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REMARKS OF ELMER B. STAATS
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ON THE OCCASION OF THE ANNUAL
CONFERENCE OF THE EASTERN REGION
OF THE
INTERNATIONAL PERSONNEL MANAGEMENT ASSOCIATION
ST. THOMAS, VIRGIN ISLANDS
JUNE 15, 1976

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PERSONNEL MANAGEMENT: THE STARTING PLACE

The theme of your conference--Look Back - Be Proud - Look Ahead - Achieve--I find appropriate in both a personal and public sense. Personally, I look back and am proud to remember that on my last appearance before the International Personnel Management Association in 1973 I was honored to receive your Stockberger award. I also look back and am proud of advances made in personnel management since that time.

I suggested then that innovation and experimentation were needed, and through the efforts of many, progress has been made in this area. For example, we in the General Accounting Office have recently studied and reported on flexible and compressed work schedules in Federal, State and local governments as well as in the private sector. We

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found many innovative programs and identified advantages such as better employee morale, reduced commuting cost and time, reduced absenteeism, reduced startup and shutdown costs, better capital asset utilization, recruiting benefits, and increased productivity. We have recommended that the Congress amend laws that now limit government and government contractors' ability to implement revised workweek concepts.

The General Accounting Office has also recently examined ways part-time employees are used in Federal agencies. By offering part-time employment, the Government provides itself with a large pool of talent that would be neither needed nor available on a full-time basis. Part-time employment also benefits many persons who cannot, or prefer not, to work full time. We hope experiments with flexible scheduling and part-time programs will continue.

I also suggested at the 1973 meeting that research must be practically applied. In this connection, I have been interested to hear about research and demonstration projects both underway and completed under Intergovernmental Personnel Act grants to State and local governments; projects, for example, related to employee performance, automated management information systems, and test validation. It is now essential that successes in areas such as these be shared.

I have also watched great progress in putting productivity research to use. Last year, in enacting the Productivity and Quality of Working Life Act of 1975, the Congress declared increased productivity

to be a national goal. It established the National Center for Productivity and Quality of Working Life, which has broad responsibilities for stimulating improved productivity in all sectors of the economy. Because I know you discussed the Center this morning, I will only add that I strongly supported enactment of this legislation and believe that the new Center can make an important contribution.

The GAO has long had a strong interest in productivity. Several years ago we participated in a joint project with OMB and CSC which led to the present effort to measure and improve productivity in the Federal Government. We are still involved through our participation in the Joint Financial Management Improvement Program (JFMIP). The JFMIP is now preparing its third annual productivity report to the President and the Congress. This report will summarize productivity data for 1.9 million Federal workers or almost two-thirds of the total Federal civilian work force. During the past few years, productivity for the measured portion of the work force has been increasing at an average rate of about 1.5 percent per year.

Measurement of productivity, of course, is just a first step. More important is the use made of productivity data in budgeting, work force planning, and program management at all government levels. I believe the National Center can play an important role in fostering interchange of productivity techniques among Federal, State, and local governments and the private sector.

Some experimental work in which the National Center and JFMIP have been collaborating will be of special interest. They are working on an approach called "Total Performance Measurement" in which traditional productivity (or efficiency) measures are combined with effectiveness measures and information on employee and customer attitudes. Integration of this data can help managers diagnose problems and take necessary corrective action. This approach is clearly applicable to all levels of government. Cooperative projects are now underway with four groups-- a regional office of a Federal agency, a State, a county, and a city. Results will be published and made available to all who are interested.

The JFMIP is also working on the integration of work measurement and productivity systems into overall financial management systems. Cooperative projects with two Federal agencies are helping these agencies make cost-effective decisions on allocation of their personnel and other resources. These project results should have widespread applicability to other agencies.

Analysis of productivity data over the last few years has shown that many of the productivity gains have resulted from automation, capital investment, and improved systems. On the other hand, many of the decreases in productivity have been attributed to problems in the management of the workforce. Many of these problems you have discussed here this week. Surely there are great opportunities for

productivity improvement through application of good personnel management techniques. Much good work is being done in this area but more needs to be done.

GAO's Federal Personnel and Compensation Division will also be looking at the quality of working life. Our long-range objective is to increase GAO's contribution to the overall improvement in quality of working life in the Federal Government. We hope to find ways to (1) improve individual performance and organizational productivity and (2) provide individuals with a quality of working life which the Federal Government, as an exemplary employer, should provide and which individuals deserve. We will be asking what the existing level of quality of working life in the Federal Government is and what it should be.

A newly formed group with which GAO is working should also improve efforts to insure a practical research application. This group is charged with developing a public management research agenda. The task it has set for itself is to identify major areas of current research, and areas in which research is needed. It then hopes to find ways of facilitating awareness and utilization by officials at all levels of government and by schools of public administration. One of the topics it has tentatively set to examine is the management of organizations, their planning strategies, life cycles, measurement

of their outputs, management of information and how they initiate and terminate programs. Other possible research areas to be considered are the relationships between management and workers, and the process of employing, developing and maintaining an effective work force. Another important topic is the management of cost--how best to determine a program's true cost and then compare and contrast these costs with those of other programs. A key subject it has identified which has recently received much attention, and about which we need to learn more, is equity and ethics in public service. One of the group's concerns is to learn how organizations and individuals can be imbued with ethical concerns and interests.

I also indicated when I last spoke to you that there was a need for executive development programs. Many levels of government have taken steps to educate and train managers. With greater dependence on the public sector to deliver more and better services, we must continue to increase such efforts. A recent Committee for Economic Development report on improving productivity in State and local governments concluded that the greatest opportunity for improved government productivity lies in strengthened management. Conversely, I believe the increased productivity and organizational effectiveness of participants will lead to top management commitment and endorsement for executive development programs.

These examples reflect a very few of the recent advances of which we can be proud. What of "Look Ahead - Achieve?"

I hope we will soon move ahead to a new and more effective method of setting public employees pay. Public sector pay now covers about 14 million civilians or 18 percent of U.S. workers in nonagricultural establishments; 81 percent in State and local, 19 percent in Federal.

There are now a number of methods used to set pay; in fact, there are over 60 Federal pay systems. Any new method should produce pay rates that will enable government to recruit and retain the best qualified people and at the same time provide equity among the employees on the payroll.

With increasing frequency we hear criticisms of Federal pay levels: they are too high and they reward mediocre performance. In some circumstances, GAO has made the same criticisms; in other circumstances, we have strongly disagreed.

GAO reports have proposed a variety of improvements and refinements in the General Schedule, the major white collar pay setting process. While the process is based on comparability with the non-Federal sector, we are concerned about whether the right comparisons are being made. Each year the Bureau of Labor Statistics visits over 3,000 non-Federal establishments to obtain salary data on jobs similar to those found in the Federal Government. The annual survey includes only 25 percent of non-Federal white collar employees. State and local government employees are excluded by law; nonprofit organizations and some other private sector employees are excluded by administrative action. We believe that the survey should be broadened

to include a more representative cross-section of the non-Federal universe.

We also question whether this one General Schedule pay system can adequately encompass more than 400 occupations and 18 levels of responsibility ranging from clerks and messengers to top executives. Because the present structure fails to recognize that the labor market consists of distinctive occupational groupings with different pay treatments, the Government is paying, in varying degrees, more or less than market rates for some employees. We suggest that separate systems be designed around more logical groupings of occupations and that pay be based on rates existing in the labor market in which each group competes; for example, clerical employees' pay should be based on local prevailing rates rather than on a national average.

We have made other recommendations to make Federal white and blue collar pay more comparable to the non-Federal sector pay. Although many groups and individuals have endorsed our recommendations, little progress has been made by the Congress and the administration in implementing them.

We are especially concerned because congressional action has not been taken to meet executive pay problems.

In fiscal year 1969, Federal Government outlays totaled about \$185 billion. Today they are about \$373 billion. During that timespan --the cost of living increased about 52 percent

- most Federal white-collar salaries increased 58 percent;
- executive salaries in the non-Federal sector increased substantially; WHILE FEDERAL EXECUTIVES SALARIES INCREASED ONLY 5 PERCENT.

To manage government's huge, complex and growing programs, we need to attract and retain highly qualified executives. Unfortunately, the present executive pay structure is impeding that goal. Mechanisms that have been established to review and adjust top executive salaries have not been very effective. Many qualified individuals from outside government have refused to accept Federal employment because it would entail a radical decrease in income. Excellent Federal executives have also left government service to enter the private sector at larger salaries.

Limiting pay at top levels while increasing it at lower levels means that Federal executives working at five different levels of responsibility now receive the same pay. Ninety-one percent of our executives in three supergrade levels receive the same salary today. This surely affects morale and incentives for advancement for all Federal employees. Some employees have even refused promotions, especially when a geographical move was involved, because there would be no accompanying increase in salary. We believe there is an urgent need for both increased pay and a better method to insure periodic pay adjustments for executives.

Another important problem, shared by private companies and governments at all levels, is the growth of employee retirement costs. We

at GAO are very concerned about Federal retirement systems and consider our work in this area to be of high priority. We are concerned because the civil service retirement system, which applies to most civilian employees, has an unfunded liability of almost \$100 billion even though employees contribute 7 percent of their pay. Government contributions in 1976 will amount to another 20 percent. At the same time, the unfunded liability continues to increase. It is estimated it will be over \$200 billion by the end of the next decade. I believe many State and local government systems are in similar predicaments. Something must be done.

Ironically, much of the problem at the Federal level stems from failure of the Government to adopt proper accrual accounting techniques. In other words, the real costs of providing retirement benefits are not being recognized in the costing and funding methods used. As a result, the Congress has not been made fully aware of the cost implications of the many benefit improvements it has made over the years and is still constantly being asked to approve. Perhaps the Congress, the taxpayers, and even the employees, would be calling for serious attention to retirement programs if they knew the true costs involved. The Government forced private employers to face up to their retirement program cost with enactment of the Employee Retirement Income Security Act of 1974. Government as an employer should do the same whether the law requires it or not.

Looking ahead in areas you have chosen for discussion--equal employment opportunity, labor relations, personnel selection, and workforce management--certainly allows discussion of today's and tomorrow's crucial issues.

Most personnel management examinations are concerned with functions of the personnel office. However, it may now also be time to look at the structure of personnel systems, which Harold Seidman in his book Politics Position and Power calls "the nerve center of the bureaucracy."

I have not come here with definite plans for immediately revising personnel structures, but I do have some points for you to consider as you "look ahead." For as John Gardner in his book Excellence says,

"I do not wish to minimize our short run problems: if we fail to deal wisely with certain of these, there may not be any long run. But the daily crises hardly need further emphasis, they press in on us with punishing force."

Most personnel directors would agree that equal employment opportunity (EEO) and good personnel management are interrelated and interdependent. A good personnel system is not biased either for or against any one group. Most personnel directors would also admit that the barriers to minority and female job applicants match closely with the basic functions of personnel offices--recruiting, examining, and hiring.

Why then do many agencies separate EEO endeavors from the regular personnel management system?

The Civil Service Commission has not taken an official position on the organizational placement of EEO programs. However, certain CSC memoranda imply that the EEO function should be separate or "independent" from the personnel system. For example, the 1972 CSC Evaluation Guidelines for EEO state that:

"while advisors should not have preconceived ideas where EEO officials should be located in the organization, many agencies have found it impractical or less effective to utilize supervisors and personnel office employees in these positions because of their frequent involvement* * *in the types of personnel actions and practices which give rise to EEO complaints."

Such statements suggest that personnel offices and agencies would be wise to separate the two functions.

GAO staffers interviewed several agency officials on the relationship of EEO and personnel functions. Those officials who favored combining the two agreed that the EEO program involves essentially personnel-related matters. Agency officials favoring separation argued that it permits more objective evaluation of the problems, better access to top management, and more prompt and direct actions on EEO matters.

The consequences of combining or separating EEO activities from regular personnel management have been little understood and have gone relatively unnoticed. Yet the organizational placement of EEO programs

can have a critical bearing on workers' attitudes about EEO objectives and on the success of an agency's EEO efforts.

For example, while establishing staff positions for program coordinators for women and the Spanish-speaking outside the personnel system offers visible, official commitment to EEO, it can also lead to worker criticism that an agency confines its EEO efforts to "special" groups. Workers not of these groups may be inclined to feel that affirmative action excludes them. Since the success of EEO programs on behalf of minorities and women depends, in part, on the cooperation of persons already in the workforce, it is important to create the organizational reality that EEO is for all employees. But to do that we must show through deeds that EEO is about the business of changing personnel systems so as to achieve equity for all! EEO staff positions located outside the regular personnel management framework often do not foster this image.

Placing responsibility for affirmative action outside the personnel department may insure independence from departmental channels, but often it does not put responsibility and accountability for affirmative action where it can best be accomplished--in the personnel office. The independent EEO coordinator can move management to accept program guidelines. He is not, however, in a position to carry out these changes in the employment process where the most serious barriers to minorities, women, and the disadvantaged could occur. The personnel office, responsible for providing operating groups with staff to do the agency's work, is the critical organizational point for accomplishing unbiased

recruitment, selection, training and promotion. EEO achievement lies in personnel action.

Separation of the EEO and personnel functions has often prompted rivalry between EEO offices and personnel administrators. Often communications between them have been poor; lines of authority and responsibility have remained unclear; personnel functions have overlapped and have been duplicated.

If a long-range goal of affirmative action is to combine EEO activities with personnel systems of Federal agencies, has the time come to reassess our earlier thinking about the desirability of separating them? If the emphasis on affirmative actions is to remain a permanent concern in Federal employment, should we not begin to fully move EEO into the day-to-day operations of Federal agencies? Obviously there is a need, in the meantime, for increased cooperation and coordination between the two functions and greater pooling of EEO and personnel management skills and knowledge.

The structure of personnel systems will also change with the widening scope of collective bargaining agreements. The last three Congresses have considered several proposals to legislate, rather than manage by executive order, the programs for labor management relations for the Federal sector as well as for State and local government employees. Such a move, which will bring the program closer to that practiced by the private sector, could well mean:

- The scope of collective bargaining will expand to encompass wages, fringe benefits, working conditions, and virtually every area of personnel management.
- Strikes and other work disruptions, should they occur, will cause (1) interruptions in the flow of the Nation's goods and services, (2) increased third-party settlement costs, and (3) hidden or immeasurable costs, such as the effect upon productivity and employee morale.
- Labor organizations will gain steady access to the courts and likely will make frequent and extensive use of litigation process to further their goals.

With this in mind, not only do we have to ask, as you are doing in your sessions, how collective bargaining changes the merit system but also what body or bodies should administer labor management programs? Are we in danger of superimposing second personnel organizations on existing civil service systems?

Another look at structure might be at the placement of personnel offices and staff and at their authority, responsibility, and accountability. At the Federal level, the House Post Office and Civil Service Committee is considering legislation which is a direct result of its Subcommittee on Manpower and Civil Service hearings on violations of the merit system and abuses of merit principles in Federal employment. Several of its provisions would change the roles

of an agency head and his personnel director. Increased status, authority, and responsibility for compliance with the merit system would be delegated to agency personnel directors. Another provision would make the personnel director directly responsible to the agency head for personnel matters.

Defining the role of the personnel officer and his place on the organization chart has long been a subject for discussion among public and private administrators. A recent Fortune magazine article is entitled "Personnel Directors are the New Corporate Heroes." The present organizational arrangement in many private sector companies puts the personnel department in the hands of top executives. The present organizational arrangement in most public agencies places personnel management well below the top executive level. Mission-oriented line managers, particularly short-term government political appointees, have rarely perceived personnel departments as crucial to their operations--until the personnel officer says "no." Managers with program responsibilities are too often unfamiliar with the personnel office and the formulation of qualification standards and policies, the search for candidates to meet those standards, and the process of selecting, promoting and training those judged best qualified. Many of you know this from your daily work.

Neither this problem nor many of the possible solutions are new to you. Personnel officials have long been concerned with integrating personnel management with policies and programs. How best to insure efficient and effective manpower management has long been a

subject for debate. What then is new? It is the revived public interest in personnel and the broader issues of civil service systems. At the Federal level, this is undoubtedly partially a result of publicized violations of the merit system. Federal patterns and requirements for merit systems have also increased the attention being given to personnel structures at the State and local levels and are causing changes to be made in these structures. A recent report prepared for the Office of Management and Budget by the Study Committee on Policy Management Assistance, on strengthening public management in intergovernmental systems states:

"Civil service regulations, promulgated to guard against the ravages of unbridled patronage, limit the flexibility of policy makers and management in selecting and assisting personnel; thus needs determination and program development become futile because implementation is compromised."

Also new is the insistence that even tighter controls be instituted to prevent recurrences of recent events. Some citizens, reacting to exposed abuses, urge setting detailed rules into law, but are we certain that the problems were caused by flexibilities in the system? Henry Fairlie, the British observer and writer on American politics, describes the flexibility of the bureaucracy in his new book The Spoiled Child of the Western World by saying:

"The kind of large and complex organization that we think of as 'bureaucratic' cannot be managed only by rational procedures; it would break down every day, if that were the case, break where it ought to give. In actual life, it gives. It pursues its course as much by improvisation as by precedent, the improvisations often in time becoming the new precedents."

Unnecessary rigidity may only lead to new efforts to manipulate the system. The recent report to the Civil Service Commission by the Sharon Merit Staffing Review Team urged in its conclusions that:

"a clear and continuing distinction be made between systemic flexibilities designed and approved to provide acceptable alternative courses of action because of varying conditions and circumstances, and those 'flexibilities' which are rationalized and applied as means of achieving unworthy ends in individual cases."

Leonard Nord, director of personnel for the State of Washington, talked in a National Journal interview of "that fine line between overregulation which hamstring management and underregulation which permits abuses." This search for just the right system of control, in an even broader sense than solely in personnel management, is not new. In 1954 the American Assembly meeting asked, "How can we combine, in the Federal government service, high competence and motivation with a system of control that insures responsiveness and responsibility essential to a democratic society?" The same question was asked when the Assembly met in 1965 to revise and update its findings. And the same question is still relevant. In a paper written for the 1965 Assembly, Herman Miles Somers said:

"There is a considerable body of competent opinion which feels that formal legislative, executive, or judicial regulation or external accountability can never be sufficient alone to control such a large group as the federal service, with its otherwise inescapable centrifugal tendencies. There can be no substitute for its own self conscious group pride, a group discipline, self imposed because of the continuous need of approbation from one's colleagues. Such an ethic relates not only to the issues of integrity but to an affirmative attitude of responsibility and initiative."

And so we come to the part each of us must play. As colleagues, let us be proud to accept group professionalism and principles as a primary control.

Adhering to a sound moral code based upon ethical principles is the keystone for reacquiring and maintaining the American trust in Government. Behavior which is perceived as dishonest or unethical by the public becomes the stereotype and generalization upon which the public evaluates us, the bureaucracy. This perception of the Government bureaucrat is not enhanced by the difficult nature of the tasks which Government undertakes. The natures of these tasks together with their high probability for less than total success makes it crucial that we, as civil servants and as members of Government agencies, carry out our tasks with the utmost integrity and honesty.

After meeting the challenge of group professionalism and principles--of integrity, honesty, and ethical conduct--we can turn our attention to our objectives, to what we are intended to accomplish for the public.

Let us use demonstrated achievement to firmly establish public respect for our work. Psychology Today recently reported on a study done by the survey research center at the University of Michigan. Respondents were asked about their experience with government agencies and were asked to evaluate the quality of the bureaucracy. Seventy-one percent said their problems were taken care of, but when asked if they believed that government agencies do well at taking care of problems, 30 percent said yes. Eighty percent said that they were treated fairly in their government dealings, yet only 42 percent said the government treats most people fairly. This poses a tremendous challenge. Our job must be to link the public's satisfactory experiences with their beliefs. Alexis de Tocqueville writing in 1835 said "A public officer in the United States is uniformly simple in his manner, accessible to all the world, attentive to all requests and obliging in his replies." Let us try to make this reality of a long ago public servant an accurate one for today.