

Testimony of

Max Stier
President and CEO
Partnership for Public Service

Before the

Committee on Science
House of Representatives

on the
“NASA Flexibility Act of 2003”

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I want to thank the House Committee on Science and Chairman Sherwood Boehlert for the invitation to testify before you today on an issue that is of great interest to me and the Partnership for Public Service. The National Aeronautics and Space Administration (NASA) is confronted with a number of urgent workforce challenges and I am pleased to discuss our views regarding the potential for a proposed bill, the “NASA Workforce Flexibility Act of 2003,” to assist in meeting those challenges. The Partnership for Public Service strongly supports giving federal agencies meaningful workforce management tools to better enable them to become the high-performing organizations that the public justifiably demands. At the same time, we also believe those tools must be carefully crafted to ensure that they do not conflict with the public’s interest in a merit-based civil service system. For the reasons outlined in this testimony, we support the provisions of the “NASA Flexibility Act of 2003” as a good step in the right direction. We also offer suggestions for additional proposals that the Committee may wish to consider.

Basic Principles

The views expressed in this testimony are based on three fundamental principles which must be preserved in the design and implementation of any new federal workforce management flexibilities.

First, as noted in the Partnership’s July 31, 2002, report, “Homeland Security: Winning the War for Talent to Win the War on Terror,” whether in the private sector or public sector, active employee involvement in the design and implementation of management improvement activities is a proven method for achieving positive results. Every federal demonstration project or alternative personnel system that has successfully tested or implemented a human resources management policy outside the requirements of title 5 has first engaged in consultation or negotiation with employee unions or, in the absence of a union, direct consultation with affected employees.

Second, effective use of any HR flexibility presupposes that sufficient resources are available and allocated for their use. We strongly encourage congressional appropriators and the Office of Management and Budget to take this into account during budget development and deliberations. We appreciate the fact that there are many demands placed upon the limited funds that are available for federal operations. However, good human resources management is an investment in the long range health and vitality of the federal workforce and the health and vitality of the government itself. We've seen the negative results associated with attempts to exact "savings" by short-changing constructive human resource initiatives. Workforce management done "on the cheap" will fail.

Third, agency leadership committed to effective mission accomplishment and the long term health of the public service is an essential ingredient for successful workforce management. Commitment and accountability for positive results and adherence to public service values must exist at all levels of agency management.

Why Are New Flexibilities Needed?

By now, of course, it is well documented that the entire federal government is facing severe workforce challenges. Further, those challenges are approaching crisis proportions in at least some federal organizations. For example, the General Accounting Office has designated strategic human capital management as a government wide high-risk area. The President's Management Agenda contains five government wide management initiatives, the first of which focuses on the strategic management of human capital. The challenge today is not one of finding additional evidence of federal workforce problems, for the evidence abounds. The real challenge is to develop and implement a viable response to those problems. In that regard, I commend the House Committee on Science for its initiative to seek answers and to propose solutions.

Background

Before I summarize what I see as the unique workforce challenges confronting NASA and some of the more promising responses to those challenges, it might be instructive to

briefly share a little background on the Partnership for Public Service. The very existence of this non-partisan, non-profit organization that I have the privilege to lead is itself testimony to the seriousness of the problems confronting NASA and the rest of government.

The Partnership for Public Service is dedicated to helping recruit and retain excellence in the federal civil service. Through an aggressive campaign of hands-on agency partnerships, legislative advocacy, focused research and educational efforts, the Partnership encourages talented people to choose federal service for some or all of their careers and works with the government to help retain high-achieving federal employees. We exist because of the vision and concern of our founder, Samuel J. Heyman, who was himself a federal employee in the 1960's. Although Mr. Heyman left government in 1968 to run the family business after the death of his father, he never lost his appreciation for the fact that the quality of life in this country is a direct reflection of its government and that the quality of the government is a direct reflection of its workforce.

Concern over a potential decline in the quality of the federal workforce has been fueled in part by the knowledge that over the next five years well over half of the federal workforce may qualify for retirement, including over 70 percent of its senior executives. Moreover, this turnover will occur after a decade of downsizing which resulted in skills imbalances in a number of agencies and left some staffs stretched perilously thin. Additionally, interest in federal employment remains low among some of the most highly talented, and marketable, members of the national labor force. This was, and is, a scenario for disaster. Out of a determination to do something about this situation, the Partnership was established and a public launch was planned for September 12, 2001.

On September 11, 2001, we were in the midst of a congressional breakfast being held to introduce the Partnership when word of the terrorist attacks reached us and the building was evacuated. If anything, however, the events of September 11, 2001, reminded the American public of the need and value of a strong and vital public service.

Unfortunately, the renewed appreciation for the public service has not resulted in

increased interest in federal employment. To that end, the Partnership has been actively engaged since its establishment in working with Congress, the Administration, federal employees and their representatives, corporate leaders, academic institutions, and other individuals and organizations interested in ensuring that the federal government has a high-performing workforce within a high-performing workplace.

While the federal government competes in the same arena as the private sector, it operates with a significant handicap in terms of a compensation system that is relatively inflexible and which does not respond to “market-pressures” when competing for the “best and brightest,” particularly in occupations where the demand exceeds the supply. Nor is the federal recruiting disadvantage simply a matter of pay. Even well-qualified individuals who are actively interested in federal employment must face what has been described as a “civil service hiring labyrinth” that in comparison to private sector hiring is viewed as slower, more confusing, and less fair. Finally, the current system also offers limited opportunities for high performing employees to receive monetary awards based on their performance or contributions.

Implications for NASA

The problems and challenges described above apply to all agencies, but not equally. The predominance of positions in NASA that require high levels of technical and scientific expertise magnifies its recruitment and retention difficulties in a unique way. As noted in the NASA profile attached to this testimony, over 60 percent of NASA employees are in professional positions (positions with positive educational requirements at the college level). NASA’s top three occupations in terms of the number of employees in that occupation are aerospace engineers, general engineers, and computer engineers – all skills that are in great demand in the private and academic sectors. NASA also faces acute short-term recruiting needs with three times as many employees over the age of 60 as there are under the age of 30. Further adding to its workforce management challenges, NASA went through a sustained downsizing effort starting in 1993 that lasted through 2000 with negative consequences for the depth of its technical capacity. As noted in the President’s Management Agenda for FY 2002:

Downsizing at NASA over the last decade through attrition and buyouts has resulted in an imbalance in NASA's skills mix.

Having identified a problem and having the ability to do something about it, however, are two different issues. Many of the positions that NASA will need to fill are among those for which competition with the private sector is particularly acute. Plus, as the overall talent pool shrinks, NASA will increasingly be at a disadvantage in comparison to private sector employers who are better able to adapt their personnel policies and practices to the changing labor market. As noted by the General Accounting Office in its January 2003 report, "Major Management Challenges and Program Risks: National Aeronautics and Space Administration"

NASA is facing shortages in its workforce, which could likely worsen as the workforce continues to age and the pipeline of talent shrinks. This dilemma is more pronounced among areas crucial to NASA's ability to perform its mission, such as engineering, science, and information technology.

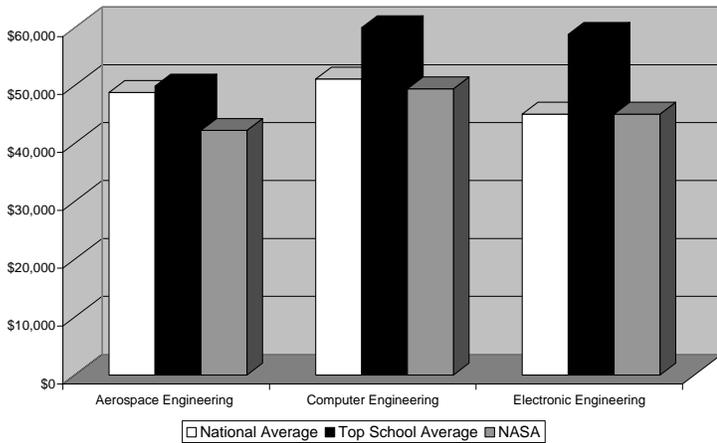
Finally, we agree with the NASA Administrator, Sean O'Keefe, who noted in his written statement to the Senate Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Committee on Governmental Affairs, that:

NASA's ability to fulfill its ambitious mission is dependent on the quality of its workforce. An agency is only as strong as its people.... Being "good enough," will not suffice: NASA needs the best and the brightest to build a world-class workforce.

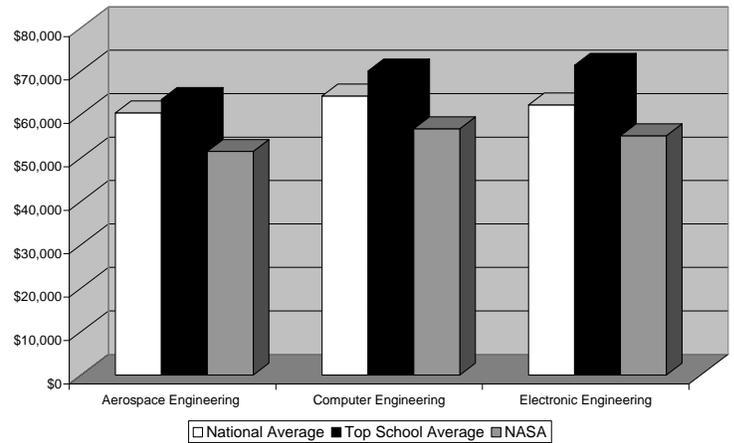
Unfortunately, it's difficult to attract and retain a world-class workforce when the hiring system is not only convoluted and off-putting, but the starting salaries offered are below

national averages and, as the chart below shows, significantly below the salaries paid to graduates from some of the nation’s top schools. Although average engineering salaries in the public and private sector tend to be comparable, the private sector pays higher entry level rates to attract top candidates. This provides a significant advantage over the relatively inflexible federal pay system.

Salary Comparison - Bachelors Degrees



Salary Comparison - Masters Degrees



Sources: *National Average* from National Association of Colleges and Employers, 2001-2002. *Top School Average* indicates average entry-level salaries for graduates from schools ranked 1-5 for engineering in “America’s Best Colleges 2003,” *US News and World Report*, 2003.

Why NASA and Not All of Government?

I know there is some concern regarding the “Balkanization” of the federal civil service system by allowing individual agencies relief from the requirements of title 5 of the U.S. Code and not others. An alternative to the flexibilities being considered in the proposed “NASA Flexibility Act of 2003,” might be to wait for government-wide civil service changes that would benefit all federal agencies. As attractive as that proposition sounds on the surface, the realities of the situation argue against it for three reasons. First, NASA’s needs are too acute to await a broader legislative package. Second, we believe NASA has demonstrated that it is presently ready to manage the proposed flexibilities in a responsible and effective manner. Third, while we support the broader goal of comprehensive government-wide reforms, we see no reason to delay action on the current proposals until that more ambitious agenda is realized.

Any proposed change to a provision in title 5 should be evaluated within the context of the need of the agency or organization involved and the capacity of that agency to handle the change in a responsible, merit-based fashion. On the first point, and based on the information provided in the first part of this testimony, we must agree with Committee Chairman Boehlert who, in his testimony before the Senate Subcommittee on March 6, 2003, stated,

Now, NASA is not the only agency facing workforce issues, in general, or issues involving its scientific and engineering workforce in particular. But NASA's needs are especially critical. I don't believe we have to wait for massive, wholesale reform of civil service law to take care of NASA's immediate problems.

NASA does not have the luxury of waiting if it is to successfully meet the substantial workforce and mission challenges it faces.

On the issue of whether NASA is ready to handle in a responsible, merit-based fashion the flexibilities being proposed, I would note the findings of the General Accounting Office in its January 2003 report on NASA which, while finding that NASA's human capital was still at risk, also found that:

Since our last Performance and Accountability Series report issued in January 2001, NASA has been taking actions to address each of its challenges. For example, NASA has hired new staff, who helped address imbalances in some critical skill areas in the shuttle program, and it has developed a strategic human capital plan to enhance its entire workforce.

We also note that based on the Office of Personnel Management's and the Office of Management and Budget's assessments of the progress being made in its human capital management, NASA received a "green" in human capital management progress and was

one of only six agencies that received a “yellow” rather than a “red” in that area in the executive management scorecard.

Finally, calling for government-wide reforms in lieu of agency-specific relief ignores the fact that there are already more federal employees who work in federal organizations that are exempt from some or all of title 5 than there are employees in organizations that are fully covered by title 5. A 1998 report by the U.S. Office of Personnel Management, “HRM Policies and Practices in Title 5-Exempt Organizations,” found that:

In the Federal Government, the trend toward flexibility has manifested itself in a number of ways, including the attempt by a number of agencies to move away from the specific requirements of title 5. Full or partial exemption from title 5 is of course nothing new. Agencies such as the Tennessee Valley Authority and the Federal Reserve Board have been outside title 5 for decades. But the movement in that direction has gained momentum, to the extent that nearly half of federal civilian employees are now outside of some aspect of title 5 coverage....”

Note that this report was written before the Internal Revenue Service was granted substantial flexibilities and before the Department of Homeland Security and its 180,000 employees were exempted from portions of title 5 that still cover many of the remaining federal agencies. So an argument that all federal organizations should remain under title 5 and that any changes should apply government wide seems to have been lost some time ago. Given this background, the present legislative proposal is a welcome continuation of a long-time trend toward limited grants of flexibilities on an agency-by-agency basis.

Why Now?

NASA’s workforce problems have also been exacerbated by significant changes in the aerospace industry itself. The “Final Report of the Commission on the Future of the

United States Aerospace Industry,” which was the subject of the first panel at this hearing, found that:

Clearly, there is a major workforce crisis in the aerospace industry. Our nation has lost over 600,000 scientific and technical aerospace jobs in the past 13 years....most of the workers who have lost their jobs are unlikely to return to the industry. These losses, coupled with pending retirements, represent a devastating loss of skill, experience, and intellectual capital to the industry.

That finding, along with the well documented decline in the number of U.S. students pursuing degrees in science, mathematics, and engineering, strongly suggests that any increase in interest in federal employment, especially among science and engineering students, is likely to be temporary at best. I would also note, as has been reported by the National Science Foundation, that 40 percent of the graduate students in America’s engineering, mathematics, and computer science programs are foreign nationals. Since the federal government restricts its hiring to U.S. citizens only, this further shrinks the pipelines.

Finally, as I previously noted, the goal for NASA should not be the hiring of simply qualified employees, but the development of a world-class workforce with a world-class work environment. That talent may still not be readily available to NASA even now, and it seems even more certain that it will not be available a few years from now.

Will the “NASA Flexibility Act of 2003,” Give NASA What It Needs?

As I stated at the opening of this testimony, this bill is definitely a step in the right direction. It may not give NASA all the tools that it needs--there is still the question of funding along with the need for sustained leadership and commitment, among a few other necessities—but these provisions and flexibilities will be helpful. It is also noted that there are a number of safeguards built in, including development of a public “workforce plan,” and notification and periodic report requirements that also significantly diminish

the possibility that the authorities will be abused. As detailed below, these proposed flexibilities promise to be of substantial assistance to NASA in meeting its workforce challenges:

- The ability to provide recruitment, redesignation, and relocations bonuses (Sec. 504) that are substantially greater than those currently authorized and that are combined with a service agreement should help offset the ability of other employers to substantially out-bid NASA up-front. Since federal compensation comes closer to private industry averages several years after initial hire, retention should also not be a problem even though the bonuses are not part of base pay. These flexibilities also track “best practices” in the private sector. In a recent WorldatWork survey of private sector employers, engineering was the second most-difficult occupation in terms of attracting and retaining qualified applicants. Further, more than three of every five employers in this category (61 percent) used sign-on or hiring bonuses in response to that difficulty.
- Retention bonuses (Sec. 505) at a level higher than currently available will be particularly useful not only in retaining crucial talent, but also for ensuring that new employees have experienced staff members to train and develop them.
- Voluntary separation incentive payments (Sec. 506) have also proven to be useful when used conscientiously as part of a workforce reshaping effort as opposed to simply promoting workforce reductions. Under a reshaping effort, the employees separated are typically in positions no longer essential to the mission of the agency and their departure frees resources that can be used to bring new employees on board who fill new positions that are essential. While this provision, especially at the monetary levels provided, could be quite useful, that fact that it is restricted to only 10 positions a year may limit its effectiveness.
- The use of Term appointments (Sec. 507) for up to six years and, if the need appears to be continuing, allowing conversion to a permanent appointment (under

the conditions specified in the bill), can provide needed flexibility in dealing with the normal uncertainties of a highly scientific or technical environment and shifting congressional or Administration priorities.

- The authority (Sec. 508) to pay up to ten individuals in critical positions at a level above the current pay caps is another authority, that while subject to some debate, has been used in the Internal Revenue Service and found by an independent evaluator (Hal Rainey, a distinguished professor in the School of Public and International Affairs, the University of Georgia) to be an effective tool. It should be noted that the higher rates of pay, which are certainly attractive compared to the current federal pay cap, can still be relatively modest compared to private sector salaries for similar levels of responsibility.
- The expansion of assignments under the Intergovernmental Personnel Act (Sec. 509) from a maximum of two years to four years, is again a flexibility that used judiciously can be quite useful, especially given the fact that the nature and duration of a scientific endeavor can be difficult to accurately predict in advance.
- Enhanced demonstration project authority (Sec. 510) takes the existing authority in Section 4703 of title 5 and removes the 5,000 person limit. In essence, this would allow NASA to propose a project that could cover all 18,000 plus employees in the agency. Given that there has been 25 years worth of experience under this authority without any major problems, this provision breaks little new ground and seems amply supported by the long history of relatively successful demonstration projects.

Additional Suggestions

As we noted at the outset, we believe the proposed flexibilities in the “NASA Flexibility Act of 2003, are a step in the right direction. We also believe that there is one additional flexibility and one modification to a provision already contained in the proposed bill, that would also be useful. They are:

- Among a number of recommendations by NASA for additional human capital legislation that have merit, a proposal for a “scholarship for service” program stands out. As the number of students in the engineering and science educational pipeline shrinks, particularly students who are U.S. citizens, NASA’s ability to attract its fair share of the “best and brightest,” is likely to become increasingly difficult. This will be especially true when students with student loans to repay are lured by higher starting salaries in the private sector. A NASA supported scholarship program could serve two worthy purposes: (i) encouraging students to consider a course of study leading to a career in science or engineering; and (ii) provide another entry point for talented students to join the NASA workforce by coupling the scholarship to a requirement for service.
- Section 510 of the “NASA Flexibility Act of 2003,” provides one valuable enhancement to the current demonstration project authority in Section 4703 of title 5 by allowing more than 5,000 employees to be covered. However, it would still require NASA to go through the rather daunting and time consuming process contained in Section 4703. Those original provisions, however, were part of the 1978 Civil Service Reform Act and were appropriate safeguards for an untried process. Today, however, we have over 25 years experience with demonstration projects and a long history of successful projects and lessons learned. We would recommend that serious consideration be given to a more streamlined process similar to that given to the Internal Revenue Service in 1998 and codified in Section 9507 of title 5. There remains a requirement for union negotiation and congressional notification of proposed projects, but IRS has been able to move more rapidly than other agencies. It’s noteworthy that many of the successful demonstration projects that have been undertaken, including the very first demonstration project in 1981 at the Naval Weapons Center, China Lake, California have involved employees in scientific and engineering environments, since the agencies involved were experiencing some of the same difficulties as NASA in recruiting and retaining top talent. By providing the same process flexibilities to NASA that have been given to the IRS, NASA could

more easily adapt some of the successful practices and lessons learned in other environments.

Mr. Chairman and Members of the Committee, I want to again thank you for allowing me to share with you the perspectives of the Partnership for Public Service on these important issues regarding the future of the NASA workforce. We would be happy to assist the Committee in any way we can as you seek to ensure that NASA has the world-class, highly motivated workforce that it needs for the challenges that lie ahead. I would be happy to answer any questions you may have.