Remarks by The Honorable Dan G. Blair
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Introduction

Thank you, Jeff, for that kind introduction and for the opportunity to be with you today. It's great to be home in Missouri!!

I appreciate so much having President Jefferson here this morning to share his perspective on the Lewis and Clark expedition. I've always imagined how thrilling it must have been to have been a member of the Corps of Discovery – to strike out for the unknown with no idea of what they might encounter. We look back at that group of discoverers and hail their accomplishments. But, have you ever thought about what it must have taken to make that trip?

- First of all, they had to have an incredible sense of curiosity. Can you imagine their thoughts each night before they fell asleep? Thinking through what they'd seen that day? Wondering what could be ahead the next day? Every day they were laying their lives on the line – taking incredible risks to seek the great unknown.
- Second, they had to either be a leader or follow a leader. President Jefferson called on two individuals – Meriwether Lewis and William Clark – to find a way to the Pacific Ocean. But, they didn't go alone. They assembled a force of over 40 men. Their mission was exploration, diplomacy and science. And, together, they accomplished their mission!
- They were a group that endured great hardships – near starvation, hard physical labor, bad weather and sometimes hostile Indians. Yet, they persevered in their mission across 3700 miles and for more than two years!
- And, finally, they were willing to look beyond the people and places in their comfort zone – venturing up the Missouri River and across the mountains and befriending the Indians they encountered.

There's a lot that we can learn from this brave group of men – and maybe even some lessons learned when it comes to the Federal workplace.

Just as North America was at the beginning of the 19th century, the Federal civil service is in the midst of a great transformation. As we seek to modernize the civil service, we're discovering new and better ways to provide the services that our nation needs and expects. Now, as never before, our civil service is on the path of discovery, aggressively engaging in a pursuit of excellence as we seek to transform our Federal workforce to meet the demands of the 21st century.

Emergency Preparedness

Let's talk for a bit about those demands, and how they are changing the expectations for and how government does its work. As I was driving the Capital Beltway last week, I noticed a number of overhead signs with the message "Report Suspicious Activity" with a toll free number to dial. Just think about this for a second. Had we seen signs like that in August of 2001, we would have scratched our heads and questioned its purpose. Now, sadly, they are all too routine. Be it protecting America against the threat of terrorism, or responding to the "normal" emergency events like Hurricane Charley, the work we do in Government has never taken on such an important role.

As leaders in the federal community, you have an important responsibility to ensure your community is prepared in case of an emergency. The ever-changing threats we face make it clear that we must do all we can to be prepared so that we can protect our Federal workforce.

Immediately after September 11, OPM took steps to strengthen the ability of FEBs to respond to emergency situations. You – and other FEBs – took action to improve your communications protocol and provide training on topics such as COOP planning and shelter-in-place.

In the past year, OPM has --

- conducted five forums on emergency planning and preparedness in Washington plus two additional forums in Boston and New York City – the sites of the two political conventions
- made plans to take these forums on the road to major Federal employee centers throughout the country and we'll be working closely with the FEBs in this process
- conducted a survey of agency headquarters in Washington to assess the level of emergency preparedness and ensure their emergency preparedness training is meeting identified needs.

Bottom line – we're taking no short-cuts to protect the Federal Government's greatest resource – our workforce.

We're doing our part but you have an important role to play, as well –

- You must stand ready to provide timely and relevant information to support emergency preparedness and response coordination in your local area
- You must play a critical role as Federal liaison for state and local emergency officials and in disseminating relevant information regarding emergency preparedness
- Your leadership in planning, in providing training and in developing and, when necessary, activating your notification system is essential.

Planning and communication are the keys to being prepared for the crisis that we hope will never happen. And, allowing any employee to be confused or frightened is not an option.

President's Management Agenda

Staying vigilant and prepared has become just one aspect of how our federal workplace is undergoing change. Making sure government has the tools to accomplish its mission has never been more important. That is why we have taken on new challenges and sought to modernize our civil service system. I believe that in the last three years we have seen the most productive period of executive and legislative branch cooperation on civil service matters since the Civil Service Reform Act of 1978.

This achievement is chronicled through –

- the development and implementation of the President's Management Agenda
- the enactment of the Chief Human Capital Officers Act of 2002
- in additional government-wide and agency-specific HR management flexibilities that have been made available in recent years AND
- tremendous progress in the development of a framework of accountability and assessment for using those flexibilities fairly and responsibly.

The sum total of all of these actions clearly shows we are well on the way down this path of excellence.

President Bush signaled his desire to push government to perform in what some would characterize as new territory when he launched his Management Agenda just three years ago this month. The PMA –

- Created a new mindset for government that is citizen centered, results oriented and market based
- Set a strategy for improving the management and performance of the Federal government
- Focused on the areas where deficiencies were most apparent and where Government could begin to deliver concrete, measurable results
- Established a simple grading system to rate agencies and departments on their progress in implementing the PMA goals AND
- Includes five government-initiatives, the first of which is Strategic Management of Human Capital – having processes in place to ensure the right person is in the right job, at the right time, and is not only performing, but performing well.

At OPM, we understand the significance that the strategic management of human capital is the first item on the President's Management Agenda. After all, you can't get the work done until you've got the right people in the job.

Over the last three years, Federal agencies and departments have made significant progress in adopting the new disciplines of the PMA and meeting its goals. I would guess that each one of you in the audience today have become all too familiar with the red, yellow and, hopefully, green status scores that each of our agencies are assigned.

In the Strategic Management of Human Capital, agencies have put into place the key tools for managing their workforces.

- 92 percent of the agencies have strategies for ensuring that they are developing future leaders.
- 92 percent have identified skills gaps in critical occupations
- 77 percent are working to reduce or eliminate them AND
- 65 percent of agencies have performance evaluation systems that more clearly define what is expected of each employee and how they are performing relative to those expectations.

We've come a long way in the last three years! So let's recognize those in the audience who represent the agencies who have reached green on the human capital component of the President's Management Agenda. Let's give them a big hand!

OPM, as the lead agency on this PMA initiative, is continuing to look for ways to improve human capital management government-wide. It's an ongoing process – we'll always be striving to increase awareness and stretch ourselves and you as we continue our efforts to find the right people in the right job at the right time doing the best possible job.

E-Government

Another component of the President's Management Agenda is expanded electronic government. We must ensure that the Federal government's annual investment in information technology significantly improves the government's ability to serve citizens and that IT systems are secure and are delivered on time and on budget.

OPM is the managing partner to six Presidential e-Government initiatives which support the recruitment, selection and development of human capital and resources across government. These five inter-related initiatives support a government worker's life cycle and include –

- e-Clearance
- e-Training
- e-Payroll
- Recruitment One-Stop AND
- Enterprise Human Resource Integration (EHRI).

Our projects range from consolidation and migration of payroll systems to developing a federal recruitment and job posting website.

E-Clearance
I'm sure all of you have seen news reports of the backlog of security clearances that currently exist. In our post 9/11 world, the number of requested security clearances has never been higher – and the importance of the process has never been so critical.

OPM is working on three ways to improve the process -

- an automated online version of the security clearance application which will speed the application process as well as automating the scheduling process for background investigations;
- development and implementation of a cross-agency clearance verification system which will enable agencies to access existing clearances thereby eliminating duplicate, unnecessary investigations and speeding the process of clearance requests;
- and, third, imaging investigative records held by the multiple number of investigative agencies and make them available electronically among authorized users.

E-Training

E-Training provides one-stop access to high quality training products and services. If you haven't looked at the training resources available through www.golearn.gov, you should check it out.

The Gov Online Learning Center is evolving into an online learning center of excellence focused on easily accessible, high quality learning and performance support. This important tool enables government to better attract, retain, manage and continuously educate the highly skilled professionals needed for a flexible and high-performing government workforce, while saving tax payers about $784 million over the next 10 years.

To date, we've launched three modules of training and will launch a fourth later this year. We anticipate that 58 departments and agencies will have migrated to the GoLearn platform by the end of FY 04.

E-Payroll

OPM's E-Payroll Initiative is leading the effort to consolidate 26 executive branch Federal payroll providers, standardize payroll policies and procedures, and better integrate payroll, human resources, and finance functions. These solutions will make federal payroll processing far more efficient and are projected to save $1.1 billion over 10 years.

Recruitment One-Stop

Our Recruitment One-Stop initiative is designed to simplify the process of locating and applying for Federal jobs – and it's been a huge success. The USAJOBS website has logged more than 77 million visits in the first year since its revamp. Over 700,000 new online resumes have been created and the reports of customer satisfaction are extremely high. Through these enhanced job-seeker services, this initiative is helping Federal agencies meet their human capital recruitment challenges.

EHRI

Enterprise Human Resources Integration (EHRI) is a collaborative e-Government initiative designed to transform all Federal records for over 1.8 million employees from the current paper-based system to an electronic system.

We estimate that the Executive Branch currently maintains over 200 million pieces of paper associated with the paper Official Personnel Folders (OPFs) of the current Federal workforce, and over 2000 employees are employed just to maintain these files. EHRI will enable the government to save more than $72 million per year in costs associated with handling and storing paper employee records. This equates to a savings to each and every agency of $42 per employee per year once fully implemented.

EHRI is comprised of three major components:

- a central data repository for all Executive Branch employee records;
- an electronic Official Employee Record to replace the paper-based official personnel file; AND
- a set of analytical tools to support HR and Federal managers in forecasting human capital requirements, identifying trends, and managing knowledge.

The electronic Official Employee Record, which will replace the paper folder, serves the same purpose of documenting the employment history of individuals employed by the Federal Government. The electronic Official Employee Record provides multiple benefits such as:

- Secure access via the web
- Reduced costs associated with storage, maintenance, and retrieval of records
- Automated employee folder updates and email notification to employees when documents are placed in the folder
- Increased productivity
- Eliminating redundant functions
- Providing immediate access to folder and information for a geographically dispersed workforce
- Enhanced service quality AND
- Electronic transfer capability

EHRI's central data repository will replace the current Central Personnel Data File and will expand the capability for government-wide reporting; EHRI is in its second release of three planned releases for its data warehouse and analytical tools.

EHRI is in the process of working with agencies to determine migration dates to the electronic recordkeeping system and to the workforce analytic tools. The Department of Health and Human Services (HHS) is currently partnering with EHRI and is in the process of standing up over 75,000 employee records on EHRI. Several other agencies are in the process of or are in discussion with EHRI to begin implementing electronic personnel records.

We are hoping to get all agencies moving towards electronic personnel folders during FY05 and FY06. However, funding may be an issue. Our funding strategy has changed from a centrally funded initiative to a fee-for-service operation and, as a result, we now charge agencies to use the electronic personnel record. Unfortunately, many agencies have not yet budgeted for this expense.

Several agencies have already implemented similar types of applications, but these systems do not meet the e-Gov goal of centralizing operations and sharing services. Department of State, Defense Logistics Agency, Defense Education Activity, and Air Force are just a few. We are working towards setting government-wide standards so that all the records can be transferred throughout an employee's career up through retirement.

We are also working closely with the Retirement Systems Modernization initiative to provide data for retirement as well. And, we are working with the National Archives and Records Administration (NARA) to provide the capability to transfer separated employee records electronically to NARA and also to receive records from NARA electronically. Additionally, we are working with them on official records disposition issues. In other words – what do I do with the paper record once it is electronic?

The greatest challenges for the EHRI project involve change management – people are comfortable with paper; people are worried that all their information will be accessible via the internet; what happens when the computer goes down or the information is lost?

Another challenge is dealing with the transition period while some records are electronic and others are still paper. It is not a problem as long as the employee stays within one agency, but as soon as they transfer, it becomes an issue. For example, when HHS is fully deployed and an employee transfers to a new agency that is not yet using the electronic record, then HHS will have to print out the folder and mail it. But, if the employee transfers to the Air Force, the record will be able to be sent electronically. As more agencies come on board, the transfer process will be easier.

As you might guess, with technology constantly changing, the e-Government projects will never be fully complete. And, the PMA guidelines for e-Government are constantly evolving as well.

I've focused on just a few elements of the President's Management Agenda. It is clearly a work in progress – but progress is definitely being made. Just last week, the Office of Management and Budget issued a report that indicated that the PMA is making the Federal government more results-oriented. Agencies are working more productively and they are increasing their focus on desired outcomes using the tools set forth in the PMA so that they can provide better value for the American taxpayers.

Modernizing the Civil Service

The President's Management Agenda recognizes that success on these initiatives depend on one over-riding factor – PEOPLE. You can't perform well unless your most important asset is sufficiently resourced and motivated to perform.

Focusing on the workforce also means focusing on the oftentimes outdated personnel systems which govern the workplace. Fortunately, significant changes have taken place over the last three years to update our civil service laws.

Government-wide Changes

First, let's look at the changes that are government-wide. Legislation has been enacted recently that provides greater flexibility to agencies in hiring, promoting, and retaining the best and brightest Federal workers.

The Chief Human Capital Officers (CHCO) Act of 2002 –

- enacted as part of the Homeland Security Act of 2002
- elevated human capital management to its proper place as a strategic issue critical to agency mission accomplishment
- requires agency-level designation of a Chief Human Capital Officer
- establishes a government-wide CHCO council chaired by the Director of OPM with the Deputy Director for Management of the Office of Management and Budget serving as vice chairman AND
- most importantly, it signaled a cultural change in the strategic importance of managing people in the Federal government.

As a result, agencies are focused, like never before, on strategically managing their most important resource – their human capital.

In addition to creating the CHCO, that legislation also authorized expanded use of buy-outs and expanded Voluntary Early Retirement Authority (VERA).

These workforce shaping tools provide an extremely important and effective government-wide flexibility to agencies to assist them in reshaping and reskilling their workforces. Prior to passage of the Act, agencies could only offer Voluntary Early Retirement based on a need to downsize their workforce. Now, agencies can now request the use of VERA based on a need to restructure, reshape, and reskill their workforce. There is also new flexibility to offer employees buyouts.

In the past year, OPM has processed over 225 requests for VERA, VSIP or combined VERA/VSIP requests from over 25 agencies, not counting the Department of Defense which has its own separate authority.

Of critical importance in that legislation was the grant of additional hiring flexibilities. Those include a targeted, direct-hire authority for a severe shortage of candidates or a critical hiring need. This authority permits agencies to hire qualified employees "on the spot," without putting them through a formal rating and ranking process. It gives agencies a vital new tool for rapidly addressing pressing hiring needs.

Agencies also received authority to utilize a streamlined approach to rating and ranking applications for Federal jobs. This new approach, called category rating, is the first significant change in the process for evaluating Federal job applicants in over 50 years. It is a procedure that maintains veterans' preference and allows agencies to place candidates in broad quality groupings, rather than assigning candidates actual numerical ratings. It may also give the selecting official more candidates from whom to select, rather than limiting him or her to just the top three, as is the case with the traditional system. The bottom line is that the quality of applicants can be maintained

and veterans' preference in hiring is preserved, while potentially expanding the pool of hires of veterans and non-veterans alike from which the selecting official can choose.

Unfortunately, we're finding that not as many agencies and departments as we had hoped are taking advantage of these new hiring flexibilities.

Much attention has been focused recently on "fixing" the hiring process. In fact, I've testified several times recently before Congress on this important issue and heard again how strongly the Congress feels about it.

The bottom line is that hiring in the Federal government takes too long. And this lack of timeliness costs us both in productivity and qualified personnel. It's just plain wrong that people eager to serve their country are not treated with more respect.

We've been working at OPM for some time now to improve the hiring process. We are now looking to the agencies and departments to adopt changes that will make the hiring process more effective and more efficient.

And, we're planning to soon begin monitoring the length of time agencies take to complete the hiring process. As senior managers, we'll be looking to you to partner with us in this process.

OPM has and will continue to actively guide, support, and evaluate agencies in their use of these and other flexibilities. In 2004, we have granted agency-specific direct-hire authority to six agencies and are currently reviewing two other requests. These authorities are in addition to the Government-wide authority for several positions granted by OPM last year. These authorities will provide agencies with a streamlined process to quickly get individuals with mission critical skills on board.

Improving agency hiring is a top OPM priority, and we've spent the last three years putting into place the processes and procedures that will enable agencies to attract and hire the best and brightest for service to our country. Another example of our efforts includes the changes and enhancements OPM's USAJOBS website. We've also focused attention on improving agency vacancy announcements, and conducting outreach to students, veterans and the public at large through a number of initiatives, including a series of recruitment fairs across the country.

In May of this year, we began the first in what we anticipate will be a series of cooperative efforts between OPM and agencies to improve hiring. Working directly with the senior leadership and human resources (HR) staff of the Department of Housing and Urban Development (HUD), OPM has provided its knowledge and expertise by completing a process map of the agency's entire hiring program, conducting field and headquarters focus groups, and has assisted in developing a process re-engineered to improve HUD's hiring program.

Getting agencies to use these flexibilities requires education and training. And, we need to focus this effort on the Government's HR leadership and professionals. In addition to the daily contact between agency and OPM Human Capital Officers, OPM

has worked to educate Chief Human Capital Officers (CHCOs), human resources professionals, and managers on various flexibilities.

We have conducted several symposiums on hiring flexibilities at our OPM headquarters, but we plan to take this show on the road. By working with you, and others in the FEB community, we plan to bring our training to HR specialists in the field. Moreover, we plan to utilize e-learning technology, such as websites and compact disks, to provide additional information and training to agency staff on using flexibilities.

In the long term, OPM is looking to develop competency models for the HR field and manage a "community of practice." OPM could then share with all agencies the general nature of the competencies developed and utilize this information in our web-based GoLearn e-Government project. We also want to explore automating the Administrative Careers with America assessment tool in order to speed the examination process. And, finally, we plan to continue updating and disseminating information regarding hiring flexibilities through OPM's Human Capital Officers.

Let me add a final point about hiring. It isn't just "time to hire." It's about quality hires as well. As selecting officials, you need to grab this issue, own it, and constantly work and pay attention to it, as you would other HR issues. That's why it's called the "strategic management of human capital" and that's why agency leaders must play a key role if you are going to improve the way we manage.

SES Regulations

We're also moving to a pay for performance system for our Senior Executive Service. As you probably know, OPM and OMB recently published new regs replacing the former six-level SES pay system with a new open range pay for performance system and prescribing specific criteria that agencies must meet to receive certification of performance appraisal systems for their SES employees.

When the regs are finalized, agencies which have been certified can set basic pay up to level II of the Executive Scheduled (currently $158,000) for their best-performing senior executives. In addition, the final regs will allow agencies with certified performance appraisal systems to apply a higher aggregate limitation on pay in a calendar year – up to the rate of pay for the Vice President (currently $203,000) – for senior executives and senior professionals.

The proposed SES pay regs are currently in a 30-day comment period. The certification regs are interim final and details of the certification process are currently under debate between OPM and OMB.

Additional Flexibilities

There are additional human capital flexibilities on the horizon. S. 129, which has passed the Senate, proposes some legislative changes that are sorely needed and will improve the ability of agencies to recruit high-quality individuals into the Federal service. For example, improvements to the existing authority for offering recruitment bonuses and retention allowances will make that flexibility much easier for agencies to use and

will make available a broader range of bonuses in terms of the amount and the form of payment.

Also, this bill would create annual leave enhancements that would help attract non-Federal individuals to the Government by permitting such new employees to earn annual leave at a higher rate than is currently the case for those who are new to Federal employment. I should note that the Administration has some concerns with the House version of this legislation – but we are continuing to work with Congress on the issue.

Fragmentation of the Civil Service

The Congress has also enacted agency-specific human capital legislation establishing the Department of Homeland Security (DHS), and passing bills to provide flexibilities for the National Aeronautics and Space Administration (NASA) and the renamed Government Accountability Office (GAO).

DHS

The development of a new human resources system for the Department of Homeland Security is a monumental step toward transforming the civil service. Congress felt that, to succeed in DHS's mission of protecting America, the personnel system must be flexible, be focused on performance and be aligned with the agency's mission as well as basic civil service rights of DHS employees. Following an intensive 10-month, highly collaborative and inclusive design process, proposed regulations for the new DHS HR system were published earlier this year.

The proposed components for the DHS' HR system include:

- A pay-for-performance system in which high performance is expected and rewarded; that streamlines and modernizes job classifications and pay levels; and that takes into account both national and local rates paid by employers in the private sector.
- A labor relations system that permits the Department to act quickly in situations where flexibility and swift implementation are most critical to achieving its mission; that provides for the swift and fair resolution of labor disputes by a newly established and independent DHS Labor Relations Board; and that preserves the right of employees and their unions to bargain collectively over important working conditions.
- A streamlined mechanism for handling major disciplinary actions and employee appeals that preserves full due process; that ensures independent, third-party review through the Merit Systems Protection Board for all but the most egregious of offenses; and that retains intact all existing employee protections against reprisal, retaliation, and other prohibited personnel practices

Over 3,700 comments on the proposed regs were received during the 30-day public comment period that ended in late March. OPM and DHS – which will issue the final regs jointly – recently concluded a formal "meet and confer" process involving the Federal Mediation and Conciliation Service. These talks, intended to reach as much

agreement as possible with the unions before implementation of the new system, were beneficial and actually were extended for several days because of their productivity in reaching areas of agreement. We expect the final regs to be issued in late September, with implementation planned in phases to allow for detailed design, training and implementation.

NSPS

All of this has great and positive portent for the rest of Government and for the civil service, for the DHS process is already being used as a model for the development of the National Security Personnel System for the Department of Defense. Authorized by Congress in the Defense Authorization Act of 2004, this new system – being developed jointly by DOD and OPM, seeks to modernize a broad range of civilian personnel rules. The new system will cover 650,000 civilian employees – just under 40% of executive branch employment.

Flexibilities in four critical areas will streamline workforce management and promote greater employee accountability –

- Pay for performance – The NSPS will establish a pay system driven by job performance rather than seniority. The new system will classify jobs and occupations in clusters consistent with broad pay bands.
- Staffing – The NSPS will enable more competitive recruitment and expedited hiring.
- Employee Appeals – The NSPS will streamline the employee grievance and appeals process to improve handling of performance and misconduct cases.
- Labor Relations – The NSPS will change existing labor procedures to expedite issuance of workforce rules and improve the ability to enforce them.

In April of this year, DOD established a NSPS Program Executive Office to work with OPM in developing and implementing the new system. DOD and OPM have engaged 41 DOD unions in a dialogue about the new system. We've reached out to employees through focus groups, town hall meetings, and a NSPS web site. Working groups have been convened to address specific issues and develop design options by mid-September. Stakeholder briefings are being held later this month.

DOD and OPM will take all of this input and make preliminary decisions on design options by late next month with a goal of publishing proposed regs by the end of the year. Final regs are expected in the late Spring 2005 timeframe with the first phase of implementation set for Summer 2005. We expect DOD to take a very aggressive approach in implementing the new system, with full implementation currently scheduled for 2006.

What's ahead?

OPM will be working with DHS and DOD as we finalize details of those two new personnel systems and move toward implementation. As I've said, we'll be using those two systems as a model as we work toward a government-wide transformation of the civil service. We'll be taking further steps to professionalize Human Resources staff by

developing competency models for the HR field. And, we'll be looking to eliminate disparities in classification, pay and benefits of Federal law enforcement personnel.

What we must never compromise, however, are the core values that are the basis of our civil service.

We've gone over a lot of information today and I hope you've caught a glimpse of the discovery that's in progress as we work to transform the civil service. Let me leave you with one final thought – a quote from Daniel Boorstin, the former Librarian of Congress.

"The greatest obstacle to discovery is not ignorance – it is the illusion of knowledge."

Think about it – the problem is not what we don't know. It's when we get stuck in doing things the way we've always done them, in thinking that we already have the answers.

Like Lewis and Clark – we've got to be curious about how things could be done more effectively and efficiently, we must be both leaders and followers, we've got to be willing to take risks and endure hardships, and we must be willing to move out of our comfort zones to embrace different people and different ideas.

I hope you'll join us on this expedition!

Thank you.