Federal supervisors (e.g., guidance on dealing with poor performers); and supportive of the goals of the CSRA (e.g., delegation of authorities and effective diversity programs). But much remains to be done in areas that agencies have perennially identified as needing improvement, such as compensation and staffing policies and practices.

In considering these issues, it is important to recognize some underlying circumstances that contribute to the real and perceived deficiencies that we have discussed. First, lack of resources is a chronic problem. A massive program overhaul, such as is needed by the Federal compensation system, requires considerable resources to design and implement. Resources at the agency level also have an effect on how satisfied agencies are with OPM's work. Agencies with adequate HR staffs and resources may prefer to develop their own systems and approaches to meeting HR needs, and may even resent OPM's involvement in their operations. Agencies without such resources, however, are frustrated by the lack of assistance they receive from OPM, or the price tag on the help that is available.

There also may be a temptation to allocate scarce resources to projects in which the objectives are more easily achieved, and to leave the bigger, more problematic undertakings for another time when budgets aren't so lean. That may be shortsighted, because it allows the big problems to get bigger and ultimately more expensive to solve. A real commitment of budget and staff resources may be necessary to finally accomplish goals such as compensation reform or other legislative objectives. And years of study, followed by months of compos-

ing legislative proposals, followed by multiple rounds of revisions and approvals may not be a luxury the 21st century will allow policymakers who really want to make a difference. Issues as important as some of the staffing and compensation matters that we've raised here should not, of course, be dispensed with impulsively. But there's probably little danger of that. More of a danger, perhaps, is the possibility that even as observations are being made about how quickly the workplace is changing, the organizations responsible for responding to those changes will proceed at the same stately pace that has characterized Government bureaucracy for a century. Such a slow response may not be something the Government can afford if it is to meet today's human capital challenges.

Finally, and perhaps most compelling, is the fact that the law has given OPM a dual role:

1. OPM is to be a fair and impartial leader of the Federal civil service by "executing, administering, and enforcing the civil service rules and regulations . . . ; and maintaining "an oversight program to ensure that activities under any [delegated] authority . . . are in accordance with the merit system principles"
2. OPM, by virtue of its structure and charter, is also to be an advocate of administration policies (with all the responsiveness and enlightened partisanship that that implies) by "aiding the President, as the President may request, in preparing such civil service rules as the President prescribes, and otherwise advising the President on actions which may be taken to promote an efficient civil service and a systematic application of the merit system principles."

Observers who criticize OPM for making decisions that are "too political" sometimes fail to appreciate this fact. OPM must balance its roles, making decisions that are in the best interests of Federal human resources and the merit system, while at the same time, doing what is consistent with the administration's plans for the civil service. We are always hopeful that what is in the best interest of a merit-

based civil service aligns with an administration's vision for Federal human resources management. Realistically, however, the two will occasionally conflict when goals and ideals are translated into programs and policies. When this happens, OPM faces its most thorny challenges and toughest decisions. We believe that OPM has done fairly well at achieving this balance. However, to solve the serious problems that still exist in the civil service system, successive administrations and the OPM leaders they appoint will need to commit and recommit to finding ways to achieve their objectives while also seeking the best interests of a merit-based public service.

General recommendations

- 1. OPM should be especially circumspect when balancing the long-term interests of the civil service with short-term political objectives.** The expectation that OPM will be responsive to the goals of the administration and also an advocate for long-range, strategic human resources management is a special challenge. And that challenge is matched by the burden of trying to balance the needs and desires of the various groups that have a stake in OPM's decisions. In pursuing that balance, of course, OPM cannot always satisfy all of its constituencies. Trying to do so can have the unhappy consequence of a lack of progress, since maintaining the status quo may often be the least controversial option. There may be times when the best course of action for a merit-based civil service is an unpopular one. It is at those times that it should be demonstrably clear that OPM's decisions are guided by the merit system principles and the long-term health of the civil service.
- 2. If inadequate resources are standing in the way of OPM's providing the level of leadership and assistance that Federal agencies need and want, then the drastic shrinkage of OPM resources that has taken place over the past ten years needs to be reexamined.** Cutting OPM resources so drastically may have satisfied

the short-term goal of reducing the size of its workforce. But weakening OPM's ability to tackle some of the Government's persistent personnel problems (while Federal HR staffs in many agencies were also being pared dramatically) surely does not bode well for the future health of the Federal civil service system. Even though many of the OPM staff reductions reflect the agency's elimination of in-house investigations and training operations, OPM still appears to have been left with insufficient staff in other areas to meet agency needs. While OPM can and does seek reimbursement for some of its services, that does little for Federal agencies that have not been allocated sufficient resources to pay for those services. In some cases, such as development of valid and predictive employee assessment and selection tools, it may make more sense to fund these activities on a centralized basis through OPM. Recent increases in resources allocated to OPM are an encouraging sign as long as at least some of the additional people and/or funds are devoted to the more persistent, long-standing problems facing Federal human resources management.

- 3. OPM must not only respond to changes in the Federal workforce and workplace, but also must actively influence their evolution.** The nature of work, the workplace, and workers themselves are drastically different from what they were in the mid-twentieth century. Some of the traditional approaches to Federal human resources are no longer effective. Some Federal agencies, faced with these challenges, are taking matters into their own hands by seeking congressional action to enable them to develop specific human resources programs or practices that are not available under title 5 of the U.S. Code. OPM needs to help manage this evolution by anticipating the legitimate HR program and policy needs of the various departments and agencies and promoting broad-based regulatory or statutory changes where feasible. Each Federal department and agency needs to be able to tailor

its HR policies and practices to unique needs and circumstances but they should be able to do so within a common statutory framework and a shared set of merit principles. To do otherwise threatens to balkanize the Federal workforce.

4. **Not only should OPM be “at the table” with OMB and others in setting Federal HR policy and determining related budget priorities, but policymakers should give deference to OPM’s views when management of human capital is at issue.** OPM needs to be more than just a

presence in high level discussions about the Federal workforce. It must be an active participant in decisionmaking regarding HR policies and programs. Top Federal policymakers should take full advantage of the wealth of experience, professionalism, and wisdom about Federal human resources that OPM brings to the process by paying special heed to OPM’s advice on decisions affecting Federal workers and the Federal workplace.

OPM Response

The U.S. Office of Personnel Management was given an opportunity to review a draft of this report, and made a number of useful suggestions to clarify and update the information presented. In addition, in her response to the report, OPM Director Kay Coles James indicated agreement that OPM faces challenges in balancing its dual roles (administration advocate and merit systems protector). Director James expressed both OPM's devotion to the merit system and its commitment to assuring that OPM's policies and programs are responsive to today's needs.

The Board appreciates the clarifications and updates OPM has provided and we have incorporated these suggestions into the report. We have, in

addition, revised language in our discussion of the Federal Government's classification system, to make it clear that it is the law (chapter 51 of title 5, U.S. Code) that remains the basis for the classification system. Without legislative change, then, constraints will remain on the way workers are compensated. Both OPM and the Board agree that this is an area that needs to be reconsidered in the light of the dramatic changes in the nature of work.

We have also revised our report to reflect up-to-date information in the areas of oversight, measurement and accountability, and investigations.

Director James's letter is reproduced at appendix 3.

Appendix 1 — Background

Origins of Today's Civil Service

During the latter part of the 19th century, after years of operating under an entrenched spoils system, the Nation's civil service was ripe for major reform. In 1883, reform efforts culminated in the passage of the Pendleton Act, which created the bipartisan U.S. Civil Service Commission. The act emphasized the need for competitive examinations as a criterion for entering the Federal civil service and gave the Civil Service Commission responsibility for ensuring that the examination program was fair and impartial. The Commission was charged with establishing rules to implement the Pendleton Act, and with investigating violations of those rules. Initially, only ten percent of the civil service came under the jurisdiction of the Civil Service Commission, with the remaining 90 percent subject to patronage appointments and removals.²⁹

Opponents of patronage continued to push for expansion of the merit system over the several decades that followed passage of the Pendleton Act. By the early 1900's, almost two-thirds of the Federal workforce was covered by the merit system, and during his two terms as President, Theodore Roosevelt centralized and strengthened the Civil Service Commission's management role. The emphasis at that time was on hiring based on merit, and those years also saw hiring-related changes

such as the modification of the procedures for training test examiners and registering applicants.³⁰ Gradually, however, policymakers began to realize that focusing on employee selection was not enough to ensure the overall efficient and effective operation of the civil service. Other personnel functions such as job classification, pay, training, promotions, and retirement programs were also critical to sound operations. Consequently, Civil Service Commission responsibilities began to expand into areas of human resources in addition to hiring.

Civil Service Growth Leads to Need for Reform

Carrying out these growing responsibilities required systems and procedures that were up to the task of ensuring that the merit system was not being compromised. But as the Federal workforce grew over the years, the complexities of the systems and procedures also grew. Invariably, this growth led to delays and inefficiencies in the operation of the personnel management system, so much so that by the 1970s, the system was characterized by President Carter as "a bureaucratic maze which neglects merit, tolerates poor performance, permits abuse of legitimate employee rights, and mires every personnel action in red tape, delay, and confusion."³¹

²⁹ Hayes, Stephen W. and Reeves, T. Zane, "Personnel Management in the Public Sector," Boston: Allyn and Bacon, Inc., 1984, p. 17.

³⁰ Ibid., p. 19.

³¹ Op. cit. "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," p. 1.

To address these deficiencies, Congress passed the 1978 Civil Service Reform Act (CSRA), viewed as the first comprehensive reform effort since the Pendleton Act of 1883. The legislation eliminated the bipartisan Civil Service Commission, and created the Office of Personnel Management, which was intended to be the administration's voice on personnel matters as well as the Government's leader in Federal personnel management. Changing the Government's central personnel agency from a bipartisan organization to an agent of the President was seen as a way to stimulate reform of the Federal civil service by putting personnel policymaking into the hands of appointees who would be more responsive to the administration and its personnel management goals than the Commission was likely to be, given its divided responsibility and accountability. OPM was to ensure that Federal personnel management programs and systems enabled the Government to serve the public effectively, while at the same time preserving and protecting the merit system. The CSRA called for OPM to:

- As it deemed appropriate, delegate personnel management authorities (including authority for competitive examinations) to Federal agencies.
- Operate an oversight program—including gathering and analyzing data on the civil service—to ensure use of Federal personnel authorities consistent with the merit system principles.
- Lead the Federal civil service system by administering and enforcing civil service laws, rules, and regulations. Exhibit leadership through active improvement efforts in critical personnel management areas, including:
 - ◆ Research and demonstration projects to develop more effective or efficient methods of human resources management;
 - ◆ Recruitment and retention of highly qualified employees;

- ◆ Performance management; and
- ◆ Equal employment opportunity.³²

In eliminating the bipartisan Civil Service Commission and creating the new Office of Personnel Management as an advocate of administration policies, the CSRA also created the Merit Systems Protection Board which retains the critical element of independence in the oversight of the civil service and the merit systems. The Board is required by statute to provide the President and Congress an analysis of whether the actions of OPM are in accord with merit system principles and free from prohibited personnel practices.³³ Thus, in compliance with its own statutory responsibilities, the Board undertook a review after OPM's first 10 years of operating under the CSRA and has again, after a second decade, looked at OPM's continuing efforts to fulfill the Reform Act's requirements in the very different environment of the 1990s.

MSPB's Current Review of OPM— Methods and Sources of Information

The current study emphasizes OPM performance since the Board's 1989 OPM retrospective report. To conduct the assessment, we relied on numerous sources of information. First, we met with OPM officials, including directors of the various functional areas, who provided data, information, and insights into the missions, goals, and operations of their organizations. We were particularly interested in hearing how these individuals saw their programs' performance in light of the goals established for the agency as well as the changes that the organization (and the entire Federal civil service) have been undergoing in the last decade.

We also wanted to hear the opinions of some of OPM's customers about the service they receive from OPM. OPM shared with us data from customer satisfaction surveys that they administered in 1998, including the views of 43 HR directors and

³² Ibid., p. 3.

³³ 5 U.S.C §§1204 and 1206.

1,336 HR specialists. We incorporated these data into our findings, but we also administered our own interrogatory surveys to HR directors of the largest Federal departments and agencies (as well as a sample of the smaller Federal agencies). These interrogatories were designed to elicit experiences and opinions about some of the significant OPM activities over the last decade in the various Federal HR functions. (A copy of the interrogatory survey and list of agencies returning the survey can be found in appendix 2.) Finally, we supplemented our information with the findings from prior MSPB reports concerning the significant activities of OPM, and with information obtained from a literature search targeting OPM's activities over the last twenty years.

Second Decade Marked by Major Change

The Federal human resources landscape has seen enormous changes during the last decade, some of the most significant occurring from 1993 to 1995, when the National Performance Review studied Federal programs in an attempt to find ways to make Government operations more efficient and cost effective. The NPR called for “maximum deregulation and delegation, trust, accountability for results, decentralization, and entrepreneurial behavior” and called upon OPM and agency HR operatives to become consultants, “providing expert advice and assistance, not acting as an obstacle to progress.”³⁴ NPR recommended that to better address its customers' needs, OPM should alter not only the role it had played since the passage of the CSRA, but also its structure and internal culture.

Following NPR's recommendations, a number of significant changes within OPM occurred. Most notably, the staff was restructured and streamlined—by 1996 the staff had shrunk by 43 percent. Likewise, there was a significant decrease

in OPM's budget (19 percent) from 1993 to 1996. OPM also began to cultivate partnerships (and better relationships) with Federal agencies. Because so many agencies were facing budget and staff cuts, OPM promoted career transition services within agencies to help displaced Federal workers find new jobs. During this time OPM delegated virtually all examining to agencies, and began charging fees for the examining services that agencies needed. OPM also began developing tests for agencies on a 100 percent reimbursable basis and initiated other “entrepreneurial” activities in its employment services area. Likewise, in the oversight function, evaluators were actively encouraged to identify opportunities to perform reimbursable work for the agencies they oversaw. (This practice, however was stopped and oversight and evaluation now remains an appropriated fund activity supported by OPM's congressionally approved budget rather than by fees collected from the agencies.) Other significant changes during that period included the “privatization” of the training and investigations functions. In addition, during this time OPM became a vocal proponent for automation in Federal human resources management. The overall result was a very different OPM than had existed before 1993.

In passing the CSRA, Congress had signaled its intention that OPM was to be a proactive central personnel management agency that would provide aggressive leadership, guidance, and oversight for the civil service system, a mandate that, at the time, was a departure from the Government's traditional approach to human resources management. Similarly, the new entrepreneurial role called for by NPR in the nineties was a very different one for an agency that previously had functioned as a central management agency.³⁵ And, according to at least one author, it was a surprising role for OPM, given the downsizing—and reduced capacity—that had been taking place in agency HR staffs all over the

³⁴ National Performance Review, “Office of Personnel Management, Accompanying Report of the National Performance Review,” September 1993, p. 1.

³⁵ Gary S. Marshall, “Whither (or Wither) OPM?” *Public Administration Review*, May/June 1998, Vol. 58, No. 3.

Government.³⁶ Because of this downsizing, as well as changes occurring in HR staff roles, a number of organizations including the General Accounting Office have argued for OPM to assume a leadership role in support of a stronger HR function that is more closely integrated into agencies' strategic planning and mission accomplishment. However, with OPM staff cut by more than half (from 6,208 employees in 1993 to only 2,984 in 1999), with many of its functions delegated to agency HR offices, and with other functions privatized, OPM's current ability to fulfill that expectation is open to question.

Findings After 20 Years

The Board's 1989 report on OPM's accomplishments looked back over a decade of Board research and observations of OPM, and described considerable progress, as well as some dissatisfaction with the pace of reform. The Board also expressed concern over the significant cutbacks in funding and staff that had occurred during OPM's first ten years, noting that a lack of resources could continue to present an obstacle to OPM's effective fulfillment of the CSRA's expectations. Thus, reform of civil service systems still was considered very much a work in progress a decade after the Reform Act, so it is fair, now, to revisit the issues that were important then, since they remain critical to the efficient and effective management of the civil service.

As in the case of OPM's first ten years, the second decade of OPM's actions and accomplishments can be examined in the context of the major expectations delineated by the Civil Service Reform Act, how well OPM has met those expectations, and whether events over the last decade have enabled OPM to realize some of those previously unfulfilled goals. In the material that follows, we present

the Board's view of OPM in that context, elaborating on some of the information presented in the body of this report.

Decentralizing Personnel Management Authority

Historically, decentralization has alternated with centralization as the favored method of administering personnel management authorities in the Federal sector. However, at the time the CSRA was passed, Congress and other policymakers believed that *decentralization*, with its more timely and flexible approach to personnel management, was the appropriate strategy for making the system more responsive to agencies' needs and for combating some of the personnel system's more onerous problems.³⁷

Although many personnel authorities were open to delegation by OPM, the one considered most important was the authority to examine and hire individuals for the Federal workforce. The CSRA clearly intended to bring about significant changes in the way in which people were hired for Federal jobs. By giving agencies (and in turn agency managers) more direct control of personnel actions such as recruitment and selection, while still cautiously ensuring that the agencies given this authority protected the integrity of the merit system, it was felt that the red tape and delays that had plagued OPM's predecessor—the Civil Service Commission—would be eliminated.

By the end its first ten years in operation, OPM had begun to make an active effort to increase the number and scope of the delegations. This progress continued until, by the mid 1990s, individual departments and agencies had "assumed the lion's share of the responsibility for and control over the recruitment and examination of new employees in the hundreds and thousands of professional and administrative positions within the executive

³⁶ Ibid.

³⁷ Op. Cit., "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," p. 8.

branch.”³⁸ The reinvention efforts initiated by the NPR provided a catalyst to hasten this decentralization of Federal human resources management, especially the hiring process. In addition to NPR recommendations, the administration spurred further delegations by significantly reducing the FY 1996 budget recommended for the OPM unit responsible for competitive examining. The final OPM appropriation reflected that reduction.³⁹ Finally, in January 1996, acting under the authority of Public Law 104-52, OPM delegated examining authority to Federal agencies for virtually all positions in the competitive civil service.⁴⁰ Decentralizing Federal examining authority in this manner was a reflection of the long-standing desire of Congress and the administration to make the hiring process faster and less bureaucratic.

As a result, the work required to competitively hire new employees is now generally performed by agency personnel staffs working in the Government’s approximately 650 delegated examining units. The delegated examining units are run by agency personnel officials whom OPM has trained to operate a fair and lawful competitive process. Through DEUs, agencies determine how a job will be advertised, how the candidates will be assessed, and which candidates will be referred for job consideration. Agencies also decide whether their DEUs will perform each element of this process or contract out any or all parts of it. Thus, agencies and their DEUs have become key players in the process for bringing new hires into the competitive service.⁴¹ Candidate assessments are done through written tests or by a process, called unassembled examining, that generally relies on information about training and experience submitted in writing by candidates, usually supplemented by interviews.

For most job vacancies, candidates are evaluated through unassembled examining.

By 1999—some 20 years after the enactment of CSRA—OPM had delegated to Federal agencies virtually all hiring authority. With the agencies now responsible for examining and hiring, OPM has assumed an entrepreneurial role, turning its attention to developing new techniques and instruments to assist agencies with their hiring responsibilities. OPM sells these techniques and devices but does not require agencies to purchase them. Agencies are free to develop their own hiring tools or to buy them from one another or from non-Governmental sources.

In light of OPM’s own downsizing, budget cuts, and restructuring, the transfer of examining responsibilities to the agencies relieved OPM of a considerable burden. But the agencies have also experienced significant changes in the budgetary and staffing levels over the last decade. As noted above, HR staffing levels throughout Federal agencies have decreased fairly dramatically—by 21 percent just between 1993 and 1997, with some agencies cutting as much as 40 percent. Because delegation of examining authority to the agencies occurred at the same time that the agencies experienced dramatic reductions in their own HR staffs, it is reasonable to be concerned about how well agencies are able to handle these new authorities when the expertise to support and guide their actions, which had formerly resided in their HRM offices, may no longer exist.

Early in the process of delegating these authorities, agencies seemed to be handling the task fairly well. The Board reported in 1994 that even as more and more authorities were delegated to agencies, there were no significant claims raised that the merit sys-

³⁸ U.S. Merit Systems Protection Board, “Entering Professional Positions in the Federal Government,” Washington, DC, March 1994, p. xi-xii.

³⁹ Op. cit. “The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service,” p. 2.

⁴⁰ The exceptions to this are administrative law judges positions and positions covered under the Luevano consent decree, i.e., GS grades 5-7 positions in professional and administrative occupations.

⁴¹ Op. cit., “The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service,” p. 2.

tem was being undermined. Likewise, there appeared to be no significant decline in the quality of the Federal workforce, and the workforce was growing increasingly representative of the nation's diversity.⁴² This was true in spite of the fact that, at about the same time as it was delegating these authorities to agencies, OPM was also eliminating the massive volumes of written guidance it had previously provided agencies concerning personnel actions such as hiring—the Federal Personnel Manual.

But now that they have been given authority for virtually all examining, do agencies still believe that the benefits outweigh the costs? And are agencies able to take advantage of the new products and services now offered by OPM, given the agencies' own budgetary constraints? To answer these questions, we relied on findings from a Board report on delegated examining units, data from OPM's customer satisfaction survey, and inquiries made in our interrogatory survey.

The Board report indicates that although agency officials, managers and supervisors are very positive about having these examining authorities delegated to them, they still have concerns about the process as it currently exists.⁴³ Specifically, they are concerned about the quality of the assessment determinations made by their DEU's in situations in which there is an extremely heavy workload. When this is the case, these officials and managers feel that DEU staffs have insufficient time to make appropriate judgments (especially when candidates submit information that's inadequate to properly assess their applications) and insufficient staff resources to follow up with candidates to request additional information.

The managers and supervisors reported that they still experience many frustrations with the hiring process, although most of their complaints have nothing to do with the fact that the agency is doing

the recruitment, assessment, and referral of candidates instead of OPM. Their complaints include concerns about the time it takes to get security clearances for individuals they wish to hire, budgetary constraints which result in hiring freezes, and a general lack of skills in determining which candidates referred to them would actually perform best in the job.

OPM's customer satisfaction survey results show that 80 percent of the HR specialists polled are satisfied with the Delegated Examining Operations Handbook distributed by OPM. Similarly, 78 percent of the respondents reported satisfaction with the technical assistance they receive from OPM concerning their delegated examining unit (with only 8 percent being dissatisfied). The respondents to our interrogatory surveys were almost unanimous in saying that the delegation of examining authority has been beneficial in helping them fill their jobs. They report that the delegation of examining to the agencies has enabled them to fill positions in a more timely manner, as well as to do a better job of matching hiring needs with applicant skills. Some also reported that they are able to fill jobs more cost effectively than when they had to request candidate referrals from OPM. Several reported that they have been able to develop crediting plans that are better tailored to the jobs being filled because they have increased input in the form of subject matter expertise from the selecting officials. This has resulted in their clients being more satisfied with the process (especially since the clients often feel more comfortable dealing with agency staff rather than just receiving lists of eligibles from OPM), which in turn relieves some of the pressure that always exists for HRM staff when trying to fill jobs.

However, our interrogatories also revealed some lingering concerns about the issue of delegation (or lack of delegation) of these authorities. One

⁴² Op. cit., "Entering Professional Positions in the Federal Government," p. xii.

⁴³ Op. cit. "The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service," p. 10.

respondent expressed the view that the delegation of these authorities had occurred too swiftly for OPM to provide agencies with good tools for handling the delegations. A few mentioned that they did not like having to pay for the assessment and referral services they received from OPM, and felt that there should be caps on the examining services they contracted for. Some mentioned that they felt they should be able to examine for ACWA positions (i.e., positions covered under the Luevano consent decree, for which only OPM is authorized to examine candidates) because they don't believe the quality of the candidates referred by OPM makes it worth what it costs them to have OPM assess and refer those candidates. (OPM addressed this issue in November 2000 by delegating to agencies authority to administer the examination it uses to examine for these positions.) And many still complain that the elimination of guidance (such as the FPM) and attempts to streamline Federal hiring have failed to solve some of the problems they see with the staffing process. Finally—and not surprisingly—they believe that some of the laws and regulations governing the staffing process (such as those concerning veterans' preference, the Rule of Three, and the Career Transition Assistance Program⁴⁴) make the system unnecessarily complex and difficult to work with, and inhibit them from hiring the best qualified people for the job.

In summary, OPM has succeeded in delegating examining authority as was envisioned by the framers of the Civil Service Reform Act. However, this delegation of examining authority has not eliminated many of the complaints that agencies have voiced about the bureaucratic nature of the process. This is partially due to the severe decreases that agencies have seen in their own HR budgets and staffs. Perhaps even more relevant to these complaints, however, are the many rules and regulations that still control how selections are made. Many of these rules make sense from the standpoint of social

needs or public policy and tradition, but aren't necessarily consistent with the best interests of the merit system. Further, there are HR requirements, procedures, and activities that represent inefficient, ineffective, or antiquated ways of doing things. Considering whether such things are worth doing should be a factor in the decision about whether they're worth delegating.

Overseeing the System

Oversight of Federal human resources management is a core mission of the Office of Personnel Management. The original purpose of the program was to ensure that organizations exercising delegations of personnel authority complied with the laws, regulations, public policies, and procedures that gave structure to the civil service. With the passage of time, the program took on an additional responsibility: measuring how well Federal organizations managed their human resources.

In 1969 the program was highlighted when a Presidential memorandum prescribed that agencies would have a role in evaluating personnel management practices and ensuring compliance with personnel laws and regulations that complemented the role of OPM's predecessor, the Civil Service Commission. Throughout the 1970s, the program underwent incremental changes as it sought to define the respective roles of the Commission and agencies and to determine the appropriate weight to give to enforcing compliance versus encouraging good personnel management practices.

The CSRA institutionalized decentralization and delegation of personnel authority and concurrently made the director of OPM accountable for compliance with civil service laws and regulations. It also codified the civil service's underlying values into the merit system principles and made agency heads and their subordinate supervisors accountable for exercising their personnel authority in conformance with the merit system principles and applica-

⁴⁴ This program requires that before other candidates may be considered for vacancies, consideration be given to well qualified Federal employees displaced from their jobs by downsizing or reorganization.

ble laws, regulations, and public policies. This both reaffirmed that oversight is a core mission of OPM and that agencies share in the accountability for carrying out proper oversight of HRM.

In the past, MSPB has expressed concern that under OPM's stewardship this program has not always served its goals well. Especially during the first 10 years, the program veered away from a focus on ensuring regulatory compliance and also lost steam in its efforts to strengthen agency internal oversight efforts. Meeting these goals became even more important with increased delegations of HR authority in the early 1990s, and also with the passage of the Government Performance and Results Act.

Now, looking back on OPM's first 20 years of existence, we see that the oversight program has undergone significant revitalization. It is now closer to achieving the delicate balance between enforcement of the laws, regulations, public policies, and procedures that give structure to HRM and serving as advisor and change agent to managers who operate in an HRM environment marked by fewer constraints and greater managerial authority than ever before.

The changes in this program introduced since 1995 are encouraging, suggesting that during its third decade OPM will be in a position to contribute even more to effective Federal HRM in a still decentralized environment.

Program status at the end of the first 10 years (1979-1989). In our 10-year retrospective published in June 1989, we observed that OPM's oversight program was in a state of flux, but we concluded that the program was evolving "in an encouraging direction." We made some other observations as well, most notably that OPM:

- Appeared to have "handed off" regulatory compliance to the agencies;
- Had initiated efforts to strengthen agency internal mechanisms for ensuring compliance with personnel laws, rules, and regulations;
- Had operated, during much of its first decade of existence, an oversight program that "lacked the capacity to uncover systemic problems or abuses in the larger interrelated network of Federal personnel management laws, regulations, programs, and procedures."

We also noted, however, that between late 1987 and early 1989 OPM initiated a "mid-course correction" to its oversight program and concluded that the "program continues to evolve in an encouraging way."⁴⁵

A period of further program adjustments (1989-1994). In November 1992 the Board again reported on OPM's oversight program, noting that "Since fiscal year 1990, OPM has been amending its PME [personnel management evaluation] program, changing its emphasis from aggregated statistical indicators to greater focus on individual Federal installations and on regulatory compliance."⁴⁶ We saw this re-emphasis on compliance and on individual Federal installation needs as a positive development. However, our report also suggested that OPM's PME program should have been playing a more effective role in supporting the Federal human resources management program. Our analysis noted that Federal departments' and agencies' commitment to PME varied widely, and where commitment was lacking, managers tended not to see the linkage between PME and their efforts toward more effective mission accomplishment. We recommended that OPM work to provide or improve this linkage in Federal agencies.⁴⁷

In our 1992 report we also addressed the OPM oversight program's ability to focus on enhancing

⁴⁵ Op. cit., "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," p. 21.

⁴⁶ U.S. Merit Systems Protection Board, "Civil Service Evaluation: The Role of the U.S. Office of Personnel Management," Washington DC, November 1992, p. v.

⁴⁷ Ibid., p. iv-vi.

the merit system principles and helping managers identify and solve their human resources problems.⁴⁸ We noted that the program had improved since our 1989 review, with most of that improvement occurring in the vital arena of regulatory compliance, and concluded that “OPM’s own evaluations are probably doing all that can reasonably be expected in terms of ensuring compliance with specific regulations and standards.”⁴⁹ With respect to making the PME program acceptable as a tool that enhances agencies’ human resources management programs in a way that meets managers’ needs, we observed that OPM faced a number of challenges. We perceived that one key to meeting those challenges was for OPM “to communicate with and lead the agencies more effectively in providing innovation in human resources management.” To achieve this outcome, we recommended greater efforts to strengthen existing agency PME programs and renewed efforts to encourage development of such programs in agencies where they were nonexistent.

In 1992 the organizational placement of the oversight function within OPM was a weakening factor. The function’s top executive reported to an associate director who also was responsible for a number of other high-profile programs, including systems innovation and simplification, position classification, labor relations and workforce performance, and compensation policy. This diversity of programs diluted the attention the associate director could give to oversight issues. Attainment of a single oversight program philosophy and approach was also hampered by OPM’s regional structure, since the oversight staff in each region reported to its regional director, although program guidance came for the central office assistant director. Each region’s program implementation bore the stamp of its regional director.

Following our 1992 report, OPM’s PME managers undertook initiatives to encourage agencies to revitalize or develop their internal personnel management evaluation programs. They also developed and tested a training module intended to heighten managers’ awareness of the statutory merit system principles. However, these efforts were hampered by the relatively low level of support provided by upper OPM management, including the director. Their efforts also coincided with administration and congressional initiatives aimed at human resources decentralization, delegation, and downsizing. Conditions were not ripe for positive outcomes, and in general the effort expended during the years 1992 through 1994 yielded little improvement in the program’s image or outcomes.

An era of total change (1995 to present). In 1995 OPM took a number of steps to revitalize the oversight program. The biggest was execution of an internal OPM reorganization that placed the oversight function in an organization directly under a new associate director for merit systems oversight and effectiveness (O&E) whose sole responsibility was (and remains) to:

- Protect and promote a merit-based Federal civil service;
- Identify opportunities for improving Federal personnel policies and programs; and
- Help agencies meet mission goals through effective recruitment, development, and utilization of employees.⁵⁰

The reorganization also abolished OPM’s regions, changing the former regional PME staffs into field divisions of the new oversight organization. The director of OPM has ensured that the oversight program is fully funded through appropriated funds, despite the fact that much of OPM’s business is now carried out on a cost-reimbursement

⁴⁸ Ibid., p. 1.

⁴⁹ Ibid., p. 21.

⁵⁰ U.S. Merit Systems Protection Board, “Civil Service Evaluation: The Evolving Role of the U.S. Office of Personnel Management,” Washington DC, July 1998, p. v.

basis. In addition, the term “personnel management evaluation” was dropped in favor of “oversight,” reinforcing the break with the program’s past.

The changes made were more than structural, however. The key changes in the program’s substance were:

1. Focus: The current program has a strong focus on the statutory merit system principles, and attempts to place all review activity and all reported findings within the context of one or more of these principles. Although this has not always proven an easy task (because not every aspect of human resources management is easily associated with a specific merit system principle), this effort represents a way to raise the consciousness of agency HR officials and line managers with respect to the existence and importance of the merit system principles.

The oversight program faces other challenges not totally within its control as it attempts to shift its focus. First, the program must ensure that achieving results and complying with regulations and procedural requirements are given the same importance. This shift in focus is spurred in large measure by recommendations made by the NPR, and more recently by the mandate to focus on results established by the Government Performance and Results Act. Perhaps the biggest challenges to this effort are the difficulty in developing standards against which to measure HRM results, and the fact that, in the HR field, there are times when process is critical to ensuring a fair result. Thus, the oversight program must find a proper balance between examining for process compliance and reviewing on the basis of results.

Another challenge in establishing program focus is how to ensure that line managers are held accountable for the HRM decisions that they make. This has become especially important as HRM authority is increasingly delegated to line managers, and HR offices increasingly are shift-

ing to the role of advisor rather than “doer.” This challenge is complicated by two trends: (a) disproportionately large reductions in the numbers of HR staff members in most agencies; and (b) the consolidation of HR staffs in many agencies into large HR centers often located great distances from the managers and employees they serve. Currently, within the Federal HR system, many personnel actions require an approving signature within an HR office before becoming final, although the authority to approve the action may effectively rest with a line manager who is organizationally and geographically distant. This structural anachronism—dating to an earlier time when personnel office control over HRM decisions was considered critical to upholding merit—creates an illusion of HR office control and accountability for decisions that really belong to line managers. In light of the current environment’s emphasis on managerial control and accountability, this is an issue that needs to be addressed.

2. Operations. The new program is structured to allow an assessment of HRM in each of the 23 largest departments and independent agencies over a 4-year cycle. Previously, OPM’s goal was to review, on a 5-year cycle, every establishment with 100 or more employees. Under the current approach, all oversight work in a scheduled agency is completed in the year its review is begun, resulting in a comprehensive picture of the state of HRM throughout the agency and limiting the length of that inescapable period of intrusion by onsite review teams into an agency’s day-to-day work.

Other changes in operations are also evident. Each year an evaluation agenda is established for the purpose of gaining information about specific governmentwide programs and policies as well as information about the agencies being reviewed. Further, OPM invites each agency scheduled for review to identify issues of agency interest that the review will include. This approach gives the agencies an active stake in the

conduct and outcome of the review. It usually results in a significant agency commitment of staff resources to the review team and helps improve communications between OPM and the agency.

Oversight reviews have identified areas in which better governmentwide policy direction, guidance, or interpretation is needed. When this occurs, the oversight staff has referred the issue, together with indicators of a problem, to the appropriate OPM program office for action. We have noted that such referrals have not always resulted in action by the OPM program office. This is an area where we have recommended closer attention by the OPM director.

Agency self-evaluation. As noted earlier, MSPB has expressed concern in the past about the unevenness of agencies' self-evaluation efforts. Those concerns led us to recommend that OPM act to strengthen existing agency programs and renew efforts to encourage such programs in agencies where they were nonexistent. The creation of the Office of Merit Systems Effectiveness (a component of O&E) during OPM's 1995 reorganization, allows OPM to provide leadership to agency self-assessment efforts. Together with a subcommittee of the Interagency Advisory Group (IAG) established for this purpose, the Office of Merit Systems Effectiveness has been instrumental in developing results-based measurement tools for the self-assessment of HRM, and in the development of model programs, systems, and procedures for applying the measures. The strength of this approach is that while OPM has been a catalyst for this effort, much of the work has been accomplished by agency participants, which has led to strong buy-in by a number of participating agencies. However, this approach has weaknesses, including the fact that participation is voluntary, so a number of agencies remain with little or no capability (or apparent interest) in conducting self-assessments of their

HRM programs. OPM reports that its "HRM Accountability System Development Guide" contains more than a hundred measures that could be applied to the whole range of HRM programs and processes, and also identifies several possible measures for each of five broad HRM functions of more or less universal relevance to Federal agencies. Nonetheless, the measurement tools that were developed are not universally viewed by participants as practical or sufficiently based on measuring results. As noted by one disappointed senior line official who had participated in developing a self-assessment guide for the program:

A great deal of time and effort went into developing descriptions of intangibles. Why go to all that trouble to measure the unmeasurable? The guide does not have tangible, measurable results. It was an incredible amount of work, brainstorming, and the like with no results that can be measured.⁵¹

OPM reports that it subsequently "has developed a number of other initiatives to identify and disseminate information about HR measures." This simply may be an area where there is always more to be accomplished.

A particular challenge in operating the oversight program is creating a better link between what the oversight and effectiveness components of OPM are doing. In addition, agencies must establish better internal communications concerning the work they are doing jointly with OPM. In fact-finding for our 1998 report, we made two observations:

- Oversight field divisions we visited were not "carrying the banner" for the work of the effectiveness staff. Neither were the oversight staff members encouraging self-assessment efforts in organizations that they visited. This is a missed opportunity, since the oversight staff are trained evaluators whose expertise could help "sell" the self-assessment ideas coming out of the work of the effectiveness staff.

⁵¹ Ibid., p. 31.

- While the effectiveness staff are working closely with agency representatives (largely in the greater Washington, DC metropolitan area) to develop self-assessment models, key HR and management officials in field offices of those agencies told us they were unaware of the work being done. Unless or until agencies improve their internal communications concerning this work, the work by agencies and OPM will be of little practical value.

OPM believes it has substantially addressed the former issue. Accountability coverage has been made a standard part of each oversight review and is routinely conducted by Oversight staff both in the field and in Washington. Every agencywide oversight report contains a section addressing this subject, and that section includes a discussion of the status of each agency's self assessment system. If an agency's self assessment program is considered weak, OPM reports that it offers the agency suggestions for strengthening it. The latter issue is one that can only be addressed by the agencies themselves.

The current oversight approach includes significant reliance upon analysis of information captured by the Central Personnel Data File and on survey information obtained in advance of reviews. Similarly, all agencies and OPM offices rely on the CPDF for a variety of recurring and special reports reflecting the status of employees and HR programs. Data analysis capabilities for oversight purposes are developed by staff in O&E's effectiveness component—indicating an area where good interaction between the oversight and effectiveness components exists. Maintenance of the CPDF is the responsibility of the third component of O&E, the Office of Workforce Information (OWI).

There is widespread recognition today that the CPDF falls somewhat short of its optimum capabilities. While a 1998 GAO report found that at least “63 percent of CPDF data elements in [two samples drawn for the GAO study] were 99 percent or more accurate”⁵² on a Governmentwide basis, GAO found something else that agencies know: that data elements vary widely with respect to accuracy. GAO found “the least accurate data element, education level, was about 73 to 77 percent accurate,”⁵³ again on a Governmentwide basis. GAO also cautioned that “previous work has shown that specific data elements for specific agencies can be much less accurate”⁵⁴ than the Governmentwide 99-percent-or-more accuracy found in its study. Since data analysis is directly influenced by the accuracy and timeliness of the data being analyzed, this makes the content of the CPDF a matter of importance to all agencies, and OWI has also been tasked to work with agencies to develop the structure, operating parameters, and content for the next generation CPDF.

OPM has made progress in making data available to Government agencies and the public. Recently OPM introduced an online tool for accessing and analyzing a large array of employment data. With this program (called Fedscope), users can call up data reports that have already been created or create their own reports. Anyone who has internet access can use this software, which is accessible through OPM's website.

Agencies' views. What do agencies think of the changes that have taken place in OPM's oversight of the merit system over the last ten years? Based on responses to our interrogatory surveys, they are generally pleased with OPM's new directions in its approach to oversight of HRM. Most responding to our survey believed that the move away from a

⁵² United States General Accounting Office, “OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs,” Washington, DC, September 1998 (GAO/GGD-98-199), p. 5.

⁵³ Ibid., p. 5.

⁵⁴ Ibid., p. 5.

strict case-examining, compliance-oriented review toward broader performance measures and outcomes was an appropriate one, and in line with what's happening in the rest of the Federal Government (e.g., GPRA requirements). As one agency respondent noted:

“OPM has moved toward analyzing a variety of HR-related activities, programs, perceptions and personnel actions, and away from examining only cases and records. This broadbased look helps promote a more balanced view of HR performance and accountability. It also opens avenues for candid discussions on the status of HR in an agency.”

Several agencies also commended OPM's efforts to encourage self-evaluation (although some did not believe that OPM had gone far enough in this area). Some agencies are currently working with OPM to develop self-assessment programs in HR. While some agencies reported that they expect their programs to rely heavily on monitoring of selected indicators taken from multiple program evaluation reports, surveys, and real time data from the agency's personnel/payroll system, OPM indicates that it will encourage agencies also to include proper attention to the effect of process on the merit system.

A number of agencies commented that they supported the emphasis on program management accountability for HR. However, the belief was also expressed that to really take the lead in Federal HR accountability, OPM needs to be involved in all the major accountability initiatives going on throughout Government. Unfortunately, resource limitations make it difficult for OPM to stay abreast of accountability efforts governmentwide. But helping agencies to build accountability systems by providing automated customer feedback tools/models, appropriate measures, and usable processes for assessing HR effectiveness would be one way for OPM to exert more leadership in this area.

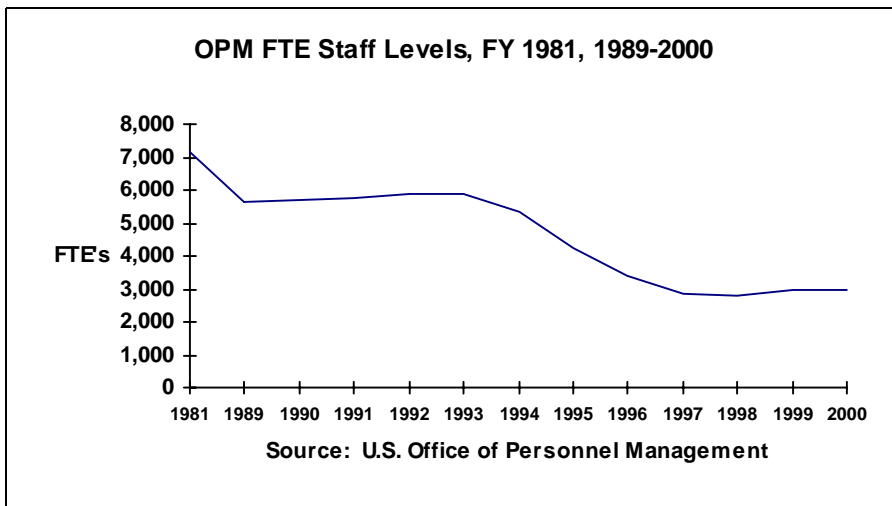
To summarize, OPM's oversight program has ended its first two decades on a positive note. OPM's structure offers consistency in oversight program philosophy and delivery; merit system principles are the program's focal point; and there is

a clear effort to help build agency self-assessment systems. OPM also has sought and obtained two new civil service rules, put into effect early in 2001, that require agencies to establish HRM accountability systems, extend OPM authority to review alternative personnel systems, and ensure that all agencies report accurate and timely workforce information to OPM. And it has extended its coverage of non-title 5 systems and agencies in its oversight reviews. Further, OPM has demonstrated the ability—and the will—to ensure legal and regulatory compliance, and the program has begun to focus on measuring the outcomes of HRM decisions and on demonstrating the importance of good HR practices to mission accomplishment. Full funding through appropriations ensures that the program need not seek reimbursement from agencies, avoiding potential conflicts of interest. Along with these improvements, there are continuing challenges as the oversight program continues to adapt to or be refined to accommodate a decentralized HRM environment:

- Continuing work on devising practical measures with respect to HRM outcomes (both for OPM reviews and agency self-assessments);
- Finding the proper balance between focusing on outcomes and reviewing procedural correctness;
- Ensuring proper attention to the accountability of line managers and supervisors during oversight reviews;
- Continuing to encourage agencies to assess their own HRM programs and, integrating their efforts with OPM's oversight efforts (OPM reports it is undertaking this latter as a pilot in FY 2002); and
- Helping to define and develop a next generation CPDF that is responsive to the accuracy and timeliness needs of agencies and OPM offices, with special attention to the concerns of line managers.

Providing Program Guidance and Leadership

We noted in our 1989 retrospective report that for OPM to provide program guidance and leadership, it must exert a positive influence in most personnel



reimbursable work, is able to accomplish its mission more effectively than ever before. Speaking at her 1997 swearing-in ceremony, former OPM Director Janice Lachance stated, “We here at OPM have often discussed the Government of the future . . . It is one that is smaller, more automated, more family-friendly, more customer oriented, more focused on results and performance, and

program areas. This influence “may start with carefully developed program guidance which has, as one of its ultimate goals, the development of sound personnel policies which allow and encourage the Federal workforce to operate effectively and efficiently.”⁵⁵ As part of the exercise of influence, OPM is engaged in conducting research, oversight of the agencies’ HRM operations, providing technical assistance on HRM matters, and developing and administering various HRM programs and policies.

We cautioned in that 1989 report, however, that sharp declines in OPM’s staff levels from 1980 to 1989 seemed to have a negative impact on its ability to carry out these critical functions. Unfortunately, the years since our last study have seen even more dramatic reductions in staff (and budget) levels for the agency. As the figure above illustrates, OPM’s overall staffing levels fell by 47 percent between FY 1989 and FY 1999, with an overall decrease of 58 percent since FY 1981. If one were to judge by staffing levels alone, OPM is a shell of the agency that was created by the Civil Service Reform Act of 1978.

Some might argue that the new “leaner” OPM, with its emphasis on automation, privatization of some functions, streamlining of operations, and

more dedicated to the merit principles than ever before. Under Jim King’s leadership, we have reshaped this agency into one that is now poised to lead the way to this new vision of Government.”

Despite that expression of confidence, one cannot help but wonder if the drastic reductions that have occurred in funding and staffing levels at OPM have hampered its ability to exert leadership in Federal human resource management. With that question in mind, we discuss in the following sections some of OPM’s activities in critical HR program areas over the last decade.

Recruiting and retaining a high quality workforce. In our 1989 report we voiced concerns about the Federal Government’s continued ability to recruit, maintain, and retain a highly qualified workforce. The quality of the Federal workforce continues to be of paramount concern. In the opinion of one researcher who commented on this issue:

Simply stated, the Federal talent pool is about to start draining out with little or nothing in the pipeline to replace it. It is a crisis of staggering, if quiet, proportions, and one that merits immediate action at both ends of Pennsylvania Avenue. It is also a problem that cannot be solved with the current inventory of Federal recruitment programs . . . Gone are the days when talented employees

⁵⁵ Op. cit., “U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment,” June 1989, p. 22.

would endure endless hiring delays and a mind-numbing application process just to get a Government job.⁵⁶

There are currently more than 1.8 million Federal employees (excluding postal workers) performing an immense range of tasks required to carry out thousands of Government programs and services. Over the past decade we've seen a substantial decline in the overall number of Federal employees, but without a substantial decline in the level and amount of work required of them. This fact—even if one does not accept the more dire of the popular predictions about a workforce quality decline—means that the workers who remain and the candidates who are hired in the future must be top quality employees. Because the mission of the Federal workforce is so complex and varied, the Federal Government must compete hard for workers with the skills and abilities needed to administer its multifaceted mission.⁵⁷ There is a prevailing belief, however, that in today's world, the Federal Government is not the employer of choice. For example, a poll of Phi Beta Kappa college seniors conducted by George Washington University found that “only 13% considered working for the Federal Government a ‘very appealing option’.”⁵⁸ This situation is certainly cause for concern as the Federal Government anticipates the likelihood of a future with a smaller workforce carrying out responsibilities requiring increasing levels of skills and education.

Without a well-qualified workforce, the Federal Government cannot effectively provide the services the Congress requires of it or the public demands of it. What is OPM's role in quelling this crisis? According to former Director Lachance, OPM plays a major role in attracting and selecting the talent to ensure the integrity of the civil service system. As she noted in 1998, “. . . in a downsized and increasingly more complex and constantly

evolving Government, it is ever more important that we have the best leaders, the best workers, the best team we can possibly assemble. Assembling that team—and taking proper care of it—is one of OPM's core purposes.”⁵⁹

Employment Service mission and programs. Recognizing the tremendous challenges agencies face in recruiting and assessing candidates, OPM sees the following as the primary mission of its division responsible for providing agencies with staffing assistance:

The Employment Service provides leadership and manages the merit-based employment system for the Federal Government. In partnership with agencies, the Service provides a high-quality, diverse workforce through a mix of policy direction, technical assistance, and reimbursable services in the following areas: readily accessible employment information for job seekers; state-of-the-art assessment techniques; efficient, merit-based staffing services; veterans' preference; workforce diversity analyses; automated human resources management (HRM) systems; organizational analysis and improvement services; and innovative restructuring and placement programs.

But the Employment Service faces a tough challenge in achieving this vision, particularly in view of the very dramatic changes it has experienced over the last 10 years. The division has undergone significant downsizing since FY 1995, and a complete transformation in the sources of its funding. In 1994, Employment Service had a salaries-and-expenses appropriation of \$442 million and a revolving fund (for reimbursable work) of \$4.7 million; in 1999, its salaries-and-expenses appropriation was only \$21.4 million, and its revolving fund was estimated at \$33 million. OPM closed eight service centers during that time. By the late 1990s, OPM had “introduced new, collaborative

⁵⁶ Light, Paul C., “The Talent Pool Runs Dry,” *Government Executive*, September 1999, p. 14.

⁵⁷ Advisory Committee on Federal Workforce Quality and Assessment, “Workforce Quality Measurement and Improvement,” August 1992.

⁵⁸ Adams, W., Goldsmith, A.S., McKenna, D.A. and Rosse, P. S., “Phi Beta Kappas View the Feds,” FPMI Newsletter, September 14, 1999.

⁵⁹ Speech by Janice Lachance to Presidential Management Interns, August 31, 1998, in Shepherdstown, WVA.

processes for developing policy, major HR system improvements for use by Government agencies, and new internal operating and financial systems to support the delivery of cost-effective reimbursable HR services.”⁶⁰ So, not only were the size and structure changed through downsizing and budget reductions, but the Service essentially became a market-based operation “which pays its own way by selling to other agencies such staffing services as processing applications, administering tests, and rating applicants for promotion.”⁶¹

These changes, for all intents and purposes, put the examining system into the hands of the agencies. Agencies, in turn, could either conduct their own examining or contract with OPM or some other organization to provide all or part of the recruitment and placement services they needed. Under the new structure and entrepreneurial approach, Employment Service has introduced a number of initiatives that agencies can use in their staffing programs. Some of the more significant of these initiatives include:

- The design and maintenance (with financial assistance from the agencies) of an automated employment information system (USAJobs) in which all Federal job vacancies are announced via telephone, fax, personal computer, and touch screen kiosks. This system includes both vacancy announcements and application forms, and is available around the clock.
- Initiation of stakeholder forums to develop staffing policies with the agencies’ input.
- Establishment of career transition and placement programs to give displaced Federal employees special selection consideration for vacancies for which they are well qualified.
- Introduction of a recruiting program designed to increase the representation and advancement of Hispanics in the Federal workplace; also, actions to enable students at Historically Black Colleges

and Universities to have better access to Federal employment information.

- Design and implementation (in collaboration with a multi-agency consortium) of Employee Express, an automated system that allows Federal employees to use their computers to make certain changes (e.g., name, address, benefits) to their personnel system records. The system eliminates much paper processing formerly done by HR office staff.
- Development of USACareers, an automated package that agencies can use to help employees affected by downsizing to determine training needs, develop career paths and find new jobs. This package is offered on a subscription basis.
- Sponsorship of an annual conference for agency HR employment professionals in order to communicate the latest developments in the employment arena.
- Development and refinement of training provided delegated examining units staffs, as well as the automated data systems available to DEU’s which provide information and guidance on examining, qualifications, merit systems issues, etc.
- Development of an array of staffing services and products, available to Federal agencies as well as state and local governments on a reimbursable basis.
- The elimination of the standard form 171 as the required format for application for Federal jobs. In most cases, applicants may now opt to submit resumes when applying for Federal jobs, in lieu of the SF-171.

Clearly, OPM’s Employment Service staff took seriously the advice of the NPR concerning changes recommended in its structure and operating methods. Again, while staffing and budget cuts meant that they had to change in order to survive, it does appear that many of the actions and initia-

⁶⁰ “1998 Federal Section Award Winners,” Federal Section News, IPMA, December 1998, vol. 16, no. 6, p. 5.

⁶¹ Speech by James B. King, June 18, 1997.

tives were intended to streamline the recruitment and staffing process, making it more user-friendly for both the agency and the applicant customer while still adhering to the underlying merit principles.

Customers' views. What do OPM's customers think of the quality of the products and services offered to help with recruitment and selection? Almost two-thirds (63 percent) of the HR specialists polled by OPM agreed that OPM's products, presentations, and assistance are helping their agencies to understand existing HR flexibilities designed to attract and retain highly qualified employees. Almost half of OPM's survey respondents (47 percent) reported that they were satisfied with the range of reimbursable services OPM offers. When the Board asked the agency officials about some of those products and services, the respondents were generally positive about the quality of the products and services. USAJobs, for example is viewed as fairly progressive, with agencies reporting that they are able to draw more applicants in less time. (And according to OPM's customer survey data, 80 percent of HR specialists responding were satisfied with OPM's policy leadership in undertaking improvements to the USAJobs system.) However, some of the agency officials whom we queried complained that because the information about job vacancies is so readily available to such a wide audience, they were getting a large number of unqualified applicants—people looking for jobs who have little or no knowledge about the kind of work done in the Government and the skills required for those jobs. One respondent explained:

[USAJobs] is a powerful double-edged sword. On one hand, it allows agencies to quickly and easily disseminate job information worldwide, it streamlines the process of meeting public notice requirements, and undoubtedly has garnered the attention of individuals who would not have actively sought Federal employment through the older, more cumbersome process. On the other

hand, it has exponentially increased the volume of applications received, many being incomplete or from unqualified candidates. It requires considerably greater expenditure of agencies' HR resources to screen the applications, rate and rank qualified candidates, and respond to applicants."

Despite the mixed feelings expressed by some, most respondents to our interrogatory survey seemed pleased to have USAJobs available to assist with their staffing responsibilities, primarily because of the speed with which jobs can be advertised and because the system typically gives them a larger pool of candidates from which to choose than previously had been available. The Board has, on numerous occasions, advocated "encouraging selection from among as large a number of well qualified candidates as is reasonable and feasible"⁶² in the interest of increasing the likelihood of the best candidates being selected for Federal jobs, and USAJobs certainly appears to assist in that effort.

Reimbursable services. A number of interrogatory survey respondents complained about what they saw as high costs of some of the reimbursable services, especially when there is no cap on the charges for the services (or no good way of estimating what particular services will ultimately cost, since the charges are influenced by factors that aren't always known, such as the number of individuals who will apply for a particular job when OPM is reviewing the applications). Although it is understandable that OPM would not be able to establish fees in advance or set maximum prices on contracts when there are unknown variables, as they perform more reimbursable work they should be able to provide agencies with better estimates. For example, OPM should be able to use its experience with different combinations of occupations, timeframes for receipt of applications, and various labor market conditions to project the number of candidates who are likely to apply for a given vacancy. However, even with accurate cost estimates, agencies might not be able to afford OPM's services. As we

⁶² U.S. Merit Systems Protection Board, "The Rule of Three in Federal Hiring: Boon or Bane?" Washington, DC, December 1995, p. 36.

noted in our 1999 report on delegated examining, it is really in the best interest of the Government to have agencies use good assessment tools when making hiring decisions, but “it is inconsistent with that interest for written tests capable of improving the quality of those decisions to be priced beyond what agencies are prepared to pay for them.”⁶³

Thus, it may be in the Government’s best interest for agencies to have access to some of these assessment tools without charge.

Although reimbursable services account for the greater portion of the Employment Service’s work, there are other staffing-related services that agencies do not pay for. The development of policies (with input from the agencies), and advice and interpretation of those policies (and Federal staffing laws and regulations) continue to be provided without charge, and apparently, with the general approval of OPM’s customers. According to OPM’s customer satisfaction survey results, 87 percent of HR specialists are satisfied with OPM’s information sharing concerning employment information (84 percent are satisfied with technical assistance in this area); 81 percent are satisfied with information shared concerning selection and promotion policies, and 77 percent are satisfied with information shared concerning merit-based examining tools (while 79 percent and 76 percent are satisfied with the technical assistance in these two areas, respectively).

Our own interrogatory survey uncovered some concerns in this area, however. Agencies expressed concern that OPM’s allocation of a large portion of its resources to reimbursable services has compromised its ability to adequately assist agencies with their questions and problems concerning interpretation of laws, regulations, and policies. Some of our respondents were frustrated with the scarcity of experienced staff available to respond to their ques-

tions in a timely manner. Others complained of inconsistent or inaccurate interpretation of the regulations or guidance. This has become especially critical since the elimination of the Federal Personnel Manual.

A number of agencies offered suggestions as to how this situation might be improved such as establishing a “one-stop-shopping” advice line, or providing agencies with names and numbers of experts in the various program areas who might be contacted for specific advice. One suggestion, offered by several agencies, was for OPM to become a more proactive resource by collecting and sharing “best practices” information with agencies in the area of employment services. This is a suggestion that arises again and again when stakeholders discuss ways in which OPM can help them. Indeed, the Board’s 1998 report on OPM’s oversight program offered the same recommendation,⁶⁴ and that was not the first time it had been suggested. More recently, an interagency work group on performance management recommended, in a report to the President’s Management Council, that agencies should “share successful practices [that lead to resolution of performance problems].”⁶⁵ However, simply stating that agencies should share information doesn’t help much. Here’s an ideal place for OPM to step in and take the lead in establishing a central clearinghouse for soliciting, collecting, and sharing information. Whether it’s in the staffing, performance management, or some other area of human resources, the sharing of best practices and approaches to problem-solving is something that agencies always want. OPM’s oversight staff has been providing this sort of information since 1997 (when we collected data for our 1998 oversight study, some HR offices reported receiving this information, but not at regular intervals or in a uniform manner), and for the past 2 years has been

⁶³ Op. cit., “The Role of Delegated Examining Units: Hiring New Employees in a Decentralized Civil Service,” p. 13.

⁶⁴ Op. cit., “Civil Service Evaluation: The Evolving Role of the U.S. Office of Personnel Management,” Washington, DC, July 1998, pp. viii, 21-22.

⁶⁵ Interagency Work Group on Performance Management, “Report to the President’s Management Council on Managing Performance in the Government,” Washington, DC, February 2000, p. 9.

using the Internet to distribute this information approximately quarterly. In addition, in the performance management area, OPM's website offers a "Performance Management Clearinghouse," where users can search for performance management information by agency, type of program, process, or practice. A concerted effort to collect this kind of information in all HR areas, to present it in a systematic manner at a single, easy-to-access source, and to make sure agencies know it's available seems like a logical next-step for OPM.

Most agencies that responded to our questionnaire seemed to understand OPM's dilemma of having to juggle resources when there were more needs to be met than resources to handle those needs. They were not as understanding, however, about what they see as the lack of communication between those dispensing advice and assistance in the Employment Service area and those responsible for oversight of agencies' staffing actions. A number of agencies complained that they had been faulted in OPM oversight reviews for inappropriate actions when the actions had been based on advice received from the OPM program office staff. OPM is attempting to remedy the situation by having the oversight staff and the Employment Services staff conduct monthly teleconferences to discuss technical issues in order to assure consistent interpretation of laws and regulations.

Despite some real and continuing problems, given the resources that OPM has had to work with over the last decade, the Board believes that it has done an admirable job of trying to assist the agencies with their staffing needs by developing and offering products and services to enhance the recruitment, assessment, and selection process. However, we remain concerned about the ability of the Government to perform high quality assessments to determine which candidates for Federal jobs are most likely to perform well. Written tests, which are a superior assessment tool, have been and continue to be developed and administered by OPM, but at a cost that many agencies may not be prepared to pay. Further, while OPM markets tests on a reim-

bursable basis, it has not campaigned to get agencies to use written testing as a preferred method of assessing candidates. Nor has OPM tried to help agencies by requesting funds to develop tests that can be made available Governmentwide without charge. The cost effectiveness of one agency being funded to develop tests that can be used by all agencies should not be discounted. As the Government's HR leader, OPM is well-positioned to promote these concepts, but has not done so.

In addition to our concerns about agencies' funding constraints preventing them from taking advantage of OPM's products and services, we are also concerned that managers (and HR staff) are still quite unhappy with the state of staffing as it exists in the Federal Government today. We base this assessment on responses to our interrogatories as well as information from numerous studies we have conducted over the past 20 years. Many managers and HR specialists are still convinced that they are not getting the high quality candidates that they should be getting for their jobs. Based on their comments, it appears that the source of their discontent lies not only in the recruiting and selection procedures per se, but also in the laws and regulations that control how the process operates. Specifically, they are unhappy with restrictions on how they are allowed to select, appoint, and promote employees, such as the so-called "rule of three," veterans preference laws, and time-in-grade restrictions, as well as what our respondents see as a compensation system that does little to help them compete with private sector employers.

While we have made recommendations over the years that OPM seek legislative relief from some of these laws and regulations (for example, we recommended that OPM seek legislation to abolish the rule of three), changes are slow in coming. This is not always because of OPM's lack of initiative. For example, in 1995 and 1999, because of the success of pay banding in demonstration projects, OPM drafted legislative proposals to extend that initiative to all agencies. Such action could greatly assist agencies' recruiting and retention efforts as they try

to compete with the private sector. Congress has not yet enacted such legislation, however. Similarly, a 1999 OPM legislative proposal recommended that categorical grouping—an alternative to the Rule of Three—be authorized, but again, no changes have been enacted. Thus, even in cases where OPM has sought legislative changes to rules that agencies believe hamper their efforts, the lack of progress very likely colors agencies' views of both the staffing process and OPM's role in that process.

Federal classification and compensation.

The issue of how Federal employees will be compensated for their work in future years is one of the most important matters to be addressed in the next century. A new compensation system that rewards contribution and serves as an incentive to productivity is required. OPM leadership to foster this kind of development would be welcome.

— Interrogatory Survey Respondent

The statutory Federal classification and compensation systems are critical aspects of the Government's human resources management program. The two systems (codified in 5 USC chapters 51 and 53) are very much related: the classification system provides a means of categorizing positions according to the kind of work done, the level of difficulty and responsibility, and the qualifications required, thus serving as a building block for the compensation systems to determine how much an employee should be paid for performing in those positions.

These systems have been the target of much criticism over the last several decades. The classification system, which has existed essentially in its present form since the end of World War II, is thought to be antiquated and no longer relevant by many critics. As former Director Lachance noted, "The effectiveness of organizing the workplace and its human resources management systems around 'positions' or 'jobs' as we have known them is wan-

ing fast. In many organizations now, employees are assigned to a position, but are called upon to perform one role today and another tomorrow. They often spend much of their time working on a variety of tasks, teams, and special projects. Selections for these assignments are often based not on the employee's position . . . but rather on the skills of the particular employee . . . So, in the future, staffing and employment will be quite a different process than our traditional model of simply matching employees with specific positions that are expected to remain fairly stable."⁶⁶

Likewise, the compensation system has been criticized by many as being so outdated as to hamper efforts to recruit and retain an effective Federal workforce. Criticisms of the system, many of which focused on the so-called "pay gap" between Federal salaries and private sector salaries for similar jobs, reached a critical level in the late 1980s. As a result of the discontent with the system, OPM led an extensive research effort to identify specific problems with the compensation system and develop a plan for addressing those problems, including the gap between public sector and private sector pay. In 1990, largely as a result of OPM's efforts, Congress passed the Federal Employees Pay and Comparability Act (FEPCA) in an attempt to narrow the pay gap. FEPCA was designed to close the gap over a 9-year period by addressing the pay gap by locality rather than across the board.⁶⁷

Nonetheless, in the years since the passage of FEPCA, the pay gap has not been narrowed to the extent originally envisioned. The Clinton administration, which took charge after the legislation was enacted, believed the FEPCA methodology to be flawed. These flaws included, among others, an inability to consider labor market factors such as quit rates and applicant quality when recommending locality pay adjustments. Thus, yearly Federal salary increases that ultimately were approved have

⁶⁶ Speech by Janice Lachance at the Strategic Compensation Conference, Alexandria, VA, September 8, 1999.

⁶⁷ Friel, Brian, "Pay Gap Takes Center Stage Again," *GovExec.com*, January 7, 1999.

not been at the levels FEPCA calculations called for. As one writer has noted, “Inadequate political support for resolving Federal workers’ pay problems offsets any interest in improving the program. Despite Congress’ willingness to enact FEPCA in 1990 and accept the need for locality pay, the pay gap is still an issue in every one of the metropolitan areas defined for locality pay differentials.”⁶⁸

In recognition of ongoing problems with the classification and compensation systems, OPM has proposed a number of initiatives aimed at improving these systems and enabling agencies to be more competitive with the private sector in recruiting and retaining a high quality workforce. For example, based on the success of pay-banding initiatives in Federal demonstration projects, OPM has recommended the adoption of pay banding on a Governmentwide basis. Also, OPM has promoted the use of pay incentives such as recruitment and retention bonuses to assist agencies in recruiting for hard-to-fill jobs. And most recently, OPM embarked upon (yet another) extensive study of the total compensation system. As one of its strategic objectives, OPM is reviewing the current compensation system and plans to “develop a performance-oriented system of total compensation within the next two to three years . . . [with the] goal of proposing legislative changes to achieve a modernized pay system by the year 2002.”⁶⁹ OPM created a new organization, the Workforce Compensation and Performance Service, which is reviewing the various elements of the system with stakeholder groups (such as unions, administration leadership, and employee and management groups) in an attempt to design an improved system based on their identification of the best compensation practices available.

When we asked agency HR directors their views concerning OPM’s leadership in improving the Government’s Federal compensation system, their

opinions were mixed. Several commended OPM’s new approach of looking at total compensation, and expressed the hope that it will lead to improvements. A few also noted that OPM has taken some actions, such as those relating to recruitment and retention bonuses, which have been of help in their efforts to maintain a high quality workforce.

Others, however, criticized OPM’s lack of leadership in this area. Several felt that OPM has relied on a piecemeal approach to solving problems with the compensation system. Others complained that OPM sees pay-banding as the answer to everything and are frustrated with OPM’s lack of progress in creating a system that helps them recruit and retain a high quality workforce. As one HR director noted, “It isn’t so much that OPM has taken specific actions that hurt recruitment and retention, but the fact that they haven’t taken actions to enhance recruitment and retention.” Recent OPM legislative proposals to improve incentives such as recruiting and retention bonuses may help, but that remains to be seen and in any event, they do not eliminate the impression of a piecemeal approach.

OPM’s role in compensation is an interesting one. In a sense, the compensation situation epitomizes the sometimes conflicting missions that OPM was created to accomplish. That is, one would expect that an agency charged with providing Federal HR leadership would be urging the Congress and the administration to approve pay raises in accordance with FEPCA, a law many of whose specifics are based on OPM’s own research. On the other hand, OPM was established as an agency to carry out the administration’s mandates, which may not always be consistent with previous administrations’ visions of ideal HR policies and practices. When short-term objectives clash with the best interests of the civil service, what role should OPM play—leader for a professional, merit-based civil service system or agent of the administration?

⁶⁸ Risher, Howard, “Why Your Pay Doesn’t Stack Up,” *Government Executive*, August 1997.

⁶⁹ “OPM to Look at Reinventing Federal Pay,” *Federal Section News*, IPMA Federal Section, May 1999.

While OPM's current efforts to study and redesign federal compensation are encouraging, we fear that they may not be sufficient to bring about major change in the system. If the past is indeed prologue, extensive study of the problem and recommendations for system overhaul may not be adequate in the face of political resistance to change.

Research programs and demonstration projects.

The authority for conducting research and demonstration projects was created by title VI of the CSRA. These projects were intended as a vehicle for evaluating new approaches to Federal HR management. Demonstration projects involve the waiver of some law, rule, or regulation, whereas research projects may be conducted within the scope of existing law, rule, or regulation. OPM's role, according to title VI, was to conduct or approve these projects. When the research and demonstration project authority was approved by Congress in 1978, it was anticipated that there would be a "small but steady stream of demonstration projects and a larger flow of research projects."⁷⁰

In our 1989 report on OPM, we noted that OPM's impact on research and demonstration projects had been much less pronounced than originally anticipated. At the time of that report, only four research programs and four demonstration projects had been implemented. In 1992, the Board took a comprehensive look at what OPM and the agencies had accomplished under the research and demonstration project authority. We concluded that although the impetus for many improvements in Federal personnel management had come from ideas explored in research and demonstration projects, changes were still needed in OPM's management of the program. Recognizing OPM's prior unsuccessful efforts to persuade agencies to carry out demonstration projects based on OPM's

research ideas, the Board recommended that OPM take a stronger leadership role by developing concepts and ideas for demonstration projects and soliciting agencies willing to carry them out. We also recommended that OPM request funding that could be reallocated to agencies for taking on demonstration projects. The report further recommended that OPM simplify the approval process for conducting demonstration projects and improve the collection and dissemination of information resulting from the demonstration projects. Finally, we recommended that OPM seek legislative changes to alleviate some of the restrictions on demonstration project authority and to allow the testing site to permanently adopt successful concepts tested.⁷¹

In 1993, OPM published its own review of the demonstration project authority, concluding that it had "not managed the authority so as to maximize the number of projects."⁷² However, the report also asserted that the number of projects undertaken was but one measure of success, and that more important is the impact that demonstration projects have on Federal personnel management. OPM's discussion of the history of the demonstration project authority and recommendations for change reiterated many ideas that the Board had proposed in 1992, and noted, as well, that agencies needed OPM to provide a clearer understanding of the intended purpose of demonstration projects and to identify suitable test issues. That report also acknowledged that OPM should solicit agency interest and work with agencies throughout the process.

Have the recommendations made by the Board and by OPM's own internal review led to improvements in the demonstration project program? Yes and no. OPM has made efforts to better disseminate information acquired from demonstration

⁷⁰ Op. cit. "Civil Service Evaluation: The Role of the U.S. Office of Personnel Management," p. 25.

⁷¹ U.S. Merit Systems Protection Board, "Federal Personnel Research and Demonstration Projects: Catalysts for Change," Washington, DC, December 1992.

⁷² U.S. Office of Personnel Management, "Retrospective on the Demonstration Project Authority: Lessons Learned," Washington, DC, December 1993.

projects that have been conducted. A great deal of information concerning active and completed demonstration projects is available on OPM's web site. Agencies included in our survey that have proposed demonstration projects report that OPM has been helpful in assisting them navigate the complex project approval process. But that process, unfortunately, remains cumbersome and off-putting, in spite of OPM's diligent efforts to make it otherwise. OPM's own customer satisfaction survey results show that only about half of the HR specialists responding (53 percent) were satisfied with the technical assistance they received concerning demonstration projects and alternative personnel systems, and only slightly more than that (56 percent) were satisfied with OPM's sharing of information in this area.

Legislative changes that OPM informally proposed in 2000 to simplify the demonstration project process might have improved the situation considerably. The proposal would have eliminated some of the time-consuming elements of the approval process (e.g., the requirement for a public hearing for each proposal); done away with the restriction on the number of projects that can run simultaneously (currently 10); increased the number of employees who can be included in a demonstration project from 5,000 to 25,000; and given OPM the authority to allow agencies to adopt successful HR innovations as alternative personnel management systems, without congressional action.

But those changes were not formally proposed. A relatively limited number of innovations have been applied on a permanent basis during the 20-plus years that the demonstration authority has been available, and none have been applied governmentwide. To date Congress has permitted three demonstration projects to be made permanent alternative personnel systems at the sites at which they were conducted. In addition, the findings of completed projects have led to some changes in Federal human resources management. One notable initiative based to a significant degree on information from research and demonstration projects

was the pay comparability legislation discussed above. The basis for FEPCA was a research project overseen by OPM, and many elements of the legislation were based on information from demonstration projects that tested pay for performance initiatives, such as China Lake. Efforts are still being made to extend the benefits of successful demonstration projects. The Bush administration has fashioned a legislative proposal that would, among other things, make it easier for agencies to adopt some of the practices proven to be successful in past demonstration projects. The President proposed this "Freedom to Manage" Act to the Congress in October 2001.

There are currently two active OPM demonstration projects and four otherwise completed (or terminated) demonstration projects. Interestingly, one of the current demonstration projects cuts across organizational lines in the Department of Defense to look at a particular workforce (acquisition), lending support to the idea that OPM is interested in looking at governmentwide issues and soliciting agency interest in testing those issues, as opposed to just approving individual agency solutions to more parochial problems.

There are also eight other active DoD laboratory demonstration projects. DoD received shared (with OPM) authorization for demonstration project authority in the FY 1995 Defense Authorization Act. The FY 2001 Defense Authorization Act (PL 106-398) completely eliminated OPM's authority for these projects under 5 USC chapter 47, so while OPM may play a consultative role, it has no real say in how the projects are run. In fact, such arrangements may become more common in the future—in the absence of legal and regulatory revisions to make the demonstration project process less cumbersome, agencies are finding other ways to address their interest in experimenting and their need for innovation.

And in spite of OPM's efforts to propose legislative change to assist agencies in getting projects approved, OPM has not made use of its current

authority to request funding to conduct demonstration projects. Instead, OPM continues to require agencies to fund these projects. Since funding problems may be a primary disincentive for agencies contemplating demonstration projects, seeking funds for the projects is one area in which OPM could make demonstration projects more attractive to agencies.

With regard to research (as opposed to demonstration) projects, there is not a great deal of work currently being done. Most of the research efforts conducted by OPM are now done on behalf of agencies on a reimbursable basis. There also have been a number of “special studies” conducted over the last ten years which, according to OPM, were undertaken as a result of congressional interest, findings from oversight reviews, and analyses of trends in HR management. OPM has made the results of these studies available on its web site under “Special Studies.” (We understand there are plans to index study reports under the heading of “Research,” which should make it easier for agencies interested in conducting a research study under the research and demonstration authority to find help while consulting the web site.)

To summarize, there are still problems with the demonstration project authority, most notably the cumbersome approval process. And while OPM has yet to persuade Congress to pass legislation that would bring about improvements in the demonstration project authority, demonstrations continue to be undertaken, often as a result of congressional interest in addressing a particular issue within an agency. This piecemeal approach to implementing HRM improvements is not the way CSRA envisioned the process to work, and is unlikely to provide the greatest benefits for the largest number of agencies. Therefore, OPM’s current legislative initiatives are encouraging, as is the fact that OPM has been able to gain approval for the demonstration project involving the acquisition workforce, the

first demonstration to cross organizational lines. In addition, OPM has informed us that it is considering ways to integrate research efforts and develop a broad research framework to support more HR innovation and flexibility. More projects such the acquisition workforce initiative should help to persuade agencies and the Congress that demonstrations can be effective in helping solve problems and introducing new HR tools and concepts on a governmentwide basis—certainly a more effective approach for agencies than confining the search for solutions strictly to their own organizations.

Equal employment opportunity. OPM’s major role with regard to equal employment opportunity is to ensure that the Government operates a civil service system that is merit-based and also seeks to represent the general population that it serves. During its first decade in operation, OPM attempted to balance the dual aspects of this role by the “development of valid examining or selection devices and the encouragement of affirmative action and equal employment opportunity efforts consistent with the merit principles.”⁷³ At the time of our report on OPM’s first ten years, the Professional and Administrative Career Exam (PACE) a centralized, valid selection procedure, had been eliminated due to challenges that the exam exhibited racial and ethnic bias. With the elimination of the PACE (and the shift of responsibility to the agencies for creating merit-based selection procedures to fill jobs formerly covered by the PACE), OPM was devoting only limited resources to the continued development of merit-based selection systems.

Although OPM has developed merit-based selection instruments and systems during the past decade, those products are offered to agencies strictly on a reimbursable basis. And, as we have noted previously in this report, this policy may put those products out of reach for agencies with limited resources. Such an arrangement may not be in

⁷³ Op. cit., “U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment,” p. 27.

the best interests of the Government—both in terms of selecting the best candidates and achieving a Federal workforce representative of the nation it serves. Under the circumstances, then, how good are current selection instruments and systems in terms of achieving the quality and representation we strive for in the Federal workforce?

Over the past several years, the Board has looked at selection methods agencies are using—including those developed and administered both with and without OPM involvement—with an eye towards both merit-based considerations such as the quality of hires when a particular method is used, as well as the representation of women and minorities resulting from the use of the various methods. For example, in 1994 the Board reported the following concerning individuals hired via different methods for professional and administrative positions in 1992:

- Compared to other methods, OPM-generated certificates (primarily referral lists of candidates who had responded to specific job vacancies) yielded the lowest percentage of minorities hired (around 16 percent), with quality levels of all hires via this method viewed as “average.”
- 19 percent of employees hired via agency-generated certificates were minorities. The quality levels of hires through agency-generated certificates was below average for grades 5-7, but improved for grades 9 and above.
- For direct hire methods, the trend in quality was opposite that found for agency-generated certificates: the higher the grade, the lower the quality. Twenty-three percent of direct hire employees were minorities.
- Employees hired via the Outstanding Scholar program were rated as above-average. Only 17 percent of the hires were minorities, however. It is interesting that this method was found to be among the least effective for increasing represen-

tation of minorities, even though it was created as a means of addressing imbalances in the hiring of African Americans and Hispanics.

- The Cooperative Education Program resulted in 26 percent minorities hired, with all hires being rated as about average.
- Ratings of quality were mixed on hires made via internal selection (merit promotion).

It is apparent that the results of these methods vary in terms of both candidate quality and effectiveness in hiring members of various racial and ethnic groups. However, some methods do appear to work better than others in helping agencies achieve the goal of maintaining a highly qualified workforce representative of America.

The Board has also looked at the overall progress of Federal agencies in achieving a workforce that reflects the nation’s diversity. In a 1996 study the Board reported that the Federal Government “employs a higher percentage of African Americans and Native Americans than are employed in the civilian labor force, and about as many Asian Pacific Americans,”⁷⁴ but that Hispanics are underrepresented. The Board also noted that there has been progress in increasing representation of minorities in entry level hiring, and there has been even more progress once minorities enter Federal service, with more holding top-level positions than ever before. However, since parity has not been fully achieved, it is still important that OPM as well as individual agencies continue to be diligent in monitoring the progress of minority recruitment, hiring, and promotion rates in the Federal service to ensure that minority groups ultimately reach full representation in all occupational groups and grade levels.

OPM is engaged in a number of programs with that goal in mind. As noted above, OPM’s approach to this issue has been twofold: developing valid selection methods and promoting affirmative

⁷⁴ U.S. Merit Systems Protection Board, “Fair and Equitable Treatment: A Progress Report on Minority Employment in the Federal Government,” August 1996, p. 61.

action and equal opportunity recruitment and hiring programs. Over the past ten years, OPM has emphasized the latter of these two approaches, promoting a number of special emphasis initiatives such as the following:

- *Nine-Point Plan for improving the representation of Hispanics in the Federal Government.* This plan, launched in 1997, offers agencies a blueprint for improving the representation of Hispanics in their workforces by establishing partnerships with Hispanic organizations and creating innovative ways of recruiting, developing, and retaining Hispanics in their agencies. More than 2,000 Hispanics have been hired into the Federal workforce as a result of this initiative.⁷⁵
- *Guide to Recruiting and Retaining Women in the Federal Government.* Published in June 1998, this guide suggests HRM approaches and tools agencies can use to design strategies to recruit and retain women.
- *Plan for Employment of People With Disabilities in the Federal Government.* This initiative launched by the President and OPM on October 16, 1999, is a plan to hire and promote persons with disabilities at all levels of the Federal workforce, from entry-level jobs to the senior executive service. The plan provides both a framework for departments and agencies to use in recruiting, hiring and retaining more persons with disabilities, and a guide with information and references to aid departments and agencies in their efforts to hire and advance individuals with disabilities.

While the OPM staff devoted to developing and promoting these initiatives is relatively small (fewer than ten employees), they have managed to create considerable publicity for these initiatives, and have helped to keep the programs in the forefront throughout the Federal community. But many

agencies that are committed to achieving a diverse workforce are still struggling to meet that goal. As we noted in our study addressing the barriers to Hispanic participation in the Federal workforce,⁷⁶ numerous factors can affect the representation of protected groups, and agencies must be made aware of these factors and be given ample guidance and assistance in overcoming them. For example, the education levels and geographic concentration of Hispanics in the west and southwest are factors that contribute significantly to Hispanic underrepresentation in the Federal workplace, and it's important that those who devise plans to overcome Hispanic underrepresentation understand those facts. OPM's assistance in identifying the complex factors that create or contribute to underrepresentation could be of considerable assistance to agencies that are trying to accurately target their own scarce resources to address the real barriers to increased diversity. But OPM's limited resources do not allow it to provide agencies very much assistance in actually locating, recruiting, hiring, and developing employees in protected groups beyond the guidance provided by the initiatives mentioned above and the development of selection instruments and systems that agencies purchase from OPM.

Performance management. The Civil Service Reform Act mandated that pay increases for Federal employees be based on the quality of their performance. CSRA also included provisions intended to make the removal of poor performers easier. Congress left it up to individual agencies, however, to design their own performance appraisal systems to assist in carrying out these mandates. Agency performance management systems had to be approved by OPM, and OPM was to provide technical assistance to the agencies in designing these systems, developing standards for evaluating system effectiveness, and monitoring the systems. The agencies' performance management systems had to

⁷⁵ "OPM Honored for Hispanic Initiative," *The Federal Employees' Edge*, FPMI, September 16, 1999.

⁷⁶ U.S. Merit Systems Protection Board, "Achieving a Representative Federal Workforce: Addressing the Barriers to Hispanic Representation," Washington, DC, September 1997.

base performance appraisals on job-related performance standards that employees were encouraged to participate in developing. The results of the appraisals were to be used not only for rewarding employees, but for training, promoting, reassigning, reducing in grade, retaining, and removing employees. A separate merit pay system was established for supervisors and management officials in GS grades 13-15, with specific guidelines for funding pay increases based on their performance. Career executives were also rewarded under a separate system.

Some of the most dramatic changes to take place over the last 20 years have concerned the merit pay system. In 1984, the merit pay system, originally established for GS 13-15 management officials, was modified and renamed the Performance Management and Recognition System (PMRS). At the time of our last OPM retrospective report, PMRS was due to expire at the end of September 1989.⁷⁷ Our report noted that there were persistent problems with the operation of PMRS, especially concerning employees' acceptance of the system and the system's inability to assess performance to the level of accuracy needed to distinguish among employees in making awards. PMRS was extended several times until it was finally terminated in 1993.

In 1995, the regulations were again revised, decentralizing the performance management program further to the agencies to develop systems to meet their own needs. (This occurred at the same time that OPM was undergoing fairly dramatic downsizing and was decentralizing HR authorities in many other areas, as well.) The appraisal system approval process was streamlined, and agencies were allowed to develop performance appraisal systems with anywhere from two to five summary rating levels.

In the years since this decentralization OPM has taken a hands-off approach toward oversight of agencies' performance management programs. Although we had suggested in our 1989 report that OPM take a more direct approach to assisting agencies (e.g., targeting deficient agencies for technical assistance) the deregulation and decentralization movement in Federal HR, as well as the shrinking of staff at OPM, have made such direct involvement either unnecessary or unfeasible. To its credit, OPM has encouraged flexibilities in policies and regulation, and has provided useful materials to assist agencies in developing performance management systems that they can use to manage their workforces more effectively. OPM is currently studying the effectiveness of the pass/fail performance rating system in use in many Federal agencies today. In an attempt to share information and advice with as wide an audience as possible, OPM uses many vehicles to disseminate information about performance management, including seminars and conferences, newsletters, the internet, satellite broadcasts, and CD ROMs.

OPM has done an especially good job of information dissemination on the topic of poor performers. Dealing with poor performers in the Federal workforce has been a major focus in recent years, both by OPM and the Board. As the Board noted in a 1995 issue paper, the CSRA goal of making it easier for managers to remove poor performers has not been achieved.⁷⁸ This assessment has been reiterated more recently in reports published by both OPM and MSPB.⁷⁹ Both the Board and OPM agree that the proportion of Federal employees who are performing poorly is not as great as conventional wisdom might suggest, but because the problem has far-reaching consequences for the organizations employing the poor performers, both

⁷⁷ Op. cit., "U.S. Office of Personnel Management and the Merit System: A Retrospective Assessment," p. 27.

⁷⁸ U.S. Merit Systems Protection Board, "Removing Poor Performers in the Federal Government," Issue Paper, September, 1995.

⁷⁹ U.S. Office of Personnel Management, "Poor Performers in Government: A Quest for the True Story," Washington, DC January 1999; U.S. Merit Systems Protection Board, "Federal Supervisors and Poor Performers," Washington, DC, July 1999.

agencies believe action must be taken to deal more effectively with the problem.

In this regard, OPM has spent much time and effort advising agencies on handling performance problems, with an emphasis on acting before the problems get to the point at which formal action must be taken against employees. OPM's dissemination of information and advice via conferences, publications, their web site, and CD ROMs represent an impressive educational effort on this important topic.

OPM's customer satisfaction survey revealed that almost three-quarters of the HR specialists participating are satisfied with OPM's information sharing and technical assistance in the areas of poor performance and disciplinary and adverse actions. Likewise, 73 percent are satisfied with OPM's guidance materials on performance management.

Our interrogatory survey of the agencies confirms that, by and large, agencies recognize and appreciate OPM's efforts in the area of performance management. They are especially impressed with OPM's web site assistance and CD ROMs. But many continue to struggle when dealing with performance problems, and acknowledge that there is only so much that OPM can accomplish through regulations, policies, and advice. This comment from a participant in our interrogatory survey illustrates a common viewpoint:

Managers still feel that the process for removing poor performers is too cumbersome and time-consuming, and too frequently overturned on appeal, or settled for the sake of expediency. Despite all of the flexibilities provided in the area of performance management, many supervisors still view performance appraisals as a yearly paper chore, or a means to distribute performance award money, and nothing else. This is an issue that needs to be addressed by agency management and is not easily addressed through regulations.⁸⁰

The Board believes that OPM should continue its efforts to educate and assist agencies. Given its limited resources in this area, however, efforts should be focused on the vehicles that have shown the greatest promise in reaching those in need of information. Based on responses to our agency questionnaires, publications (especially newsletters), the internet, and CD ROMs appear to be working well.

Some of the issues central to performance management are being examined by OPM's Workforce Compensation and Performance Service in connection with the agency's total compensation review. The fact that OPM is including the pay for performance issue in this project bodes well for future progress in the use of compensation as a tool for managing employee performance.

Retirement and insurance. The retirement and insurance area is one in which OPM has achieved a number of program and operations improvements, making significant strides over the last several decades. Twenty years ago, the functions performed by today's Retirement and Insurance Services group came under the Compensation Group. The organization's name was first changed to Retirement and Insurance Group, and then to Retirement and Insurance Services to reflect the customer service orientation that began about ten years ago and has grown steadily ever since. Until then, the organization's role combined fiduciary and customer service responsibilities. However, prompted by Congress (and likely propelled by popular management techniques of the day), customer service began to grow in importance and emphasis. The fiduciary role still was—and is now—critical. But what's been done to implement customer service improvements has been dramatic.

Retirement. For example, there is a congressional requirement for Federal agencies' retirement pack-

⁸⁰ Although some may believe that agency actions taken against poor performers are frequently overturned, this is not, in fact, the case. When employees appeal performance-based or adverse actions, their agencies' decisions are upheld in the vast majority of cases.

ages to arrive at OPM within 30 days of an employee's retirement, so that retirees don't have to wait months before receiving annuity payments. That goal is normally met. But in an effort to provide better customer service, OPM has sought ways to help agencies exceed the goal, including initiatives such as the introduction of electronic filing.

An important aspect of OPM's focus on customer service is the modernization of the tools used by OPM employees. OPM has also modernized the methods its employees use to communicate with customers. There are now toll-free numbers that annuitants can call with specific questions and web site locations annuitants can consult to get general information quickly. Many—if not most—of the changes and transactions customers want can now be initiated by the customers themselves by phone. This is quite a contrast to the situation 20 years ago, when OPM's specialists could not process any requests for action without a signature on paper. In fact, it was not uncommon then for a bereaved spouse to wait six months for a check, whereas today, a phone call can initiate immediate benefits payments. One of our agency survey respondents described the current situation this way:

OPM's automation of retirement package processing has greatly improved service to new retirees. First estimated checks and, subsequently, regular retirement payments are delivered to new retirees in a much shorter time than 20 years ago.

And OPM continues to seek advances in customer service for retirees and prospective retirees. Currently under development are a retirement information booklet that is personalized for the individual employee and access to information and accounts through the internet.

Like agency officials, retirees have been very positive about these changes. OPM's recent customer satisfaction surveys of annuitants have shown fairly high levels of satisfaction—much higher than even five years ago, when the staffs were larger and fewer annuitants were served. OPM's surveys of HR specialists also reveal positive views about OPM's

information sharing and technical assistance in the retirement area. And the Board's own agency questionnaires indicate that Federal HR offices have noticed improvements in the speed and accuracy of retirement claims-processing by OPM. Most of the agency HR offices responding to our survey were also very positive about the impact that OPM's automation efforts had had on their own workloads—annuitants are now calling OPM with many of the inquiries that used to be addressed to the personnel offices. A few noted, however, that annuitants sometimes had difficulty accessing the toll free numbers because of the heavy volume of calls. Several also mentioned their frustration with the current backlog of retirement disability applications. Nevertheless, the prevailing attitude towards OPM's retirement assistance is quite positive.

Insurance. In the other massive benefits program that OPM administers—insurance—there have also been major changes. One such change that has occurred over the last couple of decades is the place occupied by the Federal employee health insurance program on a national level. Formerly, OPM was not viewed as a national player in insurance programs. The Federal health insurance program was insular, standing alone without connections or influence with similar programs in other, non-Federal organizations. Now the insurance program has captured the interest of private sector employers and health maintenance organizations. In fact, during the health care debates of the late 1980s and early 1990s the Federal program was often held up as a model for other employers. As the twenty-first century began, OPM emerged as a significant source of influence in the health care field.

What has led to this position of prominence? One of OPM's accomplishments in this area has been the introduction of elements of managed care into the Federal fee-for-service programs (e.g., preferred providers and disease management features). This, OPM believes, has resulted in premium increases several percentage points below those of plans found outside the Federal sector. OPM also tries to

stay on top of the plans' specific inclusions and exclusions. And when an administration seeks particular improvements in health care it tries to ensure that Federal plans include coverage (e.g., annual mammograms for women).

A recent initiative in which OPM has been a key player is the effort to make long term care insurance available to Federal employees at group rates. In September 2000 the Long Term Care Security Act was signed into law. OPM currently is reviewing proposals from the insurance industry, and is on target to have a long term insurance program in place by October 2002.

In terms of customer service in the insurance arena, OPM has recently tested a number of initiatives to assist customers. For example, there are web site linkages to programs that help employees determine the specific features that would be most important in a health care plan for them and their families. The programs then provide information about available plans based on those critical features. This service gives employees relevant information to assist them in making decisions about their health care plans, as opposed to having to study numerous, detailed brochures in search of information.

OPM has also tried to provide leadership to their other customers, the agency HR specialists who advise Federal employees concerning their rights and obligations with regard to retirement and insurance. Because the Federal retirement system (and to a lesser extent the insurance system) are continually affected by new legislation, it is critical that Federal employees have accurate and current information available to inform the decisions that will have a great impact on the quality of their lives and those of their families. OPM has attempted to devise ways to better educate Federal benefits specialists, including the publication of FERS and CSRS handbooks, CD ROMs, videos, and pamphlets, as well as live, interactive satellite broadcasts. And according to OPM's own customer satisfaction survey, the efforts to make pertinent

information readily available to benefits specialists have been successful: around 90 percent of HR specialists responded that they were satisfied with the information concerning health insurance open season and life insurance coverage, and 88 percent and 86 percent, respectively, were satisfied with OPM's technical assistance in the two areas. With regard to OPM's guidance materials, 67 percent rated the Benefits Center CD-ROM as satisfactory, and 91 percent rated the FEGLI Handbook as satisfactory.

Retirement and insurance is such a technically demanding specialty that the question often arises whether HR specialists who work in this area should be certified. Although certification of specialists in all areas of HR has been debated, it is an especially compelling issue for benefits specialists since the advice they give can have a dramatic, far-reaching impact on the physical and financial well-being of Federal employees and their families. With the importance and growing complexity of the field, there is increased interest in professionalizing it. Since at least the mid-1990s, OPM has been looking at this issue, examining how other professionals deal with certification requirements (and especially how they handle keeping up with continuing changes). Nothing has yet been implemented in this area, however.

When we asked agencies their views on certification of benefits specialists we found mixed opinions, but the majority favored certification, primarily because of the complexity of the field and the critical nature of the advice and assistance provided. As one agency official put it:

Correct benefit information for employees is too important to be left to chance because it permanently affects [employees'] retirement decisions, as well as those of their survivors. Now, everyone is not receiving the same information due to a lack of standardization in the guidance provided. A certification program would provide consistency and greater reliability.

There were mixed opinions about what OPM's role should be in the certification process, if certification were to be required. The respondents were

about evenly split among those who thought OPM should be responsible for doing everything (setting the standards for certification, developing and conducting the training, and certifying the specialists), and those who saw OPM as responsible for setting the standards (with input from the agencies) and designing training courses, with the agencies themselves retaining responsibility for the actual certification.

Those who did not support the idea of HR certification worried that the agencies wouldn't be able to afford such a program, and believed the practicalities of a certification program (such as how to ensure continual post-certification learning) would be very difficult to manage. A few also noted that *all* HR specialists—not just those working in the retirement and insurance area—need to have certification programs to ensure the quality of their work.

In summary, OPM is to be commended for the progress made over the last decade in the area of retirement and insurance services. It is apparent that increased technological advances (e.g., the ability to automate so much of what had previously been done by hand) and the desire to be more responsive to the customers have driven the changes that we have seen. Because this area is based upon myriad complex rules and regulations that are constantly changing, OPM will continue to be challenged to find effective ways of communicating directly with employees to ensure that they have the information they need to make educated decisions about their benefits and their future.

SES and executive development. Created by the CSRA, the Senior Executive Service (SES) was intended to provide the Federal Government with the most highly motivated and highly competent leadership available. Whereas previously there had been over 60 separate personnel authorities for

executive positions, the SES replaced these with one unified system. The CSRA established goals for the SES to ensure that the executive service would be responsive to the needs, policies, and goals of the nation. These goals called for the SES to be administered in ways that ensured that executives would be fairly judged and fairly paid; that they would be held responsible for the effectiveness and productivity of their employees; and that they would be guided by the public interest and spared improper political influence.⁸¹ The CSRA also gave Federal agencies greater authority for managing their executive resources. OPM was tasked with providing leadership, guidance, and oversight of the SES, as well as providing leadership in the development of Federal managers (executives as well as lower level managers). OPM has defined its own role in executive resources this way: “to improve the performance of Government by providing leadership, policy development, program oversight and consultative services in the selection, development, and management of Federal executives who are strong leaders with a broad corporate perspective and a commitment to public service values and who are prepared to meet the leadership demands of the 21st century.”⁸²

As part of its oversight of the SES, in 1992 OPM re-examined the executive core qualifications (competencies) originally defined for selecting individuals into the SES, and decided that the competencies required of candidates were no longer up-to-date. After conducting a large-scale survey of Federal supervisors and managers, OPM revised the qualifications based on the survey research, and has continued to modify the qualifications since then to better reflect current thinking concerning effective Federal leadership.

The executive core qualifications are used not only in the selection of managers into the SES program, but are incorporated into SES development as well.

⁸¹ US MSPB, “The Senior Executive Service: Views of Former Federal Executives,” Washington, DC, 1989, p. 3.

⁸² US OPM mission statement.

The centerpiece of OPM's executive development program, the Federal Executive Institute (FEI) training program (actually created before the passage of CSRA) was developed by OPM to ensure that agency executives have the requisite management and leadership competencies, as well as exposure to and appreciation of the broad perspectives basic to effective performance as Federal executives.

According to OPM, the mission of the FEI has remained very consistent over the years. Although this mission—to provide senior managers with a broad view of their role in the Government—may have remained constant, the curriculum has changed substantially. FEI continually updates its program offerings focused on four broad themes: personal leadership in Government, transforming Government organizations, policy in a constitutional system, and global perspectives and public action. FEI uses the executive core qualifications to develop each of its core curricula, and to ensure a linkage among courses. In the past few years, FEI has also been making increased use of technological advances in training, to provide program support, e.g., online registration, pre-program assignments, evaluations, and web access to research.

In 1998, OPM drafted a framework for revising the SES. Although a wide-ranging OPM study of the SES had concluded that the system's original premise was sound,⁸³ the reviewers had found a number of system shortcomings that needed attention. Some members of the public administration community have, in fact, pointed out that the original promise of the SES has yet to be fully met. In a grant report on the SES, University of Delaware political scientist Mark Huddleston wrote, "The U.S. Office of Personnel Management and other concerned parties need to work to transform the

SES into something more than a pay system . . ." Dr. Huddleston added that OPM's SES framework has begun the transformation process.⁸⁴

The draft framework was intended to stimulate discussion of the SES including those issues that had been identified as problems or were, at a minimum, areas for concern. The framework included proposals in four areas: redefining and restructuring the SES, enhancing executive development, strengthening performance management, and increasing staffing flexibilities. OPM circulated the draft to numerous stakeholders, such as SES members, HR officials, the Senior Executives Association, NAPA, and Federal Executive Board members, among others. Based on the reactions to the framework, OPM has recommended a number of legislative changes, some of which have been enacted (for example, Congress increased the amount of Presidential Rank Awards). No consensus was reached about structural changes, but stakeholders agreed further study is needed. OPM does report progress in areas that don't need legislative change and can be addressed administratively through executive orders, regulations, or policy guidance. OPM also plans to keep working for legislation to make other changes supported by the various stakeholders.

What do OPM's customers think about its efforts in the area of executive resources? Interestingly, OPM's own survey data show fairly large differences in opinion between HR specialists and HR directors, with HR directors being much more positive. For example, 70 percent of the HR directors are satisfied with OPM's policy leadership in the area of SES and other executive resources programs, and 82 percent are satisfied with their agencies' opportunity to get involved in policymaking in this area. As can be seen in the table below, how-

⁸³ McLaughlin, Judy, "A Generation of Experience: Proposals to Improve the SES," US OPM, Washington, DC, October 1998.

⁸⁴ Huddleston, Mark W., "Profiles in Excellence: Conversations with the Best of America's Career Executive Service," The Pricewaterhouse Coopers Endowment for the Business of Government, November 1999, p. 4.

ever, those who administer these programs—the HR specialists—don’t see such a rosy picture.

Table 1. Percent of human resources specialists satisfied with OPM information sharing and OPM technical assistance for various program features

Program Feature	OPM Information Sharing	OPM Technical Assistance
SES/senior level space allocations	49	47
SES qualifications review boards/ candidate development programs	54	52
Noncareer and limited SES appointments	50	47
SES compensation and performance management	55	51
Presidential Rank Awards Program	50	47

These respondents were somewhat more positive about OPM’s revised SES qualifications guide which defines the competencies and characteristics that executives need. Some 66 percent of HR specialists said they were satisfied with the guide. However, only 51 percent expressed satisfaction with their agency’s opportunity for involvement in OPM’s initiative to revise executive core qualifications and only 47 percent were satisfied with OPM’s policy leadership in drafting the SES framework.

When we queried HR offices concerning the role that OPM has played in executive resources, their views were mixed, but most were fairly favorable about OPM’s effectiveness in leadership of policy direction and technical guidance and assistance. Most HR offices were supportive of the efforts that OPM had made in this area, but felt that there was still more to be done. These comments by interrogatory survey respondents illustrate the diverging viewpoints on OPM’s overall performance in this area:

OPM has attempted to fulfill [its] role through such initiatives as the draft SES framework, but political interests always seem to defeat significant change in the end. There have been numerous

workgroups recommending changes in executive resources management, but serious changes are usually rejected in favor of superficial modifications. Maximization of agencies’ flexibilities almost always requires legislative change, and as a result, OPM has very little leeway.

OPM has been very successful in providing leadership and policy direction while at the same time maximizing agencies’ flexibilities in managing executive resources. OPM’s communication network is strong—emails, faxes, regularly scheduled workgroups and meetings of the Executive Resources Network combine for exchanges of information which are timely, consistent, and thorough. OPM’s lead in developing the framework for improvements in the SES is testimony to its leadership role in providing increased flexibilities to agencies while supporting a corporate SES.

When asked about one of the more recent changes that OPM had made in the program—the latest modification of the executive core qualifications—most respondents were also positive. Several expressed the belief that the revised qualifications better matched their own agency emphasis on executive leadership, and they appreciated the fact that there was a closer linkage between these qualifications and their agencies’ Government Performance and Results Act (GPRA) strategic plans. Some of the respondents indicated that while they had no problems with the revisions that had been made to the qualifications, they believed that there was a problem in the QRBs’ evaluation of the core qualifications of their SES candidates. As one respondent complained, the QRB process is “paper intensive, has never been clearly validated, and relies too much on form over substance.” Since 1997 OPM has provided 210 agency-specific or general audience briefings on how to prepare executive core qualifications narratives. Nonetheless, respondents to our interrogatory thought that OPM should provide clearer guidance to nominees on preparing their qualifications statements, or eliminate the QRB process and allow agencies to evaluate candidates’ qualifications themselves.⁸⁵

⁸⁵ Final OPM regulations did not provide for delegation of the QRB process to agencies because, according to OPM, there was no overwhelming support for it from their stakeholders.

Respondents offered a variety of suggestions for improving the SES program (most of which, no doubt, OPM has heard and considered or is considering). Some of these included:

- The certification process should be repealed.
- Staffing flexibilities should be increased for SES limited term appointments.
- OPM's SES candidate development quarterly training seminars should be reinstated.
- OPM should take a more active role in succession planning and encourage agency succession planning models.
- Continuous and systematic development for managers and leaders before they become SES members is needed.
- Team management approaches should be established and senior executives should be subject to more rotation (i.e., job mobility as intended by CSRA).
- Competencies should be expanded and improved.

It appears that OPM has paid ample attention over the years to ensuring that the SES system is operating as intended by CSRA. Although some of the aspects of the system, such as executive mobility and SES sabbaticals, have not been implemented as envisioned by framers of CSRA, in general the system appears to be functioning well and OPM has worked to overcome some of the system's persistent problems. However, since the workforce (and the way we do business) is constantly changing, the SES members will need to continuously adapt to these changes and develop new competencies in the years to come. It behooves OPM to continue communicating often with its stakeholders in the SES arena (e.g., agencies' political leaders, senior executive interest groups, and senior executives themselves) in order to ensure that the Government's highest level managers continue to be up to the challenges that lie ahead.

Investigations. Investigations is an area within OPM that has undergone tremendous change over

the last decade. These changes have been driven by world events as well as events within the Federal Government. And the changes brought about in Investigations are considered by OPM to be a major success story.

OPM's Investigations Service is responsible for conducting background investigations on new (or prospective) Federal employees on behalf of the hiring agencies. Before 1994, this organization typically increased or decreased its staff according to projected workloads (as estimated from workload history). The Investigations Service worked on a cost-recovery basis, charging agencies for the investigations performed. When the early 1990s brought an end to the Cold War, Federal agencies began to downsize and to downgrade security level requirements. This resulted in a dramatic drop in workload for Investigations Service, and by 1993, the investigations operations of OPM were losing a million dollars a month. But downsizing and other resource reductions by OPM brought the operation back into the black by 1994.

In spite of the fact that Investigations Service was showing a profit by 1994, the administration decided to privatize the organization. Functions such as policy development for the program as well as contracting oversight and assistance to the agencies were retained at OPM. The other (operational) aspects of Investigations Service were privatized. The privatization was accomplished by the establishment of an employee stock ownership plan (ESOP), named US Investigations Service, Inc., or USIS. USIS, which was to be staffed by former OPM employees who had been displaced from their Federal jobs at OPM through a reduction-in-force, offered workers similar pay, the same duties, the same location, and the same retirement plans as their OPM jobs had had, and they received severance pay from OPM. USIS occupies OPM space and is also able to conduct work for organizations other than the Federal Government, including state and local governments.

Table 2. Issue Characterization for Completed Single Scope Background Investigations (in percentages)

	1995/96	1997	1998	1999	2000	2001
No issues identified	21.2	18.2	20.8	16.2	15.5	9.4
No actionable issues	26.6	29.3	21.9	15.2	15.7	14.7
Overall issues developed	52.2	52.5	57.3	68.6	68.8	75.9
Substantial/major issues	6.7	5.6	6.0	10.8	10.1	12.4

Source: U.S. Office of Personnel Management

OPM is proud of the privatization efforts in Investigations, and has saved over 75 million dollars during the first five years of the arrangement. USIS employees have received increased stock options and large bonuses. As far as the agencies' interaction with the investigative organization is concerned, it has been a smooth and invisible transition. Just as they did before 1994, agencies still send their cases for investigation to Boyers, Pennsylvania, and get them back from Boyers. Agencies pay for the investigative work done according to how quickly they want the investigation completed and the type of investigation being conducted.

To help ensure that the ESOP got off to a stable start, the original contract between OPM and USIS to do the Federal Government's investigations work was awarded in 1996 as a sole source contract for five years (with three years work guaranteed, and two years optional after that). In 1998, USIS was again awarded the contract to do Federal background investigations, and has continued to grow, entering into a \$200 million-plus contract with the Department of Defense in 1999, and increasing its staff to over 1,800 employees in 163 locations by 2000. The organization's work has been recognized by the National Partnership for Reinvention (Hammer Award) and the Ford Foundation.

In an era of downsizing and smaller staffs, it might seem surprising that the ESOP has grown over the years. The growth can be attributed to several factors. First is the fact that Federal agencies whose staffs have been cut but whose workload remains stable or growing must rely on contractors for the work they might have previously done in-house.

Although OPM doesn't have personnel or administrative authority over contractors, agencies often require background investigations for contract employees. Thus, investigations work has not decreased as the Federal workforce has downsized. In addition, many agencies have undergone (and continue to go through) reorganizations, which can result in the need for background investigations when employees are assigned work that requires higher level clearances.

Do the agencies who deal with USIS consider the changes that have occurred to be beneficial ones? The majority of agencies responding to our interrogatory survey indicated that the quality, timeliness, and costs of the investigations were about the same as when OPM was responsible for conducting them. OPM's own survey data currently indicate very high levels of satisfaction with the quality, timeliness, and cost of investigations. Data concerning the thoroughness of the investigations (also compiled by OPM) show improvements since privatization, as shown in Table 2.

Nonetheless, results of our interrogatory survey did find that some agencies were not happy with the quality of the investigations since USIS took them over. These agencies indicated that the quality of the investigations had deteriorated, and noted a lack of detail regarding the backgrounds of the subjects of the investigations in some of the investigative reports. As one respondent recalled, "OPM pursued issues in a more aggressive manner, contained more knowledgeable sources, and addressed issues in the investigative report more clearly." In spite of these concerns, the overall reaction to the change seems to be favorable.

Appendix 2 — Interrogatory Survey and Participating Agencies

These departments and independent agencies responded to the questionnaire that follows:

Department of the Air Force

Department of the Army

Department of Commerce

Department of Education

Department of Energy

Environmental Protection Agency

General Services Administration

Department of Health and Human Services

Department of the Interior

Department of Justice

Department of Labor

National Aeronautics and Space Administration

National Labor Relations Board

Department of the Navy

Small Business Administration

Social Security Administration

Department of State

Department of the Treasury

Department of Veterans Affairs

Survey Concerning the Activities of the U.S. Office of Personnel Management

General questions

1. Among the statutory responsibilities assigned to OPM are: delegating personnel management authorities to agencies; establishing and maintaining an oversight program; conducting or facilitating the conduct of research and demonstration projects; executing, administering and enforcing civil service laws, rules and regulations; and providing leadership and guidance to the Federal civil service system. In your opinion:
 - a. Are these still the appropriate roles for OPM, i.e., are there any that you would add or delete?
 - b. Please give us your views on OPM leadership in developing policy for the areas covered by those roles.
 - c. Please give us your views on OPM leadership in providing technical advice and assistance in those areas.
2. Are there any services or assistance you would like to receive from OPM that you aren't currently receiving? If yes, what are they?
3. What role, if any, should OPM have in ensuring the competency of federal personnel specialists?
4. To better disseminate information, OPM has introduced technical innovations such as satellite broadcasts, CD ROM's, videotapes, and the OPM website. In your opinion:
 - a. How useful are these methods of communication?

- b. Are there other methods of communication that OPM uses that have proven useful (for example, meetings with stakeholders, email, faxes)? Please specify.
- c. Do OPM's methods of disseminating information and communicating with you meet your needs? If not, please explain.

- 5. What should OPM be doing that it is not?
- 6. What should OPM **not** be doing that it is?
- 7. If there are any parts of title 5 from which your department or agency believes it should (or would like to) be exempt, please identify them and explain why.

Reimbursable Services

OPM offers the services in this table on a reimbursable basis. Please check any of the services you have obtained from OPM on a reimbursable basis, and rate your degree of satisfaction with each service received. For any services for which you were only partially or not satisfied, please explain why.

Employment Services	Service used ✓	Satisfied	Partially satisfied	Not satisfied
Staffing Services and Systems		(CHECK ONE)		
Development and validation of assembled written tests, including promotion and suitability tests				
Development and validation of structured interviews				
Development and validation of physical performance tests				
Development of rating schedules				
Nationwide test-scoring and application processing				
Computer-based scoring of applications				
Telephone application-processing (TAPS)				
Computer-assisted administration of written tests				
Administration of tests by trained test administrators				
Professional recruiting services				
Targeted recruiting				
Competency assessment				
USAJOBS				
USACareers—A computer-based system that includes career interest assessments, career counseling, career development, and links to job vacancies and training courses				
HR Manager—A computer-based system that provides managers with occupational and competency information used in job design, recruiting, crediting plans, performance management, appraisal, training, career development, and other personnel management activities				
Automation				
Self-service employee benefits systems (e.g., Employee Express) using touch-tone phones, kiosks, or internet access				
Automation of HRM functions				
Integrated information systems and kiosk support				
Document imaging				
Telephone services support				
Restructuring and Downsizing Services				
Downsizing planning				
Restructuring studies				
Technical assistance in RIF planning				
Automated RIF programs				
Development of restructuring programs				
Career center design				
Individual employee career counseling				
Development of agency outplacement programs				
Career and outplacement job fairs				
Governmentwide placement programs				

Reimbursable Services (continued)

OPM offers the services in this table on a reimbursable basis. Please check any of the services you have obtained from OPM on a reimbursable basis, and rate your degree of satisfaction with each service received. For any services for which you were only partially or not satisfied, please explain why.

Employment Services (continued)	Service used ✓	Satisfied	Partially satisfied	Not satisfied
Organization Assessment and Improvement Services		(CHECK ONE)		
Organizational assessment survey (Performance America)				
Customer satisfaction surveys				
Other survey services				
Evaluation of HR innovations or demonstration projects				
Organizational design and reengineering services				
Workforce and succession planning				
Leadership assessment and development				
Training needs assessment and diagnosis of employee competencies				
Other HR Services/Technical Assistance				
Occupational analysis				
Classification and qualifications standards				
Occupational certification program				
Other employment services (PLEASE SPECIFY)				
Training and Management Assistance (TMA) Services				
Obtaining Vendors for:				
Training and development				
Performance management				
Workforce productivity				
Business process reengineering				
Compensation studies				
Compensation system development				
Employee relations				
Employee retention studies				
Other TMA services (PLEASE SPECIFY)				
Other OPM Services				
Career development plans				
Federal Executive Institute				
Management development centers				
SOELR conference				
TRANSFORMATIONS Conference				
SOLUTIONS Conference				
Local workshops				
All other reimbursable services (PLEASE SPECIFY)				

Employment Services

1. If you use OPM for reimbursable employment services, do you have practical options should you choose to use services from an organization other than OPM? Please explain.
2. Does OPM's provision of reimbursable services have an impact on their leadership role with regard to protecting and promoting a merit system? Please explain.
3. Has OPM's delegation of examining authority resulted in improvements in the hiring process in your agency? Please explain.
4. How has OPM's USAJobs affected the hiring process in your agency?
5. Are you satisfied with your agency's ability to fill jobs with highly qualified candidates? Have OPM's actions had an impact in this regard?
6. Has OPM's role in government efforts to streamline federal staffing rules and regulations resulted in program improvements for your agency? Please explain.
7. Does your department/agency have access to Employee Express?
 - a. If so, approximately what proportion of your department's/agency's workforce has used Employee Express?
 - b. Please describe any feedback you have received from your employees concerning their experiences with Employee Express.
8. If there are any other aspects of OPM's activities in the area of employment services that you would like to comment on, please do so.

Oversight and Effectiveness

1. Over the years OPM has made changes in the way it conducts program evaluations and compliance reviews. If you have undergone an OPM program evaluation in the last two years:
 - a. Do you believe that OPM currently emphasizes the appropriate measures of HRM accountability in its agency program evaluations and compliance reviews?
 - b. What actions or different approaches to oversight would you recommend that OPM pursue, if any?

- c. What are your overall impressions of OPM's performance of their compliance and oversight responsibilities?
2. OPM has provided guidance and assistance to agencies in the development of systems and tools for agency use in the self-assessment of HRM.
 - a. How do you judge OPM's efforts to date?
 - b. How has your agency benefited from OPM's efforts, and is there anything more OPM should do in this area?
3. Has your organization/agency gone through the demonstration project approval process (whether or not your request was approved)? If so, please share any thoughts you have about OPM's performance in this area.
4. What, if anything, is your agency doing to improve the accuracy of your data system to provide more reliable data for input into OPM's Central Personnel Data File (CPDF)?
5. If there are any other aspects of OPM's activities in the area of oversight and effectiveness that you would like to comment on, please do so.

Classification and Compensation

1. What is your opinion of OPM's recent approach whereby "job-family" standards—which cover multiple occupations/series—are issued rather than individual standards? Why?
2. Over the years, OPM has conducted studies of and proposed changes to the Federal compensation system. In your opinion:
 - a. Has OPM shown appropriate leadership in improving the government's federal compensation systems?
 - b. What impact, if any, have OPM's actions had on your agency's ability to recruit and retain high quality employees?
3. Regarding assistance to agencies in the area of compensation:
 - a. Should OPM be responsible for helping agencies that want or need technical advice and assistance on compensation matters?
 - b. Is OPM currently able to provide such assistance to meet your agency's needs?

4. If there are any other aspects of OPM's activities in the area of classification and compensation that you would like to comment on, please do so.

Training and Performance Management

1. What guidance can OPM provide for employee training and development that would make your job easier? For example, would it help to have OPM provide guidance on workforce planning, on identifying workforce competencies and performance gaps, on strategic HR development decisionmaking, on establishing performance measures for HR development, or on measuring performance improvement outcomes attributable to HR development activities?
2. In the area of performance management, the past 20 years have seen flexible regulations, followed by highly centralized regulations with significant OPM control, followed by the current era of more flexible regulations. During any of that time, have OPM's activities in the area of performance management had an effect on your agency's ability to: a) recognize and reward good performers; b) help poor performers improve, or; c) help supervisors manage performance? Please explain.
3. If there are any other aspects of OPM's activities in the area of training and performance management that you would like to comment on, please do so.

Retirement and Insurance

1. OPM has automated many aspects of the process for handling retirement benefits claims over the past 20 years.
 - a. Do you believe that the increased automation has resulted in an improvement in the efficiency and accuracy of retirement benefits processing by OPM?
 - b. What impact, if any, have OPM's automated systems for retirees and annuitants had on the workload of your HRM office?
2. Because of the complexities of the rules and regulations covering employee benefits, in your opinion:

- a. Should agency personnel specialists who handle employee benefits be required to complete a standardized certification program to ensure that they are proficient in the areas in which they advise and assist employees?
 - b. Why or why not?
 - c. If such a requirement were instituted, what role, if any, should OPM play in the certification program?
3. If there are any other aspects of OPM's activities in the area of retirement and insurance that you would like to comment on, please do so.

Investigations

1. In 1996 OPM privatized its investigations services function.
 - a. Who does your agency's background investigations of prospective (or current) employees?
 - b. If you formerly used OPM for background investigations, how do the quality, timeliness, and cost of the services provided by your current investigative organization(s) compare with the services provided by OPM prior to 1996?
2. Because clearance standards differ to some extent across agencies, new investigations must sometimes be done for job candidates from outside, even though the candidates may have been recently cleared by another agency.
 - a. Has this been a problem for your agency?
 - b. If so, what do you believe OPM should do, if anything, to remedy this problem?
3. If there are any other aspects of OPM's activities in the area of investigations that you would like to comment on, please do so.

Executive Resources and Management Development

1. If your agency has ever had to deal with an SES performance problem for which you sought OPM's assistance, was the assistance you received adequate? Please explain.
2. How do the new executive core qualifications (competencies) developed by OPM compare to the previous executive competencies, e.g., do the

new competencies better match your agency's needs?

3. OPM's FY 2000 Annual Performance Plan defines OPM's role in executive resources as providing "Governmentwide leadership, policy direction, and guidance and technical assistance for the Senior Executive Service (SES) and executive personnel systems to maximize agencies' flexibilities while safeguarding the larger corporate interests of the Government." Do you think OPM has been successful in fulfilling this role? Please briefly explain the basis for your answer.
4. If there are any other aspects of OPM's activities in the area of executive resources and management development that you would like to comment on, please do so.

Other Areas of OPM Significant Activities

OPM also provides advice, guidance, assistance, and services to agencies in other program areas such as:

- classification appeals
- technical assistance on performance appraisals and performance management
- pay and leave administration
- staffing reinvention
- workforce restructuring
- workforce diversity
- partnership and labor-management relations
- employee relations and health services
- family-friendly workplace advocacy

If you have comments you'd like to share about OPM's activities in any of these areas, please do so.

Appendix 3—Letter from OPM Director



OFFICE OF THE DIRECTOR

UNITED STATES
OFFICE OF PERSONNEL MANAGEMENT
WASHINGTON, DC 20415-0001

SEP 7 2001

The Honorable Beth S. Slavet
Chairman
U.S. Merit Systems Protection Board
1615 M Street, NW
Washington, DC 20419-0002

Dear Ms. Slavet:

Thank you for your letter of August 3, 2001, congratulating me on my confirmation as Director of the Office of Personnel Management, and forwarding your draft report, "The U.S. Office of Personnel Management in Retrospect: Achievements and Challenges After Two Decades," for comment.

I am looking forward to the challenges and responsibilities of my new position and share your view that our agencies can constructively work together to improve the effectiveness of human capital management in the Federal Government. I also appreciate the opportunity to review and comment on your draft report on OPM's performance since its creation under the Civil Service Reform Act.

Overall, your report is an important and valuable commentary on both the successes OPM has had and the challenges the agency faces as it balances its dual roles. As I testified in my confirmation hearing, I believe that primary to OPM's mission is the responsibility to assure that the values of our American merit system are observed, even as I also believe that we must ensure that our policies and programs are truly responsive to the diverse and complex needs of today's Government and our Nation's citizens.

Within that context, your observations and recommendations will be particularly useful as we move forward in the coming decade to improve human capital management. For example, I agree with you that OPM must play a central role in developing human resources policy and I thank you for your gracious words about the "wealth of experience, professionalism, and wisdom" that OPM's staff possesses. OPM will continue to be a beacon to the entire Government.

I also agree that OPM should examine the consequences of the "abrupt" elimination of OPM's system of guidance on the effective delivery of human resources services during a time of significant delegation of authority and downsizing of personnel staff Governmentwide.

I also agree with your emphasis on improving the hiring process and the compensation framework. In addition, I am particularly interested in restoring the image of public service as a noble and rewarding profession, which I consider an essential basis on which to evaluate proposals and make decisions for change.

In response to your request for review, I am enclosing specific comments on some sections of your report that may lead you to reconsider your final conclusions and recommendations. I have refrained from commenting on conclusions that relate to issues now pending in litigation in which OPM and the Board are parties. OPM's silence on these aspects of the draft should not, and does not, suggest agreement with the Board's analysis or conclusions. But I wish to emphasize strongly that, although OPM and the Board have disagreed, and will continue to disagree from time to time, there is a great deal more that unites us, beginning with our common origin and our abiding devotion to preserving the merit system. This Administration's goals - both long and short-term - will be informed and guided by that devotion.

I also have enclosed a list of minor corrections and clarifications that I believe will enhance the quality of your report.

Thank you for this opportunity to review. I appreciate your shared interest in improving the management of human capital in the Government, and I look forward to working with you to meet this challenge.

Sincerely,



Kay Coles James
Director

Enclosures